SYNERGY
INCOME FUND LIMITED

2016
INTEGRATED
ANNUAL REPORT

RETAIL

SYNERGY
INCOME FUND LIMITED

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For more information please visit our website:
www.synergyincomefund.com

HIGHLIGHTS

Synergy is a specialised retail property fund with a focus on medium-sized community and small regional shopping centres located in high-growth rural and township nodes.

Property revenue
for the year ended 31 March 2016

of R348 million*

Dividends to A shareholders

of 94.65 cents per share*

Dividends to B shareholders

of 64.62 cents per share*

Net asset value per combined share
at 31 March 2016

of R9.52*

Net asset value per A share
at 31 March 2016

of R11.69*

Net asset value per B share
at 31 March 2016*

of R8.55

Investment property valued at

R2.442 billion*

Market capitalisation

of R1.303 billion*

Weighted average lease expiry
at 31 March 2016

2.6 years*

Overall vacancy
at 31 March 2016

4.5%*

Financial information above is presented for the full year ended 31 March 2016. The comparative period presented is for the nine months to 31 March 2015, following the change in Synergy's financial year to align with that of its holding company, Vukile Property Fund Limited (JSE: VKE) (Vukile). Accordingly, percentages and movements between periods are not disclosed.

CHAIRMAN AND INTERIM CHIEF EXECUTIVE OFFICER'S REPORT

The past year continued the changes at Synergy, sharpening its focus under its new holding company, Vukile Property Fund Limited.

Sedise Moseneke
Interim chief executive officer

Laurence Rapp
Chairman

Overview

Vukile Asset Management (VAM), previously Capital Land Asset Management (CLAM), assumed the effective day-to-day management of Synergy from 1 May 2015. At the same time, Synergy's property management was outsourced to specialist external property managers, Broll and JHI, with which Vukile has existing business relationships, benefiting from economies of scale.

In June, shareholders voted to introduce a new capital structure, converting from complicated linked units to the simpler ordinary share structure, for both A and B linked units. The new capital structure aligns with internationally recognised REIT capital structures. The share-for-share transaction converted the company's A and B linked units to A and B ordinary shares, aligning Synergy with best practice. The new capital structure came into effect on 27 July 2015.

Then, shortly before the close of this financial year, Synergy announced jointly with Vukile and Arrowhead Properties Limited (Arrowhead), the intention to transform Synergy into a new high-yielding, high-growth investment prospect.

CHAIRMAN AND INTERIM CHIEF EXECUTIVE OFFICER'S REPORT continued

The proposed transaction, which has achieved broad consensus and is in advanced discussions, aims to create an initial R4 billion high-yield, high-growth fund within the existing entity of Synergy that benefits from its rare A and B share offering.

To reconstitute Synergy, its new asset base would include properties from both Vukile and Arrowhead. In an asset swap, the bulk of Synergy's retail assets would move into Vukile, and Vukile would introduce the majority of its office and industrial assets into Synergy. In addition, Synergy would acquire 100% of the shares in Cumulative Properties Limited (Cumulative), a subsidiary of Arrowhead that will house its portfolio of higher yielding retail, office and industrial properties, in return for the issue of Synergy B shares to Arrowhead.

For Synergy, the potential transaction marks the start of its revitalisation that is likely to result in renewed interest and tradability of its currently illiquid shares. Synergy's asset management would be internalised and it would be staffed by a dedicated management team provided by Arrowhead, which is expected to hold around 65% of Synergy B shares.

The final terms of the potential transaction still need to be negotiated and approved by the boards of the transacting parties, as well as Synergy shareholders. When the proposed transaction was announced, Synergy shareholders were advised to exercise caution when dealing in their shares. Synergy continued to trade under cautionary at year-end.

Throughout the year and with the many changes, the Synergy team remained focused on performance. Synergy's total dividends for the year to 31 March 2016 to Synergy A shareholders are 94.65 cents per share and dividends to Synergy B shareholders are 64.62 cents per share.

The previous financial period was only nine months, from 1 July 2014 to 31 March 2015, to bring Synergy's year-end in line with Vukile's. So, its dividends from FY15 and FY16 are not directly comparable. It achieved a NAV per combined share of R9.52 at 31 March 2016.

Operating environment

Synergy's assets serve South Africa's high-growth lower-LSM retail sector. It is a specialised retail property fund with a specific focus on medium-sized community and small regional shopping centres in high-growth nodes. Its shopping centres serve one of the most promising markets in the local economy. Even so, Synergy faced a tough operating environment. Already weak, the economy deteriorated further during the financial year. Many shoppers are still highly indebted and rising interest rates exerted even more pressure on consumers.

Proactive leasing played an important role in improving occupancies in the portfolio, notwithstanding the difficult context in which we are operating. In a fiercely competitive market, it has proven very difficult to grow Synergy with deals at the right price.

Portfolio

Synergy's property portfolio of 15 shopping centres remained unchanged. During the year, its value increased from R2.422 billion to R2.442 billion.

The portfolio vacancy improved markedly from 5.6% to 4.5% during the year. Proactive leasing reversed the upwards vacancy trend of the previous year, which was largely a result of Ellerines going into business rescue. Synergy achieved rental reversions of 9.8% across the portfolio. Its national tenant ratio was 80%, slightly down from 83% but still in line with targets for strong national retailer lease covenants. Its average contractual rental escalation was 7.2% and the weighted average lease expiry profile remained largely unchanged at 2.6 years.

Sustainability

Synergy operates as a well-governed, sustainable business. It carefully considers its impacts on the economy, society and the environment. Striving for positive impacts in the markets and communities it operates, Synergy drives and supports deserving projects that empower the communities around its shopping centres with education and skills. It also has programmes that benefit the environment. Synergy undertakes waste recycling at a dozen centres and uses borehole water at three centres, where municipal water supply is unreliable.

Gearing, hedging and funding

At the end of the year, Synergy's loan-to-value ratio net of cash was 39%. Interest rates on 66% of its total borrowings were hedged at a weighted average rate of 9.2% while its weighted average cost of borrowing was 9.25%, up from FY15 levels.

Board of directors

Ilan Zwarenstein was appointed as an independent non-executive director and a member of the audit and risk committee (ARC) of the company from 1 December 2015. The board is satisfied that Ilan Zwarenstein 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.

Prospects

Notwithstanding the challenges we face from South Africa's political economy, we are confident that Synergy is well positioned for the future.

There is a transformational deal on the table for Synergy which, should it go ahead, will change the entire nature of the fund. The proposed transaction aligns with long-term decision making for Synergy to benefit investors and follows the strategic evaluation of options to rejuvenate the A and B share structure for a positive growth trajectory.

However, should this agreement not materialise during the year, Synergy remains on track to deliver performance at levels similar to those achieved in FY16.

Appreciation

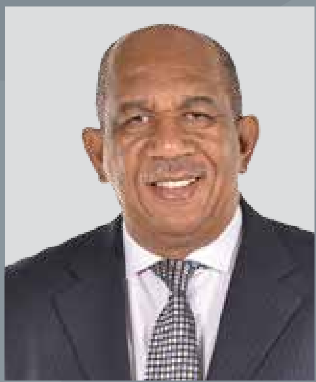
Our sincere appreciation goes to the Synergy board of directors, its investors, the VAM team, our property managers and everyone who contributed to settling Synergy into its new home at Vukile. We also extend our thanks to those who have determinedly sought new ways to reinvigorate Synergy's future prospects.

BOARD OF DIRECTORS


Laurence Rapp


Ilan Zwarenstein


Michael Potts


Martin Kuscus


Lizwi Mtumtum


Sedise Moseneke


Sean Segar


Rob Hawton

Laurence Rapp (45)
Chairman
BCom (Hons) *cum laude*, Wharton Executive Development Programme

Laurence is the chief executive officer of Vukile Property Fund Limited, a position he has held since August 2011. 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.

Appointed: 2 March 2015

Ilan Zwarenstein (41)
Independent non-executive director
BCom, BAcc, CA(SA)

Ilan has extensive experience in the areas of audit, corporate finance and retail. A qualified chartered accountant, he served as Group Financial Director of Massmart Holdings Limited from 7 May 2012 to 28 February 2015, prior to which he served as their company secretary. After completing articles at Grant Thornton, he served as a manager in the corporate finance and audit divisions, and then as partner. An independent non-executive director at Synergy since December 2015, he serves on the South African Board of Jewish Education.

Appointed: 1 December 2015

Michael Potts (61)
Non-executive director
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.

Appointed: 2 March 2015

Martin Kuscus (60)
Independent non-executive director
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.

Appointed: 1 October 2011

Lizwi Mtumtum (43)
Lead independent non-executive director
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 the 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 BA (Economics/Accounting) degree from Tougaloo College in Mississippi, USA, and a Property Development Programme Certificate from UCT Graduate School of Business.

Appointed: 1 October 2011

Sedise Moseneke (39)
Interim chief executive officer
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.

Appointed: 4 May 2015

Sean Segar (50)
Independent non-executive director
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.

Appointed: 1 January 2011

Rob Hawton (40)
Financial director
MCom, CA(SA)

Rob holds a BCom (Hons) degree 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: 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). He is currently treasurer of the SA REIT Association.

Appointed: 22 May 2015

PROPERTY PORTFOLIO AND STATISTICS

At 31 March 2016, Synergy's property portfolio comprised 15 shopping centres with a total market value of R2.442 billion.

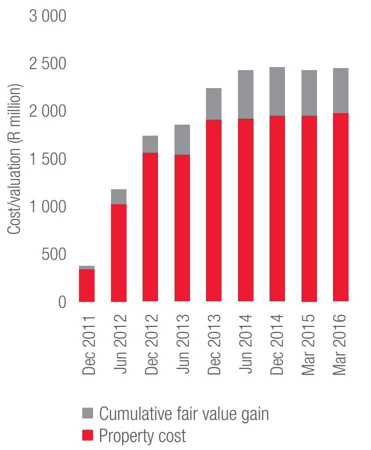
Details of the portfolio, respective transfer dates, valuations and net operating income for the year ended 31 March 2016 are set out in the table below.

Property	Province	GLA (m^2)	Effective date of transfer	Valuation (Rm)	Net operating income* (Rm)	%
Gugulethu Square	Western Cape	25 322	30 August 2012	429.2	31.1	16
Phuthaditjhaba Setsing Crescent	Free State	21 538	23 August 2012	331.0	23.9	12
Atlantis City Shopping Centre	Western Cape	22 115	1 September 2013	278.9	29.5	15
Ulundi King Senzangakhona Shopping Centre	KwaZulu-Natal	22 365	16 February 2012	263.1	20.1	10
Emalahleni Highland Mews	Mpumalanga	17 032	1 June 2012	209.6	15.6	8
Hammanskraal Renbro Shopping Centre	Gauteng	13 308	1 June 2012	147.6	12.6	6
Hillcrest Richdens Shopping Centre	KwaZulu-Natal	10 196	24 May 2012	121.6	9.9	5
Hartbeespoort Sediba Shopping Centre	Northwest	10 887	7 October 2011	119.8	8.5	4
Roodepoort Ruimsig Shopping Centre	Gauteng	11 177	22 December 2011	113.9	9.7	5
KwaMashu Shopping Centre	KwaZulu-Natal	11 204	25 October 2011	106.7	9.0	5
Elim Hubyeni Shopping Centre	Limpopo	12 686	1 June 2012	104.4	10.5	5
Welgedacht Van Riebeeckshof Shopping Centre	Western Cape	5 181	1 June 2012	68.4	5.7	3
Newcastle Taxi City Shopping Centre	KwaZulu-Natal	5 006	6 December 2011	55.7	4.8	2
Makhado Nzhelele Valley Shopping Centre	Limpopo	5 308	1 June 2012	51.2	4.9	2
Ermelo Game Centre	Mpumalanga	6 639	1 June 2012	40.5	4.0	2
		199 964		**2 441.6**	**199.8**	**100**

** Net operating income is calculated as recoveries and contractual rental revenue net of property operating costs and is for the year ended 31 March 2016.*

The cumulative fair value gain on the portfolio, since listing in December 2011, amounts to R451 million. This value creation is illustrated graphically below.

CUMULATIVE PROPERTY COST AND FAIR VALUE GAIN



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

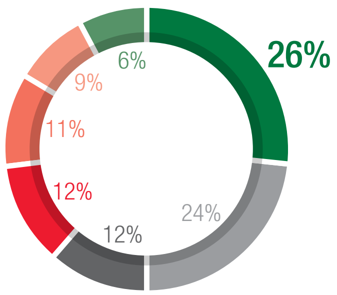
Upgrades were completed during the 2016 financial period at Highland Mews (R17.8 million), Gugulethu Square (R1.2 million), and to a lesser extent Richdens and Atlantis City, totalling R21.3 million. Tenant installations amounted to R3.4 million for the year.

Synergy's property portfolio as at 31 March 2016 was held for the full financial period. These 15 properties had an average gross rental of R110.35 per m^2 for March 2016 and average portfolio escalations were 7.1%. The average property yield on these 15 properties for the year ended 31 March 2016 was 8.2%. This has been calculated based on net operating income as a percentage of the investment property valuation at 31 March 2016. The 2017 average annualised forward yield on the Synergy portfolio is 8.8%. 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.

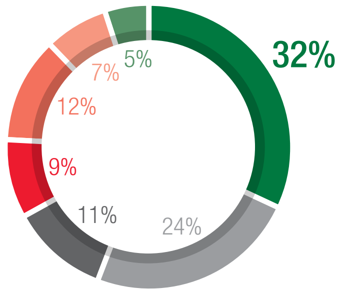
PROPERTY PORTFOLIO AND STATISTICS continued

The following graphs represent the geographic and tenant profile of the portfolio at 31 March 2016:

GEOGRAPHIC PROFILE
(% BY GLA)

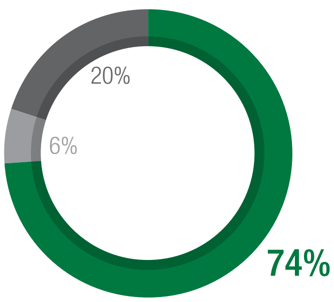


GEOGRAPHIC PROFILE
(% BY REVENUE)

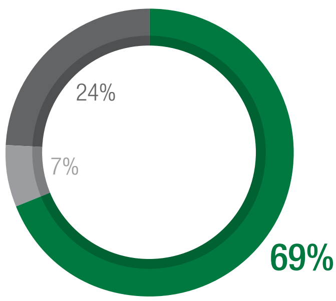


The retail portfolio's exposure to national, listed and franchised tenants is 80% in total. The table below represents the split by tenant category:

TENANT CATEGORY
(% BY GLA)

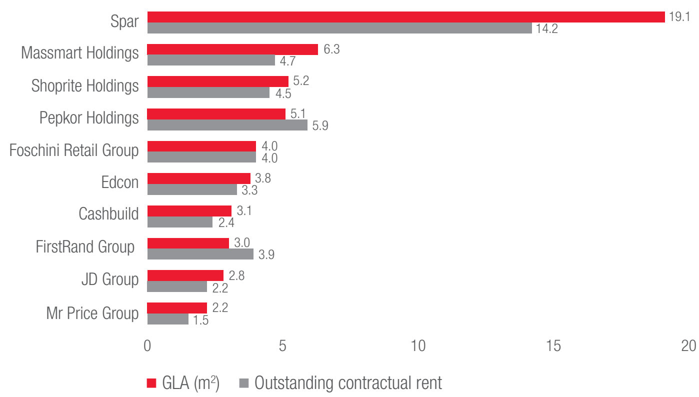


TENANT CATEGORY
(% BY REVENUE)



The portfolio's GLA exposure to the top 10 tenants is 54.6% on GLA and 46.6% on rent, with Spar the largest at 19.1% and Massmart at 6.3% of total GLA.

EXPOSURE TO TOP 10 TENANTS* (%)



** Calculated using the contractual rental and GLA at 31 March 2016.*

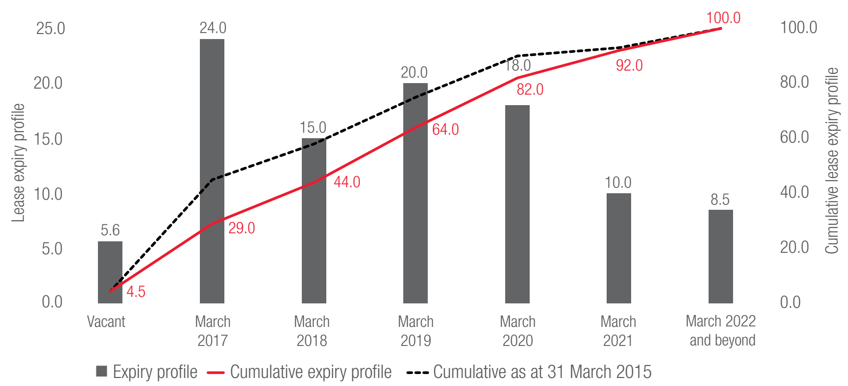
PROPERTY PORTFOLIO AND STATISTICS continued

As at 31 March 2016, Synergy's top 5 properties by value are represented as follows:

Property	Location	Rentable area (m²)	**Directors' valuation at 31 March 2016 (Rm)**	% of total portfolio	Valuation (R/m²)
Gugulethu Square	Gugulethu	25 322	**429**	17.6	16 950
Phuthaditjhaba Setsing Crescent	Phuthaditjhaba	21 538	**331**	13.6	15 368
Atlantis City Shopping Centre	Atlantis	22 115	**279**	11.4	12 611
Ulundi King Senzangakhona Shopping Centre	Ulundi	22 365	**263**	10.8	11 764
Emalahleni Highland Mews	Emalahleni	17 032	**210**	8.6	12 306
Total top five		108 372	**1 512**	62.0	68 999

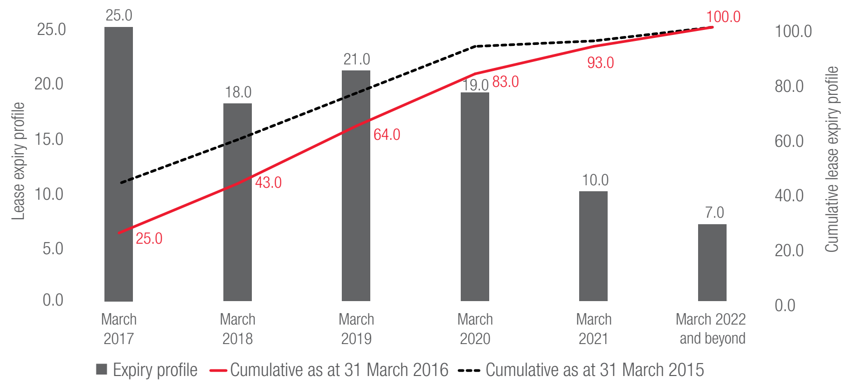
Approximately 36% of leases are due to expire in 2020 and beyond.

LEASE EXPIRY PROFILE (% BY GLA)



The lease expiry profile graph by GLA reflects that 24% of leases are expiring and due for renewal in 2017 (25% by revenue).

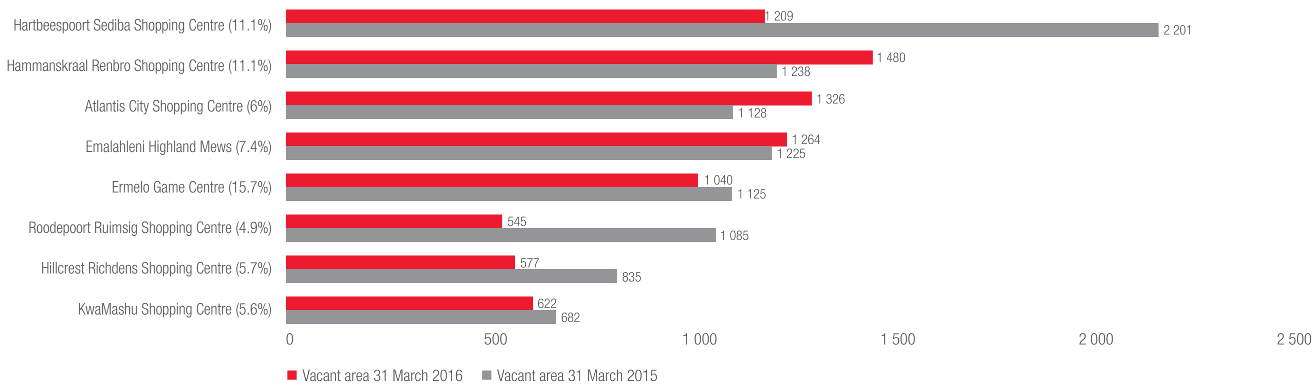
LEASE EXPIRY PROFILE (% BY REVENUE)



PROPERTY PORTFOLIO AND STATISTICS continued

At 31 March 2016, the portfolio's overall vacancy was 4.5%, an improvement from 5.6% at 31 March 2015.

INDIVIDUAL PROPERTIES VACANCY PROFILE (% OF GLA – VACANCY GREATER THAN 500M²)



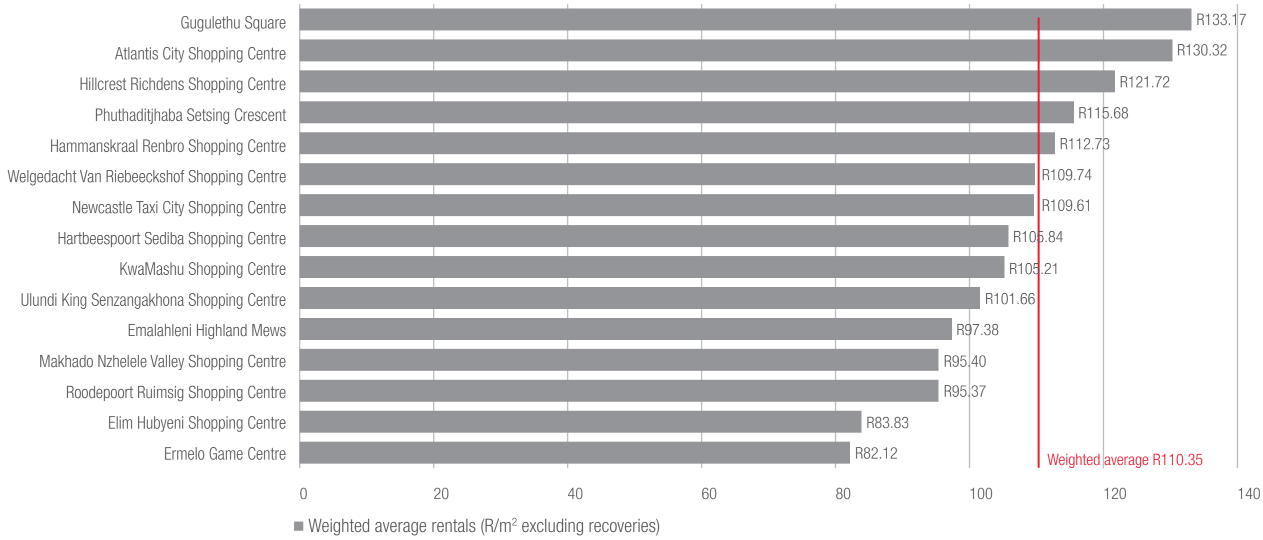
The financial performance of the property portfolio is presented below. The results of a 12-month comparative analysis presented below show a positive trend on annualised gross revenue and recurring net property income, coupled with a favourable variance in property expense ratios year-on-year.

Financial performance	1 April 2015 to 31 March 2016 (Rm)	1 April 2014 to 31 March 2015 (Rm)	% change
Gross property income	**250.7**	238.3	5.20
Recurring property expenses (net of recoveries)	**48.8**	43.5	12.10
Recurring net property income	**201.9**	194.8	3.66
Non-recurring property expenses	**2.2**	2.5	(13.09)
Net property income (Rm)	**199.8**	192.3	3.88
Recurring property expense ratios (%)	**19.5%**	18.3%	6.56

PROPERTY PORTFOLIO AND STATISTICS continued

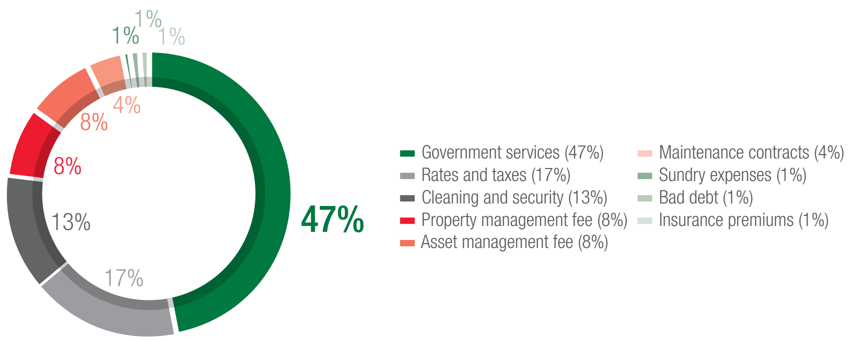
The weighted average base rentals per property are reflected in the following graphs. The weighted average contractual rental escalation is 7.2%.

WEIGHTED AVERAGE RENTALS (EXCLUDING RECOVERIES R/M²)



The various cost components are reflected in the graph below. A significant allocation of operating costs (c. 85%) is attributable to government services, rates and taxes, cleaning, security and property management. The largest component of government services and rates and taxes (64% of total expenses) are however recovered leaving a net expense of R6.8 million versus the gross expense of R94.2 million on these two items.

85% OF COSTS FROM TOP FOUR CATEGORIES (%)

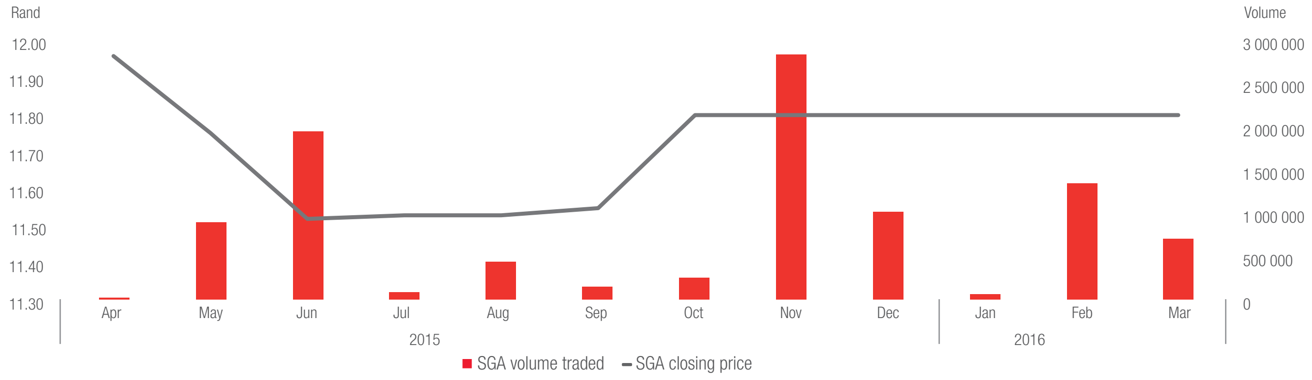


SHARE PRICE PERFORMANCE

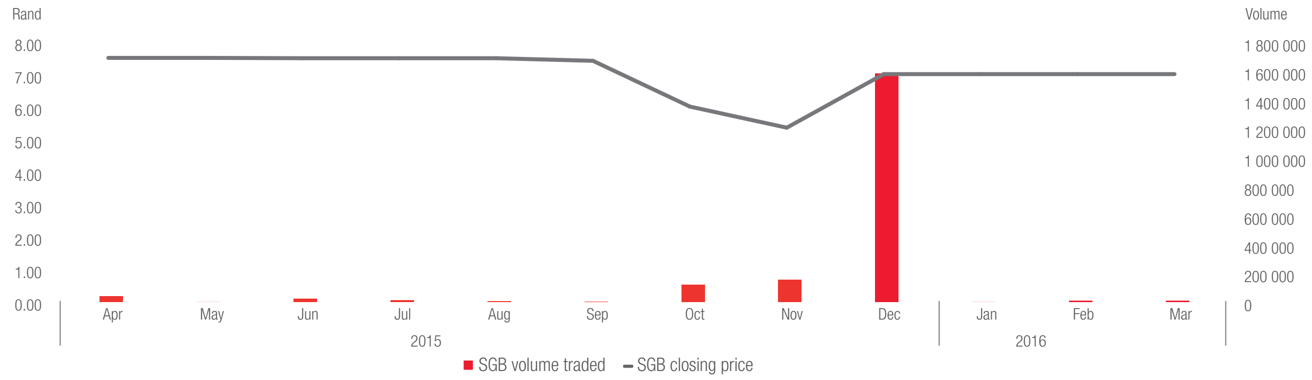
The graphs below indicate the share price performance of Synergy A and B shares for the year ended 31 March 2016. The following trading and share price performance levels were achieved by the A (SGA) and B (SGB) shares respectively.

	12 months to 31 March 2016						
	Volume traded (million)	Volume traded per month (million)	Value traded (million)	Value traded as a % of market capital	Share price as at 1 April 2015 (cents)	Share price as at 31 March 2016 (cents)	Share price change %
SGA	9.80	0.82	114.84	20.6	1 210.00	1 180.00	(2.5)
SGB	1.96	0.16	13.83	1.9	750.00	700.00	(6.7)

SYNERGY A – CLOSING PRICE VERSUS MONTHLY VOLUME TRADED



SYNERGY B – CLOSING PRICE VERSUS MONTHLY VOLUME TRADED



ANALYSIS OF A SHAREHOLDERS

Synergy Income Fund Limited SGA

Analysis of ordinary shareholders as at 31 March 2016

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	26	13.90	11 291	0.02
1 001 – 10 000	37	19.79	174 372	0.37
10 001 – 100 000	62	33.16	2 897 895	6.12
100 001 – 1 000 000	49	26.20	12 276 736	25.93
Over 1 000 000	13	6.95	31 991 909	67.56
Total	**187**	100.00	**47 352 203**	100.00

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Collective investment schemes	49	26.20	24 427 044	51.59
Retirement benefit funds	51	27.27	9 093 660	19.20
Public companies	1	0.53	4 691 084	9.91
Hedge funds	7	3.74	4 122 090	8.71
Insurance companies	3	1.60	2 040 292	4.31
Medical aid funds	10	5.35	986 276	2.08
Managed funds	10	5.35	767 050	1.62
Retail shareholders	33	17.65	338 894	0.72
Trusts	5	2.67	317 940	0.67
Assurance companies	5	2.67	171 928	0.36
Public entities	1	0.53	105 126	0.22
Investment partnerships	1	0.53	90 575	0.19
Private companies	5	2.67	88 058	0.18
Foundations and charitable funds	2	1.07	60 322	0.13
Custodians	2	1.07	51 830	0.11
Stockbrokers and nominees	2	1.07	34	0.00
Total	**187**	100.00	**47 352 203**	100.00

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	32	17.11	19 072 587	40.28
Directors and associates	1	0.53	71 706	0.15
Investment Solutions (holdings > 10% of issued capital)	7	3.74	9 811 617	20.72
Coronation Fund Managers (holdings > 10% of issued capital)	24	12.83	9 189 264	19.41
Public shareholders	155	82.89	28 279 616	59.72
Total	**187**	100.00	**47 352 203**	100.00

Fund managers with a holding greater than 5% of the issued shares	Number of shares	% of issued capital
Coronation Fund Managers	30 381 161	64.16
Visio Capital Management	5 677 403	11.99
Vukile Property Fund Limited	4 691 084	9.91
Old Mutual Investment Group	3 501 520	7.39
Total	**44 251 168**	93.45

Beneficial shareholders with a holding greater than 5% of the issued shares	Number of shares	% of issued capital
Investment Solutions	9 811 617	20.72
Coronation Fund Managers	9 189 264	19.41
Vukile Property Fund Limited	4 691 084	9.91
Golden Hind Partnership	3 247 247	6.86
Old Mutual Group	2 969 471	6.27
Total	**29 908 683**	63.17

Total number of shareholdings	187
Total number of shares in issue	47 352 203
Share price performance	
Opening price 1 April 2015	R12.10
Closing price 31 March 2016	R11.80
Closing high for period	R12.10
Closing low for period	R11.52
Number of shares in issue	47 352 203
Volume traded during period	9 806 579
Ratio of volume traded to shares issued (%)	20.71
Rand value traded during the period	R114 842 693

ANALYSIS OF B SHAREHOLDERS

Synergy Income Fund Limited SGB

Analysis of ordinary shareholders as at 31 March 2016

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	21	18.26	6 266	0.01
1 001 – 10 000	23	20.00	112 271	0.11
10 001 – 100 000	48	41.74	1 707 958	1.61
100 001 – 1 000 000	20	17.39	4 337 832	4.08
Over 1 000 000	3	2.61	100 188 343	94.19
Total	115	100.00	106 352 670	100.00

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Public companies	2	1.74	95 241 604	89.55
Collective investment schemes	28	24.35	8 098 373	7.61
Retirement benefit funds	21	18.26	1 631 436	1.53
Retail shareholders	37	32.17	542 901	0.51
Medical aid funds	8	6.96	411 572	0.39
Managed funds	7	6.09	179 402	0.17
Private companies	4	3.48	128 165	0.12
Assurance companies	1	0.87	72 445	0.07
Foundations and charitable funds	2	1.74	26 200	0.03
Trusts	3	2.60	17 051	0.02
Scrip lending	1	0.87	3 383	0.00
Stockbrokers and nominees	1	0.87	138	0.00
Total	115	100.00	106 352 670	100.00

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	5	4.35	95 377 819	89.68
Directors and associates	4	3.48	136 228	0.13
Vukile Property Fund Limited (Holdings > 10% of issued capital)	1	0.87	95 241 591	89.55
Public shareholders	110	95.65	10 974 851	10.32
Total	115	100.00	106 352 670	100.00

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Vukile Property Fund Limited	95 241 591	89.55
Coronation Fund Managers	8 851 618	8.33
Total	104 093 209	97.88

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Vukile Property Fund Limited	95 241 591	89.55
Coronation Fund Managers	6 580 495	6.19
Total	101 822 086	95.74

Total number of shareholdings	115
Total number of shares in issue	106 352 670
Share price performance	
Opening price 1 April 2015	R7.50
Closing price 31 March 2016	R7.00
Closing high for period	R7.50
Closing low for period	R5.25
Number of shares in issue	106 352 670
Volume traded during period	1 960 871
Ratio of volume traded to shares issued (%)	1.84
Rand value traded during the period	R13 833 649

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 at www.synergyincomefund.co.za/governance/king3.

BOARD OF DIRECTORS

The board consists of two executive directors and six non-executive directors, four of whom are independent. Laurence Rapp serves as the non-independent chairman of the board, while Lizwi Mtumtum serves as the lead independent non-executive director. The chairman's role is separate from that of the interim chief executive officer (CEO). Sedise Moseneke has served as interim CEO since 4 May 2015.

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 biannually 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 non-executive directors must retire annually.

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 nomination committee as it is the board's view that at present this committee is not necessary. The company will consider the formation of a nomination 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 Sean Segar (chairman), Lizwi Mtumtum and Martin Kuscus, all of whom are independent non-executive directors.

The primary responsibilities of Remco include:

- → Making recommendations to the board regarding fees payable to non-executive directors, for ultimate approval by shareholders by way of a special resolution
- → Preparation of reports to the board and shareholders 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' fees for the year ending 31 March 2017. 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 year ended 31 March 2016 are disclosed in the attached audited financial statements.

AUDIT AND RISK COMMITTEE

The board has established an audit and risk committee (ARC) comprising Lizwi Mtumtum (chairman), Sean Segar, Martin Kuscus and Ilan Zwarenstein following his appointment in December 2015, all of whom are independent non-executive directors. The board is satisfied that Ilan Zwarenstein 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.

During the year, the ARC appointed Deloitte as internal auditor. Comprehensive reviews and testing of the effectiveness of the internal control systems in operation will be performed by Deloitte in line with the annual internal audit plan. Internal control 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 annual report.

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

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). The scope of the social and ethics committee is limited as a result of the outsourced nature of Synergy's operations. Synergy's BEE rating has been verified as a AA level 3 contributor, being part of the larger Vukile Group's BEE rating.

The social and ethics committee met post-year-end to review 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.

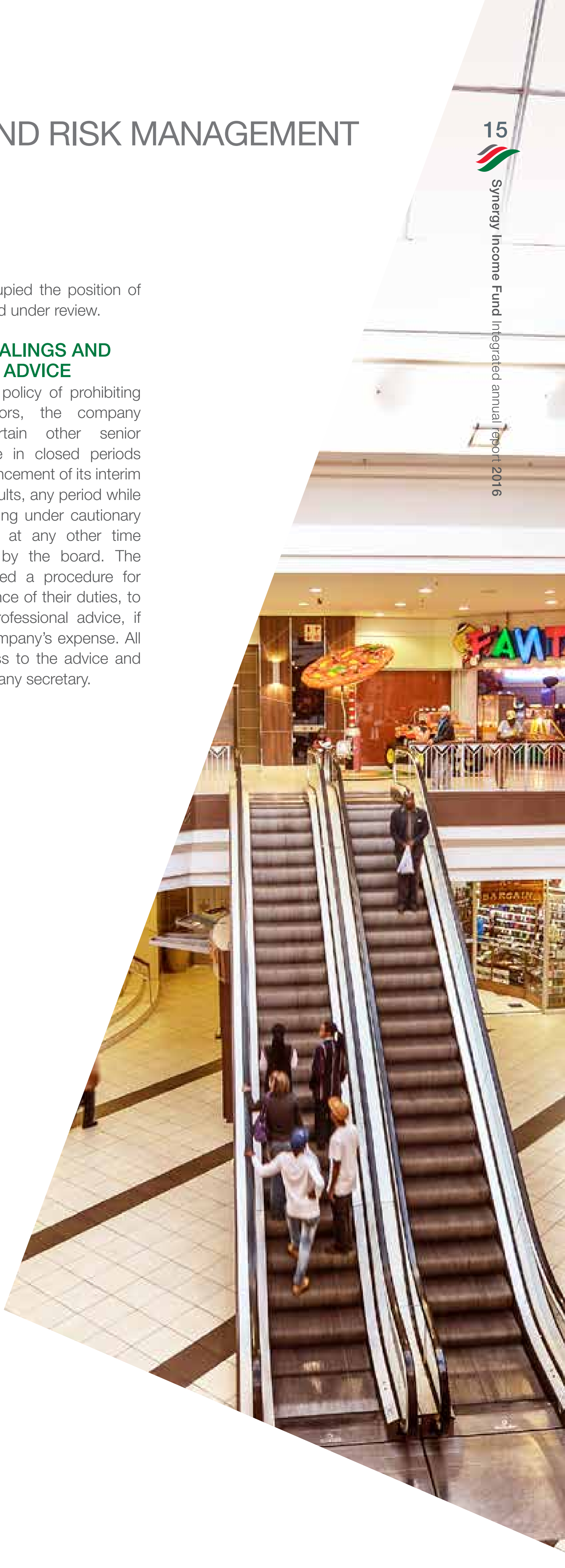
In addition to the above responsibilities, the social and ethics committee draws matters within its mandate to the attention of the board as occasion requires and reports, through one of its members, to the shareholders at the Synergy annual general meeting on matters within its mandate.

AUDITORS

Grant Thornton occupied the position of auditors for the period under review.

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.



CORPORATE GOVERNANCE AND RISK MANAGEMENT continued

THE COMPANY SECRETARY

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 requires 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 serves as company secretary, and has done so since 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 17 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 past 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.

COMMUNICATION

The chairman and executive directors of Synergy meet with institutional shareholders, 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 shareholder perceptions affect Synergy's reputation and in this regard ensures that 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.

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 2016. The number of board and committee meetings held during the period to 31 March 2016, as is relevant to each director, is shown in brackets in the table below.

Directors	Independent	Board	Audit and risk committee
Non-executive directors			
Martin Kuscus	Yes	4 (4)	3(3)
Ilan Zwarenstein	Yes	1 (1)	1 (1)
Lizwi Mtumtum	Yes	4 (4)	3 (3)
Sean Segar	Yes	4 (4)	3 (3)
Mike Potts	No	4 (4)	
Laurence Rapp (chairman)	No	4 (4)	

Executive directors attended all committee meetings by invitation and all board meetings in their capacity as directors.

RISK MANAGEMENT AND INTERNAL CONTROLS

The board is responsible for the implementation of risk management and internal control processes, while the ARC is tasked with risk oversight. During the year under review the ARC approved a Combined Assurance Model (CAM) to ensure optimal assurance by internal and external assurance providers. In addition to adopting the CAM the ARC also monitored risk management in terms of sections 13.46(h)(1) and (2) of the JSE Listings Requirements which *inter alia* prohibits Synergy from entering into any derivative transactions that are not in the normal course of business. 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. Internal control 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.

Following the ARC's appointment of Deloitte as internal auditor, comprehensive reviews and testing of the effectiveness of the internal control systems in operation will be performed, in line with the annual internal audit plan.

Key risks identified

Key risk	Business impact	Mitigation of risk
Challenging operating environment negatively impacting on 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. Tenants are diversified with minimal concentration of tenants in areas.
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 has 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 is currently being evaluated as part of the proposed Arrowhead/Vukile transaction.
Political instability risk	Business interruption and damages arising from strikes and disruption of operations, at and around retail mall locations.	Extensive SASRIA cover to cater for such eventualities.

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.

SOCIAL AND ECONOMIC INITIATIVES

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 various activities including computer literacy, vegetable garden projects as well as small farming projects. In addition, various deserving causes and charities were supported through donations funded by the operational budgets within various centres.

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.

ENVIRONMENTAL INITIATIVES

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.

SYNERGY ENERGY MANAGEMENT INITIATIVES

Synergy's energy strategy is to continuously seek opportunities to reduce consumption on large electricity consuming systems and to ensure that energy efficiency is incorporated into upgrades or new developments.

A key basis for Synergy's energy strategy is smart metering. Synergy has devised a measurement strategy with the objective that all energy purchased or supplied must be measured and correctly accounted for. This strategy enables Synergy to report on the portfolio's carbon footprint and to provide accurate metering for tenants, resulting in the identification of possible savings. Smart metering also provides the ability for the tenants to have access to their daily electricity consumption. This will provide a tenant the ability to identify electricity misuse.

For new developments energy efficient lighting and energy control with smart meters are standardised. Synergy has identified buildings with the potential for photo-voltaic (PV) systems and reviewing possible installation scenarios. Installing the possible PV plants will reduce the carbon footprint of Synergy by supplying green energy to tenants.

Water is also a key aspect with all the large buildings reviewed for smart water metering installations to improve water usage and identify water misuse. Synergy is constantly monitoring the municipal charges as charged periodically by municipalities. We also ensure that high peak periods are avoided during the high demand season avoiding high municipal charges. Synergy ensures that the electricity sold to tenants is accurate and according to the prescribed municipal tariffs.

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

CONTENTS

COMPANY SECRETARY'S CERTIFICATION

In my capacity as company secretary I declare, in terms of the Companies Act, that for the year ended 31 March 2016 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.

Johann Neethling
Company secretary

19 May 2016

The annual financial statements were compiled under the supervision of Robert Hawton CA(SA), financial director.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the annual financial statements of Synergy Income Fund Limited (Synergy) comprising the statement of financial position as at 31 March 2016, the statements of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act.

The directors are also responsible for such internal controls as they determine 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 19 May 2016 and are signed on its behalf by:

Laurence Rapp
Chairman

Sedise 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 four independent non-executive directors, who are all suitably skilled directors. Ilan Zwarenstein was appointed to the committee effective 1 December 2015. The committee members are Lizwi Mtumtum (chairman), Ilan Zwarenstein, Martin Kuscus and Sean Segar. Abridged *curricula vitae* of the committee members appear on page 5 of this integrated annual report.

The external auditor reports to the committee, who reviews 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 2016, 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 auditor, and EFG Dreyer as the designated auditor to the shareholders 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 auditor. 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 has been reassessed and Synergy will be included in the scope of work performed by Deloitte, the internal auditor of Vukile.

The committee has assessed and noted that the financial director has the appropriate expertise and experience required for the position.

The committee has evaluated the annual financial statements of Synergy for the year ended 31 March 2016 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.

Lizwi Mtumtum
Audit and risk committee chairman

19 May 2016

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Synergy Income Fund Limited

We have audited the financial statements of Synergy Income Fund Limited set out on pages 25 to 55, which comprise the statement of financial position as at 31 March 2016, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year 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 controls as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, 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 2016, 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 2016, 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.

Report on other legal and regulatory requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) rule published in *Government Gazette* number 39475 dated 4 December 2015, we report that Grant Thornton Johannesburg Partnership has been the auditor of Synergy Income Fund Limited for two years.

Grant Thornton

GRANT THORNTON JOHANNESBURG PARTNERSHIP
Chartered Accountants (SA)
Registered Auditors

EFG Dreyer
Partner
Chartered Accountant (SA)
Registered Auditor

19 May 2016

@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo
2196

DIRECTORS' REPORT

The board has the pleasure in presenting its report for the year ended 31 March 2016.

Presentation of figures for the full year compared to prior period

The board wishes to highlight that the financial information presented at 31 March 2016 represents a full 12-month period of operations and cash flows, compared to nine-month operational information and cash flows presented in the comparative figures at 31 March 2015. Synergy is now fully integrated and aligned with its holding company, Vukile. During the year under review, Vukile increased its overall shareholding in Synergy to 65.02%, from 64.61% as at March 2015. Vukile continues to provide asset management services to Synergy, together with outsourced property management services, following its acquisition of 100% of the shares of VAM, previously named CLAM, on 7 May 2015.

Business

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.

Compliance with SA REIT Best Practice Recommendations (BPR) publication

The South African REIT sector has recently published a BPR document that is intended to make financial reporting of South African REITs clearer and more comparable, and afford easier analysis and comparison of different SA REIT counters. Synergy subscribes to this BPR document and the financial reporting provided is in compliance with the recommendations therein.

Share structure

Synergy has separately listed A and B shares, each offering investors a different risk and reward profile. The A shares have a preferential entitlement to dividends 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 dividends to A shareholders, accrues to B shareholders. At 31 March 2016, there were 47.4 million A shares at R0.01 in issue, and 106.4 million B shares at R0.01 in issue.

The capital conversion of A and B units to an all-equity capital structure, to ensure compliance with REIT legislation, was fully implemented following the approval by shareholders on 22 June 2015. Comparative figures represent linked units where applicable. Net asset value includes total equity attributable to equity holders and linked debenture holders (in respect of the former linked unit structure) where applicable. The linked unit capital structure was converted to an all share structure.

Independent valuations

The investment property portfolio was valued at 31 March 2016 at R2 442 million (2015: R2 422 million). The portfolio was valued by the directors. The discounted cash flow model is used for the valuation of investment property, in line with Vukile's valuation techniques. In total seven of the 15 properties (47% of the portfolio by number, and 58% by portfolio value) were valued by Synergy's independent valuers for comparison to the directors' valuation, and are in line with the directors' valuation. During the year, additions to investment properties amounted to R21 million (2015: R30 million).

Dividends

Dividends declared for the 12 months ended 31 March 2016 amounted to 94.65 cents per A share, and 64.62 cents per B share.

Borrowings

At 31 March 2016, Synergy's total long-term borrowing facilities amounted to R996 million (2015: R996 million) of which R977 million (2015: R971 million) was utilised at year-end. The resultant gross loan to value ratio of the property portfolio (net of cash and cash resources) at the end of March 2016 was 38.93% (2015: 39.75%). Interest rates were fixed and hedged on 66% (2015: 48%) of its total borrowings and the weighted average cost of total funding was 9.25% at 31 March 2016 (2015: 8.22%).

Corporate governance and internal controls

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

Directorate

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

→ Non-executive: LG Rapp, MJ Kuscus*, LX Mtumtum*, MJ Potts, SJ Segar*, I Zwarenstein*

→ Executive: Dr GS Moseneke, RC Hawton

**Independent non-executive*

Ilan Zwarenstein was appointed to the board as an independent, non-executive director effective 1 December 2015. William Brooks resigned as chief executive officer on 1 May 2015. Sedise Moseneke was appointed as interim chief executive officer on 4 May 2015. Anton Raubenheimer resigned as financial director and Robert Hawton was appointed as financial director, both effective 22 May 2015. An abridged curriculum vitae for each of the directors is set out on pages 4 and 5 of this integrated annual report.

Directors' remuneration

Details of 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 shareholding 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.

Update on strategic initiatives

Post Synergy's financial year-end, management continued to engage with Vukile and Arrowhead, in a due diligence process to further the terms of a transaction in terms of which:

→ Synergy's asset management will be internalised

→ Vukile will acquire all or the bulk of Synergy's retail assets in return for the sale by Vukile to Synergy of the majority of Vukile's office and industrial assets

→ Synergy will acquire 100% of the shares in Cumulative Properties Limited, a subsidiary of Arrowhead that will house its portfolio of higher yielding retail, office and industrial properties, in return for the issue of Synergy B shares to Arrowhead.

Accordingly, further cautionary announcements were issued on 26 April 2016 and 9 June 2016, which advised Synergy shareholders to continue to exercise caution when dealing in the company's securities, until further announcements were made.

Subsequent event

At a board meeting held on 16 March 2016, four properties in the portfolio were evaluated for potential disposal, as part of a capital structure improvement strategy. Post-year-end, Newcastle Taxi City was earmarked for disposal at auction, and accordingly is being actively managed as a non-current asset held for sale post-year-end.

Subsequent to the declarations above, the directors are not aware of any matter or circumstances 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 the administrative information on page 56 of this report.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

	Note	2016 R000	2015 R000
Assets			
Non-current assets		**2 442 539**	2 422 182
Investment properties and related receivables	3	**2 441 574**	2 421 900
Investment properties		**2 371 602**	2 403 773
Straight-line rental income adjustment	3.3	**69 972**	18 127
Derivative financial instruments	9	**622**	–
Deferred tax asset	4	**343**	282
Current assets		**53 055**	27 642
Trade and other receivables	5	**27 298**	21 622
Derivative financial instruments	9	**141**	–
Cash and cash equivalents	6	**25 616**	6 020
Total assets		**2 495 594**	2 449 824
Equity and liabilities			
Shareholders' interest		**1 463 357**	460 591
Stated capital	7	**953 410**	1 537
Retained earnings		**42 021**	459 054
Non-distributable reserves		**467 926**	–
Non-current liabilities		**976 954**	1 922 555
Borrowings	8	**976 016**	968 658
Linked debentures		**–**	952 971
Derivative financial instruments	9	**938**	926
Current liabilities		**55 283**	66 678
Trade and other payables	10	**55 283**	41 288
Debenture interest payable		**–**	25 307
Derivative financial instruments	9	**–**	83
Total equity and liabilities		**2 495 594**	2 449 824
Total number of shares in issue at 31 March		**153 704 873**	153 704 873
A shares		**47 352 203**	47 352 203
B shares		**106 352 670**	106 352 670
Net asset value per combined share/linked unit (cents)*		**952**	920
Net asset value per A share/linked unit (cents)*^		**1 169**	1 193
Net asset value per B share/linked unit (cents)*		**855**	798
Fair value per share represented by the market price at 31 March (cents)			
Fair value of A share/linked unit*		**1 180**	1 210
Fair value of B share/linked unit*		**700**	750

** The linked unit capital structure was converted to an all share structure during the year. Comparative figures represent linked units where applicable. Net asset value includes total equity attributable to equity holders and linked debenture holders (in respect of the former linked unit structure) where applicable.*

^ Calculated based on the 60-day volume weighted average trading price at 31 March 2016 limited to combined net asset value in accordance with the provisions of Synergy's Memorandum of Incorporation.

STATEMENTS OF PROFIT/(LOSS) AND OTHER COMPREHENSIVE INCOME

for the year/period ended 31 March 2016

	Note	2016 12 months R000	2015* 9 months R000
Property revenue		347 654	241 830
Straight-line rental income accrual		51 845	(505)
Gross property revenue		399 499	241 325
Property expenses		(148 380)	(93 693)
Net profit from property operations		251 119	147 632
Corporate administrative expenses		(3 210)	(14 515)
Finance income	12	1 628	915
Operating profit before finance costs		249 537	134 032
Finance costs	13	(84 908)	(58 761)
Operating profit after finance costs		164 629	75 271
Debenture interest		–	(76 332)
Profit/(loss) before capital items		164 629	(1 061)
Other capital items		–	(168)
Profit/(loss) before fair value adjustments		164 629	(1 229)
Gain on the ineffective portion of fair value of derivative financial instruments		225	–
Gross change in fair value of swaps		–	(705)
Net change in fair value of investment properties		(57 699)	(33 878)
– Fair value adjustments		(5 854)	(34 383)
– Straight-line adjustments		(51 845)	505
Profit/(loss) before taxation	11	107 155	(35 812)
Taxation	14	61	197
Profit/(loss) for the year/period		107 216	(35 615)
Other comprehensive income			
Cash flow hedges – current period gains (net of taxation)		609	–
Total comprehensive income/(loss) for the year/period		107 825	(35 615)
Earnings/(loss) and diluted earnings/(loss) per combined share (cents)^		69.75	(23.17)
Earnings/(loss) and diluted earnings/(loss) per A share (cents)^		69.75	(23.17)
Earnings/(loss) and diluted earnings/(loss) per B share (cents)^		69.75	(23.17)
Headline earnings per combined share (cents)^		107.29	(1.13)
Headline earnings per A share (cents)^		107.29	66.53
Headline earnings per B share (cents)^		107.29	40.52
Total weighted average number of shares in issue at 31 March^		153 704 873	153 704 873
A shares in issue^		47 352 203	47 352 203
B shares in issue^		106 352 670	106 352 670

** Prior period information is presented for the nine months to 31 March 2015, due to the change in year-end to align Synergy with Vukile's year-end following effective change of control.*

^ The linked unit capital structure was converted to an all share structure during the year. Comparative figures represent linked units where applicable.

RECONCILIATION OF PROFIT/(LOSS) TO HEADLINE EARNINGS AND TO PROFIT AVAILABLE FOR DISTRIBUTION

for the year/period ended 31 March 2016

	Note	2016 12 months R000	2015* 9 months R000
Profit/(loss) for the year/period		**107 216**	(35 615)
Adjusted for:			
Debenture interest		**–**	76 332
Earnings		**107 216**	40 717
Net change in fair value of investment properties		**57 699**	33 877
Headline earnings		**164 915**	74 594
Adjusted for:			
Amortisation of loan raising costs		**754**	556
Straight-line rental income accrual		**(51 845)**	505
Other capital items		**–**	169
Deferred taxation	14	**(61)**	–
Gain on the ineffective portion of fair value of derivative financial instruments		**(225)**	–
Net change in fair value of swaps		**–**	508
Change in fair value of swaps		**–**	705
Deferred taxation on change in fair value of swaps		**–**	(197)
Profit available for distribution for the year/period		**113 538**	76 332

* *Prior period information is presented for the nine months to 31 March 2015, due to the change in year-end to align Synergy with Vukile's year-end following effective change of control.*

STATEMENT OF CHANGES IN EQUITY

for the year/period ended 31 March 2016

	Note	Stated capital R000	Retained earnings R000	Non-distributable reserves R000	Total R000
Balance at 30 June 2014		1 537	494 668	–	496 205
Total comprehensive income for the period		–	(35 614)	–	(35 614)
Balance at 31 March 2015		1 537	459 054	–	460 591
Profit for the year		–	107 216	–	107 216
Dividends paid		–	(56 932)	–	(56 932)
Change in fair value of investment properties		–	5 854	(5 854)	–
Transfer to non-distributable reserves		–	(473 171)	473 171	–
Capital conversion of debentures to stated capital	7	952 971	–	–	952 971
Costs of conversion of debentures	7	(1 098)	–	–	(1 098)
Other comprehensive income					
Revaluation of cash flow hedges		–	–	609	609
Balance at 31 March 2016		**953 410**	**42 021**	**467 926**	**1 463 357**

STATEMENT OF CASH FLOWS
for the year/period ended 31 March 2016

	Note	2016 R000	2015 R000
Cash flows from operating activities			
Cash generated from operations	16.1	**204 466**	138 228
Finance income	12	**1 628**	915
Interest paid	16.2	**(109 461)**	(162 220)
Dividend paid	16.3	**(56 932)**	–
Net cash inflow/(outflow) from operating activities		**39 701**	(23 077)
Cash flows from investing activities			
Additions to investment properties	3.2	**(25 528)**	(34 183)
Net cash outflow from investing activities		**(25 528)**	(34 183)
Cash flows from financing activities			
Financial liabilities raised		**6 521**	59 058
Costs of conversion of debentures		**(1 098)**	–
Net cash inflow from financing activities		**5 423**	59 058
Net cash inflow for the year/period		**19 596**	1 798
Cash and cash equivalents at the beginning of the year/period		**6 020**	4 222
Cash and cash equivalents at the end of the year/period		**25 616**	6 020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

1. Accounting policies

1.1 Presentation of financial statements

The annual 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 of South Africa, 2008, as amended. The audited annual 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 as at and for the period ended 31 March 2015. Synergy has adopted the following new standards:

- Amendments to IAS 40, relating to investment properties
- Amendments to IFRS 2, relating to share-based payments
- Amendments to IFRS 3, relating to business combinations
- Amendments to IFRS 8, relating to operating segments
- Amendments to IFRS 10, relating to consolidated financial statements
- Amendments to IFRS 13, relating to fair value measurement
- Amendments to IAS 16, relating to property, plant and equipment
- Amendments to IAS 19, relating to employee benefits
- Amendments to IAS 24, relating to related party disclosures
- Amendments to IAS 38, relating to intangible assets

The above amendments did not have a material impact on Synergy's financial statements presented.

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 dividends. Given the REIT status, such dividends 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. 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, VAM. Accordingly, the acquisitions of investment properties do not constitute a business for Synergy.

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. Accounting policies continued

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.

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. Fair market value is the open-market value, which, in the opinion of the directors, is the fair market price at which the property would have been sold unconditionally on a willing buyer/willing seller basis for a cash consideration on the date of the valuation. Gains or losses arising from changes in the fair value of investment properties are recognised in net profit or loss for the period in which they arise. Such gains or losses are transferred to a non-distributable reserve in the statement of changes in equity and 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.

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 JSE 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 occupation, 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.

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 at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

1. Accounting policies continued

1.5 Financial instruments continued

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 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 uncollectable, 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.

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

Derivative financial instruments are accounted for at fair value through profit or loss except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. Synergy does not hold or use derivative financial instruments for trading purposes. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

For the reporting periods under review, Synergy has designated certain interest rate swap contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate interest rate risk arising from Synergy's borrowings incurred.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

1. Accounting policies continued

1.5 Financial instruments continued

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.

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 (assets) for the current and prior periods are measured at the amount expected to be paid to (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/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/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.

Tax expenses

Current and deferred taxes are recognised as income or an expense and 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

1. Accounting policies continued

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 Stated 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.

1.9 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 and 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 rate method.

1.10 Segmental reporting

Synergy identifies and presents operating segments based on the information that is provided internally to the board via its asset manager. The board reviews the performance of its investment properties held by Synergy on an individual basis. Synergy's directors have approved the operating segments reflected in the financial statements presented.

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 item is not included in arriving at operating profit of the operating segments:

→ Administration costs.

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. Financial risk management continued

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, 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 note 8.

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.

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. Financial risk management continued

2.5 Fair value measurement of non-financial assets (investment properties)

Synergy's property portfolio has been valued at R2.442 billion as at 31 March 2016 (2015: R2.422 billion).The portfolio was valued by the directors. In total seven of the 15 investment properties (47% of the portfolio by number, and 58% by portfolio value), were also independently valued at 31 March 2016 by Knight Frank (Pty) Ltd (Knight Frank) and Quadrant Properties (Pty) Ltd (Quadrant) (professional valuers registered with the South African Institute of Valuers) 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 R2.442 billion (2015: R2.422 billion) has been categorised as a recurring level 3 fair value in terms of the fair value hierarchy based on the inputs to the valuation technique used. The fair value of all investment property determined is supported by market evidence.

All properties are valued under the discounted cash flow (DCF) method, which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields. The estimated rental stream takes into account current occupancy levels, estimates of future vacancy levels, the terms of in-place leases and expectations of rentals from future leases over the remaining economic life of the buildings.

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.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions regarding vacancy levels, the discount rate and the reversionary capitalisation rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) and reversionary capitalisation rate decline. The overall valuations are sensitive to all four assumptions. Management considers the range of reasonable possible alternative assumptions is greatest for reversionary capitalisation rate rental values and vacancy levels and that there is also an interrelationship between these inputs.

The following table reflects the levels within the hierarchy of non-financial assets measured at fair value at 31 March 2016:

	2016 Level 3 R000	2015 Level 3 R000
Investment properties	**2 441 574**	2 421 900

The range of discount rates and reversionary capitalisation rates applied to the portfolio are between 13.3% and 16.3% (2015: 13.2% and 14.9%), and between 8.3% and 11.6% (2015: 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 R251.9 million (10.3%) (2015: R256.5 million (11.8%), the average discount rate on the portfolio would increase from 14.0% to 15.0% (2015: 13.7% to 14.7%) and the average exit capitalisation rate would increase from 9.4% to 10.4% (2015: 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 R29.2 million (1.2%) (2015: R45 million (1.9%)). The analysis has been prepared on the assumption that all other variables remain constant.

The sensitivity information presented above represents a 12-month period ended 31 March 2016, compared to prior period information, representing a nine-month period ended 31 March 2015.

		2016 R000	2015 R000
3.	**Investment properties and related receivables**		
	Stated at fair value		
	Property acquisitions and development cost	**1 956 741**	1 935 441
	Capital expenditure and tenant installation	**399 165**	456 864
	Lease commissions	**15 696**	11 468
	Fair value	**2 371 602**	2 403 773
	Straight-line rental income adjustment	**69 972**	18 127
	Balance at the end of the year/period	**2 441 574**	2 421 900
3.1	**Details of investment properties**		
	Investment properties include commercial property in South Africa which are owned to earn rentals and for capital appreciation. Note 2.5 sets out how the fair value of investment properties has been determined. The group's properties are mortgaged to the value of R0.98 billion as security for bank debt incurred (2015: R0.97 billion) – Refer note 8.		
3.2	**Movement in investment properties for the year/period**		
	Investment properties opening balance	**2 421 900**	2 422 100
	Capital expenditure and tenant installations	**–**	–
	– Additions	**21 300**	29 981
	– Acquisitions	**–**	6 000
	Revamping, Tenant installations and other capital expenses	**21 300**	23 981
	Increase/(decrease) in straight-lining receivable	**51 845**	(505)
	Increase in deferred lease incentive expense	**4 228**	4 202
	Movement in fair value adjustment	**(57 699)**	(33 878)
	– Fair value adjustment	**(5 854)**	(34 383)
	– Straight-line adjustment	**(51 845)**	505
	Investment properties closing balance	**2 441 574**	2 421 900
	Operating lease rentals		
	Non-cancellable operating rentals are receivable as follows:		
	Less than one year	**215 522**	225 241
	Between one and five years	**421 010**	479 722
	More than five years	**55 939**	64 008
3.3	**Straight-line rental income adjustment**		
	Balance at the beginning of the year/period	**18 127**	18 632
	Current year/period movement	**51 845**	(505)
	Balance at the end of the year/period	**69 972**	18 127

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for the year ended 31 March 2016

		2016 R000	2015 R000
4.	**Deferred tax**		
	Balance at the beginning of the year/period	**282**	85
	Movement in profit or loss	**61**	197
	Balance at the end of the year/period	**343**	282
	Comprising		
	Fair value of interest rate swaps	**–**	282
	Deferred tax asset arising – prior tax losses	**895**	–
	Allowance for future expenditure	**(646)**	–
	Income received in advance	**1 514**	–
	Prepayments	**(2 518)**	–
	Provision for doubtful debts	**1 098**	–
	Net deferred tax asset	**343**	282
5.	**Trade and other receivables**		
	Gross rental receivables	**13 697**	8 780
	Allowance for impairment of receivables	**(5 232)**	(4 455)
	Deposits	**2 676**	2 468
	Other receivables	**16 157**	14 829
		27 298	21 622

Further information on receivables is set out in note 18.4.3 Financial instruments – all amounts are short term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value.

		2016 R000	2015 R000
6.	**Cash and cash equivalents**		
	Cash on call*	**14 321**	3 894
	Current account including petty cash	**11 295**	2 126
		25 616	6 020

* *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 R2.1 million (2015: R2.1 million).*

		2016 R000	2015 R000
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 (2015: 47 352 203) A shares at R0.01	**474**	474
	106 352 670 (2015: 106 352 670) B shares at R0.01	**1 063**	1 063
	Capital conversion of debentures to stated capital net of costs of conversion of debentures^	**951 873**	–
		953 410	1 537

^ *Following the capital conversion process adopted at the general meeting of the company held on 22 June 2015, the A and B linked units in existence at 31 March 2015 were converted from a linked unit capital structure to a share-only capital structure at a cost of R1.1 million, in order to align the capital structure of the company with global best practice for REITs. The A and B units were delinked, and the debenture capital capitalised to stated capital, such that the capital structure of the company comprises only A ordinary shares and B ordinary shares from that date forward.*

		2016	2015
7.	**Stated capital** continued		
	Total number of shares in issue at 31 March	**153 704 873**	153 704 873
	A shares	**47 352 203**	47 352 203
	B shares	**106 352 670**	106 352 670
	Net asset value per combined share/linked unit (cents)	**952**	920
	Net asset value per A share/linked unit (cents)^	**1 169**	1 193
	Net asset value per B share/linked unit (cents)	**855**	798
	Fair value per share/linked unit represented by the market price at 31 March (cents)		
	Fair value of A share/linked unit	**1 180**	1 210
	Fair value of B share/linked unit	**700**	750

^ *Calculated based on the 60-day volume weighted average trading price at 31 March 2016 limited to combined net asset value in accordance with the provisions of Synergy's Memorandum of Incorporation.*

		Interest rate %	Expiry date of interest rate	2016 R000	2015 R000
8.	**Borrowings**				
	Total financial liabilities			**976 016**	968 658
	Non-current financial liabilities			**977 190**	970 578
	Loan raising costs			**(1 174)**	(1 920)
	Financial liabilities consist of the following:				
8.1	**Nedbank Limited (Nedbank)**				
	– amounts included in non-current liabilities			**435 690**	438 477
	– 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	June 2017	**125 008**	126 514
	– fixed portion in terms of swap (Nedbank)	7.08%	June 2017	**60 000**	60 000
	– fixed portion in terms of swap (Nedbank)	7.65%	June 2017	**50 000**	50 000
				235 008	236 514
	→ 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 R594.2 million (2015: R533.4 million):				
	– 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	October 2018	**110 682**	201 963
	– fixed portion in terms of swap (Nedbank)	10.49%	February 2019	**40 000**	–
	– fixed portion in terms of swap (Nedbank)	9.92%	February 2019	**50 000**	–
				200 682	201 963
	→ The total facility is R201.0 million (2015: R201.0 million).				
	→ 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 R279.0 million (2015: R310.0 million):				
	– Erf 6192 Wesfleur Atlantis				
	– Erf 15634 Wesfleur Atlantis				
8.2	**Standard Bank of South Africa Limited (Standard Bank)**				
	– amounts included in non-current liabilities			**276 500**	265 163
	– amounts included in current liabilities			**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

	Interest rate %	Expiry date of interest rate	2016 R000	2015 R000
8. Borrowings continued				
8.2 Standard Bank of South Africa Limited (Standard Bank) continued				
Standard Bank facilities and loan balances consist of the following:				
Standard Bank facility A (expiry September 2019)				
– variable portion A	prime less 110 bps	September 2019	**37 500**	76 163
– variable portion B	three-month Jibar plus 235 bps	September 2019	**19 000**	19 000
– fixed portion in terms of swap (Standard Bank)	10.20%	June 2017	**80 000**	80 000
– fixed portion in terms of swap (Standard Bank)	8.88%	June 2016	**40 000**	40 000
– fixed portion in terms of swap (Standard Bank)	10.99%	September 2020	**50 000**	–
			226 500	215 163

→ The total facility is R245.0 million (2015: R245.0 million).

→ Interest is paid on a monthly basis with full capital amount payable at the end of the 60-month term of the loan.

	Interest rate %	Expiry date of interest rate	2016 R000	2015 R000
Standard Bank facility B (expiry September 2017)				
– variable portion	prime less 160 bps	September 2017	**10 000**	50 000
– fixed portion in terms of swap (Standard Bank)	10.76%	July 2019	**40 000**	–
			50 000	50 000

→ The total facility is R50.0 million (2015: R50.0 million).

→ 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 R622.1 million (2015: R624.0 million):

- Erf 817 Melodie Extension 22 Township
- Erven 18 – 25, 51 – 52 and 695 all of KwaMashu Plaza
- 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 Hubyeni Township
- Erf 15288 Newcastle

	Interest rate %	Expiry date of interest rate	2016 R000	2015 R000
8.3 FirstRand Bank Limited (RMB)				
– amounts included in non-current liabilities			**265 000**	266 938
– amounts included in current liabilities			**–**	–
RMB facilities and loan balances consist of the following:				
RMB facility (expiry May 2017)				
– variable portion	one-month Jibar plus 230 bps	May 2017	**28 295**	30 233
– fixed portion (RMB)	9.14%	May 2017	**90 000**	90 000
– fixed portion (RMB)	8.36%	May 2017	**146 705**	146 705
			265 000	266 938

→ The total facility is R265.0 million (2015: R265.0 million).

→ 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 R814.7 million (2015: R777.8 million):

- 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

		2016 R000	2015 R000
9.	**Derivative financial instruments**		
	Assets		
	Interest rate swaps – fair value hedges	**763**	–
	Total	**763**	–
	Less: Non-current portion		
	Interest rate swaps – fair value hedges	**622**	–
		622	–
	Current portion	**141**	–
	Liabilities		
	Interest rate swaps – fair value hedges	**938**	1 009
	Total	**938**	1 009
	Less: Non-current portion		
	Interest rate swaps – fair value hedges	**938**	926
		938	926
	Current portion	**–**	83

The ineffective gain recognised in profit or loss that arises from cash flow hedge amounts to R0.2 million (2015: Rnil).

The notional outstanding interest rate swap contracts at 31 March 2016 amount to R646.7 million (2015: R506.7 million).

As at 31 March 2016 the fixed interest rates vary from 7.65% to 10.99% and the main floating rates are three-month Jibar and prime.

		2016 R000	2015 R000
10.	**Trade and other payables**		
	Trade creditors	**4 951**	4 301
	Rental received in advance	**6 161**	6 550
	Interest payable accrual	**2 437**	–
	Operating expense accruals	**26 846**	16 457
	VAT payable	**2 811**	1 833
	Tenant deposits	**12 077**	12 147
		55 283	41 288
11.	**Profit/(loss) before taxation is stated after recognising**		
	Audit fee	**(38)**	(375)
	– Current year	**(398)**	(375)
	– Overprovision in prior year	**360**	–
	Direct operating expenses arising from investment property that generated rental income during the year		
	– Municipal services and recoupments	**(94 166)**	(60 787)
	– Repairs and maintenance	**(6 165)**	(3 202)
	– Property administration fees	**(23 176)**	(10 960)
	– Labour intensive services	**(18 593)**	(13 064)
	Impairment loss relating to tenants and related receivables	**(1 529)**	(1 399)
	– bad debts provided for	**(777)**	(965)
	– bad debts written off	**(752)**	(434)
12.	**Finance income**		
	Interest received on bank balances outstanding	**1 209**	481
	Interest on debtors	**419**	434
		1 628	915

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

		2016 R000	2015 R000
13.	**Finance costs**		
	Interest paid on loans	**83 955**	57 668
	Occupational interest paid	**–**	483
	Amortisation of loan raising costs	**754**	556
	Other interest paid	**199**	54
		84 908	58 761
14.	**Taxation**		
	South African normal income tax	**(61)**	(197)
	– income tax	**–**	–
	– capital gains tax	**–**	–
	– deferred tax income	**(61)**	(197)
	Reconciliation of tax rate	**%**	%
	Effective tax rate	**(0.06)**	0.55
	Permanent differences – fair value adjustments	**(3.57)**	(33.19)
	REIT dividend	**29.67**	59.68
	Prior year under provided	**0.49**	–
	Items not deductible for tax purposes	**1.53**	0.56
	Non-taxable income	**(0.06)**	0.40
	Standard tax rate	**28.00**	28.00

The charge relating to components of other comprehensive income is as follows:

	Before tax R000	Tax charge R000	After tax R000
Movement of the fair value on derivative financial instruments	834	–	834
– Effective portion of the fair value on derivative financial instruments	609	–	609
– Ineffective gain of the fair value on derivative financial instruments	225	–	225
Other comprehensive income	**834**	**–**	**834**

		2016 R000	2015 R000
15.	**Basic and diluted earnings/(loss) per share/linked unit**		
15.1	**Basic and diluted earnings/(loss) per combined share/linked unit**		
	Basic and diluted earnings/(loss) per combined share/linked unit (cents)	**69.75**	(23.17)
	The calculation of the basic and diluted earnings/(loss) per share/linked unit is based on the weighted average number of 153 704 873 (2015: 153 704 873) shares/linked units in issue during the year/period and a profit of R107,2 million (2015: loss of R35,6 million).		
15.2	**Headline earnings/(loss)**		
	The calculation of the headline earnings/(loss) per share/linked unit is based on a weighted average of 153 704 873 (2015: 153 704 873) shares/linked units in issue during the year/period and the headline earnings/(loss) is calculated as follows:		
	Profit/(loss) for the year/period	**107 216**	(35 615)
	Fair value adjustments to investment properties	**57 699**	33 877
	Headline earnings/(loss)	**164 915**	(1 738)
	Interest paid to debenture holders	**–**	76 332
	Headline earnings – combined share/linked unit	**164 915**	74 594
	Headline earnings/(loss) per combined share/linked unit (cents)	**107.29**	(1.13)
	Headline earnings per A share/linked unit (cents)	**107.29**	66.53
	Headline earnings per B share/linked unit (cents)	**107.29**	40.52

		2016 R000	2015 R000
15.	**Basic and diluted earnings/(loss) per share/linked unit** continued		
15.3	**Distributable earnings**		
	Headline earnings to shareholders/linked shareholders	**164 915**	74 594
	Amortisation of loan raising costs	**754**	556
	Straight-line rental income accrual	**(51 845)**	505
	Other capital items	**–**	169
	Deferred tax	**(61)**	–
	Ineffective gain on fair value of derivative financial instruments	**(225)**	–
	Changes in fair value of swaps (net of deferred taxation)	**–**	508
	Changes in fair value of swaps	**–**	705
	Deferred taxation	**–**	(197)
	Distributable earnings	**113 538**	76 332
16.	**Notes to the statement of cash flows**		
16.1	**Cash generated from operations**		
	Profit before taxation	**107 155**	(35 812)
	Adjusted for:		
	Finance income	**(1 628)**	(915)
	Finance costs	**84 908**	135 093
	Debenture interest	**–**	76 332
	Borrowing costs	**84 908**	58 761
	Straight-lining of operating leases	**(51 845)**	505
	Fair value adjustment to investment properties	**57 699**	33 877
	Derivative financial instruments matured during the year	**83**	–
	Ineffective fair value gain on derivative financial instruments	**(225)**	–
	Fair value adjustment in respect of swaps	**–**	705
		196 147	133 453
	Changes in working capital net of assets acquired	**8 319**	4 775
	Increase in trade and other receivables	**(5 676)**	(297)
	Increase in trade and other payables	**13 995**	5 072
	Cash generated from operations	**204 466**	138 228
16.2	**Interest paid**		
	Interest charge per statement of profit or loss and other comprehensive income	**84 908**	58 761
	Less: Amortisation of loan raising costs	**(754)**	(556)
	Debenture interest paid	**25 307**	104 015
	Total interest paid	**109 461**	162 220
16.3	**Dividends paid**		
	Dividends paid	**56 932**	–
	Total dividends paid	**56 932**	–
	Total interest and dividends paid	**166 393**	162 220

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

17. Segmental information

Properties owned by Synergy at 31 March 2016.

Property	Province	GLA (m²)	Revenue (Rm)	Property operating costs (Rm)	Net operating income* (Rm)	Retail vacancy (%)	Average gross rental per m²# (R/m²)	Effective date of acquisition	Valuation (Rm)	Address
Gugulethu Square	Western Cape	25 322	40.6	9.4	31.2	0.0	133	30 August 2012	429.2	Corner Steve Biko Street, NY3 and NY6, Gugulethu, Cape Town
Phuthaditjhaba Setsing Crescent	Free State	21 538	29.6	5.7	23.9	0.0	116	23 August 2012	331.0	Corner Setai and Motloung Road, Phuthaditjhaba
Atlantis City Shopping Centre	Western Cape	22 115	33.5	3.9	29.6	6.0	130	1 September 2013	278.9	8 Wesfleur Circle, Atlantis
Ulundi King Senzangakhona Shopping Centre	KwaZulu-Natal	22 365	26.4	6.4	20.0	1.6	102	16 February 2012	263.1	Corner King Dinizulu Highway and Princess Magogo Street, Ulundi
Emalahleni Highland Mews	Mpumalanga	17 032	17.4	1.9	15.5	7.4	97	1 June 2012	209.6	Corner Hans Strydom Drive and Watermeyer Street, Emalahleni
Hammanskraal Renbro Shopping Centre	Gauteng	13 308	15.8	3.2	12.6	11.1	113	1 June 2012	147.6	Old Warmbaths Road, Hammanskraal
Hillcrest Richdens Shopping Centre	KwaZulu-Natal	10 196	12.9	3.4	9.5	5.7	122	24 May 2012	121.6	59 – 61 Old Main Road, Hillcrest
Hartbeespoort Sediba Shopping Centre	North West	10 887	11.6	3.2	8.4	11.1	106	7 October 2011	119.8	Die Ou Wapad, Hartbeespoort
Roodepoort Ruimsig Shopping Centre	Gauteng	11 177	11.6	1.9	9.7	4.9	95	22 December 2011	113.9	Corner Doreen and Malcolm Roads, Amarosa, Roodepoort
KwaMashu Shopping Centre	KwaZulu-Natal	11 204	13.2	4.3	8.9	5.6	105	25 October 2011	106.7	300 Mandela Road KwaMashu
Elim Hubyeni Shopping Centre	Limpopo	12 686	12.5	2.0	10.5	0.7	84	1 June 2012	104.4	Corner R578 and R528 Elim
Welgedacht Van Riebeeckshof Shopping Centre	Western Cape	5 181	6.9	1.2	5.7	3.1	110	1 June 2012	68.4	Corner Koelenhof, Delaire and Riebeeckshof Roads, Welgedacht
Newcastle Taxi City Shopping Centre	KwaZulu-Natal	5 006	6.5	1.6	4.9	5.7	110	6 December 2011	55.7	Corner Allen and Kirkland Streets, Newcastle
Makhado Nzhelele Valley Shopping Centre	Limpopo	5 308	6.1	1.2	4.9	0.0	95	1 June 2012	51.2	Corner Main Road and R523, Dzanani
Ermelo Game Centre	Mpumalanga	6 639	5.4	1.4	4.0	15.7	82	1 June 2012	40.5	Corner De Emigratie Road and Voortrekker Avenue, Ermelo
		199 964	**250.0**	**50.7**	**199.3**	**4.5**	**110**		**2 441.6**	

** Net operating income is shown net of interest.*

 # Base rent excluding recoveries.

A major revenue provider for Synergy is Spar Group Limited, accounting for 19.1% (2015: 17.11%) of Synergy's revenue. Revenue attributable to the Spar Group Limited in the period ended 31 March 2016 is R37.2 million (2015: R41.3 million).

17. Segmental information continued

Properties owned by Synergy at 31 March 2015.

Property	Province	GLA (m²)	Revenue (Rm)	Property operating costs (Rm)	Net operating income* (Rm)	Retail vacancy (%)	Average gross rental per m²# (R/m²)	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 August 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 February 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 September 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 August 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 October 2011	107.2	300 Malandela Road, KwaMashu
Ruimsig Shopping Centre	Gauteng	11 178	13.2	6.2	7.0	4.7	99	22 December 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 October 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 – 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 December 2011	53.4	Corner Allen and Kirkland Streets, Newcastle
		199 996	**241.3**	**93.7**	**147.6**		**110**		**2 422.0**	

** Net operating income is shown net of interest*

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

The company 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, the company had entered into the following interest rate swaps with respect to the following facilities:

	Maturity	Fixed rate %	**Fair value at 31 March 2016 R000**	Fair value at 31 March 2015 R000
Asset				
Nedbank facility				
– swap (Nedbank)	4 July 2016	6.59	**82**	–
– swap (Nedbank)	1 June 2017	7.075	**291**	–
Standard Bank facility				
– swap (Standard Bank)	30 June 2016	9.15	**59**	–
– swap (Standard Bank)	30 September 2019	10.20	**331**	–
Fair value asset			**763**	–
– amounts included in non-current assets			**622**	–
– amounts included in current assets			**141**	–
Liability				
Nedbank facility				
– swap (Nedbank)	1 June 2015	7.60	**–**	(14)
– swap (Nedbank)	4 July 2016	6.59	**–**	(91)
– swap (Nedbank)	1 June 2017	7.65	**(7)**	–
– swap (Nedbank)	19 February 2019	10.49	**(109)**	–
– swap (Nedbank)	19 February 2019	9.915	**(226)**	–
Standard Bank facility				
– swap (Standard Bank)	30 June 2015	8.88	**–**	(68)
– swap (Standard Bank)	30 June 2017	9.50	**–**	(835)
– swap (Standard Bank)	1 July 2019	10.76	**(187)**	–
– swap (Standard Bank)	1 September 2020	10.99	**(409)**	–
Fair value liability			**(938)**	(1 008)
– amounts included in non-current liabilities			**(938)**	(926)
– amounts included in current liabilities			**–**	(82)

(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.

	Note	Effective interest rate %	Carrying amount R000	0 – 12 months R000	1 – 4 years R000	More than 4 years R000
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						
At the reporting date Synergy's interest rate profile was:						
31 March 2016						
Cash and cash equivalents						
– cash on call	6	6.20	14 286	14 286	–	–
– current accounts	6	3.55	11 330	11 330	–	–
Financial liabilities						
Nedbank facility A						
– variable portion	8.1	9.00	(125 008)	–	(125 008)	–
– swap (Nedbank)	8.1	7.08	(60 000)	–	(60 000)	–
– swap (Nedbank)	8.1	7.65	(50 000)	–	(50 000)	–
Nedbank facility B						
– variable portion	8.1	9.00	(110 682)	–	(110 682)	–
– swap (Nedbank)	8.1	10.49	(40 000)	–	(40 000)	–
– swap (Nedbank)	8.1	9.92	(50 000)	–	(50 000)	–
Standard Bank facility A						
– variable portion A	8.2	9.40	(37 500)	–	(37 500)	–
– variable portion B	8.2	9.58	(19 000)	–	(19 000)	–
– swap (Standard Bank)	8.2	8.88	(40 000)	(40 000)	–	–
– swap (Standard Bank)	8.2	10.99	(50 000)	–	–	(50 000)
– swap (Standard Bank)	8.2	10.20	(80 000)	–	–	(80 000)
Standard Bank facility B						
– variable portion	8.2	8.90	(10 000)	–	(10 000)	–
– swap (Standard Bank)	8.2	10.76	(40 000)	–	(40 000)	–
RMB facility						
– variable portion	8.3	9.33	(28 295)	–	(28 295)	–
– fixed portion (RMB)	8.3	9.14	(90 000)	–	(90 000)	–
– fixed portion (RMB)	8.3	8.36	(146 705)	–	(146 705)	–
Debentures		–	–	–	–	–
			(951 574)	(14 384)	(807 190)	(130 000)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

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

At the reporting date Synergy's interest rate profile was:

	Note	Effective interest rate %	Carrying amount R000	0 – 12 months R000	1 – 4 years R000	More than 4 years R000
31 March 2015						
Cash and cash equivalents						
– cash on call	6	4.950	3 894	3 894	–	–
– current accounts	6	3.750	2 126	2 126	–	–
Financial liabilities						
Nedbank facility A						
– variable portion	8.1	7.750	(126 514)	–	(126 514)	–
– swap (Nedbank)	8.1	7.600	(60 000)	–	(60 000)	–
– swap (Nedbank)	8.1	7.970	(50 000)	–	(50 000)	–
Nedbank facility B						
– variable portion	8.1	7.750	(201 963)	–	(201 963)	–
Standard Bank facility A						
– variable portion A	8.2	8.150	(76 163)	–	–	(76 163)
– variable portion B	8.2	8.450	(19 000)	–	–	(19 000)
– swap (Standard Bank)	8.2	9.500	(80 000)	–	–	(80 000)
– swap (Standard Bank)	8.2	8.880	(40 000)	–	–	(40 000)
Standard Bank facility B						
– variable portion	8.2	7.6500	(50 000)	–	(50 000)	–
RMB facility						
– variable portion	8.3	8.510	(30 233)	–	(30 233)	–
– fixed portion (RMB)	8.3	9.140	(90 000)	–	(90 000)	–
– fixed portion (RMB)	8.3	8.360	(146 705)	–	(146 705)	–
Debentures		Variable	(952 971)	–	–	(952 971)
			(1 917 530)	6 020	(755 415)	(1 168 135)

18.1.1.2 Sensitivity analysis

The company has a mixture of fixed and floating interest-bearing financial liabilities. The effect on profit or loss of a 1% increase in interest rates on floating rate interest-bearing financial liabilities at reporting date, would be an increased interest expense of R3.0 million (2015: R5.0 million). This 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 period.

	2016 R000	2015 R000
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:		
Tenant and related receivables (net of allowance for bad debts)	**10 594**	4 325
Other receivables	**16 157**	15 843
Cash and cash equivalents	**25 616**	6 020
	52 367	26 188

	2016 R000	2015 R000
18. Financial instruments continued		
18.2 Credit risk continued		
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	**3 942**	3 508
Past due 31 – 60 days	**1 511**	99
Past due 61 – 120 days	**1 573**	56
Past due > 120 days	**3 568**	662
Total	**10 594**	4 325
The movement in the allowance for impairment in respect of tenant and related receivables during the year/period was as follows:		
Balance at the beginning of the year/period	**(4 455)**	(3 490)
Impairment loss recognised	**(1 529)**	(1 399)
Bad debts written off	**752**	434
Balance at the end of the year/period	**(5 232)**	(4 455)

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.

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 R000	1 – 12 months R000	1 – 2 years R000	2 – 5 years R000	More than 5 years R000
31 March 2016					
Non-derivative financial liabilities					
Financial liabilities	**977 190**	**–**	**–**	**977 190**	**–**
Trade and other payables	**49 122**	**49 122**	**–**	**–**	**–**
– Trade and other payables as per note 10	**55 283**	**55 283**	**–**	**–**	**–**
– Rental received in advance	**(6 161)**	**(6 161)**	**–**	**–**	**–**
Derivative financial liabilities					
Financial instruments	**938**	**–**	**(141)**	**(622)**	**–**
31 March 2015					
Non-derivative financial liabilities					
Financial liabilities	970 578	–	–	970 578	–
– Trade and other payables	34 738	34 738	–	–	–
– Trade and other payables as per note 10	41 288	41 288	–	–	–
Rental received in advance	(6 550)	(6 550)	–	–	–
Debentures	952 971	–	–	–	952 971
Debenture interest payable	25 307	25 307	–	–	–
Derivative financial liabilities					
Financial instruments	1 008	82	91	835	–

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

	2016 R000	2015 R000
18. Financial instruments continued		
18.3 Liquidity risk continued		
Permitted borrowings for the company:		
Value of property portfolio (refer note 3)	**2 441 574**	2 421 900
50% restriction on borrowing per MOI	**1 220 787**	1 210 950
Total financial liabilities	**977 190**	970 578
Unutilised borrowing capacity	**243 597**	240 372
Gearing ratio – loan to value (%)	**40.3**	40.1

18.4 Fair value measurement

18.4.1 Grouping

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- **Level 1**: quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2**: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3**: unobservable inputs for the asset or liability.

18.4.2 Fair value hierarchy

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measured.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	2016 (R000)			2015 (R000)		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Assets						
Derivative financial instruments	**–**	**763**	**763**	–	–	–
Total	**–**	**763**	**763**	–	–	–
Liabilities						
Derivative financial instruments	**–**	**(938)**	**(938)**	–	(1 008)	(1 008)
Total	**–**	**(938)**	**(938)**	–	(1 008)	(1 008)
Net fair value	**–**	**(175)**	**(175)**	–	(1 008)	(1 008)

There have been no significant transfers between levels 1 and 2 in the reporting period under review. There were no transfers into or out of level 3 in the reporting period under review.

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Derivative financial instruments

The fair values of these swap contracts are determined by Nedbank Limited and Standard Bank of South Africa Limited, using valuation techniques that maximise the use of observable market inputs. Derivatives entered into by Synergy are included in level 2 and consist of interest rate swap contracts.

18. Financial instruments continued

18.4 Fair value measurement continued

18.4.3 Financial instruments by category

Synergy 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.

Note 1.5 of Synergy's accounting policies provides a description of each category of financial assets and financial liabilities and related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Designated at fair value R000	Loans and receivables R000	Liabilities at amortised cost R000	Total carrying amount R000	Fair value R000
31 March 2016					
Trade and other receivables	**–**	**27 298**	**–**	**27 298**	**27 298**
Cash and cash equivalents	**–**	**25 616**	**–**	**25 616**	**25 616**
Interest-bearing borrowings	**–**	**–**	**(976 016)**	**(976 016)**	**(976 016)**
Interest rate swaps (level 2)	**(175)**	**–**	**–**	**(175)**	**(175)**
Trade and other payables	**–**	**–**	**(55 283)**	**(55 283)**	**(55 283)**
	(175)	**52 914**	**(1 031 299)**	**(978 560)**	**(978 560)**
Net gain/(loss) per category	**834**	**99**	**(84 908)**		
31 March 2015					
Trade and other receivables	–	20 168	–	20 168	20 168
Cash and cash equivalents	–	6 020	–	6 020	6 020
Linked debentures	–	–	(952 971)	(952 971)	(952 971)
Interest-bearing borrowings	–	–	(968 658)	(968 658)	(968 658)
Interest rate swaps (level 2)	(1 008)	–	–	(1 008)	(1 008)
Trade and other payables	–	–	(32 904)	(32 904)	(32 904)
Linked debenture interest payable	–	–	(25 307)	(25 307)	(25 307)
	(1 008)	26 188	(1 979 840)	(1 954 660)	(1 954 660)
Net (loss) per category	(705)	(484)	(135 093)		

19. Related-party transactions

19.1 Identity of related parties

→ Common directorship and shareholding (related entity) – Vukile Asset Management (Pty) Ltd
→ Directors as listed in the directors' report
→ Shareholder with control – Vukile Property Fund Limited

		2016 R000	2015 R000
19.2	**Related entity**		
	→ Vukile Asset Management (Pty) Ltd		
	Amount included in trade payables (payable in 30 days)	**(2 342)**	–
	Property and asset management fees paid to related entity	**(23 176)**	–
	Leasing commission paid to related entity	**–**	(4 460)
	→ Vukile Property Fund Limited		
	Debenture interest	**–**	(42 778)
	Amount included in debenture interest payable	**–**	(13 867)
	Dividend paid	**(46 985)**	–

19. Related-party transactions continued

19.3 Directors' and officers' shareholdings

	Direct beneficial	Indirect	Total	%
31 March 2016				
Synergy A shares				
SJ Segar	**58 706**	**13 000**	**71 706**	**0.15**
Synergy B shares				
SJ Segar	**116 428**	**–**	**116 428**	**0.11**
LG Rapp	**–**	**–**	**–**	**–**
GS Moseneke	**200**	**–**	**200**	**0.00**
MJ Potts	**19 850**	**–**	**19 850**	**0.02**
RC Hawton	**100**	**–**	**100**	**0.00**
Total	**195 284**	**13 000**	**208 284**	**0.14**
31 March 2015				
Synergy A shares				
SJ Segar	58 706	13 000	71 706	0.15
Synergy B shares				
SJ Segar	116 428	–	116 428	0.11
Total	175 134	13 000	188 134	0.26

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

19.4 Directors' remuneration

19.4.1 Non-executive

Non-executive directors' remuneration for services as director are as follows:

	2016 R000	2015 R000
MJ Kuscus	**312**	238
LX Mtumtum	**336**	237
SJ Segar	**240**	172
I Zwarenstein (four months *pro rata* fees)	**80**	–
LG Rapp*	**264**	21
MJ Potts*	**144**	11
MM Mdlolo	**–**	137
AS Ramsden	**–**	21
U Meyer	**–**	92
	1 376	929

* *Directors' fees paid to non-independent directors are paid to VAM in respect of services rendered on its behalf. Remuneration paid by Vukile to LG Rapp and MJ Potts in respect of their positions as chief executive officer and financial director of Vukile, amounted to R10.75 million and R4.16 million respectively (2015 full year: R9.17 million and R3.4 million).*

19. Related-party transactions continued

19.4 Directors' remuneration continued

19.4.2 Executive

Executive directors are not paid directors' fees from Synergy. Their remuneration is paid by Vukile Property Fund Limited, and such costs are recovered from Synergy via asset management fees charged.

	Salary R000	Bonus R000	Total remuneration R000
31 March 2016			
GS Moseneke	**1 297**	**1 335**	**2 632**
RC Hawton	**1 250**	**58**	**1 308**
	2 547	**1 393**	**3 940**
31 March 2015			
WM Brooks^	1 192	3 327	4 519
A Raubenheimer^	963	439	1 402
	2 155	3 766	5 921

^ *2015 executive directors' fees were paid at the time by CLAM and recovered from Synergy via asset management fees charged.*

19.4.3 Directors' service contracts

There are no fixed-term service contracts for executive or non-executive directors.

20. Capital management

The group's capital management objectives are:

- → To ensure the group's ability to continue as a going concern.
- → To provide an adequate return to shareholders by pricing services commensurately with the level of risk.

Synergy monitors capital on the basis of the carrying amount of equity less cash equivalents as presented in the statement of financial position and cash flow hedges recognised in other comprehensive income.

Capital for the reporting periods under review is summarised as follows:

	2016 R000	2015 R000
Total equity	**1 463 357**	1 413 562*
Cash flow hedges	**175**	1 008
Cash and cash equivalents	**(25 616)**	(6 020)
Capital	**1 437 916**	1 408 550
Total equity	**1 463 357**	1 413 562*
Borrowings	**976 016**	968 658
Overall financing	**2 439 373**	2 382 220
Capital-to-overall financing ratio	**0.59**	0.59

* *Linked debentures are disclosed as part of total equity for 2015 comparative purposes.*

Management assesses Synergy's capital requirements in order to maintain an efficient overall financing structure which avoids excessive leverage. Synergy manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure Synergy may issue new shares or sell assets to reduce debt.

The board's policy is to maintain a strong capital base comprising its shareholders' interest 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 dividends per share.

There were no changes in the approach to capital management during the year. The company is not subject to externally imposed capital requirements. Synergy has complied with its bank and corporate bond covenants.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2016

21. International Financial Reporting Standards and Amendments issued but not yet effective

At the date of approval of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the entity. Management anticipates that all of the pronouncements will be adopted in the entity's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to Synergy's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on Synergy's annual financial statements.

Synergy has chosen not to early adopt the following standards and interpretations which have been published and are mandatory for its accounting periods beginning on or after the dates shown:

Standard	Details of amendments	Annual periods on/or beginning after
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.	1 July 2016
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 – 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.	1 July 2016
	→ 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.	1 July 2016
IFRS 9	**Financial Instruments** → IFRS 9 Financial Instruments (2014) replaces IAS 39 Financial Instruments: Recognition and Measurement.	1 January 2018
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.	1 January 2018
IFRS 16	**Leases** → IFRS 16 will require lessees to account for leases "on-balance sheet" by recognising a "right-of-use" asset and a lease liability. IFRS 16 also: – Changes the definition of a lease – Sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods – Provides exemptions for short-term leases and leases of low value assets – Changes the accounting for sale and leaseback arrangements – Largely retains IAS 17's approach to lessor accounting – Introduces new disclosure requirements.	1 January 2019

21. International Financial Reporting Standards and Amendments issued but not yet effective continued

Standard	Details of amendments	Annual periods on/or beginning after
IAS 1	**Presentation of Financial Statements** → Amendments clarifying IAS 1's specified line items on the statement(s) of profit and 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.	1 January 2016
IAS 27	**Consolidated and Separate Financial Statements** → Amendments to introducing a third option which allows entities to account for investments in subsidiaries, joint ventures and associates under the equity method in their separate financial statements.	1 January 2016
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.	1 July 2016

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)

DIRECTORS

LG Rapp	(Chairman)
GS Moseneke	(Interim chief executive officer)
RC Hawton	(Financial director)
MJ Potts	(Non-executive director)
SJ Segar	(Independent non-executive director)
LX Mtumtum	(Independent non-executive director)
MJ Kuscus	(Independent non-executive director)
I Zwarenstein	(Independent non-executive director)

GROUP SECRETARY AND REGISTERED OFFICE

Johann Neethling
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)
Nedbank 1 Block, 4th Floor, 135 Rivonia Campus
135 Rivonia Road, Sandown, Sandton, 2196

FirstRand Bank Limited
(Registration number 1929/001225/06)
25th Floor, Portside, 5 Buitengracht Street, Cape Town, 8001
(PO Box 367, Cape Town, 8000)

SPONSORS

Java Capital Trustees and Sponsors (Pty) Ltd
(Registration number 2006/005780/07)
6A Sandown Valley Crescent, Sandown, Sandton, 2196
(PO Box 2087, Parklands, 2121)

LISTING INFORMATION

Synergy was listed on the JSE Limited on 14 December 2011
JSE share code: SGA
JSE share code: SGB
ISIN for A shares: ZAE000202883
ISIN for B shares: ZAE000202891

TRANSFER SECRETARIES

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

AUDITORS

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

CORPORATE ADVISERS

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

INVESTOR AND MEDIA RELATIONS

Marketing Concepts
1st Floor, Wierda Court, 107 Johan Avenue,
Wierda Valley, Sandton, Johannesburg, 2196.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the fifth 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 8:00 on Wednesday, 17 August 2016 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 year ended 31 March 2016 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, 12 August 2016 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, 24 June 2016
- → Last day to trade in order to be eligible to participate in and vote at the AGM: 8 August 2016
- → Record date to vote at the AGM (voting record date): 12 August 2016

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 2016, that annual retainers payable to non-executive directors be and are fixed as follows:

Retainers		Per annum (R)
2.1	Non-executive director	152 500
2.2	Chairman of the board	279 575
2.3	Chairman of the audit and risk committee	127 100
2.4	Member of the audit and risk committee	101 650
2.5	Member of the social and ethics committee	76 300

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 year equal to 6.0% was approved by the board and is recommended to shareholders.

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 (M0I) 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 have 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 12 and 13
- Stated capital of the company — pages 38 and 39.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS continued

Directors' responsibility statement

The directors, whose names appear on pages 4 and 5 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.

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 year ended 31 March 2016, 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 EFG Dreyer) 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 EFG Dreyer 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 MJ Kuscus
- Mr LX Mtumtum
- Mr SJ Segar
- Mr I Zwarenstein

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS continued

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 MJ Kuscus
3.2 Mr LX Mtumtum
3.3 Mr SJ Segar
3.4 Mr I Zwarenstein."

Brief CVs of all the directors appear on page 5 of this integrated report of which this notice forms part.

In order for ordinary resolutions no 3.1, 3.2, 3.3 and 3.4 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
4.4 Mr I Zwarenstein."

Brief CVs of all the proposed members of the audit and risk committee appear on page 5 of this integrated report of which this notice forms part.

In order for ordinary resolutions no 4.1, 4.2, 4.3 and 4.4 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.

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 15 370 487 shares, being 10% 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 15 370 487 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 14 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 Friday, 12 August 2016 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.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS continued

FORM OF PROXY FOR SHAREHOLDERS

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, Link Market Services South Africa (Pty) Ltd at 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2011 (PO Box 4844, Johannesburg, 2000) to be received no later than 08:00 on Monday, 15 August 2016. 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
Corner Glenhove Road and Ninth Street
Melrose Estate
2196

Transfer secretaries
Link Market Services South Africa (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 shares 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 08:00 on Wednesday, 17 August 2016.

I/we (BLOCK LETTERS PLEASE)

of (address)

being the registered holder of Synergy shares

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 MJ Kuscus			
Ordinary resolution 3.2	Mr LX Mtumtum			
Ordinary resolution 3.3	Mr SJ Segar			
Ordinary resolution 3.4	Mr I Zwarenstein			
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 4.4	Mr I Zwarenstein			
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 2016

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 Link Market Services South Africa (Pty) Ltd at 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2011 (PO Box 4844, Johannesburg, 2000)to be received no later than 08:00 Monday, 15 August 2016. 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, Link Market Services South Africa (Pty) Ltd, being 12 August 2016 (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 Link Market Services South Africa (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 aforegoing, 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 (M0I) 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 the person's whose name appears first in the register of shareholders or his/her proxy, as the case may 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, Link Market Services South Africa (Pty) Ltd at 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2011 (PO Box 4844, Johannesburg, 2000) to be received by the company no later than 08:00 on Monday, 15 August 2016.
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 aforegoing notes contain a summary of the relevant provisions of section 58 of the Companies Act, as required in terms of that section.

SYNERGY
INCOME FUND LIMITED

www.synergyincomefund.com