**TRANSCEND RESIDENTIAL PROPERTY FUND LIMITED**
(Incorporated in the Republic of South Africa)
Registration number 2016/277183/06
JSE share code: TPF ISIN: ZAE000227765
(Approved as a REIT by the JSE)
("**Transcend**" or **"the Company"**)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 AND DIVIDEND DECLARATION**

**Highlights and key performance measures**

**Financial Metrics:**

- **Distribution per share of 25.21 cents** (an increase of 108.35% from 30 June 2020)
- **100% of distributable earnings declared** as an interim cash dividend
- **Net Asset Value** per share of **R 9.07** (an increase of 2.95% from 30 June 2020)

**Operational Metrics:**

- Average portfolio **occupancy** of **94.41%**[1]
- Average portfolio **collections of 96.31%**[1]
- Portfolio **arrears of 3.53%**[1]
- Property Portfolio with a **value of R 2.52bn**

**Treasury and Other Performance Highlights:**

- Loan-to-value of 49.82% (52.69% as at 31 December 2020)
- Fully **settled shareholder loan of R 93.36m** through cash and senior debt
- Secured a **R 100m revolving credit facility** to bolster liquidity buffer

**Overview**

Transcend Residential Property Fund is a specialist residential REIT, listed on the Main Board of the JSE. As at 30 June 2021, the Company owns a portfolio of 4,173 high-quality residential units, servicing the low to middle income segment of the South African affordable residential rental market. Transcend's properties occupy a "sweet-spot" monthly rental, ranging between R 4,500 and R 8,000 per unit, which has proven to be more resilient to economic and market forces when compared to other subsections of residential rental property. The defensive nature of Transcend's asset class is evidenced through its robust and consistent results as well as its track record of 100% distribution pay-out.

**Results**

The board of directors ("the Board") has approved an interim dividend per share ("DPS") of 25.21 cents for the six months ended 30 June 2021, an increase of 108.35% when compared to 30 June 2020 (12.10 cents per share). The increase in DPS is due to the reduced interim pay-out ratio as at 30 June 2020 (which represented 40% of the prior corresponding 2019 interim period DPS).

This distribution is backed by a 96.31%[1] collection rate for the period and positive cash generated from the net operating activities of the portfolio. This represents a pay-out ratio of 100% of distributable income for the period ended 30 June 2021, which is consistent with the Company's dividend policy.

Despite the uncertainties created by the COVID-19 pandemic ("Pandemic") and other political and socio-economic unrest, Transcend has maintained a sound financial position and performance for the period under

[1] Stabilised portfolio year-to-date 30 June 2021 (calculated on net income)– excludes investment properties which are currently being disposed of on a unit basis, namely Midrand Village, Birchwood Village and De Velde, where vacancies are required to facilitate sales. Total portfolio occupancy, collections and arrears of all properties on a year-to-date basis is 90.75%, 96.93% and 3.45% respectively.

review. The Company continues to meet all its current debt obligations, including its debt covenants, and other financial obligations to its suppliers and staff. Although the second and third waves of the Pandemic have had an impact on the business and its performance, Transcend continues to generate strong cash flows which further demonstrates the defensive nature of the residential asset class and supports the declaration and payment of its interim DPS.

Distributable earnings have decreased by 9.60% to R 32.99m for the period which is largely attributed to lost revenue from unit disposals and the City of Johannesburg ("COJ") increased utility charges for water and sewer. These were effective from July 2020 after the COJ reclassified Transcend's portfolio from "block of flats" to "multi-dwelling units."

The portfolio continues to prove to be defensive, evidenced by strong collections and increasing occupancies recorded over the period. Despite the macroeconomic challenges the property sector continues to face, the Company remains successful in executing its strategy of owning well-located, quality properties in high-demand areas that attract best price rentals. This has provided the basis for a resilient and sustainable set of results and positions Transcend well for continued growth opportunities. However, a decline in economic activity due to the national lockdowns imposed by the Government to contain the spread of COVID-19 continues to raise concerns around future consumer affordability, as well as pressure on rental escalations and property vacancies.

Management and the Board continue to focus their efforts on good cash management by maintaining sound financial and liquidity positions. Loan to Value ("LTV") continues to be driven down and is below the 50% mark as at 30 June 2021. The Board is also satisfied that Transcend possesses suitable cash reserves to cover various short-term obligations and safeguard against unforeseeable circumstances.

**Property portfolio**
Transcend holds 4,173 units across a portfolio of 22 directly owned properties valued at R 2.52bn, located in Gauteng and the Western Cape in South Africa. The primary business of Transcend is the acquisition and operation of income-generating residential properties, with a focus on affordable, lifestyle-enhancing and well-located housing in high-growth urban areas. The Company intends to optimise the performance of its current portfolio and only acquire additional properties that are fully tenanted and that suit the profile of the properties owned in its portfolio.

The combined gross lettable area ("GLA") is 235,112 m$^2$ as at 30 June 2021.

Geographically, the properties are located in the following provinces:

| | |
|---|---|
| Gauteng | 83.26% |
| Western Cape | 16.74% |

The above allocation is based on GLA.

**Preparation**
The unaudited condensed interim financial statements were compiled under the supervision of Nic Watchorn CA(SA), the Chief Financial Officer ("CFO").

**Acquisitions**
Transcend has not made any new acquisitions during the period 1 January 2021 to 30 June 2021.

**Disposals**
<u>Midrand Village</u>
Management is in the process of selling units at Midrand Village on a unit-by-unit basis. The property consists of 225 freehold units located in Clayville, Gauteng. The property was acquired as an investment property and registered in the name of Transcend in June 2019. During 2019, management determined better value could be extracted from the units through sale rather than rental. As at 30 June 2021, 188 units have been sold and transferred to third-party buyers with a further 33 offers to purchase (sales agreements) in place on that date, and 4 units remain to be sold.

All the remaining units at this property are classified as non-current assets held-for-sale as there is a large degree of certainty that these units will be sold and transferred to buyers within 12 months from 30 June 2021.

<u>De Velde</u>
De Velde consists of 310 sectional title units located in Somerset West, Western Cape. Like Midrand Village, this property was acquired as an investment property by Transcend, and these units were transferred on 31 July 2019. During 2019, management decided to initially dispose of any vacant units. Subsequently, all units at the property have been marketed for sale and as at 30 June 2021, 73 units have been sold and transferred to buyers, with a further 72 units subject to sales agreements.

As at June 2021, 46.77% of the total units at De Velde have either been transferred or are subject to sales agreements. Due to significant number of sales, management has revalued the remaining units in line with selling prices, resulting in a R 100.76m fair value gain for that property.

The 72 units with sales agreements in place have been classified as assets held-for-sale. The balance of the unsold units continues to be classified as an investment property as at 30 June 2021.

<u>Birchwood Village</u>
Birchwood Village consists of 360 sectional title units located in Chartwell, Gauteng. This property was acquired as an investment property by Transcend and these units were transferred on 31 August 2019. In 2019, management decided to dispose of any vacant units. Like De Velde, all units have since been marketed to home-owner buyers and as at 30 June 2021, 7 units have been sold and transferred, while 58 units have sales agreements in place. Those 58 units with sales agreements have been classified as assets held-for-sale at the reporting date. The balance of the units remains classified as an investment property as at 30 June 2021 and are valued accordingly.

<u>Acacia Place</u>
In December 2020, Transcend disposed of Acacia Place in Duvha Park, Witbank, Mpumalanga. As at 30 June 2021, the purchaser (Instratin Properties Proprietary Limited) owes Transcend an amount of R 26.49m, R 10.64m of which is classified as current and will be settled in less than 12 months from 30 June 2021. This receivable is governed by a vendor loan agreement entered between the parties dated 31 August 2020, and secured by Erf 3 Grand Central Extension 9, COJ. This property is located on the corners of Old Pretoria and Alexandra Roads in Grand Central, Midrand. The referred security has been externally valued at R16.65 million.

**Occupancies and arrears**
For the 6 months ended 30 June 2021, the average total portfolio occupancy rate was 90.75%[2]. Excluding disposal properties (Midrand Village, De Velde, and Birchwood Village), the occupancy rate over the same period was 94.41%[3]. It is expected that the vacancies of the stabilised portfolio will remain between a range of 3% and 8% for the remainder of 2021.

The stabilised portfolio average collection rate was 96.31% and arrears were 3.53% of net operating income for the period ended 30 June 2021. For the total portfolio, these ratios are 96.93% and 3.45% respectively.

During the period under review, Transcend has outperformed the Residential Real Estate market national occupancy and “tenant good standing” averages as published by Tenant Profile Network (Pty) Ltd (“TPN”).

**Treasury**
As at 30 June 2021, the following interest-bearing borrowings with The Standard Bank of South Africa Limited (“Standard Bank”) and Nedbank Limited (“Nedbank”) were in place:

| **Standard Bank** | | | | |
|---|---|---|---|---|
| **Facility** | **Type** | **Maturity** | **Notional Amount (R’000)** | **Margin over JIBAR** |
| Facility A, Tranche 1 | Term | 31 Jan 2024 | 284,000 | 1.85% |

[2] Calculated as a percentage of income. 91.79% when calculated on a unit basis.
[3] Calculated as a percentage of income. 93.96% when calculated on a unit basis

| | | | | |
|---|---|---|---|---|
| Facility A, Tranche 2 | Term | 31 Jan 2022 | 274,000 | 2.35% |
| Facility C[4] | RCF | 30 Aug 2024 | 100,000 | Prime less 0.85% |
| **Syndication – Standard Bank & Nedbank ("Syndicated Facilities")** | | | | |
| **Facility** | **Type** | **Maturity** | **Notional Amount (R'000)** | **Margin over JIBAR** |
| Facility D, Tranche 1 | Term | 9 Apr 2022 | 295,000 | 1.90% |
| Facility D, Tranche 2[5] | Term | 9 Apr 2024 | 215,000 | 2.25% |
| Facility E[3] | Term | 29 Aug 2022 | 72,003 | Prime less 1% |

Facility A (Tranches 1 and 2) and Facility C are advanced by Standard Bank (the "Standard Bank Facilities"). Facility D (Tranches 1 and 2) and Facility E are advanced by a syndication of lenders, namely Standard Bank and Nedbank (the "Syndicated Facilities"). The total facilities are secured by the properties owned by Transcend with a carrying value of R 2.52bn.

The Standard Bank Facilities are secured by properties owned by Transcend with a fair value of R 1.23bn. The Syndicated Facilities are secured by properties owned by Transcend with a fair value of R 1.29bn. This security includes Midrand Village units, Birchwood Village units, and De Velde units that are classified as non-current assets held-for-sale and collectively valued at their respective sales prices of R 36.85m, R 56.34m, and R 96.12m (collectively R 189.31m). To date, 188 Midrand Village units, 73 De Velde units, and 7 Birchwood Village units have been sold and transferred to third-party buyers. A portion of the net sales proceeds received from the disposal of those units have been applied to Facility E. The full capital balance (of this facility) of R 57.67m as at December 2020 was fully settled as at 30 June 2021. In May 2021, Facility E was topped up by reducing Facility D, Tranche 2 by R 80m and increasing Facility E by R 80m. A further R 8m has been repaid in respect of Facility E between May and June 2021. The security in respect of these sales has been adjusted accordingly for the remaining units.

Interest is payable on the Term facilities quarterly and monthly on the Revolving Credit Facility ("RCF").

Notional facilities of R 569m are expiring in the next 12 months and have been classified as current liabilities at the reporting date. Several commercial banks have issued term sheets on attractive terms to refinance this debt and implementation of the refinance should conclude before 31 December 2021.

As at 30 June 2021, the following interest rate swaps with Standard Bank and Nedbank were in place:

| **STANDARD BANK SWAPS** | | | |
|---|---|---|---|
| **Interest rate applicable** | **Expiry** | **Notional Amount (R'000)** | **Rate** |
| Interest rate swap | 30 Jan 2023 | 137,000 | 6.60% |
| Interest rate swap | 15 May 2023 | 92,500 | 6.55% |
| Interest rate swap | 17 May 2023 | 92,500 | 7.09% |
| Interest rate swap | 24 Apr 2023 | 137,500 | 7.29% |
| Interest rate swap | 24 Apr 2023 | 195,000 | 7.10% |

| **NEDBANK SWAPS** | | | |
|---|---|---|---|
| **Interest rate applicable** | **Expiry** | **Notional Amount (R'000)** | **Rate** |
| Interest rate swap | 15 May 2023 | 92,500 | 6.96% |
| Interest rate swap | 15 May 2024 | 287,500 | 6.84% |

**Percentage of debt hedged**

Transcend's policy is to economically hedge at least 70% of the Company's debt exposure to interest rate risk. As at 30 June 2021, 85.46% of the Company's interest rate exposure on the various facilities was hedged via interest rate swaps with a notional value of R 1.03bn. The total Transcend external bank borrowings is R 1.21bn as at 30 June 2021.

[4] In May 2021, Transcend refinanced Facility C of R 28.90m for a further 3.3 years and increased the facility by R 71.10m to R 100m. Facility C was refinanced from a term loan into a RCF, priced at prime less 0.85%

[5] In May 2021, Transcend transferred notional debt balances of R 80m from Facility D, Tranche 2 to Facility E.

**Gearing**

Through effective capital and debt management, Transcend has reduced its LTV to below 50% as at 30 June 2021. The reduction in LTV from 52.69% as at 31 December 2020[6] to 49.82% as at 30 June 2021 is a result of five main drivers outlined below.

<u>Sales</u>

A portion of the net selling proceeds from units at Birchwood Village, Midrand Village and De Velde is applied against debt (reduction of R 65.68m) and results in a reduction in investment property and non-current assets held-for-sale. The combined effect of sales translates to a 0.47% reduction in LTV over the reporting period

<u>Fair Value Adjustment to property</u>

The Company's valuation policy is to have at least one-third of its portfolio valued annually at year end by external registered valuers. Accordingly, Transcend's portfolio has not been revalued as at 30 June 2021, except for Birchwood Village, Midrand Village, and De Velde which are currently being disposed of. Units at these properties have been valued to their respective selling prices. This fair value adjustment of R 108.57m represents a 2.37% reduction in LTV over the reporting period.

<u>Mark to Market ("MtM") on interest rate swaps</u>

Significant fair value losses on Transcend's interest rate swaps were recorded in 2020 because of the 325 basis point reduction in the repo rate. As at 31 December 2020, the fair value liability of Transcend's interest rate swaps totalled R 85.62m. Based on market anticipation of the repo rate rising in the short to medium term, Transcend has seen a fair value gain on interest swaps of R 37.04m in the first 6 months of 2021. This improvement results in an MtM liability valued at R 48.59m as at 30 June 2021 and consequently represents a 1.47% reduction in LTV over the reporting period.

<u>Revolving Credit Facility</u>

Securing an RCF in May 2021 has provided Transcend with the ability to reduce debt on an ad-hoc basis but still preserve a healthy liquidity buffer if required. At the reporting date, Transcend had undrawn limits of R 35m, which lead to a further reduction in LTV of 1.39% over the reporting period.

<u>Refinance of the Shareholder's loan</u>

The R93.36m shareholder's loan from Emira Property Fund Limited ("Emira"), owing as at 31 December 2020, was fully repaid in June 2021. R 70.76m was refinanced by Standard Bank (Facility C) and the remainder of R 22.60m was settled in cash. The shareholder's loan was subordinated to senior secured debt facilities and therefore previously excluded from the LTV calculation. The attractive benefit of this refinance is evidenced by the improved cost of funding; interest on the shareholder loan was charged at 3m JIBAR + 3.95% whereas interest on the refinanced facility (Facility E) is charged at prime less 0.85%. This refinancing has resulted in a 2.83% increase in LTV over the reporting period.

Driving down the LTV to below 45% remains a key priority and medium-term focus for Transcend.

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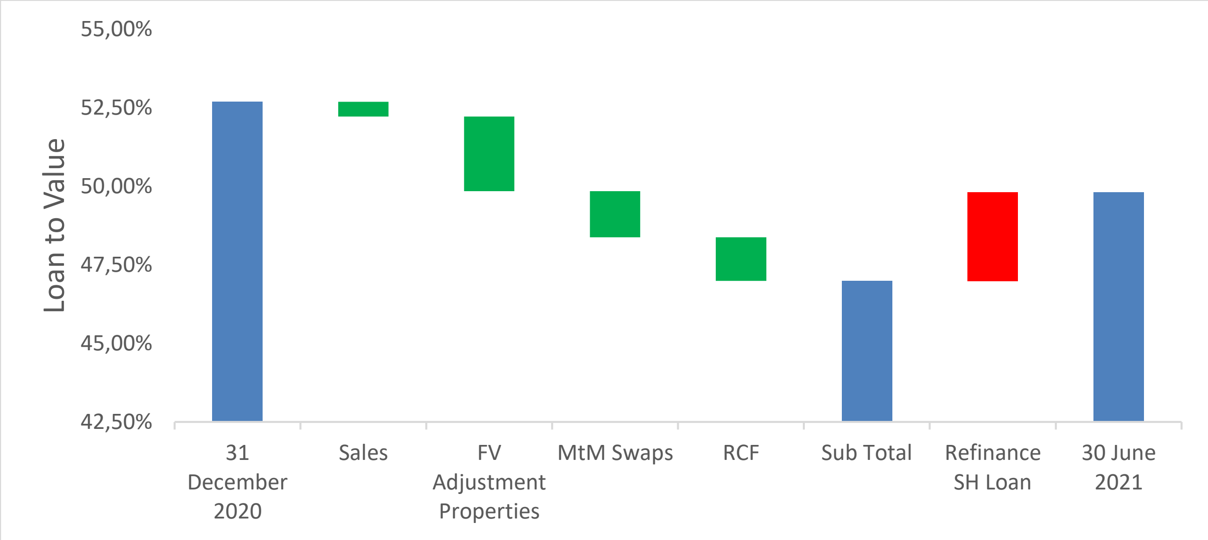
[6] For comparative purposes, LTV as at 30 June 2020 was 49.10%.

**LTV Bridge from 52.69% (December 2020) to 49.82% (June 2021)**




Transcend has a maximum LTV covenant of 55%.

**Interest Cover Ratio**

Transcend's Interest Cover Ratio ("ICR") requires that in respect of each measurement period and on each measurement date that the ratio is at least 1.60 times. This ratio can be defined as the ratio of EBITDA to gross finance charges. For the measurement period ending 30 June 2021, Transcend's ICR is 1.64 times, which includes more expensive interest on the now refinanced Emira shareholder's loan. If interest income earned on deposits is netted off interest expense before the ratio is calculated, ICR increases to 1.71 times.

**Summary of SA REIT performance measures**

| | 30 June 2021 | 30-Jun-20 |
|---|---|---|
| Funds From Operations per share | 25.21 | 12.10 |
| Net Asset Value (R'000) | 1,186,143 | 1,240,108 |
| Cost to income ratio (%) | 45.10 | 43.09 |
| Administrative cost-to-income (%) | 5.70 | 6.64 |
| All-in weighted average cost of debt (%) | 8.75 | 9.20 |

The above SA REIT performance measures were calculated based on the results from continuing operations.

**OUTLOOK AND FORECAST GUIDANCE**

**Transcend continues to deliver consistent performance that demonstrates the defensive nature of owning value-orientated, quality residential assets.**

Transcend is pleased to announce its interim results for the period ended 30 June 2021, from which it declared a DPS of 25.21 cents per share. This represents a 108.35% increase in DPS from the prior corresponding period and is a 100% pay-out of distributable earnings, demonstrating the portfolio's ability to generate positive cash from its net operating activities, despite difficult and uncertain economic and operating environments.

These results were achieved amid a second and third wave of COVID-19, which struck the country during the first six months of 2021. The Pandemic continues to have devastating effects on the South Africa's economy and its people. The delays in vaccination rollout across the country has forced the Government to implement varying levels of lockdown restrictions to aid in limiting the spread of COVID-19. The current environment also continues to place pressure on the office and retail real estate sectors as many South Africans and businesses still rely on the safety of their homes and continue to adopt a flexible “work-from-home” philosophy. This has, however, helped bolster the residential asset class to be a more attractive investment alternative for the Real Estate investor market.

The resultant low-interest rate environment has provided some relief over the past 15-months. It has also resulted in an added buoyancy to the residential sales market and further demonstrated the flexibility of Transcend’s portfolio. Management has demonstrated success in the implementation of its strategy of effectively recycling capital in the business through identifying properties in Transcend’s portfolio that can be broken up and sold at a premium to the open market. The proceeds of these sales have been, and will continue to be, used to pay down debt and reduce the Company’s LTV to a targeted long-term level of below 40%; as well as providing Transcend with additional balance sheet liquidity.

The recent riots and looting experienced by the country have further compounded the increased economic pressures that tenants are already facing. During this time, none of Transcend’s properties were negatively affected or damaged, nor were any of its tenants reported as being affected by the looting. The communities in which Transcend operates that were directly impacted by the riots include the Jabulani precinct and Protea Mall in Protea Glen, both located in Soweto, Johannesburg. Transcend worked closely with its property management team, security service providers, and the local authorities to ensure the continued safety of its tenants during this period of unrest.

Balance sheet strength continues to be a key area of focus for Transcend. Management has ensured ongoing balance sheet stability by reducing the Company’s LTV and maintaining its property valuations by protecting its tenant base and preserving strong cash collections on rentals. Management and the Board continue to focus their efforts on good cash management and ensuring sound financial and liquidity positions.

The interim performance has been underpinned by a continued upward trend in occupancies and collections for the portfolio. The portfolio has remained resilient and achieved a 94.41% average occupancy on the stabilised rental portfolio for the interim reporting period. Collections also remained strong at 96.31%, which has supported the business’s current cash position and ability to make a 100% pay-out in its interim distribution. Transcend has also been encouraged by the portfolio’s good letting performance over the past 6 months at current rental levels. This shows that Transcend’s rental offering represents value for best-priced rentals and both attracts and retains quality tenants. Although management does not expect any major rental reversions, it will be difficult to achieve significant growth in rentals during the short-term.

Whilst pressure on top-line revenue growth is expected to remain, expenses (specifically utility costs) continue to rise at rates that are well above inflation. This rise in costs could inhibit Transcend’s ability to implement reasonable escalations on rental income in the short-term. Higher than inflationary escalations imposed by various municipal councils are expected to negatively impact consumer affordability. Management is proactively and continuously engaging with the respective municipal councils to address these cost increases which may severely impact already stretched tenants. The Company is still disputing the back-billing charges imposed by the COJ during 2020. The continued unreliability of electricity supply by ESKOM has also compounded the effects of increased utility charges. Therefore, cost management through portfolio-level initiatives continues to be a critical component of the key performance indicators of the Company. These include the implementation of various sustainability and “green” interventions to offer tenants utility-efficient homes. As a business imperative, management will continue to focus its efforts on effective cost management and identify portfolio-wide cost efficiencies to support its growth strategy.

Forecast guidance:
Transcend remains well positioned, with a clearly defined and focused strategy of owning well-located, quality residential properties in high-demand areas. Its portfolio of over 4,000 units is well diversified; and has avoided any significant increases in vacancies or rental reversions experienced by other property types. The Company will remain focused on understanding its tenants’ needs and ensuring that its properties are safe.

Given the unpredictability of the current environment, Transcend expects the full year 2021 DPS to be at least in line with the prior year’s full DPS, while maintaining its 100% dividend pay-out ratio. The guidance assumes no further material deterioration in the macroeconomic environment relative to current levels.

This forecast guidance is the responsibility of the Board and has not been reviewed or reported on by the auditors. The Board has resolved to maintain the current dividend pay-out ratio of 100% of distributable earnings. Management and the Board continue to focus their efforts on good cash management by maintaining sound financial and liquidity positions.

## Statement of Financial Position

| Figures in R'000 | Notes | Unaudited 30 June 2021 | Audited 31 December 2020 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment properties | 4 | 2,329,523 | 2,360,727 |
| Property and equipment | | 1,384 | 1,761 |
| Loan receivable | | 14,700 | 14,700 |
| | | **2,345,607** | **2,377,188** |
| **Current assets** | | | |
| Trade and other receivables | | 7,776 | 9,128 |
| Loan receivable | | 8,938 | 8,000 |
| Cash and cash equivalents | | 19,660 | 72,277 |
| | | **36,374** | **89,405** |
| Non-current assets held-for-sale and discontinued operation | 5 | 189,310 | 146,219 |
| **Total assets** | | **2,571,291** | **2,612,812** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Stated capital | | 1,020,934 | 1,020,934 |
| Retained earnings | | 236,317 | 125,303 |
| | | **1,257,251** | **1,146,237** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | | 632,300 | 1,207,091 |
| Derivative liabilities | | 48,585 | 85,620 |
| | | **680,885** | **1,292,711** |
| **Current liabilities** | | | |
| Interest-bearing borrowings | | 574,568 | 29,239 |
| Loan from shareholders | | - | 93,461 |
| Trade and other payables | | 48,510 | 51,164 |
| | | **623,078** | **173,864** |
| Liabilities directly associated with non-current asset held-for-sale | | 10,077 | - |
| **Total liabilities** | | **1,314,040** | **1,466,575** |
| **Total equity and liabilities** | | **2,571,291** | **2,612,812** |

## Statement of Profit or Loss and Other Comprehensive Income

| Figures in R'000 | Notes | Unaudited 6 months ended 30 June 2021 | Unaudited 6 months ended 30 June 2020 |
|---|---|---|---|
| **Continuing operations** | | | |
| Rental income from investment properties | | 142,627 | 156,072 |
| Recoveries of operating costs from tenants | | 12,370 | 12,651 |
| **Revenue** | | **154,997** | **168,723** |
| Property operating expenses | 6 | (56,092) | (57,293) |
| Impairment losses | | (5,350) | (4,609) |
| Other income | | 2,237 | 2,122 |
| **Net operating income** | | **95,792** | **108,943** |
| Other operating expenses | | (8,840) | (11,198) |
| **Operating profit** | | **86,952** | **97,745** |
| Gain on fair value adjustment of properties | | 98,496 | 1,473 |
| Unrealised profit/(loss) on revaluation of interest-rate swaps | | 37,035 | (71,222) |
| Net finance charges | | (54,331) | (65,123) |
| Finance income | | 2,152 | 1,891 |
| Finance costs | | (56,483) | (67,014) |
| **Profit/(loss) before taxation** | | **168,152** | **(37,127)** |
| Taxation | | - | - |
| **Profit/(loss) from continuing operations** | | **168,152** | **(37,127)** |
| **Discontinued operation** | | | |
| Loss from discontinued operation net of taxation | | - | (14,082) |
| **Total comprehensive income for the period** | | **168,152** | **(51,209)** |
| | | | |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (cents) | | 128.46 | (39.12) |
| **Earnings per share - continuing operations** | | | |
| Basic and diluted earnings per share (cents) | | 128.46 | (28.36) |

## Statement of Changes in Equity

| Figures in R'000 | Stated capital | Retained earnings | Total equity |
|---|---|---|---|
| **Unaudited balance at 1 July 2020** | **1,020,934** | **132,114** | **1,153,048** |
| Total comprehensive income for the period | - | 9,028 | 9,028 |
| **Transactions with owners** | | | |
| Dividends | - | (15,839) | (15,839) |
| **Audited balance at 1 January 2021** | **1,020,934** | **125,303** | **1,146,237** |
| Total comprehensive income for the period | - | 168,152 | 168,152 |
| **Transactions with owners** | | | |
| Dividends | - | (57,138) | (57,138) |
| **Unaudited balance at 30 June 2021** | **1,020,934** | **236,317** | **1,257,251** |

## Statement of Cash Flows

| Figures in R'000 | Notes | Unaudited 30 June 2021 6 months | Unaudited 30 June 2020 6 months |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) and total comprehensive income for the year | | 168,152 | (51,209) |
| Adjustments for: | | | |
| Depreciation of property and equipment | | 377 | 390 |
| Finance costs | | 56,483 | 67,014 |
| Finance income | | (2,152) | (1,891) |
| Change in fair value of properties | | (98,496) | 16,098 |
| Unrealised (gains)/losses on revaluation of interest rate swaps | | (37,035) | 71,222 |
| **Operating profit before working capital changes** | | **87,329** | **101,624** |
| Increase in trade and other receivables | | (3,427) | 907 |
| Adjustments for impairment losses | | 4,779 | - |
| Increase in trade and other payables | | (2,654) | (672) |
| **Cash generated by operating activities** | | **86,027** | **101,859** |
| Finance income received | | 1,213 | 1,728 |
| Finance costs paid | | (58,564) | (65,237) |
| **Net cash generated from operating activities** | | **28,676** | **38,350** |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceeds from sales of non-current assets held-for-sale | 5 | 86,878 | 38,889 |
| Proceeds from sales of investment property | 4 | 15,727 | - |
| Additions to investment property | 4 | (5,462) | (4,094) |
| Additions to non-current assets held-for-sale | 5 | (457) | - |
| **Net cash generated from investing activities** | | **96,686** | **34,795** |
| | | | |
| **Cash flows used in financing activities** | | | |
| Interest-bearing borrowings received | | 69,825 | - |
| Interest-bearing borrowings repaid | | (100,666) | (23,632) |
| Shareholder loan repaid | | (90,000) | (43,767) |
| Dividends paid | | (57,138) | (45,668) |
| **Net cash utilised by financing activities** | | **(177,979)** | **(113,067)** |
| | | | |
| Decrease in cash and cash equivalents | | **(52,617)** | **(39,922)** |
| Cash and cash equivalents at beginning of the period | | 72,277 | 73,592 |
| **Cash and cash equivalents at end of the period** | | **19,660** | **33,670** |

## SIGNIFICANT FINANCIAL STATEMENT NOTES

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, and the requirements of the Companies Act 71 of 2008. The accounting policies applied in the preparation of these unaudited condensed interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements as at 31 December 2020.

The following new or revised accounting standards and interpretations are effective 31 December 2021, however these are not applicable to Transcend:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS9, IAS39, IFRS 7, IFRS4 and IRS16)

The following new standards are effective 31 December 2021 and available for early adoption:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

The Company has not elected to early adopt any of the above standards.

The directors are not aware of any material matters or circumstances arising subsequent to 30 June 2021 that require any additional disclosure or adjustments to the unaudited condensed interim financial statements.

The directors take full responsibility for the preparation of these unaudited condensed interim financial statements and for ensuring that the financial information has been correctly extracted from the underlying unaudited interim financial statements. These unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

## 2. SECTORAL SPLIT

| | **2021** | | **2020** | |
|---|---|---|---|---|
| Based on: | GLA (%) | Book value | GLA (%) | Book value |
| Residential | 100 | 100 | 100 | 100 |

## 3. LEASE EXPIRY PROFILE*

| **2021** | | |
|---|---|---|
| Based on: | Gross Leasable Area (%) | Gross Rental (%) |
| Vacancy | 7.2 | 9.2 |
| Monthly | 92.3 | 90.8 |
| 31 December 2020 | 0.0 | 0.0 |
| 30 June 2021 | 0.0 | 0.0 |
| | 100 | 100 |

| **2020** | | |
|---|---|---|
| Based on: | Gross Leasable Area (%) | Gross Rental (%) |
| Vacancy | 5.9 | 5.9 |
| Monthly | 94.1 | 94.1 |
| 31 December 2019 | 0.0 | 0.0 |
| 30 June 2020 | 0.0 | 0.0 |
| | 100 | 100 |

***Lease expiry profile is based on total portfolio including assets held-for-sale.**

## 4. INVESTMENT PROPERTIES

| **Figures in R'000** | **Unaudited 6 months ended 30 June 2021** | **Audited 12 months ended 31 December 2020** |
|---|---|---|
| Opening fair value of investment properties | 2,360,727 | 2,460,174 |
| Fair value adjustment on investment properties | 97,790 | (15,872) |
| Capitalised expenditure | 5,462 | 8,984 |
| Disposals | (15,727) | (13,728) |
| Investment properties transferred to non-current assets held-for-sale | (118,729) | (78,831) |
| **Closing balance** | **2,329,523** | **2,360,727** |

All the Company's investment properties were valued at year-end 31 December 2020 by Real Insight (Pty) Ltd ("Real Insight"), a registered valuer in terms of Section 19 of the Property Valuers Professional Act (Act No. 47 of 2000). The investment properties were valued as at 31 December 2020 by capitalising the net contractual income derived from the properties for a period of one year in advance by an applicable capitalisation rate. As at 30 June 2021, management under the approval of the Board has only revalued the remaining units at the De Velde property to their respective selling prices.

## 5. NON-CURRENT ASSETS HELD-FOR-SALE

| Figures in R'000 | Unaudited 6 months ended 30 June 2021 | Audited 12 months ended 31 December 2020 |
|---|---|---|
| **Investment property classified as held-for-sale** | | |
| Opening fair value of property assets | 146,219 | 305,571 |
| Investment properties transferred to assets held-for-sale | 118,729 | 78,831 |
| Capitalised costs | 457 | 2,825 |
| Disposals | (86,878) | (219,840) |
| Fair value adjustment of assets held-for-sale | 10,783 | (21,168) |
| **Closing balance** | **189,310** | **146,219** |

The investment properties classified as properties held-for-sale relate to properties where better value can be extracted through sale rather than rental. The Midrand Village, De Velde and Birchwood Village units are in the process of being disposed of, and where necessary the properties and/or units have been revalued to their respective fair values based on the contractual selling prices of the property and/or units. These properties and/or units have been reclassified from investment properties to non-current assets held-for-sale where the requirements of IFRS 5 have been satisfied and there is a large degree of certainty that these units will be sold and transferred to buyers within 12 months of year-end.

## 6. PROPERTY OPERATING EXPENSES

| Figures in R'000 | | Unaudited 6 months ending 30 June 2021 | Unaudited 6 months ending 30 June 2020 |
|---|---|---|---|
| Utilities | | 25,078 | 28,330 |
| | Water | 4,208 | 6,857 |
| | Electricity | 7,103 | 8,377 |
| | Rates | 5,721 | 6,655 |
| | Sewerage | 4,830 | 3,132 |
| | Refuse | 3,216 | 3,309 |
| Property management fee | | 10,393 | 11,279 |
| Levies | | 6,612 | 5,924 |
| Security | | 3,202 | 3,242 |
| Repairs and maintenance | | 4,894 | 3,563 |
| Payroll | | 1,826 | 1,679 |
| Other property operating expenses * | | 4,087 | 3,275 |
| | | **56,092** | **57,293** |

** Included in other property operating expenses are property insurance expenses of R0.827 million (2020: R0.997 million); consulting fees for legal collections of R0.836 million (2020: R0.445 million) and garden service costs of R0.584 million (2020: R0.65 million).*

## 7. SEGMENTAL ANALYSIS

**Segmental information**

Transcend has two reportable segments based on the entity's strategic business segments, namely, Gauteng and the Western Cape. For each strategic business segment, the Company's management reviews internal management reports monthly. All segments are located in South Africa and are based on specific regions in which the properties are located.

Summarised segmental analysis

**For the period ended 30 June 2021**

| Figures in R'000 | Gauteng | Western Cape | Reconciliation * | Total continuing operations | Mpumalanga (Discontinued operation **) | Total |
|---|---|---|---|---|---|---|
| Revenue | 129,323 | 25,674 | - | 154,997 | - | 154,997 |
| Property operating expenses | (47,375) | (8,717) | - | (56,092) | - | (56,092) |
| Gain on fair value adjustment of properties | 2,825 | 95,671 | - | 98,496 | - | 98,496 |
| **Profit and total comprehensive income for the period** | 89,160 | 115,276 | (36,284) | 168,152 | - | 168,152 |
| Investment properties | 1,903,046 | 426,477 | - | 2,329,523 | - | 2,329,523 |
| Non-current assets held- for-sale | 93,192 | 96,118 | - | 189,310 | - | 189,310 |
| Other assets | 6,228 | 1,115 | 45,115 | 52,458 | - | 52,458 |

* Reconciliation relates to income and expenses incurred at a centralised entity level that cannot be accurately allocated to investment properties included in the operating segments.

** The Mpumalanga operating segments represents a single property, Acacia Place. This property was sold on 11 December 2020 and has therefore been presented as a discontinued operations operating segment.

Summarised segmental analysis

**For the period ended 30 June 2020**

| **Figures in R'000** | **Gauteng** | **Western Cape** | **Reconciliation** | **Total continuing operations** | **Mpumalanga (Discontinued operation *)** | **Total** |
|---|---|---|---|---|---|---|
| Revenue | 137,940 | 30,783 | - | 168,723 | 10,581 | 179,304 |
| Property operating expenses | (47,430) | (9,863) | | (57,293) | (3,893) | (61,186) |
| Gain/(loss) on fair value adjustment of properties | 173 | 1,300 | - | 1,473 | (17,571) | (16,098) |
| **Profit/(loss) and total comprehensive income for the period** | 90,494 | 19,200 | (146,821) | (37,127) | (14,082) | (51,209) |
| Investment properties | 1,973,213 | 480,254 | - | 2,453,467 | - | 2,453,467 |
| Non-current assets held- for-sale | 130,900 | 20,484 | - | 151,384 | 110,000 | 261,384 |
| Other assets | 5,250 | 1,079 | 35,371 | 41,700 | 316 | 42,016 |

* Asset held-for-sale and discontinued operation: Transcend concluded the sale of one of its previously reportable segments (Mpumalanga: Non-current asset held-for-sale, Acacia Place.) Transfer of this property was concluded on 11 December 2020. This property, and operating segment was presented as a discontinued operation at 30 June 2020.

## 8. RECONCILIATION OF PROFIT TO DISTRIBUTABLE EARNINGS

**Distribution statement**

| **Figures in R'000** | **Unaudited 6 months ended 30 June 2021** | **Unaudited 6 months ended 30 June 2020** |
|---|---|---|
| Profit/(loss) for the year attributable to Transcend shareholders (1) | 168,152 | (51,209) |
| **Calculation of SA REIT Funds From Operations ("FFO")** | | |
| Revaluation of properties (2) | (98,496) | 16,098 |
| Unrealised loss on interest rate swaps | (37,035) | 71,222 |
| Depreciation (3) | 377 | 390 |
| **FFO** | **32,998** | **36,501** |
| **Distribution payable to shareholders** | **32,998** | **36,501** |
| Actual number of shares in issue ('000) | 130,895 | 130,895 |
| **Distributable earnings per share (cents)** | **25.21** | **27.89** |
| **Distribution per share (cents)** | **25.21** | **12.10** |

(1) 2020: Attributable to continuing and discontinued operations.

(2) 2020: Revaluation of properties includes the revaluation of discontinued operation, Acacia Place.

(3) Total depreciation of R0.377 million (2020: R0.390 million) is recognised in the statement of profit or loss and other comprehensive income. The depreciation relates to fixtures and fittings and is added back on the basis that it forms part of the capital of the property.

## 9. FINANCIAL INSTRUMENT AND INVESTMENT PROPERTIES FAIR VALUE DISCLOSURES

**Financial assets and liabilities measured at fair value**

Financial asset classification

The Company classifies financial assets into the following categories:

- Financial assets subsequently measured at amortised cost; and
- Financial assets subsequently measured at fair value through profit or loss.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Based on management's business model trade and other receivables, loan receivable and cash and cash equivalents are classified as financial assets at amortised cost. The trade and other receivables as well as loan receivable are of a short-term nature and cash-flow represents solely payments on principal. Cash and cash equivalents consist of deposits at financial institutions which earn interest. With both assets, there is an insignificant risk of change in value. The performance of the assets is reviewed monthly and the Company does not receive compensation for the assets. The Company intends to hold the financial assets, being trade and other receivables, loan receivables and cash and cash equivalents, to collect contractual cash flows (interest and or payment of principal).

The Company reclassifies debt instruments when, and only when, its business model for managing those assets changes. In the current year there was no change in the business model for managing the recognised financial assets.

Transcend has classified trade and other receivables, loan receivable and cash and cash equivalents as financial assets measured at amortised cost less impairment. As at 30 June 2021, the Company does not have any financial assets which are measured at fair value through profit or loss.

Financial liability classification

The Company classifies financial liabilities into the following categories:

- Financial liabilities subsequently measured at amortised cost; and

- Financial liabilities subsequently measured at fair value through profit or loss.

Transcend has classified its shareholder's loan, interest-bearing borrowings and trade and other payables as financial liabilities subsequently measured at amortised cost. Derivative liabilities are classified as financial liabilities subsequently measured at fair value through profit or loss.

Fair value hierarchy for financial instruments and investment property When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:
* Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
* Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
* Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Financial risk management**

| Figures in R'000 | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **30 June 2021** | | | | |
| **Assets** | | | | |
| Investment properties | 2,329,523 | - | - | 2,329,523 |
| Non-current assets held-for-sale | 189,310 | - | - | 189,310 |
| | **2,518,833** | - | - | **2,518,833** |
| **Liabilities** | | | | |
| Derivative liabilities | (48,585) | - | (48,585) | - |
| | **(48,585)** | - | **(48,585)** | - |
| | | | | |
| **31 December 2020** | | | | |
| **Assets** | | | | |
| Investment properties | 2,360,727 | - | - | 2,360,727 |
| Non-current assets held-for-sale | 146,219 | - | - | 146,219 |
| | **2,506,946** | - | - | **2,506,946** |
| **Liabilities** | | | | |
| Derivative liabilities | (85,620) | - | (85,620) | - |
| | **(85,620)** | - | **(85,620)** | - |

There have been no transfers between level 1, level 2, and level 3 during the year under review.

The carrying amounts of financial assets and liabilities at amortised cost reasonably approximate their fair value.

**Details of valuation techniques**

At the interim reporting period properties are classified as investment properties or non-current assets held-for-sale. Under each of these classifications, the properties are carried at their respective fair values.

**Investment properties - Valuation process**

In line with the Company's valuation policy, third-party independent valuations are performed annually by external registered valuers, for at least one-third of the portfolio. However, due to the size of the current portfolio, management's practice for the past 3 financial years has been to appoint independent valuers to value the entire portfolio. Investment properties are valued using a level 3 model.

As at 30 June 2021, Transcend's portfolio has not been revalued except for the remaining units at the De Velde property which have been revalued to their respective unit selling prices by management. During the 6-month reporting period, Transcend's portfolio has performed well and the business continues to generate strong cash flows at a property level. Monthly and quarterly rental collections and occupancies remain relatively uninterrupted to date amidst significant market and valuation uncertainty.

Investment properties were previously valued at 31 December 2020 by an external, registered valuer. The calculation of the fair market value of all investment properties in Transcend has been based on the income capitalisation method by capitalising the net contractual income derived from the properties for a period of one year in advance by an applicable capitalisation rate as determined by the independent valuer. This is the fundamental basis on which income-producing properties are traded in the South African market. This is also due to there being strong supporting evidence of open market rental rates and capitalisation rates which are evidenced by sales in the market. The valuations were reviewed by the executive directors and presented to the Investment Committee and Board for approval on 25 November 2020.

Key assumptions used to determine the value of the properties include:

- Expected net operating income;
- Capitalisation rate;
- Growth rate; and
- Vacancy and bad debt factor.

Note: Birchwood Village units, Midrand Village units and De Velde units are in the process of being disposed of and where necessary have been revalued to their respective fair values based on the contractual selling prices of the property and/or units. Where appropriate, these properties and/or units have been reclassified from investment properties to non-current assets held-for-sale and are measured at their respective fair values. For all other investment properties, their current use equates to the highest and best use.

As at 30 June 2021, all of the 241 remaining units at De Velde were revalued to their respective unit selling prices.

The revaluation of these units was presented to the Investment Committee and then to the Board for approval on 12 August 2021.

The valuations of investment properties are sensitive to changes in the unobservable inputs used in such valuations. Changes to one of the unobservable inputs, while holding the other inputs constant, affect the fair value of the investment property and fair value adjustments in profit or loss. Management has performed a sensitivity analysis on these valuation inputs to illustrate that changes may result in a significantly higher or lower fair value measurement. The effect of changes in those measurements on profit or loss and fair value are as follows:

| **Inputs and assumptions** | **Fair value ("FV") effect - Increase in input/assumption** | **Fair value effect ("FV") - Decrease in input/assumptions** |
|---|---|---|
| **Expected net operating income** | Increase in FV | Decrease in FV |
| **Capitalisation rate** | Decrease in FV | Increase in FV |
| **Growth rate** | Increase in FV | Decrease in FV |
| **Vacancy and bad debt factor** | Decrease in FV | Increase in FV |

**Non-current assets held-for-sale - Valuation process**

Properties and/or units being disposed of and classified as non-current assets held-for-sale include Birchwood Village Units, Midrand Village Units and De Velde Units. These properties and/or units are in the process of being disposed of, and where necessary the properties and/or units have been revalued to their respective fair values based on the contractual selling prices of the property and/or units.

Key assumptions used to determine the value of these properties and/or units include:

- Contractual selling price(s) of the properties and/or units.

The effect of changes in those input measurements on profit or loss and fair value are as follows:

| Inputs and assumptions | Fair value ("FV") effect - Increase in input/assumption | Fair value effect ("FV") - Decrease in input/assumptions |
|---|---|---|
| **Contractual selling price(s)** | Increase in FV | Decrease in FV |
| **Cost(s) to sell** | Decrease in FV | Increase in FV |

**Derivative liabilities - Valuation process**
Transcend has entered into several interest rate swap agreements to mitigate the impact of fluctuating interest rates on the financial performance of the Company. As at 30 June 2021, 85.46% of the floating interest rate borrowings have been economically hedged to fixed interest rates.

Interest rate swaps
Transcend uses interest rate swaps to protect the Company against adverse movements in interest rates. These interest rate swaps are measured at fair value through profit or loss, are classified as derivative financial liabilities at fair value through profit of loss and are categorised in terms of the Company's fair value hierarchy as level 2.

The fair value is calculated as the present value of the estimated future cash flows. Estimates of the future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources, which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty. This is calculated based on credit spreads derived from current credit default swap or bond prices.

As at 30 June 2021, the derivative financial liabilities relating to interest rate swaps were fair valued, resulting in a decrease of R 37.04m in the liability for the 6-month reporting period; and a corresponding fair value movement in profit or loss.

The effect of changes in the key inputs on profit or loss and fair value are as follows:

| Inputs and assumptions | Derivative Liability | Fair value effect ("FV") - Decrease in input/assumptions |
|---|---|---|
| **Increase in 3M JIBAR** | Decrease in Liability | Decrease in FV |
| **Decrease in 3M JIBAR** | Increase in Liability | Increase in FV |

## 10. EARNINGS PER SHARE

**Earnings/(loss) and headline earnings/(loss)**

| Figures in R'000 | Unaudited 6 months ended 30 June 2021 | Unaudited 6 months ended 30 June 2020 |
|---|---|---|
| **Reconciliation of basic earnings/(loss) to headline earnings/(loss)** | | |
| Profit/(loss) for the year attributable to Transcend shareholders | 168,152 | (51,209) |
| Change in fair value of properties | (98,496) | 16,098 |
| **Headline earnings/(loss) attributable to Transcend shareholders** | **69,656** | **(35,111)** |
| Actual number of shares in issue ('000) | 130,895 | 130,895 |
| Weighted average number of shares in issue ('000) | 130,895 | 130,895 |
| Basic and diluted earnings/(loss) per share (cents) | 128.46 | (39.12) |
| Headline and diluted headline earnings/(loss) per share (cents) | 53.22 | (26.82) |

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Emira holds 34.90% of Transcend's issued share capital. In addition to its shareholding, Emira provided a shareholder's loan to Transcend which was fully repaid by 30 June 2021.

IHS RF (Pty) Ltd and IHS (SAWHF Interest) (Pty) Ltd have shareholdings of 11.45% and 5.52% respectively.

Transcend is also 5.20% owned by the SAWHF PVE (SA), a South African *en commandite* partnership (the "Partnership") duly represented by its general partner, the South Africa Workforce Housing Fund (SA GP) (RF) Pty Ltd. The Partnership is comprised of one *en commandite* partner being the South African Workforce Housing SA I, which in turn has three partners being: SAWHF (Cayman) I Ltd, SAWHF (Cayman) II Ltd and SAWHF (SA) II. The relationship between the Partnership and International Housing Solutions (RF) (Pty) Ltd ("IHS (RF) (Pty) Ltd") is governed by a signed investment advisory agreement.

Transcend is externally managed by IHS (Pty) Ltd, a private company registered and incorporated under the laws of South Africa. In turn, IHS (Pty) Ltd outsources certain functions to IHS Asset Management (Pty) Ltd ("IHS AM") in terms of a service level agreement. Asset management fees of R5.52m have been charged during the period in accordance with the asset management agreement (30 June 2020: R 6.90m).

The property management function of the Company is outsourced on market related terms to IHS Property Management (Pty) Ltd ("IHS PM"), a private company registered and incorporated under the laws of South Africa and a wholly owned subsidiary of IHS (RF) (Pty) Ltd. A property management agreement was entered into by Transcend and IHS PM on 16 October 2016. IHS PM charged Transcend property management fees of R 10.39m (30 June 2019: R11.89m) during the period in accordance with the property management agreement.

Transcend does not have any subsidiaries.

## 12. CHANGES TO THE BOARD

Solly Mboweni stepped down as Chief Executive Officer ("CEO") of Transcend and Myles Kritzinger temporarily assumed the role of both CEO and Chief Financial Officer ("CFO") of the Company on 1 January 2021. Nic Watchorn was appointed to the Board during the interim period as an executive director and CFO of the Company with effect from 1 March 2021. Michael Falcone, a non-executive director of the Company, assumed the role of an independent non-executive director with effect from 15 April 2021.

**13. SUBSEQUENT EVENTS**
In line with IAS 10 *Events After the Reporting Date*, the declaration of an interim dividend of 25.21 cents per share occurred after the end of the interim reporting period.

The directors are not aware of any events or circumstances arising since the end of the period that would significantly affect the operations of the Company or the results of those operations.

**14. GOING CONCERN**
The total comprehensive income for the reporting period ended 30 June 2021 amounts to R 168.15m (30 June 2020: Loss of R 51.21m). As at that date, the Company had a positive net asset value of R 1.26bn and its current liabilities exceeded its current assets by R 407.47m. Current assets include R 189.31m of non-current assets held-for-sale which are expected to be realised for cash in the next 12 months.

Current liabilities include a notional amount of R 569m, representative of secured debt which expires in the first quarter of 2022. Several commercial banks have issued term sheets on attractive terms to refinance this debt and implementation of the refinance should conclude prior to 31 December 2021. Excluded from short-term assets is R 35m in cash which has been placed into an RCF. Interest payments on long-term borrowings are due quarterly in respect of the term facilities and monthly in respect of the RCF, and the Company has satisfied itself that it will have sufficient cash to settle these liabilities as they become due and payable from the reporting date. The Company is currently within covenant in respect of its LTV and ICR requirements.

The Board have determined that the Company has adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the Company's interim financial statements. The Board have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient funding facilities to meet its current obligations and foreseeable cash requirements. The Company has performed a cashflow forecast for the next 12 months, and the Board are satisfied that the Company will be liquid and solvent after the declaration of the interim dividend. Future cash reserves used to settle current liabilities will be generated primarily through property operating income.

**15. PAYMENT OF INTERIM DIVIDEND**
The Board has approved, and notice is hereby given of an interim dividend of 25.21000 cents per share for the six months ended 30 June 2021 (30 June 2020: 12.09972 cents per share).

In accordance with Transcend’s status as a REIT, shareholders are advised that the dividend meets the requirements of a “qualifying distribution” for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 (“Income Tax Act”). The dividend will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. This dividend is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders provide the following forms to their Central Securities Depository Participant (“CSDP”) or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

a) a declaration that the dividend is exempt from dividends tax; and

b) a written undertaking to inform the CSDP, broker or the Company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service ("SARS"). Shareholders are advised to contact their CSDP, broker or the Company, as the case may be, to arrange for the abovementioned documents to be submitted before payment of the dividend if such documents have not already been submitted.

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act, (unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder). Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 20.16800 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

a) a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
b) a written undertaking to inform their CSDP, broker or the Company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by SARS. Non-resident shareholders are advised to contact their CSDP, broker or the Company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted, if applicable.

As at Monday, 16 August 2021, being the declaration date of the dividend, the Company had a total of 130,894,793 shares in issue. The Company's tax reference number is 9015377253.

The dividend is payable to Transcend shareholders in accordance with the timetable set out below:

| | |
|---|---|
| Last date to trade cum dividend | Tuesday, 5 October 2021 |
| Shares trade ex-dividend | Wednesday, 6 October 2021 |
| Record date | Friday, 8 October 2021 |
| Payment date | Monday, 11 October 2021 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 October 2021 and Friday, 8 October 2021, both days inclusive.

In respect of dematerialised shareholders, the dividend will be transferred to CSDP accounts/broker accounts on Monday, 11 October 2021. Certificated shareholders' dividend payments will be deposited on or about Monday, 11 October 2021.

Shareholders are advised that certain performance measures used in this announcement are not defined by IFRS and may accordingly differ from company to company. The Board however believes that these are relevant performance measures to the Company. The methodology for the calculation of the performance measures is set out on the Company's website. The Board is responsible for the preparation of the performance measures and ensuring compliance with Practice Note 4/2019 (Performance Measures) of the JSE Listings Requirements. The performance measures have been reviewed by the Company's external auditors.

By order of the Board

| | |
|---|---|
| Myles Kritzinger | Nic Watchorn |
| Chief Executive Officer | Chief Financial Officer |

Johannesburg
16 August 2021

Registered office: 54 Peter Place, Block C, Peter Place Office Park, Bryanston, 2191

Transfer secretaries: Link Market Services South Africa Proprietary Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001, PO Box 4844, Johannesburg, 2000

Sponsor: Questco Corporate Advisory Proprietary Limited

Company secretary: Corpstat Governance Services Proprietary Limited – Johann Zerwick

Directors: Robert Reinhardt Emslie* (Chairman); Myles Kritzinger (Chief Executive Officer); Vanessa Perfect (Chief Operating Officer); Nic Watchorn (Chief Financial Officer); Faith Nondumiso Khanyile*; Michael Simpson Aitken*; Anne Michelle Dickens*; Michael Louis Falcone*; Robert Nicolaas Wesselo**; Geoffrey Michael Jennett**; Solly Mboweni**

* Independent non-executive director
** Non-executive director