

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")



PROVISIONAL SUMMARISED AUDITED FINANCIAL STATEMENTS FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2023 AND DIVIDEND DECLARATION

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

Distribution per share (cents)	72.34 (2021: 56.39; 28.3% increase ¹)
Distribution per share pay-out ratio	100%
Net Asset Value per share (Rands)	R8.23 ² (31 Dec 2021: R8.08, 1.9% increase)
Loan-to-value ("LTV") ³	37.1% (31 Dec 2021: 38.2%; 31 Dec 2021 Normalised: 44.9%)

Operational Metrics:

Total units	4 033
Property value	R2.22 billion
Portfolio occupancy (at 31 March 2023)	97.9% ⁴
Average portfolio occupancy (year to date)	95.9% ⁴
Portfolio arrears (as percentage of revenue)	0.5% ⁵
Average portfolio collections (year to date)	95.3% ⁶

Other Performance Highlights:

- Significantly reduced LTV to 37.1% from 52.7% at 31 December 2020
- Acquired 442 green units⁷, at a cost of R256 million, which were transferred in the first quarter of 2022
- Successfully sold 425 units (R390.7 million net cash sales proceeds) and proceeds were predominantly applied to repayment of debt
- Grew green loan book by R371.5 million. Green loans currently comprise of 68% of the total term debt book at 31 March 2023, providing funding benefit
- Improved ICR from 1.71 times (31 December 2021) to 2.18 times

Overview

Transcend Residential Property Fund is a specialist residential REIT, listed on the Main Board of the JSE. As at 31 March 2023, the Fund owned a portfolio of 4,033 high-quality residential units, servicing the low-to-middle-income segment of the South African affordable rental market. Transcend's properties are located in high demand areas attracting best price rentals.

Transcend's properties occupy a "sweet-spot" monthly average rental ranging between R4,300 and R7,700 per unit. Demand for Transcend's properties have proven to be more robust through economic downturns than other portfolios within the South African real estate sector. 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 than those ordinary shares already owned by Emira (the "General Offer"). The General Offer expired on 18 October 2022 and Emira currently owns 68.15% of the Company.

¹The total distribution for the 15-month period from 1 January 2022 to 31 March 2023 is 72.34 cents. When compared against the prior reporting period, being 1 January 2021 to 31 December 2021, there is a 28.3% increase.

²Based on the South African Real Estate Investment Trust ("SA REIT") Association best practice recommendations.

³Calculated in accordance with the prescribed bank covenant definition. During 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).

⁴Occupancy based on revenue and excludes properties being disposed of.

⁵Calculated as trade receivables net of provision for bad debts as a percentage of revenue.

⁶Full portfolio, including Sale Portfolio

⁷Energy efficient homes which reduce the overall carbon footprint.

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 15-month period ended 31 March 2023, compared against the last audited financials, being a 12-month period ended 31 December 2021. These financial statements for the fifteen months ended 31 March 2023 have been audited by the Company’s auditors, KPMG Inc., who have expressed an unqualified opinion. A copy of the auditor’s report is available for inspection at the Company’s registered office together with the financial statements identified in the auditor’s report. The provisional summarised report is extracted from the audited information but is not itself audited.

Results

Transcend has once again achieved a strong set of results, underpinned by performance in the underlying property portfolio and the Company’s ability to efficiently re-cycle capital through the sale of individual units. Transcend’s ability to deliver consistent returns through the cycle has highlighted the Company as a true “best-in-class” performer.

Distribution

On 26 May 2023, the Board declared a final “top up” dividend per share of 14.53 cents per share for the three months ended 31 March 2023. This brings the full 15-month distribution to 72.34 cents per share (2021: 56.39 cents per share), being a 28.3% increase when compared to the 12 months ended 31 December 2021.

This distribution is backed by a 95.3% collection rate for the period and positive cash generated from the net operating activities of the portfolio. This (distribution) represents a pay-out ratio of 100% of distributable income for the period ended 31 March 2023. Transcend has again improved its financial position for the financial year under review and met all of its debt obligations, including its debt covenants, and other financial obligations to its suppliers and staff. Transcend continues to generate strong cash flows which demonstrates the defensive nature of the residential asset class and supports the declaration and payment of its final distribution.

Property portfolio

As at 31 March 2023, Transcend holds 4,033 units across a portfolio of 22⁸ directly owned properties valued at R2.22 billion, located in Gauteng and the Western Cape in South Africa. Transcend’s primary business is the operation and 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 15 core properties which are held as rental stock (the “Rental Portfolio”) and 7 properties where best use has been determined to be through sale rather than rental, four of which were launched for sale in the period January to March 2023 (the “Sale Portfolio”).

The combined gross lettable area (“GLA”) is 212,703 m² as at 31 March 2023, split geographically Gauteng (85.4%), Western Cape (14.6%).

Preparation

The audited annual financial statements for the fifteen months ended 31 March 2023 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 green 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 of the Acquisition Assets were 1 January 2022 for Stoneleigh and 23 February 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 the portfolio that can be broken up and sold at a premium to NAV in the open market. Net sales proceeds are predominantly used to settle debt and reduce the Company’s LTV.

⁸Midrand and Vanguard Village are excluded from this as all units were completely transferred in the 2023 financial year.

Over the financial period, the Sale Portfolio comprised of 9 properties, 2 of which were disposed of fully in the 2023 financial year. The table below provides a reconciliation of the Sale Portfolio over the 2023 financial period; detailing the 7 properties where sales are ongoing (the “Properties Under Sale”) and the 2 properties which were sold out in 2023 (the “Fully Disposed Properties”).

Property	First year of sale ⁹	Total units ¹⁰	Units transferred FY23 ¹¹	Total units transferred to date ¹²	Sales stock ¹³	Unconditional sales ¹⁴
Properties Under Sale						
De Velde	2019	314	152	313	1	1
Birchwood Village	2019	360	106	170	190	19
Stone Arch Village	2021	114	101	101	13	11
67 on 7 th	2023	157	-	-	157	-
Jackalberry Close	2023	208	-	-	208	1
The Block	2023	253	-	-	253	-
Molwore	2023	252	-	-	252	-
Total		1 658	359	584	1074	32
Fully Disposed Properties						
Midrand Village	2019	225	6	225	-	-
Vanguard Village	2021	60	60	60	-	-
Total		285	66	285	-	-
Grand Total		1 943	425	869	1 074	32

A total of 425 units were disposed of and transferred during the 2023 financial year. A further 1,074 units remain unsold and are being marketed for sale, of which 32 have been unconditionally sold (but have not yet transferred) and are 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 the 15-month reporting period.

Occupancies and arrears

The total average portfolio occupancy rate was 93.7%¹⁵ (31 Dec 2021: 91.2%) for the 15 months ended 31 March 2023. Excluding the Sale Portfolio, the occupancy rate over the same period was 95.9%¹⁶ (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 97.9% occupied on 31 March 2023. It is expected that the vacancies of the Rental Portfolio will remain between a range of between 3% and 6% for the 2024 financial year. The Rental Portfolio average collection rate was 94.9% and arrears were 0.5% for the period ended 31 March 2023. For the total portfolio, collections were 95.3% for the same period.

Although Transcend continues to deliver strong results, issues around rising inflation and interest rates as well as 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. Looking forward, the risk of increased arrears will also require intensive property and asset management by the Transcend team.

Treasury

The following interest-bearing borrowings were in place as at 31 March 2023:

No	Bank	Facility	Notional (R'000)	Drawn (R'000)	Base	Margin	Expiry	Note
1	SBSA	Facility A, T1	284 000	288 350	3mJ	1.85%	1-Jul-23	N1
2	SBSA	Facility A, T2	371 500	371 601	3mJ	2.00% ¹⁷	14-Dec-26	N2
3	SBSA	Facility C	100 000	60 243	Prime	-0.85%	30-Aug-24	N3
4	RMB	Facility D, T1	115 000	-	3mJ	1.90%	24-Feb-26	N4

⁹Year of disposal of first unit in the property.

¹⁰Total number of sectionalised units in the property.

¹¹Total number of units transferred from 1 January 2022 to 31 March 2023.

¹²As at 31 March 2023, the cumulative units transferred to end users.

¹³Total number of units which are still owned by Transcend. This includes unsold units as well as unconditional sales of units awaiting transfer.

¹⁴Unconditional 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 Assets Held-for Sale in the Notes to the Financial Statements below for more information.

¹⁵ Calculated as a percentage of income. 92.4% when calculated on a unit basis.

¹⁶ Calculated as a percentage of income. 93.5% when calculated on a unit basis.

¹⁷ Converted into a green loan, margin net of pricing benefit.

5	Absa	Facility E, T1	147 500	150 794	3mJ	1.70% ¹⁵	10-Dec-24	
6	Absa	Facility E, T2	75 000	-	Prime	-1.00%	10-Dec-26	N5
7	SBSA	Facility B	144 221	-	Prime	-1.00%	14-Dec-23	N4
8	RMB	Facility D, T2	132 500	-	Prime	-1.13%	13-Dec-23	N4

N1: Maturity extended 6 months during December 2022, now expiring in July 2023. Credit approval has been granted by the Company's banking partners to re-finance the facility on similar terms to the expiring facility. Final term sheets have been signed and the legal process is in process to re-finance the full notional on or before 1 July 2023.

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

N3: Revolving credit facility, 40% undrawn and available for drawdown.

N4: Fully settled from net sales proceeds received on the Sale Portfolio. Not available for re-draw.

N5: Completely undrawn, available for draw.

All facilities are secured by properties owned by Transcend. Transcend's total debt book is comprised of interest only facilities where interest is payable quarterly on 3-month 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. LTV, based on the banks' covenant definition, as at 31 March 2023 was 37.1%.

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 15-month period ended 31 March 2023, Transcend's ICR has improved to 2.18 times (12 months to 31 December 2021: 1.71 times).

Interest rate hedging

Transcend's policy is to economically hedge at least 60% of the Company's exposure to interest rate risk. As at 31 March 2023, 83.95% of the Company's interest rate exposure on the various facilities was hedged via interest rate derivatives with a notional value of R0.73 billion. This notional value includes a 24-month interest rate cap of R150 million which was entered into on 2 August 2022. Total Transcend external bank borrowings were R0.87 billion as at 31 March 2023.

As at 31 March 2023, the following interest rate derivatives were in place:

STANDARD BANK SWAPS		
	Notional Amount (R'000)	Rate
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 15 May 2023	92,500	6.55%

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

RMB CAP		
	Notional Amount (R'000)	Rate
Interest rate cap: Expiry 2 August 2024	150,000	7.79%

Transcend accounted for fair value gains on interest rate derivatives of R26.3 million in the fifteen months ended 31 March 2023. This, along with the unwind of a R137.5 million notional interest rate swap, resulted in a net market-to-market asset of R4.0 million as at 31 March 2023.

Further financial metrics¹⁸

	31 March 2023	31 December 2021
Funds From Operations per Share (Cents)	72.35	45.46
Net Asset Value (R 000's)	1 351 723	1 325 170
Cost to Income Ratio	44,69%	46,46%
Admin Cost to Income Ratio	7,39%	7,91%
All in Weighted Average Cost of Debt	8,88%	8,63%

¹⁸ Calculations based on prescribed SA REIT supplemental guidance.

Outlook

A quality tenant base with improved occupancies and strong cash collections on rentals has supported consistent portfolio performance for the 2023 financial year. Stable property performance and sales; adequately provisioned utility accruals; improved cost management; as well as well-managed debt risk and interest rates are seen as key components of ongoing success.

Looking forward, however, concerns over rising inflation and interest rates, a struggling economy and consistently failing infrastructure weighs heavily on consumer affordability and Transcend's retail tenant base. The current set of socio-economic conditions places pressure on the Company's ability to meaningfully grow earnings. The Company anticipates distributable earnings to be slightly lower over the next 12 months in comparison to the 12-month period to 31 December 2022.

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.

Statement of Financial Position

Figures in R'000	<i>15 Months Audited 2023</i>	<i>12 Months Audited 2021</i>
Assets		
Non-current assets		
Investment properties	2,200,222	2,229,848
Property and equipment	199	1,013
Derivative assets	3,588	-
	<u>2,204,009</u>	<u>2,230,861</u>
Current assets		
Trade and other receivables	14,438	15,197
Loan receivable	26,622	24,496
Derivative assets	394	-
Cash and cash equivalents	42,123	141,137
	<u>83,577</u>	<u>180,830</u>
Non-current assets held-for-sale	23,290	110,835
Total assets	<u>2,310,876</u>	<u>2,522,526</u>
Equity and liabilities		
Equity		
Stated capital	1,163,606	1,163,831
Retained earnings	235,617	264,532
	<u>1,399,223</u>	<u>1,428,363</u>
Non-current liabilities		
Interest-bearing borrowings	577,589	1,006,867
Derivative liabilities	-	26,832
	<u>577,589</u>	<u>1,033,699</u>
Current liabilities		
Interest-bearing borrowings	291,989	2,851
Trade and other payables	40,239	50,483
	<u>332,228</u>	<u>53,334</u>
Liabilities directly associated with non-current assets held-for-sale	1,836	7,130
Total liabilities	<u>911,653</u>	<u>1,094,163</u>
Total equity and liabilities	<u>2,310,876</u>	<u>2,522,526</u>

Statement of Profit or Loss and Other Comprehensive Income

Figures in R'000	15 Months Audited 2023	12 Months Audited 2021
Continuing operations		
Rental income from investment properties	355,582	279,020
Recoveries of operating costs from tenants	35,637	26,303
Revenue	391,219	305,323
Property operating expenses	(136,191)	(110,349)
Impairment losses	(10,557)	(8,088)
Other income	5,556	4,145
Net operating income	250,027	191,031
Other operating expenses	(28,895)	(24,160)
Operating profit	221,132	166,871
(Loss) / Gain on fair value adjustment of properties and provisions for cost to sell	(23,675)	103,511
Gain on revaluation of derivatives	26,314	52,078
Net finance charges	(106,789)	(102,703)
Finance income	6,861	3,902
Finance costs	(113,650)	(106,605)
Profit before taxation	116,982	219,757
Taxation	-	-
Total comprehensive income for the period	116,982	219,757
Earnings per share		
Basic and diluted earnings per share (cents)	71.36	166.27

Statement of Changes in Equity

Figures in R'000	Stated capital	Retained earnings	Total
Balance at 1 January 2021	1,020,934	125,303	1,146,237
Changes in equity			
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 antedecent dividend	(9,609)	9,609	-
Balance at 31 December 2021	1,163,831	264,532	1,428,363
Balance at 1 January 2022	1,163,831	264,532	1,428,363
Changes in equity			
Profit for the period	-	116,982	116,982
Total comprehensive income	-	116,982	116,982
Dividends	-	(145,897)	(145,897)
Transaction costs	(225)	-	(225)
Balance at 31 March 2023	1,163,606	235,617	1,399,223

Statement of Cash Flows

Figures in R'000	15 Months Audited 2023	12 Months Audited 2021
Cash flows from operating activities		
Profit and total comprehensive income for the year	116,982	219,757
Adjustments for:		
Depreciation of property and equipment	814	748
Finance costs	113,650	106,605
Finance income	(6,861)	(3,902)
Loss/(Gain) on fair value adjustment of properties	23,675	(103,511)
(Gain) on revaluation of derivatives	(26,314)	(52,078)
Operating profit before working capital changes	221,946	167,619
Decrease / (Increase) in trade and other receivables	16,616	(14,314)
Adjustments for impairment losses	(11,746)	8,245
Decrease in trade and other payables	(10,247)	(681)
Cash generated by operating activities	216,569	160,869
Finance income received	4,738	2,106
Finance costs paid	(103,015)	(107,601)
Net cash from operating activities	118,292	55,374
Cash flows from investing activities		
Proceeds from sales of non-current assets held-for-sale	104,184	142,738
Proceeds from sales of investment property	286,493	153,316
Investment properties acquired	(255,514)	-
Capitalised expenditure to investment property	(50,880)	(17,996)
Capitalised expenditure to non-current assets held-for-sale	(191)	(1,154)
Net cash generated from investing activities	84,092	276,904
Cash flows used in financing activities		
Proceeds from share issue	-	152,506
Costs related to share issue	(225)	-
Interest-bearing borrowings received	268,400	883,415
Interest-bearing borrowings repaid	(418,701)	(1,109,031)
Derivative liability settled	(4,975)	(6,710)
Shareholder loan repaid	-	(93,461)
Dividends paid	(145,897)	(90,137)
Net cash utilised by financing activities	(301,398)	(263,418)
(Decrease)/Increase in cash and cash equivalents	(99,014)	68,860
Cash and cash equivalents at beginning of the period	141,137	72,277
Cash and cash equivalents at end of the period	42,123	141,137

SIGNIFICANT FINANCIAL STATEMENT NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The audited financial statements for the fifteen months ended 31 March 2023 are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, the requirements of the Companies Act No. 71 of 2008. The accounting policies applied in the preparation of the financial statements for the fifteen months ended 31 March 2023 are in terms of IFRS and are consistent with those applied in the previous financial statements as at 31 December 2021.

In the current year, the Company has adopted all revised IFRS standards that are relevant to its operations and effective for reporting periods beginning on or after 1 January 2022. At the date of the authorisation of the financial statements for the year ended 31 March 2023, the following standards were adopted:

Standard or interpretation	Effective date	Expected impact on financial statements
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1-Jan-22	Application of standards did not have any impact on the Company's financial reporting.
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1-Jan-22	Application of standards did not have any impact on the Company's financial reporting.
IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments - Annual improvements to IFRS Standards (2018 2020)	1-Jan-22	Application of standards did not have any impact on the Company's financial reporting.

The directors are not aware of any material matters or circumstances arising subsequent to 31 March 2023 that require any additional disclosure or adjustments to the audited financial statements for the fifteen months ended 31 March 2023.

The directors take full responsibility for the preparation of the audited financial statements for the fifteen months ended 31 March 2023 and for ensuring that the financial information has been correctly extracted from the underlying annual financial statements.

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 Transcend's leases are month-to-month. The average duration of a tenant's stay in the portfolio is, however 26 months.

4. INVESTMENT PROPERTIES

Investment properties

Reconciliation of carrying amount

Opening fair value of investment properties	2,229,848	2,360,727
Fair value adjustment	(23,527)	106,440
Acquisitions at cost ¹	255,514	-
Capitalised expenditure ²	50,880	17,996
Disposals	(290,603)	(153,316)
Investment properties transferred to non-current assets held-for-sale ³	(21,890)	(101,999)
Closing balance	2,200,222	2,229,848

Amounts recognised in profit or loss

Fair value adjustment on investment properties	(23,527)	106,440
	(23,527)	106,440

¹ Relates to The Block and Stoneleigh, the effective dates for the acquisitions were 1 January 2022 for Stoneleigh and 23 March 2022 for The Block. Facility D, Tranche 1 was used to part fund the acquisition of The Block and Stoneleigh. Subsequent to the acquisition, proceeds derived from the sales portfolio during 2023 were used to settle this loan facility in the current year.

² This full amount has been paid in cash.

³ 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.

All of the Company's investment properties in the Rental Portfolio were valued at 31 March 2023 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 being sold to their respective unit gross selling price.

5. NON-CURRENT ASSETS HELD-FOR-SALE

Non-current assets held-for-sale and discontinued operations

Investment property classified as held-for-sale

Opening fair value of property assets	110,835	146,219
Investment properties transferred to assets held-for-sale	21,890	101,999
Capitalised costs ²	191	1,154
Disposals ¹	(104,184)	(142,738)
Fair value adjustment of assets held-for-sale	(5,442)	4,201
Closing balance	23,290	110,835

¹ Disposals relate to the sale of units in Midrand Village for R6.1 million (2021: R5.91 million), De Velde for R44.34 million (2021: R47.38 million), Birchwood Village for R28.66 million (2021: R30.82 million), Stone Arch Village for R8.53 million (2021: R9.06 million), Vanguard Village R16.58 million (2021: R17.67 million). This full amount was received in cash.

² All Capitalised costs were paid in cash.

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.

Note: A corresponding provision for selling costs is raised for units classified as non-current assets held for sale ("NCAHFS") and is presented as a separate liability on the SOFP.

6. FAIR VALUE

In the current reporting period, a total fair value loss of R23.68 million was processed to the income statement and is presented in the note below. This shows the net effect on the income statement:

Gain/(loss) on fair value adjustment of properties

(Loss) / Gain on fair value adjustment of investment properties	(23,527)	106,440
(Loss) / Gain on fair value adjustment of non-current assets held-for-sale	(5,442)	4,201
Provision for costs to sell ¹	(1,836)	(7,130)
Reversal of provision for cost to sell ²	7,130	-
	(23,675)	103,511

¹ Relates to a provision for selling costs raised in the current year on non-current assets held for sale. Please refer to note 13 Non-current assets held-for-sale.

² Relates to a reversal of the prior year provision for selling costs as the those specific units were sold in the current year. Please refer to note 13 Non-current assets held-for-sale.

Investment properties:

Investment property incurred a loss of R23.53 million, which can be attributed to selling costs associated with investment properties sold.

NCAHFS:

Non-current assets held-for-sale incurred a loss of R5.4 million which is also attributable to selling costs. However, a prior year provision of R7.13 million in relation to 2021 selling costs on units classified as non-current assets held for sale was released against the current period R5.4 million fair value loss as those units were sold throughout the 15-month reporting period.

At the reporting date, 32 units, valued at R23.29million, satisfied the IFRS 5 classification requirement and were held as non-current assets held-for-sale. A corresponding selling cost provision of R1.84 million was processed through the income statement at the current reporting date to account for all costs of disposal.

7. PROPERTY OPERATING EXPENSES

Property operating expenses

Utilities		64,179	52,334
	Water	7,837	7,348
	Electricity	22,344	16,162
	Rates	13,840	10,990
	Sewerage	12,093	11,223
	Refuse	8,065	6,611
Property management fee		25,441	20,288
Levies		12,899	12,056
Security		8,298	6,326
Repairs and maintenance		9,592	9,169
Payroll		5,339	3,777
Other property operating expenses ¹		10,443	6,399
		136,191	110,349

¹ Included in other property operating expenses are property insurance expenses of R2.62 million (2021: R1.55 million); consulting fees for legal collections of R0.56 million (2021: R0.45 million) and garden service costs of R1.59 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.

Operating segments

Figures in R'000	Gauteng	Western Cape	Reconciliation ¹	Total
2023				
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Rental income from investment properties	312,421	43,161	-	355,582
Recoveries of operating costs from tenants	32,414	3,223	-	35,637
Revenue	344,835	46,384	-	391,219
Property operating expenses	(121,096)	(15,095)	-	(136,191)
Impairment losses	(7,837)	(2,720)	-	(10,557)
Other property income	4,822	734	-	5,556
Net operating income	220,724	29,303	-	250,027
Other operating expenses	(2,637)	(351)	(25,907)	(28,895)
Operating profit	218,087	28,952	(25,907)	221,132
Gain on fair value adjustment of properties	(5,374)	(18,301)	-	(23,675)
Unrealised gain on revaluation of interest rate swap	-	-	26,314	26,314
Net finance charges	-	-	(106,789)	(106,789)
Finance income	-	-	6,861	6,861
Finance costs	-	-	(113,650)	(113,650)
Profit/(loss) before taxation	212,713	10,651	(106,382)	116,982
Taxation				
Profit/(loss) and total comprehensive income for the period	212,713	10,651	(106,382)	116,982

Figures in R'000	Gauteng	Western Cape	Reconciliation ¹	Total
STATEMENT OF FINANCIAL POSITION				
Investment properties	1,879,442	320,780	-	2,200,222
Non-current assets held-for-sale	23,095	195	-	23,290
Other assets ²	8,408	2,920	76,036	87,364
Interest-bearing borrowings ³	-	-	869,578	869,578

¹ 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.

² Other assets comprises of Property and equipment, Trade and other receivables, Cash and cash equivalents, Derivative assets, Loan receivable.

³ Debt is raised at an entity level and allocated to "Reconciliation". The debt is secured by a common security pool acting as collateral for the loans. This is done through a securitisation vehicle/structure. Given the above the debt cannot be allocated/disaggregated to different segments as it can not be allocated to individual properties. Management does not deem it necessary to disclose any further liabilities as part of the segmental analysis.

Operating segments are reported by region/geographical area. Included in each geographical area is/are the following Investment properties:

- Gauteng: Ekhaya Fleurhof, Ekhaya Jabulani, Terenure Estate, 67th on 7th, Jackalberry Close, Village Seven Stone Arch Village, Molwate, Kensington Place, Tradewinds, Theresa Park Estates, Southgate Ridge, Protea Glen, Urban Ridge West, Urban Ridge South, Urban Ridge East, Birchwood Village, Silverleaf, and Stoneleigh.
- Western Cape: Parklands, Alpine Mews, De Velde, Vanguard Village and The Block.

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

Figures in R'000	Gauteng	Western Cape	Reconciliation ¹	Total
STATEMENT OF FINANCIAL POSITION				
Investment properties	1,890,459	339,389	-	2,229,848
Non-current assets held-for-sale	45,802	65,033	-	110,835
Other assets ²	1,432	6,073	24,323	31,828
Interest-bearing borrowings ³	-	-	1,009,718	1,009,718

Operating segments continued...

¹ 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.

² Other assets comprises of Property and equipment, Trade and other receivables, Cash and cash equivalents, Derivative assets, Loan receivable.

³ Debt is raised at an entity level and allocated to "Reconciliation". The debt is secured by a common security pool acting as collateral for the loans. This is done through a securitisation vehicle/structure. Given the above the debt cannot be allocated/disaggregated to different segments as it can not be allocated to individual properties. Management does not deem it necessary to disclose any further liabilities as part of the segmental analysis.

Operating segments are reported by region/geographical area. Included in each geographical area is/are the following Investment properties:

- Gauteng: Ekhaya Fleurhof, Ekhaya Jabulani, Terenure Estate, 67th on 7th, Jackalberry Close, Village Seven Stone Arch Village, Molwate, Kensington Place, Tradewinds, Theresa Park Estates, Southgate Ridge, Protea Glen, Midrand Village, Urban Ridge West, Urban Ridge South, Urban Ridge East, Birchwood Village and Silverleaf.
- Western Cape: Parklands, Alpine Mews, De Velde and Vanguard Village.

9. RECONCILIATION OF PROFIT TO DISTRIBUTABLE EARNINGS

Distribution statement

	<i>15 Months</i> <i>Audited</i> 2023	<i>12 Months</i> <i>Audited</i> 2021
Profit for the year attributable to Transcend shareholders	116,982	219,757
Calculation of SA REIT Funds From Operations ("FFO")		
Revaluation of properties	23,675	(103,511)
Unrealised loss on interest rate swaps	(26,314)	(52,078)
Depreciation ¹	814	748
Antecedent dividend available for distribution	-	9,609
Acquisition and transaction costs expensed ²	3,450	-
FFO	118,607	74,525
<i>Company specific adjustments</i>		
Acquisition and transaction costs expensed ²	-	3,999
Compensation for loss of vacancy on units held-for-sale ³	-	5,591
Distribution payable to shareholders	118,607	84,115
Total dividend	118,606	84,115
Interim	44,973	32,999
Final	49,808	51,116
Top Up	23,825	-
Actual number of shares in issue ('000)	163,933	163,933
Dividend per share (cents)	72.34	56.39
Interim	27.43	25.21
Final	30.38	31.18
Top Up	14.53	-
FFO per share (cents)	72.34	45.46
Full period	72.34	45.46

¹ Total depreciation of R0.81 million (2021: R0.75 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.

² Acquisition and transaction costs expensed are added back as these expenses are capital in nature.

³ Compensation for loss of vacancy on units held-for-sale: The amount is an allocation of net sales proceeds received for the Sale Portfolio and deemed to be rental income forfeited having had to cancel a lease. The Board took a decision in the 2023 financial year to not make this adjustment going forward and is therefore excluded in the calculation of distributable income in 2023.

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). Derivative assets are classified as financial assets subsequently measured at fair value through profit or loss.

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 March 2023, 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
31 MARCH 2023				
Assets				
Investment properties	2,200,222	-	-	2,200,222
Derivative Assets	3,982	-	3,982	-
Non-current assets held-for-sale	23,290	-	-	23,290
	2,227,494	-	3,982	2,223,512
Liabilities				
Derivative liabilities	-	-	-	-
	-	-	-	-
31 DECEMBER 2021				
Assets				
Investment properties	2,229,848	-	-	2,229,848
Non-current assets held-for-sale	110,835	-	-	110,835
	2,340,683	-	-	2,340,683
Liabilities				
Derivative liabilities	(26,832)	-	(26,832)	-
	(26,832)	-	(26,832)	-

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 presented to the Board for approval on 26 May 2023.

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: Where appropriate, 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. 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 the Sale Portfolio valued with reference to both Income Cap Method and contractual 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 inputs used per property is detailed in the schedule below:

Property Name	Fair value R'000	Expected net operating income R'000	Growth Rate	Vacancy Factor	Bad debt Factor	Capitalisation rate
Investment property						
67 on 7th	88,600	7,971	2.00%	4.50%	1.50%	9.00%
Alpine Mews	44,900	4,264	2.00%	5.50%	1.50%	9.50%
Ekhaya Fleurhof	68,400	6,328	2.00%	3.50%	1.50%	9.25%
Ekhaya Jabulani	92,000	8,737	2.00%	4.50%	1.50%	9.50%
Urban Ridge South	134,900	12,139	2.00%	4.50%	1.50%	9.00%
Kensington Place	35,900	3,232	2.00%	2.50%	1.50%	9.00%
Molware	141,100	12,700	2.00%	2.50%	1.50%	9.00%
Parklands	112,583	9,844	2.00%	3.00%	1.50%	9.00%
Protea Glen	60,500	6,045	2.00%	5.50%	1.50%	10.00%
Silverleaf Estate	43,250	4,000	2.00%	3.50%	1.50%	9.25%
Terenure Estate	213,700	19,764	2.00%	3.50%	1.50%	9.25%
Theresa Park Estates	100,300	9,276	2.00%	4.00%	1.50%	9.25%
Stoneleigh	106,600	10,126	2.00%	4.50%	1.50%	9.50%
The Block	163,300	15,101	2.50%	2.50%	1.50%	9.25%
Tradewinds	50,500	4,548	2.00%	3.50%	1.50%	9.00%
Urban Ridge West	150,100	13,511	2.00%	4.50%	1.50%	9.00%
Urban Ridge East	115,400	10,387	2.00%	4.50%	1.50%	9.00%
Southgate Ridge	210,900	19,900	2.00%	5.00%	1.50%	9.50%
Jackalberry Close	111,660	9,815	2.00%	4.00%	1.50%	8.75%
Stone Arch ¹	1,131					
Birchwood Village ¹	154,498					
Total	2,200,222	187,688	2.03%	3.94%	1.50%	9.21%

¹ These properties form part of the Sale Portfolio and is valued at gross selling prices, only fair values are shown in this table.

Sensitivity to changes in key assumptions:

Transcend's portfolio consists fully of residential properties servicing the affordable housing market, located across 2 provinces in South Africa. Units consist primarily of 2-bedroom units (88.61% of the total portfolio of 4033 units), and therefore no distinction has been made in relation to key assumptions and the impact of unobservable inputs. The portfolio is generic in terms of offering, differences in expected income, capitalisation and growth rates pertain to the property location and affordability of that market segment. For this reason, management assesses the entire portfolio and does not aggregate properties according to location.

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, have an effect on 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:

	Investment property 2023	Fair value adjustment/ movement 2023
Expected net operating income		
Increase in income +100bps	29,791	29,791
Decrease in income -100bps	(30,479)	(30,479)
Capitalisation rates		
Increase in cap rates +25bps	(54,152)	(54,152)
Decrease in cap rates -25bps	57,180	57,180
Growth rate		
Increase in rates +100bps	19,142	19,142
Decrease in rates -100bps	(20,910)	(20,910)
Vacancy and bad debt factor		
Increase in factor +100bps	(33,253)	(33,253)
Decrease in factor -100bps	27,024	27,024

Investment properties continued...

For a detailed listing of the inputs used for valuation detailed per property, refer to note 31 Fair value hierarchy.

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 gross 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.

	Non-current assets held- for-sale 2023	Fair value effect / movement 2023
Contractual selling price		
Increase in price +500bps	1,164	1,164
Decrease in price -500bps	(1,164)	(1,164)
Costs to sell		
Increase in price +500bps	(91)	(91)
Decrease in price -500bps	91	91

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 March 2023, total derivatives were valued at R3.98 million, all of which were recognised as financial assets.

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

	Derivative liability	Fair value adjustment/ movement
Increase in JIBAR +25bps	1,214	1,214
Decrease in JIBAR -25bps	(1,214)	(1,214)

11. EARNINGS PER SHARE

Earnings and headline earnings

	2023	2021
Reconciliation of basic profit earnings to headline earnings		
Profit for the year attributable to Transcend shareholders	116,982	219,757
Change in fair value of properties	23,675	(103,511)
Headline profit attributable to Transcend shareholders	140,657	116,246
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)	71.36	166.27
Headline and diluted headline earnings per share (cents)	85.80	87.95

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Emira increased its shareholding in Transcend to 68.15% in the 2023 financial year (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: 9.16% and 4.41%, respectively).

Transcend is externally managed by IHS RF (Pty) Ltd, a private company registered and incorporated under the laws of South Africa. In turn, IHS RF (Pty) Ltd outsources certain functions to IHS Asset Management (Pty) Ltd in terms of a service level agreement. Asset management fees of R14.62 million have been charged during the period in accordance with the asset management agreement (31 December 2022: R10.65 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 R25.44 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 Solly Mboweni (non-executive director) resigned with effect from 22 October 2022.

Geoff Jennett, a non-executive director at the time, was appointed as the non-executive chairman of Transcend, and 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, Tshepiso Makofane and Panico Theocharides were appointed as independent non-executive directors of Transcend.

On 24 February 2023, Panico Theocharides resigned from the board, effective 28 February 2023. On the same day, Shaun Stewart was appointed as an independent non-executive director, with effect from 1 March 2023.

14. SUBSEQUENT EVENTS

Declaration of Dividend

In line with IAS 10 *Events After the Reporting Date*, the declaration of a dividend of 14.53 cents per share occurred after the end of the reporting period, on 26 May 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 Company earned a total comprehensive profit for the year ended 31 March 2023 of R116.98 million (2021: R219.76 million loss). As of that date, the company had a positive net asset value of R1.40 billion (2021: R1.43 billion positive net asset value). The Company's current liabilities exceed its current assets by R248.65 million (in the prior year current assets exceeded current liabilities) however it is specifically noted that Transcend has obtained credit approval from its banking partners to refinance R284 million worth of expiring debt. Refinance will take place before the loan maturity date of 1 July 2023. Taking this into account, current assets will exceed current liabilities by R35.35 million and management deems the going concern principal to be satisfied.

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 annual 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 top up dividend. Future cash reserves used to settle current liabilities will be generated primarily through property operating income.

16. PAYMENT OF FINAL TOP UP DIVIDEND

The Board has approved, and notice is hereby given of a dividend of 14.53269 cents per share for the three months ended 31 March 2023. This brings the full 15-month distribution to 72.35049 cents per share (2021: 56.39022 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 will be paid from distributable income.

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 11.62615 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 29 May 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:

	2023
Last date to trade cum dividend	Monday, 12 June
Shares trade ex-dividend	Tuesday, 13 June
Record date	Thursday, 15 June
Payment date	Monday, 19 June

Share certificates may not be dematerialised or rematerialised between Tuesday, 13 June 2023 and Thursday, 15 June 2023, both days inclusive.

In respect of dematerialised shareholders, the dividend will be transferred to CSDP accounts/broker accounts on Monday, 19 June 2023. Certificated shareholders' dividend payments will be deposited on or about Monday, 19 June 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
29 May 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 Lokoza Rufus Makofane* and Shaun David Stewart*

* Independent non-executive director

** Non-executive director