

**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" or the "Fund")




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**REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022 AND DIVIDEND DECLARATION**


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**Highlights and key performance measures****Financial Metrics:**

Distribution per share (cents)	57.81 (2021: 56.39; 2.5% increase)
Distribution per share pay-out ratio	100%
Net Asset Value per share (Rands)	R8.31 <sup>1</sup> (31 Dec 2021: R8.08, 2.8% increase)
Loan-to-value ("LTV") <sup>2</sup>	36.3% (31 Dec 2021: 38.2%; 31 Dec 2021 Normalised: 44.9%)

**Operational Metrics:**

Total units	4 079
Property value	R2.26 billion
Portfolio occupancy (at 31 December 2022)	95.8% <sup>3</sup>
Average portfolio occupancy (year to date)	93.1%
Portfolio arrears (as percentage of revenue)	1.4% <sup>4</sup>
Portfolio collections (year to date)	96.3%

**Other Performance Highlights:**

- Reduced LTV to 36.3% from 52.7% over a 2-year period
- Acquired 442 green units, at a cost of R256 million, which were transferred in the first quarter of 2022
- Successfully sold 379 units (R358 million sales proceeds) and proceeds were applied to repayment of debt
- Grew green loan book by R371.5 million. Green loans currently comprise of 69.1% of the total term debt book, providing funding benefit
- Improved ICR from 1.7 times (31 December 2021) to 2.1 times

**Overview**

Transcend Residential Property Fund ("Transcend" or the "Fund") is a specialist residential REIT, listed on the Main Board of the JSE. As at 31 December 2022, the Fund owns a portfolio of 4,079 high-quality residential units, servicing the low-to-middle-income segment of the South African affordable residential rental market. Transcend's properties are located in high demand areas attracting best price rentals.

Transcend's properties occupy a "sweet-spot" monthly rental ranging between R 4,500 and R 8,000 per unit. Tenant demand for these units has proven to be more resilient through economic downturns than other subsections of residential rental property. The defensive nature of Transcend's asset class is evidenced through its consistent historic results and its track record, continuously being in a position to responsibly distribute 100% of funds from operations to shareholders since listing.

On 13 July 2022, Transcend received written notice from Emira Property Fund Limited ("Emira" or the "Offeror") of Emira's firm intention to make a general offer to acquire up to 100% of the Company's ordinary shares in issue, other

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<sup>1</sup>Based on the South African Real Estate Investment Trust ("SA REIT") Association best practice recommendations.

<sup>2</sup>Calculated in accordance with the prescribed bank covenant definition. At 31 December 2021, R156 million in cash was raised as equity to partially fund the acquisition of The Block and Stoneleigh. The 31 December 2021 Normalised LTV excludes the effects of raising cash prior to taking transfer of the acquisition properties (see Gearing section).

<sup>3</sup>Occupancy based on revenue and excludes properties being disposed of.

<sup>4</sup>Calculated as trade receivables net of provision for bad debts as a percentage of revenue.

than those ordinary shares already owned by Emira (the “General Offer”). The General Offer expired on 18 October 2022 and Emira now owns 68.2% of the Company.

Following the expiry of the General Offer, the board of directors of Transcend (“the Board”) approved a change to the financial year end of the Company from 31 December to 31 March, to align Transcend’s year end with that of its ultimate controlling shareholders.

The results included in this announcement pertain to Transcend’s performance over the 12-month period ending 31 December 2022. These condensed interim financial statements for the twelve months ended 31 December 2022 have been reviewed by the Company’s auditors, KPMG Inc., who have expressed an unmodified review conclusion. A copy of the auditor’s review report is available for inspection at the company’s registered office together with the financial statements identified in the auditor’s report.

The 2023 financial year will constitute a 15-month reporting period ending 31 March 2023, which will be audited and published by the end of June 2023.

## **Results**

Transcend’s consistent performance continues to position the Company well on a total return basis.. High rental demand for value-orientated, quality residential property demonstrates the resilient nature of the residential asset class. Improved occupancies underpinned by strong cash flows supports the declaration and payment of an interim dividend per share (“DPS”) of 30.38 cents for the six months ended 31 December 2022. The 12 month DPS represents a 100% pay-out ratio and an increase of 2.5% compared to the corresponding 12 month prior period (56.39 cents per share).

Total distributable earnings (funds from operations) for the period increased by 12.6% or R10.66 million compared to the corresponding 12 month prior period. This increase is attributable to the additional net operating income generated from the 442 additional units (The Block and Stoneleigh), which predominantly transferred in March 2022, and a R16.28 million reduction of net interest costs as a result of an improved weighted average cost of debt and lower debt balances. Although, this was offset by the lost net rental income of the 379 units sold during the 2022 year.

Despite the country’s macro and social-economic challenges, management continues to optimise costs, reduce vacancies and maintain a low level of arrears. However, high inflation, loadshedding and increasing interest rates will weigh heavily on both business and consumer affordability, impacting on Transcend’s ability to increase rentals from the current base.

Balance sheet strength through good cash management and reduced debt levels will remain a focal point for management. The Company continues to evidence the inherent and realisable value of the underlying portfolio through sectionalisation and sales of a portion of its portfolio. The sales program has been the primary driver in successfully reducing Transcend’s LTV ratio by over 16% to 36.3% over a 24-month period. Transcend believes its portfolio reflects true value as units are reinforced by a break-up and sales value well in excess of their current carrying value.

Expenses (specifically electricity and other utility costs) continue to rise at double digit rates that are well above inflation. Management and the Board are, however, encouraged by good cost management and the effect of various sustainability initiatives implemented at a portfolio level. This has seen the successful implementation of various sustainability and green interventions to offer tenants utility-efficient homes. To date, Transcend has received EDGE Design Certification for 2,884 units, which will be fully certified in the next 12 months. As a business imperative, management will continue to focus its efforts on effective cost management and identify portfolio-wide cost efficiencies.

## **Property portfolio**

Transcend holds 4,079 units across a portfolio of 23<sup>5</sup> directly owned properties valued at R2.26 billion, located in Gauteng and the Western Cape in South Africa. Transcend’s primary business is the acquisition, operation and

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<sup>5</sup> Midrand Village is excluded from this as all units were completely transferred in 2022.

recycling of income-generating residential properties in the affordable housing segment of the market with a focus on properties which provide lifestyle amenities in high growth urban areas.

The portfolio is segmented into 19 core properties which are held as rental stock (the “Rental Portfolio”) and 4 properties where best use has been determined to be through sale rather than rental (the “Sale Portfolio”).

The combined gross lettable area (“GLA”) is 210,361 m<sup>2</sup> as at 31 December 2022, split geographically Gauteng (87.8%), Western Cape (12.2%)

### Preparation

The reviewed condensed interim financial statements for the twelve months ended 31 December 2022 were compiled under the supervision of Nicholas Ian Watchorn CA(SA), the Chief Financial Officer (“CFO”).

### Acquisitions

Transcend acquired two properties for a total purchase price of R256 million. The Block (R153 million), located in Belville, Cape Town, consisting of 253 green units (“The Block”) and Stoneleigh (R103 million), a 189-unit development, located in Brakpan, Gauteng (“Stoneleigh”) were acquired from International Housing Solutions Fund II and Renico Construction respectively (the “Acquisition Assets”).

In December 2021, Transcend issued 33.04 million new shares for cash, resulting in a total capital raise of R156 million (the “Capital Raise Proceeds”). The Capital Raise Proceeds, together with commercial bank debt were utilised to purchase the Acquisition Assets. The effective dates for the acquisitions were 1 January 2022 for Stoneleigh and 23 March 2022 for The Block; and the transfer of ownership of both properties occurred in the first quarter of 2022.

### Disposals

During the year, Management has successfully implemented 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. Net sales proceeds are predominantly used to settle debt and reduce the Company’s LTV.

The status of the Sale Portfolio as at 31 December 2022 is summarised below:

Property	First year of sale <sup>6</sup>	Total units <sup>7</sup>	Units transferred 2022 <sup>8</sup>	Total units transferred to date <sup>9</sup>	Sales stock <sup>10</sup>	Unconditional sales <sup>11</sup>
Midrand Village	2019	225	6	225	-	-
De Velde	2019	314	149	310	4	3
Birchwood Village	2019	360	85	149	211	10
Stone Arch Village	2021	114	87	87	27	6
Vanguard Village	2021	60	52	52	8	5
<b>Total</b>		<b>1 073</b>	<b>379</b>	<b>823</b>	<b>250</b>	<b>24</b>

#### Midrand Village

Midrand Village consisted of 225 freehold units located in Clayville, Gauteng. The final 6 units were transferred in the first half of 2022 and the Company no longer holds any units at the property.

#### De Velde

De Velde consists of 314 sectional title units located in Somerset West, Western Cape. During 2022, 149 units were transferred and, of the remaining 4 units at 31 December 2022, 3 have been unconditionally sold and classified as

<sup>6</sup>Year of disposal of first unit in the property.

<sup>7</sup>Total number of sectionalised units in the property.

<sup>8</sup>Total number of units transferred in year to date.

<sup>9</sup>As at 31 December 2022, the cumulative units transferred to end users.

<sup>10</sup>Total number of units which are still owned by Transcend. This includes unsold units as well as unconditional sales of units awaiting transfer.

<sup>11</sup>Unconditional sales units are reclassified from investment property to non-current assets held-for-sale only once sales agreements are unconditional and the requirements of IFRS 5 have been satisfied. See Investment Property and Non-Current Asset Held-for Sale in the Notes to the Financial Statements below for more information.

non-current assets held-for-sale. All units are valued with reference to a stocklist price to which no changes have been made when compared to the previous reporting date.

#### ***Birchwood Village***

Birchwood Village consists of 360 sectional title units located in Chartwell, Gauteng. As at 31 December 2022, 85 units were transferred during 2022 and of the remaining 211 units, 10 have been unconditionally sold and classified as non-current assets held-for-sale. All units are valued with reference to a stocklist price to which no changes have been made when compared to the previous reporting date.

#### ***Stone Arch Village***

Stone Arch Village consists of 114 sectional title units located in Germiston, Gauteng. Sales of individual units began in late 2021 and as at the reporting date, 87 units have transferred with a further 6 unconditionally sold and pending registration. These 6 units are classified as non-current assets held-for-sale at the reporting date.

#### ***Vanguard Village***

Vanguard Village consists of 60 sectional title units located in Cape Town, Western Cape. Sales launched at this property in 2021. 52 units transferred in 2022, with a further 8 in sales stock at the reporting period. Of the 8 units, 5 units have been unconditionally sold and classified as non-current assets held-for-sale at the reporting date.

No disposals other than those relating to the Sale Portfolio were made in 2022.

#### **Occupancies and arrears**

The total average portfolio occupancy rate was 93.1%<sup>12</sup> (31 Dec 2021: 91.2%) for the 12 months ended 31 December 2022. Excluding the Sale Portfolio, the occupancy rate over the same period was 95.8%<sup>13</sup> (31 Dec 2021: 93.2%).

Increasing demand has resulted in a positive upward trend in occupancy rates over the period, with the Rental Portfolio being 95.8% occupied on 31 December 2022. It is expected that the vacancies of the Rental Portfolio will remain between a range of between 3% and 6% for 2023. The Rental Portfolio average collection rate was 96.3% and arrears were 1.4% for the period ended 31 December 2022. For the total portfolio, collections were 96%.

Although Transcend continues to deliver strong results, issues around consumer affordability and financial pressures of an already stretched tenant base are evident. Top line revenue growth may come under pressure in the short-term, despite recent rental escalations seen across the portfolio during 2022. The risk of increased arrears in 2023 will also require intensive property and asset management by the Transcend team.

#### **Treasury**

The following interest-bearing borrowings were in place as at 31 December 2022:

No	Bank	Facility	Notional (R'000)	Drawn (R'000)	Base	Margin	Expiry	Note
1	SBSA	Facility A, T1	284 000	288 036	3mJ	1.85%	01-Jul-23	<b>N1</b>
2	SBSA	Facility A, T2	371 500	371 688	3mJ	2.00% <sup>14</sup>	14-Dec-26	<b>N2</b>
3	SBSA	Facility B	144 221	-	Prime	-1.00%	14-Dec-23	<b>N3</b>
4	SBSA	Facility C	100 000	-	Prime	-0.85%	30-Aug-24	<b>N4</b>
5	RMB	Facility D, T1	115 000	114 329	3mJ	1.90% <sup>15</sup>	24-Feb-26	<b>N5</b>
6	RMB	Facility D, T2	132 500	-	Prime	-1.13% <sup>16</sup>	13-Dec-23	<b>N3</b>
7	Absa	Facility E, T1	147 500	147 500	3mJ	1.70% <sup>15</sup>	10-Dec-24	
8	Absa	Facility E, T2	75 000	-	Prime	-1.00%	10-Dec-24	<b>N4</b>

<sup>12</sup> Calculated as a percentage of income. 91.2% when calculated on a unit basis.

<sup>13</sup> Calculated as a percentage of income. 93.4% when calculated on a unit basis.

<sup>14</sup> Converted Facility A, T1 into a green loan, effective 1 July 2022.

<sup>15</sup> Margin is net of green loan pricing benefit, driven by EDGE certification. As a result of milestones being achieved, additional 2bps pricing benefit has been provided when compared to 31 December 2021.

<sup>16</sup> Margin is net of green loan pricing benefit, driven by EDGE certification.

**N1:** Maturity extended 6 months during 2022, now expiring in July 2023.

**N2:** Converted this facility to a green loan in June 2022.

**N3:** 70% of net sales proceeds derived from the Sales Portfolio are ringfenced and applied equally to these facilities. These facilities were fully settled in September 2022.

**N4:** Undrawn revolving credit facilities.

**N5:** Drawn on the first on the 24<sup>th</sup> of February 2022 to partially fund the Block and Stoneleigh acquisitions.

All facilities are secured by properties owned by Transcend. Since settling Facilities 3 and 6 in full, the Sale Portfolio is completely unencumbered and valued at R217 million as at 31 December 2022. The remaining facilities are secured by the Rental Portfolio.

Gross interest costs decreased by R15.56 million compared to the corresponding prior period. The reduction is a function of lower average debt balances in the reporting period, achieved via the sales program, reducing the weighted average cost of debt through the refinance of debt facilities in late 2021 and unwinding a R137.5 million notional interest rate swap (see interest rate hedging section below).

Transcend's total debt book is comprised of interest only facilities where interest is payable quarterly on 3m Jibar loans and monthly on prime loans.

### Gearing

The LTV bank covenant is set at 55%. Transcend continues to strengthen and de-risk its balance sheet primarily as a result of the successful unit sales programme and the equity raised pursuant to the Block & Stoneleigh acquisitions in 2021. LTV as at 31 December 2022 was 36.3%.

#### LTV Bridge- 31 December 2021 – 2022



### Interest Cover Ratio

Transcend's Interest Cover Ratio ("ICR") covenant is set at 1.50 times. This ratio is defined as the ratio of EBITDA to net finance charges. For the measurement period ending 31 December 2022, Transcend's ICR has improved to 2.1 times (31 December 2021: 1.7 times).

### Interest rate hedging

Transcend's policy is to economically hedge at least 65% of the Company's exposure to interest rate risk. As at 31 December 2022, 94.3% of the Company's interest rate exposure on the various facilities was hedged via interest rate derivatives with a notional value of R 0.87bn. This notional value includes a 24 month interest rate cap of R150m which was entered into on 2 August 2022. Total Transcend external bank borrowings were R0.92bn as at 31 December 2022.

As at 31 December 2022, the following interest rate derivatives were in place:

<b>STANDARD BANK SWAPS</b>		
	<b>Notional Amount (R'000)</b>	<b>Rate</b>
Interest rate swap: Expiry 24 April 2023	195,000	7.10%
Interest rate swap: Expiry 17 May 2023	92,500	7.09%
Interest rate swap: Expiry 30 January 2023	137,000	6.60%
Interest rate swap: Expiry 15 May 2023	92,500	6.55%

<b>NEDBANK SWAPS</b>		
	<b>Notional Amount (R'000)</b>	<b>Rate</b>
Interest rate swap: Expiry 15 May 2024	200,000	6.84%

<b>RMB CAPS</b>		
	<b>Notional Amount (R'000)</b>	<b>Rate</b>
Interest rate cap: Expiry 2 August 2024	150,000	7.78%

Transcend accounted for fair value gains on interest rate derivatives of R25.2 million in the twelve months ending 31 December 2022. This, along with the unwind of a R137.5 million notional interest rate swap, resulted in a net market-to-market asset of R3.1 million as at 31 December 2022.

#### Further financial metrics<sup>17</sup>

	<b>31 December 2022</b>	<b>31 December 2021</b>
Funds From Operations per Share (Cents)	55.71	45.46
Net Asset Value (R 000's)	1 435 270	1 428 363
Cost to Income Ratio	44,69%	46,46%
Admin Cost to Income Ratio	7,66%	7,91%
All in Weighted Average Cost of Debt	8,70%	8,63%

#### Outlook

A struggling economy and failing infrastructure weighs heavily on consumer affordability, as increased unemployment and diminishing earnings levels of its retail tenant base remains a primary concern for Transcend. A quality tenant base with improved occupancies and strong cash collections on rentals has, however, supported consistent portfolio performance for 2022. Stable property performance, adequately provisioned utility accruals, improved cost management and well managed interest rates are seen as key components of ongoing success.

The full 2023 financial year will be a 15-month period ending 31 March 2023 and performance in the 3-month period from 31 December 2022 is anticipated to be proportionally similar to that of the preceding 12 months.

The Board has resolved to maintain the current dividend pay-out ratio of 100% of funds from operations. The policy is reviewed on a bi-annual basis and any changes will be communicated to shareholders at least 12 months before any changes are implemented.

<sup>17</sup> Calculations based on prescribed SA REIT supplemental guidance.

## Financial Statements

# Transcend Residential Property Fund Limited

(Registration Number 2016/277183/06)

Reviewed Condensed Financial Statements for the 12 months ending 31 December 2022

### Statement of Financial Position

Figures in R'000	12 Months Reviewed 2022	12 Months Audited 2021
<b>Assets</b>		
<b>Non-current assets</b>		
Investment properties	2,239,283	2,229,848
Property and equipment	349	1,013
Derivative assets	3,072	-
	<u>2,242,704</u>	<u>2,230,861</u>
<b>Current assets</b>		
Trade and other receivables	14,361	15,197
Loan receivable	28,037	24,496
Derivative assets	213	-
Cash and cash equivalents	95,831	141,137
	<u>138,442</u>	<u>180,830</u>
Non-current assets held-for-sale	19,739	110,835
<b>Total assets</b>	<u>2,400,885</u>	<u>2,522,526</u>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Stated capital	1,163,606	1,163,831
Retained earnings	271,664	264,532
	<u>1,435,270</u>	<u>1,428,363</u>
<b>Non-current liabilities</b>		
Interest-bearing borrowings	631,354	1,006,867
Derivative liabilities	-	26,832
	<u>631,354</u>	<u>1,033,699</u>
<b>Current liabilities</b>		
Interest-bearing borrowings	288,225	2,851
Trade and other payables	44,382	50,483
Derivative liabilities	243	-
	<u>332,850</u>	<u>53,334</u>
Liabilities directly associated with non-current assets held-for-sale	1,411	7,130
<b>Total liabilities</b>	<u>965,615</u>	<u>1,094,163</u>
<b>Total equity and liabilities</b>	<u>2,400,885</u>	<u>2,522,526</u>

# Transcend Residential Property Fund Limited

(Registration Number 2016/277183/06)

Reviewed Condensed Financial Statements for the 12 months ending 31 December 2022

## Statement of Profit or Loss and Other Comprehensive Income

Figures in R'000	12 Months Reviewed 2022	12 Months Audited 2021
<b>Continuing operations</b>		
Rental income from investment properties	284,628	279,020
Recoveries of operating costs from tenants	28,776	26,303
<b>Revenue</b>	<b>313,404</b>	<b>305,323</b>
Property operating expenses	(107,837)	(110,349)
Impairment losses	(8,842)	(8,088)
Other income	4,375	4,145
<b>Net operating income</b>	<b>201,100</b>	<b>191,031</b>
Other operating expenses	(24,017)	(24,160)
<b>Operating profit</b>	<b>177,083</b>	<b>166,871</b>
(Loss) / Gain on fair value adjustment of properties	(12,635)	103,511
Gain on revaluation of interest-rate swaps	25,195	52,078
Net finance charges	(86,422)	(102,703)
Finance income	4,620	3,902
Finance costs	(91,042)	(106,605)
<b>Profit before taxation</b>	<b>103,221</b>	<b>219,757</b>
Taxation	-	-
<b>Total comprehensive income for the period</b>	<b>103,221</b>	<b>219,757</b>
<b>Earnings per share</b>		
Basic and diluted earnings per share (cents)	62.97	166.27
<b>Earnings per share - continuing operations</b>		
Basic and diluted earnings per share (cents)	62.97	166.27

## Statement of Changes in Equity

Figures in R'000	Stated capital	Retained earnings	Total
<b>Audited Balance at 1 January 2021</b>	1,020,934	125,303	1,146,237
<b>Changes in equity</b>			
Profit for the year	-	219,757	219,757
Total comprehensive loss	-	219,757	219,757
Issue of equity	152,506	-	152,506
Dividends	-	(90,137)	(90,137)
Transfer of antecedent dividend	(9,609)	9,609	-
<b>Audited Balance at 31 December 2021</b>	<b>1,163,831</b>	<b>264,532</b>	<b>1,428,363</b>
<b>Audited Balance at 1 January 2022</b>	1,163,831	264,532	1,428,363
<b>Changes in equity</b>			
Profit for the year	-	103,221	103,221
Total comprehensive income	-	103,221	103,221
Dividends	-	(96,089)	(96,089)
Transaction costs	(225)	-	(225)
<b>Reviewed Balance at 31 December 2022</b>	<b>1,163,606</b>	<b>271,664</b>	<b>1,435,270</b>

# Transcend Residential Property Fund Limited

(Registration Number 2016/277183/06)

Reviewed Condensed Financial Statements for the 12 months ending 31 December 2022

## Statement of Cash Flows

Figures in R'000	<i>12 Months Reviewed 2022</i>	<i>12 Months Audited 2021</i>
<b>Cash flows from operating activities</b>		
Profit/(loss) and total comprehensive income for the year	103,221	219,757
Adjustments for:		
Depreciation of property and equipment	664	748
Finance costs	91,338	106,605
Finance income	(4,620)	(3,902)
Change in fair value of properties	12,635	(103,511)
(Gain) on revaluation of interest rate swaps	(25,195)	(52,078)
<b>Operating profit before working capital changes</b>	<b>178,043</b>	<b>167,619</b>
Increase/(Decrease) in trade and other receivables	10,807	(14,314)
Adjustments for impairment losses	(13,512)	8,245
(Increase)/decrease in trade and other payables	(6,101)	(681)
<b>Cash generated by operating activities</b>	<b>169,237</b>	<b>160,869</b>
Finance income received	4,620	2,106
Finance costs paid	(87,939)	(107,601)
<b>Net cash from operating activities</b>	<b>85,918</b>	<b>55,374</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of non-current assets held-for-sale	102,556	142,738
Proceeds from sales of investment property	255,343	153,316
Investment properties acquired	(255,497)	-
Additions to investment property	(38,937)	(17,996)
Additions to non-current assets held-for-sale	(158)	(1,154)
<b>Net cash generated from investing activities</b>	<b>63,307</b>	<b>276,904</b>
<b>Cash flows used in financing activities</b>		
Proceeds from share issue	-	152,506
Costs related to share issue	(225)	-
Interest-bearing borrowings received	114,329	883,415
Interest-bearing borrowings repaid	(207,571)	(1,109,031)
Derivative liability settled	(4,975)	(6,710)
Shareholder loan repaid	-	(93,461)
Dividends paid	(96,089)	(90,137)
<b>Net cash utilised by financing activities</b>	<b>(194,531)</b>	<b>(263,418)</b>
(Decrease)/Increase in cash and cash equivalents	<b>(45,306)</b>	<b>68,860</b>
Cash and cash equivalents at beginning of the year	141,137	72,277
<b>Cash and cash equivalents at end of the year</b>	<b>95,831</b>	<b>141,137</b>

## SIGNIFICANT FINANCIAL STATEMENT NOTES

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The reviewed condensed interim financial statements for the twelve months ended 31 December 2022 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 reviewed condensed financial statements for the twelve months ended 31 December 2022 are in terms of International Financial Reporting Standards and are consistent with those applied in the previous financial statements as at 31 December 2021.

There are no new or revised accounting standards and interpretations in issue that are not yet effective which affect Transcend. Management does not expect the adoption of the amendments to result in material changes of the current disclosure requirements.

The directors are not aware of any material matters or circumstances arising subsequent to 31 December 2022 that require any additional disclosure or adjustments to the reviewed condensed interim financial statements for the twelve months ended 31 December 2022.

The directors take full responsibility for the preparation of reviewed condensed interim financial statements for the twelve months ended 31 December 2022 and for ensuring that the financial information has been correctly extracted from the underlying reviewed condensed interim financial statements for the twelve months ended 31 December 2022.

### 2. SECTORAL SPLIT

Transcend is a specialist residential fund and 100% of its property portfolio comprises of residential assets.

### 3. LEASE EXPIRY PROFILE

In line with accepted industry norm, all Transcends' leases are month-to-month. The average duration of a tenant's stay in the portfolio is, however 30 months.

### 4. INVESTMENT PROPERTIES

	2022	2021
<b>Investment properties</b>		
<b>Reconciliation of carrying amount</b>		
Opening fair value of investment properties	2,229,848	2,360,727
Fair value adjustment on investment properties <sup>1</sup>	(13,057)	106,440
Acquisitions at cost <sup>2</sup>	255,497	-
Capitalised expenditure	38,937	17,996
Disposals <sup>3</sup>	(255,343)	(153,316)
Investment properties transferred to non-current assets held-for-sale <sup>4</sup>	(16,599)	(101,999)
<b>Closing balance</b>	<b>2,239,283</b>	<b>2,229,848</b>
<b>Amounts recognised in profit or loss</b>		
Fair value adjustment on investment properties <sup>3</sup>	(13,057)	106,440
	<b>(13,057)</b>	<b>106,440</b>

<sup>1</sup> In the current reporting period a total FV loss of R13.06 million was recognised on the Sale Portfolio, split as follows: De Velde (R9.87 million loss), Birchwood (R6.67 million loss), Vanguard (R2.68 million loss), Stone Arch (R6.17 million gain). See Fair Value note for further information.

<sup>2</sup> The Block and Stoneleigh Acquisition Assets.

<sup>3</sup> Disposal of the Sale Portfolio for 12 months to December 2022 of R255.34 million; De Velde (R144.98 million), Birchwood (R52.26 million), Stone Arch (R37.19 million), Vanguard (R20.91 million).

<sup>4</sup> The distinction of classification of a non-current asset held for sale is made at a reporting period and therefore if the IFRS 5 definition was not met in the prior reporting period and the specific asset were sold, it is possible to see disposals under investment property. Once IFRS 5 definition met, units transferred to non-current assets held for sale (see note).

All of the Company's investment properties in the Rental Portfolio were valued at 31 December 2022 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 Rental Portfolio is valued by capitalising the net contractual income derived from the properties for a period of one year in advance by an applicable capitalisation rate.

The Sale Portfolio is also initially valued by capitalising the net contractual income derived from the properties for a period of one year in advance by an applicable capitalisation rate. When there have been a significant number of sales in a specific property, management fair values all units in the property to their respective unit selling price. The entire Sale Portfolio is currently held at respective individual gross selling prices.

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

	2022	2021
<b>Non-current assets held-for-sale and discontinued operations</b>		
<b>Investment property classified as held-for-sale</b>		
Opening fair value of property assets	110,835	146,219
Investment properties transferred to assets held-for-sale <sup>1</sup>	16,599	101,999
Capitalised costs	158	1,154
Disposals <sup>2</sup>	(102,556)	(142,738)
Fair value adjustment of assets held-for-sale <sup>3</sup>	(5,297)	4,201
<b>Closing balance</b>	<b>19,739</b>	<b>110,835</b>

<sup>1</sup> Once IFRS 5 definition met, units transferred from Investment Property (see note).

<sup>2</sup> Disposal of the Sale Portfolio for 2022 of R102.56 million; De Velde (R44.34 million), Birchwood (R27.67 million), Stone Arch (R8.54 million), Vanguard (R15.93 million), Midrand Village (R6.08 million).

<sup>3</sup> In the current reporting period a total FV loss of R5.30 million. See Fair Value note for further information.

The units classified as properties held-for-sale relate to properties that the Board approved to be recovered through sale rather than rent. 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 reporting date. These units are all held at gross selling prices.

## 6. FAIR VALUE

As per the Transcend valuation policy (see *Details of Valuation Techniques* below), 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 appointed independent valuers to value the full Rental Portfolio. All units in the Sale Portfolio are recorded at gross selling price and only units which satisfy the IFRS 5 criteria are classified as non-current assets held-for-sale. Provisions for selling costs are raised against non-current assets held-for-sale and held as a separate liability on the balance sheet.

In the current reporting period, a total fair value loss of R12.64 million was processed to the income statement and is presented in the note below.

The table note shows the cumulative effect on the income statement:

	2022	2021
<b>Gain/(loss) on fair value adjustment of properties</b>		
(Loss) / Gain on fair value adjustment of investment properties	(13,057)	106,440
(Loss) / Gain on fair value adjustment of non-current assets held-for-sale	(5,297)	4,201
Provision for costs to sell <sup>1</sup>	(1,411)	(7,130)
Reversal of provision for cost to sell <sup>2</sup>	7,130	-
	<b>(12,635)</b>	<b>103,511</b>

<sup>1</sup> Represents the raising of the 31 December 2022 provision for selling costs on all non-current assets held for sale.

<sup>2</sup> The reversal of provision for cost to sell relates to the previous to provisions recognised as at 31 December 2021 for units transferred during the reporting period.

Investment property incurred a loss of R13.06 million, which can be attributed to costs associated with the sale of units held in the investment property balance. Non-current assets held for sale incurred a loss of R5.3 million which

is also attributable to selling costs. However a provision of R7.13 million was recorded in 2021 to factor in selling costs on non-current assets held for sale and subsequently released against the R5.3 million loss as units held in non-current assets were sold throughout 2022.

As at 31 December 2022, 24 units, valued at R19.74 million, satisfied the IFRS 5 classification requirement and were held as non-current assets held-for-sale. A corresponding selling cost provision of R1.41 million was processed through the income statement at the current reporting date to account for all costs of disposal.

## 7. PROPERTY OPERATING EXPENSES

	2022	2021
<b>Property operating expenses</b>		
Utilities	50,003	52,334
Water	6,167	7,348
Electricity	18,082	16,162
Rates	11,164	10,990
Sewerage	8,374	11,223
Refuse	6,216	6,611
Property management fee	20,403	20,288
Levies	10,767	12,056
Security	6,607	6,326
Repairs and maintenance	7,771	9,169
Payroll	4,261	3,777
Other property operating expenses <sup>1</sup>	8,025	6,399
	<b>107,837</b>	<b>110,349</b>

<sup>1</sup> Included in other property operating expenses are property insurance expenses of R2.075 million (2021: R1.552 million); consulting fees for legal collections of R0.47 million (2021: R0.45 million) and garden service costs of R1.55 million (2021: R1.15 million).

## 8. 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 entity's management review internal management reports monthly. All segments are in South Africa and are based on specific regions in which the properties are located.

Figures in R'000	Gauteng	Western Cape	Reconciliation <sup>1</sup>	Total continuing operations	Total
<b>2022</b>					
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>					
Rental income from investment properties	241,583	43,045	-	284,628	284,628
Recoveries of operating costs from tenants	25,553	3,223	-	28,776	28,776
<b>Revenue</b>	<b>267,136</b>	<b>46,268</b>	<b>-</b>	<b>313,404</b>	<b>313,404</b>
Property operating expenses	(92,742)	(15,095)	-	(107,837)	(107,837)
Impairment losses	(6,303)	(2,539)	-	(8,842)	(8,842)
Other property income	3,884	491	-	4,375	4,375
<b>Net operating income</b>	<b>171,975</b>	<b>29,125</b>	<b>-</b>	<b>201,100</b>	<b>201,100</b>
Other operating expenses	(1,937)	(351)	(21,729)	(24,017)	(24,017)
<b>Operating profit</b>	<b>170,038</b>	<b>28,774</b>	<b>(21,729)</b>	<b>177,083</b>	<b>177,083</b>
(Loss) on fair value adjustment of properties	-	-	(12,635)	(12,635)	(12,635)
Unrealised gain on revaluation of interest rate swap	-	-	25,195	25,195	25,195
Net finance charges	-	-	(86,422)	(86,422)	(86,422)
Finance income	-	-	4,620	4,620	4,620
Finance costs	-	-	(91,042)	(91,042)	(91,042)
<b>Profit/(loss) before taxation</b>	<b>170,038</b>	<b>28,774</b>	<b>(95,591)</b>	<b>103,221</b>	<b>103,221</b>
Taxation					
<b>Profit/(loss) and total comprehensive income for the period</b>	<b>170,038</b>	<b>28,774</b>	<b>(95,591)</b>	<b>103,221</b>	<b>103,221</b>

2022 Segments continued

Figures in R'000	Gauteng	Western Cape	Reconciliation <sup>1</sup>	Total continuing operations	Total
<b>STATEMENT OF FINANCIAL POSITION</b>					
Investment properties	1,917,905	321,378	-	2,239,283	2,239,283
Non-current assets held-for-sale	13,107	6,632	-	19,739	19,739
Other assets	52,727	1,072	88,064	141,863	141,863
Interest-bearing borrowings	-	-	919,579	919,579	919,579

Figures in R'000	Gauteng	Western Cape	Reconciliation <sup>1</sup>	Total continuing operations	Total
<b>2021</b>					
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>					
Rental income from investment properties	233,099	45,934	(13)	279,020	279,020
Recoveries of operating costs from tenants	23,719	2,584	-	26,303	26,303
<b>Revenue</b>	<b>256,818</b>	<b>48,518</b>	<b>(13)</b>	<b>305,323</b>	<b>305,323</b>
Property operating expenses	(95,646)	(14,986)	283	(110,349)	(110,349)
Impairment losses	(4,596)	(3,597)	105	(8,088)	(8,088)
Other property income	3,338	883	(76)	4,145	4,145
<b>Net operating income</b>	<b>159,914</b>	<b>30,818</b>	<b>299</b>	<b>191,031</b>	<b>191,031</b>
Other operating expenses	(987)	(882)	(22,291)	(24,160)	(24,160)
<b>Operating profit</b>	<b>158,927</b>	<b>29,936</b>	<b>(21,992)</b>	<b>166,871</b>	<b>166,871</b>
(Loss)/gain on fair value adjustment of properties	16,272	87,239	-	103,511	103,511
Unrealised gain/(loss) on revaluation of interest rate swaps	-	-	52,078	52,078	52,078
Net finance charges	135	-	(102,838)	(102,703)	(102,703)
Finance income	144	-	3,758	3,902	3,902
Finance costs	(9)	-	(106,596)	(106,605)	(106,605)
<b>Profit/(loss) before taxation</b>	<b>175,334</b>	<b>117,175</b>	<b>(72,752)</b>	<b>219,757</b>	<b>219,757</b>
Taxation	-	-	-	-	-
<b>Profit/(loss) and total comprehensive income for the period</b>	<b>175,334</b>	<b>117,175</b>	<b>(72,752)</b>	<b>219,757</b>	<b>219,757</b>

Figures in R'000	Gauteng	Western Cape	Reconciliation <sup>1</sup>	Total continuing operations	Total
<b>STATEMENT OF FINANCIAL POSITION</b>					
Investment properties	1,890,459	339,389	-	2,229,848	2,229,848
Non-current assets held-for-sale	45,802	65,033	-	110,835	110,835
Other assets	1,432	6,073	24,323	31,828	31,828
Interest-bearing borrowings	-	-	1,009,718	1,009,718	1,009,718

<sup>1</sup> Reconciliation relates to income and expenses incurred at a centralised entity level which cannot be accurately allocated to operating segments.

## 9. RECONCILIATION OF PROFIT TO DISTRIBUTABLE EARNINGS

### Distribution statement

	2022	2021
Profit for the year attributable to Transcend shareholders	103,221	219,757
<b>Calculation of SA REIT Funds From Operations ("FFO")</b>		
Revaluation of properties <sup>1</sup>	12,635	(103,511)
Unrealised loss on interest rate swaps <sup>2</sup>	(25,195)	(52,078)
Depreciation	664	748
Antecedent dividend available for distribution	-	9,609
<b>FFO</b>	<b>91,325</b>	<b>74,525</b>
<i>Company specific adjustments</i>		
Acquisition and transaction costs expensed	3,450	3,999
Surplus working capital available for distribution	-	-
Amortised loan raising fee	-	-
Compensation for loss of vacancy on units held-for-sale	-	5,591
<b>Distribution payable to shareholders</b>	<b>94,775</b>	<b>84,115</b>
<b>Total dividend</b>		
Interim	44,973	32,999
Final	49,802	51,116
Actual number of shares in issue ('000)	163,933	163,933
<b>Dividend per share (cents)</b>	<b>57.81</b>	<b>56.39</b>
Interim	27.43	25.21
Final	30.38	31.18
<b>FFO per share (cents)</b>	<b>55.71</b>	<b>45.46</b>
Full period	55.71	45.46

<sup>1</sup> Elimination of the effects of fair value revaluations on property.

<sup>2</sup> Elimination of the effects of fair value revaluations on interest rate swaps.

## 10. 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 31 December 2022, the Company has financial assets which are measured at fair value through profit or loss in the form of interest rate derivatives.

### 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 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.

Figures in R'000	Fair value	Level 1	Level 2	Level 3
<b>31 DECEMBER 2022</b>				
<b>Assets</b>				
Investment properties	2,239,283	-	-	2,239,283
Derivative Assets	-	-	3,285	-
Non-current assets held-for-sale	19,739	-	-	19,739
	<b>2,259,022</b>	<b>-</b>	<b>3,285</b>	<b>2,259,022</b>
<b>Liabilities</b>				
Derivative liabilities	(243)	-	(243)	-
	<b>(243)</b>	<b>-</b>	<b>(243)</b>	<b>-</b>
<b>31 DECEMBER 2021</b>				
<b>Assets</b>				
Investment properties	2,229,848	-	-	2,229,848
Non-current assets held-for-sale	110,835	-	-	110,835
	<b>2,340,683</b>	<b>-</b>	<b>-</b>	<b>2,340,683</b>
<b>Liabilities</b>				
Derivative liabilities	(26,832)	-	(26,832)	-
	<b>(26,832)</b>	<b>-</b>	<b>(26,832)</b>	<b>-</b>

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).

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 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 appointed independent valuers to value the full Rental Portfolio. Investment properties are valued using a level 3 model. The valuations were reviewed by the executive directors and asset managers and presented to the Investment Committee and then to the Audit and Risk Committee for approval on 1 December 2022.

The investment properties were valued 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 ("Income Cap Method"). The calculation of the market value of all investment properties in Transcend has been based on the Income Cap Method. 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.

*Note: The Sale Portfolio has been revalued to their respective fair values based on the contractual selling prices of the property and/or units and have been reclassified from investment properties to non-current assets held-for-sale when the requirements of IFRS 5 have been satisfied. All remaining units which form part of the Sale Portfolio and have not been reclassified to non-current assets held-for-sale are still held as investment property.*

*For all other investment properties, their current use equates to the highest and best use. Investment property therefore includes the full Rental Portfolio valued in accordance with the Income Cap Method and a portion of the Sale Portfolio valued with reference to gross selling prices.*

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.

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 being disposed of and classified as non-current assets held-for-sale include properties within the Sale Portfolio. These properties/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.

Contractual selling price(s) of the properties and/or units is the key assumption used to determine the value of these properties and/or units.

A liability comprising of the key assumptions below is raised on the balance sheet to quantify all costs related to the sale and transfer of non-current assets held-for-sale:

- Agent's sales commission;
- Bond and transfer costs;
- Rates clearances; and
- Levy costs

The effect of changes in the key inputs 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	Increase in liability	Decrease in liability

### Derivatives - Valuation process

Transcend has entered into several interest rate swap and cap agreements to mitigate the impact of fluctuating interest rates on the financial performance of the Company.

Transcend uses interest rate derivatives 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 either derivative financial assets or liabilities at fair value through profit or 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 31 December 2022, total derivatives were R3.04 million, of which R3.28 million were recognised as financial assets and R0.24 million were recognised as financial liabilities.

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

Inputs and assumptions	Derivative Liability	Derivative Asset
Increase in 3M JIBAR	Decrease in Liability	Increase in Asset
Decrease in 3M JIBAR	Increase in Liability	Decrease in Asset

### 11. EARNINGS PER SHARE

#### Earnings and headline earnings

	2022	2021
<b>Reconciliation of basic profit earnings to headline earnings</b>		
Profit for the year attributable to Transcend shareholders	103,221	219,757
Change in fair value of properties	12,635	(103,511)
<b>Headline profit attributable to Transcend shareholders</b>	<b>115,856</b>	<b>116,246</b>
Actual number of shares in issue ('000)	163,933	163,933
Weighted average number of shares in issue ('000)	163,933	132,168
Basic and diluted earnings per share (cents)	62.97	166.27
Headline and diluted headline earnings per share (cents)	70.67	87.95

### 12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Emira increased its shareholding in Transcend to 68.2% in 2022 (December 2021: 39.23%) via the General Offer. Transcend is now a subsidiary of Emira.

Shareholders are referred to the following publications regarding the General Offer:

- the firm intention announcement published by Transcend on SENS on 13 July 2022;
- the circular to Transcend shareholders published by Emira on 6 September 2022 on Emira's website;
- the response circular in respect of the General Offer to Transcend shareholders published by Transcend on 4 October 2022 on the Transcend website; and
- the announcement pertaining to the change in beneficial interest in Transcend shares published by Transcend on SENS on 18 October 2022.

IHS RF (Pty) Ltd and IHS (SAWHF Interest) (Pty) Ltd have shareholdings in Transcend of 9.16% and 4.41%, respectively (December 2021: 11.45% and 5.52%, respectively).

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 R11.67 million have been charged during the period in accordance with the asset management agreement (31 December 2022: R10.74 million).

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 R20.40 million (31 December 2021: R20.23 million) during the period in accordance with the property management agreement.

Transcend does not have any subsidiaries.

### **13. CHANGES TO THE BOARD**

Greg Booyens was appointed to the Board as a non-executive director with effect from 15 June 2022.

Vanessa Perfect resigned as Chief Operating Officer and executive director with effect from 31 July 2022.

Robert Emslie (Chairman and independent non-executive director), Faith Khanyile (independent non-executive director), Michelle Dickens (independent non-executive director), Michael Falcone (independent non-executive director) and Mr Solly Mboweni (non-executive director) resigned with effect from 21 October 2022.

Mr Geoff Jennett, a non-executive director at the time, was appointed as the non-executive chairman of Transcend, and Mr Michael Aitken, an independent non-executive director at the time, was appointed as the lead independent non-executive director of Transcend on 26 October 2022. On the same day, Tshepisho Makofane and Panico Theocharides were appointed as independent non-executive directors of Transcend.

### **14. SUBSEQUENT EVENTS**

#### Declaration of Dividend

In line with IAS 10 *Events After the Reporting Date*, the declaration of a dividend of 30.38 cents per share occurred after the end of the interim reporting period, on the 13<sup>th</sup> of February 2023.

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.

### **15. GOING CONCERN**

The total comprehensive income for the reporting period ended 31 December 2022 amounts to R103.22 million (31 December 2021: R219.76 million). As of that date, the Company had a positive net asset value of R1.44 billion. Current liabilities outweigh current assets by R194.41 million, however, current liabilities include a maturing debt facility of R284 million. Conversations around refinancing this facility have commenced. Given that the most recent re-finance was 3-times oversubscribed at the last re-finance date of December 2021, management sees no risk around the re-finance of this facility. By excluding this debt facility from current liabilities, current assets exceed current liabilities by R89.59 million at 31 December 2022.

No other long-term borrowings expire in the 12 months post the current reporting date. Interest payments on long-term borrowings are due quarterly in respect of 3-month Jibar facilities and monthly in respect of prime facilities, 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 has 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 directors 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 is 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 a dividend of 30.38337 cents per share for the six months ended 31 December 2022. This brings the distribution to 57.81321 cents per share (2021: 56.39022 cents per share) for the 12 month period ended 31 December 2022.

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 24.30669 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 13 February 2023, being the declaration date of the dividend, the Company had a total of 163,932,679 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:

	<b>2023</b>
Last date to trade cum dividend	Tuesday, 28 February
Shares trade ex-dividend	Wednesday, 1 March
Record date	Friday, 3 March
Payment date	Monday, 6 March

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 March 2023 and Friday, 3 March 2023, both days inclusive.

In respect of dematerialised shareholders, the dividend will be transferred to CSDP accounts/broker accounts on Monday, 6 March 2023. Certificated shareholders’ dividend payments will be deposited on or about Monday, 6 March 2023.

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  
Chief Executive Officer

Nic Watchorn  
Chief Financial Officer

Johannesburg  
13 February 2023

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

Directors: Myles Kritzinger (Chief Executive Officer); Nicholas Ian Watchorn (Chief Financial Officer); Michael Simpson Aitken (Lead Independent non-executive director)\*; Robert Nicolaas Wesselo\*\*; Geoffrey Michael Jennett (Chairman)\*\*; Greg Booyens\*\*; Tshepisho Makofane\* and Mr Panico Theocharides\*

\* Independent non-executive director

\*\* Non-executive director