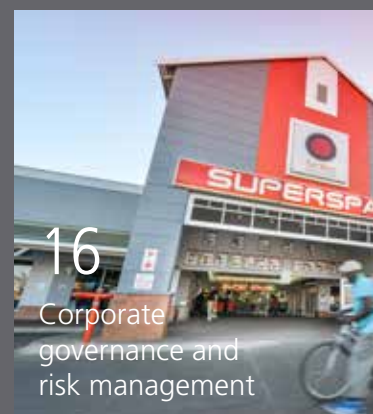




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www.synergyincomefund.com

2015 highlights

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

2015 highlights (continued)



The financial information presented in this integrated report represents a nine-month period ended 31 March 2015. Comparative information is provided for the 12 months to 30 June 2014, the previous financial year-end of Synergy.

Market capitalisation of

R1.371 billion



Chairman and interim chief executive officer's report

OVERVIEW

The past nine months have certainly been a busy time for Synergy, distinguished by many high-level changes. The most significant development was Vukile Property Fund's (Vukile) acquisition of 64.61% of the issued capital of Synergy, making Synergy a listed subsidiary of Vukile in February 2015. Then, in March 2015, the owners of Capital Land Asset Management (CLAM), Synergy's asset and property manager, concluded a sale of share transaction with Vukile. After the fulfilment of the various conditions precedent, CLAM became a subsidiary of Vukile with effect from 1 May 2015 and Vukile assumed effective day-to-day management of the portfolio. Subsequent to the period ended 31 March 2015, the name change of CLAM was effected to Vukile Asset Management (VAM).

Furthermore, Synergy's financial year has been changed to 31 March, to match that of Vukile, and its full financial period for 2015 was shortened to nine months.

Even with these transactions taking place during the financial period, the Synergy team remained focused on performance.

Synergy posted distributions for the nine months to 31 March 2015 to A linked unitholders of 67.66 cents per unit and 41.65 cents per unit to B linked unitholders. The NAV per combined linked unit was R9.20 at 31 March 2015.

OPERATING ENVIRONMENT

As a specialised retail property fund with a specific focus on medium-sized community and small regional shopping centres in high-growth nodes, Synergy's assets serve South Africa's high-growth, lower-LSM retail sector.

Even though this represents one of the most promising markets in the local economy, Synergy faced a tough operating environment. The economy is stagnant and shoppers are highly indebted. Ellerine Furnishers going into business rescue further aggravated the poor trading environment. It was also largely responsible for pushing up Synergy's overall vacancy from 5.2% to 5.6% during the period. This is being addressed with proactive leasing. Several of Ellerines' former premises are

now re-let, which will improve occupancies in the coming months.

The national electricity crisis and the negative impact of load shedding on retail is another concern. The possibility of rising interest rates poses a further challenge for Synergy's markets.

PORTFOLIO

Synergy's property portfolio, comprising 15 shopping centres, is valued at R2.422 billion. The period saw a change in valuation technique from a capitalisation of income method to a discounted cash flow model. This resulted in a reduction in fair value of investment properties of approximately R34 million.

During the period, Synergy was inwardly focused, with enhancing value in its portfolio being its priority. In September 2014, Synergy took transfer of a property adjacent to the Ermelo Game Shopping Centre in Ermelo, Mpumalanga, which has the potential to enhance its dominance in this node.



Laurence Rapp
Chairman



Sedise Moseneke
Interim chief executive officer



Chairman and interim chief executive officer's report (continued)

The coming year will represent another period of change for Synergy, while we bed down its new asset management procedures and its new property management, as well as refine its strategies and tactics. Notwithstanding the economic headwinds and political challenges we face in South Africa, we are confident that it is well positioned for the future with its attractive portfolio of shopping centre assets and its appealing dual listed capital structure.

It also completed two key upgrades. At Ruimsig Shopping Centre in Roodepoort, Gauteng, a R10.6 million upgrade will strengthen the centre's profile in the dominant Roodepoort node. At Richdens Village Shopping Centre in Hillcrest, KwaZulu-Natal, a R10.4 million project will make the neighbourhood centre more dominant in the Hillcrest area. Both these projects will protect and enhance our market positions in their respective areas.

Despite Elleries' business rescue proceedings and its negative impact on vacancy levels, Synergy achieved rental reversions of 9.1% across the portfolio. It maintained a national tenant ratio of 83%. This secures strong lease covenants, in line with its targets. It also achieved a 67% tenant retention ratio. Its average contractual rental escalation was 7.91%. Its weighted average lease expiry profile remained largely unchanged at 3.2 years.

SUSTAINABILITY

Synergy operates as a well-governed, sustainable business. It carefully considers its impact on the economy, society and the environment. Striving for positive impacts in the markets and communities in which it operates, Synergy continued to support and drive deserving projects that empower the communities around its shopping centres with education and skills. It also has energy-saving and environmental programmes in place with waste recycling at a dozen of its centres and borehole water used at three centres, where municipal water supply is particularly unreliable.

GEARING, HEDGING AND FUNDING

With the benefit of Vukile's stronger balance sheet, Synergy's access to more diverse and cost-effective funding is likely to improve. At the end of the period, Synergy's loan-to-value ratio was 40.1%. Interest rates were fixed and hedged on 48% of its total borrowings and the weighted average cost of total funding was 8.22% at 31 March 2015. In a potential upward interest rate cycle, these levels of unhedged debt will need to be reconsidered.

BOARD OF DIRECTORS

There were significant changes to the Synergy board and its company secretary during the financial period, ensuring it is well aligned with its new shareholders.

The following changes were effective from 2 March 2015:

- Maurice Mdlolo and Uys Meyer resigned as non-executive directors
- Laurence Rapp and Michael Potts were appointed as non-executive directors
- Martin Kuscus stepped down as chairman of the board, but remains on the board
- Laurence Rapp took on the role of non-executive chairman of the board
- Lizwi Mtumtum, an independent non-executive director, was appointed as the lead independent non-executive director of Synergy, in line with the King Codes of Good Practice where there is a non-independent chairman
- Martin Kuscus was appointed as a member of the audit and risk committee
- CIS Company Secretaries (Pty) Ltd resigned as the company secretary, and Johann Neethling of Vukile was appointed as the company secretary.

In addition, in August 2014, Mandy Ramsden resigned from the Synergy board, and William Brooks stepped down as chief executive officer on 1 May 2015, for Dr Sedise Mosenke to assume the role on an interim basis going forward. Anton Raubenheimer resigned as financial director following the release of Synergy's summarised condensed audited financial results for the nine months ended 31 March 2015, and Rob Hawton was appointed as Synergy's financial director, both effective on 22 May 2015.

We would like to thank William Brooks, Maurice Mdlolo, Uys Meyer, Anton Raubenheimer and Mandy Ramsden for their valuable contributions to the board, and Martin Kuscus for his leadership of the board during times of significant change.

PROSPECTS

We are confident that Synergy's asset manager, under the ownership of Vukile, will ensure effective long-term decision making for the Synergy portfolio that will benefit all its investors.

It is Vukile's immediate intent to continue to operate Synergy as a listed subsidiary. Synergy's dual listed capital structure presents a strategic and scarce instrument in the market.

As mentioned, Synergy's asset manager has been renamed VAM. VAM has informed the board that, in accordance with its rights under the Synergy management contract, it has decided to outsource the property management to Broll and JHI, both of whom provide property management services to Vukile and thereby allowing Synergy to benefit from Vukile's existing business relationships.

We will take Synergy forward by pursuing opportunities to create and enhance stakeholder value, in ways that are aligned with Vukile's proven asset management systems, processes and resources.

The coming year will represent another period of change for Synergy, while we bed down its new asset management procedures and its new property management, as well as refine its strategies and tactics. Notwithstanding the economic headwinds and political challenges we face in South Africa, we are confident that it is well positioned for the future with its attractive portfolio of shopping centre assets and its appealing dual listed capital structure.

APPRECIATION

Without doubt, this year has been a demanding, yet rewarding one for the entire Synergy team. We would like to express our appreciation to the Synergy board of directors, its investors, the VAM team, and everyone who has been a part of creating and building Synergy into the unique and compelling prospect it is today.

Board of directors



Board of directors (continued)

Laurence Rapp (44)

Chairman

Appointed 2 March 2015

BCom (Hons) *Cum Laude*, Wharton
Executive Development Programme

Laurence is the chief executive officer of Vukile Property Fund Limited (Vukile). He has extensive experience in the financial services environment, spanning investment banking, private equity, retail banking and insurance and asset management. Prior to joining Vukile, he was a director of Standard Bank, having headed the insurance and asset management division and, prior to that, being in charge of the strategic investments and alliances division. He is currently chairman of the SA REIT Association.

Anton Raubenheimer (45)

Financial director

Appointed 1 August 2013

BCom, CA(SA)

Resigned 22 May 2015

Anton is a chartered accountant with around 16 years' experience, having spent the past nine years in senior positions in the property sector. Prior to his appointment as financial director, Anton was managing director of Retail Africa Asset Management. Before this, he was managing director and financial director of Fountainhead Property Trust and head of business development for Virgin Active South Africa.

Michael Potts (60)

Non-executive director

Appointed 2 March 2015

CA(SA), HDip Tax Law

Michael is a founding director of Vukile and currently serves as financial director of Vukile. Prior to joining Vukile, he was an independent adviser to the Bridge Capital Group on property transactions, property portfolio assembly, financial structuring and capital raising. Prior to this, he was managing and financial director of the South African group that forms part of the UK-based Hanover Acceptances Group. Michael was also a non-executive director of Hanover Acceptances Limited (United Kingdom) and Outspan International Limited for six and seven years respectively.

Martin Kuscus (59)

Independent non-executive director

Appointed 1 October 2011

BA Cur EDP (Harvard)

Martin is a well-known independent businessman in South Africa and a non-executive director of Netcare Limited. He is a previous president and CEO of the South African Bureau of Standards. Prior to commencing his career in the private sector, Martin was MEC for finance in the North West provincial government from 1994 to 2004. In 2006, he was elected to the council for the International Standards Association (ISO), and appointed a member of the PRI Board of the United Nations Global Compact Initiative on Responsible Investment. Martin was also chairman of the board of trustees for the Government Employees Pension Fund of South Africa until 2009, and was the president of the Afrikaanse Handelsinstituut (AHI) until 2011. Martin is the current chairman of the Mineworkers Provident Fund.

Lizwi Mtumtum (43)

Lead independent non-executive director

Appointed 1 October 2011

BA Econ and Acc

Lizwi is the executive chairman of Emangweni Investments (previously Ikamva Lethu Investments), a black-owned and managed investment holding company. He serves as an independent non-executive director of JSE-listed Keaton Mining, as chairman of both the audit committee and the remuneration committee. Lizwi has held various positions within the investment banking sector with both local and international banks. Lizwi previously served as a senior executive of Pangbourne Properties and as a non-executive director of Siyathenga Property Fund. He holds a Property Development Programme Certificate from UCT Graduate School of Business.

Sedise Moseneké (38)

Interim chief executive officer

Appointed 4 May 2015

BDS, CCPP

Sedise is an executive director of Vukile, responsible for investment and acquisitions. He was chief executive of Encha Properties from 2004 until Vukile's acquisition of a portfolio of government-tenanted properties from Encha in 2013. He is a past president of the South African Property Owners Association (SAPOA) and is the non-executive chairman of Encha Property Services. Sedise also sits on the board of Nu-Hold Group, an upmarket residential and commercial property development and investment company. He is a member of the South African Institute of Black Property Practitioners (SAIBPP). He also serves on the finance, investment and university estate committee of the University of South Africa.

Sean Segar (49)

Independent non-executive director

Appointed 1 January 2011

BCom CA(SA), AMP (Oxford)

Sean is currently with the Nedcor Group. Prior to joining the Nedcor Group, Sean was the chief investment officer for property in the Liberty Group and also a director of the Fountainhead Property Trust. Sean was with the Standard Bank Group for 15 years and his roles included senior portfolio manager in SCMB Asset Management and head of various STANLIB business units. He founded the STANLIB listed property business which is now the largest investment manager of listed property in Africa. Prior to joining Liberty Asset Management in 1995, Sean completed articles with Deloitte & Touche and worked in financial markets in London for five years. Sean completed the Advanced Management Programme through Oxford University in 2008.

Rob Hawton (39)

Financial director

Appointed 22 May 2015

MCom, CA(SA)

Rob holds BCom and BCom (Hons) degrees in accounting and a Master's degree in financial management from the University of Johannesburg and is a chartered accountant. Rob, who completed his articles with PricewaterhouseCoopers, was previously the head of finance and support for the real estate investment division within the Corporate and Investment Bank of the Standard Bank Group, where he spent eight years. Prior to that, he held various finance positions within Investec Bank, Barclays Africa, Tourvest Retail Travel and Credit Suisse (London).

Property portfolio and statistics



At 31 March 2015, Synergy's property 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 period due to a change in valuation methodology to a discounted cash flow method, from the income capitalisation method used previously.

Details of the portfolio, respective transfer dates, valuations and net operating income for the nine months ended 31 March 2015 are set out in the table below.

Property	Province	GLA (m ²)	Effective date of transfer	Valuation (Rm)	Net operating income* (Rm)	%
Gugulethu Square	Western Cape	25 322	30 August 2012	399.1	22.2	15
Atlantis City Shopping Centre	Western Cape	22 114	1 September 2013	310.0	21.2	14
Phuthaditjhaba Setsing Crescent	Free State	21 538	23 August 2012	298.2	19.2	13
Ulundi King Senzangakhona Shopping Centre	KwaZulu-Natal	22 325	16 February 2012	235.2	15.0	10
Emalaheni Highland Mews	Mpumalanga	17 032	1 June 2012	210.9	14.5	10
Hammanskraal Renbro Shopping Centre	Gauteng	13 308	1 June 2012	167.8	9.7	6
Hartbeespoort Sediba Shopping Centre	North West	10 887	7 October 2011	122.9	5.5	4
Roodepoort Ruimsig Shopping Centre	Gauteng	11 178	22 December 2011	117.5	7.0	5
Hillcrest Richdens Village Shopping Centre	KwaZulu-Natal	10 269	24 May 2012	113.5	7.1	5
Elim Hubyeni Shopping Centre	Limpopo	12 685	1 June 2012	110.0	6.9	5
KwaMashu Shopping Centre	KwaZulu-Natal	11 204	25 October 2011	107.2	6.2	4
Welgedacht Van Riebeeckshof Shopping Centre	Western Cape	5 181	1 June 2012	62.5	3.9	3
Ermelo Game Centre	Mpumalanga	6 639	1 June 2012	58.1	2.4	2
Makhado Nzhelele Valley Shopping Centre	Limpopo	5 308	1 June 2012	55.7	3.7	2
Newcastle Taxi City Shopping Centre	KwaZulu-Natal	5 006	6 December 2011	53.4	3.1	2
		199 996		2 422.0	147.6	100

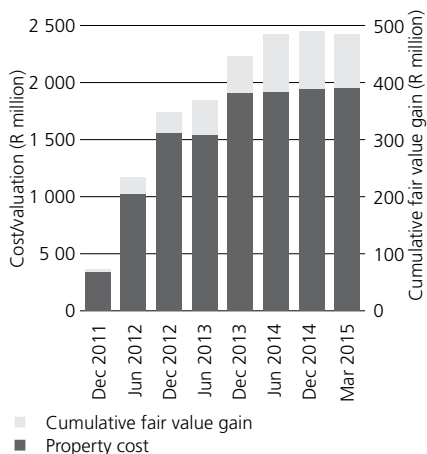
*Net operating income is calculated as recoveries and contractual rental revenue net of property operating costs and is for the nine months ended 31 March 2015.

Property portfolio and statistics (continued)



The cumulative fair value gain on the portfolio, since listing in December 2011, amounts to R457 million. This value creation is illustrated graphically below.

Cumulative property cost and fair value gain



Over the past period, Synergy's strategy has been inwardly focused on value enhancing redevelopments and upgrades to existing centres in the portfolio.

Upgrades completed during the 2015 financial period include Ruimsig Shopping Centre in Roodepoort, Gauteng (Ruimsig) and Richdens Village Shopping Centre in Hillcrest, KwaZulu-Natal (Richdens Village). The R10.6 million redevelopment of Ruimsig, aimed at strengthening the positioning of the centre as a dominant

convenience retail offering in the competitive Roodepoort node, was completed during September 2014. The R10.4 million upgrade of Phase 3 at Richdens Village, to enhance the quality of the retail and office components of the centre, was completed in February 2015.

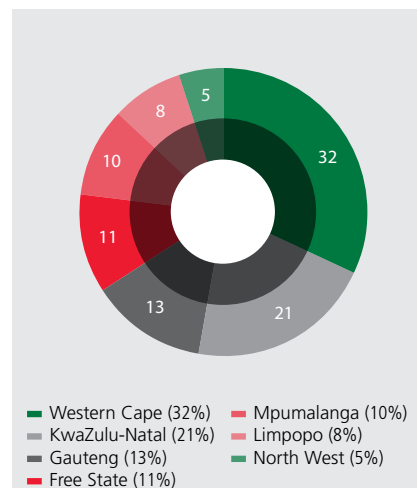
Synergy also acquired the property adjacent to the Ermelo Game Shopping Centre in Ermelo, Mpumalanga (Ermelo), on 5 September 2014. This property is strategic to the proposed redevelopment plan for this site.

Synergy's property portfolio as at 31 March 2015 was held for the full financial period with the exception of the property adjacent to Ermelo, which transferred to Synergy on 5 September 2014. These 15 properties had an average gross rental of R110 per square

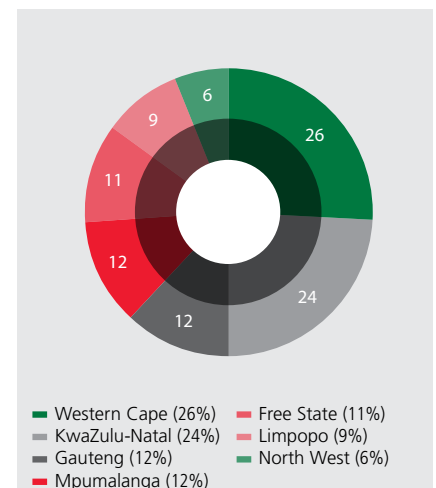
metre for March 2015 and average portfolio escalations were 7.91%. The average annualised property yield on these 15 properties for the nine months ended 31 March 2015 was 8.1%. This has been calculated based on net operating income (grossed up for 12 months) as a percentage of the investment property valuation at 1 July 2014. Synergy's property portfolio consists solely of retail properties and is situated throughout South Africa in Gauteng, KwaZulu-Natal, North West, Western Cape, Limpopo, Mpumalanga and the Free State, as illustrated graphically below.

The following graphs represent the geographic and tenant profile of the portfolio at 31 March 2015.

Geographic profile (% of gross income)



Geographic profile (% of GLA)

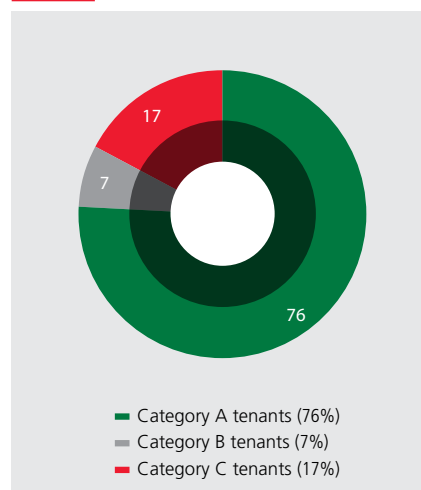


Property portfolio and statistics (continued)



The retail portfolio's exposure to national, listed and franchised tenants is 83% in total. The graph below represents the split by tenant category:

Tenant category (% split by GLA)



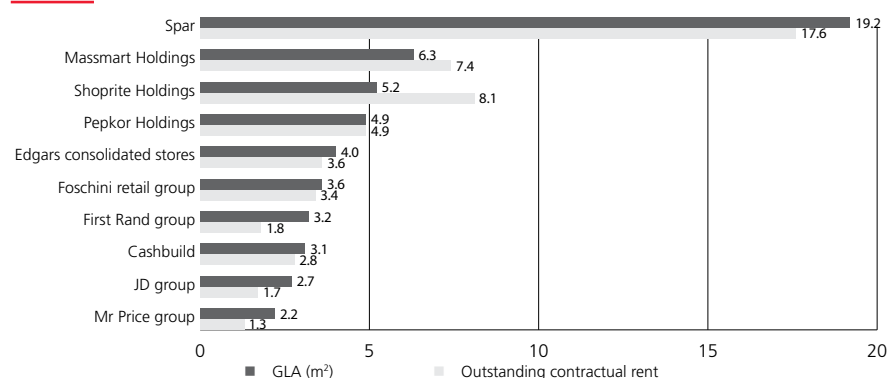
Category A tenants represent large national and listed tenants and major franchisees.

Category B tenants represent national tenants, franchised and medium to large professional firms.

Category C tenants, numbering 344, represent all other tenants.

The portfolio's GLA exposure to the top 10 tenants is 54.4%, with Spar the largest at 19.2% and Massmart at 6.3%.

Exposure to top 10 tenants* (%)



*Calculated using future contractual rental and GLA at 31 March 2015.

At 31 March 2015, Synergy's top five properties by value are represented as follows:

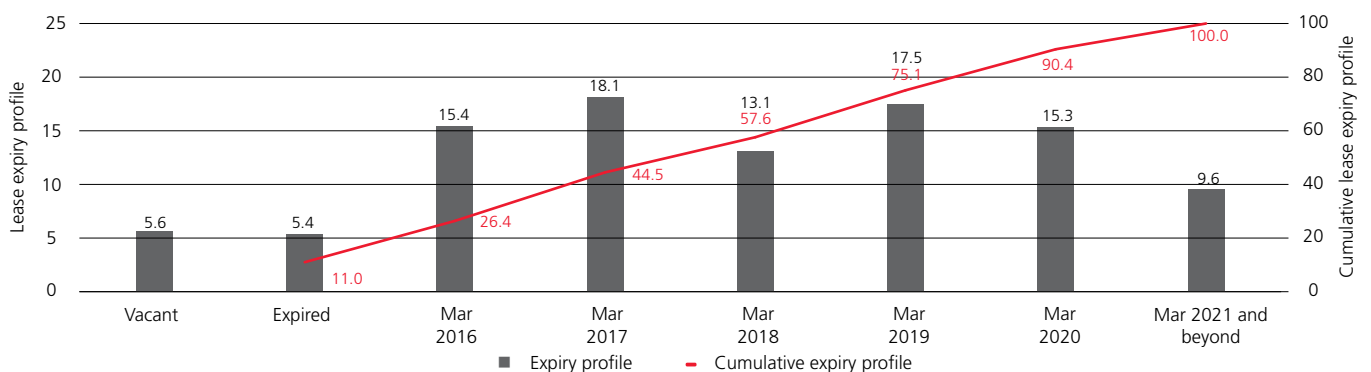
Property	Location	Rentable area (m²)	Directors' valuation at 31 March 2015 (Rm)	% of total	Valuation (R/m²)
Gugulethu Square	Gugulethu	25 322	399.1	16.5	15 759
Atlantis City Shopping Centre	Atlantis City	22 114	310.0	12.8	14 018
Phuthaditjhaba Setsing Crescent	Phuthaditjhaba	21 538	298.2	12.3	13 847
Ulundi King Senzangakhona Shopping Centre	Ulundi	22 325	235.2	9.7	10 536
Emalahleni Highland Mews	Emalahleni	17 032	210.9	8.7	12 380
Total top five		108 331	1 453.4	60.0	13 416

Property portfolio and statistics (continued)



The company lease expiry profile graph reflects that 20.8% of the leases have expired and are due for renewal in 2016. Approximately 42.4% of leases are due to expire in 2019 and beyond.

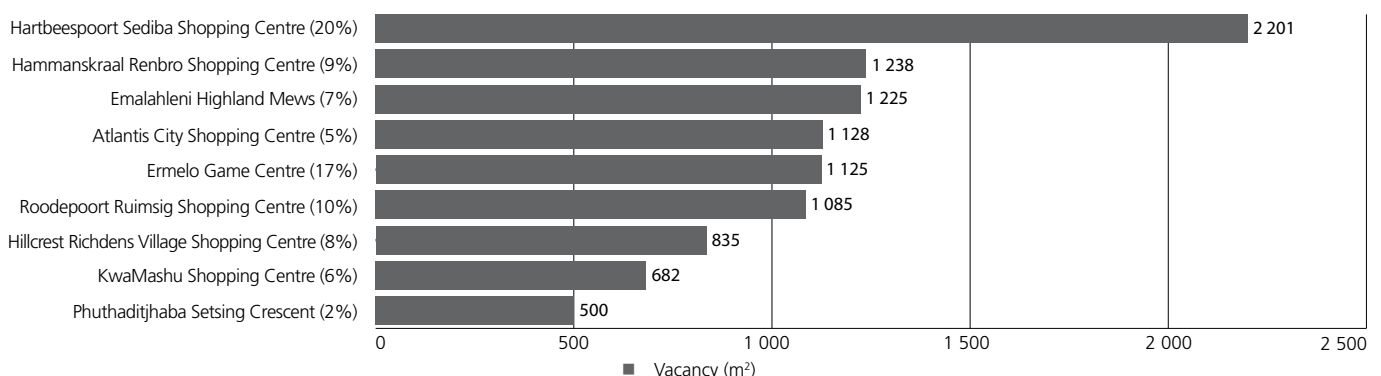
Lease expiry profile (%)



At 31 March 2015, the portfolio's overall vacancy was 5.6%. This is up from 5.2% at 30 June 2014, due primarily to consequences of the business rescue proceedings instituted against African Bank Investments Limited's wholly owned subsidiary, Ellerine Furnishers (Pty) Ltd (Ellerines).

The impact of these proceedings on lost rental is approximately R1.3 million to March 2015. Approximately 67% of the ex-Ellerines occupied premises have now been re-let, which will result in the vacancy percentage declining as these tenants take occupation subsequent to year-end. The properties with the highest vacancies are reflected below.

Individual properties vacancy profile (% of GLA – vacancy greater than 500 m²)



Property portfolio and statistics (continued)

The financial performance of the property portfolio is presented below. The results of a 12-month comparative analysis presented below show a positive trend on annualised gross revenue and recurring net property income, coupled with a favourable variance in property expense ratios year-on-year.

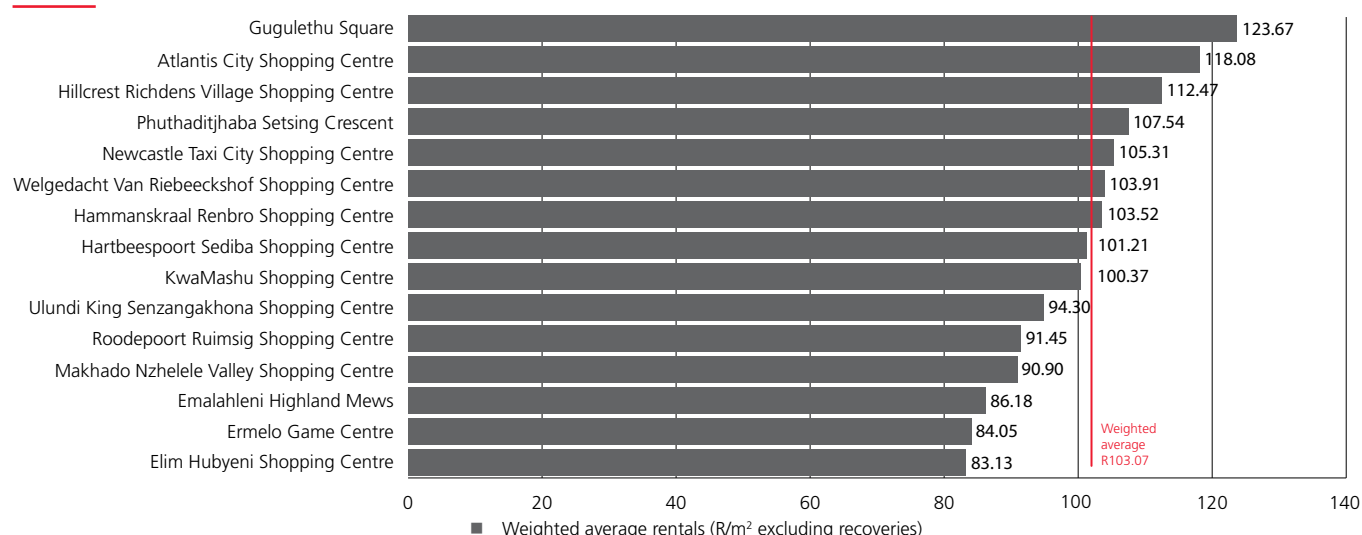
Financial performance (R11m)	1 April 2014 to 31 March 2015*	1 April 2013 to 31 March 2014	% change
Recurring property expenses	128.8	120.8	6.6
Recurring net property income	194.8	165.7	17.6
Non-recurring property expenses	2.5	1.4	78.6
Net property income	192.3	164.3	17.0
Recurring property expense ratios (%)	39.8	42.2	(5.7)

*Figures presented above for the 12 months to 31 March are for comparative purposes only.

Administration costs included in the above reflect a once-off cost of R2.6 million attributable to the acquisition of Synergy by Vukile. The negative impact of this and the Ellerines business rescue proceedings on the distribution to B unitholders to 31 March 2015 was 3.6 cents per unit.

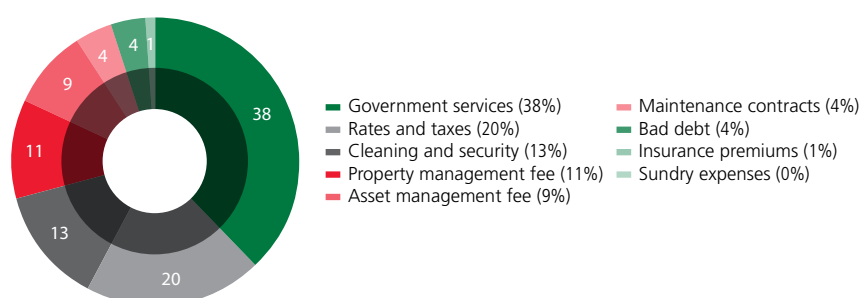
The weighted average base rentals per sector and per property are reflected in the following graphs. The average contractual rental escalation is 7.91%.

Weighted average rentals (R/m² – excluding recoveries)



The various cost components are reflected in the graph below. A significant allocation of operating costs (c. 82%) is attributable to government services, rates and taxes, cleaning, security and property management.

82% of costs from top four categories (%)



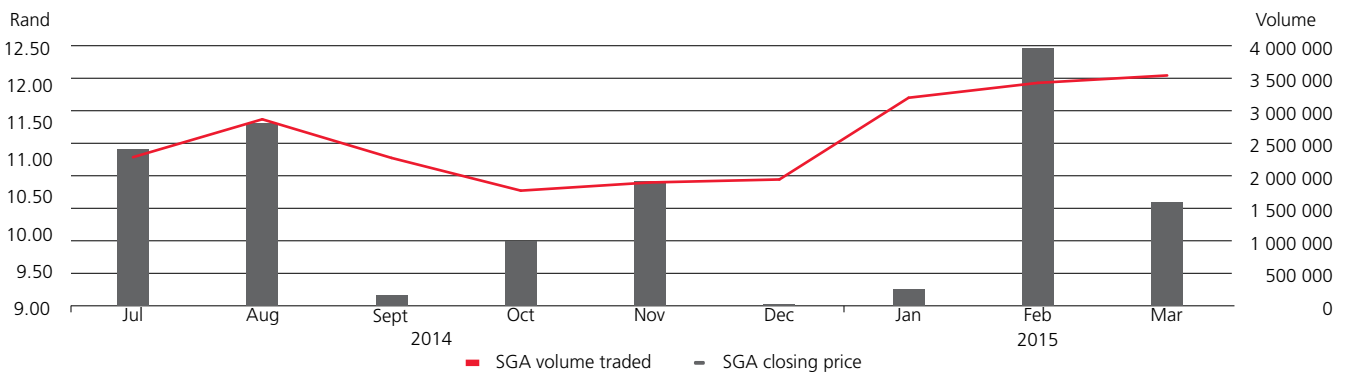
Unit price performance

The graphs below indicate the unit price performance of Synergy A and B linked units for the nine months ended 31 March 2015. The following trading and share price performance levels were achieved by the A (SGA) and B (SGB) linked units respectively.

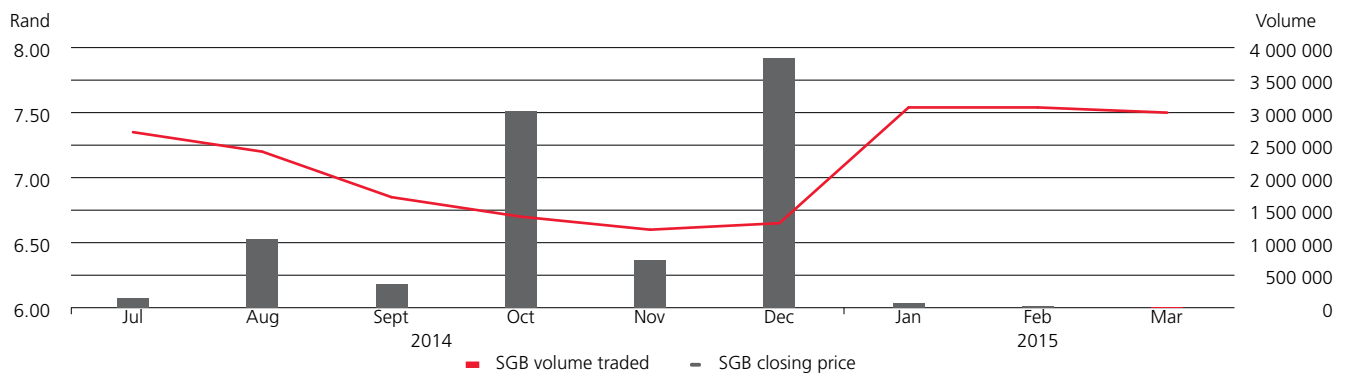
Nine months to 31 March 2015

	Volume traded (million)	Volume traded per month (million)	Value traded (million)	Value traded as a % of market capital	Share price performance (%)
SGA	14.09	1.17	160.71	28.0	10.0
SGB	9.25	0.77	63.00	7.9	0.7

Synergy A – closing price versus monthly volume traded



Synergy B – closing price versus monthly volume traded



Analysis of A linked unitholders

as at 31 March 2015

Linked unitholder spread	Number of linked unitholdings	% of total linked unitholdings	Number of linked units	% of issued capital
1 – 1 000 units	15	7.21	7 288	0.02
1 001 – 10 000 units	57	27.40	245 465	0.52
10 001 – 100 000 units	78	37.51	3 476 742	7.34
100 001 – 1 000 000 units	45	21.63	13 132 122	27.73
1 000 001 units and over	13	6.25	30 490 586	64.39
Total	208	100.0	47 352 203	100.00

Distribution of linked unitholders	Number of linked unitholdings	% of total linked unitholdings	Number of linked units	% of issued capital
Collective investment schemes	56	26.93	24 318 830	51.35
Retirement benefit funds	59	28.37	7 954 615	16.79
Hedge funds	5	2.40	4 516 408	9.54
Assurance companies	5	2.40	184 012	0.39
Custodians	2	0.96	96 830	0.20
Retail linked unitholders	35	16.83	291 501	0.62
Medical aid funds	11	5.29	971 676	2.05
Trusts	8	3.85	799 697	1.69
Scrip lending	3	1.44	9 755	0.02
Private companies	7	3.37	383 058	0.81
Insurance companies	3	1.44	1 548 011	3.27
Managed funds	3	1.44	326 096	0.69
Stockbrokers and nominees	4	1.92	12 206	0.03
Foundations and charitable funds	4	1.92	118 752	0.25
Investment partnerships	1	0.48	116 550	0.25
Public entities	1	0.48	78 595	0.17
Public companies	1	0.48	5 625 611	11.88
Total	208	100.0	47 352 203	100.00

Linked unitholder type	Number of linked unitholdings	% of total linked unitholdings	Number of linked units	% of issued capital
Non-public unitholders	38	18.27	27 459 778	57.99
Directors and associates	1		71 706	0.15
Coronation Fund Managers	18		9 531 434	20.13
Investment Solutions	10		6 893 956	14.56
Vukile Property Fund Limited	1		5 625 611	11.88
Old Mutual Group	8		5 337 071	11.27
Public unitholders	170	81.73	19 892 425	42.01
Total	208	100.00	47 352 203	100.00

Fund managers with a holding greater than 5% of the issued linked units	Number of linked units	% of issued capital
Coronation Fund Managers	26 255 822	55.45
Old Mutual Investment Group	5 870 820	12.40
Vukile Property Fund Limited	5 625 611	11.88
Visio Capital Management	5 266 879	11.12
Total	43 019 132	90.85

Beneficial linked unitholders with a holding greater than 5% of the issued linked units	Number of linked units	% of issued capital
Coronation Fund Managers	9 531 434	20.13
Investment Solutions	6 893 956	14.56
Vukile Property Fund Limited	5 625 611	11.88
Old Mutual Group	5 337 071	11.27
Golden Hind Partnership	3 127 309	6.60
Total	30 515 381	64.44

Total number of linked unitholdings	208
Total number of linked units in issue	47 352 203

Linked unit price performance	
Opening price 1 July 2014	R11.00
Closing price 31 March 2015	R12.10
Closing high for the period	R13.00
Closing low for the period	R10.50
Number of linked units in issue	47 352 203
Volume traded during period	14 093 222
Ratio of volume traded to linked units issued (%)	29.76
Rand value traded during the period	R160 708 589

Analysis of B linked unitholders

as at 31 March 2015

Linked unitholder spread	Number of linked unitholdings	% of total linked unitholdings	Number of linked units	% of issued capital
1 – 1 000 units	13	8.72	5 269	0.00
1 001 – 10 000 units	50	33.56	233 317	0.22
10 001 – 100 000 units	58	38.93	2 091 489	1.97
100 001 – 1 000 000 units	25	16.78	5 466 701	5.14
1 000 001 units and over	3	2.01	98 555 894	92.67
Total	149	100.00	106 352 670	100.00
Distribution of linked unitholders	Number of linked unitholdings	% of total linked unitholdings	Number of linked units	% of issued capital
Public companies	1	0.67	93 687 515	88.09
Collective investment schemes	41	27.52	9 115 995	8.57
Retirement benefit funds	50	33.56	2 089 695	1.96
Retail linked unitholders	27	18.12	479 935	0.45
Medical aid funds	9	6.05	456 353	0.43
Private companies	4	2.69	122 245	0.11
Stockbrokers and nominees	2	1.34	119 180	0.11
Insurance companies	2	1.34	92 123	0.09
Assurance companies	3	2.01	80 370	0.08
Managed funds	2	1.34	55 092	0.05
Foundations and charitable funds	3	2.01	29 377	0.03
Scrip lending	2	1.34	12 540	0.01
Trusts	2	1.34	6 955	0.02
Public entities	1	0.67	5 295	0.00
Total	149	100.00	106 352 670	100.00
Linked unitholder type	Number of linked unitholdings	% of total linked unitholdings	Number of linked units	% of issued capital
Non-public unitholders	2	1.34	93 803 930	88.20
Directors and associates	1		116 428	0.11
Vukile Property Fund Limited	1		93 687 502	88.09
Public unitholders	147	98.66	12 548 740	11.80
Total	149	100.00	106 352 670	100.00
Fund managers with a holding greater than 5% of the issued linked units			Number of linked units	% of issued capital
Vukile Property Fund Limited			93 687 502	88.09
Coronation Fund Managers			10 352 140	9.73
Total			104 039 642	97.82
Beneficial linked unitholders with a holding greater than 5% of the issued linked units			Number of linked units	% of issued capital
Vukile Property Fund Limited			93 687 502	88.09
Coronation Fund Managers			7 150 759	6.72
Total			100 838 261	94.81
Total number of linked unitholders	149			
Total number of linked units in issue	106 352 670			
Linked unit price performance				
Opening price 1 July 2014	R7.45			
Closing price 31 March 2015	R7.50			
Closing high for the period	R7.60			
Closing low for the period	R6.20			
Number of linked units in issue	106 352 670			
Volume traded during period	9 246 865			
Ratio of volume traded to linked units issued (%)	8.69			
Rand value traded during the period	R62 996 258			

Corporate governance and risk management



Synergy, incorporated under the provisions of the Companies Act, maintains a primary listing of its shares on the JSE Limited.

The board considers corporate governance a priority and the application of sound corporate governance structures, policies and practices as paramount to the success of a sustainable business for the benefit of all Synergy stakeholders.

KING III

The board is committed to complying with the Code of Governance Principles as set out in King III disclosure and transparency requirements of the Companies Act 2008 and the JSE Listings Requirements. The board further aims to apply the best practice recommendations, as set out in the King Report, in a manner that reflects the stature, market position and size of the company. A detailed list of the company's application of the King III principles can be viewed on Synergy's website.

BOARD OF DIRECTORS

The board consists of two executive directors and five non-executive directors, three of whom are independent. Laurence Rapp replaced Martin Kuscus as the chairman of the board with effect from 2 March 2015. The chairman's role is separate from that of the interim chief executive officer (CEO),

Dr Sedise Moseneke, who was appointed on 4 May 2015. Mr Rapp is not considered to be independent as a result of Vukile's shareholding in Synergy, and therefore Lizwi Mtumtum has been appointed as the lead independent non-executive director.

The board has implemented and documented the necessary policies to ensure that the appointment of directors is carefully monitored in order to ensure that the board as a whole will continue to reflect, whenever possible, a diverse set of professional and personal backgrounds ensuring a clear balance of power and authority so that no one director has unfettered powers of decision making.

The overall performance of the board as a whole is annually reviewed in order to identify areas for improvement in the discharge of the board's functions.

In terms of Synergy's Memorandum of Incorporation (MOI), one third of the non-executive directors must retire annually. The executive directors are not required to retire.

The board has established specific committees to give detailed attention to certain of its responsibilities. The committees operate within defined, written terms of reference which are capable of amendment by the board from time to time as the need arises.

Synergy currently does not have a nominations committee as it is the board's view that at present this committee is not necessary. The company will consider the formation of a nominations committee in due course and as the need arises. The

nomination and appointment of directors is therefore a matter for consideration by the board as a whole and such appointments are to be performed in a formal and transparent manner.

REMUNERATION COMMITTEE

A remuneration committee (Remco) has been established comprising of Sean Segar (chairman), Lizwi Mtumtum and Martin Kuscus, all of whom are independent non-executive directors.

The primary responsibilities of the Remco include:

- Making recommendations to the board regarding fees payable to non-executive directors, for ultimate approval by linked unitholders by way of a special resolution
- Preparation of reports to the board and unitholders on remuneration-related matters.

Remuneration policy

As management of operations is undertaken by VAM, the Remco plays a limited role regarding the remuneration of executive directors and senior management and a remuneration policy for the company is of limited application. The policy does, however, include ensuring that:

- Fees payable to the non-executive directors are market-related (these are benchmarked periodically against comparable companies in the property industry/sector)
- Remuneration of the executive directors is adequate to attract and retain experienced and motivated individuals.

Post-year-end, the Remco met and considered the non-executive directors'

Corporate governance and risk management (continued)



fees for the year ending 31 March 2016. The Remco evaluated and resolved that the non-executive directors' fees are appropriate to attract and retain suitable candidates to serve as directors on the board. The non-executive directors' fees for the nine months ended 31 March 2015 are disclosed in the attached audited financial statements.

AUDIT AND RISK COMMITTEE

The board, in accordance with the requirements set out in Synergy's MOI, has established an audit and risk committee (ARC) comprising Lizwi Mtumtum (chairman), Sean Segar and Maurice Mdlolo, prior to his resignation in March 2015, all of whom were independent non-executive directors of Synergy. The ARC was reconstituted during the period under review to include Martin Kuscus as a member, due to the resignation of Maurice. The board is satisfied that Martin has the necessary academic qualifications and experience to serve as a member of the ARC and to assist the board in discharging its duties in relation to financial reporting, risk management, internal control systems and the external audit function.

All of the members of the ARC are financially literate. The ARC's primary objective is to provide the board with additional assurance regarding the efficacy and reliability of the financial information used by the directors, to assist them in the discharge of their duties and is also responsible for monitoring the existence of adequate and appropriate financial and operating controls. The ARC has complied

with all legal, regulatory and other responsibilities it is required to.

Comprehensive reviews and testing of the effectiveness of the internal control systems in operation are continuously performed by VAM and are accompanied by external audits conducted by external practitioners whose work is overseen by and reported to the ARC. These systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements, to safeguard, verify and maintain accountability of the company's assets and to identify and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

In compliance with its oversight role in relation to the preparation of this report, the ARC has had due regard to all factors and risks that may impact the integrity of the integrated report.

The ARC has satisfied itself of the appropriateness of the expertise and experience of Anton Raubenheimer, the financial director of Synergy, and has further considered the skills, expertise and adequacy of resources available in the finance function, all of which are considered to be appropriate.

In terms of the Securities Exchange News Service (SENS) announcement published on 10 March 2015, unitholders were advised that Anton Raubenheimer, Synergy's financial director, would resign from the board of directors on finalisation of Synergy's financial results for the period ended 31 March 2015. Following release of the summarised condensed audited financial results for the nine months ended 31 March 2015 on 22 May 2015, Anton Raubenheimer resigned as the financial director of the company and Rob Hawton was appointed as Synergy's financial director, both with effect from 22 May 2015.

SOCIAL AND ETHICS COMMITTEE

As required in terms of the Companies Act 2008, a social and ethics committee comprising not less than three directors has been constituted under the chairmanship of Lizwi Mtumtum, an independent non-executive director and includes Martin Kuscus (independent non-executive director) and Sedise Moseneke (interim chief executive officer), who was appointed to the committee post-year-end.

The social and ethics committee met twice during the year under review and has discharged its responsibilities which include *inter alia*, the monitoring of the activities of Synergy with regard to matters relating to:

- Social and economic development
- Good corporate citizenship
- Environmental, health and safety issues, including the impact of Synergy's activities
- Consumer relationships, including Synergy's advertising, public relations and compliance with consumer protection laws.

In addition to the above responsibilities, the social and ethics committee draws matters within its mandate to the attention of the board as occasion requires and reports, through one of its members, to the unitholders at the Synergy annual general meeting on matters within its mandate.

CHANGE IN AUDITORS

Following Vukile's acquisition of 64.61% of the issued capital of Synergy and Synergy becoming a listed subsidiary of Vukile, Grant Thornton replaced Moore Stephens BKV Inc. as auditors of Synergy with effect from 2 March 2015, in order to ensure alignment with Synergy's parent company, Vukile.

Corporate governance and risk management (continued)

DIRECTORS' DEALINGS AND PROFESSIONAL ADVICE

Synergy operates a policy of prohibiting dealings by directors, the company secretary and certain other senior employees of Vukile in closed periods preceding the announcement of its interim and final financial results, any period while the company is trading under cautionary announcement, and at any other time deemed necessary by the board. The board has established a procedure for directors, in furtherance of their duties, to take independent professional advice, if necessary, at the company's expense. All directors have access to the advice and services of the company secretary.

COMMUNICATION

The executive directors of Synergy meet with institutional linked unitholders, private investors and investment analysts on a regular basis in order to ensure timely, effective and transparent communication relating to Synergy and its performance. The board appreciates that unitholder perceptions affect Synergy's reputation and in this regard has established a policy for the engagement of Synergy's stakeholders in terms of which all communications are vetted by the CEO and/or financial director and Synergy's corporate adviser prior to being released.

THE COMPANY SECRETARY

Neville Toerien of CIS Company Secretaries (Pty) Ltd tendered his resignation as company secretary with effect from 28 February 2015. For the duration of his appointment, Neville provided the board and directors individually with guidance as to how their responsibilities should be properly discharged in the best interest of Synergy.

The company secretary is responsible for the duties set out in section 88 of the Companies Act and for ensuring compliance with the Listings Requirements of the JSE Limited. Director induction and training are part of the company secretary's responsibilities. He is responsible to the board for ensuring the proper administration of board proceedings, including the preparation and circulation of board papers, drafting annual work plans, ensuring that feedback is provided to the board and board committees and preparing and circulating minutes of board and board committee meetings. He provides practical support and guidance to the board and directors on governance and regulatory compliance matters.

The JSE Listings Requirements require that company boards must consider and satisfy themselves annually regarding the competence, qualifications and experience of the company secretary, and also whether he maintains an arm's-length relationship with the board.

Johann Neethling has replaced Neville as company secretary with effect from 2 March 2015. Details of the qualifications and competencies of the company secretary are set out below:

Company secretary	Johann Neethling
Date appointed	2 March 2015
Qualifications	FCIS, MCom, JSE Sponsor Development Programme
Experience and expertise	Johann has 16 years' experience in the areas of assurance, general and corporate finance, governance and company secretariat. He joined Vukile as part of the management team when Sanlam's asset management business was acquired by Vukile. Prior to that, he held various positions within the property division of Sanlam. He serves as a director and senior vice-president of Chartered Secretaries Southern Africa.

The board has evaluated the company secretary and it is satisfied that he is suitably qualified for the role and that he maintains an arm's-length relationship with the board.

ATTENDANCE AT BOARD AND SUB-COMMITTEE MEETINGS

The board meets a minimum of four times annually. The chairman is responsible for setting the agenda for each meeting, in consultation with the CEO and the company secretary. Comprehensive information packs on matters to be considered by the board are provided to directors in advance of the meetings.

The following table indicates board meeting attendance and attendance at committee meetings in the period to 31 March 2015. The number of board and committee meetings held during the period to 31 March 2015, as is relevant to each director, is shown in brackets in the table below.

Directors	Independent	Board	Audit and risk committee	Social and ethics committee
Executive directors				
William Brooks (CEO) [#]	No	5 (5)		2 (2)
Anton Raubenheimer (FD)	No	5 (5)	3 (3) [^]	
Non-executive directors				
Uys Meyer ^{**}	No	3 (3)		
Martin Kuscus ^{^^}	Yes	5 (5)	1 (1)	2 (2)
Maurice Mdlolo ^{**}	Yes	3 (3)	1 (1)	
Lizwi Mtumtum	Yes	5 (5)	3 (3)	2 (2)
Sean Segar	Yes	5 (5)	3 (3)	
Mike Potts	No	2 (2)		
Laurence Rapp ^{***} (chairman)	No	2 (2)		

^{**} Uys Meyer and Maurice Mdlolo resigned from the board with effect from 2 March 2015.

^{***} Laurence Rapp replaced Martin Kuscus as chairman of the board with effect from 2 March 2015.

[^] Attended by invitation.

^{^^} Martin Kuscus replaced Maurice Mdlolo as a member of the audit and risk committee with effect from 2 March 2015.

[#] William Brooks resigned as CEO effective 1 May 2015.

Corporate governance and risk management (continued)

RISK MANAGEMENT AND INTERNAL CONTROLS

The board is responsible for the implementation of risk management and internal controls processes subject to oversight of the audit and risk committee, and ultimately the board.

The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed. The board is responsible for ensuring the adoption of appropriate risk management policies within Synergy. The board is in the process of reviewing the need to appoint an independent internal auditor who would be responsible for assessing the effectiveness of management's systems of internal control and risk management.

Key risks identified

KEY RISK	BUSINESS IMPACT	MITIGATION OF RISK
Challenging operating environment negatively impacting existing retailers	General financial distress and business rescue proceedings of tenants create downward pressure on rentals and lead to increases in vacancies which negatively affect distributable income.	A proactive leasing strategy is in place and tenant turnovers are monitored to identify tenants which are struggling and source replacement tenants quickly to minimise financial losses.
Significant increases in administered prices including electricity, rates and municipal levies	Synergy is bearing the increased cost of utilities that cannot be fully recovered from tenants. This reduces property margins and distributable income.	Synergy has negotiated a national contract with a utility management company to assist with the analysis of utility costs and recoveries across the portfolio. Energy-saving technology is being implemented where possible in order to reduce utility costs.
Service delivery by local authorities	Synergy is not always billed the correct utility amounts on a monthly basis leading to the need to employ the services of specialists, at additional cost, to monitor utility costs in order to accrue for the correct expense. An inconsistent water supply and unreliable power supply at certain centres in Synergy's portfolio have resulted in the need to source alternative solutions to municipal supply.	Synergy has, where necessary, installed its own bulk check meters to monitor municipal billing. Synergy has contracted third-party meter readers to ensure the accuracy of the readings. Alternative water supply options such as borehole water are being utilised at some of the more remote centres. Alternative power supply options such as generators and solar energy are being investigated for centres with an unreliable power supply.
Interest rate risk	A general rise in interest rates could impact the cost and availability of borrowings, thus reducing distributable income.	Synergy monitors its key financial ratios. Interest rate risk is partly mitigated through the use of interest rate swaps and fixes. An extensive review of the capital structure, including debt position, will be undertaken within the next six months.
Total or partial destruction of investment properties, asset protection and public liability risks	Unbudgeted costs as a result of claims and loss of income for the rebuilding/reconstruction period as well as significant rebuilding costs would negatively impact distributions.	All Synergy properties are comprehensively insured. Insurance for all properties is based on current valuations and includes building damage, accidental damage, rent (30% of building sum insured), public liability and SASRIA. An extensive review of the insurance cover will be undertaken in the next six months in conjunction with Synergy's parent company.
Health, safety and environmental risk	Potential legal proceedings for default impact reputation and could result in adverse publicity leading to a negative financial impact.	As required by the Occupational Health and Safety Act (OHS Act) the appropriate delegations of authority are in place and staff receive regular OHS Act training.

Sustainability report



The strategy and operations of Synergy are directed at building a sustainable business, and the company is mindful of its strategy's short and long-term impacts on the economy, society and the environment. The social and ethics committee is responsible for monitoring sustainability issues and operates within defined terms of reference.

The three tiers to sustainability are concerned with the social, economic and environmental aspects of Synergy's performance. With Synergy's portfolio bias towards centres in rural and township nodes, Synergy has focused on social and economic initiatives supporting deserving projects that empower the communities around its shopping centres. Focus has been on the provision of education and development of skills in these communities.

SOCIAL

Synergy continuously evaluates social and economic initiatives focused on education, sporting and skills development programmes. Synergy recognises that working with and uplifting communities surrounding its shopping centres is fundamental to the effective sustainability of these shopping centres. During the period under review, Synergy was engaged in the following activities:

The Lap Desk Project

Lap desks are portable, light durable desks which provide a practical solution for schoolchildren who don't have desks. These desks can be used on a chair or on the floor and their portability allows them to be used for homework. The desks are printed with

educational material and branded with the shopping centre logo to link the shopping centre to the community. Synergy identifies deserving underresourced schools in the communities in which their shopping centres are situated as recipients for the lap desks. In February 2015, 683 lap desks were donated to KwaMame Primary School in Ulundi, KwaZulu-Natal, which is in close proximity to King Senzangakhona Shopping Centre. This donation, coupled with the donation of 720 desks to Vhutuwangadzebu School in Limpopo in 2013, brings the total number of lap desks donated by Synergy to 1 403.

The Academic Prize Sponsorship Programme

Synergy's Academic Prize Sponsorship Programme was extended to 29 schools identified in the communities where its centres are situated and where Synergy has implemented the sponsorship of an academic prize to each school annually. The academic prize consists of a floating merit board, a voucher for a Synergy shopping centre in the community and a contribution to the prize winner's school fees for the next academic year. The prize is awarded to the top academic student in Grade 6 for

junior schools and Grade 11 for senior schools.

The Computer Literacy Programme

The Computer Literacy Programme focuses on teaching shopping centre cleaning, security and maintenance staff basic computer skills. A computer station is set up in the centre management office and the centre manager oversees the programme, assisting these individuals where needed. Individuals can make use of the computer during their breaks or on their days off. As their skills increase so programmes are provided to assist them with furthering their computer literacy.

The Sporting Chance Programme

Sporting Chance is a leading sports coaching and development organisation in South Africa. Sport is able to break down barriers of generations, cultures, race and income levels, and on this basis Sporting Chance uses it as a vehicle to positively impact children's lives. In partnership with Synergy, Sporting Chance constructs programmes specific to the communities surrounding Synergy's centres. All programmes consist of a life skills component, coach training and a sporting tournament.

Sustainability report (continued)



The Gugulethu Square Programme took place in July 2014 during the school holidays. The programme made use of the Gugulethu sports fields for the life skills and training component which took place over three days, and Gugulethu Square hosted the mini soccer and netball tournament which took place over the following two days. The aim of the programme was to uplift the community surrounding Gugulethu Square through life skills education and to keep the children off the streets and occupied by a positive activity during their school holidays.

The Atlantis City Street Cricket Programme took place at Atlantis City in October 2014. The programme ran for eight weeks and accommodated 120 children from the Atlantis community. The aim of the programme was to provide health education and to highlight the importance of exercise while providing an enjoyable extramural activity for the local schoolchildren.

The RaceAhead Foundation

Synergy continues to support the development of South African sailing in disadvantaged communities in partnership with the RaceAhead Foundation which provides opportunities and assistance to young South African sailors with promising talent and motivation, but who lack the resources and support to chase their sporting dreams and life goals with full confidence. In 2011, RaceAhead launched an Olympic sailing campaign with a young sailor called Asenathi Jim from rural Eastern Cape who was the youngest helmsman in the Olympic 470 class. The team represented

South Africa at the London 2012 Olympic Games and its ultimate goal is to win South Africa's first ever Olympic sailing medal at the Rio Olympic Games in 2016.

ECONOMIC

Synergy has created and implemented economic programmes that provide internship opportunities and bursaries for tertiary education.

The Go for Gold Internship Programme

Synergy, in partnership with Go for Gold, implemented the Go for Gold Internship Programme.

The Go for Gold Internship Programme is a public-private partnership between certain Cape-based companies and the Western Cape Education Department. Synergy provides matric graduates from the Go for Gold Programme with a one-year internship during which they gain work experience and exposure to the property industry. Synergy is now in the third year of supporting this programme.

Synergy Bursary Programme

Synergy, in partnership with the University of Cape Town, implemented the Synergy Bursary Programme.

The programme offers a bursary for the University of Cape Town Property Studies (Honours or Masters) degree. The bursary was offered to deserving previously disadvantaged students with consistent, above-average, academic performance.

ENVIRONMENTAL

Synergy acknowledges that environmental responsibility is an integral part of its future success. As such, the company is endeavouring to create a framework to define its commitment to addressing environmental sustainability initiatives across the portfolio.

Recycling initiatives are in place at 12 of the 15 shopping centres in the portfolio where large amounts of refuse are generated, and this is feasible.

There has also been specific focus on understanding electricity consumption at Synergy centres and identifying areas to improve consumption and reduce tenant energy costs specifically in relation to demand charges. Energy-efficient lighting is being implemented as part of all upgrades and redevelopment projects. As bulbs are replaced, these are substituted with LED solutions with a view to ultimately having only LED lighting at the shopping centres.

Borehole water is used at three of the centres in the Synergy portfolio, particularly where there is an unreliable supply of water from council.

Audited annual financial statements for the nine months ended 31 March 2015

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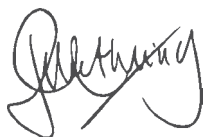
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Company secretary's certification

In my capacity as company secretary I declare, in terms of the Companies Act, that for the nine months ended 31 March 2015 the company has lodged with the Companies and Intellectual Property Commission all such returns as are required by a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.



J Neethling
Company secretary

22 May 2015

The financial statements were compiled under the supervision of Anton Raubenheimer CA(SA), financial director.

Directors' responsibility statement

for the nine months ended 31 March 2015

The directors are responsible for the preparation and fair presentation of the annual financial statements of Synergy comprising the statement of financial position as at 31 March 2015, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the nine months then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of Synergy to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements of Synergy are fairly presented in accordance with IFRS.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of Synergy were approved by the board of directors on 22 May 2015 and signed on its behalf by:



LG Rapp
Chairman



Dr GS Moseneke
Interim chief executive officer

Audit and risk committee report

The Synergy audit and risk committee (the committee) is a formal committee of the Synergy board of directors (the board) and operates within written terms of reference. The committee has an independent role with accountability to both the board and shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III and the responsibilities assigned by the board. The committee meets at least three times per year.

The committee currently comprises three independent non-executive directors who are all suitably skilled directors. During the nine months ended 31 March 2015, there have been a number of changes to the committee. Mandy Ramsden resigned effective 4 August 2014 and was replaced by Lizwi Mtumtum as the chairman of the committee (previously a committee member). Maurice Mdlolo resigned effective 2 March 2015 and was replaced by Martin Kuscus. The committee members are Lizwi Mtumtum (chairman), Martin Kuscus and Sean Segar. Abridged *curricula vitae* of the committee members appear on page 7 of this integrated report.

The external auditors report to the committee who review the external audit findings. For the period under review, the committee has considered the independence and objectivity of the external auditors, approved and monitored the non-audit services rendered by the external auditors in accordance with approved non-audit services policy, determined the external auditors' terms of engagement and fees for 2015, and satisfied itself that the external auditors and designated auditors are accredited on the JSE list of auditors and advisers.

The committee recommends the reappointment of Grant Thornton as external auditors and the designated auditor to unitholders of Synergy at the next annual general meeting.

The minutes of committee meetings are open for inspection by members of the board. There is close communication between the board, the committee, and the external auditors. Areas of control weakness will be brought to the attention of all relevant parties and remedial action will be taken immediately to ensure no loss or misstatement due to the inadequacy of the internal control environment.

Historically, the appointed asset and property manager had a small management team and flat organisation structure, which did not support a separate internal audit function. This will be reassessed in the 2016 financial year. The committee has assessed and noted that the financial director has the appropriate expertise and experience required for the position.

The committee oversaw compliance with the risk management requirements in accordance with the JSE Listings Requirements during the period under review, in line with its adopted risk management policy.

The committee has evaluated the annual financial statements of Synergy for the nine months ended 31 March 2015 and, based on the information provided to the committee, considers that they comply, in all material respects, with the requirements of the Companies Act and International Financial Reporting Standards. The committee concurs with the board and management that the adoption of the going concern premise in the preparation of the financial statements is appropriate. The committee has therefore recommended the approval of the annual financial statements by the board.



LX Mtumtum
Audit and risk committee chairman

22 May 2015

Independent auditor's report

TO THE UNITHOLDERS OF SYNERGY INCOME FUND LIMITED

We have audited the financial statements of Synergy Income Fund Limited set out on pages 29 to 56, which comprise the statement of financial position as at 31 March 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S 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 about 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 present fairly, in all material respects, the financial position of Synergy Income Fund Limited as at 31 March 2015, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the period ended 31 March 2015, we have read the directors' report, audit committee's report and company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



Grant Thornton
Chartered Accountants (SA)
Registered auditors

VR de Villiers
Partner
Chartered Accountant (SA)
Registered auditor

22 May 2015

@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo
2196

Directors' report

The board has the pleasure in presenting its report for the nine months ended 31 March 2015.

CHANGE OF YEAR-END AND PRESENTATION OF COMPARATIVE FIGURES

The board wishes to highlight that there has been a change in Synergy's financial year-end from 30 June to 31 March to align with that of its holding company, Vukile Property Fund Limited (JSE: VKE). Vukile acquired a majority shareholding in Synergy during the period under review. Vukile will provide asset management services together with outsourced property management services following its acquisition of VAM on 7 May 2015. The financial performance for the current period is therefore measured over the nine months ended 31 March 2015, and the comparative figures report on the 12 months ended 30 June 2014.

UNIT STRUCTURE

Synergy Income Fund Limited (Synergy, the company or the fund) is a Real Estate Investment Trust (REIT) listed on the JSE Limited (JSE) and carries on the business of a property investment company operating in South Africa.

GENERAL REVIEW OF OPERATIONS

The results and financial position of Synergy are set out in the accompanying financial statements and notes. The results of Synergy are commented on in the chairman and interim chief executive officer's report.

UNIT STRUCTURE

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 30 June 2017 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 in issue and 106.4 million B linked units in issue.

The capital restructure, whereby the A and B linked units will be converted to an all-equity capital structure is in the process of being implemented to ensure compliance with REIT legislation.

INDEPENDENT VALUATIONS

The investment property portfolio was valued at 31 March 2015 at R2 421.9 million (2014: R2 422.1 million). The portfolio was valued by the directors. During the period, the directors adopted a change in valuation technique from a capitalisation of income method to a discounted cash flow model. This resulted in a reduction in fair value of investment properties of approximately R34 million. Seven of the 15 properties (47% of the portfolio) were valued by Synergy's independent valuers for comparison to the directors' valuation. During the year, additions to investment properties amounted to R34 million (2014: R349 million) and the fair value adjustment downwards amounted to R34 million compared with an upward revaluation of R195 million in 2014.

DISTRIBUTIONS

Distributions for the nine months ended 31 March 2015 were 67.66 cents per A linked unit and 41.65 cents per B linked unit.

BORROWINGS

At 31 March 2015, Synergy's total long-term borrowing facilities amounted to R996 million (2014: R946 million) of which R971 million (2014: R911 million) was utilised at year-end. The resultant loan-to-value ratio of the property portfolio at the end of March 2015 was 40.1% (2014: 37.6%). Interest rates were fixed and hedged on 48% of its total borrowings and the weighted average cost of total funding was 8.22% at 31 March 2015.

STATED CAPITAL AND DEBENTURES

The authorised share capital of Synergy consists of 1 billion A ordinary shares of no par value, each of which is indivisibly linked to an unsecured variable rate subordinated A debenture having a nominal value of R8.85 and 2 billion B ordinary shares of no par value, each of which is indivisibly linked to an unsecured variable rate subordinated B debenture having a nominal value of R4.99. During the year under review, no A linked units were issued (2014: nil) and no B linked units were issued (2014: nil).

In accordance with Synergy's Memorandum of Incorporation as read with the Companies Act and Synergy's Debenture Trust Deed, holders of Synergy A linked units and Synergy B linked units have the following voting rights:

- In their capacity as shareholders, on a poll, one vote per share, irrespective of whether the share held is an A ordinary share or a B ordinary share, there being no distinction between the A ordinary shares and the B ordinary shares in this regard
- In their capacity as debenture holders, on a poll, one vote per debenture held, irrespective of whether that debenture is an A debenture or a B debenture and irrespective of the nominal value attaching to that debenture, there being no distinction between the A debentures and the B debentures in this regard.

Where any proposed resolution adversely affects any class of linked unitholder, then such resolution must be passed by the requisite majority of linked unitholders at a properly constituted meeting of linked unitholders and must be passed by the requisite majority of that affected class of linked unitholder. In all other circumstances, linked unitholders vote together irrespective of the class of linked units held by them. As regards any potential redemption of the A linked units (which may take place on or after 14 December 2016, being the fifth anniversary of the listing date of Synergy) such redemption requires approval by way of a resolution of linked unitholders in a combined general meeting, which resolution will require at least 75% of the votes exercisable by linked unitholders at that meeting being cast in favour thereof.

Directors' report (continued)

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

Synergy's position in regard to corporate governance and internal controls is set out in a separate statement in the integrated report.

DIRECTORATE

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

- **Non-executive:** LG Rapp, MJ Kuscus, LX Mtumtum, MJ Potts and SJ Segar
- **Executive:** Dr GS Moseneke and AE Raubenheimer (resigned 22 May 2015) and RC Hawton (appointed 22 May 2015).

The following changes to the directorate took place during the period under review:

- AS Ramsden resigned as a non-executive director and as chairman of the audit and risk committee effective 4 August 2014
- LX Mtumtum replaced AS Ramsden as the chairman of the audit and risk committee effective 27 August 2014
- MM Mdlolo was appointed to the audit and risk committee effective 27 August 2014
- MM Mdlolo and U Meyer resigned as non-executive directors effective 2 March 2015
- LG Rapp and MJ Potts were appointed at the same date
- MJ Kuscus replaced MM Mdlolo as a member of the audit and risk committee effective 2 March 2015
- W Brooks resigned as CEO subsequent to year-end
- Dr GS Moseneke was appointed to the board on 4 May 2015.

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.

An abridged *curriculum vitae* for each of the directors is set out on page 7 of this integrated report.

DIRECTORS' REMUNERATION

Details of the directors' remuneration is set out in note 19.4.

DIRECTORS' INTERESTS

Details of directors and officers' shareholdings are set out in note 19.3. The unitholding of directors has not changed between the end of the financial year and the date of this report.

GOING CONCERN

The directors have made an assessment of Synergy's ability to continue as a going concern and there is no reason to believe that Synergy will not be a going concern during the year ahead.

SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report, not otherwise dealt with in this report or in Synergy's financial statements that would significantly affect the operations, the results and the financial position of Synergy.

COMPANY SECRETARY

The company secretary is Johann Neethling. The business and postal address of the company secretary are set out under administrative information on page 57 of this report.

Statement of financial position

as at 31 March 2015

	Note	31 March 2015 R	30 June 2014 R
ASSETS			
Non-current assets		2 422 182 350	2 422 321 660
Investment properties and related receivables	3	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	18.1.1	–	136 638
Deferred tax assets	4	282 350	85 022
Current assets		27 641 263	25 546 233
Trade and other receivables	5	21 621 520	21 324 146
Cash and cash equivalents	6	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	7	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	8	952 971 381	952 971 381
Financial liabilities	9	968 658 115	909 043 591
Derivative financial instruments	18.1.1	925 954	440 289
Current liabilities		66 676 958	89 207 281
Trade and other payables	10	41 287 866	36 217 410
Debenture interest payable		25 306 654	52 989 871
Derivative financial instruments	18.1.1	82 438	–
Total equity and liabilities		2 449 823 613	2 447 867 893

Statement of comprehensive income

for the nine months ended 31 March 2015

	Note	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	3	(34 382 818)	195 581 887
Adjustment resulting from straight-lining of rental revenue	3	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	12	914 872	939 113
Finance costs	13	(58 761 258)	(72 756 669)
Profit before debenture interest and taxation		40 520 427	299 040 120
Debenture interest	15.3	(76 331 901)	(102 322 030)
(Loss)/profit before taxation	11	(35 811 474)	196 718 090
Taxation	14	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	15	(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

Statement of changes in equity

for the nine months ended 31 March 2015

	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

Statement of cash flows

for the nine months ended 31 March 2015

	Note	9 months ended 31 March 2015 R	12 months ended 30 June 2014 R
Cash flows from operating activities			
Cash generated from operations	16.1	138 227 454	179 726 634
Finance income		914 872	939 113
Interest and distributions paid	16.2	(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	3	(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	6 019 743	4 222 087

Notes to the annual financial statements

for the nine months ended 31 March 2015

1. ACCOUNTING POLICIES

1.1 Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), 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 the Companies Act. The financial statements have been prepared on the historical cost basis except for investment properties and derivative financial instruments which are measured at fair value, and incorporate the principal accounting policies set out below.

Except for the new amendments adopted as set out below, all accounting policies applied by Synergy in the preparation of these financial statements are consistent with those applied by Synergy in the previous period. Synergy has adopted all the amendments, those relevant to the company are detailed as follows:

- Amendments to IFRS 8 relating to disclosures regarding management judgements
- Amendments to IFRS 13 relating to clarity on measurement requirements for short-term receivables and payables
- Amendments to IAS 24 relating to the clarification of the definition of a related party
- Amendments to IAS 32 relating to offsetting financial assets and financial liabilities
- Amendments to IAS 36 relating to recoverable amount disclosures for non-financial assets
- Amendments to IAS 39 relating to novation of derivatives and continuation of hedge accounting
- Amendments to IAS 40 relating to the interrelationship between IFRS 3 and IAS 40.

The above amendments did not have a material impact on the financial statements.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Tenant arrears

Synergy assesses its tenant arrears for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, Synergy considers the security held, historic experience with similar tenants, the period the amount is overdue and knowledge of the tenant's circumstances.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Synergy recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As Synergy has obtained REIT status effective 1 July 2013, it is not liable for capital gains tax on the disposal of directly held properties and local REIT securities. In addition, deferred tax is not recognised on the straight-line rental income accrual as the rental income accrual forms part of Synergy's distributions. Given the REIT status, such distributions are fully deductible for tax purposes and hence no tax liability arises on rental income accruals.

Valuation of investment properties

Investment properties are held to earn investment income and appreciate in capital value. Investment properties are treated as long-term investments and are carried at market value determined annually. Principal to this valuation is the determination of the discount rate, capitalisation rate and long-term vacancy rate applicable to the investment property.

Changes in market conditions may result in capitalisation rates being revised and the fair value of investment properties adjusting significantly.

Initial recognition of investment properties

Investment properties were acquired as standalone assets for investment purposes. The inputs and processes required to produce outputs and therefore an integrated set of activities are provided by Synergy's property and asset manager, Capital Land Asset Management (Pty) Ltd. Accordingly, the acquisition of investment properties does not constitute a business.

An assessment is made with each acquisition of investment property as to whether the specific property meets the definition of a business and accordingly whether the initial recognition thereof should be in terms of IFRS 3 – Business Combinations or alternatively IAS 40 – Investment Properties.

1.3 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised. Tenant installation costs are capitalised to investment property.

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

1. ACCOUNTING POLICIES (continued)

1.3 Investment property (continued)

Subsequent to initial measurement, investment property is measured at fair value. A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

The fair value gains or losses are excluded from the calculation of distributable earnings.

Letting commissions are capitalised and amortised over the lease period. The carrying value of letting commissions is included in investment property.

1.4 Borrowing costs

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 necessary to prepare the asset for its intended use are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes, net of any investment income earned on the temporary investment of those borrowings, or, with regard to that part of development cost financed out of general funds, the weighted average cost of borrowings. No borrowing costs have been capitalised during the year.

1.5 Financial instruments

Classification

Synergy classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost
- Derivative financial instruments.

Classification depends on the purpose for which the financial instruments were obtained or incurred and takes place at initial recognition. Classification is reassessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when Synergy becomes a party to the contractual provisions of the instruments.

Synergy classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not measured at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and Synergy has transferred substantially all risks and rewards of ownership.

Synergy derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

Impairment of financial assets

At each reporting date, Synergy assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets have been impaired.

For amounts due to Synergy, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default of payments, are all considered indicators of impairment.

Impairment losses are recognised in profit or loss. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity instruments classified as available for sale.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue), are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

1. ACCOUNTING POLICIES (continued)

1.5 Financial instruments (continued)

Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

Synergy uses derivative financial instruments to hedge its exposure to interest rate risk arising from its financing activities. In accordance with its treasury policy, Synergy does not hold or use derivative financial instruments for trading purposes. The hedge relationships are not designated as hedges for accounting purposes.

Derivative financial instruments are initially recognised and subsequently measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Synergy holds interest rate swap instruments. The fair value of the interest rate swap is the estimated amount that Synergy would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Other non-derivative financial instruments

Other non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Other non-derivative financial liabilities are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently recorded at amortised cost.

Bank overdraft and other financial liabilities

Bank overdrafts and other financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with Synergy's accounting policy for borrowing costs.

Debentures

Debentures are measured at amortised cost using the effective interest method.

Any difference that arises upon initial recognition between the subscription price and the fair value of the debenture portion of the linked unit is recognised through profit and loss.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when Synergy has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses 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 end of the reporting period.

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

1. ACCOUNTING POLICIES (continued)

1.6 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and are included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- A business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Impairment of assets

Synergy assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, Synergy estimates the recoverable amount of the asset.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Synergy assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The carrying amount of an asset, other than goodwill, attributable to a reversal of an impairment loss shall be increased to the recoverable amount, provided that such recoverable amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.8 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity. The equity portion of linked units is recognised as the residual amount after the recognition of the debenture portion of the units.

1.9 Provisions and contingencies

Provisions are recognised when:

- Synergy has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses. If Synergy has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.10 Revenue

Revenue includes operating lease rental income and recovery of expenses from investment properties excluding value added tax. Rental income under operating leases 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 rental income over the lease period. Interest is recognised in profit or loss using the effective interest method.

1.11 Segmental reporting

Synergy identifies and presents operating segments based on the information that is provided internally to the executive management committee (Exco), Synergy's operating decision-making forum. This forum reviews the performance of its investment properties held by Synergy on an individual basis.

The measurement policies Synergy uses for segment reporting under IFRS 8 are the same as those used in its financial statements, except that the following items are *inter alia* not included in arriving at operating profit of the operating segments:

- Administration costs.

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

2. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk.

This note represents information about Synergy's exposure to each of the above risks, Synergy's objectives, policies and processes for measuring and managing risk, and its management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors has overall responsibility for the establishment and oversight of Synergy's risk management framework. The board has delegated the responsibility for developing and monitoring Synergy's risk management policies to the executive directors. The executive directors report to the board of directors on their activities. Synergy's audit and risk committee oversees how the executive directors monitor compliance with Synergy's risk management policies and reviews the adequacy of the risk management framework in relation to the risks faced by Synergy.

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

2.1 Credit risk

Credit risk is the risk of financial loss to Synergy if a tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Synergy's trade and other receivables and cash and cash equivalents.

Trade and other receivables

Trade and other receivables relate mainly to Synergy's tenants and deposits with municipalities.

Synergy's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. Synergy's widespread tenant base and high national tenant ratio reduces credit risk.

Management has established a credit policy under which each new tenant is analysed individually for creditworthiness before Synergy's standard payment terms and conditions are offered which include, in the majority of cases, the provision of a deposit of at least one month's rental. When available, Synergy's review includes external ratings.

Investments and cash and cash equivalents

Synergy limits its exposure to credit risk by only placing funds with reputable financial institutions for investing and cash-handling purposes.

2.2 Liquidity risk

Liquidity risk is the risk that Synergy will not be able to meet its financial obligations as they fall due. Synergy'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 its reputation.

Synergy monitors cash flow requirements taking account of rentals receivable on a monthly basis. Typically, Synergy ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, Synergy has negotiated certain lines of credit with financial institutions (refer to note 9).

2.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect Synergy'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.

Interest rate risk

Synergy is mainly exposed to interest rate risk and adopts a policy of ensuring that an appropriate amount of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk. All such transactions are carried out within the guidelines set by the board of directors.

Currency risk

Synergy has no exposure to currency risk.

2.4 Fair values

A number of Synergy's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

2. FINANCIAL RISK MANAGEMENT (continued)

2.4 Fair values (continued)

Investment property

All properties are valued by the directors of Synergy. External, independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values in excess of one third of Synergy's investment property portfolio every year (in line with the JSE Listings Requirements). Any differences between the external valuations and the directors' valuations are reported in the notes to the annual financial statements. The valuations are done on an open market basis with consideration to the estimated cash flows expected to be received from renting out the property and an appropriate discount and capitalisation rate that reflects the specific risks inherent in the net cash flows per property. The fair values are based on market values, being the estimated amount for which the property could be exchanged in an orderly transaction between market participants at the measurement date after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between Synergy and the lessee; and the remaining economic life of the property.

Trade and other receivables

The fair value of trade and other receivables is estimated at present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives

The fair value of interest rate swaps is based on broker quotes. This is the estimated amount that Synergy would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the counterparties.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

2.5 Capital management

The board's policy is to maintain a strong capital base, comprising its unitholders' interest (stated and debenture capital), so as to maintain investor, creditor and market confidence and to sustain future development of the business. It is Synergy's stated purpose to deliver long-term sustainable growth in distributions per unit. At least 99.9% of net profits, as defined in the Debenture Trust Deed, are distributed on a six-monthly basis. The board of directors monitors the level of distributions to unitholders and ensures compliance with the terms of the Debenture Trust Deed and that no profits of a capital nature are distributed. There were no changes in Synergy's approach to capital management during the year. Synergy is not subject to externally imposed capital requirements.

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

	2015 R	2014 R
3. INVESTMENT PROPERTIES AND RELATED RECEIVABLES		
Cost	1 935 441 425	1 905 460 296
Accumulated fair value adjustment	456 863 372	490 740 816
Deferred lease incentive expense	11 467 820	7 266 131
Investment properties	2 403 772 617	2 403 467 243
Straight-lining of leases		
– Non-current receivable	18 127 383	18 632 757
Carrying value	2 421 900 000	2 422 100 000
Movement in investment properties and related receivables:		
Carrying value at the beginning of the period/year	2 422 100 000	1 877 074 000
Additions	29 981 129	345 416 667
Acquisitions	6 000 000	339 395 199
Subsequent expenditure	23 981 129	6 021 468
Fair value adjustment	(33 877 444)	195 022 255
(Decrease)/increase in straight-lining receivable	(505 374)	559 632
Increase in deferred lease incentive expense	4 201 689	4 027 446
Carrying value at the end of the period/year	2 421 900 000	2 422 100 000
Operating lease rentals		
Non-cancellable operating rentals are receivable as follows:		
Less than one year	225 240 693	212 111 471
Between one and five years	479 721 665	473 624 106
More than five years	64 007 874	53 231 770

Investments properties are encumbered as per note 9.

Synergy's property portfolio has been valued at R2 421.9 million as at 31 March 2015 (2014: R2 422.1 million). The portfolio was valued by the directors.

Seven of the 15 investment properties (47% of the portfolio), were independently valued as at 31 March 2015 by Knight Frank (Pty) Ltd (Knight Frank) and Quadrant Properties (Pty) Ltd (Quadrant) (professional valuers registered with the South African Institute of Valuers) on the open market basis and with consideration to the future earnings potential and an appropriate discount and capitalisation rate for each property to evaluate the directors' valuations.

The external valuations performed by Knight Frank and Quadrant are in line with the directors' valuations of the same properties.

The fair value measurement for investment property of R2 421.9 million (2014: R2 422.1 million) has been categorised as a recurring level 3 fair value in terms of the fair value hierarchy in note 18.4 based on the inputs to the valuation technique used. The fair value of all investment property determined is supported by market evidence.

In the current year, all properties are valued under the discounted cash flow (DCF) method. Under the DCF method, the property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including the exit or terminal value.

This involves the projection of a series of cash flows to which an appropriate market-related discount rate is applied to establish the present value of the income stream. This method is considered to be a more robust and appropriate valuation technique than was previously applied.

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

3. INVESTMENT PROPERTIES AND RELATED RECEIVABLES (continued)

The following table shows the significant unobservable inputs used for the DCF method of valuation:

Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
(a) Projected cash flows – the projected cash flows are based on the forecast net operating income for the duration of the property's life.	Increases or decreases in projected cash flows would result in increases or decreases in the estimated fair value respectively.
(b) Discount rate and capitalisation rate – the discount rate and capitalisation rate take into account market conditions and property-specific factors.	Increases or decreases in the discount rate would result in decreases or increases in the estimated fair value respectively.
(c) Long-term vacancy rate – the long-term vacancy rate is determined based on the percentage of estimated vacant space divided by the total lettable area.	Increases or decreases in the long-term vacancy rate would result in decreases or increases in the estimated fair value respectively.

The range of discount rates and reversionary capitalisation rates applied to the portfolio are between 13.2% and 14.9%, and between 8.2% and 9.9% respectively, depending on the risk profile of each portfolio asset.

Sensitivity analysis

The effect on the fair value of the portfolio of a 1% increase in the discount rate would result in a decrease in the fair value of R256.5 million (11.8%). By increasing the base discount rate with 100 bps, the average discount rate on the portfolio would increase from 13.7% to 14.7% and the average exit capitalisation rate would increase from 8.8% to 9.8% due to the interlinked nature of the rates.

The effect on the fair value of the portfolio of a 1% increase in the long-term vacancy rate would result in a decrease in the fair value of R45 million (1.9%). The analysis has been prepared on the assumption that all other variables remain constant.

As the financial information presented represents a nine-month period ended 31 March 2015 compared with a 12-month period, percentages and movements between periods are not disclosed.

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

	2015 R	2014 R
4. DEFERRED TAX		
Balance at the beginning of the period/year	85 022	379 361
Movement in profit/(loss)	197 328	(294 339)
Balance at the end of the period/year	282 350	85 022
Comprising		
Fair value of interest rate swaps	282 350	85 022
	282 350	85 022
Net deferred tax balances:		
Deferred tax liabilities	–	–
Deferred tax assets	282 350	85 022
	282 350	85 022
5. TRADE AND OTHER RECEIVABLES		
Tenant and related receivables	8 779 646	8 344 012
Allowance for bad debts	(4 454 814)	(3 490 096)
Deposits	2 468 239	2 148 939
Other receivables	14 828 449	14 321 291
	21 621 520	21 324 146
6. CASH AND CASH EQUIVALENTS		
Cash on call*	3 894 136	3 194 436
Current account	2 125 607	1 027 651
	6 019 743	4 222 087
* The cash on call balance is restricted by various guarantees held by the municipalities that govern the districts where Synergy's properties are located. The municipal guarantees are limited to an amount of R2 082 885 (2014: R3 012 885).		
7. STATED CAPITAL		
Authorised		
1 000 000 000 A ordinary no par value shares		
2 000 000 000 B ordinary no par value shares		
Issued		
47 352 203 (2014: 47 352 203) A linked unit shares at R0.01	473 522	473 522
106 352 670 (2014: 106 352 670) B linked unit shares at R0.01	1 063 527	1 063 527
	1 537 049	1 537 049
Each share is linked to a debenture, which together comprise a linked unit (refer to note 8).		

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

	2015 R	2014 R
8. DEBENTURES		
24 889 156 (2014: 24 889 156) unsecured variable rate subordinated A debentures issued at R8.57 each	213 300 067	213 300 067
22 463 047 (2014: 22 463 047) unsecured variable rate subordinated A debentures issued at R8.50 each	190 863 728	190 863 728
60 000 000 (2014: 60 000 000) unsecured variable rate subordinated B debentures issued at R4.99 each	299 400 000	299 400 000
13 113 070 (2014: 13 113 070) unsecured variable rate subordinated B debentures issued at R5.24 each	68 712 486	68 712 486
33 239 600 (2014: 33 239 600) unsecured variable rate subordinated B debentures issued at R5.44 each	180 695 100	180 695 100
	952 971 381	952 971 381

The debentures bear interest at a rate of not less than 99.9% of the profits of Synergy as defined in the Debenture Trust Deed. As announced on SENS on 10 March 2015, Synergy has changed its financial year-end from 30 June to 31 March, effective 31 March 2015. After the change in financial year-end, interest will be payable in respect of the three months ended 31 March 2015, the six months ended 30 September 2015 and thereafter in respect of the six months ended 31 March and 30 September. The payment of interest on debentures is not guaranteed by Synergy in the event that the distributable earnings for any particular income period are less than the amount required to make payment of interest as provided for in the Debenture Trust Deed. Interest shall be paid by no later than four months after the relevant income period.

A debentures have a preferential entitlement to distributions that escalate at 5% annually until 31 March 2018 and thereafter at the lower of 5% and CPI. The remaining distributable income, after payment of distributions to A linked unitholders, accrues to B linked unitholders.

All of the debentures shall be redeemable, irrespective of the date upon which they were issued, by a special resolution of debenture holders passed on or within 90 days after:

- 15 December 2014, which is defined as the "election date" or
- On the 10th anniversary of the election date, and every 10th anniversary thereafter.

The debentures shall be redeemed by Synergy in June of the fifth year after the year in which the debenture special resolution is passed.

The debentures, together with interest thereon, shall become repayable immediately on the happening of any of the following events as detailed in the Debenture Trust Deed:

- At the option of the trustee, if Synergy fails to adhere to the terms of the Debenture Trust Deed; commits an act of insolvency; disposes of or attempts to dispose of the whole or substantially the whole of its undertaking or the whole of or greater part of its assets, or if a final order of a competent court is made or an effective resolution is passed for the winding up of Synergy.

The A debentures are redeemable in whole or in part by way of a resolution of the board of directors (the redemption resolution) on or after the fifth anniversary of the listing date provided that such redemption has been authorised by a special resolution of linked unitholders in a combined general meeting as provided for in the first supplemental deed to the Debenture Trust Deed. Any such redemption shall be at the volume weighted average sales price of an A linked unit over the 60 trading days immediately preceding the date on which the redemption resolution is passed, on the basis that each A debenture shall be redeemed at least at its nominal value.

The rights of debenture holders to repayment are subordinated in favour of the claims of other creditors.

Subsequent to year-end and as announced on SENS on 20 May 2015, Synergy intends converting the capital structure of Synergy from a linked unit capital structure to a share-only capital structure, in order to align the capital structure of Synergy with the capital structures of REITs. Pursuant to the proposed capital restructure, the linked units of Synergy will be delinked and the debenture capital will be capitalised to stated capital such that the capital structure of Synergy will solely comprise A and B ordinary shares.

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 Synergy's Debenture Trust Deed.

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

	Interest rate %	Expiry date of interest rate	2015 R	2014 R
9. FINANCIAL LIABILITIES				
Total financial liabilities			968 658 115	909 043 591
Non-current financial liabilities			970 578 437	910 877 770
Loan raising costs			(1 920 322)	(1 834 179)
Financial liabilities consist of the following:				
9.1 Nedbank Limited (Nedbank)				
– Amounts included in non-current liabilities			438 476 806	438 363 470
– Amounts included in current liabilities			–	–
Nedbank facilities and loan balances consist of the following:				
Nedbank facility A (expiry June 2017)				
– Variable portion	Prime less 150 bps	Jun 2017	126 514 176	126 376 782
– Fixed portion in terms of swap (Nedbank)	7.60%	Jun 2015	60 000 000	60 000 000
– Fixed portion in terms of swap (Nedbank)	7.97%	Jul 2016	50 000 000	50 000 000
■ The total facility is R235 000 000 (2014: R235 000 000).				
■ Interest is paid on a monthly basis with full capital amount payable at the end of the 60-month term of the loan.				
■ The above facility is secured by mortgage bonds over the following properties with a carrying value of R533 400 000 (2014: R523 300 000):				
– Erf 114 Ulundi BA and Remainder of Erf 493 Ulundi BA				
– Erf 12050 Phuthaditjhaba				
– Erf 1077 Phuthaditjhaba-B				
– Erf 291 Phuthaditjhaba-D.				
Nedbank facility B (expiry October 2018)				
– Variable portion	Prime less 150 bps	Oct 2018	201 962 630	201 986 688
■ The total facility is R201 000 000 (2014: R201 000 000).				
■ Interest is paid on a monthly basis with full capital amount payable at the end of the 60-month term of the loan.				
■ The above facility is secured by mortgage bonds over the following properties with a carrying value of R310 000 000 (2014: R354 000 000):				
– Erf 6192 Wesfleur Atlantis				
– Erf 15634 Wesfleur Atlantis.				
9.2 Standard Bank of South Africa Limited (Standard Bank) (expiry September 2019)				
– Amounts included in non-current liabilities			265 163 390	205 577 562
– Amounts included in current liabilities			–	–
Standard Bank facilities and loan balances consist of the following:				
Standard Bank facility A				
– Variable portion A	Prime less 110 bps	Sept 2019	76 163 390	66 577 562
	Three-month Jibar			
– Variable portion B	plus 235 bps	Sept 2019	19 000 000	19 000 000
– Fixed portion in terms of swap (Standard Bank)	9.50%	Jun 2017	80 000 000	80 000 000
– Fixed portion in terms of swap (Standard Bank)	8.88%	Jun 2015	40 000 000	40 000 000
■ The total facility is R245 000 000 (2014: R245 000 000).				
■ Interest is paid on a monthly basis with full capital amount payable at the end of the 60-month term of the loan.				
Standard Bank facility B (expiry September 2017)				
– Variable portion	Prime less 160 bps	Sept 2017	50 000 000	–
■ The total facility is R50 000 000 (2014: Rnil).				
■ Interest is paid on a monthly basis with full capital amount payable at the end of the 60-month term of the loan.				
■ The above A and B facilities are secured by mortgage bonds over the following properties with a carrying value of R624 400 000 (2014: R641 100 000):				
– Erf 817 Melodie Extension 22 Township				
– Erven 18-25, 51-52 and 695 all of KwaMashu P				
– Notarially tied Erf 103 Amarosa Extension 6 Township and Portion 497 of the Farm Wilgespruit				
– Portion 48 (a portion of Portion 6), erven 431, 450, 524 and all of the Farm Albinia No 957				
– Erf 3 Hubenyi Township				
– Erf 15288 Newcastle				

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

	Interest rate %	Expiry date of interest rate	2015 R	2014 R
9. FINANCIAL LIABILITIES (continued)				
9.3 FirstRand Bank Limited (RMB) (expiry May 2017)				
– Amounts included in non-current liabilities			266 938 241	266 936 738
– Amounts included in current liabilities			–	–
RMB facilities and loan balances consist of the following:				
RMB facility				
– Variable portion	One-month Jibar plus 230 bps	May 2017	30 233 241	30 231 738
– Fixed portion (RMB)	9.14%	May 2017	90 000 000	90 000 000
– Fixed portion (RMB)	8.36%	May 2017	146 705 000	146 705 000
■ The total facility is R265 000 000 (2014: R265 000 000).				
■ Interest is paid on a monthly basis with full capital amount payable at the end of the 60-month term of the loan.				
■ The above facility is secured by mortgage bonds over the following properties with a carrying value of R777 800 000 (2014: R747 100 000):				
– Erf 410 Hammanskraal Extension 1				
– Erf 1522 Del Judor Extension 16 Township				
– Erf 4486 Gugulethu				
– Erf 4489 Gugulethu				
– Remainder of Erf 4483 Gugulethu				
The above financing facilities are at market-related terms.				
10. TRADE AND OTHER PAYABLES				
Trade creditors			4 300 795	3 138 323
Rental received in advance			6 550 350	5 207 597
Operating expense accruals			18 290 042	17 264 010
Tenant deposits			12 146 679	10 607 480
			41 287 866	36 217 410
11. (LOSS)/PROFIT BEFORE TAXATION IS STATED AFTER RECOGNISING				
Audit fee			(374 780)	(308 440)
Property administration fees			(10 960 049)	(13 743 271)
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period/year			(81 334 497)	(98 509 161)
Impairment loss relating to tenants and related receivables			(1 398 602)	(3 012 572)
– Bad debts provided for			(964 718)	(802 005)
– Bad debts written off			(433 884)	(2 210 567)
12. FINANCE INCOME				
Interest received on bank balances outstanding			481 465	621 369
Interest on debtors			433 407	317 744
			914 872	939 113
13. FINANCE COSTS				
Interest paid on loans			57 667 987	67 993 346
Occupational interest paid			482 857	4 168 854
Amortisation of loan raising costs			556 356	594 469
Other interest paid			54 058	–
			58 761 258	72 756 669

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

	2015 R	2014 R
14. TAXATION		
South African normal tax (income)/expense	(197 328)	294 339
– Income tax	–	–
– Capital gains tax	–	–
– Deferred tax (income)/expense	(197 328)	294 339
Reconciliation of tax rate	%	%
Effective tax rate	0.55	0.15
Permanent difference on fair value adjustments	26.49	27.76
Prior year unprovided	–	0.09
Items not deductible for tax purposes	0.56	(0.08)
Non-taxable income	0.40	0.08
Standard tax rate	28.00	28.00
15. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE		
15.1 Basic and diluted (loss)/earnings per share		
Basic and diluted (loss)/earnings per share (cents)	(23.17)	127.79
The calculation of the basic and diluted (loss)/earnings per share is based on the weighted average number of 153 704 873 (2014: 153 704 873) shares in issue during the period/year and a loss of R35 614 146 (2014: profit of R196 423 751).		
15.2 Basic and diluted headline (loss)/earnings		
The calculation of the basic and diluted headline earnings per share is based on a weighted average of 153 704 873 (2014: 153 704 873) shares in issue during the period/year and the headline earnings is calculated as follows:		
(Loss)/profit for the period/year	(35 614 146)	196 423 751
Fair value adjustments to investment properties	33 877 444	(195 022 255)
Headline (loss)/earnings – shares	(1 736 702)	1 401 496
Interest paid to debenture holders	76 331 901	102 322 030
Basic and diluted headline earnings – linked units	74 595 199	103 723 526
Basic and diluted headline (loss)/earnings per share (cents)	(1.13)	0.91
Basic and diluted headline earnings per A linked unit (cents)	66.53	87.70
Basic and diluted headline earnings per B linked unit (cents)	40.52	58.48
15.3 Distributable earnings		
Headline earnings to linked unitholders	74 595 199	103 723 526
Amortisation of loan raising costs	556 356	594 469
Straight-line rental income accrual	505 374	(559 632)
Other capital items	167 559	–
Changes in fair value of swaps (net of deferred taxation)	507 413	(1 436 333)
Changes in fair value of swaps	704 741	(1 730 672)
Deferred taxation	(197 328)	294 339
Distributable earnings	76 331 901	102 322 030

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

	2015 R	2014 R
16. NOTES TO THE STATEMENT OF CASH FLOWS		
16.1 Cash generated from operations		
(Loss)/profit before taxation	(35 811 474)	196 718 090
Adjusted for:		
Finance income	(914 872)	(939 113)
Finance costs	135 093 159	175 078 699
Debenture interest	76 331 901	102 322 030
Other interest	58 761 258	72 756 669
Straight-lining of operating leases	505 374	(559 632)
Fair value adjustment to investment properties	33 877 444	(195 022 255)
Fair value adjustment in respect of swaps	704 741	(1 730 672)
	133 454 372	173 545 117
Changes in working capital net of assets acquired	4 773 082	6 181 517
(Increase)/decrease in trade and other receivables	(297 374)	2 665 447
Increase in trade and other payables	5 070 456	3 516 070
Cash generated from operations	138 227 454	179 726 634
16.2 Interest paid		
Interest charge per statement of comprehensive income	135 093 159	175 078 699
Less amortisation of loan raising costs	(556 356)	(594 469)
Decrease/(increase) in debenture interest payable	27 683 217	(4 617 747)
Interest paid	162 220 020	169 866 483

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

17. SEGMENTAL INFORMATION

Property name	Location	GLA (m ²)	Revenue (Rm)	Property operating costs (Rm)	Net operating income (Rm)	Retail vacancy (%)	Average gross rental* per m ² (R/m ²)	Effective date of acquisition	Valuation (Rm)	Address
Gugulethu Square Shopping Centre	Western Cape	25 322	38.5	16.3	22.2	0.0	127	30 Aug 2012	399.1	Corner Steve Biko Street, NY3 and NY6, Gugulethu, Cape Town
King Senzangakhona Shopping Centre	KwaZulu-Natal	22 325	21.3	6.3	15.0	1.6	101	16 Feb 2012	235.2	Corner King Dinizulu Highway and Princess Magogo Street, Ulundi
Atlantis City Shopping Centre	Western Cape	22 114	31.4	10.2	21.2	5.1	125	1 Sept 2013	310.0	8 Wesfleur Circle, Atlantis
Setsing Crescent Shopping Centre	Free State	21 538	28.0	8.8	19.2	2.4	116	23 Aug 2012	298.2	Corner Setai and Motloung Road, Phuthaditjhaba
Highland Mews Shopping Centre	Mpumalanga	17 032	20.0	5.5	14.5	6.6	103	1 June 2012	210.9	Corner Hans Strydom Drive and Watermeyer Street, Emalahleni
Renbro Shopping Centre	Gauteng	13 308	17.7	8.0	9.7	12.0	113	1 June 2012	167.8	Old Warmbaths Road, Hammanskraal
Hubyeni Shopping Centre	Limpopo	12 685	11.8	4.9	6.9	0.7	87	1 June 2012	110.0	Corner R578 and R528, Elim
KwaMashu Shopping Centre	KwaZulu-Natal	11 204	12.6	6.4	6.2	6.1	102	25 Oct 2011	107.2	300 Malandela Road, KwaMashu
Ruimsig Shopping Centre	Gauteng	11 178	13.2	6.2	7.0	4.7	99	22 Dec 2011	117.5	Corner Doreen and Malcolm Roads, Amarosa, Roodepoort
Sediba Shopping Centre	North West	10 887	12.2	6.7	5.5	16.4	114	7 Oct 2011	122.9	Die Ou Wapad, Hartbeespoort
Hillcrest Richdens Village Shopping Centre	KwaZulu-Natal	10 269	11.9	4.8	7.1	8.6	127	24 May 2012	113.5	59 to 61 Old Main Road, Hillcrest
Ermelo Game Shopping Centre	Mpumalanga	6 639	4.6	2.2	2.4	16.9	83	1 June 2012	58.1	Corner De Emigratie Road and Voortrekker Avenue, Ermelo
Nzhelele Valley Shopping Centre	Limpopo	5 308	5.9	2.2	3.7	5.7	98	1 June 2012	55.7	Corner Main Road and R523, Dzanani
Van Riebeeckshof Shopping Centre	Western Cape	5 181	7.4	3.6	3.8	0.0	108	1 June 2012	62.5	Corner Koelenhof, Delaire and Riebeeckshof Roads, Welgedacht
Taxi City Shopping Centre	KwaZulu-Natal	5 006	4.8	1.6	3.2	2.3	114	6 Dec 2011	53.4	Corner Allen and Kirkland Streets, Newcastle
		199 996	241.3	93.7	147.6		110		2 422.0	

* Gross rental revenue includes basic rental, operating cost recoveries and rates recoveries for March 2015.

A major revenue provider of Synergy is Spar Group Limited, accounting for 17.11% (2014: 17.56%) of Synergy's revenue. Revenue attributable to the Spar Group Limited in the period ended 31 March 2015 is R41 297 890 (2014: R53 318 546).

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

18. FINANCIAL INSTRUMENTS

Exposure to market, credit and liquidity risks arise in the normal course of the company's business. Derivative financial instruments are used as and when required to hedge exposure to fluctuations in interest rates.

18.1 Market risk

18.1.1 Interest rate risk

Synergy adopts a policy of ensuring that an appropriate amount of its exposure to changes in interest rates on borrowings is on a fixed basis. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure. At the reporting date, Synergy had entered into the following interest rate swaps with respect to the following facilities:

	Maturity	Fixed rate %	Fair value at 31 March 2015	Fair value at 30 June 2014
Nedbank facility				
– Swap (Nedbank)	1 June 2015	7.60	14 806	(41 131)
– Swap (Nedbank)	4 July 2016	7.97	90 634	(95 507)
Standard Bank facility				
– Swap (Standard Bank)	30 June 2015	8.88	67 632	113 194
– Swap (Standard Bank)	30 June 2017	9.50	835 320	327 095
Fair value liability			1 008 392	303 651
– Amounts included in non-current assets			–	(136 638)
– Amounts included in non-current liabilities			925 954	440 289
– Amounts included in current liabilities			82 438	–

Nedbank: The interest rate on the facility has been hedged through Nedbank Limited.

Standard Bank: The interest rate on the facility has been hedged through Standard Bank of South Africa Limited.

18.1.1.1 Effective interest rates and repricing

Note	Effective interest rate %	Carrying amount R	0 – 12 months R	1 – 4 years R	More than 4 years R
At the reporting date, Synergy's interest rate profile was:					
2015					
Cash and cash equivalents					
– Cash on call	6	4.950	3 894 136	3 894 136	–
– Current accounts	6	3.750	2 125 607	2 125 607	–
Financial liabilities					
Nedbank facility A					
– Variable portion	9	7.750	(126 514 176)	–	(126 514 176)
– Swap (Nedbank)	9	7.600	(60 000 000)	–	(60 000 000)
– Swap (Nedbank)	9	7.970	(50 000 000)	–	(50 000 000)
Nedbank facility B					
– Variable portion	9	7.750	(201 962 630)	–	(201 962 630)
Standard Bank facility A					
– Variable portion A	9	8.150	(76 163 390)	–	(76 163 390)
– Variable portion B	9	8.450	(19 000 000)	–	(19 000 000)
– Swap (Standard Bank)	9	9.500	(80 000 000)	–	(80 000 000)
– Swap (Standard Bank)	9	8.880	(40 000 000)	–	(40 000 000)
Standard Bank facility B					
– Variable portion	9	7.650	(50 000 000)	–	(50 000 000)
RMB facility					
– Variable portion	9	8.510	(30 233 241)	–	(30 233 241)
– Fixed portion (RMB)	9	9.140	(90 000 000)	–	(90 000 000)
– Fixed portion (RMB)	9	8.360	(146 705 000)	–	(146 705 000)
Debentures					
	8	Variable	(952 971 381)	–	(952 971 381)
			(1 917 530 075)	6 019 743	(755 415 047)
					(1 168 134 771)

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

18. FINANCIAL INSTRUMENTS (continued)

18.1 Market risk (continued)

18.1.1 Interest rate risk (continued)

18.1.1.1 Effective interest rates and repricing (continued)

	Note	Effective interest rate %	Carrying amount R	0 – 12 months R	1 – 4 years R	More than 4 years R
At the reporting date Synergy's interest rate profile was:						
2014						
Cash and cash equivalents						
– Cash on call	6	4.700	3 194 436	3 194 436	–	–
– Current accounts	6	3.500	1 027 651	1 027 651	–	–
Financial liabilities						
Nedbank facility A						
– Variable portion	9	7.500	(126 376 782)	–	(126 376 782)	–
– Swap (Nedbank)	9	7.900	(60 000 000)	–	(60 000 000)	–
– Swap (Nedbank)	9	8.360	(50 000 000)	–	(50 000 000)	–
Nedbank facility B						
– Variable portion	9	7.500	(201 986 688)	–	(201 986 688)	–
Standard Bank facility						
– Variable portion A	9	8.200	(66 577 562)	–	(66 577 562)	–
– Variable portion B	9	8.405	(19 000 000)	–	(19 000 000)	–
– Swap (Standard Bank)	9	9.830	(80 000 000)	–	(80 000 000)	–
– Swap (Standard Bank)	9	9.210	(40 000 000)	–	(40 000 000)	–
RMB facility						
– Variable portion	9	8.356	(30 231 738)	–	(30 231 738)	–
– Fixed portion (RMB)	9	9.440	(90 000 000)	–	(90 000 000)	–
– Fixed portion (RMB)	9	8.660	(146 705 000)	–	(146 705 000)	–
Debentures	8	Variable	(952 971 381)	–	–	(952 971 381)
			(1 859 627 064)	4 222 087	(910 877 770)	(952 971 381)

18.1.1.2 Sensitivity analysis

The company has a mixture of fixed and floating interest-bearing financial liabilities. The effect on the profit or loss of a 1% (2014: 1%) increase in the interest rates on the floating rate interest-bearing financial liabilities balances outstanding at the reporting date would result in an increase in the interest expense of R5.0 million (2014: R4.4 million). The analysis is based on the floating rate interest-bearing liability balance at period end and has been prepared on the assumption that all other variables remain constant and is prepared on the same basis as that of the prior year.

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

	2015 R	2014 R
18. FINANCIAL INSTRUMENTS (continued)		
18.2 Credit risk		
18.2.1 Credit exposure		
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:		
Derivative financial asset – financial instruments	–	136 638
Tenant and related receivables (net of allowance for bad debts)	4 324 832	4 853 916
Other receivables	15 843 313	14 390 759
Cash and cash equivalents	6 019 743	4 222 087
	26 187 888	23 603 400
18.2.2 Impairment losses		
The ageing of tenant and related receivables past due but not yet impaired at the reporting date was:		
Past due 1 – 30 days	3 508 387	3 850 479
Past due 31 – 60 days	98 607	129 754
Past due 61 – 120 days	56 488	66 243
Past due > 120 days	661 350	807 440
Total	4 324 832	4 853 916
The movement in the allowance for impairment in respect of tenant and related receivables during the period/year was as follows:		
Balance at the beginning of the period/year	(3 490 096)	(2 688 091)
Impairment loss recognised	(1 398 602)	(3 012 572)
Bad debts written off	433 884	2 210 567
Balance at the end of the period/year	(4 454 814)	(3 490 096)
Impairment losses are recognised on a regular basis after comprehensively assessing the individual circumstances and credit risk of the tenant. Once Synergy is satisfied that no recovery of the amount owing is possible, the amount is considered irrecoverable and, net of deposits held, is written off against the financial asset. Management has made an assessment of the debts neither past due nor impaired and are satisfied with the credit quality of these debtors, including other receivables.		

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

18. FINANCIAL INSTRUMENTS (continued)

18.3 Liquidity risk

The following are the contractual maturities of financial liabilities. No interest payments have been included as the amounts involved are dependent on future changes in interest rates.

	Carrying value R	1 – 12 months R	1 – 2 years R	2 – 5 years R	More than 5 years R
2015					
Non-derivative financial liabilities					
Financial liabilities	970 578 437	–	–	970 578 437	–
Trade and other payables	32 904 487	32 904 487	–	–	–
Trade and other payables as per note 10	41 287 866	41 287 866	–	–	–
VAT	(1 833 029)	(1 833 029)	–	–	–
Rental received in advance	(6 550 350)	(6 550 350)	–	–	–
Debentures	952 971 381	–	–	–	952 971 381
Debenture interest payable	25 306 654	25 306 654	–	–	–
Derivative financial liabilities					
Financial instruments	1 008 392	82 438	90 634	835 320	–
2014					
Non-derivative financial liabilities					
Financial liabilities	910 877 770	–	–	910 877 770	–
Trade and other payables	28 572 151	28 572 151	–	–	–
Trade and other payables as per note 10	36 217 410	36 217 410	–	–	–
VAT	(2 437 662)	(2 437 662)	–	–	–
Rental received in advance	(5 207 597)	(5 207 597)	–	–	–
Debentures	952 971 381	–	–	–	952 971 381
Debenture interest payable	52 989 871	52 989 871	–	–	–
Derivative financial liabilities					
Financial instruments	440 289	–	113 194	327 095	–

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

Permitted borrowings for the company

	2015 R	2014 R
Value of property portfolio (refer to note 3)	2 421 900 000	2 422 100 000
41.1% (2014: 39.1%) of portfolio value	996 000 000	946 000 000
Total financial liabilities (excluding debentures)	(970 578 437)	(910 877 770)
Unutilised borrowing capacity	25 421 563	35 122 230
Gearing ratio – loan to value	40.1%	37.6%

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

18. FINANCIAL INSTRUMENTS (continued)

18.4 Fair value measurement of financial instruments

Fair value hierarchy

The company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1** – Quoted prices (unadjusted) in an active market for an identical instrument.
- **Level 2** – Valuation techniques based on observable inputs, either directly (ie as prices) or indirectly (ie derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3** – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category also includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity instruments, exchange traded derivatives and simple over-the-counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values.

	Fair value through profit or loss R	Loans and receivables R	Liabilities at amortised cost R	Total carrying amount R	Fair value R
2015					
Trade and other receivables		20 168 145		20 168 145	20 168 145
Cash and cash equivalents		6 019 743		6 019 743	6 019 743
Linked debentures			(952 971 381)	(952 971 381)	(952 971 381)
Interest-bearing borrowings			(968 658 115)	(968 658 115)	(968 658 115)
Interest rate swaps (level 2)	(1 008 392)			(1 008 392)	(1 008 392)
Trade and other payables			(32 904 487)	(32 904 487)	(32 904 487)
Linked debenture interest payable			(25 306 654)	(25 306 654)	(25 306 654)
	(1 008 392)	26 187 888	(1 979 840 637)	(1 954 661 141)	(1 954 661 141)
Net gain/(loss) per category	(704 741)	(483 730)	(135 093 159)		
2014					
Trade and other receivables		19 244 675		19 244 675	19 244 675
Cash and cash equivalents		4 222 087		4 222 087	4 222 087
Linked debentures			(952 971 381)	(952 971 381)	(952 971 381)
Interest-bearing borrowings			(909 043 591)	(909 043 591)	(909 043 591)
Interest rate swaps (level 2)	136 638			136 638	136 638
Interest rate swaps (level 2)	(440 289)			(440 289)	(440 289)
Trade and other payables			(28 572 151)	(28 572 151)	(28 572 151)
Linked debenture interest payable			(52 989 871)	(52 989 871)	(52 989 871)
	(303 651)	23 466 762	(1 943 576 994)	(1 920 413 883)	(1 920 413 883)
Net gain/(loss) per category	1 730 672	(2 073 459)	(175 078 699)		

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

19. RELATED-PARTY TRANSACTIONS

19.1 Identity of related parties

- Common directorship and shareholding (related entity) – Capital Land Asset Management (Pty) Ltd
- Directors as listed in the directors' report
- Unitholder with control – Vukile Property Fund Limited (significant influence in 2014)
- Unitholder with significant influence – Liberty Group Limited

	2015 R	2014 R
19.2 Related entity		
Capital Land Asset Management (Pty) Ltd		
Amount included in trade payables (payable in 30 days)	2 545 782	2 502 522
Amount included in trade receivables (receivable in 30 days)	–	–
Property and asset management fees paid to related entity	19 273 427	24 139 600
Acquisition fees paid to related entity	–	3 350 000
Leasing commission paid to related entity	4 459 588	3 155 423
Liberty Group Limited		
Debenture interest	–	3 886 181
Amount included in debenture interest payable	–	2 013 081
Vukile Property Fund Limited		
Debenture interest	42 778 234	30 109 110
Amount included in debenture interest payable	13 867 143	15 705 690

19.3 Directors and officers' shareholdings

	Direct beneficial	Indirect	Total	Percentage %
31 March 2015				
Synergy A linked units				
SJ Segar	58 706	13 000	71 706	0.15
Synergy B linked units				
SJ Segar	116 428	–	116 428	0.11
Total	175 134	13 000	188 134	0.26
30 June 2014				
Synergy A linked units				
U Meyer	–	590 000	590 000	1.25
SJ Segar	58 706	13 000	71 706	0.15
Synergy B linked units				
WM Brooks	–	300 000	300 000	0.28
U Meyer	–	981 300	981 300	0.92
SJ Segar	116 428	–	116 428	0.11
Total	175 134	1 884 300	2 059 434	2.71

There has been no change in directors and officers' shareholding since the year-end and up to the date of the approval of the annual financial statements.

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

	2015 R	2014 R
19. RELATED-PARTY TRANSACTIONS (continued)		
19.4 Directors' remuneration		
Fees paid to non-executive directors were as follows:		
For services as a director:		
MJ Kuscus	238 500	302 400
MM Mdlolo	137 376	129 600
LX Mtumtum	236 592	280 800
AS Ramsden	20 988	237 600
SJ Segar	171 720	216 000
U Meyer	91 584	118 800
LG Rapp	20 988	–
MJ Potts	11 448	–
	929 196	1 285 200
Fees paid to executive directors were as follows:		
WM Brooks		
Basic salary	1 191 717	1 485 000
Bonus	3 327 125	2 830 000
U Meyer		
Basic salary	–	30 000
Bonus	–	–
A Raubenheimer		
Basic salary	963 000	1 100 000
Bonus	438 938	723 300
	5 920 780	6 168 300

The executive director fees are paid via Capital Land Asset Management (Pty) Ltd.

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

20. INTERNATIONAL FINANCIAL REPORTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

The relevant standards and amendments that are not yet effective for the nine months ended 31 March 2015 are identified in the table below, together with the effective dates:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations ■ Annual improvements 2012 to 2014 cycle: Amends IFRS 5 to clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27 to 29 of IFRS 5 does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27 to 29.	Annual periods beginning on or after 1 July 2016	Management estimates that this will not significantly impact the financial statements
IFRS 7	Financial Instruments: Disclosures ■ Annual improvements 2012 to 2014 cycle: The amendments provide additional guidance to help entities identify the circumstances under which a servicing contract is considered to be "continuing involvement" for the purposes of applying the disclosure requirements in paragraphs 42E to 42H of IFRS 7. Such circumstances commonly arise when, for example, the servicing fee is dependent on the amount or turning of the cash flows collected from the transferred financial asset or when a fixed fee is not paid in full due to non-performance of that asset. ■ Annual improvements 2012 to 2014 cycle: These amendments clarify that the additional disclosure required by the recent amendments to IFRS 7 – Disclosure: Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with IAS 34 – Interim Financial Reporting when its inclusion would be necessary in order to meet the general principles of IAS 34.	Annual periods beginning on or after 1 July 2016	Management estimates that this will not significantly impact the financial statements
IFRS 9	Financial Instruments ■ IFRS 9 – Financial Instruments (2014) replaces IAS 39 – Financial Instruments: Recognition and Measurement.	Annual periods beginning on or after 1 January 2018	Management estimates that this will not significantly impact the financial statements
IFRS 15	Revenue from Contracts with Customers ■ New guidance on recognition of revenue that requires recognition of revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.	Annual periods beginning on or after 1 January 2017	Management estimates that this will not significantly impact the financial statements

Notes to the annual financial statements (continued)

for the nine months ended 31 March 2015

20. INTERNATIONAL FINANCIAL REPORTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (continued)

IAS 1	Presentation of Financial Statements ■ Amendments clarifying the materiality requirements of IAS 1 including the emphasis on the potentially detrimental effect of obscuring useful information with immaterial information. ■ Amendments clarifying IAS 1's specified line items on the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated. ■ Additional requirements of how entities should present subtotals in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. ■ Clarification that entities have flexibility as to the order in which they present their notes to the financial statements, but also emphasising the need to consider fundamental principles of comparability and understandability in determining the order. Removal of potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.	Annual periods beginning on or after 1 January 2016	Management estimates that this will not significantly impact the financial statements
IAS 34	Interim Financial Reporting ■ Annual improvements 2012 to 2014 cycle: The amendments clarify the meaning of disclosure of information elsewhere in the interim financial report and require the inclusion of a cross-reference from the interim financial statements to the location of this information. The amendments specify that this information must be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time, or the interim financial statements will be incomplete.	Annual periods beginning on or after 1 July 2016	Management estimates that this will not significantly impact the financial statements

Administrative information

SYNERGY DETAILS

Synergy Income Fund Limited

(Registration number: 2007/032604/06)
One-on-Ninth, Corner Glenhove Road and Ninth Street,
Melrose Estate, 2196
(PO Box 2234, Parklands, 2121)

ASSET MANAGEMENT

Vukile Asset Management (Pty) Ltd

(Registration number: 2007/016890/07)
One-on-Ninth, Corner Glenhove Road and Ninth Street,
Melrose Estate, 2196
(PO Box 2234, Parklands, 2121)

COMMERCIAL BANKERS

The Standard Bank Group Limited

(Registration number: 1969/017128/06)
30 Baker Street, Rosebank, Johannesburg, 2001
(PO Box 61344, Marshalltown, 2107)

Rand Merchant Bank Limited

(Registration number: 1929/001225/06)
25th floor, Portside, 5 Buitengracht Street, Cape Town, 8001
(PO Box 911, Cape Town, 8000)

Nedbank Limited

(Registration number: 1951/000009/16)
Clocktower building, V&A Waterfront, Cape Town, 8001
(PO Box 86, Cape Town, 8000)

FirstRand Bank Limited

(Registration number: 1929/001225/06)
25th floor, Portside, 5 Buitengracht Street, Cape Town, 8001
(PO Box 367, Cape Town, 8000)

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd

(Registration number: 2004/003647/07)
Ground floor, 70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

SPONSOR

Java Capital Trustees and Sponsors (Pty) Ltd

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

COMPANY SECRETARY

Johann Neethling

One-on-Ninth, Corner Glenhove Road and Ninth Street,
Melrose Estate, 2196
(PO Box 2234, Parklands, 2121)

INDEPENDENT AUDITORS

Grant Thornton

52 Corlett Drive, Wanderers Office Park, Illovo, 2196
(Private Bag X5, Northlands, 2116)

CORPORATE ATTORNEYS

DLA Cliffe Dekker Hofmeyr

(Registration number: 2008/018923/21)
11 Buitengracht Street, Cape Town, 8001
(PO Box 695, Cape Town, 8000)

INDEPENDENT PROPERTY VALUERS

Knight Frank (Pty) Ltd

(Registration number: 2011/100568/07)
50 Old Kilcullen Road, Bryanston, Gauteng, 2191

Quadrant Properties (Pty) Ltd

(Registration number: 1995/003097/07)
16 North Road (Corner Jan Smuts), Dunkeld West, Johannesburg
(PO Box 1984, Parklands, 2121)

CORPORATE ADVISER

Java Capital (Pty) Ltd

(Registration number: 2012/089864/07)
6A Sandown Valley Crescent, Sandown, Sandton, 2196
(PO Box 2087, Parklands, 2121)

Notice of annual general meeting of shareholders

Notice is hereby given that the fourth annual general meeting (AGM) of the shareholders of Synergy Income Fund Limited (Synergy or the company) will be held in the main boardroom, One-on-Ninth, Corner Glenhove Road and Ninth Street, Melrose Estate, 2196 at 9:00 on Friday, 4 September 2015 for the purposes of:

- Considering and adopting the directors' report, the annual financial statements and the audit and risk committee report of the company for the nine months ended 31 March 2015 contained in the integrated report to which this notice of AGM is attached;
- Transacting any other business as may be transacted at an AGM of shareholders of a company;
- Considering and, if deemed fit, adopting with or without modification, the shareholder special and ordinary resolutions set out below, which AGM is to be;
- Participated in and voted at by shareholders as at the record date of Friday, 28 August 2015 in terms of section 62(3)(a), read with section 59 of the Companies Act, 71 of 2008, as amended (the Companies Act or Act).

Important dates to note

- Record date to receive this notice: Friday, 26 June 2015.
- Last day to trade in order to be eligible to participate in and vote at the AGM: 21 August 2015.
- Record date to vote at the AGM (voting record date): 28 August 2015.

SECTION 63(1) OF THE COMPANIES ACT: IDENTIFICATION OF MEETING PARTICIPANTS

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a meeting. In this regard, all Synergy shareholders recorded in the registers of the company on the record date for participating in and voting at the AGM will be required to provide identification satisfactory to the chairman of the AGM. Forms of identification include valid identity documents, driver's licences and passports.

SECTION 62(3)(E) OF THE COMPANIES ACT

In terms of section 62(3)(e) of the Companies Act:

- A shareholder who is entitled to attend and vote at the AGM is entitled to appoint a proxy or two or more proxies to attend, participate in and vote at the meeting in the place of the shareholder
- A proxy need not be a shareholder of the company.

The complete annual financial statements are included in this integrated report.

1. SPECIAL RESOLUTION NO 1

Financial assistance to related or interrelated companies

"Resolved that the directors of Synergy be and are hereby authorised, for a period of two years from the passing of this resolution, to provide direct or indirect financial assistance through the lending of money, the guaranteeing of loans or other obligations and the securing of any debts or obligations, to any related or interrelated company as defined in section 1 of the Companies Act when in their opinion they deem fit, provided that such assistance is furnished in compliance with section 45 of the Companies Act."

In order for this special resolution no 1 to be adopted, the support of at least 75% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Reason for and effect of special resolution no 1

The company would like the ability to provide financial assistance in appropriate circumstances and if the need arises, in accordance with section 45 of the Companies Act. This authority is necessary for the company to provide financial assistance in appropriate circumstances. Under the Companies Act, the company will, however, require the special resolution referred to above to be adopted, provided that the board of directors of the company are 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. In the circumstances and in order to, *inter alia*, ensure that the company and other related and interrelated companies and corporations have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution no 1. Therefore, the reason for and effect of special resolution no 1 is to permit the company to provide direct or indirect financial assistance (within the meaning attributed to that term in section 45 of the Act) to the entities referred to in special resolution no 1 above.

Notice of annual general meeting of shareholders (continued)

2. SPECIAL RESOLUTION NO 2

Non-executive director remuneration

"Resolved that the company be and is authorised, in terms of section 66 of the Companies Act, to pay remuneration to its directors for their services as directors for a period of two years from the passing of this resolution; and with effect of 1 April 2015, that annual retainers payable to non-executive directors be and are fixed as follows:

<i>Retainers</i>	<i>Per annum (R)</i>
2.1 Non-executive director	143 875
2.2 Chairman of the board	263 750
2.3 Chairman of the audit and risk committee	119 900
2.4 Member of the audit and risk committee	95 900
2.5 Member of the social and ethics committee	72 000

In order for this special resolution no 2 to be adopted, the support of at least 75% of the total number of votes which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Reason for and effect of special resolution no 2

A general increase in non-executive directors' remuneration for the nine months equal to 6.3% was approved by the board and is recommended to shareholders. The increase has been pro-rated for Synergy's change in year-end.

3. SPECIAL RESOLUTION NO 3

Repurchase of shares

"Resolved that the company be and is hereby authorised by way of a general authority to acquire ordinary shares issued by the company, in terms of sections 46 and 48 of the Companies Act, and in terms of the JSE Listings Requirements (the JSE Listings Requirements) of the JSE Limited (the JSE) being that:

- Any such acquisition of shares shall be implemented through the orderbook of the JSE and without any prior arrangement;
- This general authority shall be valid until the company's next AGM, provided that it shall not extend beyond 15 months from the date of passing this special resolution;
- An announcement will be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition pursuant to which the aforesaid 3% threshold is reached, and for each 3% in aggregate acquired thereafter, containing full details of such acquisitions;
- Acquisitions of shares in 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 of this special resolution;
- In determining the price at which shares issued by the company are acquired by it 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 at which such shares are traded on the JSE over the five business days immediately preceding the date of repurchase of such shares;
- The company (or a subsidiary) is duly authorised by its Memorandum of Incorporation (MOI) to acquire shares issued by it;
- At any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf;
- The board of directors of the company must resolve that the repurchase is authorised, the company has passed the solvency and liquidity test, as set out in section 4 of the Companies Act, and since the test was performed, there have been no material changes to the financial position of the group;
- 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 full details thereof has been submitted to the JSE in writing prior to commencement of the prohibited period."

In order for this special resolution no 3 to be adopted, the support of at least 75% of the total number of votes which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

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

- Major beneficial shareholders – pages 14 and 15
- Share capital of the company – page 41.

Directors' responsibility statement

The directors, whose names appear on pages 6 and 7 of this 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 Companies Act and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in this integrated report of which this notice forms part, there have been no material changes in the affairs or financial position of the company since the date of signature of the audit report and up to the date of this notice.

Reason for and effect of special resolution no 3

In accordance with the JSE Listings Requirements, 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 opportunities may require expeditious and immediate action.

Notice of annual general meeting of shareholders (continued)

The directors undertake that, having considered the effects of a repurchase of the maximum number of shares allowed for under this general authority and the price at which the repurchases may take place pursuant to the repurchase general authority, for a period of 12 (twelve) months after the date of the notice of AGM:

- The company will be able, in the ordinary course of business, to pay its debts
- The consolidated assets of the company, fairly valued in accordance with International Financial Reporting Standards, will exceed the consolidated liabilities of the company
- The company's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

4. ORDINARY RESOLUTION NO 1

Adoption of annual financial statements

"Resolved that the annual financial statements for the nine months ended 31 March 2015, including the reports of the directors and the audit and risk committee be and are hereby received and adopted."

In order for this ordinary resolution no 1 to be adopted, the support of more than 50% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

5. ORDINARY RESOLUTION NO 2

Re-appointment of auditors

"Resolved to re-appoint Grant Thornton (with the designated registered auditor being VR de Villiers) as auditors of the company from the conclusion of this AGM."

The audit and risk committee has evaluated the performance and independence of Grant Thornton and VR de Villiers and recommend their re-appointment as auditors of the company under section 90 of the Companies Act.

In order for this ordinary resolution no 2 to be adopted, the support of more than 50% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

6. ORDINARY RESOLUTION NO 3

Re-election of directors

Directors

The following directors retire in terms of article 24 of the company's MOI, namely:

- Mr RC Hawton
- Mr MJ Kuscus
- Dr GS Moseneke
- Mr MJ Potts
- Mr LG Rapp

The board, in the absence of an appointed nominations committee, has considered the past performance and contribution to the company of each of the directors listed above and recommends that they be re-elected as directors of the company.

"Resolved that the following retiring directors, who are to retire in terms of article 24 of the company's MOI, but being eligible, offer themselves for re-election, be and are hereby re-elected each on a separate (and not collective) basis:

- 3.1 Mr RC Hawton
- 3.2 Mr MJ Kuscus
- 3.3 Dr GS Moseneke
- 3.4 Mr MJ Potts
- 3.5 Mr LG Rapp."

Brief CVs of all the directors appear on page 7 of this integrated report of which this notice forms part.

In order for ordinary resolutions no 3.1, 3.2, 3.3, 3.4 and 3.5 to be adopted, the support of more than 50% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

7. ORDINARY RESOLUTION NO 4

Election of members to audit and risk committee

"Resolved that the following directors, who meet the requirements of section 94(4) of the Companies Act, be and are hereby elected on a separate (and not collective) basis as members of the audit and risk committee in terms of section 94(2) of the Companies Act until the next AGM:

- 4.1 Mr MJ Kuscus
- 4.2 Mr LX Mtumtum
- 4.3 Mr SJ Segar."

Brief CVs of all the proposed members of the audit and risk committee appear on page 7 of this integrated report of which this notice forms part.

In order for ordinary resolutions no 4.1, 4.2 and 4.3 to be adopted, the support of more than 50% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Notice of annual general meeting of shareholders (continued)

8. ORDINARY RESOLUTION NO 5

Unissued shares

"Resolved that the authorised but unissued shares of the company be and are hereby placed under the control of the directors of the company until the next AGM, who are authorised to allot or issue any such shares at their discretion, subject at all times to the provisions of the Companies Act, the company's MOI and the Listings Requirements of the JSE."

In order for this ordinary resolution no 5 to be adopted, the support of more than 50% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

9. ORDINARY RESOLUTION NO 6

General authority to issue shares for cash

"Resolved that, subject to the restrictions set out below, the directors be and are hereby authorised, pursuant, *inter alia*, to the company's MOI and subject to the provisions of the Companies Act and the JSE Listings Requirements, until this authority lapses which shall be at the next AGM 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:

- 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
- 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
- The total aggregate number of shares which may be issued for cash in terms of this authority may not exceed 23 055 731 shares, being 15% the company's issued shares as at the date of notice of this AGM. Accordingly, any shares issued under this authority prior to this authority lapsing shall be deducted from the 23 055 731 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
- 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
- The maximum discount at which the shares may be issued is 5% (five percent) of the weighted average traded price of such shares measured over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares
- 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 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."

In order for this ordinary resolution no 6 to be adopted, the support of at least 75% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

This authority would primarily be used to optimise Synergy's capital structure including the reduction of certain bank debt facilities.

10. ORDINARY RESOLUTION NO 7

Remuneration policy

"Resolved that, through a non-binding advisory vote, the company's remuneration policy and its implementation, as set out on page 16 of this integrated report be and is hereby approved."

In order for this ordinary resolution no 7 to be adopted, the support of more than 50% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

11. ORDINARY RESOLUTION NO 8

Implementation of resolutions

"Resolved that any director of the company, and where applicable the secretary of the company, be and is hereby authorised to do all such things, sign all such documents and take all actions as may be necessary to implement the above ordinary and special resolutions."

In order for this ordinary resolution no 8 to be adopted, the support of more than 50% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

GENERAL INSTRUCTIONS FOR SHAREHOLDERS

Shareholders are encouraged to attend, speak and vote at the AGM.

ELECTRONIC PARTICIPATION

The company has made provision for Synergy shareholders or their proxies to participate electronically in the AGM by way of telephone conferencing. Should you wish to participate in the AGM by telephone conference call as aforesaid, you, or your proxy, will be required to advise the company thereof by no later than 08:00 on Monday, 24 August 2015 by submitting by email to the company secretary at johann.neethling@vukile.co.za, for the attention of Johann Neethling, relevant contact details, including an email address, cellular number and landline as well as full details of Synergy shareholders' titles to securities issued by the company and proof of identity, in the form of copies of identity documents and share certificates (in the case of materialised Synergy shares) and (in the case of dematerialised Synergy shares) written confirmation from Synergy shareholders' Central Securities Depository Participant (CSDP) confirming Synergy shareholders' titles to the dematerialised Synergy shares. Upon receipt of the required information, the Synergy shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the AGM. Synergy shareholders must note that access to the electronic communication will be at the expense of Synergy shareholders who wish to utilise the facility. Synergy shareholders and their appointed proxies attending by conference call will not be able to cast their votes at the AGM through this medium.

PROXIES AND AUTHORITY FOR REPRESENTATIVES TO ACT

A form of proxy is attached for the convenience of any Synergy shareholder holding certificated shares, who cannot attend the AGM but wishes to be represented thereat.

The attached form of proxy is only to be completed by those shareholders who are:

- Holding shares in certificated form or
- Recorded on the company's sub-register in dematerialised electronic form with "own name" registration.

All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM, must instruct their CSDP or broker to provide them with the necessary letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These shareholders must not use a form of proxy. Forms of proxy must be deposited at the transfer secretaries, Computershare Investor Services (Pty) Ltd at ground floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received no later than 9:00 on Wednesday, 2 September 2015. Alternatively, the form of proxy may be handed to the chairman of the AGM at any time prior to the commencement of the AGM. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, speak and vote in person at the AGM should the shareholder decide to do so.

A company that is a shareholder, wishing to attend and participate at the AGM should ensure that a resolution authorising a representative to so attend and participate at the AGM on its behalf is passed by its directors. Resolutions authorising representatives in terms of section 57(5) of the Companies Act must be lodged with the company's transfer secretaries prior to the AGM.

By order of the board



Johann Neethling
Company secretary

Registered office
One-on-Ninth
Cnr Glenhove Road and Ninth Street
Melrose Estate
2196

Transfer secretaries
Computershare Investor Services (Pty) Ltd

Ground floor
70 Marshall Street
Johannesburg
2001

Form of proxy for shareholders

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)

This form of proxy is for use by:

- Registered shareholders who have not yet dematerialised their Synergy shares
- Registered shareholders who have already dematerialised their Synergy shares and whose units are registered in their own names in the company's sub-register.

For completion by the aforesaid registered shareholders of Synergy who are unable to attend the annual general meeting (AGM) of the company to be held in the main boardroom, One-on-Ninth, Corner Glenhove Road and Ninth Street, Melrose Estate, 2196, at 9:00 on Friday, 4 September 2015.

I/we (BLOCK LETTERS PLEASE) _____

of (address) _____

being the registered holder of _____ Synergy shares

hereby appoint:

1 _____ of _____ or failing him/her

2 _____ of _____ or failing him/her

the chairman of the AGM as my/our proxy to vote for me/us on my/our behalf at the AGM of the company and at any adjournment or postponement thereof, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed at the AGM, and to vote on the resolutions in respect of the ordinary shares registered in my/our name(s), in the following manner:

Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast. Unless this is done the proxy will vote as he/she thinks fit.

		FOR*	AGAINST*	ABSTAIN*
Special resolution 1	Financial assistance to related or interrelated companies			
Special resolution 2.1	Retainer: Non-executive director			
Special resolution 2.2	Retainer: Chairman of the board			
Special resolution 2.3	Retainer: Chairman of the audit and risk committee			
Special resolution 2.4	Retainer: Member of the audit and risk committee			
Special resolution 2.5	Retainer: Member of the social and ethics committee			
Special resolution 3	Repurchase of shares			
Ordinary resolution 1	Adoption of annual financial statements			
Ordinary resolution 2	Re-appointment of auditors			
Ordinary resolution 3	Re-election of directors:			
Ordinary resolution 3.1	Mr RC Hawton			
Ordinary resolution 3.2	Mr MJ Kuscus			
Ordinary resolution 3.3	Dr GS Moseneke			
Ordinary resolution 3.4	Mr MJ Potts			
Ordinary resolution 3.5	Mr LG Rapp			
Ordinary resolution 4	Election of members of the audit and risk committee:			
Ordinary resolution 4.1	Mr MJ Kuscus			
Ordinary resolution 4.2	Mr LX Mtumtum			
Ordinary resolution 4.3	Mr SJ Segar			
Ordinary resolution 5	Unissued shares			
Ordinary resolution 6	General authority to issue shares for cash			
Ordinary resolution 7	Remuneration policy			
Ordinary resolution 8	Implementation of resolutions			

* One vote per share held by Synergy shareholders recorded in the register on the voting record date; mark "for", "against" or "abstain" as required. If no options are marked the proxy will be entitled to vote as he/she thinks fit.

Unless otherwise instructed, my/our proxy may vote or abstain from voting as he/she thinks fit.

Signed at _____ this _____ day of _____ 2015

Signature _____ assisted by (if applicable) _____

A shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a shareholder of the company. Each shareholder is entitled to appoint one or more proxies to attend, speak and on a poll, vote in place of that shareholder at the AGM. Forms of proxy must be deposited at Computershare Investor Services (Pty) Ltd at ground floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received no later than 9:00 Wednesday, 2 September 2015. Alternatively the form of proxy may be handed to the chairman of the AGM at any time prior to the commencement of the AGM.

Please read the notes on the reverse side hereof.

Notes to the form of proxy

1. Only shareholders who are registered in the register of the company under their own name on the date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services (Pty) Ltd, being 28 August 2015 (voting record date) may complete a form of proxy or attend the annual general meeting (AGM). This includes shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration. The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow. A proxy need not be a shareholder of the company.
2. Certificated shareholders wishing to attend the AGM have to ensure beforehand with the transfer secretaries of the company (being Computershare Investor Services (Pty) Ltd) that their shares are registered in their own name.
3. Beneficial shareholders whose shares are not registered in their "own name", but in the name of another, for example, a nominee, may not complete a form of proxy, unless a form of proxy is issued to them by a registered shareholder and they should contact the registered shareholder for assistance in issuing instruction on voting their shares, or obtaining a proxy to attend, speak and, on a poll, vote at the AGM.
4. Dematerialised shareholders who have not elected "own name" registration in the register of the company through a central securities depository participant (CSDP) and who wish to attend the AGM, must instruct the CSDP or broker to provide them with the necessary authority to attend.
5. Dematerialised shareholders who have not elected "own name" registration in the register of the company through a CSDP and who are unable to attend, but wish to vote at the AGM, must timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that shareholder and the CSDP or broker.
6. A shareholder may insert the name of a proxy or the names of two or more alternative proxies of the shareholder's choice in the space, with or without deleting the "chairman of the AGM". The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
7. The completion and lodging of this form will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed, should such shareholder wish to do so. In addition to the foregoing, 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.
8. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date:
 - 8.1 stated in the revocation instrument, if any; or
 - 8.2 upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act, 71 of 2008, as amended (the Companies Act).
9. Should the instrument appointing a proxy or proxies have been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's Memorandum of Incorporation (MOI) to be delivered by the company to the shareholder must be delivered by the company to:
 - 9.1 the shareholder; or
 - 9.2 the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.
10. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the MOI of the company or the instrument appointing the proxy provide otherwise.
11. If the company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy:
 - 11.1 such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
 - 11.2 the company must not require that the proxy appointment be made irrevocable; and
 - 11.3 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.
12. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies. A deletion of any printed matter and the completion of any blank space(s) need not be signed or initialled.
13. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries of the company or waived by the chairman of the AGM.
14. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
15. A company holding shares in the company that wishes to attend and participate at the AGM should ensure that a resolution authorising a representative to act is passed by its directors. Resolutions authorising representatives in terms of section 5(5) of the Companies Act must be lodged with the company's transfer secretaries prior to the AGM.
16. Where there are joint holders of shares any one of such persons may vote at any meeting in respect of such shares as if he/she were solely entitled thereto; but if more than one of such joint holders be present or represented at the meeting, that one of the said persons whose name appears first in the register of shareholders of such shares or his/her proxy, as the case may be shall alone be, shall be entitled to vote in respect thereof.
17. On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll a shareholder who is present in person or represented by a proxy shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares of the relevant class issued by the company.
18. The chairman of the AGM may reject or accept any proxy which is completed and/or received other than in accordance with the instructions, provided that he shall not accept a proxy unless he is satisfied as to the matter in which a shareholder wishes to vote.
19. A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.
20. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate space provided. Failure to comply with the above will be deemed to authorise the chairman of the AGM, if the chairman is the authorised proxy, to vote in favour of the resolutions at the AGM or other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of the shares concerned. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or the proxy, but the total of votes cast in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
21. It is requested that this form of proxy be lodged, posted or faxed to the transfer secretaries, Computershare Investor Services (Pty) Ltd at ground floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by the company no later than 9:00 on Wednesday, 2 September 2015.
22. A quorum for the purposes of considering the ordinary and special resolutions shall comprise 25% of all the voting rights that are entitled to be exercised by shareholders in respect of each matter to be decided at the AGM. In addition, a quorum shall consist of three shareholders of the company personally present or represented by proxy (and if the shareholder is a body corporate, it must be represented) and entitled to vote at the AGM.
23. This form of proxy may be used at any adjournment or postponement of the AGM, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.
24. The foregoing notes contain a summary of the relevant provisions of section 58 of the Companies Act, as required in terms of that section.

Fact sheet

Company name	Synergy Income Fund Limited (Registration number: 2007/032604/06)
Registered address	One-on-Ninth, Corner Glenhove Road and Ninth Street, Melrose Estate, 2196 PO Box 2234, Parklands, 2121
Year-end	31 March
Chairman of the board	Laurence Rapp
Board of directors	Laurence Rapp, Sedise Moseneke, Michael Potts, Lizwi Mtumtum, Martin Kuscus, Rob Hawton and Sean Segar
Interim chief executive officer	Sedise Moseneke
Company secretary	Johann Neethling
Corporate advisers	Java Capital
External auditors	Grant Thornton
Date of listing	14 December 2011



www.synergyincomefund.com