

DIRECTORS' COMMENTARY

1 STRUCTURE AND LISTING

Rockcastle is a Category One Global Business Licence Company registered in Mauritius. The Company has primary listings on both the Stock Exchange of Mauritius Ltd ("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 period, Rockcastle successfully raised USD98 million through the issue of 41.3 million shares by way of a book build which was substantially oversubscribed. In addition, Rockcastle shareholders were provided with the option of electing to receive shares in lieu of cash for the 2015 financial year final dividend. Over 90% opted to take the scrip dividend resulting in the issue of 17.3 million new shares.

2 DISTRIBUTABLE EARNINGS

The Board has declared a dividend of 4.6310 USD cents per share for the six months ended 31 December 2015. This represents an increase of 8.2% over the comparable prior period and is within the guidance of between 8% and 10%.

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 2.167 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

World markets have been driven by the divergent growth prospects and economic fundamentals between the developed and emerging economies. This has resulted in increased volatility in global markets. Lower commodity prices and deteriorating structural and fiscal deficits in emerging markets threatened global economic growth while optimism for a US-led recovery over the medium-term looks to be more muted based on recent financial indicators.

Concerns over economic growth in various markets, particularly in China, are driving investor sentiment and perceptions. Despite these deteriorating sentiments, continued quantitative easing programmes by central banks are providing support and investment appetite for real estate assets.

Rockcastle's net asset value per share increased from USD1.46 to USD1.56 for the 6-month period ended 31 December 2015. The Company continues to focus on growing its net asset value and its dividend-paying capacity for the 2016 financial year.

As a result of the strategy to increase direct property investments and developments, these have increased from approximately 5% to 17% of total assets during the six-month period. Approximately EUR350 million was invested in retail property in Poland. The increase in exposure to direct property provides the Company with the flexibility to concentrate its listed security portfolio on a core number of property stocks that meet Rockcastle's distribution growth, market capitalisation and liquidity requirements.

Listed security portfolio

The listed security portfolio is focused on liquid counters offering growth, with an emphasis on developed markets. Management's strategy to concentrate the portfolio on counters invested in markets benefiting from monetary and fiscal stimulus and limited currency and commodity price risk has protected Rockcastle from the decline in both share prices and currencies in these countries experienced in the last quarter of 2015 and the start of 2016. As such, the listed security portfolio continues to have significantly more exposure to the developed markets of the US and UK.

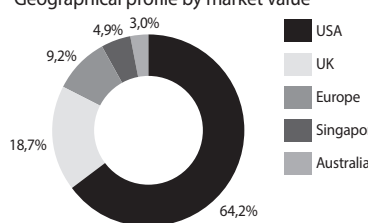
All listed investments in Canada and Hong Kong have now been sold and Rockcastle's Singaporean exposure has been significantly reduced. The proceeds from these disposals were redeployed into direct assets in Poland. The threat of a possible, although unlikely, UK exit from the European Union and recent lacklustre UK retail sales figures have had a negative impact on share prices of all UK REITs. Rockcastle's investment in Hammerson has not been immune to this volatility although the board retains the view that Hammerson's focus on regionally dominant shopping centres, evidenced by their new acquisitions in Ireland and the UK, places Hammerson in a strong position to continue growing distributions.

The Company increased its holding in Simon and Prologis during the period. Rockcastle's decision to invest in Prologis has been validated by the strong results and future earnings growth.

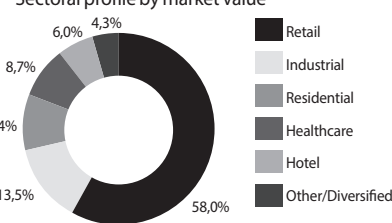
Rockcastle's management continues to engage with the management teams of these core stocks and conduct physical property inspections.

Listed security portfolio composition

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 31 December 2015:

Company	Sector	Jurisdiction	Market value as at Dec 2015 (USD Million)
Simon Property	Retail	USA	359.7
Hammerson	Retail	UK	349.1
Prologis Inc	Industrial	USA	214.6
Avalonbay Communities Inc	Residential	USA	176.8
Unibail Rodamco	Retail	Europe	172.6
Ventas Inc	Healthcare	USA	149.5
Host Hotels & Resorts Inc	Hotel	USA	112.9
KIMCO	Retail	USA	84.7
Digital Realty	Other/Diversified	USA	81.3
Westfield Group	Retail	Australia	56.2

Direct property

POLAND

During December 2015 the three previously announced transactions namely Karolinka, Platan and Pogoria shopping centres were successfully concluded and the properties transferred to Rockcastle. The combined purchase price of these assets was approximately EUR270 million and represents a substantial deployment of capital to our direct property portfolio. Rockcastle now owns four shopping centres with two retail developments under construction scheduled to be completed in Q4 2016.

The acquisition of these existing assets in Poland has facilitated the establishment of a strong operational team based in Rockcastle's Warsaw office. This team and the value-added development opportunities available to the Company in the existing portfolio, places Rockcastle in a strong position in a competitive market. Major benefits of acquiring existing assets from passive, non-strategic investors are the asset management efficiencies to be extracted and the meaningful leasing enhancements evident in the medium and long-term.

Rockcastle continues to make progress on various potential transactions in Poland as well as the Czech Republic and Hungary which will enable us to leverage off our Central and Eastern European operational platform. The Group's focus is on established assets as well as increasing the development pipeline to position the business advantageously in the future. These further initiatives will result in substantial additional capital being invested in the region.

Recent Acquisition

Platan Shopping Centre
 During the quarter, Rockcastle concluded an agreement to acquire Platan Shopping Centre ("Platan") located in the city of Zabrze for EUR51.84 million at an initial yield of 6.9%.

Zabrze is a city in Southern Poland with a population of approximately 178,000 residents and is part of the Katowice Agglomeration which is the largest urban area in Poland. The shopping centre has a Gross Lettable Area ("GLA") of 25,336 m², is anchored by a 14,091 m² Auchan hypermarket with a remaining lease term of 12 years, and consists of 78 other retail units. The centre benefits from a free and extensive surface car parking area for its customers.

The tenant mix in Platan provides a balanced offering of Fashion & Footwear, Health & Beauty and a Hypermarket, complemented by supporting services and a food court. The centre houses numerous international and national brands such as Auchan, C&A, CCC, Cropp, Deichmann, Diverse, GoSport, House, KFC, Orsay, Reserved, Rossmann, RTV Euro AGD, Sephora and Sinsay. The weighted-average unexpired lease term is 4.9 years. It is Rockcastle's intention to expand the existing centre to meet current and future tenant demand. In this regard, Rockcastle concluded an agreement to acquire the retail park adjoining Platan Shopping Centre in December 2015. The retail park has a GLA of 3,277 m² and is situated on 11,026 m² of land. Its current tenants include Decathlon, Pepco and Superpharm. This acquisition increases the potential expansion options for Platan itself. Completion of the transaction is expected before April 2016 and is only subject to the relevant VAT approvals for transactions of this nature from the Polish tax authorities.

Developments

Galeria Wolomin
 The development, located in the City of Wolomin 30km outside Warsaw, is currently under construction and is scheduled to be completed in October 2016. All anchor tenants and requisite fashion brands have been signed and the leasing is progressing well. The 23,500m² shopping centre will be anchored by a 5,691m² Carrefour hypermarket and tenants include CCC, Cropp, H&M, KFC, Mertes Sport and Reserved. The completed development cost will be EUR46.6 million at a budgeted initial yield of 7.6%. The centre was re-designed after acquisition to accommodate the construction of a cinema and extend the food court to cater for tenant demand. The site includes a further 6,500m² of gross lettable retail bulk which can be used to expand the centre in future.

Galeria Tomaszow

The Group's 85% owned 17,000m² retail project being developed in the city of Tomaszow Mazowiecki 120km south west of Warsaw is under construction and scheduled to open in October 2016. The mall will be anchored by French grocer Intermarche and tenants include CCC, Cropp, Deichmann, H&M, House, Pepco, Reserved, Rossmann, RTV EURO AGD and Sinsay. Due to tenant interest, the original size of the centre has been increased to accommodate a cinema operator. The completed development cost is expected to be EUR29 million representing a projected initial yield of 9.3%.

Solaris Shopping Centre

In October 2015, a public-private partnership agreement was successfully concluded with the City of Opole securing the adjoining site to Solaris Shopping Centre to enable the extension of the centre by approximately 8,000m² GLA and the construction of an underground basement parking. The architectural design and permitting process is underway and tenant interest is very strong given the superior location and the continuing improvement in footfall and trading densities of the centre which are above market average for Poland.

Existing shopping centres

Karolinka, Platan, Pogoria and Solaris shopping centres were all acquired and transferred during the 2015 calendar year. These four centres have extension and refurbishment potential which is being formally evaluated.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31 Dec 2015 USD'000	Audited as at 30 Jun 2015 USD'000	Audited as at 31 Dec 2014 USD'000
ASSETS			
Non-current assets	2 287 705	2 295 139	1 856 433
Investment property	355 743	58 708	3 231
Straight-lining of rental revenue adjustment	625	415	-
Investment property under development	26 653	7 436	7 324
Listed security investments	1 870 971	2 161 724	1 808 623
Investment in and loans to joint ventures	-	41 727	12 093
Rockcastle management incentive loans	33 713	25 129	25 162
Current assets	95 209	31 366	15 760
Investment income receivable	-	7 589	-
Cash and cash equivalents	6 110	3 035	463
Trade and other receivables	77 342	15 410	93
Loans to development partners	11 757	5 332	15 204
Total assets	2 382 914	2 326 505	1 872 193
EQUITY AND LIABILITIES			
Total equity attributable to equity holders	1 419 775	1 241 128	1 155 762
Stated capital	1 312 080	1 180 670	985 104
Retained income	251 232	183 601	248 665
Non-distributable reserves	(147 414)	(123 947)	(78 007)
Currency translation reserve	3 877	804	-
Total liabilities	963 139	1 085 377	716 431
Non-current liabilities	37 853	16 614	130 778
Interest-bearing borrowings	37 853	16 614	130 778
Current liabilities	925 286	1 068 763	585 653
Trade and other payables	5 914	4 966	14 568
Interest-bearing borrowings	919 093	1 063 777	570 822
Income tax payable	279	20	263
Total equity and liabilities	2 382 914	2 326 505	1 872 193
Total number of shares in issue	912 540 104	847 862 018	769 700 000
Net asset value per share (USD)	1.56	1.46	1.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited for the six months ended 31 Dec 2015 USD'000	Audited for the six months ended 31 Dec 2014 USD'000	Unaudited for the three months ended 31 Dec 2015 USD'000	Audited for the three months ended 31 Dec 2014 USD'000
Net rental and related revenue	4 619	16	3 250	16
Recoveries and contractual rental revenue	5 404	22	3 517	22
Straight-lining of rental revenue adjustment	625	-	539	-
Rental revenue	6 029	22	4 056	22
Property operating expenses	(1 410)	(6)	(806)	(6)
Dividends received from listed security investments	32 730	30 815	18 818	20 943
Income/(loss) from joint ventures	609	1 563	(205)	1 492
Fair value gain on investment property and listed security investments	63 076	125 229	56 458	163 707
Adjustment resulting from straight-lining of rental revenue	(625)	-	(539)	-
Fair value gain on listed security investments	63 701	125 229	56 997	163 707
Foreign exchange gain/(loss)	1 225	(44 164)	(5 987)	(25 900)
Operating expenses	(1 305)	(868)	(653)	(525)
Profit before net finance costs	100 954	112 591	71 681	159 733
Net finance costs	(18 644)	(24 210)	(3 360)	(14 003)
Finance income	1 402	1 210	814	671
Interest received	1 402	1 210	814	671
Finance costs	(20 046)	(25 420)	(4 174)	(14 674)
Interest on borrowings	(10 294)	(9 934)	(7 424)	(4 218)
Capitalised interest	524	-	524	-
Fair value adjustment on interest rate derivatives	(10 276)	(6 648)	2 726	(4 756)
Fair value adjustment on bond shorts	-	(8 838)	-	(5 700)
Profit before income tax expense	82 310	88 381	68 321	145 730
Income tax expense	(279)	(263)	(104)	(146)
Profit for the period attributable to equity holders of the company	82 031	88 118	68 217	145 584
OTHER COMPREHENSIVE INCOME NET OF TAX				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	3 073	-	3 734	-
Total comprehensive income for the period attributable to equity holders of the company	85 104	88 118	71 951	145 584
Weighted average number of shares in issue	866 949 489	736 902 174	912 540 104	768 304 348
Basic earnings per share from continuing operations (USD cents)	9.46	11.96	7.48	18.95
Headline earnings per share from continuing operations (USD cents)	9.54	11.96	7.55	18.95
Rockcastle has no dilutionary instruments in issue.				

RECONCILIATION OF PROFIT FOR THE YEAR TO HEADLINE EARNINGS

	Unaudited for the six months ended 31 Dec 2015 USD'000	Audited for the six months ended 31 Dec 2014 USD'000
Basic earnings - profit for the year attributable to equity holders	82 031	88 118
Adjusted for:		
- fair value adjustment on sale of interest in joint ventures	706	-
Headline earnings	82 737	88 118
Headline earnings per share (USD cents)	9.54	11.96

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital USD'000	Retained income USD'000	Non-distributable reserves USD'000	Currency translation reserve USD'000	Total USD'000
Audited for the six months ended 31 December 2014					
Opening balance	871 154	131 714	(19 684)	-	983 184
Issue of shares	113 950	-	-	-	113 950
Dividends declared	-	(29 490)	-	-	(29 490)
Total comprehensive income for the period	-	88 118	-	-	88 118
Transfer to non-distributable reserves	-	58 323	(58 323)	-	-
Balance at 31 December 2014	985 104	248 665	(78 007)	-	1 155 762
Audited for the six months ended 30 June 2015					
Opening balance	985 104	248 665	(78 007)	-	1 155 762
Issue of shares	163 292	-	-	-	163 292
Dividends declared	-	(33 018)	-	-	(744)
Total comprehensive loss for the period	-	(77 986)	-	-	(77 986)
Transfer to non-distributable reserves	-	45 940	(45 940)	-	-
Exchange differences on translation of foreign operations	-	-	-	804	804
Balance at 30 June 2015	1 180 670	183 601	(123 947)	804	1 241 128
Unaudited for the six months ended 31 December 2015					
Opening balance	1 180 670	183 601	(123 947)	804	1 241 128
Total comprehensive income for the period	-	82 031	-	-	82 031
Shares issued and cum distribution portion on issue during the period	94 783	3 378	-	-	98 161
Dividends declared	36 627	(39 588)	-	-	(2 961)
Transfer to non-distributable reserves	-	23 467	(23 467)	-	-
Reclassification of exchange differences on sale of investments in joint ventures	-	(1 657)	-	-	(1 657)
Exchange differences on translation of foreign operations	-	-	-	3 073	3 073
Balance at 31 December 2015	1 312 080	251 232	(147 414)	3 877	1 419 775

RECONCILIATION OF PROFIT FOR THE PERIOD TO DISTRIBUTABLE EARNINGS

	Unaudited for the six months ended 31 Dec 2015 USD'000	Audited for the six months ended 31 Dec 2014 USD'000
Profit for the period attributable to equity holders	82 031	88 118
Income tax expense	-	263
Tax on accrued dividends	-	(328)
Foreign exchange (gain)/loss	(1 225)	44 164
Fair value gain on listed security investments	(63 701)	(125 229)
Fair value loss on bond shorts	-	8 838
Fair value loss on interest rate derivatives	10 276	6 648
Dividends received from listed security investments	(32 730)	(30 815)
Accrued income from listed security investments	45 491	41 234
Adjustment to income from joint ventures	816	(1 388)
Shares issued cum distribution	1 302	1 438
Distributable earnings for the period	42 260	32 943
Less: interim dividend declared	(4 260)	(32 943)
Earnings not distributed	-	-
Number of shares entitled to distribution	912 540 104	769 700 000

Tenant enthusiasm for the takeover of these shopping centres by a specialist retail property fund like Rockcastle has been strong and the Company is actively engaging with all relevant parties in order to enhance returns. These shopping centres have a combined retail GLA of approximately 150 000m² and offer potential expansion opportunities of at least 40 000m² in the future. They have shown a marked improvement in 2015 in annual footfall and turnover numbers in comparison to the Polish average. Active asset management and leasing is underway and the board is confident that Rockcastle will continue to extract market-beating performances from these assets.