Transcend Residential Property Fund Limited
(Incorporated in the Republic of South Africa)
Registration number 2016/277183/06
JSE share code: TPF ISIN: ZAE000227765
(Approved as a REIT by the JSE) ("Transcend" or "the Company")

Unaudited condensed interim financial statements for the six months ended 30 June 2018

Commentary

Nature of business

Transcend is a specialist residential Real Estate Investment Trust (REIT) with a residential-only property portfolio.

Property portfolio

Transcend's property portfolio consists of thirteen properties comprising 2 472 units, located primarily in Gauteng, as well as Mpumalanga and the Western Cape. The combined gross lettable area ("GLA") is 124 634m2 and the properties have a combined value of R1.219 billion, as at 30 June 2018.

Results

On 22 August 2018 the board of directors of the Company ("Board") approved an interim dividend of 30.09880 cents per share for the period ended 30 June 2018.

Preparation

The unaudited condensed interim financial statements were compiled under the supervision of Myles Kritzinger CA(SA), the Chief Financial Officer.

Strategy

The primary business of Transcend is the acquisition of 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 fully tenanted.

Acquisitions

The Board has approved the acquisition of three fully tenanted rental properties, consisting of 312 sectional title apartments situated in secure, walk-up complexes. The properties are located in Gauteng and the Western Cape. The value of the transaction is R136.2 million, payable on transfer. Legal agreements were concluded on two of the three properties in April and June 2018, with those properties due to transfer to the Company during the 6 months ending 31 December 2018. Transcend has consequently made no acquisitions as at 30 June 2018, as the properties mentioned will only transfer after the period under review. Transcend made no disposals of any investment properties during the period under review.

Vacancies and arrears

Based on average occupancy rates reported over the period 1 January 2018 to 30 June 2018, the total portfolio's vacancy rate was 11.12% which was predominantly due to a single property, Acacia Place. However, if Acacia Place, which has a large vacancy due to the expiry of bulk leases, is excluded, the vacancy rate of the stabilised portfolio is 5.11%. It is expected that the vacancies of the stabilised portfolio will remain within the 4% to 7% range for the remainder of the financial year.

Funding

Interest rate applicable

	Amount R'million	Rate

Interest rate swap: Expiry 31 January 2020 (3-year)	137	7.62%
Interest rate swap: Expiry 31 January 2018 (1-year)	137	7.51%
Interest rate swap: Expiry 31 January 2019 (1-year)	137	7.59%

Facility drawn down

	Amount R'million	Margin over JIBAR
Facility A, Tranche 1: Expiry January 2020 (3-year)	274	1.85%
Facility A, Tranche 2: Expiry January 2022 (5-year)	274	2.35%
A final facility B: Expiry January 2020 (3-year)	10	Prime less 1%

The Standard Bank facilities above are secured by the investment properties owned by Transcend with a carrying value of R1.219 billion. Interest is payable quarterly. Transcend currently has interest-rate swaps on these facilities. The 3-year tranche was 50% hedged by an interest-rate swap at a fixed rate of 7.51% which expired in February 2018, and the 5-year tranche was 50% hedged by an interest-rate swap at a fixed rate of 7.62% which expires in February 2020. A new interest-rate swap was entered into in December 2017 with a forward start date of January 2018 and a maturity date of January 2019 at a fixed rate of 7.59%, which replaced the interest-rate swap which expired in February 2018.

There were no restrictive funding arrangements in place as at 30 June 2018.

Percentage of debt hedged
It is the Board's policy to economically hedge at least 50% of the

company’s exposure to interest rate risk.

Summary of financial performance

	30 June 2018	31 December 2017	30 June 2017
Dividend per share (cents)	30.10	34.23	29.81
Shares in issue	66 305 662	66 305 662	66 305 662
Net asset value per share (Rand)	10.38	10.39	9.93
Loan-to-value ratio (1)	42.2%	41.8%	43.0%
Net property expense ratio (2)	30.5%	29.6%	29.6%
Gross property expense ratio (2)	36.3%	35.2%	34.6%
Net total expense ratio (2)	36.9%	35.6%	34.9%
Gross total expense ratio (2)	42.2%	40.7%	39.5%

(1) The loan-to-value ratio is calculated by dividing interest-bearing borrowings (net of cash on hand) by the total value of investment property.
(2) For the calculation of net expense ratios, utility recoveries are excluded from rental revenue, whilst gross expense ratios include utility recoveries in rental revenue.

Outlook

The Board has revised its forecast distribution to flat growth for the 2018 financial year, amended from the 6-8% growth forecast as communicated in the SENS announcement published on 8 March 2018. Contrary to management’s initial view that South Africa would be entering a period of moderately positive growth, the current climate which sees higher taxes and increased fuel costs has placed added pressure on tenant affordability, rental escalations and property vacancies, and consequently, on market performance.

The revised forecast distribution is primarily due to the poor performance of Acacia Place, which can be directly attributable to higher vacancies on bulk lease renewals and lower rentals. This property has had an exposure of 39% to bulk leases during the reporting period. The remaining portfolio has no exposure to bulk leases and is defensive in nature, through holding individual leases with tenants.

The Parklands properties have experienced an increase in property operating expenses due to the under-recovery of certain utilities and water tariff increases due to the water shortages in the Western Cape. Management has implemented measures to recover these utilities in future from tenants which should see an improvement in property operating expenses for the second half of the 2018 financial year.

This coupled with a difficult South African economic trading environment experienced in the first half of the year and its impact on the affordable housing target market segment has led to a revision of the company's forecast distribution growth based on the assumption that current market and trading conditions prevail and continue to impact on the residential segment. This revised forecast has not been reviewed or reported on by the independent auditors.

Condensed statement of profit or loss and other comprehensive income

	Notes	Unaudited 6 months ended 30 June 2018	Unaudited 6 months ended 30 June 2017
		(R'000)	(R'000)
Rental income from investment properties		71 482	70 568
Recoveries of operating costs			

from tenants		6 570	5 439
Revenue		78 052	76 007
Property operating expenses	2	(28 344)	(26 316)
Net operating income		49 708	49 691
Other operating expenses		(4 578)	(3 743)
Operating profit		45 130	45 948
Unrealised gain/(loss) on interest-rate swaps		1 466	(1 688)
Net finance charges		(24 785)	(26 184)
Finance charges		(25 790)	(26 710)
Finance income		1 005	526
Profit before taxation		21 811	18 076
Taxation		–	–
Profit and total comprehensive income for the period		21 811	18 076
Basic/diluted earnings per share (cents)		32,89	27,26
Headline earnings per share (cents)		32,89	27,26

Condensed statement of financial position

	Unaudited 30 June 2018 (R'000)	Audited 31 December 2017 (R'000)	Unaudited 30 June 2017 (R'000)
Assets			
Non-current assets	1 221 001	1 219 394	1 189 700
Investment property	1 219 201	1 218 640	1 189 400
Property and equipment	1 800	754	300
Current assets	45 454	50 489	48 270
Trade and other receivables	4 018	4 441	4 530
Cash and cash equivalents	41 436	46 048	43 740
Total assets	1 266 455	1 269 883	1 237 970

Equity and liabilities			
Shareholders' interest	687 944	688 829	658 697
Stated capital	632 276	632 276	632 276
Retained earnings	55 668	56 553	26 421
Non-current liabilities	503 862	505 763	505 402
Interest-bearing borrowings	502 910	502 893	503 943
Derivative liabilities	952	2 870	1 459
Current liabilities	74 649	75 291	73 871
Short-term portion of interest-bearing borrowings	52 467	52 431	51 743
Trade and other payables	21 174	22 038	21 600
Provision for audit fees	398	598	299
Derivative liablities	610	158	229
Current taxation liability	-	66	-
Total equity and liabilities	1 266 455	1 269 883	1 237 970

Condensed statement of changes in equity

	Stated capital (R'000)	Retained Earnings (R'000)	Total equity (R'000)
Unaudited balance at 1 July 2017	632 276	26 421	658 697
Profit and total comprehensive income for the period	-	58 076	58 076
Transactions with owners			
Dividends	-	(27 944)	(27 944)
Audited balance at 1 January 2018	632 276	56 553	688 829
Profit and total comprehensive income for the period	-	21 811	21 811
Transactions with owners			-
Dividends	-	(22 696)	(22 696)
Unaudited balance at 30 June 2018	632 276	55 668	687 944

Condensed statement of cash flows

	Unaudited 30 June 2018 (R'000)	Unaudited 30 June 2017 (R'000)
Cash flows from operating activities		
Profit and total comprehensive income for the period	21 811	18 076
Adjustments for:		
Finance costs	25 790	26 710
Depreciation of fittings	120	23
Finance income	(1 005)	(526)
Unrealised loss on interest-rate swaps	(1 466)	1 688
Operating profit before working capital changes	45 250	45 971
Working capital changes: Decrease/(increase) in trade and other receivables	423	9 275
(Decrease)/increase in trade and other payables	(1 393)	(8 638)
Cash generated by operating activities	44 280	46 608
Finance income received	1 005	526
Finance costs paid	(25 408)	(17 370)
Income tax paid	(66)	-
Net cash from operating activities	19 811	29 764
Cash flows from investing activities		
Fittings acquired	(1 166)	(323)
Additions to investment property	(561)	-
Net cash utilised in investing activities	(1 727)	(323)
Cash flows from finance activities		
Interest-bearing borrowings repaid	-	(17 817)
Settlement receipt of interest-bearing borrowings	-	16 795

Dividends paid	(22 696)	(8 179)
Net cash utilised in financing activities	(22 696)	(9 201)
(Decrease)/Increase in cash and cash equivalents	(4 612)	20 240
Cash and cash equivalents at beginning of period	46 048	23 500
Cash and cash equivalents at end of period	41 436	43 740

Sectoral split

	2018		2017	
Based on:	GLA(%)	Book value	GLA (%)	Book value
Residential	100	100	100	100

Lease expiry profile (unaudited)

2018

Based on:

	Gross Leasable Area (%)	Gross Rental (%)
Vacancy	10.5	9.1
Monthly	56.6	58.1
31 December 2018	18.6	18.8
30 June 2019	14.2	13.9
31 December 2019	0.1	0.1

100 100

2017

Based on:

	Gross Leasable Area (%)	Gross Rental (%)
Vacancy	7.4	6.8
Monthly	58.7	59.6
30 June 2018	19.2	19.0
31 December 2018	14.6	14.5
31 December 2019	0.1	0.1

	100.0	100.0

Significant financial statement notes

1. Basis of preparation and accounting policies
The unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards, (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 of South Africa. The accounting policies applied in the preparation of these unaudited condensed interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous financial statements as at 31 December 2017.

The directors are not aware of any material matters or circumstances arising subsequent to 30 June 2018 that require any additional disclosure or adjustments to the unaudited condensed interim financial statements.

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

2. Changes in significant accounting policies
The accounting policies applied in these unaudited condensed interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2017.

The Company has initially adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018, which do not have a material effect on the Company's financial statements. There has consequently been no restatement of any opening balances as at 1 January 2018.

3. Property operating expenses

Property operating expenses	Unaudited 6 months ended 30 June 2018 (R'000)	Unaudited 6 months ended 30 June 2017 (R'000)
Utilities:	11 299	9 966
Water	2 184	1 592
Electricity	2 520	2 676
Rates	3 482	3 330
Sewerage	1 609	988
Refuse	1 504	1 380
Bad debts written off	2 151	–
Property management fees	5 463	5 439
Levies	2 632	2 783
Security	1 892	1 762
Repairs and maintenance	3 547	3 091
Payroll	946	898
Allowance for doubtful debts	(1 435)	814
Other property operating expenses	1 849	1 563
	28 344	26 316

4. Segmental analysis

Segmental information

Transcend has thirteen reportable segments based on the entity's strategic business segments. For each strategic business segment, the entity's executive directors review internal management reports on a monthly basis. All segments are located in South Africa.

Summarised segmental analysis

For the period ended 30 June 2018
R'000

	67th on 7th	Acacia Place	Alpine Mews
Revenue	5 368	7 013	2 624
Property operating expenses	(1 671)	(2 885)	(1 142)
Profit and total comprehensive income for the period	3 629	4 103	1 524
Investment property	97 500	127 529	36 207
Total assets	98 699	129 991	36 868
Interest-bearing borrowings	–	–	–

	Ekhaya Fleurhof	Ekhaya Jabulani	Jackalberry Close
Revenue	4 619	7 003	6 757
Property operating expenses	(1 270)	(2 645)	(1 848)
Profit and total comprehensive income for the period	3 352	4 358	4 872
Investment property	69 512	90 640	112 300
Total assets	70 269	91 682	113 584
Interest-bearing borrowings	–	–	–

	Kent Road	Kosmosdal	Parklands
Revenue	2 274	8 564	6 188
Property operating expenses	(801)	(2 650)	(3 294)
Profit and total comprehensive income for the period	1 475	5 915	2 899
Investment property	35 105	138 514	98 538
Total assets	35 533	140 377	100 344
Interest-bearing borrowings	–	–	–

	Village Seven,

	Stone Arch Estate	Terenure Estate	Theresa Park Estates
Revenue	4 019	14 342	6 063
Property operating expenses	(1 738)	(4 940)	(2 300)
Profit and total comprehensive income for the period	2 263	9 380	3 750
Investment property	55 100	214 203	98 013
Total assets	55 798	216 356	99 313
Interest-bearing borrowings	–	–	–

	Tradewinds	Reconciling	Total
Revenue	3 218	–	78 052
Property operating expenses	(1 160)	–	(28 344)
Profit and total comprehensive income for the period	2 062	(27 771)	21 811
Investment property	46 040	–	1 219 201
Total assets	46 800	30 841	1 266 455
Interest-bearing borrowings	–	555 377	555 377

For the period ended 30 June 2017
R'000

	67th on 7th	Acacia Place	Alpine Mews
Revenue	5 290	8 414	2 306
Property operating expenses	(1 762)	(2 903)	(756)
Profit and total comprehensive income for the period	3 527	5 492	1 551
Investment property	91 800	133 800	32 100
Total assets	93 087	136 573	32 837
Interest-bearing borrowings	–	–	–

	Ekhaya Fleurhof	Ekhaya Jabulani	Jackalberry Close
Revenue	4 203	6 132	6 003
Property operating expenses	(1 158)	(1 943)	(1 777)
Profit and total comprehensive income for the period	3 045	4 174	4 226
Investment property	65 000	88 600	112 400
Total assets	65 844	94 332	113 765
Interest-bearing borrowings	–	–	–

	Kent Road	Kosmosdal	Parklands
Revenue	2 214	8 244	6 333
Property operating expenses	(736)	(2 865)	(2 636)
Profit and total comprehensive income for the period	1 478	5 373	3 697
Investment property	33 800	135 900	93 500
Total assets	34 158	137 876	91 129
Interest-bearing borrowings	–	–	–

	Village Seven, Stone Arch Estate	Terenure Estate	Theresa Park Estates
Revenue	3 772	14 008	6 035
Property operating expenses	(1 688)	(4 534)	(2 473)
Profit and total comprehensive income for the period	2 084	9 466	3 560
Investment property	54 900	210 000	92 850
Total assets	55 529	212 631	93 929
Interest-bearing borrowings	–	–	–

	Tradewinds	Entity level	Total
Revenue	3 053	–	76 007
Property operating expenses	(1 085)	–	(26 316)
Profit and total comprehensive income for the period	1 968	(31 565)	18 076
Investment property	44 750	–	1 189 400
Total assets	45 399	30 881	1 237 970
Interest-bearing borrowings	–	555 686	555 686

Reconciliation of profit for the year to distributable earnings

	Unaudited 6 months ended 30 June 2018 (R'000)	Unaudited 6 months ended 30 June 2017 (R'000)
Profit for the year attributable to Transcend shareholders	21 811	18 076
Unrealised loss on interest-rate swaps	(1 466)	1 688
Distributable income for the period	20 345	19 764
Distribution per share (cents)	30,10	29,81

5. Investment properties

In line with the Company’s valuation policy, third party independent valuations are performed annually by external registered valuers, for at least one third of the portfolio. However, due to the size of the current portfolio, management’s practice for the past 2 financial years has been to appoint independent valuers to value the entire portfolio. Investment property is categorised as level 3 in terms of the fair value hierarchy.

The investment properties were valued by third party independent valuers as at 31 December 2017 by capitalising the net contractual income derived from the properties for a period of one year in advance by utilising an applicable capitalisation rate as determined by the independent valuer. This is the fundamental basis on which income producing properties are traded in the South African market. This is also due to there being strong supporting evidence of open market rental rates and capitalisation rates which are evidenced by sales in the market.

The valuations were reviewed by the executive directors and asset managers and presented to the Investment Committee and then to the Audit and Risk Committee for approval. For all investment properties, their current use equates to the highest and best use.

The fair values of investment properties remain unchanged as at 30 June 2018, as management has assessed that the assumptions underlying the 31 December 2017 valuation have remained unchanged. The net contractual income as at 30 June 2018 is in line with the assumptions used in the valuations, and the capitalisation rates remain unchanged.

6. Financial instrument fair value disclosures

Financial assets and liabilities measured at fair value

The Company's principal financial liabilities are interest-bearing borrowings, classified as other financial liabilities, and derivative financial liabilities, classified at fair value through profit or loss. The main purpose of the Company's borrowings is to finance the acquisition of the Company's property portfolio. The Company has trade and other receivables and cash and cash equivalents classified as loans and receivables and trade and other payables classified as other financial liabilities, that arise directly from its operations. The carrying amounts of these loans and receivables reasonably approximate their fair value as they are short term in nature.

IFRS 13 requires that an entity disclose for each class of financial instrument and investment property measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety.

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 the 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

Figures in R'000s
2018

	Fair value	Level 1	Level 2	Level 3
Assets				
Investment properties	1 219 201	–	–	1 219 201
Liabilities				
Derivative liabilities	1 562	–	1 562	–

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

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

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

As at 30 June 2018, the derivative financial liabilities relating to the interest-rate swaps were fair valued, resulting in a decrease of R0.13 million (2017: R1.69 million) in the liability and a corresponding fair value gain of R1.45 million (2017: loss of R1.69 million) in the condensed statement of profit or loss and other comprehensive income.

7. Earnings per share

	Unaudited 6 months ended 30 June 2018 (R'000)	Unaudited 6 months ended 30 June 2017 (R'000)
Reconciliation of profit for the year to headline earnings		
Profit for the year attributable to Transcend shareholders	21 811	18 076
Change in fair value of investment properties	-	
Headline earnings attributable to Transcend shareholders	21 811	18 076
Weighted average number of shares in issue	66 305 662	66 305 662
Basic and diluted earnings per share (cents)	32,89	27,26
Headline and diluted earnings per		

share (cents)	32,89	27,26

8. Related parties
Relationships
Transcend’s shares are 11% held by public shareholders and 89% held by the South African Workforce Housing Fund SA (PVE), a South African en commandite partnership duly represented by its general partner, South African Workforce Housing Fund SA GP (RF) Pty Ltd (the “Partnership”). The Partnership is comprised of three partners, being the South African Workforce Housing Fund (Cayman) I Ltd, South African Workforce

Housing Fund (Cayman) II Ltd and South African Workforce Housing Fund (SA) II.

The relationship between the Partnership and International Housing Solutions (RF) (Pty) Ltd (“IHS (RF) (Pty) Ltd”) is governed by a signed investment advisory agreement.

Transcend is externally managed by IHS 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 on 1 October 2016. IHS AM charged Transcend asset management fees of R2.45 million (2017: R2.24 million) during the period under review 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 R5.46 million (2017: R5.44 million) during the period under review in accordance with the property management agreement.

9. Subsequent events
In line with IAS 10 Events After the Reporting Date, 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.

10. Liquidity
As at 30 June 2018, the Company had a positive net asset value. Its current liabilities exceed its current assets by R29.2 million (2017: R25.6 million) as a result of payments on the long-term interest-bearing borrowings becoming due and payable in the next 12 months. These payments are due quarterly, and the Company has satisfied itself that it will have sufficient cash to settle these liabilities as they become due and payable each quarter. The Company has performed a cashflow forecast for the next 12 months, and the directors are satisfied that the Company will be liquid and solvent after the declaration of the interim dividend.

11. Payment of interim dividend
The Board has approved, and notice is hereby given of an interim dividend of 30.09880 cents per share for the six months ended 30 June 2018 (2017: 29.80875 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 on the shares 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. 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.

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 24.07904 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 the Commissioner for the South African Revenue Service. 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.

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

Last day to trade cum dividend	Tuesday, 11 September 2018
Shares trade ex dividend	Wednesday, 12 September 2018
Record date	Friday, 14 September 2018
Payment date	Monday, 17 September 2018

Share certificates may not be dematerialised or materialised between Wednesday, 12 September 2018 and Friday, 14 September 2018, both days inclusive.

In respect of dematerialised shareholders, the dividend will be transferred to the CSDP/broker accounts on Monday, 17 September 2018. Certificated shareholders’ dividend payments will be deposited on or about Monday, 17 September 2018.

Shares in issue at the date of declaration of this dividend: 66 305 662.

Transcend’s income tax reference number: 9015377253

By order of the Board

Robert Nicolaas Wesselo
Chief Executive Officer

Myles Kritzinger
Chief Financial Officer

Johannesburg
24 August 2018

Directors: Robert Reinhardt Emslie* (Chairperson); Robert Nicolaas Wesselo (Chief Executive Officer); David Peter Lange** (Chief Financial Officer); Myles Kritzinger *** (Chief Financial Officer); Solly Mboweni (Chief Operating Officer); Cathal Padraig Conaty; Faith Nondumiso Khanyile*; Michael Simpson Aitken*; Michael Louis Falcone

* Independent non-executive director
** David Peter Lange resigned as chief financial officer and executive director of the Company effective 8 March 2018.
*** Myles Kritzinger was appointed as chief financial officer and executive director of the Company effective 8 March 2018.

Registered office: 54 Peter Place, Block C, Cardiff House, 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

Designated advisor: Java Capital
Company secretary: CorpStat Governance Services (Pty) Ltd