

DIRECTORS' COMMENTARY

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 JSE Limited ("JSE"). It invests in direct property in Central and Eastern Europe as well as in listed real estate securities globally.

Shareholders were provided with the option to receive their June 2016 interim dividend in shares rather than cash. Over 77% of shareholders elected to take the scrip dividend resulting in the issue of 14 024 700 new shares.

CHANGE IN FINANCIAL YEAR-END

As announced on SENS and on the website of the SEM on 21 December 2015, Rockcastle has changed its financial year-end from 30 June to 31 December. The reason for the change is to better align the Company with the reporting deadlines of investors and the market in which the Company operates. The change in year-end will not affect Rockcastle's distribution period which will continue to be for the six-months ending 30 June and 31 December. Shareholders are referred to the announcement released on 21 December 2015 for further information.

COMMENTARY

Despite rising bond yields, political uncertainty and mixed economic data Rockcastle managed to record a positive revaluation on its listed investments. As a result, the Company's net asset value increased to USD1.74 per share at 30 September 2016 compared to the USD1.70 per share at 30 June 2016 and following the interim dividend of 4,782 USD cents per share paid during the quarter.

Low long term interest rates have provided a strong tailwind to the performance of the real estate sector over the last few years, however, the reversal of this trend could affect returns in future as central banks prepare to gradually reduce monetary stimulus.

In the UK and Europe, the limited economic impact of the Brexit vote, thus far, resulted in these markets recovering off their Brexit lows. Uncertainty and volatility remain which is negatively affecting business confidence and delaying investment decisions. Anxiety over the results of the US presidential election have weighed on global equity and currency markets and heightened perceptions of political risk worldwide. Following the interim period end, the portfolio was defensively positioned.

The Company's strategy of selling listed investments and re-investing the proceeds in direct properties and developments resulted in direct property comprising 35% of total investment assets at 30 September 2016. This percentage is expected to increase to between 40% and 45% with the acquisition of the Focus Park shopping centres and Galeria Warminska which are scheduled to close in the next 3 months. Management's target of 50% direct property assets is now expected to be reached during the 2017 financial year.

Listed security portfolio

Management continues to focus the portfolio on core companies with strong long-term growth prospects. This strategy together with the bias towards developed markets (US, UK and Europe) will continue to provide protection from market volatility.

There were no major changes in either the individual counters or the geographic spread in the portfolio. The focus remains on large, liquid companies that dominate their markets and consistently outperform their competitors. Taking advantage of the sharp correction in prices and the devaluation of the British pound following the unexpected result of the UK Referendum, the Company increased its exposure to Hammerson and invested in British Land and Land Securities.

DIRECT PROPERTY

Central and Eastern Europe

The Company concluded its acquisition of Bonarka City Centre in Krakow increasing its total investment in retail properties in the region to USD962.5 million. In October 2016, Rockcastle opened its first two greenfield developments in Poland. Galeria Tomaszow and Galeria Wolomin, within budget and on schedule. The two shopping centres are over 97% let and represent an increase of 44 000m² GLA in the retail portfolio in Poland. The two Focus Park shopping centres acquired for EUR161 million will add a further 62 000m² of GLA to this portfolio. A preliminary agreement was signed to acquire Galeria Warminska in Olaszyn, Poland. This shopping centre is the leading retail destination in the region offering 150 stores with a GLA of 42 711m². The transaction is expected to be finalised in the first quarter of 2017 and the purchase price of EUR150 million will be settled from existing cash resources.

Several potential acquisitions are under negotiation and evaluation by management.

OUTLOOK

The Board expects growth in dividends per share for the six month period to 31 December 2016 to be within its guidance of 11% to 13% compared to the same period in 2015. This guidance is based on the assumptions that a stable macroeconomic environment prevails, no major corporate failures occur and planned acquisitions remain on schedule.

Furthermore, the Board projects that 21% growth in distributable earnings per share for 2017 is achievable based on the following assumptions: a) no further equity is raised and an LTV level of approximately 42% is reached in completing currently committed and signed acquisitions based on the composition and valuation of the listed security portfolio in place as of 11 November 2016; b) any potential corporate-level transaction is ignored; and c) a stable macroeconomic environment prevails and no major corporate failures occur.

These forecasts have not been audited or reviewed by Rockcastle's auditors and are the responsibility of the Board.

CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the joint cautionary announcement issued by Rockcastle and New Europe Property Investments PLC ("Nepi"), a property investment company incorporated and registered in the Isle of Man and listed on the JSE and Bucharest Stock Exchange ("BVB"), on 20 October 2016 whereby shareholders were advised that the companies have entered into negotiations to explore a potential transaction between them. The discussions have progressed to a co-operative evaluation of a merger entailing an all-share transaction, with each party's relative value to be expressed in a share-swap ratio, subject to all required shareholder and regulatory approvals. Various legal, regulatory and tax aspects are being analysed in several jurisdictions.

A transaction between Rockcastle and Nepi would result in a substantially enlarged market capitalisation, with all shareholders expected to benefit from enhanced liquidity. A transaction will also see the integration of two complimentary management teams, positioned to unlock synergies and create further value for Rockcastle shareholders.

Rockcastle shareholders will be kept updated on progress towards finalisation of the details of a transaction. Pending further announcements Rockcastle shareholders are advised to exercise caution when dealing in their shares.

By order of the Board

Intercontinental Trust Limited

Company Secretary

Mauritius

14 November 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Unaudited as at 30 Sep 2016 USD'000 | Unaudited as at 30 Jun 2015 USD'000 | Audited as at 30 Jun 2015 USD'000 |
|--|---|---|---|
| ASSETS | | | |
| Non-current assets | 2 860 662 | 2 046 117 | 2 295 139 |
| Investment property | 895 104 | 59 730 | 58 708 |
| Straight-lining of rental revenue adjustment | 80 | 86 | 415 |
| Investment property under development | 70 846 | 26 018 | 7 436 |
| Intangible asset | 2 518 | - | - |
| Listed security investments | 1 832 949 | 1 880 756 | 2 161 724 |
| Property, plant and equipment | 329 | - | - |
| Investment in and loans to joint ventures | 31 635 | 41 688 | 41 727 |
| Rockcastle management incentive loans | 27 201 | 37 839 | 25 129 |
| Current assets | 37 535 | 50 540 | 31 366 |
| Investment income receivable | - | - | 7 589 |
| Cash and cash equivalents | 21 949 | 36 386 | 3 035 |
| Trade and other receivables | 15 586 | 2 674 | 15 410 |
| Loans to development partners | - | 11 480 | 5 332 |
| Total assets | 2 898 197 | 2 096 657 | 2 326 505 |
| EQUITY AND LIABILITIES | | | |
| Total equity attributable to equity holders | 1 646 070 | 1 350 747 | 1 241 128 |
| Stated capital | 1 384 042 | 1 313 346 | 1 180 670 |
| Retained income | 451 209 | 177 729 | 183 601 |
| Non-distributable reserves | (194 895) | (140 471) | (123 947) |
| Currency translation reserve | 5 714 | 143 | 804 |
| Minority interest | (249) | - | - |
| Total equity | 1 645 821 | 1 350 747 | 1 241 128 |
| Total liabilities | 1 252 376 | 745 910 | 1 085 377 |
| Non-current liabilities | 451 503 | 16 618 | 16 614 |
| Interest-bearing borrowings | 451 503 | 16 618 | 16 614 |
| Current liabilities | 800 873 | 729 292 | 1 068 763 |
| Trade and other payables | 49 238 | 6 496 | 4 966 |
| Interest-bearing borrowings | 751 141 | 722 601 | 1 063 777 |
| Income tax payable | 494 | 195 | 20 |
| Total equity and liabilities | 2 898 197 | 2 096 657 | 2 326 505 |
| Total number of shares in issue | 945 502 019 | 912 540 104 | 847 862 018 |
| Net asset value per share (USD) | 1.74 | 1.48 | 1.46 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited for the fifteen months ended 30 Sep 2016 USD'000 | Audited for the twelve months ended 30 Jun 2015 USD'000 | Unaudited for the three months ended 30 Sep 2016 USD'000 | Unaudited for the three months ended 30 Sep 2015 USD'000 |
|---|--|---|--|--|
| Net rental and related revenue | 24 614 | 1 992 | 8 022 | 1 369 |
| Recoveries and contractual rental revenue | 31 996 | 2 240 | 10 393 | 1 887 |
| Straight-lining of rental revenue adjustment | 80 | 415 | 41 | 86 |
| Rental revenue | 32 076 | 2 655 | 10 434 | 1 973 |
| Property operating expenses | (7 462) | (663) | (2 412) | (604) |
| Dividends received from listed security investments and related income | 90 279 | 77 931 | 10 030 | 13 912 |
| Income from joint ventures | 2 145 | 5 892 | 781 | 814 |
| Fair value gain on investment property and listed security investments | 244 032 | 20 727 | 55 397 | 6 618 |
| Adjustment resulting from straight lining of rental revenue | (80) | (415) | (41) | (86) |
| Fair value gain on investment property | 27 386 | - | 22 564 | - |
| Fair value gain on listed security investments | 216 726 | 21 142 | 32 874 | 6 704 |
| Foreign exchange gain/(loss) | 19 806 | (77 935) | 6 837 | 7 212 |
| Operating expenses | (4 248) | (2 994) | (1 536) | (652) |
| Profit before net finance costs | 376 628 | 25 613 | 79 531 | 29 273 |
| Net finance costs | (55 654) | (15 461) | (4 063) | (15 284) |
| Finance income | 2 878 | 2 363 | 454 | 588 |
| Interest received | 2 878 | 2 363 | 454 | 588 |
| Finance costs | (58 532) | (17 824) | (4 517) | (15 872) |
| Interest on borrowings | (23 913) | (11 913) | (4 193) | (2 870) |
| Capitalised interest | 1 955 | 179 | 482 | - |
| Unrealised fair value (loss)/gain on interest rate derivatives | (36 574) | 5 331 | (806) | (13 002) |
| Unrealised fair value loss on bond shorts | - | (11 421) | - | - |
| Profit before income tax expense | 320 974 | 10 152 | 75 468 | 13 989 |
| Income tax expense | (499) | (20) | (123) | (175) |
| Profit for the period attributable to equity holders of the company | 320 475 | 10 132 | 75 345 | 13 814 |
| OTHER COMPREHENSIVE INCOME NET OF TAX | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translation of foreign operations | 4 910 | 804 | 3 238 | (661) |
| Total comprehensive income for the period | 325 385 | 10 936 | 78 583 | 13 153 |
| Profit for the period attributable to: | | | | |
| Equity holders of the company | 321 019 | 10 132 | 75 710 | 13 814 |
| Minority interest | (544) | - | (365) | - |
| Total comprehensive income for the period attributable to: | 320 475 | 10 132 | 75 345 | 13 814 |
| Equity holders of the company | 326 065 | 10 936 | 78 962 | 13 153 |
| Minority interest | (680) | - | (379) | - |
| Total comprehensive income for the period attributable to: | 325 385 | 10 936 | 78 583 | 13 153 |
| Weighted average number of shares in issue | 910 589 477 | 772 800 853 | 933 590 897 | 850 647 067 |
| Basic earnings per share* from continuing operations (USD cents) | 35.25 | 1.31 | 8.11 | 1.62 |
| Headline earnings per share* from continuing operations (USD cents) | 32.32 | 0.69 | 5.69 | 1.62 |

*Rockcastle has no dilutionary instruments in issue.

RECONCILIATION OF PROFIT FOR THE PERIOD TO HEADLINE EARNINGS

| | Unaudited for the fifteen months ended 30 Sep 2016 USD'000 | Audited for the twelve months ended 30 Jun 2015 USD'000 | Unaudited for the three months ended 30 Sep 2016 USD'000 | Unaudited for the three months ended 30 Sep 2015 USD'000 |
|--|--|---|--|--|
| Basic earnings – profit for the period attributable to equity holders | 321 019 | 10 132 | 75 710 | 13 814 |
| Adjusted for: | | | | |
| - fair value gain on investment property | (27 386) | - | (22 564) | - |
| - fair value loss/(gain) on investment property of joint ventures | 706 | (4 814) | - | - |
| Headline earnings | 294 339 | 5 318 | 53 146 | 13 814 |
| Headline earnings per share (USD cents) | 32.32 | 0.69 | 5.69 | 1.62 |

Rockcastle has no dilutionary instruments in issue.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Stated capital USD'000 | Retained income USD'000 | Minority interest USD'000 | Non-distributable reserves USD'000 | Currency translation reserve USD'000 | Total USD'000 |
|---|---------------------------|----------------------------|------------------------------|---------------------------------------|---|------------------|
| Audited for the twelve months ended 30 June 2015 | | | | | | |
| Opening balance | 871 154 | 131 714 | - | (19 684) | - | 983 184 |
| Issue of shares | 277 242 | - | - | - | - | 277 242 |
| Dividends declared | 32 274 | (62 508) | - | - | - | (30 234) |
| Exchange differences on translation of foreign operations | - | - | - | - | 804 | 804 |
| Profit for the period | - | 10 132 | - | - | - | 10 132 |
| 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 |
| Unaudited for the three months ended 30 September 2015 | | | | | | |
| Opening balance | 1 180 670 | 183 601 | - | (123 947) | 804 | 1 241 128 |
| Issue of shares | 96 049 | 3 378 | - | - | - | 99 427 |
| Dividends declared | 36 627 | (39 588) | - | - | - | (2 961) |
| Exchange differences on translation of foreign operations | - | - | - | - | (661) | (661) |
| Profit for the period | - | 13 814 | - | - | - | 13 814 |
| Transfer to non-distributable reserves | - | 16 524 | - | (16 524) | - | - |
| Balance at 30 September 2015 | 1 313 346 | 177 729 | - | (140 471) | 143 | 1 350 747 |
| Unaudited for the twelve months ended 30 September 2016 | | | | | | |
| Opening balance | 1 313 346 | 177 729 | - | (140 471) | 143 | 1 350 747 |
| Shares issued and cum distribution portion on issue during the period | 31 389 | (44 350) | - | - | - | (12 961) |
| Dividends declared | 39 307 | (42 142) | - | - | - | (2 835) |
| Reclassification of exchange differences on joint ventures on sale of investments | - | (1 657) | - | - | - | (1 657) |
| Exchange differences on translation of foreign operations | - | - | - | - | 5 571 | 5 571 |
| Profit for the period | - | 307 205 | (544) | - | - | 306 661 |
| Equity contributed by minorities | - | 295 | - | - | - | 295 |
| Transfer to non-distributable reserves | - | 54 424 | - | (54 424) | - | - |
| Balance at 30 September 2016 | 1 384 042 | 451 209 | (249) | (194 895) | 5 714 | 1 645 821 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited for the fifteen months ended 30 Sep 2016 USD'000 | Audited for the twelve months ended 30 Jun 2015 USD'000 |
|---|--|---|
| Cash inflow from operating activities | 138 349 | 53 759 |
| Cash outflow from investing activities | (323 719) | (751 235) |
| Cash inflow from financing activities | 204 284 | 700 025 |
| Increase in cash and cash equivalents | 18 914 | 2 549 |
| Cash and cash equivalents at beginning of period | 3 035 | 486 |
| Cash and cash equivalents at end of period | 21 949 | 3 035 |
| Current accounts | 21 949 | 3 035 |

NOTES

1 PREPARATION, ACCOUNTING POLICIES AND AUDIT OPINION

The Group is required to publish financial results for the three months and fifteen months ended 30 September 2016 in terms of the Listing Rule 12.19 of the SEM. Accordingly, this announcement presents the financial results of the Group in respect of the period from 1 July 2016 to 30 September 2016, the period from 1 July 2015 to 30 September 2015, as well as the comparative results from the prior period.

The accounting policies which have been applied are consistent with those used in the preparation of the audited financial statements for the year ended 30 June 2015. Non-distributable reserves arise from any accumulated losses pertaining to changes in the fair value of the assets and liabilities in the Group on a US Dollar basis. The Group does not consider such reserves to be distributable.

The summarised unaudited consolidated financial statements ("financial statements") for the three months and the fifteen months ended 30 September 2016 have been prepared in accordance with the measurement and recognition requirements of IFRS, the requirements of IAS 34: Interim Financial Reporting, the JSE Listings Requirements, the SEM Listing Rules and the Securities Act of Mauritius 2005.

These financial statements have not been reviewed or reported on by the Group's external auditor. These financial statements were approved by the Board on 11 November 2016.

Copies of the financial statements and the statement of direct and indirect interests of each officer of the Group, pursuant to rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules of Mauritius 2007, are available free of charge, upon request at Rockcastle's registered address. Contact person: Mrs Smitha Algoo.

This communiqué is issued pursuant to SEM Listing Rule 12.20 and section 88 of the Securities Act of Mauritius 2005. The Board accepts full responsibility for the accuracy of the information contained in these financial statements. The directors are not aware of any matters or circumstances arising subsequent to the period ended 30 September 2016 that require any additional disclosure or adjustment to the financial statements.

2 SEGMENTAL ANALYSIS

| | Unaudited for the fifteen months ended 30 Sep 2016 USD'000 | Audited for the twelve months ended 30 Jun 2015 USD'000 | Unaudited for the three months ended 30 Sep 2016 USD'000 | Unaudited for the three months ended 30 Sep 2015 USD'000 |
|---|--|---|--|--|
| Profit before income tax expense | | | | |
| Australia | 9 050 | 28 843 | (1 564) | 6 923 |
| Canada | (3 263) | 1 940 | - | (3 404) |
| Europe (includes direct property related items) | 64 554 | 20 976 | 40 083 | 5 646 |
| Hong Kong | (3 793) | 10 221 | - | (3 887) |
| Singapore | (8 528) | 27 339 | 735 | (17 215) |
| UK | (2 | | | |