

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis*, throughout this Circular, including this cover page, unless specifically defined otherwise, or the context indicates a contrary intention.

Action required by Shareholders

- If you have disposed of all your Shares, then this Circular should be forwarded to the purchaser of your Shares or to the Broker, CSDP, banker or other financial intermediary through whom such disposal was effected.
- Shareholders are referred to page 3 of this Circular, which sets out the action required by them.
- If you are in any doubt about the action to be taken, you should consult your CSDP, Broker, banker, legal advisor, accountant, other financial intermediary or other professional advisor immediately.

Transcend does not accept responsibility and will not be held liable for any action of, or omission by, any CSDP, Broker, legal advisor, accountant, banker, other financial intermediary or other professional advisor including, without limitation, any failure on the part of a CSDP, Broker, legal advisor, accountant, banker, other financial intermediary or other professional advisor of any beneficial owner of Shares to notify such beneficial owner of this Circular and its contents or to take any action on behalf of such beneficial owner.



TRANSCEND

Residential Property Fund

TRANSCEND RESIDENTIAL PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2016/277183/06)

Share code: TPF ISIN: ZAE000227765

Approved as a REIT by the JSE

("Transcend" or the "Company")

RESPONSE CIRCULAR IN RESPECT OF THE OFFER TO SHAREHOLDERS

regarding:

- the opinion of the Independent Board and its recommendation in relation to the Offer by Emira to acquire 100% of the Shares that it does not already own, as detailed in the Offer Circular;

and incorporating:

- the Independent Expert's Report regarding the Offer (*Annexure 1*).

Legal advisor to Transcend

WEBBER WENTZEL

in alliance with > **Linklaters**

Corporate Advisor and Transaction Sponsor to Transcend

JAVACAPITAL

Independent Expert

Deloitte.

Date of issue: Tuesday, 4 October 2022

This Circular is available in English only. Copies may be obtained from the registered offices of Transcend, whose registered addresses are set out in the "Corporate information and advisors" section of this Circular during normal business hours from the date of issue of this Circular to the Closing Date (both days inclusive) and is also available on Transcend's website at <https://transcendproperty.co.za/investor-information/>.

CORPORATE INFORMATION AND ADVISORS

The definitions and interpretations commencing on page 5 of this Circular apply, mutatis mutandis, to this section on corporate information and advisors (unless the context indicates otherwise).

Registered offices

Transcend Residential Property Fund Limited
(Registration number: 2016/277183/06)
54 Peter Place Block C, Cardiff House
Peter Place Office Park
Bryanston
Johannesburg, South Africa
2191
(PO Box 1686, Randburg, South Africa, 2125)

Date of incorporation: 8 July 2016

Place of incorporation: South Africa

Corporate Advisor

Java Capital Proprietary Limited
(Registration number 2012/089864/07)
6th Floor, 1 Park Lane
Wierda Valley
Sandton, 2196
(PO Box 522606, Saxonwold, 2132)

Legal advisor

Webber Wentzel
90 Rivonia Road
Sandton, South Africa
2196
(PO Box 61771, Marshalltown, South Africa, 2107)

JSE sponsor

Questco Corporate Advisory Proprietary Limited
(Registration number: 2011/106751/07)
Ground Floor, Block C
Investment Place
10th Road Hyde Park, South Africa
2196
(Postal address same as physical address)

Company secretary

Corpstat Governance Services Proprietary Limited
(Registration number: 2004/001556/07)
Hurlingham Office, Hurlingham
Office Park, Block C
59 Woodlands Avenue
Hurlingham, South Africa
2196
(PO Box 724, Melville, South Africa, 2109)

Transaction Sponsor

Java Capital Trustees & Sponsors Proprietary Limited
(Registration Number 2006/005780/07)
6th Floor, 1 Park Lane
Wierda Valley
Sandton, 2196
(PO Box 522606, Saxonwold, 2132)

Independent Expert

Deloitte & Touche
(Financial Advisory Southern Africa)
5 Magwa Crescent
Waterfall City, Waterfall, South Africa
2166
(Private Bag X6, Gallo Manor, 2052, South Africa)

Transfer Secretaries

JSE Investor Services Proprietary Limited
(Registration number: 2000/007239/07)
19 Ameshoff Street
13th Floor, Braamfontein
Johannesburg, South Africa
2001
(PO Box 4844, Johannesburg, South Africa, 2000)

IMPORTANT LEGAL NOTICES AND DISCLAIMERS

The definitions and interpretations commencing on page 5 of this Circular apply, mutatis mutandis, to this section on important legal notices and disclaimers (unless the context indicates otherwise).

This Circular has been prepared for the purposes of complying with the Companies Act, the Takeover Regulations and, to the extent applicable, the Listings Requirements and, accordingly, the information disclosed may not be the same as that which would have been disclosed had this Circular been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa.

The release, publication or distribution of this Circular in jurisdictions other than South Africa may be restricted by law, and any person who is subject to the laws of any jurisdiction other than South Africa should therefore inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities laws of any such jurisdiction.

This Circular is not intended to, and does not constitute, or form part of, an offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction in which such an invitation, offer or solicitation would be unlawful. This Circular does not constitute a prospectus or a prospectus equivalent document. Shareholders are advised to read this Circular and the Offer Circular, which contains the full terms and conditions of the Offer, with care. Any decision to accept the Offer or any other response to the proposals should be made only on the basis of the information in this Circular, the Offer Circular and any information published on SENS by Emira and Transcend relating to the Offer.

Forward-looking statements

Statements in this Circular include “*forward-looking statements*” that express or imply expectations of future events or results. These statements include financial projections and estimates and their underlying assumptions, and statements regarding plans, objectives and expectations with regard to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words “*anticipates*”, “*believes*”, “*estimates*”, “*expects*”, “*intends*” and similar expressions. All forward-looking statements involve a number of risks, uncertainties and other factors, and Transcend and/or the Independent Board cannot give assurances that those statements will prove to be correct. Risks, uncertainties and other factors that could cause actual events or results to differ from those expressed or implied by the forward-looking statements include, without limitation, changes in the economic or political situation in South Africa. Although Transcend and the Independent Board believe that the expectations reflected in the forward-looking statements are reasonable, Shareholders are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally outside the control of Transcend and the Independent Board, that could cause actual events or results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Transcend and/or the Independent Board do not undertake to update any forward-looking information or statements.

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ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 5 of this Circular apply, mutatis mutandis, to this section on action required by Shareholders (unless the context indicates otherwise).

THE INDEPENDENT BOARD RECOMMENDS THAT SHAREHOLDERS REJECT THE OFFER. TO REJECT THE OFFER, SHAREHOLDERS SHOULD TAKE NO ACTION WITH REGARD TO THE OFFER.

Please take careful note of the following provisions regarding the action required by Shareholders:

- if you are in any doubt about the action to be taken, you should consult your CSDP, Broker, banker, legal advisor, accountant, other financial intermediary or other professional advisor immediately;
- if you have disposed of all your Shares, then this Circular should be forwarded to the purchaser of your Shares or to the Broker, CSDP, banker or other financial intermediary through whom such disposal was effected;
- the options available to you are:
 - to do nothing (in which case you will be treated as having rejected the Offer); or
 - to accept the Offer in respect of all or any of your Shares;
- if you wish to reject the Offer, you do not need to take any further action; and
- if you wish to accept the Offer, you must do so in the manner described in the Offer Circular.

TRP APPROVALS

Shareholders should take note that the TRP does not consider commercial advantages or disadvantages of affected transactions when it approves such transactions.

SALIENT DATES AND TIMES IN RESPECT OF THE OFFER

The definitions and interpretations commencing on page 5 of this Circular apply, mutatis mutandis, to this section on action required by Shareholders (unless the context indicates otherwise).

2022

Offer Circular posted to Shareholders on	Tuesday, 6 September
Opening date of the Offer	Wednesday, 7 September
Record date to determine which Shareholders are entitled to receive this Circular	Friday, 23 September
Circular posted to Shareholders on	Tuesday, 4 October
Announcement relating to the issue of the Circular released on SENS on	Tuesday, 4 October
Announcement relating to the issue of the Circular published in the press on	Wednesday, 5 October
Anticipated date for receipt of approval by the Competition Authorities (Offer becomes wholly unconditional) (see note 3)	Thursday, 20 October
Expected date on which the finalisation announcement will be released by Emira on SENS by 11:00	Friday, 21 October
Expected date on which the finalisation announcement will be published by Emira in the press	Monday, 24 October
Last day to trade in Shares on the JSE in order to participate in the Offer	Tuesday, 1 November
Date on which the Shares trade “ex” the Offer	Wednesday, 2 November
Date on which the Offer closes at 12:00	Friday, 4 November
Record date on which Shareholders must hold Shares in order to accept the Offer	Friday, 4 November
Results of the Offer announced on SENS	Monday, 7 November
Offer Consideration paid to Shareholders who accept the Offer on	Monday, 7 November
Results of the Offer published in the press	Tuesday, 8 November

Notes:

1. All dates and times in this circular are local dates and times in South Africa.
2. Any change to the above dates and times will be agreed upon by Emira, the JSE and the TRP (as required), and Shareholders will be advised by release on SENS and, if required, publication in the South African press.
3. The Closing Date above is dependent upon the fulfilment of the conditions precedent as described in the Offer Circular and is subject to change. Any change to the above dates will be communicated to Shareholders by Emira through SENS and, if required, publication in the South African press.
4. No dematerialisation and rematerialisation of Shares may take place between Wednesday, 2 November 2022 and Friday, 4 November 2022, both days inclusive.

DEFINITIONS AND INTERPRETATIONS

In this Circular and its Annexures, unless otherwise stated or the context indicates otherwise, the words and expressions in the first column shall have the meanings stated opposite them in the second column, and words and expressions in the singular shall include the plural and *vice versa*, words importing natural persons shall include juristic persons and unincorporated associations of persons and *vice versa*, and any reference to one gender shall include the other genders.

“Annexures”	the annexures attached to, and forming part of, this Circular;
“Asset Management Agreement”	the agreement entered into between IHS and Transcend on or about 28 July 2020, as amended from time to time, which terminates on 1 December 2026;
“Board” or “Directors”	the board of directors of Transcend as at the Last Practicable Date, whose details are set out on page 7 of this Circular;
“Broker”	any person registered as a <i>“broking member (equities)”</i> in terms of the requirements of the JSE and in accordance with the provisions of the Financial Markets Act, including any nominee of such person;
“Business Day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“Circular”	this offeree response circular dated Tuesday, 4 October 2022, including the Annexures hereto;
“Closing Date”	the date on which the Offer will close, being Friday, 4 November 2022, unless extended by Emira;
“Companies Act”	the Companies Act, No. 71 of 2008, as amended;
“Competition Act”	the Competition Act, No. 89 of 1998;
“Competition Authorities”	the Competition Commission of South Africa, the Competition Tribunal of South Africa and/or the Competition Appeal Court of South Africa, as the case may be, being the regulatory and/or judicial authorities established in terms of the Competition Act;
“Corporate Advisor”	Java Capital Proprietary Limited (Registration number: 2012/089864/07) a private company incorporated in accordance with the laws of South Africa, whose further details are set out in the section of this Circular titled <i>“Corporate information and advisors”</i> ;
“CSDP”	a Central Securities Depository Participant, being a <i>“participant”</i> as defined in the Financial Markets Act, including any nominee of such participant and with whom a beneficial owner of shares holds a dematerialised share account;
“Eligible Shareholders”	all Shareholders other than the Offeror;
“Emira” or the “Offeror”	Emira Property Fund Limited (Registration number: 2014/130842/06) a public company incorporated in accordance with the laws of South Africa and the shares of which are listed on the Main Board of the JSE;
“Finalisation Date”	the date on which Emira or Transcend, as the case may be, announces that the Offer has become unconditional and that payment is capable of being made in respect of the Offer, in accordance with regulation 102(12) of the Takeover Regulations;
“Financial Markets Act”	the Financial Markets Act, No. 19 of 2012, as amended;
“Firm Intention Announcement”	the firm intention announcement released on SENS on Wednesday, 13 July 2022, advising Shareholders of the Offer, as referred to in paragraph 1.1 of this Circular;
“Firm Intention Letter”	the letter of firm intention issued by Emira to the Board dated Friday, 8 July 2022 setting out the terms and conditions of the Offer;
“IHS” or the “Asset Manager”	International Housing Solutions (RF) Proprietary Limited (Registration number: 2006/003913/07) a private company incorporated in accordance with the laws of South Africa;
“Independent Board”	the independent board of Transcend, consisting of Robert Emslie, Faith Khanyile, Michael Falcone and Michelle Dickens, constituted in accordance with regulation 108(8) of the Takeover Regulations in order to consider the terms and conditions of the Offer;
“Independent Expert”	Deloitte & Touche (Financial Advisory Southern Africa), whose further details are set out in the section of this Circular titled <i>“Corporate information and advisors”</i> , appointed as the independent expert to provide the Independent Board with appropriate external advice regarding the Offer;

“Independent Expert’s Report”	the fair and reasonable opinion prepared by the Independent Expert, as contemplated in regulations 90 and 110 of the Takeover Regulations, regarding the Offer, a copy of which is set out in Annexure 1 to this Circular;
“JSE”	the JSE Limited (Registration number: 2005/022939/06) a public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act;
“Last Practicable Date”	Tuesday, 27 September 2022, being the last practicable date prior to the finalisation of this Circular;
“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time;
“Offer”	the general offer by Emira, in terms of section 117(1)(c)(v) of the Companies Act, to acquire up to 100% of the Shares (other than those Shares already owned by Emira) for the Offer Consideration, as detailed in the Offer Circular;
“Offer Circular”	the offeror circular dated Tuesday, 6 September 2022 distributed by Emira to Shareholders, including the Annexures thereto;
“Offer Consideration”	in respect of the Offer, the cash consideration of R5.38 per Share payable by Emira to Shareholders on an ex-distribution basis, as escalated up to the Finalisation Date on the basis set out in the Offer Circular;
“R” or “Rand”	the South African Rand, the lawful currency of South Africa;
“SENS”	the Stock Exchange News Service of the JSE;
“Shareholders”	means the holders of Shares;
“Shares”	ordinary shares of no par value in the issued share capital of Transcend;
“South Africa”	the Republic of South Africa;
“Takeover Regulations”	the regulations set out in chapter 5 of the Companies Regulations, 2011, promulgated under the Companies Act
“Transaction Sponsor”	Java Capital Trustees and Sponsors Proprietary Limited (Registration number: 2006/005780/07) a private company incorporated in accordance with the laws of South Africa, whose further details are set out in the section of this Circular titled “ <i>Corporate information and advisors</i> ”; and
“Transcend” or the “Company”	Transcend Residential Property Fund Limited (Registration number: 2016/277183/06) a public company incorporated in accordance with the laws of South Africa, the Shares of which are listed on the JSE.



TRANSCEND

Residential Property Fund

TRANSCEND RESIDENTIAL PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2016/277183/06)

Share code: TPF ISIN: ZAE000227765

Approved as a REIT by the JSE
("Transcend" or the "Company")

Directors

RR Emslie[#] (*Chairman*)
M Kritzinger (*Chief Executive Officer*)
NI Watchorn (*Chief Financial Officer*)
RN Wesselo[§]
GM Jennett[§]
S Mboweni[§]
GS Booyens[§]
ML Falcone^{#*}
MS Aitken[#]
FN Khanyile[#]
AM Dickens[#]

Independent Board

RR Emslie[#] (*Chairman*)
FN Khanyile[#]
ML Falcone^{#*}
AM Dickens[#]

[#] Independent non-executive Director

[§] Non-executive Director

* Resident of the United States of America

RESPONSE CIRCULAR IN RESPECT OF THE OFFER TO SHAREHOLDERS

1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

- 1.1 Shareholders are referred to the Firm Intention Announcement released by Transcend on SENS on Wednesday, 13 July 2022 wherein Shareholders were advised of Emira's firm intention to make a general offer to acquire up to 100% of Transcend's ordinary Shares in issue (other than those ordinary Shares already owned by Emira) for a cash consideration of R5.38 per Share on an ex-distribution basis, in terms of section 117(1)(c)(v) of the Companies Act, read with the Takeover Regulations.
- 1.2 On Tuesday, 6 September 2022, Emira published the Offer Circular containing, amongst others, terms of the Offer and Emira's rationale for making the Offer.
- 1.3 The Offer is an affected transaction as defined in section 117(1)(c)(v) of the Companies Act and, as such, the Offer is regulated by the Companies Act and the Takeover Regulations.
- 1.4 As required by the Takeover Regulations, the Independent Board (consisting of Robert Emslie, Faith Khanyile, Michael Falcone and Michelle Dickens) was established in response to the receipt of the Firm Intention Letter to consider the Offer and provide Shareholders with its opinion and recommendation regarding the Offer having, amongst others, obtained and given due consideration to the Independent Expert's Report.
- 1.5 Accordingly, the purpose of this Circular is to provide Shareholders with the opinion of the Independent Expert, the opinion and recommendations of the Independent Board in relation to the Offer and comments on certain statements in the Offer Circular which the Independent Board believes require clarification.
- 1.6 For a full understanding of the terms of the Offer, this entire Circular should be read in conjunction with the Offer Circular.

2. **OPINION OF THE INDEPENDENT EXPERT**

- 2.1 The Independent Expert has, in accordance with regulations 90 and 110 of the Takeover Regulations, performed a valuation of the Shares when compared against the Offer Consideration and provided its Independent Expert's Report to the Independent Board.
- 2.2 Based on the results of the procedures performed, detailed valuation work and other considerations, the Independent Expert concluded that, as at the Last Practicable Date, the fair value of a Share lies between R6.00 and R6.60, with a likely value of R6.30.
- 2.3 Having considered the terms and conditions of the Offer, the Independent Expert has concluded that the terms and conditions of the Offer are unfair and unreasonable to Shareholders.
- 2.4 The full text of the Independent Expert's Report which includes, amongst others, the sources of information on which the Independent Expert relied, its procedures, valuation approach, assumptions and opinion, is provided in **Annexure 1** to this Circular.

3. **OPINIONS AND RECOMMENDATIONS OF THE INDEPENDENT BOARD**

- 3.1 The Independent Board, after due consideration of the Independent Expert's Report, has determined that it will place reliance on the valuation performed by the Independent Expert for the purposes of reaching its own opinion regarding the Offer and the Offer Consideration, as contemplated in regulation 110(3)(b) of the Takeover Regulations. The Independent Board has, in formulating its opinion and recommendation, formed a view of the value of the Shares, which accords with the value of the Shares contained in the Independent Expert's Report. The Independent Board is not aware of any factors which are difficult to quantify or are unquantifiable (as contemplated in regulation 110(6) of the Takeover Regulations).
- 3.2 Further to the valuations performed on a going concern basis by the Independent Expert, the Independent Board formed a view of a range of fair value of the Shares on a liquidation basis which assumes that Transcend realises its direct property assets over time in an orderly manner, which implies cash back per Share of R11.46 at a present value per Share of R6.25 to R6.75, with a likely value of R6.50.
- 3.3 The Independent Board, taking into account the Independent Expert's Report and its own analysis, has considered the terms and conditions of the Offer and the Offer Consideration and the members of the Independent Board are unanimously of the opinion that the terms and conditions thereof are unfair and unreasonable to Shareholders and unanimously recommends that Eligible Shareholders reject the Offer.
- 3.4 The Independent Board has not received any offers relating to the Shares during the period beginning six months before the date of the Firm Intention Announcement and ending with the Last Practicable Date.

4. **STRATEGY AND MARKET POSITION**

- 4.1 Transcend maintains its strategy of owning a well-diversified and quality residential portfolio that offers best price rentals to the affordable housing market. Our offering and track record substantiates the investment thesis of owning a defensive and resilient property portfolio which delivers consistent and sustainable returns.
- 4.2 Transcend is well positioned to deliver an attractive total return to investors through a combination of growth in distributable earnings while realising value in excess of NAV through the sectionalisation of properties and the sale of individual units.
- 4.3 Transcend is well positioned to continue its growth trajectory and meet its strategic objectives. Transcend has been successful in raising equity, simultaneously attracting new entrants into Transcend's shareholder register, in order to fund acquisitions. Transcend believes that it meets the majority of criteria that equity capital markets participants require for a REIT to be investible:
 - 4.3.1 a specialist focus;
 - 4.3.2 quality portfolio;
 - 4.3.3 conservative balance sheet;
 - 4.3.4 track record of performance; and
 - 4.3.5 attractive prospects and pipeline.

- 4.4 Transcend remains committed to seeking avenues to meet the remaining criteria of increased critical mass and shareholder spread/liquidity.
- 4.5 In the event that share issuances are not supported by the requisite majority of shareholders going forward, Transcend can continue to recycle capital and grow the business by realising value through the sectionalisation of properties and the sale of individual units at premium to NAV.
- 4.6 Transcend will continue to evaluate all options available to it to deliver value to its stakeholders.

5. COMMENTS ON CERTAIN STATEMENTS CONTAINED IN THE OFFER CIRCULAR

The Independent Board wishes to respond to the following statements made by Emira in the Offer Circular:

- 5.1 Paragraph 2.5 of the Offeror Circular states that: *“The asset management function for Transcend is conducted externally by the Asset Manager (which has a different motivation to that of Transcend Shareholders). Externally managed REITs are typically unpopular within the investment community, thus further constraining Transcend’s ability to raise equity capital.*

The Asset Manager charges Transcend a monthly fee equal to 0.5% of the enterprise value of Transcend. The construct of this fee arrangement means the Asset Manager is effectively incentivised to grow the asset base of Transcend irrespective of whether the acquisitions are accretive or dilutive to Transcend Shareholders.”

It is the Board, on which Emira is represented, that has decision making responsibility for Transcend, and as such the Independent Board does not believe it is appropriate to imply that the Asset Manager has not been operating in the best interests of all Transcend stakeholders or that the Board does not approve or oversee the strategic direction of Transcend or the performance of the Asset Manager. The Asset Manager has been fulfilling its obligations in terms of the Asset Management Agreement.

- 5.2 Paragraph 2.6 of the Offeror Circular states that: *“New Transcend ordinary no par value shares were issued in terms of the 2021 Equity Raise (in relation to which Transcend announced, inter alia, that an investor presentation was made available on its website at <https://transcendproperty.co.za/investor-information/>) at a price of R4.72 per share (R4.60 Clean Price), being a 12.5% yield. As set out in the Firm Intention Announcement released by Transcend on 13 July 2022, the forward yield guidance of 12.5% on a proposed issuance price, translates to a dividend of 57.50 cents per Transcend ordinary share for FY22. It is noted that the Block and Stoneleigh Portfolios were acquired at a 10.0% and 10.8% yield respectively. The 2021 Equity Raise was therefore dilutive to existing Transcend shareholders on both a yield and NAV basis.”*

The statement confuses the geared distributable earnings yield on ordinary equity shares vs. the ungeared yield on direct property assets. The combined effect of the Block and Stoneleigh acquisitions was neutral on a forecast distributable earnings basis for shareholders.

In its reference to NAV per share, this statement fails to make the relevant observation that IFRS NAV does not account for the present value of operating costs. It is also relevant that investors in the ordinary shares of going concerns apply discounts and premia when determining their fair value and, as such, to evaluate whether a transaction is value accretive or dilutive by simply referencing accounting NAV is inadequate.

- 5.3 Paragraph 2.8 of the Offeror Circular states that: *“Emira believes Transcend would be better served operating in the unlisted environment as an Emira subsidiary, where Emira would exercise control. Transcend shareholders who wish to retain an exposure to the Transcend portfolio can do so via Emira which is a more liquid tradeable instrument offering a more diversified property exposure.”*

The Offer being contemplated is a cash offer, which will not provide Transcend Shareholders with any direct exposure to Emira, unless they choose to invest their after-tax proceeds in purchasing Emira shares on the market. While Emira shares may be more liquid than Transcend shares, Emira is a small constituent in JSE property indices and is relatively illiquid compared to larger property counters.

Transcend observes that diversified REITs are generally rated less highly by the investment community than focussed REITs.

- 5.4 Paragraph 2.8 of the Offeror Circular states that: “*Whilst Emira had originally hoped to structure the Offer in conjunction with a delisting of Transcend... Emira will continue to explore alternatives with the Transcend Board and the Asset Manager to ultimately realise its longer term ambitions of delisting Transcend.*”

Emira terminated discussions on a potential single-step delisting after Transcend’s advisors raised with Emira’s advisors the matters that the advisors considered typical to consider for a possible single-step delisting. Emira’s advisors informed Transcend’s advisors that the timing implications of agreeing and executing a single-step delisting were too complicated.

Further, the Independent Board believes that Emira’s decision to proceed with the Offer and to abandon its initial proposal of a single-step delisting makes a delisting less likely following the completion of the Offer process given the approval threshold that would be required for a delisting and assuming Emira cannot vote if it is an offeror of a fair exit.

6. FINANCIAL INFORMATION

- 6.1 Extracts from the audited financial statements for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 are included in **Annexure 2** to this Circular. The full audited financial statements for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 have been incorporated in the integrated annual reports for those same financial years which can be obtained from Transcend’s website <https://transcendproperty.co.za/annual-reports/> and will also be available for inspection as set out in paragraph 15 of this Circular.
- 6.2 The full unaudited interim financial statements for the six months ended 30 June 2022 are included in **Annexure 3** to this Circular, can also be obtained from Transcend’s website <https://transcendproperty.co.za/annual-reports/> and will also be available for inspection as set out in paragraph 15 of this Circular.
- 6.3 In terms of regulation 106(7)(c)(ii) of the Takeover Regulations, since the Offer Consideration will be settled in cash, and not via an offer of securities, no *pro forma* financial effects are required.

7. INTERESTS OF TRANSCEND IN EMIRA, INTERESTS OF THE DIRECTORS IN EMIRA AND IN SHARES AND DEALINGS IN SHARES

7.1 Beneficial interests

7.1.1 As at the Last Practicable Date, Transcend held no direct or indirect beneficial interests in Emira.

7.1.2 As at the Last Practicable Date, the Directors had the following direct or indirect beneficial interests in Emira:

Director	Beneficial direct interests (%)	Beneficial direct interests (number of Shares)	Beneficial indirect interests (%)	Beneficial indirect interests (number of Shares)	Total beneficial interests (%)	Total beneficial interests (number of shares)
GM Jennett	0.03	143 285	0.62	3 240 000	0.65	3 383 285
GS Booyens	0.01	36 479	0.39	2 016 000	0.40	2 052 479
Total	0.04	179 764	1.01	5 256 000	1.05	5 435 764

7.1.3 As at the Last Practicable Date, the Directors had the following direct or indirect beneficial interests in Transcend Shares:

Director	Beneficial direct interests (%)	Beneficial direct interests (number of Shares)	Beneficial indirect interests (%)	Beneficial indirect interests (number of Shares)	Total beneficial interests (%)	Total beneficial interests (number of shares)
RR Emslie	0.12	200 300	0.55	894 241	0.67	1 094 541
RN Wesselo	0.05	84 025	–	–	0.05	84 025
S Mboweni	0.01	18 569	–	–	0.01	18 569
Total	0.18	302 894	0.55	894 241	0.73	1 197 135

7.2 Share dealings

- 7.2.1 The Directors had no dealings in Emira shares during the period beginning six months before the date of the Firm Intention Announcement and ending with the Last Practicable Date.
- 7.2.2 The Directors had no dealings in Shares during the period beginning six months before the date of the Firm Intention Announcement and ending with the Last Practicable Date.

7.3 Directors' intentions in respect of the Offer

The members of the Independent Board who hold Shares intend to reject the Offer in respect of their own beneficial holdings.

8. UNDERTAKINGS

- 8.1 Emira has provided the Independent Board with undertakings from the following Shareholders to tender their Shares in terms of the Offer:

Shareholder	Number of Shares held	% of Shares held	% of Shares held excluding Emira
Public Sector Pension Investment Board	27 332 926	16.6	28.1
Development Bank of Southern Africa	10 111 936	6.2	10.4
Total	37 444 862	22.8	38.5

- 8.2 These undertakings, as amended, are available for inspection as stated in paragraph 15 of this Circular.
- 8.3 There have been no dealings in Shares by the Shareholders detailed in paragraph 8.1 above during the period beginning six months before the date of the Firm Intention Announcement and ending with the Last Practicable Date.
- 8.4 Further to the undertakings detailed above, Shareholders are advised that Emira has acquired 7 288 780 Shares, being 4.45% of Transcend's issued share capital, between the date of publication of the Firm Intention Announcement and the Last Practicable Date, such that Emira's total interest in Transcend's issued share capital is 45.13% as at the Last Practicable Date.

9. SERVICE CONTRACTS

- 9.1 Transcend has not entered into any service contracts with Directors or any other party during the period beginning six months before the date of the Firm Intention Announcement.
- 9.2 In terms of the Asset Management Agreement, the executive Directors are seconded to Transcend but remain employees of IHS and their contracts of employment with IHS remain in full force and effect.

10. AGREEMENTS IN RELATION TO THE OFFER

There are no agreements between Transcend and:

- 10.1 Emira;
- 10.2 any of the Emira directors, or persons who were Emira directors or equivalent of Emira within the preceding 12 months; or
- 10.3 any shareholders in Emira (as at the Last Practicable Date) or persons who were holders of shares in Emira or interested therein within the preceding 12 months,

which agreement is considered to be material to the decision regarding the Offer to be taken by Shareholders.

11. RETENTION BONUSES TO BE PAID TO TRANSCEND EXECUTIVES

- 11.1 Transcend procures the provision of certain asset management and investment services (“**Services**”) from the Asset Manager in terms of the Asset Management Agreement. Pursuant to the terms of the Asset Management Agreement, the Asset Manager seconded suitably qualified employees to Transcend to act in key executive roles.
- 11.2 In light of the resignation of the seconded chief operating officer / chief investment officer / executive director to Transcend on 20 June 2022, Transcend has requested the Asset Manager to pay, or to procure the payment of, a retention bonus (“**Retention Bonus**”) to each of the following employees of the Asset Manager who are seconded to Transcend in order to secure their continued employment with the Asset Manager, for the direct benefit of Transcend, until, at least, the date that is 12 months from the date of payment of the Retention Bonus (“**Retention Date**”):
- 11.2.1 Mr Myles Kritzinger, as the chief executive officer of the Company;
- 11.2.2 Mr Nic Watchorn, as the chief financial officer of the Company; and
- 11.2.3 Ms Mati Khabo, as the asset manager of the Company,
- (together, the “**Seconded Employees**”).
- 11.3 The Retention Bonus will be paid subject to, *inter alia*, the following terms:
- 11.3.1 the Retention Bonus is a once-off payment of an amount not exceeding 50% of each Seconded Employee’s annual bonus; and
- 11.3.2 each Seconded Employee shall be liable to repay the full amount he/she has received if: (i) he/she resigns; or (ii) if his/her employment is terminated due to gross misconduct in the form of dishonesty, theft, fraud and/or corruption, in each instance prior to the Retention Date.
- 11.4 In terms of the Asset Management Agreement, the Asset Manager is entitled to be reimbursed by Transcend if, in providing the Services, it incurs or pays, *inter alia*, expenses in respect of which Transcend has given its prior written consent. Transcend accordingly consented to the payment of the Retention Bonus to the Seconded Employees subject to the terms set out in paragraph 11.3 above and has undertaken to reimburse the Asset Manager for such expenses in accordance with the provisions of the Asset Management Agreement.
- 11.5 Emira consented to the arrangements recorded in this paragraph 11.

12. CONSENTS

Each of the advisors set out in the “*Corporate information and advisors*” section of this Circular has consented in writing to act in the capacity stated in this Circular and to their names being stated in this Circular and, in the case of the Independent Expert, reference to its report in the form and context in which it appears and have not withdrawn their consent prior to the publication of this Circular.

13. MATERIAL CHANGES

As at the Last Practicable Date there have been no material changes to the terms of the Offer as set out in the Offer Circular.

14. DIRECTORS’ RESPONSIBILITY STATEMENT

Each member of the Independent Board, individually and collectively:

- 14.1 accepts full responsibility for the accuracy of the information contained in this Circular;
- 14.2 certifies that, to the best of his/her knowledge and belief, the information in this Circular is true; and
- 14.3 certifies that, to the best of his/her knowledge and belief the Circular does not omit anything likely to affect the importance of such information.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the documents below will be available for inspection at the registered address of Transcend at any time during business hours from the date of issue of this Circular up to and including the Closing Date. Copies of these documents will also be available for inspection electronically and may be obtained from the Company by sending a request to info@ihsinvestments.co.za:

- 15.1 a copy of this Circular;
- 15.2 copies of the undertakings as referred to in paragraph 8.1 of this Circular;
- 15.3 the signed Independent Expert's Report;
- 15.4 the audited financial statements for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019, which have been incorporated in Transcend's integrated annual reports for those same financial years;
- 15.5 the unaudited interim financial statements for the six months ended 30 June 2022; and
- 15.6 the signed letters of consent referred to in paragraph 12 of this Circular.

SIGNED FOR AND ON BEHALF OF THE INDEPENDENT BOARD

Robert Emslie
Chairman

27 September 2022

FAIR AND REASONABLE OPINION OF THE INDEPENDENT EXPERT

28 September 2022

Members of the Independent Board
Transcend Residential Property Fund Limited
54 Peter Place Block C, Cardiff House
Peter Place Office Park
Bryanston
Johannesburg, South Africa
2191

INDEPENDENT FAIR AND REASONABLE OPINION IN RESPECT OF THE OFFER BY EMIRA PROPERTY FUND LIMITED (“EMIRA”) TO ACQUIRE 100% OF THE SHARES OF TRANSCEND RESIDENTIAL PROPERTY FUND LIMITED (“TRANSCEND”) THAT IT DOES NOT ALREADY OWN.

INTRODUCTION

Transcend shareholders were advised on Wednesday, 13 July 2022 of Emira’s firm intention to make a general offer to acquire up to 100% of Transcend’s ordinary Shares in issue (other than those ordinary Shares already owned by Emira) for a cash consideration of R5.38 per Share on an ex-distribution basis (the “**Offer Price**”), in terms of section 117(1)(c)(v) of the Companies Act, read with the Takeover Regulations (the “**Offer**”).

Accordingly, on 6 September 2022, Emira published the Offer Circular containing, amongst others, terms of the Offer and Emira’s rationale for the Offer. The Offer is an affected transaction as defined in section 117(1)(c)(v) of the Companies Act and, as such, the Offer is regulated by the Companies Act and the Takeover Regulations.

As required by the Takeover Regulations, the Independent Board of Directors (“**Independent Board**”) of Transcend is required to obtain an Independent Expert Report (in the form of a fair and reasonable opinion) indicating whether or not the terms of the Offer are fair and reasonable to the shareholders of Transcend.

We have been appointed by the Independent Board to advise the shareholders of Transcend whether, in our opinion, the Offer is fair and reasonable to the shareholders of Transcend.

DEFINITION OF FAIR AND REASONABLE

A transaction will generally be considered fair to a company’s shareholders if the benefits received by the shareholders, as a result of the transaction, are equal to or greater than the value surrendered by the shareholders. The assessment of fairness is primarily based on quantitative considerations.

A transaction will generally be considered reasonable if the value received by the shareholders in terms of the transaction is higher than the market price of the company’s securities at the Valuation Date. In addition, the assessment of reasonableness is also based on qualitative considerations surrounding a transaction.

Fair and reasonable opinions do not purport to cater for individual shareholders but rather the general body of shareholders. Also, an individual shareholder’s decision may be influenced by such shareholder’s particular circumstances and, accordingly, a shareholder should consult an independent advisor if in any doubt as to the merits or otherwise of the Offer.

INFORMATION CONSIDERED

In arriving at our opinion, we have relied on the following financial and other information which has been provided by our data providers (Economist Intelligence Unit, Rode & Associates, Mergermarket, Refinitiv Eikon, S&P Capital IQ, TPN Credit Bureau), management of Transcend and their advisors, or obtained from publicly available sources:

- Information and assumptions made available by and from discussions held with management and executive directors of Transcend and their transaction advisors in terms of the rationale for the Offer;
- The audited financial statements of Transcend for the twelve months ended 31 December 2021, 31 December 2020 and 31 December 2019, and the unaudited interim financial information for the six months ended 30 June 2022;
- Management accounts for the seven months ended 31 July 2022;
- The forecast distributable income for Transcend for the 5-year period ending 30 June 2027;
- The latest available independent property valuation reports, performed by Real Insight (Pty) Ltd in respect of Transcend’s property portfolio;

- Share price history of the ordinary shares of Transcend;
- Analyst reports on the industry in which Transcend operates;
- Other publicly available information relevant to Transcend, and the industry and geographies in which it operates;
- An indicative valuation of Transcend's ordinary shares, which we have prepared;
- The Response Circular, of which this letter forms part;
- The Offer Circular; and
- Other information and explanations obtained in discussions with management of Transcend and the transaction advisors.

Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, including publicly available information, whether in writing or obtained in discussion with management of Transcend. This included, but was not necessarily limited to:

- Supplementing our knowledge and understanding of the operations of Transcend as well as the industry and geographies in which Transcend operates;
- Reviewing and analysing the historical and projected financial information;
- Considered, at an aggregated level, the achievability of the projected net operating income in the context of the lease agreements, weighted average lease expiry, vacancy levels and operating cost structures of Transcend's property portfolio; and
- Considering the professional competence, independence, qualifications and experience of the preparers of the independent property valuation reports.

OUR APPROACH TO CONSIDERING THE FAIRNESS AND REASONABLENESS OF THE OFFER AND PROCEDURES PERFORMED

In considering the fairness and reasonableness of the Offer we have performed, amongst others, the following procedures:

- Considered the information and assumptions made available by and from discussions held with management and executive directors of Transcend and their advisors;
- Considered the rationale for the Offer;
- Reviewed the audited financial statements of Transcend for the twelve months ended 31 December 2021, 31 December 2020, and 31 December 2019 and the unaudited interim financial information for the six months ended 30 June 2022;
- Reviewed the forecast distributable income for Transcend for the 5-year period ending 30 June 2027;
- Held discussions with Management of Transcend to understand the basis for the key assumptions and other factors considered in preparing the forecast distributable income,
- Considered the latest available independent property valuation reports, performed by Real Insight (Pty) Ltd in respect of Transcend's property portfolio;
- Analysed the historical traded share prices and trading volumes of Transcend on the JSE to consider the trading activities, liquidity and volatility of these shares;
- Reviewed analyst reports on the industry in which Transcend operates;
- Considered other publicly available information relevant to Transcend;
- Supplementing our knowledge and understanding of the operations of Transcend as well as the industry and geographies in which Transcend operates;
- Prepared an indicative valuation of the ordinary shares of Transcend;
- Performed a sensitivity analysis in respect of the key assumptions underlying the indicative valuation of the ordinary shares of Transcend;
- Considered the Circular, of which this letter forms part;
- Considered the Offer Circular; and
- Considered other information and explanations obtained in discussions with management of Transcend and their advisors.

VALUATION AND VALUATION METHODOLOGY

As mentioned above, in considering the fairness and reasonableness of the Offer, we performed an indicative valuation of the ordinary shares of Transcend at the most recent practical date, being 31 August 2022 (the "**Valuation Date**"). We considered significant events which occurred in Transcend subsequent to 31 August 2022 and we have considered market and economic conditions up to the date of issue of this opinion.

The income approach (specifically, a discounted cash flow analysis) was our primary valuation approach. The results of the income approach were corroborated through the application of the market (specifically, a price/book (“**PB**”) ratio analysis) and adjusted net asset value (“**NAV**”) approaches.

Sensitivity analysis on key valuation assumptions underpinning the investment property valuations of Transcend were performed to estimate the adjusted NAV for Transcend under the adjusted NAV approach.

The indicative valuation was performed taking consideration of the current and planned operations of Transcend, and research into the market and economic conditions affecting the industry and geographies in which Transcend operates.

Based on our analysis and procedures as set out above, we have identified the following internal key value drivers:

- The historic and forecast distributable income of Transcend;
- The discount rate at which the projected cash flows of Transcend (12.0% to 13.0%) are discounted;
- The quality of the property portfolio of Transcend;
- Rental levels, operating cost recoveries, property operating costs and rental escalations;
- The lease expiry profile of the property portfolio, which is approximately 30 months and occupancy levels of Transcend’s property portfolio which approximate 97.0%; and
- The fair market values of the assets and liabilities of Transcend.

Based on our analysis and procedures as set out above, we have identified the following external key value drivers:

- Macroeconomic factors such as long-term inflation expectations. Growth is predominantly driven by a combination of the existing and future tenant base of Transcend and rental escalations. The long-term inflation expectation utilised in the income approach was 4.0% to 5.0%; and
- The appropriate PB ratio for Transcend, which is dependent on published NAVs for comparable real estate investment trusts (“**REITs**”). PB ratios for comparable REITs were sourced from S&P Capital IQ as at the Valuation Date.

We have performed the following analysis on the internal and external key value drivers identified:

- An analysis and review of the forecast distributable income of Transcend, including a sensitivity analysis performed based on a reasonable range for these assumptions;
- An analysis and review of the fair value of the Transcend property portfolio, as provided in the independent property valuation reports and latest annual financial statements, and the effect thereof on the NAV per share for Transcend shares;
- In respect of the independent property valuation reports we have considered, at a high level, the appropriateness of the valuation methodologies applied, the key valuation assumptions, and valuation conclusions;
- An analysis and review of the PB ratios of comparable REITs, including a sensitivity analysis performed based on a reasonable range of assumptions;
- Sensitivity analysis performed on the long-term inflation expectations in respect of Transcend. An absolute increase/(decrease) of 0.5% in the long-term inflation rate increased/(decreased) the indicative valuation of the Transcend ordinary shares by 9.0%/(8.0%); and
- Sensitivity analysis performed on the discount rate at which the projected cash flows of Transcend were discounted. An absolute increase/(decrease) of 0.5% in the discount rate (decreased)/increased the indicative valuation of the Transcend ordinary shares by (10.0%)/12.0%.

Based on the results of the procedures performed, detailed valuation work and other considerations, the fair value of a Share was determined to range between R6.0 and R6.6, with a mid-point fair value of R6.3, at the Valuation Date.

OPINION

Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated as at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

Based on the results of the procedures performed, detailed valuation work and other considerations, the fair value of a Share was determined to range between R6.0 and R6.6, with a mid-point fair value of R6.3, as at the Valuation Date.

We have considered the terms and conditions of the Offer, and subject to the foregoing, we are of the opinion that the terms and conditions of the Offer are unfair and unreasonable to Shareholders.

LIMITING CONDITIONS

Fair and reasonable opinions do not purport to cater for individual shareholders but rather the general body of shareholders. Also, an individual shareholder's decision may be influenced by such shareholder's particular circumstances and, accordingly, a shareholder should consult an independent advisor if in any doubt as to the merits or otherwise of the Offer.

The compliance with the Takeover Regulations is the responsibility of the Independent Board. Our responsibility is to report on the Offer in compliance with the relevant provisions of the Takeover Regulations as appropriate. We confirm that our fair and reasonable opinion has been provided to the Independent Board, for the sole purpose of assisting the Independent Board in forming and expressing an opinion for the benefit of Transcend shareholders in connection with the Offer. We understand that the results of our work will be used by the Independent Board to satisfy the requirements of the Takeover Regulations.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with Management of Transcend, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our opinion does not constitute, nor does it include an audit or due diligence review of Transcend.

Forecasts relate to uncertain future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Consequently, forecast financial information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to the financial projections provided to us. Where practicable, we compared the forecast financial information to past trends and third party estimates as well as discussing the assumptions inherent therein with the management of Transcend.

We have also assumed that the transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, representatives and advisors of Transcend and we express no opinion on such consequences. We have assumed that all agreements that will be entered into in respect of the Offer will be legally enforceable.

INDEPENDENCE

We confirm that we have no financial interest in Transcend and in the outcome of the Offer. Furthermore, we confirm that our professional fees (payable in cash) are not contingent upon the successful conclusion of the Offer.

CONSENT

We hereby consent to this letter being included in the circular to Transcend shareholders to be issued on or about 4 October 2022.

Yours Faithfully

Mohsin Khan

Partner

Deloitte & Touche Financial Advisory

5 Magwa Crescent

Waterfall City, Waterfall

EXTRACTS OF THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

The report of historical financial information is the responsibility of the Directors. Full copies of the audited financial statements for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019:

- (i) will be made available to Shareholders, on request;
- (ii) have been incorporated in the integrated annual reports for the years ended 31 December 2021, 31 December 2020 and 31 December 2019, respectively, which are accessible on Transcend's website <https://transcendproperty.co.za/annual-reports/>; and
- (iii) are available for inspection, at the registered offices of Transcend, in accordance with the provisions of paragraph 15 of the Circular.

Statements of financial position
as at 31 December

	Notes	2021 R'000	2020 R'000	2019 R'000
Assets				
<i>Non-current assets</i>				
		2 230 861	2 377 188	2 462 715
Investment properties	8	2 229 848	2 360 727	2 460 174
Property and equipment	9	1 103	1 761	2 541
Loan receivable	11	–	14 700	–
<i>Current assets</i>				
		180 830	89 405	80 214
Trade and other receivables	10	15 197	9 128	6 622
Loans receivable	11	24 496	8 000	–
Cash and cash equivalents	12	141 137	72 277	73 592
Non-current assets held for sale and discontinued operation	13	110 835	146 219	305 571
Total assets		2 522 526	2 612 812	2 848 500
Equity and liabilities				
<i>Equity</i>				
Stated capital	14	1 163 831	1 020 934	1 020 934
Retained earnings		264 532	125 303	228 991
Total equity		1 428 363	1 146 237	1 249 925
<i>Non-current liabilities</i>				
		1 033 699	1 292 711	1 488 826
Interest-bearing borrowings	15	1 006 867	1 207 091	1 382 356
Loan from shareholders		–	–	92 774
Derivative liabilities	18	23 832	85 620	13 696
<i>Current liabilities</i>				
		53 334	173 864	106 409
Interest-bearing borrowings	15	2 851	29 239	7 650
Loan from shareholders	16	–	93 461	53 754
Trade and other payables	17	50 483	51 164	44 306
Derivative liabilities	18	–	–	699
Liabilities directly associated with non-current asset held-for-sale	13	7 130	–	3 340
Total equity and liabilities		2 522 526	2 612 812	2 848 500

Statements of profit or loss and other comprehensive income
for the year ended 31 December

	Notes	2021 R'000	2020 R'000	2019 R'000
Continuing operations				
Rental income from investment properties		279 020	297 093	312 808
Recoveries of operating costs from tenants		26 303	27 703	23 085
Revenue	19	305 323	324 796	335 893
Property operating expenses	20	(110 349)	(120 852)	(107 514)
Impairment losses		(8 088)	(10 764)	(6 271)
Other income	21	4 145	7 000	3 832
Net operating income		191 031	200 180	225 940
Other operating expenses	22	(24 160)	(21 412)	(20 607)
Operating profit		166 871	178 768	205 333
Gain/(loss) on fair value adjustment of properties	23	103 511	(18 156)	15 434
Gain/(loss) on revaluation of interest-rate swaps	18	52 078	(71 950)	(13 522)
Net finance charges		(102 703)	(122 688)	(138 940)
Finance income	24	3 902	2 745	7 800
Finance costs	25	(106 605)	(125 433)	(146 740)
Profit/(loss) before taxation		219 757	(34 026)	68 305
Taxation	26	–	–	–
Profit/(loss) from continuing operations		219 757	(34 026)	68 305
Discontinued operation				
Profit/(loss) from discontinued operation net of taxation	13	–	(8 155)	13 742
Total comprehensive income/(loss) for the period		219 757	(42 181)	82 047
Earnings per share				
Basic and diluted earnings/(loss) per share (cents)	27	166.27	(32.23)	62.68
Earnings per share – continuing operations				
Basic and diluted earnings/(loss) per share (cents)		166.27	(25.99)	52.18

Statements of changes in equity
for the year ended 31 December 2021

	Stated capital R'000	Retained income/(loss) R'000	Total R'000
Balance at 1 January 2019	1 020 934	231 767	1 252 701
Changes in equity			
Profit for the year	–	82 047	82 047
Total comprehensive income	–	82 047	82 047
Dividends	–	(84 823)	(84 823)
Balance at 31 December 2019	1 020 934	228 991	1 249 925
Balance at 1 January 2020	1 020 934	228 991	1 249 925
Changes in equity			
Loss for the year		(42 181)	(42 181)
Total comprehensive loss		(42 181)	(42 181)
Dividends		(61 507)	(61 507)
Balance at 31 December 2020	1 020 934	125 303	1 146 237
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 income	–	219 757	219 757
Issue of share capital	152 506	–	152 506
Dividends	–	(90 137)	(90 137)
Transfer of antecedent dividend	(9 609)	9 609	–
Balance at 31 December 2021	1 163 831	264 532	1 428 363

Note

14

Statements of cash flows
for the year ended 31 December

	Notes	2021 R'000	2020 R'000	2019 R'000
Cash flows from operating activities				
Profit/(loss) and total comprehensive income for the year		219 757	(42 181)	82 047
Adjustments for:				
Depreciation of property and equipment		748	780	767
Finance costs		106 605	125 433	146 686
Finance income		(3 902)	(2 745)	(7 800)
Change in fair value of properties		(103 511)	18 157	(15 272)
(Gain)/loss on revaluation of interest rate swaps		(52 078)	71 950	13 522
Operating profit before working capital changes		167 619	171 394	219 950
Increase in trade and other receivables		(14 314)	(7 149)	(141)
Adjustments for impairment losses		8 245	4 643	617
(Increase)/decrease in trade and other payables		(681)	6 858	(5 578)
Cash generated by operating activities		160 869	175 746	214 848
Finance income received		2 106	2 757	7 287
Finance costs paid		(107 601)	(132 278)	(139 953)
Operating cash flow from discontinued operations		–	15 532	–
Net cash from operating activities		55 374	61 757	82 182
Cash flows from investing activities				
Proceeds from sales of non-current assets held-for-sale		142 738	110 157	31 244
Proceeds from sales of investment property		153 316	13 728	–
Investment properties acquired		–	–	(851 092)
Property and equipment acquired		–	–	(239)
Additions to investment property		(17 996)	(8 985)	–
Additions to non-current assets held-for-sale	13	(1 154)	(1 758)	–
Proceeds from discontinued operations	13	–	85 916	–
Net cash generated from investing activities		276 904	199 058	(820 087)
Cash flows used in financing activities				
Proceeds from share issue		152 506	–	–
Interest-bearing borrowings received		883 415	3 000	798 657
Interest-bearing borrowings repaid		(1 109 031)	(152 898)	–
Loans from related parties received		–	–	800 000
Loans from related parties settled		–	–	(843 958)
Derivative liability settled		6 710	(725)	–
Shareholder loan repaid		(93 461)	(50 000)	–
Dividends paid		(90 137)	(61 507)	(84 823)
Net cash utilised by financing activities		(263 418)	(262 130)	669 876
Increase in cash and cash equivalents		68 860	(1 315)	(68 029)
Cash and cash equivalents at beginning of the year		72 277	73 592	141 621
Cash and cash equivalents at end of the year	12	141 137	72 277	73 592

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
30 JUNE 2022**

The unaudited interim financial information for the six months ended 30 June 2022 is the responsibility of the Directors. Full copies of the unaudited interim financial information for the six months ended 30 June 2022:

- (i) will be made available to Shareholders, on request;
- (ii) are accessible on Transcend's website at <https://transcendproperty.co.za/investor-information/>; and
- (iii) are available for inspection, at the registered offices of Transcend, in accordance with the provisions of paragraph 15 of the Circular.

Statement of financial position
for the six months ended 30 June 2022

	Unaudited 30 June 2022 R'000	Audited 31 December 2021 R'000
Assets		
<i>Non-current assets</i>	2 300 197	2 230 861
Investment properties	2 299 538	2 229 848
Property and equipment	659	1 013
<i>Current assets</i>	77 960	180 830
Trade and other receivables	12 248	15 197
Loan receivable	25 340	24 496
Cash and cash equivalents	40 372	141 137
Non-current assets held for sale and discontinued operation	93 047	110 835
Total assets	2 471 204	2 522 526
Equity and liabilities		
<i>Equity</i>		
Stated capital	1 163 606	1 163 831
Retained earnings	268 428	264 532
Total equity	1 432 034	1 428 363
<i>Non-current liabilities</i>	978 167	1 033 699
Interest-bearing borrowings	973 610	1 006 867
Derivative liabilities	4 557	26 832
<i>Current liabilities</i>	54 743	53 334
Interest-bearing borrowings	3 312	2 851
Trade and other payables	51 431	50 483
Liabilities directly associated with non-current asset held for sale	6 260	7 130
Total equity and liabilities	2 471 204	2 522 526

Statement of profit or loss and other comprehensive income
for the six months ended 30 June 2022

	Unaudited 30 June 2022 R'000	Audited 30 June 2021 R'000
Revenue	156 647	154 997
Rental income from investment properties	146 648	142 627
Recoveries of operating costs from tenants	12 999	12 370
Property operating expenses	(55 037)	(56 092)
Impairment losses	(4 932)	(5 350)
Other operating income	2 588	2 237
Net operating income	99 266	95 792
Other operating expenses	(10 081)	(8 840)
Operating profit	89 185	86 952
Gain/(loss) on fair value adjustment of properties	(8 339)	98 496
Gain on revaluation of interest rate swaps	18 726	37 035
Net finance charges	(44 565)	(54 331)
Finance income	2 263	2 152
Finance costs	(46 828)	(56 483)
Profit before taxation	55 007	168 152
Taxation	–	–
Total comprehensive income for the period	55 007	168 152
Basic and diluted earnings per share (cents)	33.55	128.46

Statement of changes in equity
for the six months ended 30 June 2022

	Stated capital R'000	Retained earnings R'000	Total equity R'000
Unaudited balance at 1 July 2021	1 020 934	236 317	1 257 251
Total comprehensive loss for the period	–	51 245	51 245
<i>Transactions with owners</i>			
Dividends	–	(32 639)	(32 639)
Transfer of antecedent dividend	(9 609)	9 609	9 609
Issue of share capital	152 506	–	–
Audited balance at 1 January 2022	1 163 831	264 532	1 428 363
Total comprehensive loss for the period	–	55 007	55 007
<i>Transactions with owners</i>			
Dividends	–	(51 111)	(51 111)
Costs associated with issue of share capital	(225)	–	(225)
Unaudited balance at 30 June 2022	1 163 606	268 428	1 432 034

Statement of cash flows
for the six months ended 30 June 2022

	Unaudited 30 June 2022 R'000	Audited 30 June 2021 R'000
Cash flows from operating activities		
Profit and total comprehensive income for the period	55 007	168 152
Adjustments for:		
Depreciation of property and equipment	354	377
Finance costs	46 828	56 483
Finance income	(2 263)	(2 152)
Change in fair value of properties	8 339	(98 496)
(Gain)/loss on revaluation of interest rate swaps	(18 726)	(37 035)
Operating profit before working capital changes	89 539	87 329
Increase in trade and other receivables	12 730	(3 427)
Adjustments for impairment losses	(9 780)	4 779
Increase in trade and other payables	948	(2 654)
Cash generated by operating activities	93 437	86 027
Finance income received	1 419	1 213
Finance costs paid	(43 521)	(58 564)
Net cash generated from operating activities	51 335	28 676
Cash flows from investing activities		
Proceeds from sales of non-current assets held-for-sale	98 022	86 878
Proceeds from sales of investment property	118 146	15 727
Acquisition of investment properties at cost	(255 497)	–
Additions to investment property	(21 686)	(5 462)
Additions to non-current assets held-for-sale	(99)	(457)
Net cash generated from investing activities	(61 114)	96 686
Cash flows used in financing activities		
Costs associated with share issue	(225)	–
Interest-bearing borrowings received	168 041	69 825
Interest-bearing borrowings repaid	(204 143)	(100 666)
Derivative repayment	(3 548)	–
Shareholder loan repaid	–	(90 000)
Dividends paid	(51 111)	(57 138)
Net cash utilised by financing activities	(90 986)	(177 979)
Decrease in cash and cash equivalents	(100 765)	(52 617)
Cash and cash equivalents at beginning of the period	141 137	72 277
Cash and cash equivalents at end of the period	40 372	19 660