

Provisional summarised audited financial statements for the period ended 31 December 2016

1 Basis of preparation

The summary financial statements have been prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The JSE Listings Requirements require provisional reports to be 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 and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting. The accounting policies applied in the preparation of the financial statements from which the summary financial statements were derived are in terms of International Financial Reporting Standards and are consistent with the Listing Prospectus issued on 16 November 2016 ("Listing Prospectus").

The provisional summarised report is extracted from the audited information, but is not itself audited. The financial statements are audited by KPMG Inc., who expressed an unmodified opinion thereon. The auditor's report does not necessarily report on all the information contained in these summary financial statements. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying audited financial statements, both of which are available for inspection at the company's registered office. The directors of Transcend take full responsibility for the preparation of this report and that the selected financial information has been correctly extracted from the underlying financial statements. The audited financial statements are available for inspection at Transcend's registered office.

David Peter Lange CA(SA), Transcend's chief financial officer, was responsible for supervising the financial statements that this provisional report summarises, as well as the preparation of these summary financial statements.

2 Directors' report

Commentary

The primary business of Transcend is focused on acquiring income-generating residential properties, with a focus on housing opportunities that are affordable, lifestyle-enhancing and well-located in high-growth urban areas. The company's strategy is to establish a track record of consistent performance and growth in distributions. The company intends to maximise the performance of its initial portfolio and only acquire additional properties that are stabilised.

59 046 443 shares were issued on 1 October 2016 at R10 per share as part of the purchase agreements of each of the 13 properties. Transcend listed on the Alternative Exchange of the JSE Limited on 1 December 2016 and 7 259 219 ordinary shares were issued to the public at R6,75 per share. Following the acquisition of the initial portfolio of 13 properties, settled through the issue of Transcend shares and successful private placement on listing, the total number of shares in issue is 66 305 662.

In terms of the property acquisitions, each rental enterprise was acquired by Transcend with effect from 1 October 2016. On this date, Transcend assumed certain assets and liabilities relating to each rental enterprise. Transcend did not acquire the asset management and property management processes as part of these property acquisitions. Although the reporting period under review covers 6 months, the results presented in the financial statements represent operating activities for 3 months only, as Transcend recognised income and expenditure from the effective date of 1 October 2016.

3 Results

On 29 March 2017, the board approved a dividend of 5.60803 cents per share for the period ended 31 December 2016, which is greater than the forecast dividend per share of 2.10 cents per share published in the company's Listing Prospectus. The variance primarily relates to surplus working capital being available for distribution. The company is of the view that the portion of the dividend in excess of the forecast dividend is once off in nature and should therefore not be taken into account in establishing an expectation of the company's future dividends.

Profit and total comprehensive income for the period amounts to R16.52 million whilst the forecast as per the Listing Prospectus issued on 16 November 2016, was a net loss for the period of R9.92 million. The profit for the current period is largely due to a net gain on fair value adjustments to investment property of R11.39 million. The headline earnings attributable to equity holders is R5.14 million and the forecast as per the Listing Prospectus was R5.49 million. Total assets as at 31 December 2016 amount to R1.23 billion, which is higher than the R1.17 billion in the pro forma statement of financial position as per the Listing Prospectus.

4 Property portfolio

There are 13 residential properties in Transcend's portfolio, which consists of 2 472 units valued at R1.189 billion.

Geographically, the properties are located in the following provinces:

Gauteng	80%
Western Cape	12%
Mpumalanga	8%

(The above allocation is based on GLA)

Please refer to details below of all 13 properties acquired by Transcend:

Property name	% owned	GLA (m2)	Purchase price R'000	Effective transfer date
67 on 7th	100%	8 478	90 500	01-Oct-16
Acacia Place	100%	16 250	131 700	01-Oct-16
Alpine Mews	100%	4 005	31 300	01-Oct-16
Ekhaya Fleurhof	100%	6 642	63 600	01-Oct-16
Ekhaya Jabulani	100%	10 004	85 500	01-Oct-16
Jackalberry Close	100%	10 713	110 400	01-Oct-16
Kensington Place	100%	2 376	33 000	01-Oct-16
Molware	100%	11 937	135 400	01-Oct-16
Parklands	100%	10 044	89 100	01-Oct-16
Village Seven, Stone Arch Village	100%	6 039	52 800	01-Oct-16
Terenure Estate	100%	22 028	201 200	01-Oct-16
Theresa Park Estate	100%	12 388	96 200	01-Oct-16
Tradewinds	100%	3 730	44 300	01-Oct-16
Total		124 634	1 165 000	

5 Vacancies

Based on existing leases, as at 31 December 2016, the total portfolio's vacancy rate was 7%. However, if Acacia Place which is still in lease-up is excluded, the vacancy rate of the stabilised portfolio is 4%. Transcend expects the vacancies of the stabilised portfolio to remain within the 2% - 6% range.

6 Facilities

As at 31 December 2016, the following interest-bearing borrowings were in place:

	Value of borrowings R'000
Nedbank Limited	227 634
Maturity dates range between March 2019 and March 2021. The loans all attract interest at the prime rate. The bonds are secured by properties to the value of R435.6 million.	
National Housing Finance Corporation SOC Ltd	128 425
Maturity dates range between September 2026 and May 2028. The interest rates are at prime, or at prime plus 1%. The bonds are secured by properties to the value of R279.2 million.	
The Standard Bank of South Africa Limited	191 417
Maturity dates range between January 2017 and October 2018. The interest rates are at prime, or at prime plus 1%. The bonds are secured by properties to the value of R474.6 million.	
Total interest-bearing borrowings	547 476
Less: Short-term portion of interest-bearing borrowings	216 911
Long-term interest-bearing borrowings	330 565

As at 31 December 2016, none of the company's borrowings are hedged.

The Standard Bank of South Africa Limited ("Standard Bank") and Transcend agreed to enter into a common terms agreement which was signed on 7 December 2016 in terms of which Standard Bank will make available R560 000 000 to Transcend. This will be used to refinance the existing debt.

As at 31 December 2016, Transcend has not drawn down on any of these new Standard Bank facilities. The facility was, however, utilised by 3 February 2017.

7 Gearing

Transcend's Loan to Value ("LTV") is 44%, which is above the company's long term target range of 30% to 40%, but in line with the pro forma statement of financial position as per the Listing Prospectus.

8 Summary of financial performance

	December 2016
Dividend per share (cents)	5.61
Shares in issue	66 305 662
Net asset value per share (cents)	9.78
Loan-to-value ratio(1)	44%
Net property expense ratio(2)	28%
Gross property expense ratio(2)	33%
Net total expense ratio(2)	40%
Gross total expense ratio(2)	44%

(1) The LTV ratio is calculated by dividing interest-bearing borrowings net of cash and cash equivalents by the total investment property.

(2) For the calculation of net ratios, utility recoveries are excluded from rental revenue, whilst gross ratios include utility recoveries in rental revenue.

Statement of financial position

Audited as at
31 December
2016

	R'000
Assets	
Non-current assets	1 189 400
Investment property	1 189 400
Current assets	37 305
Trade and other receivables	13 805
Cash and cash equivalents	23 500
Total assets	1 226 705
Equity and liabilities	
Shareholders' interest	648 800
Stated capital	632 276
Retained earnings	16 524
Non-current liabilities	330 565
Interest-bearing borrowings	330 565
Current liabilities	247 340
Short-term portion of interest-bearing borrowings	216 911
Trade and other payables	30 429
Total equity and liabilities	1 226 705

Statement of profit or loss and other comprehensive income

Audited for the
period ended
31 December
2016

	R'000
Rental income from investment properties	33 990
Recoveries of operating costs from tenants	2 271
Revenue	36 261
Property operating expenses	(11 940)
Net operating income	24 321
Other operating expenses	(3 916)
Operating profit	20 405
Gain on fair value of adjustment of investment property	11 387
Net finance charges	(15 268)
Finance charges	(15 439)
Finance income	171
Profit before taxation	16 524
Taxation	-
Profit and total comprehensive income for the period	16 524
Basic earnings per share (cents)	51.70
Headline earnings per share (cents)	16.07

Reconciliation of profit for the period to headline earnings

Audited for the
period ended
31 December
2016
R'000

Reconciliation of earnings and headline earnings	
Profit for the year attributable to equity holders (profit after tax)	16 524
Less: Change in fair value of investment properties	(11 387)
Headline earnings attributable to equity holders	5 137
Number of shares in issue at year-end	66 305 662
Weighted average number of shares in issue used for the calculation of earnings and headline earnings per share	31 962 195
Basic and diluted earnings per share (cents)	51.70
Headline and diluted headline earnings per share (cents)	16.07

Statement of cash flows

Audited for the
period ended
31 December
2016

	R'000
Net cash generated from operating activities	23 939
Cash generated from operations	37 030
Finance charges paid	(13 262)
Finance income received	171
Net cash utilised in investing activities	(13 013)
Capitalisation of transfer and bond costs	(13 013)
Net cash generated from financing activities	12 575
Repayment of interest-bearing borrowings	(24 425)
Proceeds from share issue	36 999
Net movement in cash and cash equivalents	23 500
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	23 500

Cash and cash equivalents consist of:	
Bank and cash balances	9 972
Tenant deposits	13 528
	23 500

Statement of changes in equity

	Stated capital R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2016	-	-	-
Transactions with owners			
Issue of ordinary shares	639 464	-	639 464
Capitalised listing fees	(7 188)	-	(7 188)
Total profit and comprehensive income for the period	-	16 524	16 524
Balance at 31 December 2016	632 276	16 524	648 800

Notes

1 Sectoral split

Based on:	GLA	Book value
Residential	100%	100%

2 Lease expiry profile

Based on:	GLA (%)	Rental revenue
Vacancy	7,0%	6,5%
Monthly	46,3%	45,7%
30 June 2017	28,6%	29,5%
31 December 2017	17,0%	17,3%
31 December 2018	1,1%	1,0%
	100,0%	100,0%

3 Summarised segmental analysis

For the period ended 31 December 2016
R'000

	67 on 7th	Acacia place	Alpine Mews
Revenue	2 540	3 401	1 050
Property operating expenses	(679)	(1 409)	(386)
Profit and total comprehensive income for the period	780	(215)	354
Total assets	91 800	133 800	32 100
Total interest-bearing borrowings	50 895	99 876	14 273

	Ekhaya Fleurhof	Ekhaya Jabulani	Jackalberry Close
Revenue	2 039	3 020	3 016
Property operating expenses	(479)	(1 188)	(814)
Profit and total comprehensive income for the period	1 979	3 555	1 513
Total assets	65 000	88 600	112 400
Total interest-bearing borrowings	31 403	45 471	23 156

	Kent Road	Kosmosdal	Parklands
Revenue	1 079	4 169	3 019
Property operating expenses	(348)	(1 166)	(985)
Profit and total comprehensive income for the period	716	165	5 242
Total assets	33 800	135 900	93 500
Total interest-bearing borrowings	14 194	57 354	37 278

	Village Seven, Stone Arch Estate	Terenure Estate	Theresa Park Estates
Revenue	1 866	6 786	2 791
Property operating expenses	(770)	(2 083)	(1 097)
Profit and total comprehensive income for the period	1 719	8 623	(4 420)
Total assets	54 900	210 000	92 850
Total interest-bearing borrowings	26 837	76 862	49 609

	Tradewinds	Entity level	Total
Revenue	1 485	-	36 261
Property operating expenses	(536)	-	(11 940)
Profit and total comprehensive income for the period	258	(3 745)	16 524
Total assets	44 750	-	1 189 400
Total interest-bearing borrowings	20 268	-	547 476

Reconciliation of profit for the period to dividend declared

For the period ended
31 December 2016
R'000

Reconciliation of earnings and distributable earnings	
Headline earnings attributable to equity holders	5 137
Add: Surplus working capital available for distribution	1 290
Add: Listing fees expensed	1 752
Less: Clean-out dividend(1)	(4 461)
Amount available for distribution to shareholders	3 718
Dividend per share (cents)	5.61

(1) The clean-out dividend is a distribution to Transcend shareholders prior to the Transcend listing on the JSE. This dividend is equivalent to the distributable earnings for the period 1 October 2016 to 30 November 2016.

3 Related parties and related party transactions

Transcend is externally managed by IHS Asset Management (Pty) Ltd (IHS AM), a private company registered and incorporated in accordance with the laws of South Africa and a wholly-owned subsidiary of IHS (RF) Pty Ltd. An asset management agreement was entered into by Transcend and IHS AM and became effective 1 October 2016. IHS AM charged Transcend asset management fees of R1 116 298 during the period in accordance with the asset management agreement. 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 in accordance with the laws of South Africa. A property management agreement was entered into by Transcend and IHS PM on 16 October 2016. IHS PM charged Transcend property management fees of R2 515 001 during the period in accordance with the asset management agreement.

4 Prospects

With the significant global and local political events of 2016 behind us, it remains to be seen whether the South African economy will begin to recover from the weak levels of growth experienced in the past 12 months. Despite the challenging current economic environment, Transcend believes that the residential rental market will remain relatively resilient given its strong fundamentals. Transcend therefore expects the current portfolio to perform in line with the expectations set out in the Listing Prospectus, being a forecast dividend of 62.8 cents per share for 2017.

The forecast statement of comprehensive income and the independent reporting accountant's report thereon are set out in the Listing Prospectus.

5 Subsequent events

In line with IAS10 Events after the reporting date, the declaration of the final dividend as disclosed in Note 6 Payment of final dividend, occurred after the end of the reporting period, resulting in a non-adjusting event that is not recognised in the financial statements.

As at 3 February 2017, Transcend has drawn down on the new facility as disclosed as per Note 6 Facilities, of the provisional summarised audited financial statements above. The new facility has been hedged against interest rate exposure in accordance with the company's hedging policy which was approved by the board on 18 October 2016.

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

6 Payment of final dividend

The board has approved and notice is hereby given of a final dividend of 5.60803 cents per share for the period ended 31 December 2016.

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

Last date to trade <i>cum</i> dividend	Tuesday, 18 April 2017
Shares trade <i>ex</i> dividend	Wednesday, 19 April 2017
Record date	Friday, 21 April 2017
Payment date	Monday, 24 April 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 April 2017 and Friday, 21 April 2017, both days inclusive.

In respect of dematerialised shareholders, the dividend will be transferred to CSDP accounts/broker accounts on Monday, 24 April 2017. Certificated shareholders' dividend payments will be deposited on or about Monday, 24 April 2017.

An announcement informing shareholders of the tax treatment of the dividend will be released separately on SENS.

By order of the board

Robert Nicolaas Wesselo Chief Executive Officer	David Peter Lange Chief Financial Officer
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Johannesburg
30 March 2017

Directors: Robert Reinhardt Emslie(1) (Chairperson); Robert Nicolaas Wesselo (Chief executive officer); David Peter Lange (Chief financial officer); Solly Mboweni (Chief operating officer); Cathal Pdraig Conaty; Faith Nondumiso Khanyile(1); Michael Simpson Aitken(1); Michael Louis Falcone (1)Independent non-executive director)

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

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

Designated advisor: Java Capital

Company secretary: Karen Waldeck-Kruger