# INTEGRATED *report*

# 2015

ROCKCASTLE
GLOBAL REAL ESTATE COMPANY LIMITED

# contents



## GLOBAL DIVERSIFICATION
(LISTED SECURITIES)

- **USA 52.1%**
- **UK 17.0%**
- **EUROPE 9.7%**
- **SINGAPORE 9.0%**
- **CANADA 4.8%**
- **HONG KONG 4.2%**
- **AUSTRALIA 3.2%**

# CHAIRMAN'S REPORT

> During the year your company has made considerable progress in becoming an established participant in the Polish property market and the team has reviewed in excess of 10 acquisition opportunities across Poland.

**MARK CYRIL OLIVIER**
INDEPENDENT NON-EXECUTIVE CHAIRMAN

24 August 2015

Dear shareholders,

This is the Integrated Report for the twelve months ended 30 June 2015 for Rockcastle Global Real Estate Company Limited ("Rockcastle").

My previous report indicated that your company was targeting a dividend growth of 5% and was strategically allocating a higher proportion of its capital to retail properties meeting the Group's investment criteria in Zambia and Poland. In addition, Rockcastle forecast to hedge a higher proportion of its interest rate risk, mitigate exchange rate exposure on distributable income and to increase the concentration of higher quality retail properties in its listed REIT portfolio. I'm pleased to report that these key strategic objectives have been accomplished as follows:

- an interim dividend of 4.28 USD cents per share was paid and a dividend of 4.42 USD cents per share has been declared for the second half of the year, resulting in a total dividend of 8.70 USD cents per share for the year, an increase of over 5.5% over the annualised dividend paid in respect of the previous financial year;

- on 23 April 2015 Mukuba Mall located in Kitwe, Zambia commenced trading. Mukuba Mall comprises a gross lettable area of approximately 28 235m$^2$ and was acquired at a yield of 9.5% in USD. In addition, the construction of the 26 000m$^2$ Cosmopolitan Mall situated in Lusaka is expected to be complete in March 2016 and to yield 9.5% in US Dollars on completion. Rockcastle also owns land adjacent to its shopping centres located in Kitwe and Ndola which will provide bulk for future expansion over time. As noted in last year's report, we expected the investment landscape in Africa, in the short term, to weaken. This has occurred due to a balancing of the projected demand for and supply of retail properties, weaker exchange rates and the negative impact on GDP growth of lower commodity prices. Fortunately Rockcastle has been measured in its capital commitment to Africa and has also partially hedged its currency exposure through US Dollar denominated leases where possible. As at 30 June 2015, less than 2% of Rockcastle's total assets are invested in retail centres in Zambia;

- in March 2015, Rockcastle acquired the 18 000m$^2$ Solaris shopping centre located in the city centre of Opole, Poland at an initial yield of 7.8%. The shopping centre was built in 2009 and is the dominant fashion centre in the area. There is an opportunity to expand Solaris by 9 000m$^2$ which is currently being pursued with the relevant Authorities. In addition, Rockcastle has acquired an 85% stake in the development of a 16 000m$^2$ shopping centre in Tomaszów Mazowiecki, a town located in central Poland not currently served by any formal retail offering. Construction is due to commence in October 2015 and is scheduled for completion in October 2016. Rockcastle's partner in the development is a well-established, reputable developer that has been active in Poland for over 10 years. In addition to a projected 10% US Dollar initial yield in a dominant retail property, it provides Rockcastle with a valuable development partnership and an opportunity to improve its access to local retailers. As at 30 June 2015, 3% of Rockcastle's assets are invested in Poland;

- Rockcastle has executed a letter of intent to acquire, subject to completion of a satisfactory due diligence, two retail shopping centres located in central Poland, comprising over 106 000m$^2$ at an initial yield of 6.5%. This investment will represent approximately 11% of Rockcastle's total assets once complete; and

- Rockcastle increased its exposure to high quality retail properties in developed markets with strong balance sheets and growth potential. Over 50% of Rockcastle's capital is invested in five listed REITS, which include Hammerson, Simon, Unibail, Ventas and Prologis. Management of exchange rate risk continues to be a key strategy and several plans were put in place during the year to mitigate the effects of currency movements on the portfolio. Non US Dollar denominated dividend distributions from the portfolio are now hedged. In addition, Rockcastle's collateral for equity swaps is now denominated in US Dollars and this coupled with the underlying debt being denominated in the currency in which the asset is based has significantly reduced the company's exposure to foreign currency movements. As indicated above, a large proportion of Rockcastle's capital is currently invested in a high quality portfolio of global REITS.

In this respect, shareholders benefit from Rockcastle's stock picking skills including in-depth analysis and physical inspections, tax efficiencies, the efficient use of gearing at low effective cost negotiated through several prime brokers and the management of interest rate exposure through interest rate swaps. Rockcastle's NAV per share (excluding distributions made) has grown by 5.3% during the 2015 financial year and 46% since inception. This compares favourably with global property returns.

Rockcastle's key strategic objective is to increase the proportion of its capital invested in physical property, particularly in retail centres located in secondary cities in Poland. In this respect, Rockcastle is building capacity. It has established a team in London and is in the process of building a property focused team, drawn predominantly from local talent, in Warsaw. During the year your company has made considerable progress in becoming an established participant in the Polish property market and the team has reviewed in excess of 10 acquisition opportunities across Poland. Tightening yields, a factor of extraordinary monetary policy in the Euro zone, has increased the competition for property assets in Poland, particularly in the main centres. Secondary cities are also being impacted and we continue to target assets that are either dominant (or have the ability to become so) in secondary cities or are strategic assets in large cities. In addition, Rockcastle will continue to aggressively source development opportunities in the Polish market and to this end a Head of Projects has already been relocated to Poland to drive this process.

In the year ahead, Rockcastle will be focused on achieving the following specific strategies and objectives:

- enhance US Dollar yields in existing properties through asset management strategies;
- completion of the Cosmopolitan Mall in Lusaka, Zambia at an initial US Dollar yield of 9.5%;
- continue to grow the resource capability in Warsaw to facilitate growth into Poland;
- meeting the development timelines for the current projects under development in Poland and the pursuit of further opportunities in this regard;
- the purchase of various retail properties in Poland that meet Rockcastle's investment criteria;
- maintaining a portfolio of listed REITS with a bias towards high quality retail properties in developed markets with strong balance sheets and growth potential as well as the continued growth of strategic stakes in Rockcastle's core listed REIT holdings ; and
- growth in dividends per share of between 8% and 10%.

The board and I look forward to continuing to deliver premium returns to shareholders.

Yours sincerely,

Mark Olivier
Independent non-executive chairman
24 August 2015

# BOARD OF **DIRECTORS**

## Mark Olivier (46)

**INDEPENDENT NON-EXECUTIVE CHAIRMAN**

*(British - based in Mauritius)*

**CA (SA)**

*Date of appointment: 30 March 2012*
*Listed company directorships: 1*

Mark has over 20 years' experience in managing debt, property and private equity assets and providing corporate finance and strategic advice, predominantly to public companies in the United Kingdom.

Prior to founding Hibridge Capital (a London based, boutique private equity and advisory business) in 2003, Mark was a shareholder and employee of Hawkpoint Partners, which was previously the corporate finance division of Natwest Markets. Mark worked for BoE Limited where he served on the executive committee of the Group's international business headquartered in London. Mark is a qualified Chartered Accountant and in his early career worked at KPMG as a manager in their London offices.

Mark is the chairman of Trellidor, the largest physical barrier security business in South Africa. He is a non-executive director of the Dynasty Group of companies, which is owned and managed by Macquarie and Blackstone Inc., which was the first-ever wholesale international vehicle established to invest in retail properties in China.

## Spiro Noussis (44)

**CHIEF EXECUTIVE OFFICER**

*(South African – based in the United Kingdom)*

**CA (SA)**

*Date of appointment: 14 May 2014*
*Listed company directorships: 2*

Spiro has experience in private equity and investment management. He has been involved in property since 2005 and was most recently a founding shareholder and managing director of Lodestone Properties Limited now known as Lodestone REIT Limited, a listed REIT focusing on retail and industrial property. He has been a non-executive director of Resilient Property Income Fund Limited ("Resilient") since August 2012.

## Andries de Lange (42)

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

*(South African)*

**CA (SA), CFA**

Date of appointment: 8 May 2013
Listed company directorships: 2

After completing his articles, Andries joined the Industrial Development Corporation of South Africa Limited and then Nedbank Limited where he gained experience in debt finance, debt and equity restructurings and private equity. He then joined the Resilient group in 2004 and is an executive director of Resilient.

## Nick Matulovich (28)

**CHIEF FINANCIAL OFFICER**

*(South African – based in the United Kingdom)*

**CA (SA), MCOM (TAXATION) *(CUM LAUDE)*, BACCSCI (HONOURS - TAXATION)**

*Date of appointment: 14 May 2014*
*Listed company directorships: 1*

Nick was employed by the Resilient group in late 2011 and has been actively involved in the group's new initiatives such as Resilient Africa in Nigeria and Rockcastle as well as advising on the group's structuring considerations. He has been actively involved in the management of Rockcastle from its initial incorporation and continues to have direct oversight over the financial function.

Nick was previously employed by Ernst & Young and spent time in both audit as well as the Transaction Tax division, a division that was one of the most successful and active M&A advisory businesses in Africa, advising on transactions such as Wal-Mart Stores Inc.'s takeover of Massmart Holdings Ltd.

**INDEPENDENT NON-EXECUTIVE:**
MARK OLIVIER (CHAIRMAN), RORY KIRK, ANDRE VAN DER VEER, ANDRIES DE LANGE

**NON-INDEPENDENT NON-EXECUTIVE:**
YAN NG

**EXECUTIVE:**
SPIRO NOUSSIS, NICK MATULOVICH, PAUL PRETORIUS

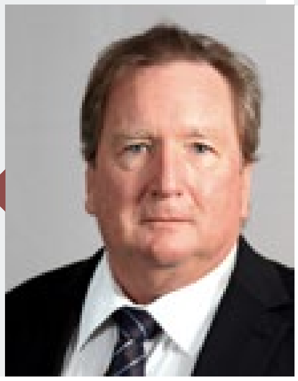
## Rory Kirk (59)

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

*(Mauritian)*

**BACHELOR OF SOCIAL SCIENCE AND DIPLOMA IN BUSINESS MANAGEMENT**

*Date of appointment: 30 March 2012*
*Listed company directorships: 1*



Rory is the founder and managing director of Frontiere Finance, a Mauritian financial services business. Rory has many years of financial service, insurance and banking experience having been in this field since the early 1980's in a number of roles at a variety of institutions.

## Yan Ng (41)

**NON-INDEPENDENT NON-EXECUTIVE DIRECTOR**

*(Mauritian)*

**BSC (HONS), MSC,ACA, TEP**

*Date of appointment: 30 March 2012*
*Listed company directorships: 2*

Yan is an executive director of Intercontinental Trust Limited. He specialises in the structuring and administration of investment funds and listed companies. He is a board member of a number of funds and listed companies in Mauritius. He was previously with Baker Tilly Mauritius and Deloitte in Luxembourg and was trained as a chartered accountant in London.

He is a member of the Institute of Chartered Accountants in England & Wales and of the Society of Trust and Estate Practitioners. He was the treasurer of the International Fiscal Association (Mauritian branch) and on the executive committee of the Association of Trust and Management Companies in Mauritius.

Yan graduated from the University of Mauritius with a degree in Management and achieved a Masters degree in Finance (MSc) from Lancaster University.

## Andre van der Veer (47)

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

*(South African)*

**BPL(HONS), MPL (ECONOMICS AND BANKING)**

*Date of appointment: 14 May 2014*
*Listed company directorships: 1*

After completing a Masters degree in Banking and Economics during 1991, Andre joined FirstCorp Merchant Bank where he founded the agricultural commodities and derivatives trading group in 1995. He headed the trading, derivatives structuring and proprietary trading teams. Since 2003 he had been with the RMB Equity Global Markets team and gained experience in the UK, North America, Western Europe, Scandinavia as well as most markets in the Far East and Australia.

He became Head of RMB Equity proprietary trading desk in 2009 with a mandate to invest in debt and equity instruments globally. Andre founded Foxhole Capital during 2012 as a family office specialising in global real estate securities in the listed and private equity markets.

## Paul Pretorius (49)

**CHIEF OPERATING OFFICER**

*(South African – based in Mauritius)*

**BSC (QS)**

*Date of appointment: 8 May 2013*
*Listed company directorships: 1*

Paul has in excess of 15 years' experience in direct property having worked as both an asset manager as well as a property manager for various JSE listed property funds including the bulking up of Capital and the turnaround of Pangbourne Properties. Paul was previously a professional quantity surveyor for Macintosh Latilla Carrier and Lang, one of the large South African practices, as well as for his own practice.

# BOARD OF **DIRECTORS** (continued)

## Attendance at board and sub-committee meetings

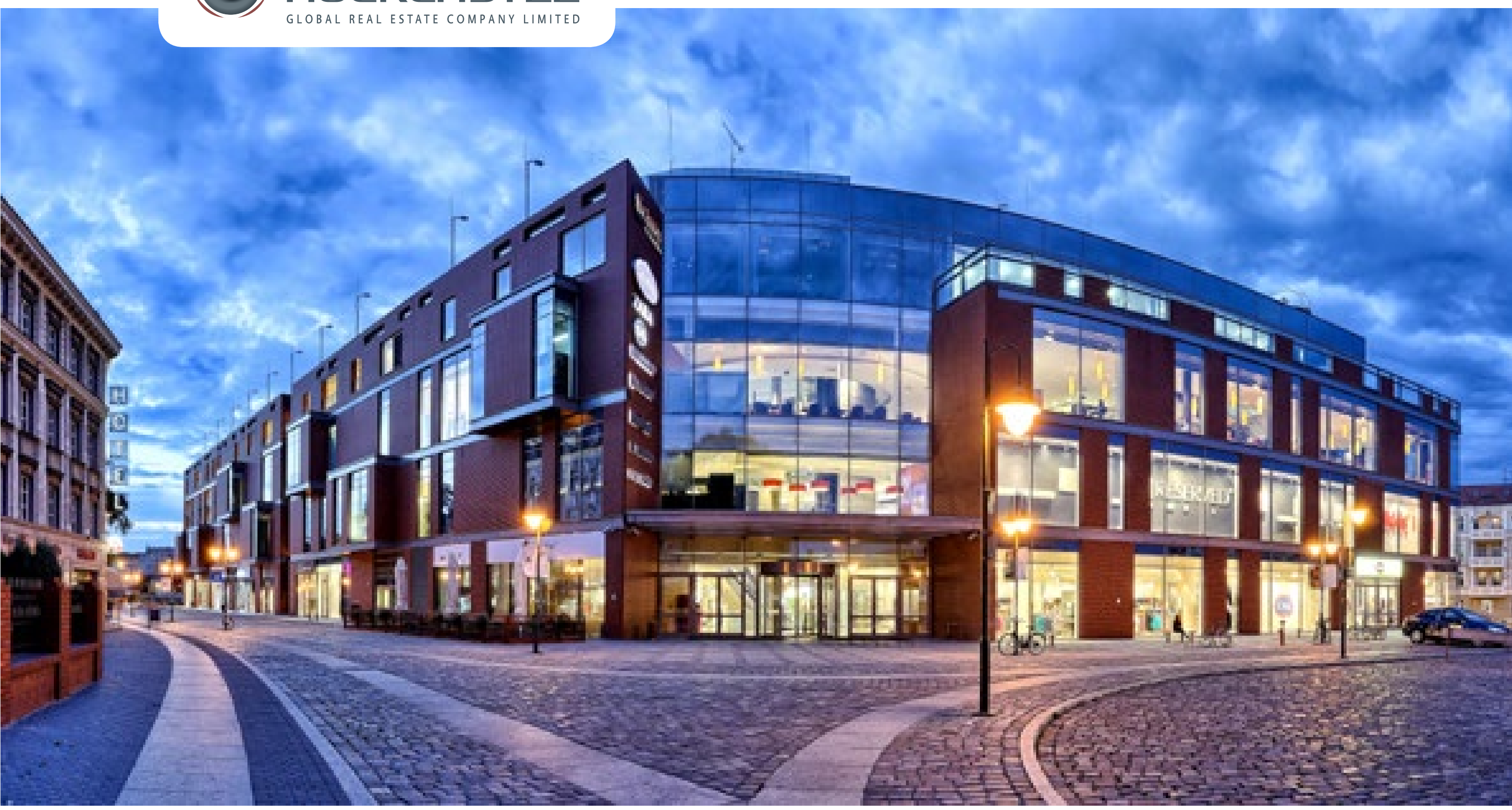
| Director | Board | Investment committee | Audit committee | Risk committee | Nomination committee | Remuneration committee | Social and ethics committee |
|---|---|---|---|---|---|---|---|
| Andre Van der Veer | 4/4 | 4/4 | 4/4 | 1/1 | | | |
| Andries de Lange | 4/4 | | 4/4 | | 2/2 | 3/3 | |
| Mark Olivier | 4/4 | 4/4 | 4/4 | | 2/2 | 3/3 | |
| Nick Matulovich | 4/4 | | | | | | |
| Paul Pretorius | 4/4 | | | | | | 1/1 |
| Rory Kirk | 3/4 | | 3/4 | 1/1 | 2/2 | 2/3 | 1/1 |
| Spiro Noussis | 4/4 | 4/4 | | 1/1 | | | |
| Yan Ng | 3/4 | | | 1/1 | | | 1/1 |

## Beneficial shareholding of directors and officers

| At 30 June 2015 | Direct holding | Indirect holding | Total shares held | Percentage of issued shares |
|---|---|---|---|---|
| Andre Van der Veer | 10 959 | 69 326 | 80 285 | * |
| Andries de Lange | - | 6 121 844 | 6 121 844 | 0.72 |
| Mark Olivier | - | 190 000 | 190 000 | * |
| Nick Matulovich | 2 243 475 | 157 648 | 2 401 123 | 0.28 |
| Paul Pretorius | 2 160 125 | - | 2 160 125 | 0.25 |
| Rory Kirk | 1 020 | - | 1 020 | * |
| Spiro Noussis | 5 748 219 | 330 904 | 6 079 123 | 0.72 |
| | 10 163 798 | 6 869 722 | 17 033 520 | 2.01% |

* Less than 0.1% of the issued shares.

The shareholding of directors and officers has not changed between the end of the financial year and one month prior to the date of the notice of the Annual General Meeting.



**Solaris Shopping Centre** Opole, Poland

# SCOPE OF THE **INTEGRATED REPORT**

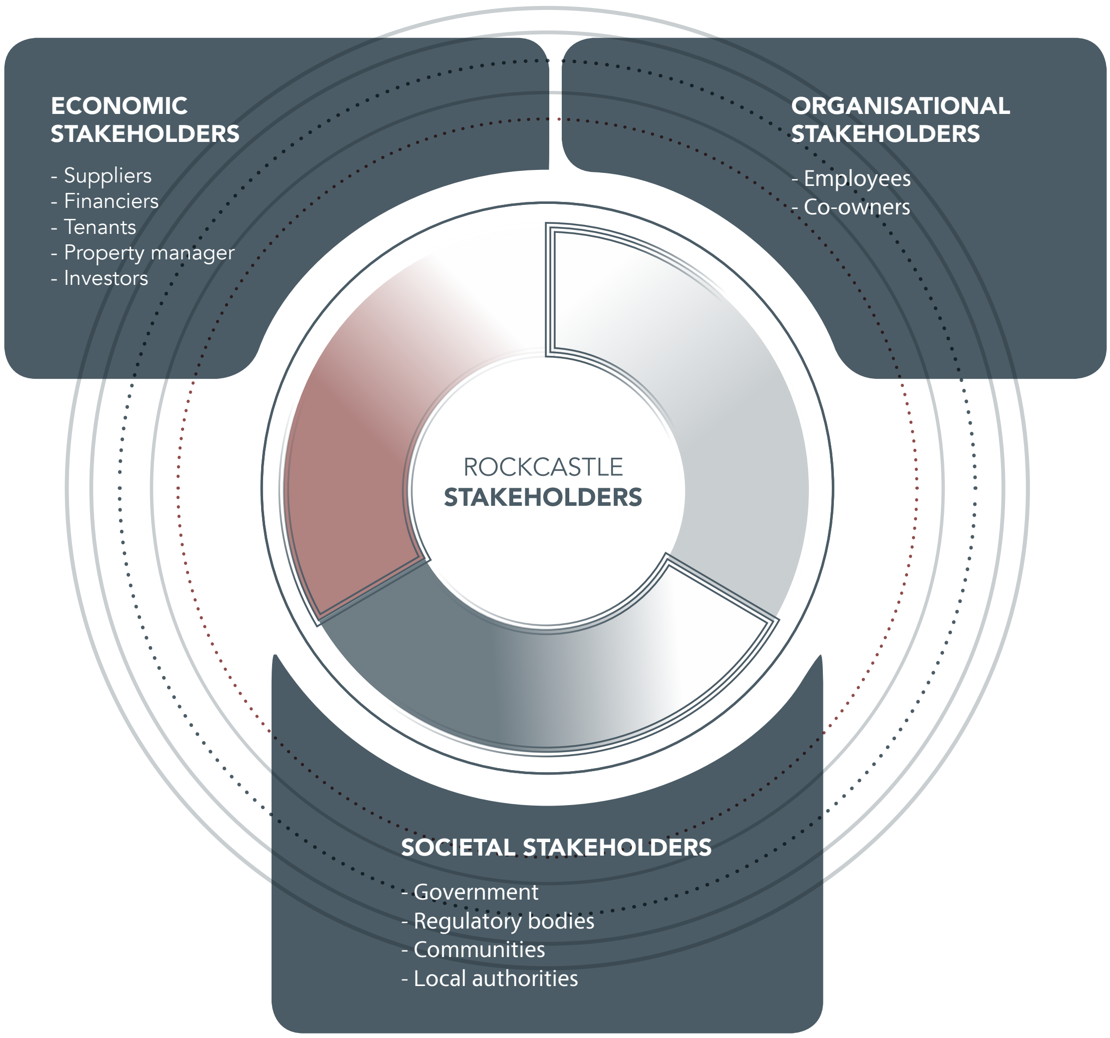
Rockcastle is pleased to present its third Integrated Report to stakeholders for the year ended 30 June 2015 in accordance with the Code of Corporate Governance for Mauritius ("the Code"). Our Integrated Report has been prepared to provide stakeholders insight into Rockcastle's business model, performance, governance framework, strategy, risks and opportunities. While we have attempted to include information relevant to all stakeholders, the Integrated Report has been primarily prepared for the providers of financial capital in accordance with the International Integrated Reporting Framework (the "Framework") issued in December 2013. The information in this Integrated Report has been prepared using methods consistent with the prior years and contains comparable information.

The information included in the Integrated Report has been provided in accordance with International Financial Reporting Standards ("IFRS"), the Mauritian Companies Act, 2001, the Mauritian Securities Act, 2005, the Stock Exchange of Mauritius ("SEM") Listing Rules, the JSE Listings Requirements, the Framework and the Code. Rockcastle is working towards complying fully with the Framework and has made additional disclosures as a step towards our compliance.

This Integrated Report covers the financial and non-financial performance of Rockcastle. Rockcastle's operations are primarily based in Mauritius. Rockcastle, via its subsidiaries, owns two properties in Zambia, one property in London and one property in Poland. Details of Rockcastle's subsidiaries are set out in note 5 to the financial statements. All of these entities fall within the reporting ambit of this Integrated Report.

In determining materiality when preparing the 2015 Integrated Report, Rockcastle applied the definition as per the Framework as: "Information about matters that substantively affect the group's ability to create value over the short, medium and long-term." All items identified as being material by the board have been disclosed in this report.

# **STAKEHOLDER** PROFILE



**Mukuba Mall** Kitwe, Zambia

ROCKCASTLE
GLOBAL REAL ESTATE COMPANY LIMITED

# BUSINESS MODEL AND STRATEGY

## OUR SHAREHOLDERS (Financial capital)

We strive to deliver both capital and distribution growth to our shareholders by investing in global real estate assets and companies with competitive yields that have the prospect of capital growth. In doing so, Rockcastle undertakes to manage its assets in a responsible manner.

Rockcastle's total return is illustrated in the graph provided on page 23 of this report. In the current financial year, Rockcastle achieved a 5.5% (2014: 4.4%) dividend growth over the prior period which exceeded its target of approximately 5% dividend growth.

## OUR INVESTMENTS (Manufactured capital)

Our management team employs opportunistic and pro-active asset management strategies to enable it to investigate potential investments in global real estate securities, unlisted and over-the-counter real estate securities, other instruments derived from such real estate securities and direct property assets. Management is constantly investigating potential investments that will provide sustainable, long-term growth that exceeds industry norms.

Our aim is to build a global company with exposure to international property companies across the globe, and to invest in direct property with sustainable growth prospects. Our board has set mandates for investments in specific markets where potential growth is considered to be both attractive and sustainable. We balance our investment decisions by considering the risks and returns of the underlying properties, whether directly or through a listed real estate company, as well as the macro-economic conditions in the specific markets in which the properties are located. Rockcastle's medium-term objective is to have a portfolio with an equal composition of direct property to listed securities. Our direct property portfolio (including investments under development) comprises 5% of total assets which is a considerable increase from less than 1% of total assets in 2014 when considering the total asset base increased by 45% in the current year.

A stringent approval process is in place for properties to be acquired or developed with minimum letting and anchor tenant requirements. Our acquisitions and developments are detailed on pages 11 to 13 of this report. Our investment committee, who are all experienced in the property sector, approve Rockcastle's acquisitions, redevelopments and disposals and receive updates on these at each meeting.

Our aim is to grow and diversify our direct property portfolio and there has been significant progress in this regard with the acquisition of a property in London, one existing shopping centre and one ongoing development in Poland and two shopping centres, as well as one ongoing development, in Zambia. Rockcastle currently has a total of 4 direct property assets (excluding projects in development).

## OUR PROPERTIES (Manufactured capital)

The day-to-day management of our properties has been outsourced to our property managers, Heriot Property Management (for the Zambian properties) and Ganya Investments (for the Polish retail centre), who have the requisite experience and presence in the countries in which our properties are located. We also have experienced and dedicated in-house asset managers who are responsible for overseeing the properties, the performance of the properties and managing the tenant relationships. The asset managers report directly to the chief executive officer. We are constantly assessing opportunities for upgrades, refurbishments, extensions and redevelopments of our properties.

## OUR TENANTS
(Social and Relationship Capital)

Rockcastle's management team fosters long-term relationships with all our tenants, recognising that there is an important symbiotic relationship between their success and ours.

We assess the tenant mix of our properties on an ongoing basis and relocate tenants where we feel that the tenant's trading and the property's performance can be improved.

## FUNDING OUR BUSINESS
(Financial capital)

We manage our financing costs and concentration risk by utilising more than one major source of financing and by utilising instruments that facilitate hedging of our exposure against interest rate risk. In addition, we ensure that the currencies of our investments largely match those of the currencies of the underlying funding. Details of our swap and borrowings profile are shown on page 14 of this report. Our funding sources are shown in note 13 to the financial statements. Rockcastle utilises in-country financing where sources of funding exist and the terms are in line with the Company's funding strategy.

## OUR BUSINESS PARTNERS
(Social and relationship capital)

We have relationships with global financial institutions with best-of-breed operating platforms reducing both our operational and counterparty credit risk.

We enter into developments with reputable partners with whom we share values and goals, and who are well-established in the markets in which they operate.

## CO-OWNERS
(Social and relationship capital)

Rockcastle co-owns a number of properties with a select group of partners. Aside from formalising the relationships through contracts, we build enduring relationships with our partners. These relationships allow us to leverage off the specific skills and experience of our partners all of whom have proven track records in the property industry.

## OUR EMPLOYEES
(Human capital)

Our employees are as intrinsic to our business as our properties thus we aim to attract and retain motivated, high-calibre executives and employees whose interests are aligned with the interests of shareholders. Further details on our remuneration strategy and policy can be found on pages 15 to 17 of this report.

Our employees are encouraged to attend job and industry related training.

Our strategy is to grow and develop our employees such that when there is a job opening we can first look to promoting existing staff rather than hiring externally.

## SUSTAINABILITY
(Natural capital)

We aim to improve the sustainability of our properties by investigating new technologies and options to reduce energy and water consumption. Further details of our progress in this regard is shown on page 24 of this report.

An overview of the capital used by Rockcastle is detailed below and further details are shown throughout this report:

| | |
|---|---|
| **FINANCIAL CAPITAL** | • 4.42 USD cents (Interim: 4.28 USD cents) dividend per share indicating growth of 5.5%.<br>• USD277 million raised through the book builds and private placements. |
| **MANUFACTURED CAPITAL** | • Acquisitions totalling USD59.1 million concluded during 2015.<br>• Capital expenditure totalling USD7.4 million. |
| **HUMAN CAPITAL** | • Low staff turnover. |
| **SOCIAL AND RELATIONSHIP CAPITAL** | • Good relationships with financiers and co-owners. |
| **NATURAL CAPITAL** | • Increased number of properties with sustainability initiatives including energy efficient lighting and photo voltaic installations as well as uplifting the communities in which they have been developed through direct and indirect job creation and access to formal retail in areas where it did not previously exist. |
| **INTELLECTUAL CAPITAL** | • Highly regarded and experienced management team with property and investment specific knowledge.<br>• Well established procedures and systems which enhance efficiency and value creation. |

# **DIRECTORS'** REPORT

## 1. STRUCTURE AND LISTING

Rockcastle Global Real Estate Company Limited ("the company") is a Category One Global Business License Company registered in Mauritius. The company has primary listings on both the Stock Exchange of Mauritius ("SEM") and the Johannesburg Stock Exchange ("JSE"). Its objectives are investing in direct property in growing economies as well as listed real estate securities globally.

During the year, Rockcastle successfully raised USD277 million through the issue of 127.6 million shares by way of a private placement and a book build which were both substantially oversubscribed. Rockcastle's shareholders were provided with the option of electing to receive shares in lieu of cash for the 2015 interim dividend. Over 97% of shareholders opted to take the scrip dividend resulting in the issue of 14.7 million new shares.

## 2. DISTRIBUTABLE EARNINGS

The board has declared a dividend of 4.42 USD cents per share for the six months ended 30 June 2015. Accordingly, total dividends declared for 2015 are 8.7 USD cents per share, an increase of 5.5% over the annualised dividends for the previous financial year. This is ahead of the guidance provided of approximately 5%.

## 3. OPTION TO RECEIVE A SCRIP DIVIDEND

Subject to final regulatory approvals, shareholders will be given the option to receive their dividend either in cash or as a scrip dividend at a ratio of 2.096 new shares for every 100 shares held. A circular containing details of this election, accompanied by announcements on the Stock Exchange News Service ("SENS") of the JSE as well as the website of the SEM will be issued in due course.

## 4. COMMENTARY

The past year was characterised by significant currency volatility and a stronger US dollar. In addition, Rockcastle's year end coincided with the height of the Greek financial crisis. Despite this volatility, Rockcastle's net asset value per share increased from USD1.39 to USD1.46 for the year ended 30 June 2015 and as the markets stabilised following year end, the net asset value has recovered to above USD1.64 per share. Rockcastle continues to focus on growing its net asset value and its dividend-paying capacity for the 2016 financial year. Management has noticed a significant deterioration in liquidity in many markets particularly in medium sized companies, with resulting increase in risk during market corrections. The increase in exposure to direct properties has provided the opportunity to reduce the number of investments from 20 to a new target of 12 core listed property stocks that meet Rockcastle's distribution growth, market capitalisation and liquidity requirements. The company continues to drive the direct property strategy and significant progress is being made in this regard.

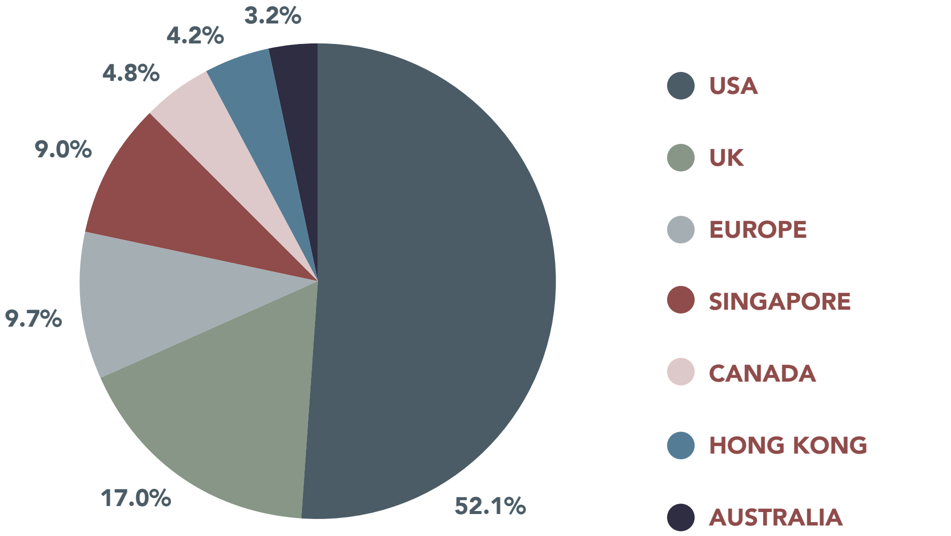
### Listed security portfolio

The listed security portfolio is focused on undervalued counters offering growth, with emphasis on both geography and on individual stock selection. Macro-economic conditions in different countries are diverging with some countries benefiting from monetary and fiscal stimulus and improving economic conditions. Many countries are still suffering from structural and fiscal deficits, leading to weak demand and high unemployment. The listed security portfolio now has significantly more exposure to the developed markets of the US and UK. Rockcastle's investment in economies exposed to the commodity cycle was substantially reduced during the year. With the exception of Westfield, all Australian investments were sold. Although Westfield is listed in Australia, its major property exposure is in the US and UK. The investments in Canada were reduced during the financial year and further reduced post year end. These strategies protected Rockcastle from the decline in both share prices and currencies in these countries.

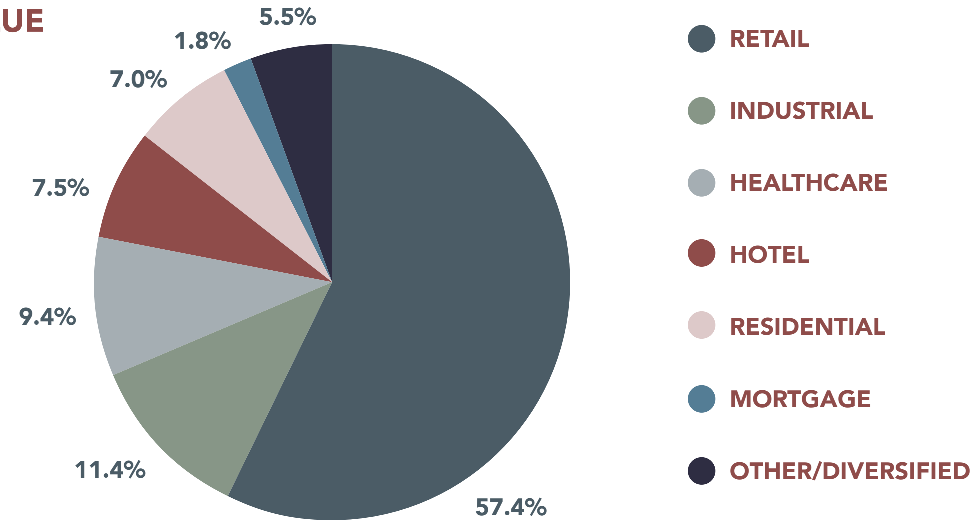
The company has increased its holding in Hammerson, Simon and Unibail during the year and acquired a significant investment in Prologis, the world's largest logistics property owning company. Low interest rate policies have allowed many property companies to reduce borrowing costs during a period of stagnant rental growth. Low rates combined with investors seeking higher yields have pushed some share prices to levels in excess of the underlying property values. By using inexpensive debt as well as issuing script at a premium, REITS have benefited from earnings accretive consolidation. In an environment of economic recovery and normalisation of interest rates, differentiation remains a guiding investment principle and underscores the importance of allocating capital to those companies which embody best in class management teams, strong operating platforms with wealth value creation opportunities, balance sheet discipline and the ability to drive dividend growth over time.

Real estate fundamentals will invariably determine the course of potential returns and, accordingly, management believe that some markets and some companies will benefit from rising demand and little or no new property supply. The senior executives of the group continue to engage with the management teams of these core stocks and conduct physical property inspections.

## GEOGRAPHICAL PROFILE BY MARKET VALUE




## SECTORAL PROFILE BY MARKET VALUE




The following table indicates the group's top 10 investment holdings by market value as at 30 June 2015:

| COMPANY | SECTOR | JURISDICTION | MARKET VALUE AS AT JUNE 2015 (USD MILLION) |
|---|---|---|---|
| Hammerson | Retail | United Kingdom | 367.7 |
| Simon Property | Retail | USA | 288.9 |
| Unibail Rodamco | Retail | Europe | 166.0 |
| Prologis Inc | Industrial | USA | 161.4 |
| Ventas Inc | Healthcare | USA | 158.3 |
| Avalonbay Communities | Residential | USA | 153.5 |
| CapitaMall Trust | Retail | Singapore | 109.9 |
| Host Hotels and Resorts Inc | Hotel | USA | 108.1 |
| The Link REIT | Retail | Hong Kong | 89.8 |
| Ascendas REIT | Industrial | Singapore | 85.6 |

# **DIRECTORS'** REPORT (continued)

## Direct property

### POLAND

Substantial progress was made during the year in executing Rockcastle's strategy of acquiring retail assets in Poland. In addition to its previously announced acquisitions of Solaris Centre in Opole for EUR52 million and the 16 500m² mall development in Tomaszów Mazowiecki, Rockcastle has made three further investments in Poland.

**Silesian Retail Portfolio**
Rockcastle concluded an agreement to acquire a portfolio of two shopping centres situated in the prosperous southern region of the country.

**Karolinka** is a prime, large scale and dominant regional shopping centre situated in the City of Opole with a population of 120 000 inhabitants and a catchment area of over 300 000 people. It has a gross lettable area ("GLA") of 69 997m² divided into a 37 702m² Shopping Gallery and an adjoining 32 395m² Retail Park. The shopping centre is anchored by a 13 239m² Auchan hypermarket, Leroy Merlin and Decathlon and includes international and national fashion brands Carry, CCC, Deichmann, H&M, New Yorker, Pepco, Pull & Bear, Reserved, Sinsay and TK Maxx. Other tenants include Burger King, KFC, Media Expert, McDonalds, Pizza Hut, RTV Euro AGD and Smyk. The centre was acquired at an acquisition yield of 6.46% and a price of EUR145.4 million.

**Pogoria** is centrally located in Dabrowa Gornicza and is the largest shopping centre and leisure destination in the city. It offers 36 705m² of retail GLA over two levels and includes an 8 198m² stand-alone OBI DIY store. The shopping centre is anchored by a 9 450m² Auchan hypermarket and contains numerous international fashion brands including Bershka, Carry, CCC, Deichmann, H&M, House, New Yorker, Reserved, Sinsay, Stradivarius and Takko. Notably the centre has an existing leisure and entertainment area including a 5 screen Helios multiplex cinema and 7 food court restaurants including KFC and McDonalds. The purchase price for Pogoria is EUR75.4 million at an acquisition yield of 6.76%.

Completion of the transaction is expected before November 2015 and is only subject to the relevant VAT approvals for transactions of this nature from the Polish tax authorities.

**Fabryka Wolomin**
Park Handlowy Wolomin sp. z o.o, a company owning the retail development project known as Fabryka Wolomin in the City of Wolomin 30km outside Warsaw, was purchased by a joint venture company owned 90% by Rockcastle and 10% by its development partner Acteeum BV on 13 August 2015. The development is currently under construction and is scheduled to be completed before the end of the 3rd quarter 2016. The development timeline has been extended to complete design and format changes required to accommodate tenant demand and to enhance the initial offering. The development is currently 50% let and on opening will be 23 500m² of GLA anchored by a 5 691m² Carrefour hypermarket and includes Carry, CCC, Cropp, H&M, Media Expert and Reserved. The completed development cost will be EUR45 million at a budgeted initial yield of 7.8%. The site includes a further 6 500m² of gross lettable retail bulk which can be used to expand the centre based on tenant demand.

**Solaris Shopping Centre**, the company's 18 000m² centre in the City of Opole is trading well and progress is being made with the City authorities to secure the adjoining site to enable the construction of an underground basement parking and the extension of the centre.

**Galeria Tomaszów**, the company's 16 500m² retail project being developed in the city of Tomaszów Mazowiecki in partnership with Acteeum BV, will be anchored by French grocer Intermarche and tenants that include CCC, Cropp, Deichmann, H&M, House, Pepco, Reserved, Rossmann and Sinsay. Construction is scheduled to commence in October 2015 for opening in September 2016.

Numerous other potential acquisitions are at various stages of negotiation. Rockcastle continues to actively pursue both existing centres as well as development projects which meet its financial and property fundamental criteria. A substantial mall acquisition secured during the year did not meet these criteria during the due diligence and therefore was not concluded.

A senior South African project manager has relocated to Warsaw and the company has agreed terms for the employment of an experienced Polish transaction analyst. Other full time and contract personnel have been engaged in Poland to staff Rockcastle's operational office and further appointments will be made as the abovementioned properties are transferred.

### ZAMBIA

**Kafubu Mall** in Ndola, the dominant shopping and leisure offering in the town, opened in April 2014 and is trading on budget. The mall is anchored by Shoprite and the tenant profile includes Edcon, Foschini, Innscor, Jet, Pep and a number of other South African retailers.

**Mukuba Mall** in Kitwe opened in April 2015. Feedback from retailers is positive. The centre is 100% let, has a GLA of 28 235m² and is anchored by Game, Pick n Pay, Shoprite and the tenant profile includes Ackermans, Edgars, Foschini, Jet, Mr Price, Pep, Truworths and Woolworths.

Rockcastle has agreed to acquire a 50% interest in the 26 000m² GLA **Cosmopolitan Mall** being developed in Southern Lusaka, Zambia at a yield of 9.5%. The mall will be anchored by Game and Shoprite, and include Ackermans, Edgars, Foschini, Jet, Innscor, Mr Price, Truworths and Woolworths as tenants and is scheduled to open in March 2016.

## 5. CAPITAL STRUCTURE AND HEDGING

In addition to its direct holdings in shares, Rockcastle utilises equity derivatives in its portfolio. Rockcastle also utilises interest rate swaps to hedge its interest rate exposures. The principal counter parties are Morgan Stanley and BoA Merrill Lynch. The group does not hedge the currency relating to its capital positions but continues to fund the purchase of counters in the currency in which that stock is denominated. The company does hedge its distributable income one year ahead. Rockcastle's loan to value ratio was 46.4% as at 30 June 2015.

Current Interest Rate Hedges are as follows:

| Interest rate swaps expiry (financial year) | EQUIVALENT AMOUNT USD '000 | AVERAGE SWAP RATE |
|---|---|---|
| Jun 2020 | 80 210 | 0.79% |
| Jun 2021 | 44 168 | 0.53% |
| Jun 2022 | 55 210 | 0.57% |
| Jun 2025 | 292 788 | 1.79% |
| | 472 376 | 1.36% |

## 6. SUMMARY OF FINANCIAL PERFORMANCE

| | JUN 2015 | DEC 2014 | JUN 2014 | DEC 2013 |
|---|---|---|---|---|
| Dividend/distribution per share | 4.42 USD cents | 4.28 USD cents | 4.18 USD cents | 4.07 USD cents |
| Shares in issue ('000) | 847 862 | 769 700 | 705 500 | 530 000 |
| Net asset value per share | USD 1.46 | USD 1.50 | USD 1.39 | USD1.16 |
| Loan to value ratio* | 46.4% | 37.5% | 38.3% | 42.3% |

* The loan to value ratio is calculated by dividing net interest-bearing borrowings by total assets.

## 7. OUTLOOK

Based on projections provided by the management of the property stocks in which Rockcastle invests and the company's projections for its direct property investments, the board forecasts growth in dividends of between 8% and 10% for the 2016 financial year.

The aforegoing forecast statement and the forecasts underlying such statement are the responsibility of the board and have not been reviewed or reported on by the group's external auditors. The forecast is based on the assumptions that a stable global macroeconomic environment will prevail and no failures of listed REITS will occur.

# **REMUNERATION** REPORT

Rockcastle's remuneration committee oversees the development and annual review of the remuneration policy which is ultimately approved by the board. The remuneration committee has been mandated by the board to authorise the remuneration and incentivisation of all employees, including executive directors.

The members of the remuneration committee members are Rory Kirk (chairman), Andries de Lange and Mark Olivier.

The remuneration policy is aligned with the strategic objectives of the company which is to create long-term, sustainable value for stakeholders. Remuneration is a combination of salary, short-term incentivisation and long-term incentivisation in order to attract and retain motivated, high-calibre executives and employees whose interests are aligned with the interests of shareholders. The remuneration policy aims to balance organisational and individual performance with the appropriate balance of guaranteed and variable pay. The policy is applicable to the company's executive directors as well as all employees of Rockcastle.

A substantial review of the remuneration process reassessing the remuneration policy and remuneration components is underway, including the performance of a comprehensive benchmarking exercise by a reputable consultancy. Key performance indicators will be redrafted in consultation with employees.

## REMUNERATION POLICY

The remuneration policy has remained substantially the same over the past few years and is detailed below.

## OVERVIEW

The group aims to retain its competitive advantage in the industry by attracting talented individuals and retaining experienced staff who demonstrate the behavioural traits which fit the group's entrepreneurial and dynamic culture.

The remuneration committee ("the committee") oversees the development and annual review of the remuneration policy which is ultimately approved by the board. In doing so it ensures that the policy aligns the executive and management remuneration with the value delivered to the group's stakeholders and further recognises exceptional individual contributions. The remuneration committee has been mandated by the board to authorise the remuneration and incentivisation of all employees, including executive directors.

The remuneration policy is based on the following guiding principles:

- remuneration must support key business strategies;
- remuneration must create a strong, performance orientated environment that is consistent with the group's long-term objective of value creation for shareholders;
- remuneration must be structured to attract, motivate and retain talented employees;
- the remuneration policy should promote risk management and not encourage excessive risk-taking by key decision makers;
- remuneration should be structured in a manner that allows for the recognition and encouragement of exceptional performance, both at an individual and group level;
- the remuneration policy should be transparent and easy to understand; and
- remuneration should be equitable both from an internal perspective, taking into account employees, their roles and qualifications, and from an external perspective, ensuring that remuneration is in line with the market.

### Executive and management remuneration principles

The group draws from a wide variety of sources in determining the remuneration of staff, including independent surveys, peer group comparisons, publicly available data and market place intelligence from local as well as international sources. Remuneration packages are structured depending on the required skills and experiences at each level as well as the employee's level of influence on strategy and the complexity of each role.

Remuneration comprises both fixed and variable pay. Fixed pay comprises the annual salary and is referred to as the Total Guaranteed Package ("TGP") in the table below. The group does not offer any medical aid or retirement benefits and these are for the account of the employee.

Variable pay comprises medium-term or performance incentives through cash bonuses and long-term incentives via the share incentive scheme. Medium term incentives are used to motivate and reward annual performance in line with the group's strategic goals. This remuneration is payable in cash and based on the individual's performance which is linked to the group's performance.

A further discretionary bonus may also be paid to individuals who are considered by the remuneration committee to have rendered exceptional service in any given year. Long-term incentives create value and align the interests of employees with shareholders as employees receive value only if there is capital appreciation in the shares. Details of the scheme, including individual's limits and the regularity of issues are discussed in the table below.

The methods for determining the various remuneration components are as follows:

| ELEMENT | EMPLOYEE LEVEL | FIXED OR VARIABLE | PURPOSE | DETAIL |
|---|---|---|---|---|
| Total Guaranteed Package | Executive directors | Fixed | Compensation, at market related levels, for employees performing their specific roles | TGP's are benchmarked at the median of the peer group. The committee considers the following when reviewing TGP's:<br>• Inflation over the period;<br>• Market for specific employee skills;<br>• Individual performance; and<br>• Group performance including growth in distributions per share.<br>TGPs are reviewed annually in November. |
| | Management | Fixed | Compensation, at market related levels, for employees performing their specific roles | TGP's are benchmarked at the median of the peer group. The committee considers the following when reviewing TGP's:<br>• Inflation over the period;<br>• Market for specific employee skills;<br>• Individual performance;<br>• Changes in responsibilities; and<br>• Gains in experience. |
| Short-term incentive scheme | Executive directors and management | Variable | Achievement of short and medium term organisational goals | Based on the set objectives the committee pays cash bonuses to management. |
| Long term incentives -share incentive scheme | Executive directors and management | Variable | Alignment of long-term organisational goals and sustainable long-term total shareholder return. | Based on set objectives the committee may award employees shares. Employees take full market risk on the shares from date of issue. The group is of the opinion that this aligns the interests of employees and shareholders more closely.<br><br>Share incentive scheme allocations will be considered by the committee twice per year outside closed periods.<br><br>• Participation in the long-term incentive scheme is limited to 25 times an employee's annual salary.<br>• Backdating of share-based incentives is not permitted.<br>• Shares are offered to participants who then accept such number of shares that they want to invest in. The value of the shares accepted is advanced as a loan to the participant by the share incentive scheme.<br>• Shares are issued at the market price of Rockcastle shares and therefore no discount is provided.<br>• Shares vest immediately and participants assume the full risk associated with the investment made and loan advanced.<br>• Salient terms of the share incentive scheme loans are:<br>  • Loans are repayable on the tenth anniversary of the loans being granted.<br>  • Loans bear interest at a minimum of the weighted average cost of funding of the group with interest being serviced bi-annually. In the event of the interest paid being more than the interest received, the group will subsidise the shortfall. This subsidy is phased out over a maximum period of five years.<br>  • Loans are repayable on termination of employment. |

### Share incentive scheme

The share incentive scheme was adopted in 2015. The intention is to align the interest of employees and shareholders and to drive long-term earnings growth which is the driver of long-term share price appreciation.

### Service contracts

All employees, including executive directors, are required to sign employment contracts with the group. These contracts set out the working hours, salary, leave entitlement, notice and probation periods and other relevant information. There is no restraint of trade clause in any of the employment contracts.

### Pay date

Remuneration is paid on the 25th day of each month and if this day falls on a weekend, remuneration will be paid on the Friday preceding the 25th.

## Remuneration of executive directors

| | **REMUNERATION** (PAID BY THE COMPANY) **2015 USD** | **REMUNERATION** (PAID BY THE COMPANY) **2014 USD** |
|---|---|---|
| Nick Matulovich | **161 330** | 7 527* |
| Spiro Noussis | **406 250** | 51 371* |
| Paul Pretorius | **187 500** | 180 833 |

**The director was appointed to the board in May 2014.*

The company did not pay any fees, benefits or bonuses to directors other than the remuneration as disclosed in the tables above.

Remuneration for the top three earning employees has not been disclosed as the board does not consider it appropriate for privacy reasons.

## Remuneration of non-executive directors

Non-executive directors' remuneration consists of an annual fee. The remuneration committee recommends directors' fees payable to non-executive directors to the board which proposes the fees for shareholder approval at the Annual General Meeting ("AGM").

Non-executive directors do not participate in the MIL nor is there any other remuneration paid to non-executive directors, including remuneration linked to the performance of the group.

| | **FOR SERVICES AS A DIRECTOR FOR THE YEAR ENDED JUNE 2015** (PAID BY THE COMPANY) **USD** | **FOR SERVICES AS A DIRECTOR FOR THE YEAR ENDED JUNE 2014** (PAID BY THE COMPANY) **USD** |
|---|---|---|
| Mark Olivier (chairman of the board and the nomination committee) | **21 000** | 20 000 |
| Rory Kirk (chairman of the audit, remuneration and the social and ethics committee) | **21 000** | 20 000 |
| Andries de Lange | **21 000** | 20 000 |
| Yan Ng (1) | **-** | - |
| Andre Van der Veer (chairman of the investment committee and risk committee) | **21 000** | 2 637 |

(1) Yan Ng's remuneration is incorporated into the fees paid by the company to Intercontinental Trust Limited, the company's company secretary.

The group did not pay any fees or benefits to directors other than the remuneration as disclosed in the tables above.

Solaris Shopping Centre Opole, Poland

# PORTFOLIO OVERVIEW

## DIRECT PROPERTY

### SOLARIS SHOPPING CENTRE

**Opole, Poland**

Solaris is a modern commercial and entertainment centre ideally located in Opole city centre and attracts many shoppers due to its location on the edge of the old town centre next to a university. The centre was acquired in March 2015 and has 18 500m² of retail space.

| | |
|---|---|
| Ownership | 100% |
| GLA | 18 000m² |
| Valuation | EUR54.7 million |
| Occupancy | 99.8% |
| Major tenants | Alma Market, Bershka, C & A, Duke, Home & You, Intersport, Promod Taranko, Reserved Kids, Solar, Stradivarius and Zara. |

### KAFUBU MALL

**Ndola, Zambia**

Kafubu mall is strategically located in Ndola at the junction of roads leading to several cities and towns on the Copperbelt and beyond. The current population of Ndola is estimated at 395 000. The mall opened in April 2014.

| | |
|---|---|
| Ownership | 50% |
| GLA | 11 859m² |
| Valuation | USD22.5 million |
| Occupancy | 100% |
| Major tenants | Edcon, Foshini, Innscor, Jet, Pep and Shoprite |

### MUKUBA MALL

**Kitwe, Zambia**

Mukuba Mall opened in April 2015 in Kitwe, Zambia. Kitwe is one of the most developed commercial and industrial areas in Zambia. The current population of Kitwe is estimated at 504 194.

| | |
|---|---|
| Ownership | 50% |
| GLA | 28 235m² |
| Valuation | USD68.7 million |
| Occupancy | 100% |
| Major tenants | Ackermans, Edgars, Foschini, Game, Jet, Mr Price, Pep, Pick 'n Pay, Shoprite, Truworths and Woolworths |

### ROCKCASTLE HOUSE

**Kingston Upon Thames, London, United Kingdom**

Rockcastle occupies a portion of this fully tenanted office building.

| | |
|---|---|
| Ownership | 100% |
| GLA | 585m² |
| Valuation | GBP2.1 million |
| Occupancy | 100% |
| Major tenants | Rockcastle and Handelsbanken |

**Solaris Shopping Centre** Opole, Poland


**Kafubu Mall** Ndola, Zambia


**Mukuba Mall** Kitwe, Zambia

ROCKCASTLE
GLOBAL REAL ESTATE COMPANY LIMITED

# PORTFOLIO OVERVIEW (continued)

## DIRECT PROPERTY

### MALL DEVELOPMENT IN TOMASZÓW MAZOWIECKI
**Tomaszów Mazowiecki, Poland**

Ownership: 85%

GLA: 16 000m$^2$

Estimated annual net operating income: EUR2.5 million

Opening date (targeted): 3rd quarter 2016

Major tenants: CCC, Crop, Deichmann, H & M, House, Intermarche, Pepco, Reserved, Rossman and Sinsay

### SOLARIS SHOPPING CENTRE (EXTENSION)
**Opole, Poland**

Ownership: 100%

GLA: 9 000m$^2$

## DEVELOPMENTS AND EXTENSIONS PIPELINE

### COSMOPOLITAN MALL
**Lusaka, Zambia**

Ownership: 50% upon completion of development

GLA: 26 000m$^2$

Estimated annual net operating income: USD6.5 million

Opening date (targeted): March 2016

Major tenants: Ackermans, Edgars, Foschini, Game, Jet, Innscor, Mr Price, Shoprite, Truworths and Woolworths

### FABRYKA WOLOMIN
**Warsaw, Poland**

Ownership: 90%

GLA: 23 500m$^2$

Estimated annual net operating income: EUR3.5 million

Opening date (targeted): 3rd quarter 2016

Major tenants: Carrefour, Carry, CCC, Cropp, H & M, Media Expert and Reserved

## CORE LISTED PROPERTY SECURITIES

### HAMMERSON PLC

A FTSE 100 company with a portfolio of retail property in the UK and France valued at GBP7.9 billion spanning 12 European countries and comprising investments in 22 prime shopping centres, 21 convenient retail parks and investments in 15 premium designer outlet villages.

Highlights from last reporting cycle (6 months ended 30 June 2015):

1. Strong EPS growth of 13.3%; interim dividend increased 8.0%.
2. The Group's total portfolio generated a 5.7% total return, including revaluation gains of GBP233 million.
3. New GBP415 million five-year unsecured revolving credit facility at an initial margin of 80 basis points; WAIR reduced to 4.1%.
4. Robust balance sheet with loan to value of 33%; cash and undrawn facilities of GBP450 million.

Market capitalisation: USD7 592 million
Share price on 30 June 2015: GBP6.15

## UNIBAIL RODAMCO

Unibail-Rodamco has been listed on the Paris Stock Exchange since 1972 and on the Amsterdam Stock Exchange since 1983. The Unibail-Rodamco Group is operationally organised in seven regions: France, Spain, Central Europe, Austria, the Nordics, the Netherlands and Germany. The group invests in shopping centres, offices and convention and exhibition assets.

Highlights from last reporting cycle (6 months ended 30 June 2015):
1. Recurring Earnings per Share (recurring EPS) at EUR5.37, up by +8.4% compared to re-based H1-2014 and down by only -2.7% after the impact of the disposals in 2014 and 2015.
2. Strong operating performance: Like-for-like Group Net Rental Income up by +5.3%.
3. Record low cost of debt at 2.3% while extending average debt maturity to 6.4 years.
4. Property portfolio increased to EUR35.7 Bn.
5. Net asset value per share: EUR177.40, an increase of 6.7% versus 31 December 2014.
6. EUR8.2 Bn prime quality development pipeline replenished.

Market capitalisation: USD24 898 million
Share price on 30 June 2015: EUR226.70

## SIMON PROPERTY GROUP

Simon Property Group is a global leader in retail real estate ownership, management and development and a S&P 100 company (Simon Property Group, NYSE: SPG). It has retail properties and investments across North America, Europe and Asia. SPG owns or has an interest in 228 retail real estate properties including Malls, Premium Outlets® and The Mills® comprising 189 million square feet in North America, Europe and Asia.

Tenants in U.S. portfolio generate annual retail sales of more than USD60 billion and it has a 20.3% ownership interest in Klépierre, a public real estate company with shopping centers in 16 European countries.

Highlights from last reporting cycle (6 months ended 30 June 2015):
1. Funds from operations per diluted share was USD4.92 for the six months as compared to USD4.54 in the prior year period.
2. Growth in comparable property net operating income was 3.6% for the quarter and 3.5% for the first six months of 2015.
3. Ending occupancy was 96.1%.
4. Releasing spread was USD10.87 per square foot, an increase of 18.4%.
5. Total sales per square foot were USD620, an increase of 2.0%.
6. Declared quarterly common stock dividend in July 2015 of USD1.55 per share, a year-over-year increase of 19.2%.

Market capitalisation: USD53 856 million
Share price on 30 June 2015: USD173.02

## PROLOGIS INC

Prologis is the leading global provider of industrial real estate, offering customers approximately 62 million square metres of distribution space in markets across the Americas, Europe and Asia. The company leases nearly 3 200 industrial facilities in 21 countries to more than 5 200 customers, including third-party logistics providers, transportation companies, retailers, and manufacturers.

It has USD56 billion in total assets under management and is listed on the New York Stock Exchange (NYSE: PLD). Highlights from last reporting cycle (6 months ended 30 June 2015):

1. 11 Percent Increase in Quarterly Common Stock Dividend to USD1.60 per share.
2. Core funds from operations (Core FFO) per diluted share was USD0.52 for the second quarter compared with USD0.48 for the same period in 2014, an increase of 8 percent.
3. 95.4 percent occupancy in its operating portfolio, an increase of 80 basis points over the same period in 2014
4. Net earnings per diluted share was USD0.27 for the second quarter compared with USD0.13 for the same period in 2014.

Market capitalisation: USD19 442 million
Share price on 30 June 2015: USD37.10

## VENTAS INC

Ventas, Inc. (NYSE: VTR), is an S&P 500 company, is a leading real estate investment trust (REIT), with a highly diversified portfolio of over 1 600 senior housing and healthcare properties in the United States, Canada and the United Kingdom. Approximately 76% of net operating income is derived from private pay, non-government sources.

Highlights from last reporting cycle (6 months ended 30 June 2015):

1. Funds from operations per share increased from USD1.12 in Q2 2014 to USD1.18 in Q2 2015.
2. USD225.4 million in properties under development.
3. Same store cash net operating income for 3 months ended 30 June 2015 increased by 2.4% versus 30 June 2014.

Market capitalisation: USD20 544 million
Share price on 30 June 2015: USD62.09

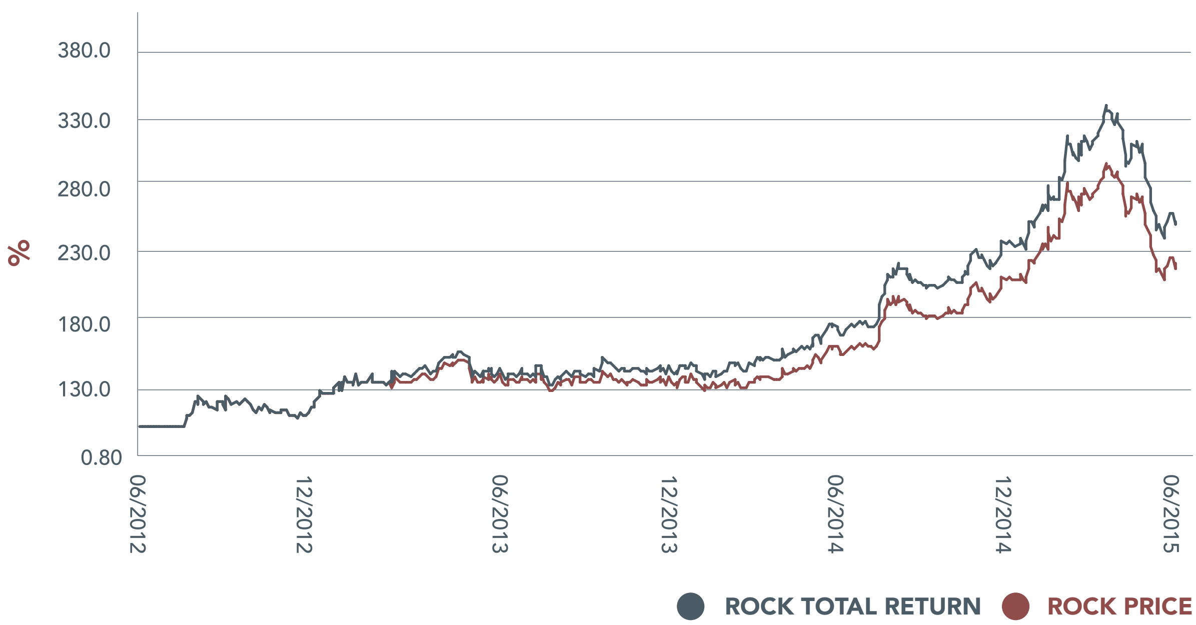
# **SHARE** PERFORMANCE

The board is committed to creating sustainable stakeholder value by managing the portfolio and by maximising returns on its assets.

The graphs below indicate the share price performance of Rockcastle on both a price return and total return basis. The performance of the Rockcastle shares are indexed using a base of 100 on 5 June 2012.

## ROCKCASTLE CLOSING PRICE


## ROCKCASTLE RELATIVE PERFORMANCE



# **SUSTAINABILITY** REPORTING

At Rockcastle, our approach to the concept of sustainability relates to the maintenance and enhancement of environmental, social and economic resources, in order to meet the needs of current and future generations. This is founded in a commitment to being a good corporate citizen, and operating in a commercially sensible and socially responsible manner.

## ENVIRONMENTAL

Energy efficiency is foremost in our sustainability endeavours. All of Rockcastle's properties feature energy efficient lighting in common areas. Rockcastle owns two properties in Zambia, with our development partner, namely Kafubu Mall, Mukuba Mall and one development namely Cosmopolitan Mall. In order to reduce the electricity consumption at these properties, Rockcastle has made use of timers on all tenant and mall lighting as well as energy efficient air conditioners. We have also adopted the optimisation of the use of natural light in building designs. Furthermore, a limited number of tenants have been supplied with geysers, further reducing electricity consumption.

Water is a precious resource and the gardens and landscaping at Kafubu Mall and Mukuba Mall only include indigenous plants thus significantly reducing irrigation requirements. A borehole was installed which supplies approximately 95% of the water required. We are currently assessing the feasibility of installing a grey water treatment plant at Cosmopolitan Mall in order to minimise the water consumption by the Mall.

As with Kafubu Mall in 2014, our carbon footprint was limited during construction of Mukuba Mall and Cosmopolitan Mall as all of the bricks and concrete required was made on site.

Rockcastle owned one property in Poland, as at balance sheet date, which has a number of sustainability features including a waste water treatment plant featuring grease trap and coalescence separators, waste recycling facilities and the exclusive use of biodegradable detergents in cleaning the building. As a further means to reducing our carbon footprint, the centre offers secure bicycle parking for customers.

## SOCIAL

### Our employees

Our employees are as intrinsic to our business as our assets. We strive to create a productive working environment. We aim to attract and retain high-calibre, motivated employees. The remuneration of our employees is elaborated on in the remuneration report on pages 15 to 17.

As discussed in note 7 to the financial statements, Rockcastle has management incentive loans which are granted to employees to enable them to purchase shares in Rockcastle. We believe that empowering our employees in this way aligns their interests even closer to those of shareholders.

### Our communities

The impact of developments on surrounding communities is carefully considered and we engage directly with these communities where possible. The construction of Kafubu Mall, Mukuba Mall and Cosmopolitan Mall in Zambia has brought direct and indirect benefits to the surrounding community by way of both permanent and temporary jobs during both the construction and operating stages. Furthermore, the malls have brought upmarket shopping and leisure offerings to towns where previously this was absent. The construction of these malls in Zambia has been very well received by the surrounding communities and the country in general as evidenced by the attendance of the Zambian president at the grand opening of Mukuba Mall.

In Poland, Rockcastle is currently engaging with the city authorities in Opole with the objective of finalising a public-private partnership with the city for the extension of the Solaris Shopping Centre as well as the construction of additional city centre parking and a park to serve the local community.

ROCKCASTLE
GLOBAL REAL ESTATE COMPANY LIMITED

**Mukuba Mall** Kitwe, Zambia

# **SHAREHOLDER** ANALYSIS

Shareholder spread at 30 June 2015 as defined in terms of the SEM and JSE Listings Requirements.

| | NUMBER OF SHAREHOLDERS | NUMBER OF SHARES HELD | PERCENTAGE OF ISSUED SHARES |
|---|---|---|---|
| Public | 4 831 | 550 661 026 | 64.9% |
| Non-public | 2 | 272 806 187 | 32.2% |
| Directors and employees | 24 | 24 394 805 | 2.9% |
| | 4 857 | 847 862 018 | 100.0% |

| SIZE OF HOLDING | NUMBER OF SHAREHOLDERS | NUMBER OF SHARES HELD | PERCENTAGE OF ISSUED SHARES |
|---|---|---|---|
| 1 to 2 500 shares | 2 492 | 2 428 279 | 0.3% |
| 2 501 to 10 000 shares | 1 295 | 6 415 280 | 0.8% |
| 10 001 to 100 000 shares | 752 | 23 233 902 | 2.7% |
| 100 001 to 1 000 000 shares | 238 | 79 669 616 | 9.4% |
| 1 000 001 to 3 500 000 shares | 45 | 83 353 871 | 9.8% |
| More than 3 500 000 shares | 35 | 652 761 070 | 77.0% |
| | 4 857 | 847 862 018 | 100.0% |

| REGISTERED SHAREHOLDERS OWNING 5% OR MORE OF ISSUED SHARES | NUMBER OF SHARES HELD | PERCENTAGE OF ISSUED SHARES |
|---|---|---|
| Resilient Properties Proprietary Limited | 146 082 152 | 17.2% |
| Fortress Income 2 Proprietary Limited | 136 343 761 | 16.1% |
| Pangbourne Properties Limited | 51 131 685 | 6.0% |
| Capital Propfund Proprietary Limited | 49 403 905 | 5.8% |
| | 382 961 503 | 45.1% |

| CONTROL OF MORE THAN 5% OF ISSUED SHARES | NUMBER OF SHARES CONTROLLED | PERCENTAGE OF ISSUED SHARES |
|---|---|---|
| Resilient Properties Proprietary Limited | 146 082 152 | 17.2% |
| Fortress Income 2 Proprietary Limited | 136 343 761 | 16.1% |
| Pangbourne Properties Limited | 51 131 685 | 6.0% |
| Capital Propfund Proprietary Limited | 49 403 905 | 5.8% |
| | 382 961 503 | 45.1% |

# **KEY RISK FACTORS** AND RISK MANAGEMENT

Risk is the volatility of unexpected outcomes. Within the Rockcastle framework, this would specifically relate to the adverse impact on the value of its assets, equity or earnings. Risk management is the discipline by which these risks are identified, assessed and prioritised. It is essential to understand the multiple dimensions of risk in order to manage these effectively, with the aim of increasing shareholder value.

Risk management is essential for improved performance, growth and sustainable value creation. The process for identifying and managing risks has been set by the board. The board has overall responsibility for risk management but has delegated the responsibility for monitoring risk management processes and activities to Rockcastle's risk committee. The day-to-day responsibility for risk management, including maintaining an appropriate internal control framework, remains the responsibility of Rockcastle's executive management.

Risk management is an integral part of the company's strategic management and is the mechanism through which risks associated with the company's activities are addressed. The key objectives of the risk management system include:

- the identification, assessment and mitigation of risks on a timely basis;
- the provision of timely information on risk situations and appropriate risk responses;
- the identification of potential opportunities which would result in increasing firm value; and
- the instillation of a culture of risk management throughout the company.

Risks are monitored via the risk management framework in terms of which management identifies risks, documents these in the risk matrix and assesses the probability of their occurrence as well as the potential impact of the risk on the organisation. Each identified risk is then managed and, where possible, mitigated. Due to the dynamic nature of the economic environment in which Rockcastle operates, risks, and the impact thereof, change constantly. Accordingly, risk management is a dynamic and ongoing discipline which is continuously adapted to its environment.

Artist's Impression: **Cosmopolitan Mall** Lusaka, Zambia


ROCKCASTLE
GLOBAL REAL ESTATE COMPANY LIMITED

# KEY RISK FACTORS AND RISK MANAGEMENT (continued)

The risk management framework is presented to the risk committee on an annual basis.
The key risks include:

| KEY RISK | STRATEGIC GOAL IMPACTED | BUSINESS IMPACT | MITIGATION OF THE RISK | STAKEHOLDERS IMPACTED |
|---|---|---|---|---|
| Risk of losses due to currency fluctuations | Capital growth in share price | Income for the period is reduced due to foreign exchange fluctuations. | Rockcastle hedges its exposure to currency risk to a reasonable extent by aiming to fund the purchase of counters in the currency in which that counter is denominated. | Shareholders |
| Risk of underperformance of investments, specifically forecasted dividends not being received. | Growth in distributable income | Distributable income is reduced due to the reduction of dividends received from investments. | Management monitors the performance of listed counters on a daily basis. All investments are made in accordance with the investment mandate and the board monitors compliance with such mandates on a quarterly basis. | Shareholders |
| Risk of financial loss to the company if a tenant or counterparty to a financial instrument fails to meet its contractual obligations. Arises principally from the company's receivables from tenants and investment securities. | Growth in distributable income<br><br>Capital growth in share price | Distributable income is reduced due to the reduction of rental income from tenants or dividends received from investments. | Financial instruments are entered into with reputable financial institutions.<br>Rockcastle's credit processes aim to ensure that each tenant is analysed and the lease agreed prior to occupancy of the premises. When available, the company's review includes external ratings.<br>The company limits its exposure to credit risk by only investing in liquid securities and only with globally recognised financial institutions and/ or counterparties that are listed on a recognised stock exchange.<br>The company limits its exposure to credit risk by utilising multiple globally recognised financial institutions. | Shareholders<br>Tenants<br>Financiers |
| Risk of losses owing to movements in the level or volatility of market prices. | Capital growth in share price | Net asset value is reduced due to losses incurred, which in turn reduces the Rockcastle share price. | Management monitors the performance of the counters on a daily basis. All investments are made in accordance with the investment mandate and the board monitors compliance with such mandates on a quarterly basis. | Shareholders<br>Financiers |
| Rockcastle is built on the expertise of the management team. Executive management is critical in the day-to-day operations of the business through their expertise and experience in the analysis of the market and the identification of suitable investment opportunities. | Capital growth in share price | Skilled and experienced staff may not be retained. | The remuneration of key staff is aligned with the interests of shareholders. | Employees<br>Shareholders |
| Deterioration in the company's credit profile, a decline in debt market conditions or a general rise in interest rates could impact the cost and availability of funding. | Growth in distributable income | The cost of financing increases substantially reducing distributable income. | The company monitors its key financial ratios. Interest rate risk is mitigated through the use of interest rate swaps in multiple currencies and jurisdictions. | Shareholders<br>Financiers<br>Employees |
| Inability to refinance debt at acceptable rates and overexposure to a single financial institution. | Growth in distributable income | Higher finance costs result in lower distributable income. | Concentration exposure to one financial institution is avoided. | Shareholders<br>Financiers<br>Employees |
| Business continuity risk | Growth in distributable income | Business interruption may have a severe impact on the operations of Rockcastle and may reduce distributable income. | Rockcastle has a business continuity plan which includes the daily backup of data which is tested regularly. | Employees<br>Shareholders |

| | | | | |
|---|---|---|---|---|
| Investing in international markets increases operational, regulatory and other risks | Growth in distributable income<br>Maintenance of the Rockcastle brand | Non-compliance with regulatory requirements could lead to fines, penalties and censures. | This risk is mitigated through the collaboration of the risk committee, the executives, and Rockcastle's legal advisers and service providers in identifying and ensuring compliance with regulatory requirements. | Shareholders<br>Financiers<br>Employees |
| Development projects fail to deliver expected returns due to increased costs or delays. | Growth in distributable income | Rockcastle may suffer reputational damage as well as financial loss if developments are not completed timeously and within budget. The majority of developments are done via joint ventures and delays may lead to legal disputes. | Rockcastle has access to professional, independent development managers that can be contracted on a watching brief basis to mitigate this risk. All construction works are, where possible, put to tender and only reputable professionals are engaged. Structural and occupation certificates are obtained for all developments on completion. | Financiers<br>Shareholders<br>Employees |
| The underperformance of property managers may result in inaccurate recovery of revenue and incorrect reporting. | Tenant relationships and retention<br>Growth in distributable income | Inaccurate billing of tenants and reporting. | Compliance with service level agreements is monitored regularly. Management reviews monthly reports and meets with the property managers on a regular basis. | Tenants<br>Property managers<br>Shareholders<br>Employees<br>Co-owners |
| Destruction of assets | Maintaining and growing a quality portfolio of assets<br>Growth in distributable income | Buildings destroyed due to force majeure, fire etc and as a result income cannot be generated from tenants. | Insurance cover is carefully monitored to ensure that it is sufficient. The insurable amount is based on replacement valuations obtained from an independent valuer. Rockcastle uses reputable underwriters with sufficient financial backing to sustain cover paid for. | Tenants<br>Property managers<br>Shareholders<br>Employees<br>Co-owners |
| Physical deterioration of properties rendering them untenantable. | Maintaining and growing a quality portfolio of assets<br>Growth in distributable income | Properties that have physically deteriorated will be untenantable resulting in decreased distributable income. | Asset managers perform regular property inspections as do the property managers. | Tenants<br>Property managers<br>Shareholders<br>Employees<br>Co-owners |
| Exposure to uncertain operating environments through investment in various African countries. | Growth in distributable income | Due to the dynamic legislative and regulatory environments in certain African countries, the risk of non-compliance is increased. | Management consults with professional advisors in order to identify and comply with legislation and regulations in the applicable jurisdictions. | Shareholders<br>Financiers<br>Co-owners |
| Significant volume of leases expiring in a specific period | Tenant relationships and retention<br>Growth in distributable income | Rental income may be eroded due to new leases or renewals at lower rentals than previously achieved. Vacancies may not be let timeously thus reducing distributable income. | Asset and property managers closely monitor lease expiries and begin negotiations with tenants in advance of the expiry. All rentals are done at market related rates. Rockcastle actively markets all vacant space. | Tenants<br>Property managers<br>Shareholders<br>Employees<br>Co-owners |
| Funding liquidity risk | Growth in distributable income | Inability to meet obligations which may force early liquidation of the position as a result of margin calls. | Ensuring sufficient cash reserves are held by means of proper planning of cash-flow needs by setting limits on cash-flow gaps, by diversification, and by lending due consideration to how new funds can be raised to meet cash shortfalls. | Shareholders<br>Financiers |

## Opportunities

Following the re-rating of the global listed property markets and many listed property counters now trading at a premium to net asset value, the group's strategy is to continue to increase the portfolio weighting towards direct property assets while at the same time increasing its shareholding in core strategic listed securities which Rockcastle has identified as being businesses with superior assets, management and prospects for sustainable growth. The board's view is that direct property assets, particularly in central Europe offer superior value to many listed securities at current market prices and are confident that these direct property assets will achieve attractive growth for the foreseeable future. Rockcastle will assess these opportunities in line with guidance from the investment committee.

# CORPORATE GOVERNANCE REVIEW

The board endorses the code of corporate practices and conduct as set out in the Code of Corporate Governance for Mauritius ("the Code"). The disclosures included in this review are consistent with the requirements of the Code. The board of directors also endorses the code of corporate practices and conduct as set out in the King III report and confirms that the group is compliant with the provisions thereof. A register of all 75 King III principles and the extent of the company's compliance therewith is available on Rockcastle's website at www.rockcastleglobalre.mu. Independent consultants have been made available to members of the board to ensure that all directors are fully conversant with best practice and current thinking with regard to corporate governance.

## HOLDING STRUCTURE

Rockcastle is the ultimate holding company entity with ten subsidiaries and investments in two joint ventures. Analysis of the Rockcastle group companies:

| COMPANIES | COUNTRY OF INCORPORATION | % CAPITAL SHAREHOLDING | REPORTING CURRENCY FOR LOCAL STATUTORY PURPOSES |
|---|---|---|---|
| Kitwe Mukuba Investments Limited [4) 5)] | Mauritius | 100% | USD |
| Ndola Kafubu Investments Limited [4) 5)] | Mauritius | 100% | USD |
| Rockcastle Europe Limited [4) 5)] | Mauritius | 100% | USD |
| Rockcastle UK Property SPV Limited [3) 4)] | Mauritius | 100% | GBP |
| Rockcastle Global Real Estate Holdings BV [3) 4) 6) 7)] | Netherlands | 100% | EUR |
| ACE3 sp.z.o.o [2) 3) 10) 11)] | Poland | 85% | PLN |
| Gontar sp.z.o.o [2)] | Poland | 100% | PLN |
| IGI Exclusive sp.z.o.o [2) 3)] | Poland | 100% | PLN |
| Rockcastle Poland sp.z.o.o [8) 9)] | Poland | 100% | PLN |
| Rockcastle Global Real Estate Company UK Limited [2) 3)] | United Kingdom | 100% | GBP |
| Kafubu Mall Limited [1)] | Zambia | 50% | ZMW |
| Mukuba Mall Limited [1)] | Zambia | 50% | ZMW |

1) Joint venture accounted for using the equity method
2) Spiro Noussis was a director of this company.
3) Nick Matulovich was a director of this company.
4) Paul Pretorius was a director of this company.
5) Intercontinental Nominees Limited was a director of this company.
6) Jack Willems was a director of this company.
7) Mark Verkley was a director of this company.
8) Marta Kasperska was a director of this company.
9) Craig Boshard was a director of this company.
10) Henrik Moeller was a director of this company.
11) Tomasz Szewczyk was a director of this company.

## COMPOSITION OF THE BOARD OF DIRECTORS

The board comprises three executive directors, four independent non-executive directors and one non-independent non-executive director. All directors serve for a maximum period of one year and are subject to retirement by rotation and re-election by members in general meeting. Board appointments are made in terms of the policy on nominations and appointments, and such appointments are transparent and a matter for the board as a whole.

There are no fixed-term contracts for executive directors and the notice period for termination or resignation is one calendar month. There is no restraint of trade period for executive directors. Individual board members and their respective profiles are disclosed on pages 3 to 4. Directors' remuneration is disclosed on pages 15 to 17.

## ROLE OF THE DIRECTORS

Ultimate control of the company rests with the board while the executive management is responsible for the proper management of the company. To achieve this, the board is responsible for establishing the objectives of the company and setting a philosophy for investments, performance and ethical standards. Although quarterly board meetings are arranged every year, additional meetings are called should circumstances require it. Four board meetings were called during the current year.

In 2015, the chairman with the assistance of the company secretary, led a formal review of the effectiveness of the board and its committees. Each director completed a detailed evaluation questionnaire and an analysis of the findings was presented to the board. There was agreement that the board was operating effectively. The results were positive and action plans were agreed upon where required.

## BOARD CHARTER

In order to fulfil its duties, the board has adopted a charter setting out its responsibilities. The board reviewed this charter in 2015.

- The board acknowledges that it is responsible for ensuring the following functions as set out in the board charter;
- good corporate governance and implementation of the code of corporate practices and conduct as set out in the Code;
- that the company performs at an acceptable level and that its affairs are conducted in a responsible and professional manner; and
- the board recognises its responsibilities to all stakeholders.

## RESPONSIBILITIES OF THE BOARD

Although certain responsibilities are delegated to committees or management executives, the board acknowledges that it is not discharged from its obligations in regard to these matters.

The board acknowledges its responsibilities as set out in the board charter in the following areas:

- the adoption of strategic plans and ensuring that these plans are carried out by management;
- monitoring of the operational performance of the business against predetermined budgets;
- monitoring the performance of management at both operational and executive level;
- ensuring that the company complies with all laws, regulations and codes of business practice; and
- ensuring a clear division of responsibilities at board level to ensure a balance of power and authority in terms of company policies.

## INDEPENDENCE OF THE DIRECTORS

The board's independence from the executive management team is ensured by the following:

- separation of the roles of chairman and chief executive officer, with the chairman being independent;
- the board being dominated by non-executive directors;
- the audit, investment, nomination, risk, remuneration and social and ethics committees having a majority of non-executive directors;
- non-executive directors not holding service contracts;
- all directors having access to the advice and services of the company secretary; and
- with prior agreement from the chairman, all directors are entitled to seek independent professional advice concerning the affairs of the company at the company's expense.

The following non-executive directors chair the various sub-committees of the board:

- Rory Kirk (independent): Audit
- Andre van der Veer (independent): Investment
- Mark Olivier (independent): Nomination
- Rory Kirk (independent): Remuneration
- Andre van der Veer (independent): Risk
- Rory Kirk (independent): Social and ethics

The independence of the non-executive directors was assessed and four non-executive directors are considered to be independent in terms of the requirements of the Code.

Independence evaluations are done annually.

The criteria used to assess the independence of the directors were as follows:

- whether the director is a representative of a shareholder who has the ability to control or significantly influence management or the board;
- whether the director has a direct or indirect interest in the company which exceeds 5% of the company's total number of shares in issue;
- whether the director has a direct or indirect interest in the company which is less than 5% of the company's total number of shares in issue, but is material to the director's personal wealth;
- whether the director has been employed by the company in any executive capacity, or appointed as the designated auditor or partner in the company's external audit firm, or senior legal adviser for the preceding financial year;
- whether the director is a member of the immediate family of an individual who is or has during the preceding financial year been employed by the company in an executive capacity;
- whether the director is a professional adviser to the company other than in the capacity as a director;
- whether the director is free from any business or other relationship (contractual or statutory) which could be seen by an objective outsider to interfere materially with the director's capacity to act in an independent manner, such as being a director of a material customer or supplier to the company; and
- whether the director receives remuneration contingent upon the performance of the company.

## DIRECTORS' INTERESTS

A full list of directors' interests is maintained and directors certify that the list is correct at each board meeting.

Directors recuse themselves from any discussion and decision on matters in which they have a material financial interest.

## AUDIT COMMITTEE

The primary role of the audit committee is to ensure the integrity of financial reporting and the audit process. In pursuing these objectives, the audit committee oversees relations with the external auditors. The committee also assists the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and internal control processes, overseeing the preparation of accurate financial reports and statements in compliance with all applicable legal requirements and accounting standards, ensuring compliance with good governance practices and nomination of external auditors. The role of the audit committee has been codified in the audit committee charter which has been approved by the board. This charter has been aligned with the requirements of the Code and the Companies Act. The charter was reviewed by the board in 2015. As at the end of the financial year, the audit committee comprised: Rory Kirk (chairman), Andries de Lange, Andre van der Veer and Mark Olivier, all of whom are independent non-executive directors. The chief executive officer, chief financial officer and company secretary attend the committee meetings as invitees. The committee members have unlimited access to all information, documents and explanations required in the discharge of their duties, as do the external auditors.

As the chairman of the board is an independent non-executive director and has considerable financial expertise, the company deems it appropriate that he is a member of the audit committee.

The board, in consultation with the nomination committee, makes appointments to the committee to fill vacancies. The board has determined that the committee members have the skills and experience necessary to contribute meaningfully to the committee's deliberations. In addition, the chairman has the requisite experience in accounting and financial management.

The committee met four times during the financial period. The audit committee has satisfied itself that no breakdown in accounting controls, procedures and systems has occurred during the period under review. In fulfilling its responsibility of monitoring the integrity of financial reports to shareholders, the audit committee has reviewed accounting principles, policies and practices adopted in the preparation of financial information and has examined documentation relating to the annual Integrated Report and quarterly financial reports. The clarity of disclosures included in the financial statements was reviewed by the audit committee, as was the basis for significant estimates and judgements. The audit committee is further satisfied that the chief financial officer, Nick Matulovich CA(SA), is sufficiently competent and that the finance function has adequate resources and sufficient expertise.

It is the function of the committee to review and make recommendations to the board regarding quarterly financial results and the Integrated Report prior to approval by the board. The audit committee has complied with its legal, regulatory and other responsibilities. The audit committee recommended the Integrated Report to the board for approval.

## EXTERNAL AUDIT

A key factor that may impair auditors' independence is a lack of control over non-audit services provided by the external auditors. In essence, the external auditors' independence is deemed to be impaired if the auditors provide a service which:

- results in auditing of own work by the auditors;
- results in the auditors acting as a manager or employee of the company;
- puts the auditors in the role of advocate for the company; or
- creates a mutuality of interest between the auditors and the company.

The company addresses this issue through three primary measures, namely:

- disclosure of the extent and nature of non-audit services;
- the prohibition of selected services; and
- prior approval by the audit committee of non-audit services.

Other safeguards encapsulated in the policy include:

- the external auditors are required to assess periodically, in their professional judgement, whether they are independent of the company;
- the audit committee ensures that the scope of the auditors' work is sufficient and that the auditors are fairly remunerated; and
- the audit committee has primary responsibility for making recommendations to the board on the appointment, reappointment and removal of the external auditors.

The committee reviews audit plans for external audits and the outcome of the work performed in executing these plans. They further ensure that items identified for action are followed up. The external auditors report annually to the audit committee to confirm that they are and have remained independent from the company during the period.

The audit committee considered information pertaining to the balance between fees for audit and non-audit work for the company for 2015 and concluded that the nature and extent of non-audit fees do not present a threat to the external auditors' independence.

Furthermore, after reviewing a report from the external auditors on all their relationships with the company that might reasonably have a bearing on the external auditors' independence and the audit engagement partner and staff's objectivity, and the related safeguards and procedures, the committee has concluded that the external auditors' independence was not impaired.

The audit committee approved the external auditors' terms of engagement, scope of work, the annual audit and the applicable levels of materiality. Based on written reports submitted, the committee reviewed, with the external auditors, the findings of their work and confirmed that all significant matters had been satisfactorily resolved. The committee determined that the 2015 audit was completed without any restriction on its scope. The audit committee has satisfied itself as to the suitability of the external auditors for re-appointment for the ensuing year.

## INTERNAL AUDIT

The company does not have a formalised internal audit department. The audit committee continually examines the appropriateness of utilising independent internal auditors to periodically review activities of the company.

## ETHICAL PERFORMANCE

The board of directors form the core of the values and ethics subscribed to by the company through its various committees. These values and ethics are sustained by the directors' standing and reputation in the business community and their belief in free and fair dealings in utmost good faith and respect for laws and regulations.

Rockcastle has a code of ethics communicated to all staff. The code of ethics stipulates, among other things, that all stakeholders are expected to act in good faith, that bribery in any form is not tolerated, all conflicts of interest need to be declared and that compliance with all legislation is of utmost importance.

The code of ethics is reviewed by the social and ethics committee on an annual basis. The board is not aware of any transgressions of the code of ethics during the period.

No issues of non-compliance, fines or prosecutions have been levied against Rockcastle.

## INTERNAL FINANCIAL AND OPERATING CONTROLS

A framework of financial reporting, internal and operating controls has been established by the board to ensure reasonable assurance as to accurate and timely reporting of business information, safeguarding of company assets, compliance with laws and regulations, financial information and general operation.

The board reviewed and was satisfied with the effectiveness of the internal financial and operating controls, the process of risk management and the monitoring of legal governance compliance within the company.

## INVESTMENT COMMITTEE

All acquisitions, disposals and capital expenditure are considered by the investment committee. The investment committee approves acquisitions, disposals and capital expenditure up to pre-set limits.

As at the end of the financial year, the investment committee comprised: Andre van der Veer (chairman), Mark Olivier and Spiro Noussis. The investment committee's responsibilities and duties are governed by a charter that was reviewed by the board in 2015.

## NOMINATION COMMITTEE

The nomination committee is mandated by the board to identify suitable candidates to be appointed to the board, identify suitable board candidates in order to fill vacancies, ensure there is a succession plan in place for key management, assess the independence of non-executive directors and assess the composition of the board subcommittees. The nomination committee recommends the individuals to the board for appointment.

As at the end of the financial year, the nomination committee comprised: Mark Olivier (chairman), Andries de Lange and Rory Kirk.

The nomination committee's responsibilities and duties are governed by a charter that was reviewed by the board in 2015.

## REMUNERATION COMMITTEE

The remuneration committee is mandated by the board to set the remuneration and incentivisation of all employees, including executive directors. In addition, the remuneration committee recommends directors' fees payable to non-executive directors and members of board subcommittees. Further details are provided in the remuneration report on pages 15 to 17. As at the end of the financial year, the remuneration committee comprised: Rory Kirk (chairman), Andries de Lange and Mark Olivier. The remuneration committee's responsibilities and duties are governed by a charter that was reviewed by the board in 2015.

## RISK COMMITTEE

The risk committee is mandated by the board to ensure that a sound risk management system is maintained, to assist the board in discharging its duties relating to the safeguarding of assets and to ensure that the company has implemented an effective plan for risk management that will enhance the company's ability to achieve its strategic objectives.

As at the end of the financial year, the risk committee comprised: Andre van der Veer (chairman), Spiro Noussis, Yan Ng and Rory Kirk. The risk committee's responsibilities and duties are governed by a charter that was reviewed by the board in 2015.

## SOCIAL AND ETHICS COMMITTEE

The social and ethics committee is a statutory committee whose focus is to monitor compliance with labour legislation as well as corporate social responsibilities and corporate citizenship. The social and ethics committee also serves the function of ensuring that the reporting requirements on corporate governance are in accordance with the principles of the Code.

As at the end of the financial year, the social and ethics committee comprised: Rory Kirk (chairman), Yan Ng and Paul Pretorius.

The social and ethics committee's responsibilities and duties are governed by a charter that was reviewed by the board in 2015.

## COMPANY SECRETARY

The board considered the competence, qualifications and experience of the company secretary, Intercontinental Trust Limited ("ITL"), and deemed it fit to continue in the role as company secretary for Rockcastle. ITL is independent of Rockcastle and the relationship with the board has been assessed and is considered to be at arm's length.

The board has considered and has concluded that Yan Ng's role as both director of ITL as well as non-executive director of Rockcastle does not impact on the independence of the company secretary. In reaching this conclusion the board has, amongst other things, considered the following factors:

- ITL is one of the largest management companies in Mauritius and the provision of company secretarial functions is within the ordinary course of its business.
- ITL is paid a market-related fee for these services by the company which is governed by a service level agreement between Rockcastle and ITL.
- ITL itself is not a director of Rockcastle.
- Yan Ng is an executive director of ITL and his position as executive director does not involve oversight over the day to day company secretarial functions undertaken by ITL for Rockcastle.
- Yan Ng is not the point of contact between Rockcastle and ITL pertaining to company secretarial matters. In addition, no correspondence pertaining to company secretarial matters is sent to him unless it involves the business of the non-executive directors of Rockcastle and other non-executives are also included.
- Yan Ng is not responsible for the engagement between Rockcastle and ITL from ITL's perspective.
- The board undertakes an evaluation of the company secretary on an annual basis and has concluded that they are sufficiently independent and have the requisite qualifications, experience and competence to fulfil the role of company secretary.

# CORPORATE GOVERNANCE REVIEW (continued)

## INFORMATION TECHNOLOGY ("IT") GOVERNANCE

The board is ultimately responsible for IT governance. The Rockcastle IT function is outsourced to a third party service provider and is governed by a service level agreement.

The risks and controls over IT assets and data are considered by the risk committee.

## DEALING IN SECURITIES BY THE DIRECTORS

Dealing in the company's securities by directors and company officials is regulated and monitored as required by the SEM Listing Rules. With regard to directors' dealings in the shares of their own company, the directors confirm that they have followed the absolute prohibition principles and notification requirements of the model code for securities transactions by directors as detailed in Appendix 6 of the SEM Listing Rules. All directors' trading must take place exclusively outside the closed periods prescribed by the Stock Exchange Regulations and requires written authorisation from the board of directors. Rockcastle maintains a closed period from the end of a financial period to the date of publication of the financial results.

## MATERIAL CLAUSES OF THE CONSTITUTION

There are no clauses of the constitution deemed material enough for separate disclosure.

## SHAREHOLDERS AGREEMENTS

There is currently no shareholders agreement affecting the governance of Rockcastle by the board.

## COMMUNICATIONS WITH STAKEHOLDERS

Rockcastle is committed to ensuring timeous, effective and transparent communication with shareholders and other stakeholders as set out below:

| STAKEHOLDER | COMMUNICATION |
|---|---|
| SHAREHOLDERS | Rockcastle is committed to providing shareholders with timely access to applicable information. Communication with its shareholders is open, honest and transparent. Shareholders are provided with information via circulars and integrated and interim reports. Additional information is provided on Rockcastle's website, via SENS announcements and press releases. |
| ANALYSTS | Rockcastle holds semi-annual results presentations in South Africa and is introducing presentations in Mauritius for the year ended 30 June 2015. |
| FINANCIERS | Rockcastle meets with its financiers on a regular basis to discuss its requirements and theirs. Information is provided through analyst presentations, road shows, Integrated Reports and interim reporting. |
| TENANTS | Rockcastle strives to form mutually beneficial business relationships with its tenants. Rockcastle's asset managers and property managers meet with tenants on a regular basis and conduct regular site visits to Rockcastle's properties. |
| GOVERNMENT | Rockcastle endeavours to have mutually beneficial relationships with government, its departments and parastatals. Rockcastle engages with local authorities both directly and via its property managers and external consultants regarding utility issues, rates clearances, zoning, etc. |
| BUSINESS PARTNERS | Rockcastle maintains professional working relationships with its business partners at the same time as fostering a culture of teamwork. Rockcastle ensures that all of its business partners fully understand its performance standards and requirements. Rockcastle's business partners include the property managers and both Rockcastle's asset managers and senior management meet with the property managers on a regular basis. |
| COMMUNITIES AND ENVIRONMENT | Rockcastle is committed to being a good corporate citizen and frequently evaluates the impact of its projects and developments on society and the environment. |
| SUPPLIERS | Rockcastle maintains professional working relationships with all of its suppliers and ensures that its suppliers understand Rockcastle's performance standards and requirements. Where possible, Rockcastle will have service level agreements or terms of reference for its relationships with suppliers, which include performance expectations. |

## DIVIDEND POLICY

The company has a semi-annual distribution policy as set out in the initial listing particulars.

## MISCELLANEOUS ITEMS

The company does not have an employee share option scheme.
The company and its subsidiaries made no charitable or political donations during the year.
Related party transactions are set out in note 27 to the financial statements.
There is no third party management agreement between third parties and the company in the period under review besides those property management agreements that relate to the day-to-day property management of Rockcastle's properties.
The company's subsidiaries did not incur any audit fees during the year.

## Mukuba Mall Kitwe, Zambia


ROCKCASTLE
GLOBAL REAL ESTATE COMPANY LIMITED

## Cosmopolitan Mall Lusaka, Zambia

# THREE-YEAR REVIEW

| SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION | | | |
|---|---|---|---|
| *Information shown on a proportionate consolidated basis* | **2015** USD'000 | **2014** USD'000 | **2013** USD'000 |
| **ASSETS** | | | |
| Investment property | **58 708** | - | - |
| Straight-lining of rental revenue adjustment | **415** | - | - |
| Investment property under development | **7 436** | - | - |
| Listed security investments | **2 161 724** | 1 565 259 | 689 257 |
| Rockcastle management incentive loans | **25 129** | 17 000 | 4 387 |
| Investment in and loans to joint ventures | **41 727** | 5 192 | - |
| Current assets | **31 366** | 19 125 | 3 322 |
| **TOTAL ASSETS** | **2 326 505** | 1 606 576 | 696 966 |
| **EQUITY AND LIABILITIES** | | | |
| Total equity attributable to equity holders | **1 241 128** | 983 184 | 401 361 |
| Interest-bearing borrowings | **1 080 391** | 615 953 | 295 355 |
| Current liabilities | **4 986** | 7 439 | 250 |
| **TOTAL EQUITY AND LIABILITIES** | **2 326 505** | 1 606 576 | 696 966 |
| Net asset value per share (USD) | **1.46** | 1.39 | 1.15 |
| Interest-bearing debt to asset ratio # | **47.07%** | 38.80% | 42.58% |

# The interest-bearing debt to asset ratio is calculated by dividing total interest-bearing borrowings adjusted for cash on hand by the total investments in property, listed securities and loans advanced.

| SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME | | | |
|---|---|---|---|
| *Information shown on a proportionate consolidated basis* | For the year ended **30 June 2015** USD'000 | For the year ended **30 June 2014** USD'000 | For the 15 months ended **30 June 2013** USD'000 |
| Net rental and related revenue | **1 992** | - | - |
| Dividends received from listed property securities | **77 931** | 54 088 | 17 736 |
| Income from joint ventures | **5 892** | 35 | - |
| Fair value gain on investment properties and listed security investments | **20 727** | 105 081 | (11 056) |
| Foreign exchange (loss)/gain | **(77 935)** | 6 915 | (8 103) |
| Operating expenses | **(2 994)** | (1 327) | (553) |
| Listing expenses | **-** | - | (525) |
| Profit/(loss) before net finance costs | **25 613** | 164 792 | (2 501) |
| Net finance (costs)/income | **(15 461)** | (22 174) | 673 |
| Profit/(loss) before income tax | **10 152** | 142 618 | (1 828) |
| Income tax | **(20)** | (607) | (198) |
| Profit/(loss) for the year attributable to equity holders | **10 132** | 142 011 | (2 026) |
| **SHARE STATISTICS** | | | |
| Shares in issue | **847 862 018** | 705 500 000 | 350 000 000 |
| Dividend per share (cents) | **8.70** | 8.25 | 8.56 |
| Annualised distribution growth | **5.5%** | 4.4% | N/a |
| Market capitalisation (USD million) | **1 882** | 1 125 | 474 |
| **PROPERTY STATISTICS** | | | |
| Total number of properties | **4** | 1 | - |
| Total GLA ($m^2$) | **58 679** | 11 859 | - |
| Vacancy % | **0.02%** | 0.00% | N/a |

# ANNUAL **FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 30 JUNE 2015

Artist's Impression: *Galeria Tomaszów* Tomaszów Mazowiecki, Poland

# contents



ALERIA TOMASZÓW
REGENTA
MOSCO
VIENZA
dwell
SAMSARA
SCCOLLA
Rainbow
Amartan
FOREVER
IMPOSSIBLE

# DIRECTORS' RESPONSIBILITY FOR THE **ANNUAL FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2015

## The directors acknowledge their responsibilities for:

(i) adequate accounting records and maintenance of effective internal control systems;

(ii) the preparation of financial statements which fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for that year and which comply with International Financial Reporting Standards ("IFRS"); and

(iii) the selection of appropriate accounting policies supported by reasonable and prudent judgements.

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

## The directors report that:

(i) adequate accounting records and an effective system of internal controls and risk management have been maintained;

(ii) appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;

(iii) IFRS has been adhered to. Any departure in the interest in fair presentation has been disclosed, explained and quantified; and

(iv) the Code of Corporate Governance has been adhered to. Reasons have been provided where there has not been compliance.

In addition, the directors have made an assessment of the group's and company's ability to continue as a going concern and there is no reason to believe that the business will not be a going concern in the year ahead.

## Approval of the annual financial statements of the company

The annual financial statements of the group and company were approved by the board of directors on 24 August 2015 and signed on its behalf by:

**Mark Olivier**
Chairman

**Spiro Noussis**
Chief executive officer

## STATEMENT OF COMPLIANCE

We, the directors of Rockcastle, confirm to the best of our knowledge that the company has complied with all of its obligations and requirements under the Code of Corporate Governance.

**Mark Olivier**
Chairman

**Spiro Noussis**
Chief executive officer
24 August 2015

## COMPANY SECRETARY'S CERTIFICATE

FOR THE YEAR ENDED 30 JUNE 2015

We certify that, to the best of our knowledge and belief, the company has filed with the Registrar of Companies all such returns as are required of the company under the Companies Act 2001.

**Intercontinental Trust Ltd**
Company Secretary
24 August 2015

# REPORT OF THE **AUDIT COMMITTEE**

The audit committee is pleased to submit its report for the year ended 30 June 2015. Details on the composition of the audit committee, frequency of meetings and attendance at meetings are set out in the board of directors' section of the Integrated Report on page 5 and further details on the role of the audit committee are set out in the corporate governance review section on page 31.

## EXECUTION OF THE FUNCTIONS OF THE AUDIT COMMITTEE

The audit committee has carried out its functions in terms of the applicable requirements of the Companies Act, the audit committee charter as approved by the board and any other legal or regulatory responsibilities.

## EXTERNAL AUDITORS

The audit committee is satisfied that the external auditors are independent of the group. The audit committee considered information pertaining to the balance between fees received by the external auditors for audit and non-audit work for the group in 2015 and concluded that the nature and extent of non-audit fees do not present a threat to the external auditors' independence. Furthermore, after obtaining confirmation and reviewing a report from the external auditors on all their relationships with the company that might reasonably have a bearing on the external auditors' independence and the audit engagement partner's objectivity, and the related safeguards and procedures, the audit committee has concluded that the external auditors' independence was not impaired.

The audit committee approved the external auditors' terms of engagement, scope of work, the annual fee and noted the applicable levels of materiality. Based on written reports submitted, the audit committee reviewed, with external auditors, the findings of their work and confirmed that all significant matters had been satisfactorily resolved. The audit committee is satisfied that the 2015 audit was completed without any restrictions on its scope.

The audit committee has satisfied itself as to the suitability of the external auditors for re-appointment for the ensuing year.

## FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The audit committee has reviewed principles, policies and practices adopted in the preparation of financial statements for the 2015 financial year and, where necessary, has obtained appropriate explanations relating to such financial information included in the Integrated Report. The audit committee is satisfied that they are adequate and appropriate and that the financial statements comply with International Financial Reporting Standards and the Companies Act.

The audit committee has applied its mind to the preparation and presentation of the Integrated Report and acknowledges its responsibility to ensure the integrity of the Integrated Report. The audit committee recommended the Integrated Report to the board for approval.

## INTERNAL FINANCIAL CONTROLS AND THE FINANCE FUNCTION

The audit committee has satisfied itself that no breakdown in accounting controls, procedures and systems has occurred during the year under review that could have a material impact on financial reporting.

The audit committee has considered and confirms that the chief financial officer, Nick Matulovich has the appropriate expertise and experience and that the finance function has adequate resources and expertise.

**Rory Kirk**
Chairman of the audit committee
24 August 2015

# INDEPENDENT AUDITORS' REPORT
# **TO THE MEMBERS**

This report is made solely to the members of Rockcastle Global Real Estate Company Limited, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the group financial statements of Rockcastle Global Real Estate Company Limited and its subsidiaries (the Group) and the company's separate financial statements (the Company) on pages 43 to 80 which comprise the statements of financial position at 30 June 2015, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements on pages 43 to 80 give a true and fair view of the financial position of the Group and of the Company at 30 June 2015, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Companies Act 2001

We have no relationship with, or interests in, the Company or any of its subsidiaries, other than in our capacity as auditors and business advisers and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

### Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

**BDO & Co**
Chartered Accountants
Port Louis, Mauritius.

Per **Rookaya Ghanty, FCCA**
Licensed by FRC

Artist's Impression: *Galeria Tomaszów* Tomaszów Mazowiecki, Poland

# STATEMENTS OF **FINANCIAL POSITION**

FOR THE YEAR ENDED 30 JUNE 2015

| | Notes | GROUP 2015 USD'000 | GROUP 2014 USD'000 | COMPANY 2015 USD'000 | COMPANY 2014 USD'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Non-current assets | | **2 295 139** | 1 587 451 | **2 275 124** | 1 587 416 |
| Investment property | 3 | **58 708** | - | **-** | - |
| Straight-lining of rental revenue adjustment | 3 | **415** | - | **-** | - |
| Investment property under development | 3 | **7 436** | - | **-** | - |
| Listed security investments | 4 | **2 161 724** | 1 565 259 | **2 161 724** | 1 565 259 |
| Investment in and loans to subsidiaries | 5 | **-** | - | **88 271** | 5 157 |
| Investment in and loans to joint ventures | 6 | **41 727** | 5 192 | **-** | - |
| Rockcastle management incentive loans | 7 | **25 129** | 17 000 | **25 129** | 17 000 |
| Current assets | | **31 366** | 19 125 | **29 527** | 19 125 |
| Investment income receivable | 8 | **7 589** | 6 934 | **7 589** | 6 934 |
| Cash and cash equivalents | 9 | **3 035** | 486 | **1 754** | 486 |
| Trade and other receivables | 10 | **15 410** | 3 | **14 852** | 3 |
| Loans to development partners | 11 | **5 332** | 11 702 | **5 332** | 11 702 |
| **TOTAL ASSETS** | | **2 326 505** | 1 606 576 | **2 304 651** | 1 606 541 |
| **EQUITY AND LIABILITIES** | | | | | |
| Total equity attributable to equity holders | | **1 241 128** | 983 184 | **1 236 891** | 983 149 |
| Stated capital | 12 | **1 180 670** | 871 154 | **1 180 670** | 871 154 |
| Retained income | | **183 601** | 131 714 | **176 017** | 131 679 |
| Non-distributable reserves | | **(123 947)** | (19 684) | **(119 796)** | (19 684) |
| Currency translation reserve | | **804** | - | **-** | - |
| **TOTAL LIABILITIES** | | **1 085 377** | 623 392 | **1 067 760** | 623 392 |
| Non-current liabilities | | | | | |
| Interest-bearing borrowings | 13 | **16 614** | 340 057 | **-** | 340 057 |
| Current liabilities | | **1 068 763** | 283 335 | **1 067 760** | 283 335 |
| Trade and other payables | 14 | **4 966** | 6 832 | **3 963** | 6 832 |
| Interest-bearing borrowings | 13 | **1 063 777** | 275 896 | **1 063 777** | 275 896 |
| Income tax payable | | **20** | 607 | **20** | 607 |
| **TOTAL EQUITY AND LIABILITIES** | | **2 326 505** | 1 606 576 | **2 304 651** | 1 606 541 |

# STATEMENTS OF **COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2015

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 2015 USD'000 | 2014 USD'000 | 2015 USD'000 | 2014 USD'000 |
| Net rental and related revenue | | 1 992 | - | - | - |
| Recoveries and contractual rental revenue | | 2 240 | - | - | - |
| Straight-lining of rental revenue adjustment | | 415 | - | - | - |
| Rental revenue | | 2 655 | - | - | - |
| Property operating expenses | | (663) | - | - | - |
| Dividends received from listed security investments | 15 | 77 931 | 54 088 | 77 931 | 54 088 |
| Income from joint ventures | | 5 892 | 35 | - | - |
| Fair value gain on investment property and listed security investments | | 20 727 | 105 081 | 21 142 | 105 081 |
| Adjustment resulting from straight-lining of rental revenue | | (415) | - | - | - |
| Fair value gain on listed security investments | | 21 142 | 105 081 | 21 142 | 105 081 |
| Foreign exchange (loss)/gain | | (77 935) | 6 915 | (74 212) | 6 915 |
| Operating expenses | | (2 994) | (1 327) | (2 733) | (1 327) |
| Profit before net finance costs | | 25 613 | 164 792 | 22 128 | 164 757 |
| Net finance costs | | (15 461) | (22 174) | (15 374) | (22 174) |
| Finance income | | 2 363 | 753 | 2 462 | 753 |
| Interest on Rockcastle management incentive loans | | 1 149 | 441 | 1 149 | 441 |
| Interest received from group companies | | - | - | 99 | - |
| Interest on development partner loan | | 1 214 | 312 | 1 214 | 312 |
| Finance costs | | (17 824) | (22 927) | (17 836) | (22 927) |
| Interest on borrowings | | (11 913) | (9 667) | (11 746) | (9 667) |
| Capitalised interest | | 179 | - | - | - |
| Fair value gain/(loss) on interest rate derivatives | | 5 331 | (4 667) | 5 331 | (4 667) |
| Fair value loss on bond shorts | | (11 421) | (8 593) | (11 421) | (8 593) |
| Profit before income tax expense | 16 | 10 152 | 142 618 | 6 754 | 142 583 |
| Income tax expense | 17 | (20) | (607) | (20) | (607) |
| Profit for the year attributable to equity holders of the company | | 10 132 | 142 011 | 6 734 | 141 976 |
| **OTHER COMPREHENSIVE INCOME NET OF TAX** | | | | | |
| Items that may be reclassified to profit or Loss | | | | | |
| Exchange differences on translation of foreign operations - subsidiaries | | 2 461 | - | - | - |
| Exchange differences on translation of foreign operations - joint ventures | | (1 657) | - | - | - |
| | | 804 | - | - | - |
| Total comprehensive income for the year attributable to equity holders of the company | | 10 936 | 142 011 | 6 734 | 141 976 |
| Weighted average number of shares in issue | | 772 800 853 | 478 682 693 | 772 800 853 | 478 682 693 |
| Basic earnings per share from continuing operations (USD cents) | 21 | 1.31 | 29.67 | 0.87 | 29.66 |
| Headline earnings per share from continuing operations (USD cents) | 21 | 0.69 | 29.67 | 0.87 | 29.66 |

# STATEMENTS OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2015

| | GROUP | | | | |
|---|---|---|---|---|---|
| | Stated capital USD'000 | Retained income/ (loss) USD'000 | Non-distributable reserves USD'000 | Currency translation reserve USD'000 | **Total** USD'000 |
| **Balance at 30 June 2013** | 409 771 | (8 410) | - | - | 401 361 |
| Transactions with equity holders | 461 383 | (21 571) | - | - | 439 812 |
| Issue of 90 million shares on 15 October 2013 | 118 232 | | | | 118 232 |
| Issue of 90 million shares on 10 December 2013 | 116 975 | | | | 116 975 |
| Issue of 175.5 million shares on 30 May 2014 | 240 176 | | | | 240 176 |
| Reclassification of stated capital | (14 000) | 14 000 | | | - |
| Distributions declared | | (14 000) | | | (14 000) |
| Dividends declared | | (21 571) | | | (21 571) |
| Total comprehensive income for the year | | 142 011 | | | 142 011 |
| Total profit for the year | | 142 011 | | | 142 011 |
| Total other comprehensive income for the year | | - | | | - |
| Transfer to non-distributable reserves | | 19 684 | (19 684) | | - |
| **Balance at 30 June 2014** | 871 154 | 131 714 | (19 684) | - | 983 184 |
| Transactions with equity holders | **309 516** | **(62 508)** | **-** | **-** | **247 008** |
| Issue of 64.2 million shares on 2 October 2014 | **113 950** | | | | **113 950** |
| Issue of 63.4 million shares on 1 April 2015 | **163 292** | | | | **163 292** |
| Dividend declared | **32 274** | **(62 508)** | | | **(30 234)** |
| Total comprehensive income for the year | | **10 132** | | **804** | **10 936** |
| Total profit for the year | | **10 132** | | | **10 132** |
| Total other comprehensive income for the year | | | | **804** | **804** |
| Transfer to non-distributable reserves | | **104 263** | **(104 263)** | | **-** |
| **Balance at 30 June 2015** | **1 180 670** | **183 601** | **(123 947)** | **804** | **1 241 128** |

# STATEMENTS OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2015

| | COMPANY | | | | |
|---|---|---|---|---|---|
| | Stated capital USD'000 | Retained income/ (loss) USD'000 | Non-distributable reserves USD'000 | Currency translation reserve USD'000 | **Total** USD'000 |
| Balance at 30 June 2013 | 409 771 | (8 410) | - | - | 401 361 |
| Transactions with equity holders | 461 383 | (21 571) | - | - | 439 812 |
| Issue of 90 million shares on 15 October 2013 | 118 232 | | | | 118 232 |
| Issue of 90 million shares on 10 December 2013 | 116 975 | | | | 116 975 |
| Issue of 175.5 million shares on 30 May 2014 | 240 176 | | | | 240 176 |
| Reclassification of stated capital | (14 000) | 14 000 | | | - |
| Distributions declared | | (14 000) | | | (14 000) |
| Dividends declared | | (21 571) | | | (21 571) |
| Total comprehensive income for the year | | 141 976 | | | 141 976 |
| Total profit for the year | | 141 976 | | | 141 976 |
| Total other comprehensive income for the year | | - | | | - |
| Transfer to non-distributable reserves | | 19 684 | (19 684) | | - |
| Balance at 30 June 2014 | 871 154 | 131 679 | (19 684) | - | 983 149 |
| Transactions with equity holders | **309 516** | **(62 508)** | **-** | **-** | **247 008** |
| Issue of 64.2 million shares on 2 October 2014 | **113 950** | | | | **113 950** |
| Issue of 63.4 million shares on 1 April 2015 | **163 292** | | | | **163 292** |
| Dividend declared | **32 274** | **(62 508)** | | | **(30 234)** |
| Total comprehensive income for the year | | **6 734** | | | **6 734** |
| Total profit for the year | | **6 734** | | | **6 734** |
| Total other comprehensive income for the year | | **-** | | | **-** |
| Transfer to non-distributable reserves | | **100 112** | **(100 112)** | | **-** |
| Balance at 30 June 2015 | **1 180 670** | **176 017** | **(119 796)** | **-** | **1 236 891** |

# STATEMENTS OF **CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2015

| | Notes | GROUP For the year ended 30 June 2015 USD'000 | GROUP For the year ended 30 June 2014 USD'000 | COMPANY For the year ended 30 June 2015 USD'000 | COMPANY For the year ended 30 June 2014 USD'000 |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| Cash generated from operations | 18.1 | **61 053** | 44 262 | **63 016** | 44 262 |
| Interest received on management incentive loans advanced | | **1 149** | 441 | **1 149** | 441 |
| Interest paid on borrowings | | **(7 836)** | (2 553) | **(7 668)** | (2 553) |
| Income tax paid | 18.3 | **(607)** | (198) | **(607)** | (198) |
| Cash inflow from operating activities | | **53 759** | 41 952 | **55 890** | 41 952 |
| **INVESTING ACTIVITIES** | | | | | |
| Rockcastle management incentive loans advanced | | **(8 129)** | (12 613) | **(8 129)** | (12 613) |
| Investment in joint venture acquired | | **(18 136)** | (5 157) | **-** | - |
| Development partner loans advanced | | **(5 332)** | (11 702) | **6 370** | (11 702) |
| Increase in investment in and loans to subsidiaries | | **-** | - | **(83 015)** | - |
| Acquisition of investment property | | **(59 123)** | - | **-** | - |
| Development of investment property | | **(7 257)** | - | **-** | - |
| Acquisition of listed security investments | | **(653 258)** | (764 006) | **(653 258)** | (769 163) |
| Cash outflow from investing activities | | **(751 235)** | (793 478) | **(738 032)** | (793 478) |
| **FINANCING ACTIVITIES** | | | | | |
| Increase in interest-bearing borrowings | | **453 017** | 312 005 | **436 402** | 312 005 |
| Proceeds from share issuances | | **277 242** | 475 383 | **277 242** | 475 383 |
| Distributions paid to shareholders | 18.2 | **-** | (14 000) | **-** | (14 000) |
| Dividends paid to shareholders | 18.2 | **(30 234)** | (21 571) | **(30 234)** | (21 571) |
| Cash inflow from financing activities | | **700 025** | 751 817 | **683 410** | 751 817 |
| Increase in cash and cash equivalents | | **2 549** | 291 | **1 268** | 291 |
| Cash and cash equivalents at the beginning of the year | | **486** | 195 | **486** | 195 |
| Cash and cash equivalents at the end of the year | | **3 035** | 486 | **1 754** | 486 |
| Cash and cash equivalents consist of: | | | | | |
| Current accounts | 9 | **3 035** | 486 | **1 754** | 486 |

## *Mukuba Mall* Kitwe, Zambia

Artist's Impression: *Fabryka Wolomin* Wolomin, Poland

# NOTES TO THE **ANNUAL FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2015

## REPORTING ENTITY

Rockcastle Global Real Estate Company Limited (the "company") is a public company limited by shares incorporated in Mauritius on 30 March 2012. The company holds a Category One Global Business Licence issued by the Financial Services Commission. The consolidated financial statements of the company for the year ended 30 June 2015 comprise the company, its subsidiaries and joint ventures. The financial statements were authorised for issue by the directors on 24 August 2015.

The group's main activity is to invest globally in listed real estate assets and direct property. Its registered office is Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius. These financial statements will be submitted for consideration and approval at the forthcoming AGM.

## BASIS OF PREPARATION

### Basis of measurement

The financial statements are prepared on the historical-cost basis, except for derivative financial instruments, financial instruments designated as financial instruments at fair value through profit or loss, investment properties and other relevant financial assets and financial liabilities which are measured at fair value or carried at amortised cost, as appropriate.

### Statement of compliance

The consolidated and separate financial statements of the group are prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations committee of the IASB. The consolidated and separate financial statements comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and with the Mauritian Companies Act 2001.

The accounting policies are consistent with those applied in the prior periods with the exception of standards and interpretations that became effective in the current year.

This report was compiled under the supervision of Nick Matulovich CA(SA), the chief financial officer.

### Functional and presentation currency

The functional currency of Rockcastle is the United States Dollar ("USD"), and the group has elected to present its financial statements in USD, being the denomination of the issued stated capital of the group, rounded to the nearest thousand (USD'000) unless otherwise indicated.

## USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are set out in note 26.

## 1 ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015.

### 1.1 BASIS OF CONSOLIDATION

#### Subsidiaries

The consolidated annual financial statements incorporate the annual financial statements of the company and entities controlled by the company and its subsidiaries.

Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company may have the current ability to direct the relevant activities at the time that decisions need to be made.

The results of subsidiaries are included from the date control was acquired up to the date control ceased. The purchase method of accounting has been adopted to account for the cost of the acquisition of the investments. Cost comprises the fair value of any assets transferred, liabilities or obligations assumed and equity instruments issued and excludes transaction costs.

Investments in subsidiaries of the company are reflected at cost less accumulated impairment losses.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated in the preparation of the consolidated annual financial statements.

The accounting policies of the subsidiaries are consistent with those of the company.

#### Foreign subsidiaries

On consolidation, the assets and liabilities of the group's overseas entities are translated at exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are classified in other comprehensive income. Such translation differences are recognised in profit or loss in the period in which the entity is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### Investment in associates and joint ventures

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated into these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the group's share of losses of an associate or a joint venture exceeds the group's interest in that associate or joint venture, the group discontinues recognising its share of further losses.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

### Transactions eliminated on consolidation

In preparing the consolidated financial statements, intragroup balances and any unrealised gains and losses arising from intragroup transactions with subsidiaries and joint ventures are eliminated to the extent of the group's interest in these entities.

### Transactions in foreign currency

The results of foreign entities are translated as follows:

- statement of financial position - at the spot exchange rate at period end (monetary items) or at rates of exchange ruling at the date of the transaction (non-monetary items)
- statement of comprehensive income - at the average exchange rate for the period

## 1.2 INVESTMENT PROPERTY

### Investment Property

Investment properties are those held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business or for administration purposes.

The cost of investment property comprises the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment property is capitalised when it is probable that there will be future economic benefits from the use of the asset. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

After initial recognition, investment properties are measured at fair value. Fair values are determined annually by external independent professional valuers with appropriate and recognised professional qualifications and recent experience in the location and category of property being valued. Valuations are done on the open market value basis and the valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of the methods. Gains or losses arising from changes in the fair values are included in profit or loss for the period in which they arise.

Immediately prior to disposal of investment property the investment property is revalued to the net sales proceeds and such revaluation is recognised in profit or loss during the period in which it occurs.

When the group redevelops an existing investment property for continued future use as investment property, the property remains classified as investment property. The investment property is not reclassified as investment property under development during the redevelopment.

### Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. To the extent that developments can be accurately fair valued, developments are carried at fair value.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs, are capitalised.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of development cost financed out of general funds, the weighted average cost of borrowings.

## 1 ACCOUNTING POLICIES (continued)

### 1.3 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the group's statements of financial position when the group has become party to the contractual provisions of the instrument. Financial instruments acquired for trading purposes and derivative instruments are stated at fair value. Resulting gains or losses are recognised directly in profit or loss. Financial instruments presented in the financial statements include cash and cash equivalents, listed security investments, derivatives, loans, trade and other receivables, trade and other payables and interest-bearing borrowings. Financial instruments are initially recognised at fair value including transaction costs.

Subsequent to initial recognition, these instruments are measured as follows:

#### 1.3.1 Financial assets

The classification of financial assets depends on their nature and purpose and is determined at the time of initial recognition.

**Financial investments at fair value through profit or loss** - Financial investments at fair value through profit or loss are financial assets held-for-trading and those designated at fair value through profit or loss at inception. These assets are carried at fair value being the quoted closing price at the statement of financial position date. Realised gains/(losses) on disposal of investments and unrealised gains and losses arising from changes in the fair value of these investments are recognised in profit or loss in the period in which they arise. Attributable transaction costs are recognised in profit or loss as incurred.

**Trade receivables** - Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Cash and cash equivalents** - Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purposes of the statements of cash flows. Cash and cash equivalents are carried at amortised cost.

**Impairment of financial assets** - Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively impacted.

For trade receivables and investment income receivable, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised and the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss initially been recognised.

**Derecognition of financial assets** - A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where the contractual rights to receive cash flows from the asset have expired, the group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement or the group has transferred its rights to receive cash flows from the asset and either:

- has transferred substantially all the risks and rewards from the asset; or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

### 1.3.2 Financial liabilities

**Classification as debt or equity** - Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**Trade and other payables** - Trade and other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

**Other financial liabilities** - All other financial liabilities, with the exception of derivatives, are accounted for at amortised cost using the effective interest method.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Where an existing liability from a lender is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amount is recognised in profit or loss.

On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is recognised directly in profit or loss.

**Effective interest method** - The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset, or, where appropriate, a shorter period.

**Offset** - Where a legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the assets simultaneously, all related financial effects are offset.

## 1.4 DERIVATIVE FINANCIAL INSTRUMENTS

The group enters into a variety of derivative financial instruments to gain exposure to property securities and to hedge its interest rate risk arising from financing activities.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to the fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. The group designates certain derivatives as either hedges of the fair value of recognised assets and liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges) or hedges of net investments in foreign operations.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than twelve months and as a current asset or current liability if the remaining maturity of the hedge relationship is less than twelve months.

Derivatives not designated into an effective hedge relationship or that do not qualify in terms of hedge accounting rules, are classified as a current asset or current liability. The fair value of derivatives is the estimated amount that the group would receive or pay to terminate the derivative at the reporting date, taking into account current interest and exchange rates and the current creditworthiness of the swap counter parties.

## 1.5 PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate of the amount of the obligation can be made. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market "assessments of the time value of money and where appropriate, the risks specific to the obligation."

The group discloses a contingent liability when it has a possible obligation arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group.

# 1 ACCOUNTING POLICIES (continued)

## 1.6 STATED CAPITAL

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds.

When stated capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

## 1.7 EMPLOYEE BENEFITS

### Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

## 1.8 REVENUE, INVESTMENT INCOME AND EXPENSES

### Revenue

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the entity. Revenue is recognised at the fair value of the consideration received or receivable.

Revenue comprises rental revenue and recovery of expenses, excluding VAT. Rental revenue from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue over the lease period.

Other revenues earned by the group are recognised on the following bases:

- Dividend income - when the shareholder's right to receive payment is established.
- Interest income - on a time-proportion basis using the effective interest method.

### Expenses

**Service costs and property operating expenses**

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

**Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense on a straight-line basis.

## 1.9 FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest receivable and is recognised as it accrues, taking into account the effective yield on the asset. Finance costs comprise interest payable on borrowings calculated using the effective interest rate method. Finance costs comprise interest payable on borrowings calculated using the effective interest method.

## 1.10 TAX

Current tax comprises tax payable calculated on the basis of the expected taxable income for the period, using the tax rates and laws enacted or substantively enacted at the reporting date, and any adjustment of tax payable in respect of previous years. Deferred tax is recognised for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged to profit or loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the statements of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured at fair value, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

## 1.11 TRANSLATION OF FOREIGN CURRENCIES

The functional currency of Rockcastle is USD. Accordingly, transactions denominated in currencies other than USD are translated at the average rate of exchange during the month in which the transaction occurs.The prevailing rate of exchange on the date of a significant transaction is however utilised where significant fluctuations in the rate of exchange occur during the month in which the transaction occurs.

Monetary assets and liabilities denominated in foreign currencies (other than monetary items that form part of the net investment in a foreign operation) are translated at the rates of exchange ruling at the reporting date, with gains and losses recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost and are translated using the rates of exchange ruling at the date of the transaction.

## 1.12 DIVIDENDS TO SHAREHOLDERS

A dividend to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividend is declared.

## 1.13 OPERATING SEGMENTS

A segment is a distinguishable component of the group that is engaged in providing services (business segment) or in providing services within a particular economic environment (geographic segment), which is subject to risks and returns that are different from those of other segments. The group's primary segment is based on geographic segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board. The board reviews the group's internal reporting in order to assess performance. Management has determined the operating segments based on these reports.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of group revenue and expenses that can be allocated on a reasonable basis to a segment. Segmental assets comprise those assets that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

## 1.14 RELATED PARTIES

Related parties in the case of the group include any shareholder who is able to exert a significant influence on the operating policies of the group. Directors, their close family members and any employee who is able to exert significant influence on the operating policies of the group are also considered to be related parties.

## 1.15 EARNINGS PER SHARE

The group presents basic and diluted earnings per share. It also presents headline and diluted headline earnings per share.

Basic earnings or loss per share is calculated by dividing profit or loss for the year attributable to equity holders by the weighted average number of shares in issue during the year. Headline earnings or loss per share is calculated by dividing headline earnings or loss by the weighted average number of shares in issue during the year.

Diluted earnings or loss per share is calculated by dividing profit or loss for the year attributable to equity holders by the weighted average number of shares in issue, adjusted for the potential dilutive impact of outstanding share options.

Diluted headline earnings or loss per share is calculated by dividing headline earnings or loss by the weighted average number of shares in issue, adjusted for the potential dilutive impact of outstanding share options acquired.

## 1.16 DISTRIBUTABLE EARNINGS PER SHARE

The Group presents distributable earnings per share, in accordance with its distribution policy.

Distributable earnings per share are calculated by dividing the distributable profit (earnings plus deferred tax, less/ plus fair value increases/decreases, less/plus capital gains/losses on disposal and other adjustments that the Board may consider necessary) for the period by the number of shares in issue which are entitled to dividends at the end of the period.

## 1.17 NON-DISTRIBUTABLE RESERVES

All realised/unrealised losses of a capital nature are transferred to non-distributable reserves.

## 2 FINANCIAL RISK MANAGEMENT

The group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency risk, interest rate risk and price risk).

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these financial statements (refer to notes 25.1 to 25.3).

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has delegated the responsibility for developing and monitoring the group's risk management policies to the risk committee. The committee reports to the board of directors on its activities. The risk committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

## Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's tenants, investment securities, loans, receivables and cash and cash equivalents.

### Investments

The group invests in listed securities by means of direct investments and by utilising equity swaps with recognised financial institutions. The group limits its exposure to credit risk in its direct investments by only investing in liquid securities listed on a recognised stock exchange. The group has policies and procedures in place to mitigate the credit risk associated with equity swaps. The group ensures that more than one reputable counterparty is used and that new investments are split on an equitable basis between counterparties in order to spread the credit exposure. In addition, counterparty credit risk is monitored and any changes thereto are analysed and policies are in place to mitigate any risks associated with increased counterparty credit risk.

### Trade and other receivables and investment income receivable

Investment income receivable consists of dividends from investments accrued by the group as at the end of the period but which have not yet been received. The credit risk associated with these receivables is monitored as part of the group's greater investment strategy. The group ensures that the companies in which it invests are listed on a recognised stock exchange, are liquid and solvent and appear to be trading as a going concern for the foreseeable future.

Trade and other receivables include deposits with the group's tenants and interest rate swaps. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, industry, size of business and existence of previous financial difficulties. Counterparty credit risk is monitored and any changes thereto are analysed and policies are in place to mitigate any risks associated with increased counterparty credit risk.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures.

### Rockcastle management incentive loans

The group's exposure to credit risk is influenced by the security provided for the loan and also the characteristics of each borrower, who is an employee of the group.

The group establishes an allowance for impairment that represents its estimate of specific losses to be incurred in the event of the borrowers' inability to meet their commitments.

### Loans to development partners

In reducing credit risk attributable to loans to development partners, the group takes a pledge over the shares in the group in which the development is undertaken.

### Cash and cash equivalents

The group's exposure to credit risk is limited through the use of financial institutions of good standing for investment and cash handling purposes.

## Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations, comprising interest-bearing borrowings and trade and other payables, as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. In this respect, the group prepares cash flow analyses and forecasts which enable the directors to assess the level of financing required in future periods.

The interest-bearing borrowings relate to the borrowings associated with the equity swaps utilised by the group. The board of directors agree on gearing parameters for the group and the gearing levels are consistently monitored, taking into account the fluctuations in the underlying investments.

Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. The group generates a significant amount of cash from dividends received from listed security investments. Management is able to accurately budget the respective cash inflows as the dividend policies of the underlying investments are published in advance. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

## Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The group buys derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the audit committee. The investment committee together with the risk committee determine parameters by which investments in listed securities are made taking into account an appropriate margin of safety regarding the collateral pool to ensure the portfolio is able to withstand volatile market movements.

### Currency risk

The group is exposed to foreign currency risk on investments denominated in Euro, Great British Pound, Singapore Dollar, Hong Kong Dollar, Australian Dollar and the Canadian Dollar. The group mitigates a portion of the risk associated with exposure to foreign currency fluctuations by borrowing in the same currency as the underlying investment. In addition, the group hedges its exposure to currency fluctuations on distributable income through the use of currency forwards and cross-currency swaps.

### Interest rate risk

The group is exposed to interest rate risk on its interest-bearing borrowings and cash and cash equivalents.

Interest-bearing borrowings and cash and cash equivalents bear interest at rates linked to the base lending rate in the jurisdiction to which they relate. However, the group utilises the short selling of government bonds to hedge a portion of the interest rate risk.

### Equity price risk

The group is exposed to equity price risk on its investments. It limits its exposure to equity price risk by only investing in liquid securities that are listed on a recognised stock exchange and where the directors are in agreement with the business strategy implemented by such companies.

## Fair values

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments; or
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

## 2 FINANCIAL RISK MANAGEMENT (continued)

### Fair values (continued)

**Investment property**

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the group's investment property portfolio every year excluding those properties acquired within 6 months of the financial year end for which management views the purchase price as an appropriate measure of the fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

### Capital management

The group considers the equity attributable to equity holders as the permanent capital of the group. The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board also monitors the level of dividends to shareholders. The board seeks to maintain a balance between the higher returns that may be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The board's objectives when managing capital are:

- to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

## 3 INVESTMENT PROPERTY, STRAIGHT-LINING OF RENTAL REVENUE ADJUSTMENT AND INVESTMENT PROPERTY UNDER DEVELOPMENT

| | GROUP | |
|---|---|---|
| | **2015** USD'000 | **2014** USD'000 |
| **Investment in property comprises:** | | |
| Investment property | **58 708** | - |
| Straight-lining of rental revenue adjustment | **415** | - |
| | **59 123** | - |
| Investment property under development | **7 436** | - |
| Total investment property | **66 559** | - |
| **Details of the investment property are as follows:** | | |
| Acquisition cost | **58 708** | - |
| Straight-lining of rental revenue adjustment | **415** | - |
| Investment property at fair value | **59 123** | - |
| **Movement in investment property is as follows:** | | |
| Carrying amount at the beginning of the year | **-** | - |
| Additions and costs capitalised | **58 708** | - |
| Straight-lining of rental revenue adjustment | **415** | - |
| | **59 123** | - |
| **Details of investment property under development are as follows:** | | |
| Additions and costs capitalised | **7 257** | - |
| Interest capitalised | **179** | - |
| | **7 436** | - |

A register of investment property is available for inspection at the registered office of the company (refer to page 84). The directors consider that the purchase price of the investment properties represented their fair value as at 30 June 2015. Investment properties are categorised as level 3 in the fair value hierarchy.

## 4 LISTED SECURITY INVESTMENTS

Listed security investments are categorised as financial assets measured at fair value through profit or loss. The fair values of the listed security investments are determined based on quoted prices in active markets. The list of investments is provided in the Schedule of Investments on page 82 of this report.

| | GROUP AND COMPANY | |
|---|---|---|
| | **2015** USD'000 | **2014** USD'000 |
| Cumulative carrying amount | **2 140 582** | 1 460 178 |
| Increase in fair value | **21 142** | 105 081 |
| Total investment balance | **2 161 724** | 1 565 259 |
| Non-current (level 1) | **2 161 724** | 1 565 259 |

The currency profile of listed security investments is disclosed in note 20 - Segmental Reporting. Changes in fair values are recorded in profit or loss and none of the financial assets are impaired.

## 5 INVESTMENT IN AND LOANS TO SUBSIDIARIES

| Subsidiaries | Main business | Incorporated in and place of business | Stated Capital '000 | COMPANY | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Effective interest **2015** | Effective interest **2014** | Investment **2015** USD'000 | Loan Amount **2015** USD'000 | Total **2015** USD'000 | Investment and Total **2014** USD'000 |
| Rockcastle Europe Limited | Investment holding company | Republic of Mauritius | USD* | **100%** | 0% | **-** | **63 609** | **63 609** | - |
| Rockcastle UK Property SPV Limited | Investment holding company | Republic of Mauritius | GBP670 | **100%** | 0% | **1 058** | **2 533** | **3 591** | - |
| Ndola Kafubu Investments Limited | Investment holding company | Republic of Mauritius | USD1 | **100%** | 100% | **3 692** | **1 451** | **5 143** | 5 157 |
| Kitwe Mukuba Investments Limited | Investment holding company | Republic of Mauritius | USD1 | **100%** | 0% | **698** | **15 167** | **15 865** | - |
| Rockcastle Global Real Estate Company UK Limited | Investment holding company | United Kingdom | GBP* | **100%** | 0% | **-** | **63** | **63** | - |
| Rockcastle Global Real Estate Holdings BV | Investment holding company | Netherlands | EUR5 760 | **100%** | 0% | **-** | **-** | **-** | - |
| Gontar sp.z.o.o | Property owning company | Poland | PLN55 | **100%** | 0% | **-** | **-** | **-** | - |
| IGI Exclusive sp.z.o.o | Property owning company | Poland | PLN50 | **100%** | 0% | **-** | **-** | **-** | - |
| Rockcastle Poland sp.z.o.o | Property owning company | Poland | PLN5 | **100%** | 0% | **-** | **-** | **-** | - |
| ACE3 sp.z.o.o | Property owning company | Poland | PLN10 | **85%** | 0% | **-** | **-** | **-** | - |
| | | | | | | **5 448** | **82 823** | **88 271** | 5 157 |

Amounts owing by subsidiaries are, unsecured, bear interest at rates agreed from time to time and the terms of repayment are specific to individual tranches advanced. The subsidiaries' year ends are all 30 June. Class of shares held in subsidiary companies are all ordinary share capital.

**Less than 1 000.*

## 6 INVESTMENT IN AND LOANS TO JOINT VENTURES

| Interest in joint venture Kafubu Mall Limited | GROUP 2015 USD'000 | GROUP 2014 USD'000 |
|---|---|---|
| Investment at cost | **4 084** | 5 157 |
| Share of post-acquisition reserves | **193** | 35 |
| Loan advanced | **5 998** | - |
| Carrying value | **10 275** | 5 192 |
| Holding | **50%** | 50% |
| **Condensed consolidated statement of financial position*** | | |
| Non-current assets | **22 240** | 20 341 |
| Current assets | **89** | 70 |
| Equity | **(9 518)** | (10 384) |
| Non-current liabilities | **(12 631)** | - |
| Current liabilities | **(180)** | (10 027) |
| **Condensed consolidated statement of comprehensive income*** | | |
| Net income | **7 558** | 360 |
| Net finance costs | **(86)** | (290) |
| Income for the year | **7 472** | 70 |

Rockcastle holds a 100% interest in Ndola Kafubu Investments Limited (a Category Two Global Business License Company in Mauritius). Ndola Kafubu Investments Limited holds 50% of the equity and voting rights in Kafubu Mall Limited. Kafubu Mall Limited owns Kafubu Mall which is a 11 859m² mall situated in Ndola, Zambia.
Kafubu Mall Limited has been accounted for using the equity method. The loan is unsecured, interest free and there are no fixed terms for repayment.

** The information was extracted from Kafubu Mall Ltd's management accounts for the period ended 30 June 2015.*

| Interest in joint venture Mukuba Mall Limited | GROUP 2015 USD'000 | GROUP 2014 USD'000 |
|---|---|---|
| Investment at cost | **699** | - |
| Share of post-acquisition reserves | **4 077** | - |
| Loan advanced | **26 676** | |
| Carrying value | **31 452** | - |
| Holding | **50%** | 0% |
| **Condensed consolidated statement of financial position*** | | |
| Non-current assets | **64 507** | - |
| Current assets | **203** | - |
| Equity | **(26 748)** | - |
| Non-current liabilities | **(37 512)** | - |
| Current liabilities | **(450)** | - |
| **Condensed consolidated statement of comprehensive income*** | | |
| Net income | **27 431** | - |
| Net finance costs | **-** | - |
| Income for the year | **27 431** | - |

Rockcastle holds a 100% interest in Kitwe Mukuba Investments Limited (a Category Two Global Business License Company in Mauritius). Kitwe Mukuba Investments Limited holds 50% of the equity and voting rights in Mukuba Mall Limited. Mukuba Mall Limited owns Mukuba Mall which is a 28 235m² mall situated in Kitwe, Zambia.
Mukuba Mall Limited has been accounted for using the equity method. The loan is unsecured, interest free and there are no fixed terms for repayment.
** The information was extracted from Mukuba Mall Ltd's management accounts for the period ended 30 June 2015.*

| | | |
|---|---|---|
| Total investment in and loans to joint ventures | **41 727** | 5 192 |

Rockcastle has accounted for the above investments as joint ventures as there is an agreement of shared control with the entities' other shareholders, whereby decisions relating to the activities of the joint venture companies require unanimous consent of the parties sharing control.

## 7 ROCKCASTLE MANAGEMENT INCENTIVE LOANS

The movements in the Rockcastle management incentive loans ("MIL") were approved by the board during the financial year. The purpose of the incentive is to provide employees with an incentive linked to the growth of the company's long-term value as measured by the share price. This form of long-term incentivisation is designed to provide an incentive programme that will contribute to the achievement of the company's objectives and enhance shareholder value. Employees are provided with a 10 year loan to facilitate the purchase of Rockcastle shares which are pledged as security for the aforesaid loan. Dividends received on these shares are applied to settle the interest payable on the loans and any excess is then utilised to reduce the outstanding liability balance.

| | GROUP AND COMPANY | | |
|---|---|---|---|
| | **2015** % of issued shares | **2015** Number of shares | **2015** Loan balance USD'000 |
| Shares issued to directors and employees in terms of the MIL | **2.08%** | **17 665 000** | **25 129** |
| | **2014** % of issued shares | **2014** Number of shares | **2014** Loan balance USD'000 |
| Shares issued to directors and employees in terms of the MIL | 1.87% | 13 215 000 | 17 000 |

The participants in the MIL carry the risk associated with the shares issued to them. This disclosure includes all shares issued since incorporation. The MIL loans bear interest at 5% for the year ended 30 June 2015 (2014: 5%). The loans are secured by 17.665 million (2014: 13.215 million) shares in Rockcastle with a fair value of USD39.22 million (2014: USD19.82 million). The value of security held for each individual loan exceeds the amount of the related loan. The loans are repayable on the tenth anniversary of the loans being granted.

| Details of the shares issued to directors in terms of the Rockcastle Management Incentive Scheme as at 30 June 2015 are as follows: | Number of shares issued | Date of issue | Issue price - USD per share (excluding costs) | Employee asset as recorded in financials USD'000 |
|---|---|---|---|---|
| Spiro Noussis | 1 000 000 | 2 Oct 14 | 1.83 | 1 830 |
| | 4 615 000 | 18 Feb 14 | 1.33 | 6 138 |
| Nick Matulovich | 850 000 | 2 Oct 14 | 1.83 | 1 556 |
| | 1 000 000 | 18 Dec 13 | 1.30 | 1 300 |
| | 100 000 | 14 Jun 13 | 1.35 | 135 |
| Paul Pretorius | 500 000 | 2 Oct 14 | 1.83 | 915 |
| | 1 000 000 | 18 Dec 13 | 1.30 | 1 300 |
| | 500 000 | 14 Jun 13 | 1.35 | 675 |

## 8 INVESTMENT INCOME RECEIVABLE

Investment income receivable pertains to income which has met the revenue recognition requirements of IAS 18 as set out in note 1.8 and has accordingly been recognised as income during the current financial year but has not yet been received as at the end of the financial year. The geographical breakdown of this receivable is disclosed in segmental reporting in note 20.

As of 30 June 2015, none of the receivables were past due or impaired. In addition, no provision for impairment has been made as of 30 June 2015. The maximum exposure to credit risk at the reporting date pertaining to these receivables is the fair value of the receivables. The company does not hold any collateral as security.

## 9 CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** USD'000 | **2014** USD'000 | **2015** USD'000 | **2014** USD'000 |
| Cash and cash equivalents comprise the following: | | | | |
| Cash at bank - current accounts | **3 035** | 486 | **1 754** | 486 |

## 10 TRADE AND OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** USD'000 | **2014** USD'000 | **2015** USD'000 | **2014** USD'000 |
| Trade and other receivables include the following: | | | | |
| Fair value of interest rate derivatives | **14 849** | - | **14 849** | - |
| Prepaid expenses | **561** | 3 | **3** | 3 |
| | **15 410** | 3 | **14 852** | 3 |

## 11 LOANS TO DEVELOPMENT PARTNERS

| | GROUP AND COMPANY | |
|---|---|---|
| | **2015** USD'000 | **2014** USD'000 |
| Loan to Cosmopolitan Shopping Centre Limited* | **5 332** | - |
| Current portion included in current assets | **(5 332)** | - |
| Loan to Kitwe Mukuba Investments Limited | **-** | 11 702 |
| Current portion included in current assets | **-** | (11 702) |
| Non-current portion | **-** | - |

The amount owing by the development partner is secured by a pledge of the shares in the company in which the property is held. The loan bears interest at the rate of 9.5%.
*The loan is repayable on completion of the development which is expected to be in March 2016.*

## 12 STATED CAPITAL

| | GROUP AND COMPANY | |
|---|---|---|
| | **2015** USD'000 | **2014** USD'000 |
| ***Authorised:*** 1 279 661 805 (2014: 880 001 000) ordinary shares of no par value | | |
| ***Issued:*** 847 862 018 (2014: 705 500 000) ordinary shares at an average of approximately USD1.39 (2014: USD1.24) per share * | **1 180 670** | 871 154 |

** Transaction costs recognised as a deduction from equity in the current year amounted to USD1.4 million*

## 12 STATED CAPITAL (continued)

| Reconciliation of movement in issued shares | 2015 Shares | 2014 Shares |
|---|---|---|
| Balance at beginning of year | **705 500 000** | 350 000 000 |
| Shares issued by way of a scrip dividend during the year | **14 669 955** | - |
| Shares issued for cash consideration during the year* | **127 692 063** | 355 500 000 |
| | **847 862 018** | 705 500 000 |

* Shares issued for cash in the current year included:
General issue of 64.2 million shares at approximately USD1.78 per share on 2 October 2014
General issue of 63.4 million shares at approximately USD2.58 per share on 1 April 2015

## 13 INTEREST-BEARING BORROWINGS

The group's interest-bearing borrowings comprise short term interest-bearing borrowings as well as long term facilities. The borrowing facilities, together with shareholder stated capital, are used to fund the company's investment activities. The company's investment mandate allows the company to have borrowings of up to 60% of the total asset value. Short term interest-bearing borrowings are measured at amortised cost. Interest-bearing borrowings pertaining to government bond positions are measured at fair value which is calculated using quoted market prices at the reporting year. The company's exposure to interest rate, foreign currency and liquidity risk is discussed in note 25.

| GROUP | 2015 | | | |
|---|---|---|---|---|
| | Rate | Maturity | Fair value USD'000 | Carrying amount USD'000 |
| **INTEREST-BEARING BORROWINGS - NON-CURRENT** | | | | |
| Standard Bank | 3-month USD Libor + 3% | November 2018 | **(11 579)** | **(11 579)** |
| Standard Bank | 3-month USD Libor + 3% | November 2017 | **(5 035)** | **(5 035)** |
| | | | **(16 614)** | **(16 614)** |

| GROUP AND COMPANY | 2015 | | | |
|---|---|---|---|---|
| | Rate | Maturity | Fair value USD'000 | Carrying amount USD'000 |
| **INTEREST-BEARING BORROWINGS - CURRENT** | | | | |
| USA | Federal Funds Effective Rate + 0.45% | Less than one year | **(670 081)** | **(670 081)** |
| USA | 1-month USD LIBOR + 1.00% | Less than one year | **(512 346)** | **(512 346)** |
| Australia | RBA overnight rate + 0.05% | Less than one year | **(26 105)** | **(26 105)** |
| Europe | EONIA + 0.45% | Less than one year | **(67 467)** | **(67 467)** |
| UK | Overnight SONIA + 0.45% | Less than one year | **(198 554)** | **(198 554)** |
| UK | 1-month LIBOR + 0.5% | Less than one year | **(198 549)** | **(198 549)** |
| Singapore | 1-month Association of Banks in Singapore Swap + 0.5% | Less than one year | **(194 438)** | **(194 438)** |
| Canada | CABROVER + 0.05% | Less than one year | **(54 317)** | **(54 317)** |
| Canada | 1-month CDOR + 0.7% | Less than one year | **(53 340)** | **(53 340)** |
| | | | **(1 975 197)** | **(1 975 197)** |
| Cumulative cash collateral held with prime brokers used to offset short term borrowings balance | | | **911 420** | **911 420** |
| Net short term borrowings | | | **(1 063 777)** | **(1 063 777)** |

## 13 INTEREST-BEARING BORROWINGS (continued)

| GROUP AND COMPANY | 2014 | | | |
|---|---|---|---|---|
| | Yield to maturity | Date of maturity | Fair value USD'000 | Carrying amount USD'000 |
| **INTEREST-BEARING BORROWINGS - NON-CURRENT** | | | | |
| Bond shorts | | | | |
| USA | 2.11% | November 2022 | 28 322 | 28 322 |
| USA | 0.84% | November 2017 | 4 923 | 4 923 |
| USA | 2.53% | May 2023 | 56 766 | 56 766 |
| USA | 2.60% | February 2024 | 30 642 | 30 642 |
| Australia | 3.84% | April 2023 | 21 784 | 21 784 |
| Europe | 2.17% | May 2023 | 28 162 | 28 162 |
| Europe | 0.28% | October 2017 | 6 918 | 6 918 |
| Europe | 1.56% | February 2023 | 14 182 | 14 182 |
| Europe | 1.61% | May 2023 | 70 730 | 70 730 |
| UK | 2.18% | September 2022 | 32 100 | 32 100 |
| Canada | 1.94% | June 2022 | 9 900 | 9 900 |
| Canada | 2.49% | June 2023 | 35 628 | 35 628 |
| | | | 340 057 | 340 057 |

| GROUP AND COMPANY | 2014 | | | |
|---|---|---|---|---|
| | Nominal interest rate | Maturity | Fair value USD'000 | Carrying amount USD'000 |
| **INTEREST-BEARING BORROWINGS - CURRENT** | | | | |
| USA | Federal Funds Effective Rate + 0.65% | Less than one year | 280 396 | 280 396 |
| USA | Federal Funds Effective Rate + 0.575% | Less than one year | 341 152 | 341 152 |
| Australia | RBA overnight rate + 0.05% | Less than one year | 57 141 | 57 141 |
| Australia | 1-month Australia Bank Bill + 0.5% | Less than one year | 15 623 | 15 623 |
| Europe | EONIA + 0.625% | Less than one year | 83 627 | 83 627 |
| Europe | 1-month EURIBOR + 0.35% | Less than one year | 66 597 | 66 597 |
| UK | Overnight SONIA + 0.625% | Less than one year | 73 544 | 73 544 |
| UK | 1-month LIBOR + 0.35% | Less than one year | 72 625 | 72 625 |
| Singapore | 1-month Association of Banks in Singapore Swap + 0.5% | Less than one year | 202 553 | 202 553 |
| Canada | CABROVER + 0.05% | Less than one year | 110 942 | 110 942 |
| Canada | 1-month CDOR + 0.6% | Less than one year | 97 357 | 97 357 |
| | | | 1 401 557 | 1 401 557 |
| Cumulative cash collateral held with prime brokers used to offset short term borrowings balance | | | (1 125 661) | (1 125 661) |
| Net short term borrowings | | | 275 896 | 275 896 |

## 13 INTEREST-BEARING BORROWINGS (continued)

| | GROUP | | COMPANY | | GROUP AND COMPANY | |
|---|---|---|---|---|---|---|
| | Fair value **2015** USD'000 | Carrying amount **2015** USD'000 | Fair value **2015** USD'000 | Carrying amount **2015** USD'000 | Fair value 2014 USD'000 | Carrying amount 2014 USD'000 |
| Interest-bearing borrowings - current | **(1 975 197)** | **(1 975 197)** | **(1 975 197)** | **(1 975 197)** | 1 401 557 | 1 401 557 |
| Equity swap cash collateral | **911 420** | **911 420** | **911 420** | **911 420** | (1 125 661) | (1 125 661) |
| Loans | **(16 614)** | **(16 614)** | **-** | **-** | - | - |
| Bond shorts | **-** | **-** | **-** | **-** | 340 057 | 340 057 |
| Net interest-bearing borrowings | **(1 080 391)** | **(1 080 391)** | **(1 063 777)** | **(1 063 777)** | 615 953 | 615 953 |
| Portion included in current liabilities | **(1 063 777)** | **(1 063 777)** | **(1 063 777)** | **(1 063 777)** | 275 896 | 275 896 |
| Portion included in non-current liabilities | **(16 614)** | **(16 614)** | **-** | **-** | 340 057 | 340 057 |
| Total interest-bearing borrowings | **(1 080 391)** | **(1 080 391)** | **(1 063 777)** | **(1 063 777)** | 615 953 | 615 953 |

### Interest-bearing borrowings are secured by the following:

| | GROUP | | | | |
|---|---|---|---|---|---|
| | Investments **2015** USD'000 | Investment property **2015** USD'000 | Total **2015** USD'000 | Investments **2014** USD'000 | Total **2014** USD'000 |
| Standard Bank (1) | **-** | **41 727** | **41 727** | - | - |
| Interest-bearing borrowings - current (2) | **2 161 724** | **-** | **2 161 724** | 1 565 259 | 1 565 259 |
| | **2 161 724** | **41 727** | **2 203 451** | 1 565 259 | 1 565 259 |

(1) The loan-to-value ("LTV") ratio may not exceed 50%. The interest cover ratio should be at least 3.5.

(2) • Cash and listed securities utilised as security for the interest-bearing borrowings pertaining to the equity swap position as well as interest rate swap positions.
• Short term interest-bearing borrowings are repayable on the settlement of the respective equity swap position.
• General margin requirements per counter applied.

## 14 TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** USD'000 | **2014** USD'000 | **2015** USD'000 | **2014** USD'000 |
| Trade and other payables include the following: | | | | |
| Fair value of interest rate derivatives | **1 975** | 6 070 | **1 975** | 6 070 |
| Accrued expenses | **2 643** | 762 | **1 988** | 762 |
| Tenant deposits | **205** | - | **-** | - |
| VAT payable | **143** | - | **-** | - |
| | **4 966** | 6 832 | **3 963** | 6 832 |

## 15 DIVIDENDS RECEIVED FROM LISTED SECURITY INVESTMENTS

Dividends received from listed securities investments relates to dividend income recognised by the company during the year in accordance with the recognition and measurement criteria in IAS 18 and the accounting policy in note 1.8. The geographical spread of this amount is provided in the segmental reporting provided in note 20.

## 16 PROFIT BEFORE INCOME TAX EXPENSE

| | GROUP | COMPANY | GROUP AND COMPANY |
|---|---|---|---|
| | **2015** USD'000 | **2015** USD'000 | **2014** USD'000 |
| Profit before income tax expense is stated after charging: | | | |
| Auditors' remuneration | | | |
| – audit fee | **(14)** | **(14)** | (12) |
| – other services* | **(3)** | **(3)** | - |
| Directors' remuneration | | | |
| – services as director (non-executive) | **(84)** | **(84)** | (80) |
| Salaries | **(1 506)** | **(1 385)** | (574) |
| Travel and accommodation | **(401)** | **(365)** | (287) |

**Other services include provision by the auditors of a confirmation certificate that the reserves of the company were sufficient for the purpose of a scrip dividend in December 2014.*

## 17 INCOME TAX EXPENSE

| | GROUP AND COMPANY | |
|---|---|---|
| | **2015** USD'000 | **2014** USD'000 |
| Mauritian normal tax | **(20)** | (607) |
| - Current tax current year | **(20)** | (607) |

Reconciliation of tax rate

The tax on the company's loss before taxation differs from the theoretical amount that would arise using the basic rate of the company as follows:

| | **2015** GROUP | **2015** COMPANY | **2014** GROUP | **2014** COMPANY |
|---|---|---|---|---|
| Standard tax rate | **15.00%** | **15.00%** | 15.00% | 15.00% |
| Foreign tax credit* | **(12.00%)** | **(12.00%)** | (12.00%) | (12.00%) |
| Permanent differences | **(2.81%)** | **(2.71%)** | (2.57%) | (2.57%) |
| Effective tax rate | **0.19%** | **0.29%** | 0.43% | 0.43% |

**The company is subject to 15% income tax in Mauritius according to the provisions of the Income Tax Act 1995 as amended. As the company holds a Category One Global Business License, the Income Tax (Foreign Tax Credit) Regulations 1996 provides for the setting off of any underlying tax, withholding tax or tax sparing credit by the company against the 15% tax or a deemed 80% foreign tax credit on the company's foreign source income where written evidence of foreign tax charged is not presented to the tax authorities in Mauritius. Gains on sale of securities are exempted from tax in Mauritius.*

## 18 NOTES TO THE STATEMENTS OF CASH FLOWS

### 18.1 Cash generated from operations

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** USD'000 | **2014** USD'000 | **2015** USD'000 | **2014** USD'000 |
| Profit before income tax expense | **10 152** | 142 618 | **6 754** | 142 583 |
| Adjusted for: | | | | |
| Fair value profit on listed security investments | **(21 142)** | (105 081) | **(21 142)** | (105 081) |
| Income from joint ventures | **(5 892)** | (35) | **-** | - |
| Fair value loss on bond shorts | **11 421** | 8 593 | **11 421** | 8 593 |
| Fair value adjustment on interest rate derivatives | **(5 331)** | 4 667 | **(5 331)** | 4 667 |
| Interest received on the Rockcastle management incentive loans | **(1 149)** | (441) | **(1 149)** | (441) |
| Interest paid on borrowings | **7 836** | 2 553 | **7 668** | 2 553 |
| Interest income on intercompany loans | **-** | - | **(99)** | - |
| Capitalised interest | **(179)** | - | **-** | - |
| Foreign exchange loss/(gain) | **77 935** | (6 915) | **74 212** | (6 915) |
| | **73 651** | 45 959 | **72 334** | 45 959 |
| Changes in working capital | | | | |
| Increase in trade and other receivables | **(10 732)** | (3 810) | **(6 446)** | (3 810) |
| (Decrease)/increase in trade and other payables | **(1 866)** | 2 113 | **(2 872)** | 2 113 |
| | **61 053** | 44 262 | **63 016** | 44 262 |

### 18.2 Dividends paid to shareholders

| | GROUP AND COMPANY | |
|---|---|---|
| | **2015** USD'000 | **2014** USD'000 |
| Dividends payable at the beginning of the year | **-** | - |
| Distributions paid during the year | **-** | (14 000) |
| Dividends declared during the year* | **(62 508)** | (21 571) |
| Shares issued in lieu of cash dividends | **32 274** | - |
| Dividends payable at the end of the year | **-** | - |
| | **(30 234)** | (35 571) |

**The dividend declared during the year relates to:*

- *the 2014 financial year final dividend of 4.18 USD cents per share paid in September 2014. There were 705 500 000 shares in issue that received the dividend.*
- *the 2015 financial year final dividend of 4.28 USD cents per share paid in March 2015. Shareholders were given the option to either receive a cash dividend or 1.95 new Rockcastle shares for every 100 Rockcastle shares held by the shareholder at the record date. There were 769 700 000 shares in issue that received the dividend.*

## 18 NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

### 18.3 Income tax paid

| | GROUP AND COMPANY | |
|---|---|---|
| | **2015** USD'000 | **2014** USD'000 |
| Income tax payable at the beginning of the year | **(607)** | (198) |
| Charged to the statement of comprehensive income during the year | **(20)** | (607) |
| Income tax payable at the end of the year | **20** | 607 |
| | **(607)** | (198) |

## 19 CONTINGENT LIABILITIES

There are no contingent liabilities.

## 20 SEGMENTAL REPORTING

### Segmental statement of financial position as at 30 June 2015

| GEOGRAPHICAL SEGMENT | Direct property investments* USD'000 | Listed security investments USD'000 | Investment income receivable USD'000 | Cash and cash equivalents USD'000 | Other assets USD'000 |
|---|---|---|---|---|---|
| Australia | - | **69 835** | - | - | - |
| Canada | - | **104 758** | **473** | - | - |
| Europe | **63 225** | **208 747** | - | **1 640** | **2 623** |
| United Kingdom | **3 334** | **367 694** | - | **508** | **4 971** |
| Hong Kong | - | **89 837** | **1 919** | - | - |
| Singapore | - | **195 504** | - | - | **3 804** |
| United States of America | - | **1 125 349** | **5 197** | **887** | **4 012** |
| Zambia | **41 727** | - | - | - | - |
| Corporate | - | - | - | - | **30 461** |
| **TOTAL ASSETS** | **108 286** | **2 161 724** | **7 589** | **3 035** | **45 871** |

** Direct property investments include Investment Property, Straight-lining of rental revenue adjustment, Investment property under development and Investments in and loans to joint ventures. The investments are accounted for as joint ventures in terms of IFRS and are presented as such in the statement of financial position.*

## 20 SEGMENTAL REPORTING (continued)

### Segmental statement of financial position as at 30 June 2015

| GEOGRAPHICAL SEGMENT | Total equity attributable to equity holders USD'000 | Interest-bearing borrowings USD'000 | Trade and other payables USD'000 | Income tax payable USD'000 |
|---|---|---|---|---|
| Australia | - | **15 745** | **70** | - |
| Canada | - | **108 090** | **230** | - |
| Europe | - | **55 839** | **982** | - |
| United Kingdom | - | **377 659** | **768** | - |
| Hong Kong | - | **(3 067)** | - | - |
| Singapore | - | **191 092** | **523** | - |
| United States of America | - | **335 033** | **2 388** | - |
| Corporate | **1 241 128** | - | **5** | **20** |
| **TOTAL EQUITY AND LIABILITIES** | **1 241 128** | **1 080 391** | **4 966** | **20** |

### Segmental statement of comprehensive income for the year ended 30 June 2015

| GEOGRAPHICAL SEGMENT | Net rental and related revenue and income from joint ventures USD'000 | Dividends received from listed security investments USD'000 | Fair value gain/(loss) on investment property and listed security investments USD'000 | Foreign exchange loss and other expenses USD'000 |
|---|---|---|---|---|
| Australia | - | **2 333** | **26 665** | - |
| Canada | - | **9 333** | **(4 987)** | - |
| Europe | **1 895** | **4 000** | **27 593** | **(444)** |
| United Kingdom | **97** | **7 260** | **5 760** | **(361)** |
| Hong Kong | - | **3 623** | **6 598** | - |
| Singapore | - | **10 951** | **14 834** | - |
| United States of America | - | **40 431** | **(55 736)** | - |
| Zambia | **5 892** | - | - | - |
| Corporate | - | - | - | **(80 124)** |
| **TOTAL SEGMENT RESULT** | **7 884** | **77 931** | **20 727** | **(80 929)** |

### Segmental statement of financial position as at 30 June 2014

| GEOGRAPHICAL SEGMENT | Direct property investments USD'000 | Listed security investments USD'000 | Investment income receivable USD'000 | Cash and cash equivalents USD'000 | Other assets USD'000 |
|---|---|---|---|---|---|
| Australia | - | 122 911 | 2 263 | - | - |
| Canada | - | 208 589 | 870 | - | - |
| Europe | - | 193 272 | - | 3 | - |
| United Kingdom | - | 143 045 | - | - | - |
| Hong Kong | - | 78 008 | 1 584 | - | - |
| Singapore | - | 192 218 | - | - | - |
| United States of America | - | 627 216 | 2 217 | 483 | - |
| Zambia | 5 192 | - | - | - | - |
| Corporate | - | - | - | - | 28 705 |
| **TOTAL ASSETS** | 5 192 | 1 565 259 | 6 934 | 486 | 28 705 |

## 20 SEGMENTAL REPORTING (continued)

### Segmental statement of financial position as at 30 June 2014

| GEOGRAPHICAL SEGMENT | Total equity attributable to equity holders USD'000 | Interest-bearing borrowings USD'000 | Trade and other payables USD'000 | Income tax payable USD'000 |
|---|---|---|---|---|
| Canada | - | 99 821 | - | - |
| Europe | - | 103 004 | - | - |
| United Kingdom | - | 114 632 | - | - |
| Hong Kong | - | (1 360) | - | - |
| Singapore | - | 187 084 | - | - |
| United States of America | - | 112 772 | - | - |
| Corporate | 983 184 | - | 6 832 | 607 |
| **TOTAL EQUITY AND LIABILITIES** | 983 184 | 615 953 | 6 832 | 607 |

### Segmental statement of comprehensive income for the year ended 30 June 2014

| GEOGRAPHICAL SEGMENT | Net rental and related revenue USD'000 | Dividends received from listed security investments USD'000 | Fair value gain on listed security investments USD'000 | Foreign exchange gain and other expenses USD'000 |
|---|---|---|---|---|
| Australia | - | 6 452 | 3 429 | - |
| Canada | - | 7 798 | 6 609 | - |
| Europe | - | 8 657 | 33 860 | - |
| United Kingdom | - | 3 028 | 19 338 | - |
| Hong Kong | - | 2 578 | 6 545 | - |
| Singapore | - | 6 345 | 872 | - |
| United States of America | - | 19 230 | 34 428 | - |
| Zambia | 35 | - | - | - |
| Corporate | - | - | - | 5 588 |
| **TOTAL SEGMENT RESULT** | 35 | 54 088 | 105 081 | 5 588 |

## 21 EARNINGS AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30 June 2015 is based on the profit attributable to ordinary equity holders of USD10.13 million (2014: income of USD142.01 million) and the weighted average of 772 800 853 (2014: 478 682 693) ordinary shares in issue during the year. The company has no dilutionary instruments in issue. The weighted average number of shares for basic and diluted earnings per share purposes is presented below.

| 2015 | Event | Number of shares | % of year | Weighted average |
|---|---|---|---|---|
| 01/07/2014 | Opening balance | **705 500 000** | **100** | **705 500 000** |
| 02/10/2014 | Private placement | **64 200 000** | **74** | **47 666 302** |
| 23/03/2015 | Scrip dividend | **14 669 955** | **27** | **3 978 974** |
| 01/04/2015 | Book build | **63 492 063** | **25** | **15 655 577** |
| 30/06/2015 | Year end | **847 862 018** | | **772 800 853** |

## 21 EARNINGS AND DILUTED EARNINGS PER SHARE (continued)

| 2014 | Event | Number of shares | % of year | Weighted average |
|---|---|---|---|---|
| 01/07/2013 | Opening balance | 350 000 000 | 100 | 350 000 000 |
| 15/10/2013 | Private placement | 90 000 000 | 71 | 63 791 209 |
| 10/12/2013 | Private placement | 90 000 000 | 55 | 49 945 055 |
| 30/05/2014 | Private placement | 175 500 000 | 9 | 14 946 429 |
| 30/06/2014 | Year end | 705 500 000 | | 478 682 693 |

## 22 HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of basic headline earnings per share for the year ended 30 June 2015 is based on headline earnings of USD5.32 million (2014: earnings of USD142.01 million) and the weighted average of 772 800 853 (2014: 478 682 693) ordinary shares in issue during the year.

| Reconciliation of profit for the year to headline earnings | GROUP | |
|---|---|---|
| | **2015** USD'000 | **2014** USD'000 |
| Basic earnings - profit for the year attributable to equity holders | **10 132** | 142 011 |
| Adjusted for: | | |
| - fair value gain on investment property of joint ventures | **(4 814)** | - |
| Headline earnings | **5 318** | 142 011 |
| Headline earnings per share (USD cents) | **0.69** | 29.67 |

Rockcastle has no dilutionary instruments in issue.

## 23 SUBSEQUENT EVENTS

The directors are not aware of any other events besides the declaration of the dividend as noted in the directors' report, subsequent to 30 June 2015, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report.

## 24 OPERATING LEASE RENTALS

| | GROUP | |
|---|---|---|
| | **2015** USD'000 | **2014** USD'000 |
| Contractual rental revenue from tenants can be analysed as follows: | | - |
| Within one year | **4 545** | - |
| Within two to five years | **10 048** | - |
| More than five years | **490** | - |
| | **15 083** | - |

## 25 FINANCIAL INSTRUMENTS

### 25.1 Credit risk

| | GROUP 2015 USD'000 | COMPANY 2015 USD'000 | GROUP AND COMPANY 2014 USD'000 |
|---|---|---|---|
| The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was: | | | |
| Listed security investments | **1 883 150** | **1 883 150** | 1 399 580 |
| Rockcastle management incentive loans | **25 129** | **25 129** | 17 000 |
| Loans to development partners | **5 332** | **5 332** | 11 702 |
| Receivables | **22 999** | **22 441** | 6 937 |
| Cash and cash equivalents | **3 035** | **1 754** | 486 |
| | **1 939 645** | **1 937 806** | 1 435 705 |
| The maximum exposure to credit risk for loans at the reporting date was: | | | |
| Rockcastle management incentive loans | **25 129** | **25 129** | 17 000 |
| Shares pledged as security | **(39 220)** | **(39 220)** | (19 823) |
| Net exposure | **-** | **-** | - |
| Loans to development partners | **5 332** | **5 332** | 11 702 |
| Net exposure | **5 332** | **5 332** | 11 702 |

None of the borrowers to whom loans were granted were in breach of their obligations. No impairment allowance is necessary in respect of loans as the fair value of the security provided exceeds the value of the loans.

The loans to development partners are secured by a pledge of the shares in the company in which the underlying land and development is held. At balance sheet date the value of the land and development exceeds the loan to the development partner.

| | GROUP 2015 USD'000 | COMPANY 2015 USD'000 | GROUP AND COMPANY 2014 USD'000 |
|---|---|---|---|
| The maximum exposure to credit risk for receivables at the reporting date by segment was: | | | |
| Australia | **-** | **-** | 2 263 |
| Canada | **473** | **473** | 870 |
| Europe | **2 623** | **2 065** | - |
| United Kingdom | **4 971** | **4 971** | - |
| Hong Kong | **1 919** | **1 919** | 1 584 |
| Singapore | **3 804** | **3 804** | - |
| United States of America | **9 209** | **9 209** | 2 217 |
| Corporate | **-** | **-** | 3 |
| Total receivables | **22 999** | **22 441** | 6 937 |

The ageing of all receivables at the reporting date was less than 90 days. The company believes that no impairment allowance is necessary in respect of trade receivables as a comprehensive analysis of outstanding amounts are performed on a regular basis and impairment losses are accounted for timeously. The company believes that where trade receivables pertain to investment income receivable, that the respective companies to which these amounts relate are liquid and solvent and will be able to pay the distribution declared on the prescribed payment date and where they relate to interest rate swaps that the counterparty involved is sufficiently liquid and solvent and would be able to pay any outstandings as and when required.

There are no significant concentrations of credit risk.

| | GROUP | COMPANY | GROUP AND COMPANY |
|---|---|---|---|
| | **2015** USD'000 | **2015** USD'000 | **2014** USD'000 |
| Gross receivables: | | | |
| Not past due | **22 999** | **22 441** | 6 937 |
| Past due not impaired | **-** | **-** | - |
| | **22 999** | **22 441** | 6 937 |

## 25.2 Liquidity risk

| The following are the contractual maturities of financial liabilities, excluding interest payments: | Carrying value USD'000 | Contractual outflows USD'000 | 1-12 months USD'000 | 3-5 years USD'000 | More than 5 years USD'000 |
|---|---|---|---|---|---|
| **GROUP - 2015** | | | | | |
| Interest-bearing borrowings | **1 080 391** | **1 080 391** | **1 063 777** | **16 614** | **-** |
| Trade and other payables | **4 986** | **4 986** | **4 986** | **-** | **-** |
| **COMPANY - 2015** | | | | | |
| Interest-bearing borrowings | **1 063 777** | **1 063 777** | **1 063 777** | **-** | **-** |
| Trade and other payables | **3 983** | **3 983** | **3 983** | **-** | **-** |
| **GROUP AND COMPANY - 2014** | | | | | |
| Interest-bearing borrowings | 615 953 | 615 953 | 275 896 | 11 841 | 328 216 |
| Trade and other payables | 7 439 | 7 439 | 7 439 | - | - |

Cash flows are monitored on a regular basis to ensure that cash resources are adequate to meet funding requirements.

| | Group **2015** USD'000 | Company **2015** USD'000 | Group **2014** USD'000 | Company **2014** USD'000 |
|---|---|---|---|---|
| Permitted borrowings for the company | | | | |
| Total assets | **2 326 505** | **2 304 651** | 1 606 576 | 1 606 541 |
| 60% of total assets | **1 395 903** | **1 382 791** | 963 946 | 963 925 |
| Total borrowings | **(1 080 391)** | **(1 063 777)** | (615 953) | (615 953) |
| Unutilised borrowing capacity | **315 512** | **319 014** | 347 993 | 347 972 |

## 25 FINANCIAL INSTRUMENTS (continued)

### 25.3 Market risk

#### 25.3.1 Interest rate risk

| | Group **2015** USD'000 | Company **2015** USD'000 | Group and Company **2014** USD'000 |
|---|---|---|---|
| Interest-bearing instruments comprise: | | | |
| *Variable rate instruments* | | | |
| Cash and cash equivalents | **3 035** | **1 754** | 486 |
| Interest-bearing borrowings | **(1 080 391)** | **(1 063 777)** | (275 896) |
| | **1 077 356** | **1 062 023** | (275 410) |

The exposure of the company's borrowings to interest-rate changes and the contractual repricing dates are as follows:

| | 1-12 months USD'000 | 2-5 years USD'000 | More than 5 years USD'000 | Total USD'000 |
|---|---|---|---|---|
| **2015** | | | | |
| Total borrowings | **1 063 777** | **16 614** | **-** | **1 080 391** |
| **2014** | | | | |
| Total borrowings | 275 896 | - | - | 275 896 |

| **GROUP 2015**<br>Details of existing interest rate derivatives are: | Swap maturity | Nominal amount USD'000 | Average swap rate | Fair value USD'000 |
|---|---|---|---|---|
| | Jun 2020 | 80 735 | 0.79% | 188 |
| | Jun 2022 | 27 868 | 0.49% | 498 |
| | Jun 2025 | 404 755 | 1.96% | 14 010 |
| | | 513 358 | 1.70% | 14 696 |

### Cash flow sensitivity analysis for variable rate instruments

**Interest**

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) the profit or loss before income tax by the amounts shown below. This analysis assumes that all other variables remain constant.

| | PROFIT OR LOSS BEFORE INCOME TAX | |
|---|---|---|
| | Increase USD'000 | Decrease USD'000 |
| **GROUP 2015** | | |
| Cash and cash equivalents | **30** | **(30)** |
| Interest-bearing borrowings | **(5 670)** | **5 670** |
| Cash flow sensitivity (net) | **(5 640)** | **5 640** |
| **GROUP AND COMPANY 2014** | | |
| Cash and cash equivalents | 5 | (5) |
| Interest-bearing borrowings | (2 759) | 2 759 |
| Cash flow sensitivity (net) | (2 754) | 2 754 |

### 25.3.2 Equity price risk

The carrying amount of financial assets represents the maximum equity price risk exposure. The maximum exposure to equity price risk at the reporting date was:

| | GROUP AND COMPANY | |
|---|---|---|
| | **2015** USD'000 | **2014** USD'000 |
| Listed security investments | **2 161 724** | **1 565 259** |

A one percent change in the market value of investments would have increased/(decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant.

| | PROFIT OR LOSS BEFORE INCOME TAX | |
|---|---|---|
| | 1% increase USD'000 | 1% decrease USD'000 |
| **GROUP AND COMPANY 2015** | | |
| Listed security investments | **21 617** | **(21 617)** |
| **GROUP AND COMPANY 2014** | | |
| Listed security investments | 15 653 | (15 653) |

### 25.3.3 Currency risk

The company has assets and liabilities in currencies other than the US Dollars, its reporting currency. The company is mainly exposed to foreign exchange risk arising due to fluctuations of the US Dollar vis-à-vis other currencies. The group hedges its currency exposure on distributable income. At 30 June 2015 if the US Dollar had weakened/strengthened by 1% against the other currencies with all variables constant, profit or loss before income tax for the year would have been impacted as follows:

| | PROFIT OR LOSS BEFORE INCOME TAX | |
|---|---|---|
| | USD weakened 1% USD'000 | USD strengthened 1% USD'000 |
| **GROUP 2015** | | |
| Investments at fair value through profit or loss | **10 364** | **(10 364)** |
| Receivables | **138** | **(138)** |
| Cash and cash equivalents | **21** | **(21)** |
| | **10 523** | **(10 523)** |
| **COMPANY 2015** | | |
| Investments at fair value through profit or loss | **10 364** | **(10 364)** |
| Receivables | **108** | **(108)** |
| Cash and cash equivalents | **9** | **(9)** |
| | **10 481** | **(10 481)** |
| **GROUP AND COMPANY 2014** | | |
| Investments at fair value through profit or loss | 9 380 | (9 380) |
| Receivables | 47 | (47) |
| | 9 427 | (9 427) |

The currency profile of the company's assets and liabilities is disclosed in note 20 segmental reporting.

## 25 FINANCIAL INSTRUMENTS (continued)

### 25.4 Fair values

The fair values of all financial instruments are substantially the same as the carrying amounts reflected on the statement of financial position.

| | Designated at fair value USD'000 | Loans and receivables USD'000 | Amortised cost USD'000 | Total carrying amount USD'000 |
|---|---|---|---|---|
| **GROUP 2015** | | | | |
| Financial investments at fair value through profit or loss | **2 161 724** | | | **2 161 724** |
| Investment in and loans to joint ventures | **9 053** | **32 674** | | **41 727** |
| Rockcastle management incentive loans | | **25 129** | | **25 129** |
| Investment income receivable | | **7 589** | | **7 589** |
| Interest rate derivative creditor - level 2 | **(1 975)** | | | **(1 975)** |
| Interest rate derivative debtor - level 2 | **14 849** | | | **14 849** |
| Loans to development partners | | **5 332** | | **5 332** |
| Trade and other receivables | | **561** | | **561** |
| Cash and cash equivalents | | | **3 035** | **3 035** |
| Interest-bearing borrowings | | | **(1 080 391)** | **(1 080 391)** |
| Trade and other payables | | | **(2 991)** | **(2 991)** |
| | **2 183 651** | **71 285** | **(1 080 347)** | **1 174 589** |
| **COMPANY 2015** | | | | |
| Financial investments at fair value through profit or loss | **2 161 724** | | | **2 161 724** |
| Rockcastle management incentive loans | | **25 129** | | **25 129** |
| Investment income receivable | | **7 589** | | **7 589** |
| Interest rate derivative creditor - level 2 | **(1 975)** | | | **(1 975)** |
| Interest rate derivative debtor - level 2 | **14 849** | | | **14 849** |
| Loans to development partners | | **5 332** | | **5 332** |
| Loans to subsidiaries | | **82 823** | | **82 823** |
| Trade and other receivables | | **3** | | **3** |
| Cash and cash equivalents | | | **1 754** | **1 754** |
| Interest-bearing borrowings | | | **(1 063 777)** | **(1 063 777)** |
| Trade and other payables | | | **(1 988)** | **(1 988)** |
| | **2 174 598** | **120 876** | **(1 064 011)** | **1 231 463** |
| **GROUP AND COMPANY 2014** | | | | |
| Financial investments at fair value through profit or loss | 1 565 259 | | | 1 565 259 |
| Rockcastle management incentive loans | | 17 000 | | 17 000 |
| Investment income receivable | | 6 934 | | 6 934 |
| Trade and other receivables | | 3 | | 3 |
| Interest rate derivative creditor - level 2 | (6 070) | | | (6 070) |
| Loans to development partners | | 11 702 | | 11 702 |
| Cash and cash equivalents | | | 486 | 486 |
| Interest-bearing borrowings | (340 057) | | (275 896) | (615 953) |
| Trade and other payables | | | (762) | (762) |
| | 1 219 132 | 35 639 | (276 172) | 978 599 |

Level 1 financial instruments are investments in listed securities.

## 26 ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discusses with the audit committee the development, selection and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates. Estimates and judgements are continuously evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The valuation of investment properties, when undertaken, involves judgement.

### 26.1 Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the company's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the company's view of possible near-term market changes that cannot be predicted with any certainty.

## 27 RELATED PARTY TRANSACTIONS

### Identity of related parties with whom material transactions have occurred

The subsidiaries, joint ventures and directors are related parties. The subsidiaries of the company are identified in note 5 and the joint ventures in note 6. The directors are set out on pages 3 to 4.

### Material related party transactions

Loans to subsidiaries are set out in note 5.
Interest received from subsidiaries is set out in the statement of comprehensive income.
Remuneration paid to directors is set out on page 17 and in note 16.
Rockcastle management incentive loans to directors are set out in note 7.
Interest paid by directors to the Rockcastle share incentive scheme amounts to USD1.149 million (2014: USD0.441 million).

Related party transactions are made in the normal course of business. For the year ended 30 June 2015, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2014: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

## 28 STANDARDS AND INTERPRETATIONS

### Statement of compliance with International Financial Reporting Standards ("IFRS")

The company applies all applicable IFRS as issued by the International Accounting Standards Board ("IASB") in preparation of the financial statements.

### 28.1 Standards, Amendments to published Standards and Interpretations effective in the reporting year

Amendments to IAS 32, 'Offsetting Financial Assets and Financial Liabilities', clarify the requirements relating to the offset of financial assets and financial liabilities. The amendment is not expected to have any impact on the company's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27, 'Investment Entities', define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. As the company is not an investment entity, the standard has no impact on the financial statements.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what obligating event gives rise to pay a levy and when a liability should be recognised. The company is not subject to levies so the interpretation has no impact on the financial statements.

## 28 STANDARDS AND INTERPRETATIONS (continued)

### 28.1 Standards, Amendments to published Standards and Interpretations effective in the reporting year (continued)

Amendments to IAS 36, 'Recoverable Amount Disclosures for Non- financial Assets', remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated. The amendment has no impact on the financial statements.

Amendments to IAS 39, 'Novation of Derivatives and Continuation of Hedge Accounting', provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendment has no impact on the financial statements.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives.

The amendment has no impact on the financial statements.

#### Annual Improvements 2010-2012 Cycle

- IFRS 2, 'Share based payments' amendment is amended to clarify the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The amendment has no impact on the financial statements.

- IFRS 3, 'Business combinations' is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss. The amendment has no impact on the financial statements.

- IFRS 8, 'Operating segments' is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment has no impact on the financial statements.

- IFRS 13 (Amendment), 'Fair Value Measurement' clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the financial statements.

- IAS 16,'Property, plant and equipment' and IAS 38,'Intangible Assets are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The amendment has no impact on the financial statements.

- IAS 24,'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. The amendment has no impact on the financial statements.

#### Annual Improvements 2011-2013 Cycle

- IFRS 1, 'First-time Adoption of International Financial Reporting Standards' is amended to clarify in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. The amendment has no impact on the financial statements, since the company is an existing IFRS preparer.

- IFRS 3,'Business combinations' is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11. The amendment has no impact on the financial statements.

- IFRS 13,'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. The amendment has no impact on the financial statements.

- IAS 40,'Investment property' is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The amendment has no impact on the financial statements.

## 28.2 Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2015 or later periods, but which the company has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

- IFRS 9 Financial Instruments
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- IFRS 15 Revenue from Contracts with Customers
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

### Annual Improvements to IFRSs 2012-2014 Cycle

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)

Where relevant, the company is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 26.

## 29 DISTRIBUTABLE EARNINGS PER SHARE

The calculation of distributable earnings per share was based on the profit after tax, adjusted as shown in the table below, to arrive at the distributable earnings and the number of shares in issue at 30 June 2015.

| | | Unaudited **2015** USD'000 | Unaudited **2014** USD'000 |
|---|---|---|---|
| **Profit for the year attributable to equity holders** | | **10 132** | 142 011 |
| **Basic profit for the year** | | **10 132** | 142 011 |
| Foreign exchange loss/(gain) | | **77 935** | (6 915) |
| Fair value loss on bond shorts | | **11 421** | 8 593 |
| Fair value gain on listed security investments | | **(21 142)** | (105 081) |
| Unrealised fair value (gain)/loss on interest rate derivatives | | **(5 331)** | 4 667 |
| Dividends received from listed security investments | | **(77 931)** | (54 088) |
| Accrued income from listed securities investments | | **76 962** | 50 399 |
| Income from joint ventures | | **(5 892)** | - |
| Distributable income from joint ventures | | **1 163** | - |
| Adjustment to taxation for accrued income | | **-** | 56 |
| Shares issued cum dividend | | **3 102** | 11 419 |
| **Distributable earnings for the year** | | **70 419** | 51 061 |
| Less: | | **(70 419)** | (51 061) |
| Interim dividend declared | | **(32 943)** | (21 571) |
| Final dividend declared | | **(37 476)** | (29 490) |
| Earnings not distributed | | **-** | - |
| Number of shares entitled to distribution | | **847 862 018** | 705 500 000 |
| **Distributable earnings per share (USD cents)** | | **8.70** | 8.25 |
| Less (USD cents per share): | | **(8.70)** | (8.25) |
| | Interim dividend per share (USD cents) - declared | **(4.28)** | (4.07) |
| | Final dividend per share (USD cents) - declared | **(4.42)** | (4.18) |
| **Distributable earnings per share not distributed (USD cents)** | | **-** | - |

The 2015 distributable earnings figure is arrived at by adjusting the accounting profit of USD10.132 million as follows:

a) Reversing the non-cash flow items recognised in the statement of comprehensive income below:

- A foreign exchange loss of USD77.9 million, which resulted from the conversion of the assets and liabilities in foreign currency during the course of the financial year at the prevailing closing spot rate at the end of the year.
- A negative net fair value adjustment of USD11.4 million indicating the movement in the market value of the company's bond shorts.
- A positive fair value adjustment of USD21.1 million to reflect a net increase in the fair value of listed security investments at fair value through profit and loss.
- A positive net fair value adjustment of USD5.3 million indicating the movement in the market value of the company's interest rate derivatives.
- A positive impact of USD77.9 million representing dividends actually received from listed securities investments. Distributable earnings is calculated with reference to dividends accrued on a daily basis from investments.
- A positive impact of USD 5.9 million representing income from joint ventures.

b) Recognising:

- Accrued dividends from equity investments of USD76.9 million.
- An amount of USD3.1 million in respect of the shares that were issued cum dividend during the financial year.
- An amount of USD1.2 in respect of income from joint ventures which is regarded as distributable.

# SCHEDULE OF **INVESTMENTS**

| LISTED SECURITY INVESTMENTS | Primary sector | Valuation as at 30 June 2015 USD'000 | Valuation as at 30 June 2014 USD'000 |
|---|---|---|---|
| **AUSTRALIA** | | | |
| Westfield Group | Retail | **69 837** | 48 257 |
| CFS Retail Property Trust | Retail | **-** | 39 669 |
| Growthpoint Properties Australia Limited | Other/Diversified | **-** | 8 075 |
| Scentre Group | Retail | **-** | 26 910 |
| | | **69 837** | 122 911 |
| **CANADA** | | | |
| RioCan Real Estate Investment Trust | Retail | **33 255** | 66 604 |
| First Capital Realty Incorporated | Retail | **25 183** | 40 169 |
| H & R Real Estate Investment Trust | Other/Diversified | **46 318** | 56 484 |
| Dundee Real Estate Investment Trust | Office | **-** | 45 332 |
| | | **104 756** | 208 589 |
| **EUROPE** | | | |
| NEPI | Retail | **42 722** | - |
| Unibail-Rodamco | Retail | **166 025** | 131 967 |
| Corio | Retail | **-** | 38 190 |
| Klepierre | Retail | **-** | 23 115 |
| | | **208 747** | 193 272 |
| **GREAT BRITAIN** | | | |
| Hammerson plc | Retail | **367 694** | 71 189 |
| British Land Company plc | Other/Diversified | **-** | 71 856 |
| | | **367 694** | 143 045 |
| **HONG KONG** | | | |
| The Link Real Estate Investment Trust | Retail | **89 837** | 78 008 |
| | | **89 837** | 78 008 |
| **SINGAPORE** | | | |
| CapitaMall Trust | Retail | **109 872** | 107 517 |
| Ascendas Real Estate Investment Trust | Industrial | **85 632** | 84 701 |
| | | **195 504** | 192 218 |
| **UNITED STATES OF AMERICA** | | | |
| Avalonbay Communities Incorporated | Residential | **153 475** | 99 533 |
| Digital Realty Data Center Solutions | Other/Diversified | **71 681** | 58 320 |
| Hospitality Properties Trust | Hotel | **53 317** | 66 879 |
| Host Hotels & Resorts Incorporated | Hotel | **108 073** | 24 211 |
| Kimco Realty Corporation | Retail | **47 334** | 48 257 |
| MFA Financial Incorporated | Mortgage | **38 058** | 50 902 |
| Prologis Incorporated | Industrial | **161 385** | - |
| Senior Housing Properties Trust | Healthcare | **44 753** | 55 867 |
| Simon Property Group Incorporated | Retail | **288 943** | 146 327 |
| Ventas Incorporated | Healthcare | **158 330** | 76 920 |
| | | **1 125 349** | 627 216 |
| | | **2 161 724** | 1 565 259 |

# **SCHEDULE** OF PROPERTIES

| No | Property Name | Primary use | Geographical location | Acquisition date | Vacancy | Gross lettable area ($m^2$) | Purchase price USD'000 | Valuation USD'000 |
|---|---|---|---|---|---|---|---|---|
| **1** | **Rockcastle House** | Commercial/ offices | United Kingdom | 19 Nov 2014 | 0% | 585 | 3 300 | 3 300 |
| | Address: 1 Wheatfield Way, Kingston Upon Thames, London, KT1 2TU, United Kingdom | | | | | | | |
| **2** | **Kafubu Mall** | Retail | Zambia | 24 Apr 2014 | 0% | 11 859 | 11 257 | 22 514 |
| | Address: Corner of President Avenue and Nkana Road, Ndola, Zambia | | | | | | | |
| **3** | **Mukuba Mall** | Retail | Zambia | 23 Apr 2015 | 0% | 28 235 | 34 331 | 68 661 |
| | Address: Parklands, Chiwala Avenue, Copperbelt Province, Kitwe, Zambia | | | | | | | |
| **4** | **Solaris Shopping Centre** | Retail | Poland | 12 Mar 2015 | 0.2% | 18 000 | 58 190 | 58 190 |
| | Address: plac Kopernika 16, 45-040 Opole, Poland | | | | | | | |
| | Total direct property investment | | | | | 58 679 | 107 078 | 152 665 |
| **5** | **Tomaszów Gallery** | Development | Poland | * | n/a | n/a | 7 436** | 7 436 |
| | Address: Barlickiego street, Tomaszów Mazowiecki | | | | | | | |
| | Total developments | | | | | | 7 436 | 7 436 |
| | Total | | | | | | 114 514 | 160 101 |

** Acquired through ACE3 sp.z.o.o*
***Purchase price includes capitalised costs to date*

# CORPORATE **INFORMATION**

## COMPANY DETAILS

**Rockcastle Global Real Estate Company Limited**
(Registration number: 108869 C1/GBL)
SEM code: Rock.N0000
JSE code: ROC
ISIN: MU0364N00003
Level 3, Alexander House, 35 Cybercity, Ebene, 72201, Mauritius

## BANKERS

**The Standard Bank (Mauritius) Limited**
Level 9, Tower A, 1 Cybercity, Ebene, 72201, Mauritius

**AfrAsia Bank Limited**
Bowen Square, 10 Dr Ferriere St., Port Louis, 11328, Mauritius

**HSBC**
54 Clarence Street, Kingston Upon Thames
Surrey, KT1 1NS, London, United Kingdom

## TRANSFER SECRETARY IN SOUTH AFRICA

**Link Market Services South Africa Proprietary Limited**
(Registration number: 2000/007239/07)
13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000)

## COMPANY SECRETARY

**Intercontinental Trust Limited**
Level 3, Alexander House,
35 Cybercity, Ebene, 72201, Mauritius

## MAURITIAN MANAGEMENT COMPANY

**Intercontinental Trust Limited**
Level 3, Alexander House
35 Cybercity, Ebene, 72201, Mauritius

## AUDITORS

**BDO & Co**
DCDM Building
10 Frère Fèlix de Valois Street, Port Louis, 11404, Mauritius

## SEM SPONSOR

**Capital Market Brokers Limited**
Suite 1004, Level 1, Alexander House
35 Cybercity, Ebene, 72201, Mauritius

## JSE SPONSOR

**Java Capital**
(Registration number 2006/005780/07)
6A Sandown Valley Crescent, Sandton,
Johannesburg, 2196
(PO Box 2087, Parklands, 2121)

## CORPORATE ADVISOR AND LEGAL ADVISOR AS TO MAURITIAN LAW

**C&A Law (Registered as a Law Firm in Mauritius)**
Suite 1005, Level 1, Alexander House, Mauritius
35 Cybercity, Ebene, 72201, Mauritius

# CORPORATE **DIARY**

| FINAL 2015 | | | |
|---|---|---|---|
| Financial year end | | Tuesday | 30 June 2015 |
| Publication of abridged results: | SENS | Thursday | 10 September 2015 |
| | Press | Friday | 11 September 2015 |
| Last day to trade units inclusive of distribution (cum distribution) - JSE | | Thursday | 17 September 2015 |
| Last day to trade units inclusive of distribution (cum distribution) - SEM | | Tuesday | 22 September 2015 |
| Shares trade ex distribution - JSE | | Friday | 18 September 2015 |
| Shares trade ex distribution - SEM | | Wednesday | 23 September 2015 |
| Record date - JSE and SEM | | Friday | 25 September 2015 |
| Distribution payment date | | Monday | 28 September 2015 |
| Integrated Report and notice of Annual General Meeting posted on | | Wednesday | 30 September 2015 |
| Annual General Meeting | | Friday | 30 October 2015 |

| FIRST QUARTER 2016 | | |
|---|---|---|
| Quarter ends | Wednesday | 30 September 2015 |
| Announcement of quarterly results (provisional) | Wednesday | 4 November 2015 |

# NOTICE OF ANNUAL GENERAL MEETING **OF SHAREHOLDERS**

("SHAREHOLDERS" OR "MEMBERS")

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Rockcastle Global Real Estate Company Limited
(Incorporated in the Republic of Mauritius)
(Registration number: 108869 C1/GBL)
JSE share code: ROC
SEM share code: Rock.N0000
ISIN: MU0364N00003
("Rockcastle" or "the company" or "the group")

If you are in any doubt as to what action you should take arising from the following resolutions, please consult your stockbroker, banker, attorney, accountant or other professional advisor immediately. Rockcastle has its primary listing on both the Official Market of the the Stock Exchange of Mauritius Limited ("SEM") and the Main Board of the JSE ("JSE").

NOTICE IS HEREBY GIVEN that an Annual General Meeting of shareholders of Rockcastle will be held at the company's registered office, Level 3, Alexander House, 35 Cybercity, Ebene 72201, Mauritius, on Friday, 30 October 2015 at 10h00 Mauritian time (08h00 South African time) for the purpose of presenting the audited company and group financial statements for the year ended 30 June 2015 together with the reports of the directors and the auditor and transacting the following business:

## 1. ORDINARY RESOLUTION NUMBER

To receive and adopt the audited company and group financial statements for the year ended 30 June 2015.

## 2. ORDINARY RESOLUTION NUMBER 2.1-2.8

To re-elect the following directors, who were previously appointed by the board and who accordingly retire and offer themselves for re-election, all in terms of section 12.4.2 of the company's Constitution:

**2.1.Mark Olivier (46)**

*Independent non-executive chairman (British - based in Mauritius)*
*CA(SA)*
*Date of appointment: 30 March 2012*

Mark has over 20 years' experience in managing debt, property and private equity assets and providing corporate finance and strategic advice, predominantly to public companies in the United Kingdom. Prior to founding Hibridge Capital (a London based, boutique private equity and advisory business) in 2003, Mark was a shareholder and employee of Hawkpoint Partners, which was previously the corporate finance division of Natwest Markets. Mark worked for BoE Limited where he served on the executive committee of the Group's international business headquartered in London. Mark is a qualified Chartered Accountant and in his early career worked at KPMG as a manager in their London offices.

Mark is the chairman of Trellidor, the largest physical barrier security business in South Africa. He is a non-executive director of the Dynasty Group of companies, which is owned and managed by Macquarie and Blackstone Inc., which was the first-ever wholesale international vehicle established to invest in retail properties in China.

**2.2.Spiro Noussis (44)**

*Chief executive officer*
*(South African - based in the United Kingdom)*
*CA(SA)*
*Date of appointment: 14 May 2014*

Spiro has experience in private equity and investment management. He has been involved in property since 2005 and was most recently a founding shareholder and managing director of Lodestone Properties Limited now known as Lodestone REIT Limited, a listed REIT focusing on retail and industrial property. He has been a non-executive director of Resilient Property Income Fund Limited ("Resilient") since August 2012.

**2.3.Andries de Lange (42)**

*Independent non-executive director (South African)*
*CA(SA), CFA*
*Date of appointment: 8 May 2013*

After completing his articles, Andries joined the Industrial Development Corporation of South Africa Limited and then Nedbank Limited where he gained experience in debt finance, debt and equity restructurings and private equity. He then joined the Resilient group in 2004 and is an executive director of Resilient.

**2.4.Nick Matulovich (28)**
*Chief financial officer*
*(South African - based in the United Kingdom)*
*CA(SA), MCom (Taxation) (Cum laude), BAccSci (Honours - Taxation)*
*Date of appointment: 14 May 2014*

Nick was employed by the Resilient group in late 2011 and has been actively involved in the group's new initiatives such as Resilient Africa in Nigeria and Rockcastle as well as advising on the group's structuring considerations. He has been actively involved in the management of Rockcastle from its initial incorporation and continues to have direct oversight over the financial function.

Nick was previously employed by Ernst & Young and spent time in both audit as well as the Transaction Tax division, a division that was one of the most successful and active M&A advisory businesses in Africa, advising on transactions such as Wal-Mart Stores Inc.'s takeover of Massmart Holdings Ltd.

**2.5.Rory Kirk (59)**
*Independent non-executive director (Mauritian)*
*Bachelor of Social Science and Diploma in Business Management*
*Date of appointment: 30 March 2012*

Rory is the founder and managing director of Frontiere` Finance, a Mauritian financial services business. Rory has many years of financial service, insurance and banking experience having been in this field since the early 1980s in a number of roles at a variety of institutions.

**2.6. Yan Ng (41)**
*Non-independent non-executive director (Mauritian)*
*BSc (Hons), MSc, ACA, TEP*
*Date of appointment: 30 March 2012*

Yan is an executive director of Intercontinental Trust Limited. He specialises in the structuring and administration of investment funds and listed companies. He is a board member of a number of funds and listed companies in Mauritius. He was previously with Baker Tilly Mauritius and Deloitte in Luxembourg and was trained as a chartered accountant in London.

He is a member of the Institute of Chartered Accountants in England & Wales and of the Society of Trust and Estate Practitioners. He was the treasurer of the International Fiscal Association (Mauritian branch) and on the executive committee of the Association of the Trust and Management Companies in Mauritius. Yan graduated from the University of Mauritius with a degree in Management and achieved a Masters degree in Finance (MSc) from Lancaster University.

**2.7. Paul Pretorius (49)**
*Chief operating officer*
*(South African - based in Mauritius) Bsc (QS)*
*Date of appointment: 8 May 2013*

Paul has in excess of 15 years' experience in direct property having worked as both an asset manager as well as a property manager for various JSE listed property funds including the bulking up of Capital and the turnaround of Pangbourne Properties. Paul was previously a professional quantity surveyor for Macintosh Latilla Carrier and Lang, one of the large South African practices, as well as for his own practice.

**2.8.Andre van der Veer (47)**
*Independent non-executive director (South African)*
*BPL(Hons), MPL (Economics and Banking)*
*Date of appointment: 14 May 2014*

After completing a Masters degree in Banking and Economics during 1991, Andre joined FirstCorp Merchant Bank where he founded the agricultural commodities and derivatives trading group in 1995. He headed the trading, derivatives structuring and proprietary trading teams. Since 2003 he had been with the RMB Equity Global Markets team and gained experience in the UK, North America, Western Europe, Scandinavia as well as most markets in the Far East and Australia.

He became Head of RMB Equity proprietary trading desk in 2009 with a mandate to invest in debt and equity instruments globally. Andre founded Foxhole Capital during 2012 as a family office specialising in global real estate securities in the listed and private equity markets.

## 3. ORDINARY RESOLUTION NUMBER 3

To re-appoint BDO & Co as the auditor of the company with Mrs Rookaya Ghanty currently being the designated audit partner.

## 4.ORDINARY RESOLUTION NUMBER 4

To authorise the directors to determine the remuneration of the company's auditor.

## 5.ORDINARY RESOLUTION NUMBER 5

"Resolved that, fees to be paid by the company to the non-executive directors for their services as directors be and are hereby approved as USD 22 000 per non-executive director per annum."

## 6.ORDINARY RESOLUTION NUMBER 6

"Resolved that, subject to the provisions of the Mauritian Companies Act 2001, the SEM Listing Rules and the JSE Listings Requirements, the authorised but unissued shares of the company be and are hereby placed under the control of the directors of the company, with the authority to allot or issue all or part thereof at their discretion, provided that:

a) such allotment, issue or disposal shall not in aggregate be in excess of 7.5% (seven and a half percent) of the company's current issued share capital;

b) is subject to a maximum discount of 5% (five percent) of the weighted average traded price on the JSE of those shares over the 10 (ten) business days prior to the date of allotment, issue or disposal as the case may be; and

c) subject further to the provisions of the Companies Act, the Constitution of the company and the JSE Listings Requirements."

## 7.ORDINARY RESOLUTION NUMBER 7

"Resolved that, subject to the restrictions set out below, the directors be and are hereby authorised, pursuant, inter alia, to the company's Constitution and subject to the provisions of the Mauritian Companies Act 2001, the SEM Listing Rules and the JSE Listings Requirements, until this authority lapses which shall be at the next Annual General Meeting or 15 months from the date hereof, whichever is the earliest, to allot and issue shares of the company for cash on the following basis:

a) the allotment and issue of shares must be made to persons qualifying as public shareholders and not to related parties, as defined in the JSE Listings Requirements;

b) the shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;

c) the total aggregate number of shares which may be issued for cash in terms of this authority may not exceed 133 386 199 shares, being 15% of the total issued share capital. Accordingly, any shares issued under this authority prior to this authority lapsing shall be deducted from the 133 386 199 shares the company is authorised to issue in terms of this authority for the purpose of determining the remaining number of shares that may be issued in terms of this authority;

d) in the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;

e) the maximum discount at which the shares may be issued is 10% (ten percent) of the weighted average traded price of such shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares; and

f) after the company has issued shares for cash which represent, on a cumulative basis, within the period that this authority is valid, 5% (five percent) or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue, including the number of shares issued, the average discount to the weighted average trade price of the shares over the 30 (thirty) days prior to the date that the issue is agreed in writing and an explanation, including supporting documentation (if any), of the intended use of the funds.

For the avoidance of doubt, the number of shares that may be issued for cash in terms of this resolution shall exclude any shares issued in terms of the Rockcastle Share Purchase Scheme and any shares placed under the control of directors under ordinary resolution 6.

In terms of the JSE Listings Requirements, in order for ordinary resolution number 7 to be adopted, the support of at least 75% of the total number of members, present in person or by proxy, is required to pass this resolution.

## 8.ORDINARY RESOLUTION NUMBER 8

"Resolved that in accordance with the principles of the King III report on governance, and through a non-binding advisory vote, the company's remuneration policy and the implementation thereof as further detailed below be and is hereby approved."

### Remuneration Philosophy and Policy

### OVERVIEW

The group aims to retain its competitive advantage in the industry by attracting talented individuals and retaining experienced staff who demonstrate the behavioural traits which fit the Group's entrepreneurial and dynamic culture.

The remuneration committee ("the committee") oversees the development and annual review of the remuneration policy which is ultimately approved by the board. In doing so it ensures that the policy aligns the executive and management remuneration with the value delivered to the Group's stakeholders and further recognises exceptional individual contributions. The committee has been mandated by the board to authorise the remuneration and incentivisation of all employees, including executive directors.

The remuneration policy is based on the following guiding principles:

- remuneration must support key business strategies;
- remuneration must create a strong, performance-orientated environment that is consistent with the group's long-term objective of value creation for shareholders;
- remuneration must be structured to attract, motivate and retain talented employees;
- the remuneration policy should promote risk management and not encourage excessive risk-taking by key decision makers;
- remuneration should be structured in a manner that allows for the recognition and encouragement of exceptional performance, both at an individual and Group level;
- the remuneration policy should be transparent and easy to understand; and
- remuneration should be equitable both from an internal perspective, taking into account employees, their roles and qualifications, and from an external perspective, ensuring that remuneration is in line with the market.

### Executive and management remuneration principles

The Group draws from a wide variety of sources in determining the remuneration of staff, including independent surveys, peer group comparisons, publicly available data and market place intelligence from local as well as international sources. Remuneration packages are structured depending on the required skills and experiences at each level as well as the employee's level of influence on strategy and the complexity of each role.

Remuneration comprises both fixed and variable pay. Fixed pay comprises the annual salary and is referred to as the Total Guaranteed Package ("TGP") in the table below. The Group does not offer any medical aid or retirement benefits and these are for the account of the employee.

Variable pay comprises medium-term or performance incentives through cash bonuses and long-term incentives via the share incentive scheme. Medium-term incentives are used to motivate and reward annual financial performance in line with the Group's strategic goals. This remuneration is payable in cash and based on the individual's performance which is linked to the Group's performance. A further discretionary bonus may also be paid to individuals who are considered by the remuneration committee to have rendered exceptional service in any given year.

Long-term incentives create value and align the interests of employees with shareholders as employees receive value only if there is capital appreciation in the shares. Details of the scheme, including individual's limits and the regularity of issues are discussed in the table below.

### The methods for determining the various remuneration components are as follows:

| ELEMENT | EMPLOYEE LEVEL | FIXED OR VARIABLE | PURPOSE | DETAIL |
|---|---|---|---|---|
| Total Guaranteed Package | Executive directors | Fixed | Compensation, at market related levels, for employees performing their specific roles | TGPs are benchmarked at the median of the peer group. The committee considers the following when reviewing TGPs:<br>• Inflation over the period;<br>• Market for specific employee skills;<br>• Individual performance<br>• Group performance including growth in distributions per share<br>TGPs are reviewed annually in November. |
| | Management | Fixed | Compensation, at market related levels, for employees performing their specific roles | TGPs are benchmarked at the median of the peer group. The committee considers the following when reviewing TGPs:<br>• Inflation over the period;<br>• Market for specific employee skills;<br>• Individual performance<br>• Changes in responsibilities<br>• Gains in experience |
| Short–term incentive scheme | Executive directors and management | Variable | Achievement of short and medium term organisational goals | Based on set objectives the committee pays cash bonuses to management. |

| ELEMENT | EMPLOYEE LEVEL | FIXED OR VARIABLE | PURPOSE | DETAIL |
|---|---|---|---|---|
| Long term incentives - share incentive scheme | Executive directors and management | Variable | Alignment of long-term organisational goals and sustainable long-term total shareholder return. | Based on set objectives the Committee may award employees shares. Employees take full market risk on the shares from date of issue. The Group is of the opinion that this aligns the interests of employees and shareholders more closely.<br><br>Share incentive scheme allocations will be considered by the Committee twice per year outside closed periods.<br><br>• Participation in the long-term incentive scheme is limited to 25 times an employee's annual salary.<br>• Backdating of share-based incentives is not permitted.<br>• Shares are offered to participants who then accept such number of shares that they want to invest in. The value of the shares accepted is advanced as a loan to the participant by the Share Incentive Scheme.<br>• Shares are issued at the market price of Rockcastle shares and therefore no discount is provided.<br>• Shares vest immediately and participants assume the full risk associated with the investment made and loan advanced.<br>• Salient terms of the share incentive scheme loans are:<br>  • Loans are repayable on the tenth anniversary of the loans being granted.<br>  • Loans bear interest at a minimum of the weighted average cost of funding of the group with interest being serviced bi-annually. In the event of the interest paid being more than the interest received, the Group will subsidise the shortfall. This subsidy is phased out over a maximum period of five years.<br>  • Loans are repayable on termination of employment. |

### Share incentive scheme

The share incentive scheme was adopted in 2015. The intention is to align the interest of employees and shareholders and to drive long-term earnings growth which is the driver of long-term share price appreciation.

### Non-executive directors' remuneration

Non-executive directors' remuneration consists of a base fee and is reviewed annually. The remuneration committee recommends directors' fees payable to non-executive directors to the board which proposes the fees for shareholder approval at the annual general meeting.

Non-executive directors do not participate in the Rockcastle share incentive scheme nor is there any other remuneration paid to non-executive directors, including remuneration linked to the performance of the group.

### Service contracts

All employees are required to sign employment contracts with the Group. These contracts set out the working hours, salary, leave entitlement, notice and probation periods and other relevant information. There is no restraint of trade clause in any of the employment contracts.

### Pay date

Remuneration is paid on the 25$^{th}$ day of each month and if this day falls on a weekend, remuneration will be paid on the Friday preceding the 25$^{th}$.

## 9. ORDINARY RESOLUTION NUMBER 9

"Resolved that any director of the company or the company secretary be and is hereby authorised to do all such things and sign all such documents as may be required to give effect, to ordinary resolutions numbers 1 to 8 and to special resolutions numbers 1 to 2."

Unless otherwise stated, in order for ordinary resolutions to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required and in order for special resolutions to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass such resolution.

Unless otherwise stated, in order for ordinary resolutions to be adopted, the support of more than 50% of the total number of votes exercisable by members, present in person or by proxy, is required.

## 10. SPECIAL RESOLUTION NUMBER 1

"Resolved that, to the extent required by the Mauritian Companies Act 2001 ("the Companies Act"), the board of directors of the company may, subject to compliance with the requirements of the company's Constitution, the Companies Act, the JSE Listings Requirements and the SEM Listing Rules, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance in terms of section 81 of the Companies Act by way of loans, guarantees, the provisions of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company for any purpose or in connection with any matter, such authority to endure until the next annual general meeting of the company."

### The reason for and effect of special resolution number 1:

The company provides loans to and/or guarantees loans or other obligations of companies in the group. The company believes it necessary that it continues to have the ability to provide financial assistance to, inter alia, ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks) and is accordingly proposing special resolution number 1.

Therefore, the reason for, and effect of, special resolution number 1 is to permit the company to provide direct or indirect financial assistance (within the meaning attributed to that term in section 81 of the Companies Act) to the entities referred to in special resolution number 1 above.

In terms of section 81 of the Companies Act, if the resolution is adopted, the board of directors will only be entitled to authorise such financial assistance if it is satisfied that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company and, immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test contemplated in the Companies Act.

## 11. SPECIAL RESOLUTION NUMBER 2

"Resolved that, the company or any of its subsidiaries be and are hereby authorised by way of a general authority to acquire shares issued by the company, subject to the SEM Listing Rules, the Securities (Purchase of Own Shares) Rules 2007, the JSE Listings Requirements or the requirements of any other exchange on which the company is listed and subject to the following provisions of the JSE Listings Requirements:

a) any acquisition of shares shall be implemented through the order book of the JSE or the SEM and without prior arrangement;

b) this general authority shall be valid until the company's next Annual General Meeting, provided that it shall not extend beyond 15 months from the date of passing this special resolution;

c) the company (or any subsidiary) is duly authorised by its Constitution to do so;

d) acquisitions of shares in the aggregate in any one financial year may not exceed 20% (or 10% where the acquisitions are effected by a subsidiary) of the company's issued ordinary share capital as at the date of passing this special resolution;

e) in determining the price at which shares issued by the company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired will be 10% of the weighted average of the market value on the JSE over the five business days immediately preceding the repurchase of such shares;

f) at any point in time the company (or any subsidiary) may appoint only one agent to effect repurchases on its behalf;

g) repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme is in place (where the dates and quantities of shares to be repurchased during the prohibited period are fixed) and has been submitted to the JSE in writing and published on the SEM's website prior to commencement of the prohibited period;

h) an announcement will be published as soon as the company or any of its subsidiaries have acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the granting of the repurchase authority and pursuant to which the aforesaid threshold is reached, and for each 3% in aggregate acquired thereafter, containing full details of such repurchases;

i) the board of directors of the company must resolve that the repurchase is authorised, the company and its subsidiaries have passed the solvency and liquidity test and since that test was performed, there have been no material changes to the financial position of the group; and

In accordance with the JSE Listings Requirements and the SEM Listing Rules, the directors record that although there is no immediate intention to effect a repurchase of the shares of the company, the directors will utilise this general authority to repurchase shares as and when suitable opportunities present themselves, which may require expeditious and immediate action.

The directors undertake that, after considering the maximum number of shares that may be repurchased and the price at which the repurchases may take place pursuant to the general authority, for a period of 12 months after the date of notice of this Annual General Meeting:

- the company and the group will, in the ordinary course of business, be able to pay its debts;

- the consolidated assets of the company and the group fairly valued in accordance with International Financial Reporting Standards, will exceed the consolidated liabilities of the company and the group fairly valued in accordance with International Financial Reporting Standards; and

- the company's and the group's share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of paragraph 11.26 of the JSE Listings Requirements for purposes of this general authority:

- Major beneficial shareholders - page 5

- Capital structure of the company - page 14

### The reason for and effect of special resolution number 2:

The reason for special resolution number 2 is to afford the company, a general authority to effect a repurchase of the company's shares on the SEM and the JSE.

The effect of the resolution will be that the directors will have the authority, subject to the SEM Listing Rules, the JSE Listings Requirements, the Companies Act 2001 and the company's Constitution, to effect repurchases of the company's shares.

### Directors' responsibility statement

The directors whose names appear on pages 3 to 4 of the Integrated Report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the JSE Listings Requirements and the SEM Listing Rules.

### Material changes

Other than the facts and developments reported on in the Integrated Report of which this notice forms part, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for the financial year ended 30 June 2015 and up to the date of this notice.

In order for special resolution number 1 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

### The salient dates and times in relation to the Annual General Meeting are set out below:

| | |
|---|---|
| Notice of Annual General Meeting posted to shareholders | Wednesday, 30 September 2015 |
| Record date to be recorded in the register in order to be entitled to vote at the Annual General Meeting | Friday, 23 October 2015 |
| Last day to lodge forms of proxy for the Annual General Meeting by 10h00 Mauritian time (08h00 South African time) | Thursday, 29 October 2015 |
| Annual General Meeting held at 10h00 Mauritian time (08h00 South African time) | Friday, 30 October 2015 |

## VOTING AND PROXIES

Members holding shares in dematerialised form in "own name":

- may attend and vote at the Annual General Meeting; alternatively
- may appoint an individual as a proxy (who need not also be a member of the company) to attend, participate in and speak and vote in your place at the Annual General Meeting by completing the attached form of proxy and returning it to the company secretary, by no later than 10h00 Mauritian time (08h00 South African time) on Friday, 30 October 2015. Alternatively, the form of proxy may be handed to the chairman of the Annual General Meeting at the Annual General Meeting or at any time prior to the commencement of the Annual General Meeting. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the company secretary or handed to the chairman of the Annual General Meeting, before your proxy may exercise any of your rights as a member of the company at the Annual General Meeting.

Please note that any member of the company that is a company may authorise any person to act as its representative at the Annual General Meeting.

Please note that if you are the owner of dematerialised shares held through a Central Securities Depository Participant ("CSDP"), the Central Depository and Settlement Company Limited ("CDS") or broker (or their nominee) and are not registered as an "own name" dematerialised shareholder, then you are not a registered shareholder of the company, but your CSDP, CDS or broker (or their nominee) would be.

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP, CDS or broker as the case may be:

- if you wish to attend the Annual General Meeting you must contact your CSDP, CDS or broker, and obtain the relevant letter of representation from it; alternatively

- if you are unable to attend the Annual General Meeting but wish to be represented at the Annual General Meeting, you must contact your CSDP, CDS or broker, and furnish it with your voting instructions in respect of the Annual General Meeting and/or request it to appoint a proxy. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP, CDS or broker, within the time period required by your CSDP, CDS or broker.

- CSDP's, CDS' or brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the Annual General Meeting or by completing the attached form of proxy (blue) in accordance with the instructions thereon and return it to the company secretary, by no later than 10h00 Mauritian time (08h00 South African time) on Friday, 30 October 2015. Alternatively, the form of proxy may be handed to the chairman of the Annual General Meeting at the Annual General Meeting at any time prior to the commencement of the Annual General Meeting.

### Voting at the Annual General Meeting

In order to more effectively record the votes and give effect to the intentions of members, voting on all resolutions will be conducted by way of a poll.

**By order of the board**

**Intercontinental Trust Limited**

Company secretary Mauritius
30 September 2015

### Address of registered office

Level 3, Alexander House, 35 Cybercity,
Ebene 72201, Mauritius

### Address of transfer secretaries

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

# FORM OF **PROXY**

Rockcastle Global Real Estate Company Limited
(Incorporated in the Republic of Mauritius)
Registration number: 108869 C1/GBL
JSE share code: ROC
SEM share code: Rock.N0000
ISIN: MU0364N00003
("Rockcastle" or "the company")

For use by the holders of the company's dematerialised shares held through a Central Securities Depository Participant ("CSDP"), broker or the Central Depository and Settlement Company Limited ("CDS") who have selected "own name" registration ("own–name dematerialised shareholders"), at the Annual General Meeting of members of the company to be held at the company's registered office, Level 3, Alexander House, 35 Cybercity, Ebene 72201, Mauritius, on Friday, 30 October 2015 at 10h00 Mauritian time (08h00 South African time), or at any adjournment thereof if required. Additional forms of proxy are available from the company's registered office.

Not for use by dematerialised shareholders who have not selected "own name" registration. Such shareholders must contact their CSDP, CDS or broker timeously if they wish to attend and vote at the Annual General Meeting and request that they be issued with the necessary Letter of Representation to do so, or provide the CSDP, CDS or broker timeously with their voting instructions should they not wish to attend the Annual General Meeting in order for the CSDP, CDS or broker to vote in accordance with their instructions at the Annual General Meeting.

I/We (name/s in block letters) of______________________________

(address)______________________________

being the holder(s) of [          ] shares in the capital of the company do hereby appoint:

1______________________________or failing him/her,

2______________________________or failing him/her,

3 the chairman of the Annual General Meeting.

as my/our proxy to act for me/us on my/our behalf at the Annual General Meeting to be held on Friday, 30 October 2015 at 10h00 Mauritian time (08h00 South African time) or any adjournment thereof, which will be held for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat as detailed in the notice of Annual General Meeting; and to vote for and/or against such resolutions and/or to abstain from voting for and/or against the resolutions in respect of the shares registered in my/our name in accordance with the following instructions:

| | NUMBER OF VOTES | | |
|---|---|---|---|
| | **FOR*** | **AGAINST*** | **ABSTAIN*** |
| **Ordinary resolution number 1** (Receiving and adopting the audited company and group financial statements.) | | | |
| **Ordinary resolution number 2.1** (re-election of Mark Olivier as director) | | | |
| **Ordinary resolution number 2.2** (re-election of Spiro Noussis as director) | | | |
| **Ordinary resolution number 2.3** (re-election of Andries de Lange as director) | | | |
| **Ordinary resolution number 2.4** (re-election of Nick Matulovich as director) | | | |
| **Ordinary resolution number 2.5** (re-election of Rory Kirk as director) | | | |
| **Ordinary resolution number 2.6** (re-election of Yan Ng as director) | | | |
| **Ordinary resolution number 2.7** (re-election of Paul Pretorius as director) | | | |
| **Ordinary resolution number 2.8** (re-election of Andre van der Veer as director) | | | |
| **Ordinary resolution number 3** (reappointment of auditor) | | | |
| **Ordinary resolution number 4** (authorising directors to determine auditor's remuneration) | | | |
| **Ordinary resolution number 5** (approving non-executive directors' fees) | | | |
| **Ordinary resolution number 6** (control over unissued shares) | | | |
| **Ordinary resolution number 7** (general authority to issue shares for cash) | | | |
| **Ordinary resolution number 8** (non-binding advisory vote on remuneration policy) | | | |
| **Ordinary resolution number 9** (authority for directors or company secretary to implement resolutions) | | | |
| **Special resolution number 1** (approval of financial assistance to related or inter-related companies ) | | | |
| **Special resolution number 2** (approval of repurchase of shares ) | | | |

** (Indicate instructions to proxy in the spaces provided above). Unless otherwise instructed, my proxy may vote as he/she thinks fit. Please read the notes on the reverse side hereof.*

Signed at ________________on________________2015________________(Signature)

Assisted by (where applicable)

**Notes to the proxy form:**

1. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).

2. Members that are own name dematerialised shareholders or hold ordinary shares in certificated form are entitled to attend and vote at the Annual General Meeting may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space(s) provided, with or without deleting "the chairperson of the Annual General Meeting", but any such deletion must be initialled by the shareholder(s). Such proxy(ies) may participate in, speak and vote at the Annual General Meeting in the place of that shareholder at the Annual General Meeting. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy the chairperson shall be deemed to be appointed as the proxy.

3. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and in the case of the chairperson to vote in favour of the resolution.

4. A member or his/her proxy is not obliged to use all the votes exercisable by the member, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the shares held by the member.

5. A shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.

6. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death of the person granting it or the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death or transfer is received by the company secretary not less than 48 hours before the commencement of the Annual General Meeting.

7. The chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received otherwise than in compliance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the member concerned wishes to vote.

8. The completion and lodging of this form of proxy will not preclude the relevant member from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company or the company secretary or waived by the chairperson of the Annual General Meeting.

10. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the company or the company secretary.

11. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted and only that holder whose name appears first in the register in respect of such shares need to sign this form of proxy.

Forms of proxy must be deposited at, posted, faxed or emailed to:

The Company Secretary
Rockcastle Global Real Estate Company Limited
Level 3, Alexander House
35 Cybercity, Ebene 72201,
Mauritius

Tel: (230) 403 0800
Fax: (230) 403 0801

Email: rgrecl@intercontinentaltrust.com to be received by
no later than 10h00 Mauritian time
(08h00 South African time) on Thursday,
29 October 2015.

# **FACT** SHEET

| | |
|---|---|
| **COMPANY NAME** | Rockcastle Global Real Estate Company Limited<br>(Registration number 2002/016851/06) |
| **REGISTERED ADDRESS** | Level 3, Alexander House<br>35 Cybercity, Ebene<br>Mauritius |
| **WEBSITE ADDRESS** | www.rockcastleglobalre.mu |
| **YEAR-END** | 30 June 2015 |
| **CHAIRMAN OF THE BOARD** | Mark Olivier |
| **BOARD OF DIRECTORS** | Mark Olivier (chairman); Spiro Noussis; Rory Kirk; Yan Ng;<br>Nick Matulovich; Paul Pretorius; Andre Van der Veer; Andries de Lange; |

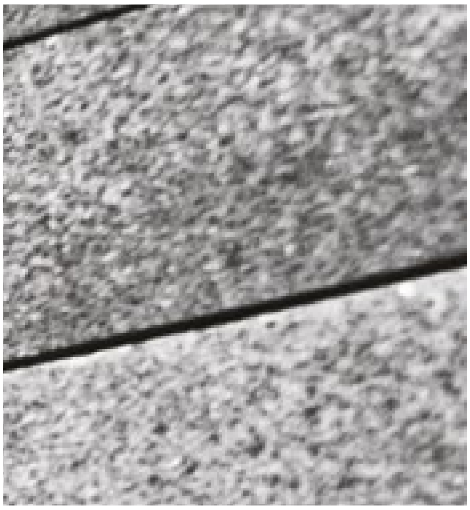
| | |
|---|---|
| Independent non-executive | 4 |
| Non-independent non-executive | 1 |
| Executive | 3 |
| | 8 |

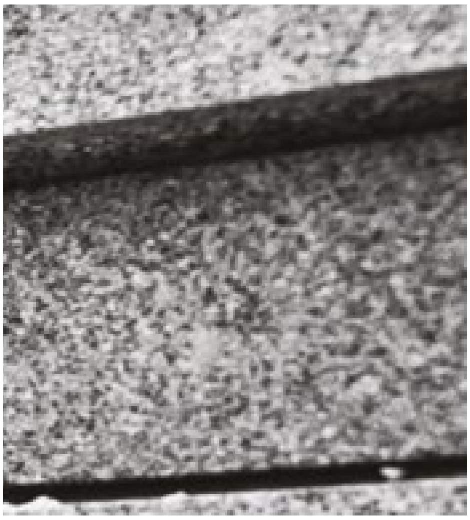
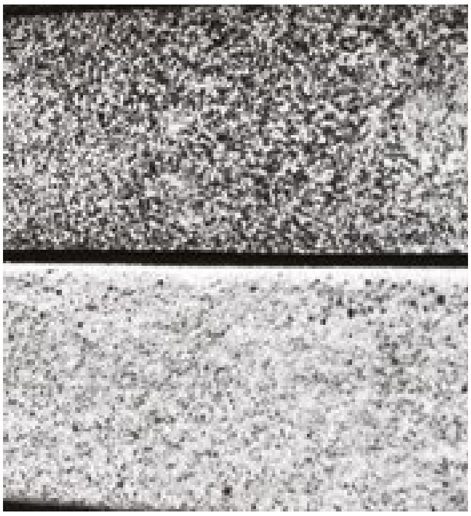
| | | |
|---|---|---|
| **CHIEF EXECUTIVE OFFICER** | Spiro Noussis | |
| **COMPANY SECRETARY** | Intercontinental Trust Limited | |
| **CORPORATE ADVISORS** | Java Capital | |
| **EXTERNAL AUDITORS** | BDO & Co | |
| **DATE OF LISTING SEM** | 5 June 2012 | |
| **DATE OF LISTING JSE** | 26 July 2012 | |
| **SHARES IN ISSUE** | 847 862 018 | |
| **GEARING RATIO** | 46% | |
| **INVESTMENT PORTFOLIO** | Listed property securities | USD2 161.7million |
| | Direct property investments | USD66.6 million |

| **SHARE PRICE (USD CENTS PER SHARE)** | | **2015** | **2014** |
|---|---|---|---|
| | High | **296** | 160 |
| | Low | **153** | 126 |
| | Closing | **222** | 159 |
| **DISTRIBUTIONS (USD CENTS)** | | **2015** | **2014** |
| | Interim | **4.28** | 4.07 |
| | Final - proposed | **4.42** | 4.18 |
| | | **8.7** | 8.25 |

| | |
|---|---|
| **VOLUME TRADED** | 187.4 million shares |
| **VALUE TRADED** | USD436.5 million |
| **ANNUAL GENERAL MEETING** | 30 October 2015 |
| | Level 3, Alexander<br>House, 35 Cybercity,<br>Ebene, Mauritius |





# INTEGRATED *report*

2015


**ADDRESS:**
Level 3, Alexander House
35 Cybercity, Ebene
Mauritius



ROCKCASTLE
GLOBAL REAL ESTATE COMPANY LIMITED