SYNERGY
INCOME FUND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2007/032604/06)
JSE share code: SGA ISIN ZAE000161550
JSE share code: SGB ISIN ZAE000162293
(Approved as a REIT by the JSE)
("Synergy" or "the Company" or "the Fund")
Managed by
Capital Land Asset Management Proprietary Limited
www.synergyincomefund.com

SUMMARISED CONDENSED AUDITED FINANCIAL RESULTS

for the nine months ended 31 March 2015

Highlights*

*The financial information presented represents a period of nine months ended 31 March 2015. Refer to financial results and commentary below for further information. Accordingly, percentages and movements between periods are not disclosed in this announcement.

- Property revenue for the nine months ended 31 March 2015 of R241 million
- Distributions to A linked unitholders of 67.66 cents per unit
- Distributions to B linked unitholders of 41.65 cents per unit
- NAV per combined linked unit of R9.20 at 31 March 2015
- Investment property valued at R2.422 billion
- Market capitalisation of R1.371 billion

Commentary

1. Profile

Synergy is a specialised retail property fund with a specific focus on medium-sized community and small regional shopping centres, located in high-growth rural and township nodes. Synergy was listed on the Johannesburg Stock Exchange ("JSE") on 14 December 2011 with an initial portfolio of three small shopping centres valued at approximately R280 million.

Since listing, Synergy has grown its property portfolio to 15 shopping centres valued at approximately R2.4 billion. Key shopping centres in the Synergy portfolio include Gugulethu Square Shopping Centre in Gugulethu, Western Cape (25 322 m^2), King Senzangakhona Shopping Centre in Ulundi, KwaZulu-Natal (22 325 m^2), Atlantis City Shopping Centre in Atlantis, Western Cape (22 114 m^2), Setsing Crescent Shopping Centre in Phuthaditjhaba, Free State (21 538 m^2), and Highland Mews Shopping Centre in Emalahleni, Mpumalanga (17 032 m^2).

Synergy has separately listed A and B linked units, each offering investors a different risk and reward profile. The A linked units have a preferential entitlement to distributions that escalate at 5% annually until 31 March 2018, and thereafter at the lower of 5% or CPI. The remaining distributable income, after payment of distributions to A linked unitholders, accrues to B linked unitholders. At 31 March 2015 there were 47.4 million A linked units and 106.4 million B linked units in issue.

2. Financial Results

Despite a continually challenging operating and economic environment the Fund has posted property revenue for the nine months ended to 31 March 2015 of R241 million, and distributable income of R76 million. Results are presented for the nine month period from 1 July 2014 to 31 March 2015 following a change of year end to align with that of its holding company, Vukile Property Fund Limited (JSE: VKE)("Vukile") who acquired a majority shareholding in Synergy during the year. Vukile will provide asset management services together with outsourced property management services following its acquisition of Capital Land Asset Management Proprietary Limited ("CLAM") on 1 May 2015. Synergy's strategy for these nine months has been inwardly focused on value enhancing redevelopments, and upgrading existing centres in the portfolio.

The board of directors of Synergy ("the Board") is pleased to announce a distribution of 23.21 cents per A linked unit and 13.46 cents per B linked unit, for the three months ended 31 March 2015. Combined with the interim distribution of 44.45 cents per A linked unit and 28.19 cents per B linked unit, the total distribution for the nine month period amounts to 67.66 cents per A linked unit and 41.65 cents per B linked unit.

At 31 March 2015, Synergy's property portfolio ("the portfolio") comprised 15 shopping centres with a total market value of R2.422 billion. The recognition of investment property at fair value at 31 March 2015 resulted in a fair value loss of R34 million in the current financial year. The net asset value ("NAV") per combined linked unit has reduced by 2.5% to R9.20 at 31 March 2015, following revaluation of investment properties. No new linked units were issued during the year under review. The combined market capitalisation at 31 March 2015 increased by 4.4% relative to that at 30 June 2014.

3. Borrowings

At 31 March 2015, Synergy's total borrowings amounted to R971 million (before amortised debt raising costs), with available loan facilities totalling R996 million. The resultant loan to value ratio of the property portfolio at 31 March 2015 was 40.1% (2014 – 37.6%). Synergy's interest rates were fixed and hedged on 48% of total borrowings. The weighted average cost of total funding is 8.22% at 31 March 2015.

4. Property Portfolio

Since Synergy listed on the JSE in December 2011, the value creation and growth in the portfolio has been driven by acquisitions and direct active management to deliver strong performance to investors. The cumulative fair value gain on the portfolio, since listing, amounts to R457 million. The expiry profile of leases as at 31 March 2015 is represented below:

Period	GLA (m^2)	% composition
Current vacancy	11 127	5.6
Expired leases	10 849	5.4
March 2016	30 789	15.4
March 2017	36 299	18.1
March 2018	26 240	13.1
March 2019	34 965	17.5
March 2020	30 601	15.3
March 2021 and beyond	19 126	9.6
Total	199 996	100.0

Synergy's property portfolio is geographically diverse with shopping centres situated in Gauteng, KwaZulu-Natal, North West, Western Cape, Limpopo, Mpumalanga and the Free State, as illustrated below. Most of the Synergy shopping centres are located in township and rural locations targeting the high growth mass consumer market in South Africa. The geographical profile of the portfolio is represented below:

Province	GLA (m^2)	% composition
Western Cape	52 618	26.3
KwaZulu-Natal	48 803	24.4
Gauteng	24 486	12.2
Mpumulanga	23 670	11.8
Free State	21 538	10.8
Limpopo	17 994	9.0
North West	10 887	5.5
Total	199 996	100.0

These 15 properties had an average gross rental of R110 per m^2 for March 2015 and average portfolio escalations were 7.91%. The average annualised property yield on these 15 properties for the 9 months ended 31 March 2015 was 8.1%.

5. Statement of Comprehensive Income

	9 months ended 31 March 2015 R	12 months ended 30 June 2014 R
Revenue		
Property portfolio	241 324 416	303 670 446
Recoveries and contractual rental revenue	241 829 790	303 110 814
Straight-line rental income accrual	(505 374)	559 632
Rental revenue	241 324 416	303 670 446
Property operating costs	(93 693 148)	(115 265 004)
Administration costs	(14 514 711)	(14 300 693)
Net operating profit	133 116 557	174 104 749
Changes in fair value of investment properties	(34 382 818)	195 581 887
Adjustment resulting from straight-lining of rental revenue	505 374	(559 632)
Changes in fair value of derivative instruments	(704 741)	1 730 672
Profit from operations	98 534 372	370 857 676
Other capital items	(167 559)	–
Net finance costs	(57 846 386)	(71 817 556)
Finance income	914 872	939 113
Finance costs	(58 761 258)	(72 756 669)
Profit before debenture interest and taxation	40 520 427	299 040 120
Debenture interest	(76 331 901)	(102 322 030)
(Loss)/profit before taxation	(35 811 474)	196 718 090
Taxation	197 328	(294 339)
(Loss)/ profit for the period/year	(35 614 146)	196 423 751
Other comprehensive income	–	–
Total comprehensive (loss)/income for the period/year	(35 614 146)	196 423 751
	CENTS	CENTS
Basic and diluted (loss)/earnings per share	(23.17)	127.79
Distribution per linked unit:		
A linked units:		
– interim	44.45	42.34
– final	23.21	44.45
Distribution per A linked unit	67.66	86.79
B linked units:		
– interim	28.19	27.54
– final	13.46	30.03
Distribution per B linked unit	41.65	57.57

6. Reconciliation of Earnings to Headline Earnings and to Profit Available for Distribution for the nine months ended 31 March 2015

	9 months ended 31 March 2015 R	9 months ended 31 March 2015 cents	12 months ended 30 June 2014 R	12 months ended 30 June 2014 cents
Total comprehensive (loss)/income for the period	(35 614 146)	(23.17)	196 423 751	127.79
Adjusted for:				
Debenture interest	76 331 901	49.66	102 322 030	66.57
Earnings per combined linked unit	40 717 755	26.49	298 745 781	194.36
Adjusted for:				
Fair value adjustments to investment properties	33 877 444	22.04	(195 022 255)	(126.88)
Headline earnings per combined unit	74 595 199	48.53	103 723 526	67.48
Adjusted for:				
Amortisation of loan raising costs	556 356	0.36	594 469	0.39
Straight line rental income accrual	505 374	0.33	(559 632)	(0.36)
Other capital items	167 559	0.11	–	–
Change in fair value of swaps	704 741	0.46	(1 730 672)	(1.13)
Deferred taxation on change in fair value of swaps	(197 328)	(0.13)	294 339	0.19
Profit available for distribution	76 331 901	49.66	102 322 030	66.57

7. Statement of Financial Position

	2015 R	2014 R
Assets		
Non-current assets	2 422 182 350	2 422 321 660
Investment properties and related receivables	2 421 900 000	2 422 100 000
Investment properties	2 403 772 617	2 403 467 243
Straight-line rental income accrual	18 127 383	18 632 757
Derivative financial instruments	–	136 638
Deferred tax assets	282 350	85 022
Current assets	27 641 263	25 546 233
Trade and other receivables	21 621 520	21 324 146
Cash and cash equivalents	6 019 743	4 222 087
Total assets	2 449 823 613	2 447 867 893
Equity and liabilities		
Shareholders' interest	460 591 205	496 205 351
Stated capital	1 537 049	1 537 049
Accumulated profit	459 054 156	494 668 302
Non-current liabilities	1 922 555 450	1 862 455 261
Debentures	952 971 381	952 971 381
Financial liabilities	968 658 115	909 043 591
Derivative financial instruments	925 954	440 289
Current liabilities	66 676 958	89 207 281
Trade and other payables	41 287 866	36 217 410
Debenture interest payable	25 306 654	52 989 871
Derivative financial instruments	82 438	–
Total equity and liabilities	2 449 823 613	2 447 867 893
Net asset value per linked unit* (Rand)	9,20	9,43
Net asset value per A linked unit*^	11,93	10,99
Net asset value per B linked unit*	7,98	8,73
Fair value per linked unit represented by the market price at 31 March (2014: 30 June) (Rand)		
Fair value of A linked unit	12,10	11,00
Fair value of B linked unit	7,50	7,45

*Net asset value includes total equity attributable to equity holders and linked debentures.

^60-day volume weighted average trading price at 31 March 2015 limited to combined net asset value in accordance with the provisions of the Company's Debenture Trust Deed.

8. Statement of Changes in Equity

	Stated capital R	Accumulated profit R	Total R
Balance at 30 June 2013	1 537 049	298 244 551	299 781 600
Total comprehensive income for the year	–	196 423 751	196 423 751
Balance at 30 June 2014	1 537 049	494 668 302	496 205 351
Total comprehensive loss for the period	–	(35 614 146)	(35 614 146)
Balance at 31 March 2015	1 537 049	459 054 156	460 591 205

9. Statement of Cash Flows

	9 months ended 31 March 2015 R	12 months ended 30 June 2014 R
Cash flows from operating activities		
Cash generated from operations	138 227 454	179 726 634
Finance income	914 872	939 113
Interest and distributions paid	(162 220 020)	(169 866 483)
Net cash (outflow)/inflow from operating activities	(23 077 694)	10 799 264
Cash flows from investing activities		
Additions to investment properties	(34 182 818)	(349 444 113)
Net cash outflow from investing activities	(34 182 818)	(349 444 113)
Cash flows from financing activities		
Financial liabilities raised	59 058 168	337 562 602
Net cash inflow from financing activities	59 058 168	337 562 602
Net cash inflow/(outflow) for the period/year	1 797 656	(1 082 247)
Cash and cash equivalents at the beginning of the period/year	4 222 087	5 304 334
Cash and cash equivalents at the end of the period/year	6 019 743	4 222 087

10. Operational Performance

Synergy continues to operate in a challenging macroeconomic environment with highly indebted consumers operating in a stagnant economy. These challenges, coupled with African Bank Investments Limited's wholly owned subsidiary Ellerine Furnishers Proprietary Limited ("Ellerines") going into business rescue, further exacerbated the poor trading environment of the Fund.

An overall vacancy of 5.6% existed at 31 March 2015, compared to 5.2% at 30 June 2014. This increase is primarily due to the Ellerines business rescue proceedings. The impact of these proceedings on lost rental is approximately R1.3 million to March 2015. 67% of the ex-Ellerines occupied premises have now been re-let, which should result in the vacancy percentage declining within the next few months as replacement tenants take occupation.

Rental reversions of 9.1% have been achieved across the portfolio. Synergy maintained a national tenant ratio of 83% at 31 March 2015 in line with Synergy's target ratio. A tenant retention ratio of 67% on GLA (or 28,153m^2) was achieved in the nine months ended 31 March 2015. The retention ratio was negatively impacted by the Ellerines business rescue proceedings. The weighted average lease expiry profile for the property portfolio at 31 March 2015 was 3.2 years which is in line with the profile of 3.22 years at 30 June 2014.

Synergy upgraded Ruimsig Shopping Centre in Roodepoort, Gauteng and Richdens Village Shopping Centre in Hillcrest KwaZulu-Natal during the nine months ended 31 March 2015 at a cost of R10.6 million and R10.4 million, respectively. On 5 September 2014, Synergy took transfer of a property adjacent to the Ermelo Game Shopping Centre in Ermelo, Mpumalanga ("Ermelo") at a cost of R6 million. These redevelopments and the acquisition of the site adjacent to Ermelo will make the centres more dominant within their respective nodes. Administration costs include a once off cost of R2.6 million attributable to the acquisition of Synergy by Vukile. The impact of this on the distribution to B unitholders to 31 March 2015 is 2 cents per unit.

11. Capital Conversion

Synergy is in the process of converting the Company's current linked unit capital structure to an all share structure ("capital conversion"). The capital conversion circular was posted to linked unitholders on 20 May 2015.

12. Directorate and Company Secretary

At the date of this report the following directors held office:

Non-executive

MJ Kuscus	MJ Potts#
LX Mtumtum*	SJ Segar
LG Rapp#	

Executive

AE Raubenheimer	GS Moseneke^

* Replaced AS Ramsden as Chairman of the Audit and Risk Committee effective 27 August 2014
^ Appointed 4 May 2015
\# Appointed 2 March 2015

The following directors held office during the period under review until their resignation dates shown below.

Non-executive	Date of resignation
AS Ramsden	4 August 2014
MM Mdlolo	2 March 2015
U Meyer	2 March 2015
Executive	**Date of resignation**
W Brooks	1 May 2015

During the period under review, Mr Kuscus stepped down as Chairman of the Board and Mr Rapp assumed the role as non-executive chairman. Mr Kuscus has been appointed as a member of the Audit and Risk Committee. The Board would like to thank Mr Kuscus for his leadership over the years. The Board further wishes to thank Ms Ramsden and Messrs Mdlolo, Meyer and Brooks for their valuable contributions to Synergy. As Mr Rapp is deemed to be non-independent in terms of King III, Mr Mtumtum, currently an independent non-executive director, was appointed as the lead independent non-executive director of Synergy on 2 March 2015.

The Company Secretary, Johann Neethling was appointed on 2 March 2015, following the resignation of CIS Company Secretaries effective 28 February 2015.

13. Prospects

Following the changes to the Board and Vukile's acquisition of CLAM we expect Synergy to return to a more operational and acquisitive focus in the year ahead. The reconstituted Synergy Board is currently evaluating various strategic options for the company, all with a view to reinvigorating the company and setting it on a new growth path. Synergy's A unitholders will continue to receive a five percent growth in distribution, and B unitholders can expect a distribution per unit between 64 and 66 cents per unit for the 12 months to 31 March 2016.

This view is premised on interest rates and the costs of interest rate swaps rising by no more than 40 basis points over the course of the 2016 financial year, and there being no material deterioration in the macroeconomic environment relative to current levels. Forecast rental is based on contractual lease terms and anticipated market related renewals.

The forecast information contained in this paragraph has not been reviewed or audited by Synergy's auditors.

14. Payment of Final Distributions

Notice is hereby given that the Board has declared final distributions of 23.21000 cents per A linked unit and 13.46000 cents per B linked unit for the three months ended 31 March 2015. The issued linked unit capital at the declaration date comprises 47 352 203 A linked units and 106 352 670 B linked units. The distributions meet the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The distributions on the linked units will be deemed to be dividends, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The distributions received by or accrued to South African tax residents must be included in the gross income of such linked unitholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because they are dividends distributed by a Real Estate Investment Trust ("REIT"). These distributions are, however, exempt from dividend withholding tax in the hands of South African tax resident linked unitholders, provided that the South African resident linked unitholders provided the following forms to the Central Securities Depository Participant ("CSDP") or broker, as the case may be, in respect of uncertificated linked units, or the Fund, in respect of certificated linked units:

(a) a declaration that the distribution is exempt from dividends tax; and

(b) a written undertaking to inform the CSDP, broker or the Fund, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Linked unitholders are advised to contact the CSDP, broker or the Fund, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

Distributions received by non-resident linked unitholders will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 distributions received by non residents from a REIT were not subject to dividend withholding tax. Since 1 January 2014, any distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 15%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the linked unit holder. Assuming dividend withholding tax will be withheld at a rate of 15%, the net dividend amount due to non-resident linked unitholders is 19.72850 cents per A linked unit and 11.44100 cents per B linked unit. A reduced dividend withholding rate, in terms of the applicable DTA, may only be relied on if the non-resident linked unit holder has provided the following forms to the CSDP or broker, as the case may be, in respect of uncertificated linked units, or the Fund, in respect of certificated linked units:

(a) a declaration that the distribution is subject to a reduced rate as a result of the application of a DTA; and

(b) a written undertaking to inform the CSDP, broker or the Fund, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident linked unitholders are advised to contact the CSDP, broker or the Fund, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

The salient dates for the final distributions will be as follows:

	2015
Last day to trade *cum* distribution	Friday, 5 June
Linked units trade *ex* distribution	Monday, 8 June
Record date	Friday, 12 June
Payment date	Monday, 15 June

Linked unitholders may not dematerialise or rematerialise their linked units between Monday, 8 June 2015 and Friday, 12 June 2015, both days inclusive.

Payment of the distribution will be made to shareholders on Monday 15 June 2015. In respect of dematerialised units, the distribution will be transferred to the CSDP/broker accounts on Monday, 15 June 2015. Certificated linked unitholders distribution payments will be posted on or about Monday, 15 June 2015.

A linked units in issue at the date of declaration of final distribution: 47 352 203

B linked units in issue at the date of declaration of final distribution: 106 352 670

Synergy income tax reference number: 9068723171

15. Preparation, Accounting Policies and Audit Opinion

These summarised condensed audited financial statements for the nine months ended 31 March 2015 have been prepared in accordance with International Financial Reporting Standards and presented in accordance with the minimum content, including disclosures, prescribed by IAS 34 applied to year-end reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Board, the JSE Listings Requirements and the requirements of the South African Companies Act, 2008. These summarised financial statements for the nine months ended 31 March 2015 are prepared on a going concern basis and Synergy's accounting policies have been applied consistently to all periods presented.

These statements, which comprise the statement of financial position at 31 March 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the nine months to 31 March 2015 are extracted from audited information, but is itself not audited. The annual financial statements were audited by Grant Thornton, who expressed an unmodified opinion thereon. The auditor's report is available for inspection at the company's registered office situated at Ground Floor, One-On-Ninth, Cnr Glenhove Road and 9th Street, Melrose Estate.

The Board takes full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying financial statements.

This report was compiled under the supervision of Anton Raubenheimer CA(SA), the financial director of the Fund.

The directors are not aware of any matters or circumstances arising subsequent to 31 March 2015 that require any additional disclosure or adjustment to the financial statements and which are not disclosed in this announcement.

By order of the Board

Synergy Income Fund Limited

Johannesburg
22 May 2015