Provisional summarised reviewed consolidated financial statements for the eight months ended 28 February 2018

DIRECTORS' COMMENTARY

NATURE OF BUSINESS

Castleview is a property holding and investment company that is invested in a well-located small regional shopping centre in the Eastern Cape.

PROPERTY PORTFOLIO

Castleview's property portfolio consists of one property, namely Pier 14 Shopping Centre in Govan Mbeki Road, Port Elizabeth, which is defined as a small regional shopping centre with 30 345m^2 of rentable space and is anchored by large national tenants such as Shoprite, Jet, Pep, Ackermans and Mr Price.

STRATEGY

Castleview intends to invest further in retail properties which are anchored by high quality national tenants on long term, escalating leases, where opportunities to increase value to shareholders through sound asset management strategies are available and providing investors with exposure to consumers from a cross-section of income categories. Castleview may also invest in listed property shares in the future.

COMMENTARY ON RESULTS, DISTRIBUTABLE EARNINGS AND NET ASSET VALUE

The portfolio remains in a healthy state with vacancies of 4.1% by gross rental and 4.9% by gross lettable area (GLA) at year end. Pier 14 continues to attract and retain high quality tenants which are prepared to sign long-term leases, with close to 90% of tenants by GLA comprising high quality tenants including large international and national tenants, JSE-listed companies, as well as major franchisees and medium to large professional firms.

Notwithstanding tough economic conditions in 2017, which have resulted in retailers' earnings remaining under pressure, a variety of factors have contributed to a pleasing improvement in turnover at Pier 14 in 2018 to-date, including: the positive leasing activity that has taken place at the centre in the past 24 months; real growth in disposable income of consumers in lower income brackets as a result of healthy wage growth and lower consumer inflation; and a significant improvement in consumer confidence following Mr Cyril Ramaphosa being appointed President of South Africa in February 2018.

Distributable earnings for the period of 11.60 cents per share is marginally lower than the guidance provided in the pre-listing statement of 12.00 cents per share.

A dividend of 16.72 cents per share has been declared, which is in excess of the distributable earnings for the period, due to the board recommending that net income previously being forecast to be retained now be distributed.

Castleview has increased its net asset value per share from R5.00 at listing to R5.12, an increase of 2.4%.

SUMMARY OF FINANCIAL INDICATORS

	28 February 2018
Shares in issue	**33 000 000**
Distributable earnings per share	**11.60 cents**
Dividend per share	**16.72 cents**
Net asset value per share	**R5.12**
Loan-to-value ratio*	**43.8%**
Property cost-to-income ratio	**26.2%**

* *The loan-to-value ratio is calculated by dividing interest bearing borrowing net of cash on hand by the total of investment property.*

SECTORAL SPLIT, LEASE EXPIRY PROFILE AND VACANCIES

	GLA	Gross rentals
Sectoral split		
Based on:		
Retail	74.7%	81.0%
Office	25.3%	19.0%
	100.0%	100.0%
Lease expiry profile (unreviewed)		
Based on:		
Vacant	4.9%	4.1%
Feb 2019	23.8%	28.3%
Feb 2020	12.1%	15.7%
Feb 2021	29.8%	25.8%
Feb 2022	9.2%	6.0%
> Feb 2022	20.2%	20.1%
	100.0%	100.0%

LOAN FUNDING

	Approved loan R'm	Amount drawn down at February 2018 R'm	Interest rate
Facility			
ABSA Bank	165.0	164.1	Floating prime less 1% (9.0%)
Urban Retail Property Investments 1 (URP1)	28.4	30.1*	Floating prime less 0.25% (9.75%)

* *Interest on the URP1 loan is capitalised monthly and payable annually in arrears, with the first payment being due on 31 December 2018.*

The ABSA facility is secured by a first mortgage bond and security cessions over the fixed property comprising Pier 14 Shopping Centre.

OUTLOOK

Castleview will continue to focus on a disciplined approach to the management of its existing asset and the growth of the portfolio in order to return growth in capital and income to shareholders.

CASTLEVIEW PROPERTY FUND LTD SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 28 FEBRUARY 2018

	Notes	Reviewed 28 February 2018 R
ASSETS		
Non-current assets		
Property, plant and equipment		784 573
Investment property	3	308 690 842
Operating lease asset		6 152 965
Deferred tax		429 433
		316 057 813
Current assets		
Trade and other receivables		1 320 458
Cash and cash equivalents		56 281 732
Total current assets		57 602 190
Total assets		373 660 003
EQUITY AND LIABILITIES		
Equity		
Share capital	4	165 000 000
Accumulated profit		3 845 546
Non-controlling interest		186 660
		169 032 206
Liabilities		
Non-current liabilities		
Other financial liabilities	5	164 055 652
Loan from parent company	6	28 419 384
		192 475 036
Current liabilities		
Trade and other payables		8 129 782
Loan from parent company	6	1 692 314
Current tax payable		2 330 665
		12 152 761
Total liabilities		204 627 797
Total equity and liabilities		373 660 003

CASTLEVIEW PROPERTY FUND LTD SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 28 FEBRUARY 2018

	Notes	Reviewed eight months ended 28 February 2018 R
Revenue		17 802 346
Other operating expenses		(10 089 950)
Operating profit		7 712 396
Bargain purchase on acquisition of subsidiary		2 511 373
Investment income		1 808 880
Finance costs		(7 925 635)
Profit before taxation		4 107 014
Taxation		(258 203)
Profit for the period		3 848 811
Other comprehensive income		–
Total comprehensive income		3 848 811
Profit attributable to:		
Owners of the parent		3 845 546
Non-controlling interest		3 265
		3 848 811
Earnings per share information (cents per share)		
Basic and diluted earnings per share	8	12.97

CASTLEVIEW PROPERTY FUND LTD SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 28 FEBRUARY 2018

	Share capital R	Accumulated profit R	Total attributable to equity holders of the group R	Non-controlling interest R	Total equity R
Reviewed					
Balance at 1 July 2017	–	–	–	–	–
Issue of shares	165 000 000	–	165 000 000	–	165 000 000
Business combinations	–	–	–	183 395	183 395
Total contributions by and distributions to owners of company recognised directly in equity	165 000 000	–	165 000 000	183 395	165 183 395
Profit for the period	–	3 845 546	3 845 546	3 265	3 848 811
Total comprehensive income for the period	–	3 845 546	3 845 546	3 265	3 848 811
Balance at 28 February 2018	165 000 000	3 845 546	168 845 546	186 660	169 032 206

CASTLEVIEW PROPERTY FUND LTD CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 28 FEBRUARY 2018

	8 months ended 28 February **2018** R
Cash flows from operating activities	
Cash generated from operations	8 230 661
Interest income	1 808 880
Finance costs	(5 479 615)
Net cash from operating activities	4 559 926
Business combinations	(23 623 773)
Net cash from investing activities	(23 623 773)
Cash flows from financing activities	
Proceeds on share issue	40 000 000
Other financial liabilities advanced	35 345 579
Net cash from financing activities	75 345 579
Total cash movement for the period	56 281 732
Total cash and cash equivalents at the end of the period	56 281 732

SIGNIFICANT FINANCIAL STATEMENT NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The provisional summarised reviewed consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the financial statements from which the summary financial statements were derived are in terms of IFRS and are consistent with those applied in the pre-listing statement. The directors have adopted and wish to disclose the following material accounting policies:

1.1 Significant judgements and sources of estimation uncertainty

The preparation of provisional summarised reviewed consolidated financial statements in conformity with IFRS requires management, from time to time, to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the provisional summarised reviewed consolidated financial statements, are outlined as follows.

Investment property

In the application of the accounting policy which is described in note 1.2 below, management is required to make judgements, estimates and assumptions about the fair value of the instrument property that are not readily apparent from other sources.

The fair value of the investment property is determined using current rentals, expected market rentals, expected vacancies and appropriate capitalisation rates. The valuation of the investment property as at 28 February 2018 which was determined by the directors was compared to the valuation performed by an independent valuer as more fully described in note 3 and the impact of any adjusting factors was found to be immaterial.

1.2 Investment property

Property comprising of freehold land and buildings that is held for long term rental yields or for capital appreciation or both, is classified as investment property and 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.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably.

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.

A gain or loss arising on disposal of investment property is recognised in profit or loss, measured as the difference between the disposal proceeds and the carrying amount.

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

1.3 Revenue

Revenue comprises gross rental revenue including all recoveries from tenants, excluding value added taxation. Rental revenue from investment property is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the lease period. Contingent rents (turnover rentals) are included in revenue when the amount can be reliably measured.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.4 Consolidation

Basis of consolidation

The provisional summarised reviewed consolidated financial statements incorporate the financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the provisional summarised reviewed consolidated financial statements from the effective date of acquisition to the effective date of disposal.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

1.5 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity.

1.6 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss designated
- Loans and receivables
- Available for sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for 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 the group becomes a party to the contractual provisions of the instruments.

The group 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.

Financial instruments are measured initially at fair value.

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

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss exclude dividends and interest. Dividend income is recognised in profit or loss as part of other income when the group's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available for sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available for sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available for sale equity instruments are recognised in profit or loss as part of other income when the group's right to receive payment is established.

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

Changes in fair value of available for sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss, while translation differences on non monetary items are recognised in other comprehensive income and accumulated in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

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

Impairment of financial assets
At each reporting date the group 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 has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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 rate 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 60 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.

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 rate method.

Taxation and deferred taxation
Income tax expense comprises current and deferred taxation. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on taxable income, after deducting the qualifying distribution for the period of assessment, using tax rates that have been enacted or substantively enacted by the reporting date and includes adjustments for tax payable in respect of previous years. In accordance with the REIT status, dividends declared are treated as a qualifying distribution in terms of section 25BB of the Income Tax Act, No 58 of 1962 (as amended).

Withholding tax relating to foreign distributions received is recognised as part of the current tax expense.
The distribution received is presented gross of withholding tax in the financial statements.

Deferred income tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises:

- From the initial recognition of goodwill in a business combination;
- From the initial recognition of other assets and liabilities in a transaction which is not a business combination and affects neither accounting profit nor taxable income; or
- Differences related to investments in subsidiaries, joint ventures and associates, to the extent that it is probable that they will not reverse in the foreseeable future and the group is able to control the reversal.

Deferred tax is not recognised on the fair value of investment properties. Such items will be realised through sale and, in accordance with the income tax requirements relating to the REIT status, capital gains tax is no longer applicable. Deferred tax is not recognised for temporary differences that will form part of future qualifying distributions.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income tax levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred and are calculated using the effective interest rate method.

Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one period.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition of the asset.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	5 to 15 years
Furniture and fixtures	Straight line	5 to 15 years
Motor vehicles	Straight line	5 to 6 years
Office equipment	Straight line	5 to 7 years
IT equipment	Straight line	5 years
Signage	Straight line	9 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

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 recorded at fair value and subsequently measured at amortised cost, using the effective interest rate method.

1.7 General

The provisional summarised reviewed consolidated financial statements were compiled by Elana Kruger CA(SA), the financial director.

A dividend of 16.72 cents was declared on 16 May 2018. Please see note 11 for further details.

The directors are not aware of any other matters or circumstances arising subsequent to the period-end that require any additional disclosure or adjustment to the provisional summarised reviewed consolidated financial statements.

These provisional summarised reviewed consolidated financial statements for the eight months ended 28 February 2018 have been reviewed by Nolands Inc, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report. The auditor's report does not necessarily report on all the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office.

The directors take full responsibility for the preparation of these results and confirm that the financial information has been correctly extracted from the underlying financial statements.

2. SEGMENT ANALYSIS

Segment information

At 28 February 2018, the group is organised into one main operating segment:

- Mixed use

28 February 2018	Mixed use R	Admin and corporate costs R	Total R
Revenue	17 802 346	–	17 802 346
Property operating expenses	(6 332 135)	–	(6 332 135)
Administrative expenses	–	(3 757 815)	(3 757 815)
Operating profit/(loss)	11 470 211	(3 757 815)	7 712 396
Bargain purchase on acquisition of subsidiary	–	2 511 373	2 511 373
Investment income	857 562	951 318	1 808 880
Finance costs	(6 231 893)	(1 693 742)	(7 925 635)
Profit/(loss) before taxation	6 095 880	(1 988 866)	4 107 014
Taxation	(258 203)	–	(258 203)
Profit/(loss) for the period	5 837 677	(1 988 866)	3 848 811
Non-controlling interest	(3 265)	–	(3 265)
Profit/(loss) attributable to owners of the parent	5 834 412	(1 988 866)	3 845 546
Reconciliation of profit for the period to distributable income:			
Gain on bargain purchase in a business combination			(2 511 373)
Headline earnings			1 334 173
Lease straight-lining adjustment			(717 425)
Listing expenses			3 354 726
Depreciation			63 765
Deferred tax movement			(207 915)
Distributable income			3 827 324

The amounts provided to management with respect to total assets are measured in a manner consistent with that in the statement of financial position. These assets are allocated based on the operations of the segment.

28 February 2018	Mixed use R	Admin and corporate costs R	Total R
Property, plant and equipment	784 573	–	784 573
Investment property	308 690 842	–	308 690 842
Operating lease asset	6 152 965	–	6 152 965
Deferred tax	429 433	–	429 433
Trade and other receivables	1 035 458	285 000	1 320 458
Cash and cash equivalents	45 689 379	10 592 353	56 281 732
	362 782 650	10 877 353	373 660 003

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that in the statement of financial position. These liabilities are allocated based on the operations of the segment.

28 February 2018	Mixed use R	Admin and corporate costs R	Total R
Other financial liabilities	164 055 652	–	164 055 652
Loan from parent company	–	30 111 698	30 111 698
Trade and other payables	8 012 782	117 000	8 129 782
Current tax payable	2 330 665	–	2 330 665
	174 399 099	30 228 698	204 627 797

3. INVESTMENT PROPERTY

	Reviewed 28 February 2018 Carrying value R
Group	
Investment property at fair value	308 690 842

	Reviewed 28 February 2018 R
Group	
Reconciliation of investment property	
Additions through business combination	308 690 842
Recognised lease obligations arising from business combination	5 435 540
Recognised lease obligations during the current period	717 425
Recognised in property, plant and equipment	156 193
Valuation obtained	315 000 000

Pledged as security

Mortgage bonds have been registered over the entire investment property as security for the ABSA bond (see note 5).

Details of property

Pier 14 shopping centre

A retail shopping centre located in Port Elizabeth

This property consists of erven no. 3801 and 3536 situated in the Nelson Mandela Metropolitan Municipality held under title deed no. T19792/2007 and T20268/1994.

No contractual obligations exist to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

Details of valuation

On 1 October 2017, the company obtained a valuation from an independent valuer, Michael Gibbons at Mills Fitchet Magnus Penny & Wolffs. Michael Gibbons is a registered professional property valuer with a National Diploma in Property Valuations. He is a Member of the Institute of Valuers and currently serves on the Executive committee of the Southern Branch of the South African Institute of Valuers. Mills Fitchet Magnus Penny & Wolffs are not connected to the company and have recent experience in location and category of the investment property being valued. The property was revalued using the discounted cash flow of future income streams method. The key assumptions used by the independent valuer in determining fair value were as follows:

- Discount rate 15.00%
- Market cap rate 10.00%
- Expense growth rate 7.00%
- Income growth rate 6.00%
- Initial yield 9.70%
- Discounted cash flow term 10 years

Whilst the effective date of the valuation of the company's property portfolio was pre 28 February 2018, the directors of the company have considered the impact of any potential adjusting factors to the relevant inputs utilised by the valuator in his valuation model. The potential impact of these adjusting factors has been considered immaterial by the directors of the company, and consequently no fair value adjustment has been recognised for the period. These assumptions are based on current market conditions.

Inter-relationship between key unobservable inputs and fair value measurements

The estimated fair value would increase/(decrease) if:

- Discount rate was lower/(higher);
- Capitalisation rate was lower/(higher);
- Expected expense growth rate was lower/(higher);
- Expected market rental growth rate was higher/(lower);
- Initial yield was (lower)/higher;
- Exit capitalisation rate was lower/(higher).

	Reviewed 28 February 2018 R
Amounts recognised in profit and loss for the period	
Rental income from investment property	17 802 346
Direct operating expenses from rental generating property	(6 332 135)
	11 470 211

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value.

The levels are defined as follows:

Level 3: Unobservable inputs for the asset or liability.

	Reviewed 28 February 2018 R
Level 3	
Recurring fair value measurements	
Assets	
Investment property	
Pier 14 Shopping Centre	314 843 807

The fair value of trade and other receivables, cash and cash equivalents and trade and other payables approximate their carrying value and are not included in the hierarchy analysis as their settlement terms are short-term and therefore from a materiality perspective their fair values are not required to be modelled.

4. SHARE CAPITAL

	Reviewed 28 February 2018
Authorised	
Ordinary shares of no par value	1 000 000 000
Reconciliation of no. of shares issued:	
Issue of shares – ordinary shares of no par value	33 000 000
Issued	
No par value ordinary shares	R165 000 000

Unissued ordinary shares are under the control of the directors.

5. OTHER FINANCIAL LIABILITIES

	Reviewed 28 February 2018 R
Held at amortised cost	
Mortgage bond	164 055 652

In October 2017, the company entered into a loan agreement with ABSA Bank.

This loan is on an interest only repayment profile for 36 months, following which the loan will be repayable in full. The loan bears interest at the South African Prime lending rate less 1%.

The following security cession and credit support were provided:

- Cession in security of rights in and to all leases and rentals in respect of the investment property;
- Proceeds on any sale or transfer of the investment property;
- Revenues in respect of the investment property;
- Any claims in respect of insurance policies and insurance proceeds;
- Limited guarantees by I Group Investments (Pty) Ltd for the amount of R25 000 000, including cession of claims and loan accounts;
- A subordination agreement in terms of which all claims by Urban Retail Property Investments 1 (Pty) Ltd in I Group Investments (Pty) Ltd are subordinated in favour of the company; and
- An undertaking by I Group Investments (Pty) Ltd to cover all funds needed for cash flow and interest shortfalls in respect of the investment property.

The fair value of the other financial liability held at amortised cost is estimated to approximate its carrying value due to the interest rates being market-related for similar entities.

6. LOAN FROM PARENT COMPANY

	Reviewed 28 February 2018 R
Urban Retail Property Investments 1 (Pty) Ltd	(30 111 698)

This four year loan facility is due and payable in full on 31 December 2021. This loan bears interest at SA Prime less 0.25% and is unsecured. Interest on this facility is capitalised to the loan for the duration of the loan and is repayable annually in arrears with the first payment being due on 31 December 2018.

This loan facility is convertible into shares in the company at a conversion rate being the higher of the initial subscription price into the company of R5.00 per share or at the 3-day volume weighted average price ("VWAP") of the company at the date of exercise. This option exists at the election of either the company or Urban Retail Property Investments 1.

The fair value of the loan payable is estimated to approximate its carrying value due to the interest being market related for similar entities.

Non-current liabilities	(28 419 384)
Current liabilities	(1 692 314)
	(30 111 698)

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

7. BUSINESS COMBINATIONS

FEC Prop (Pty) Ltd (previously Gritprop Investments (Pty) Ltd)

On 1 October 2017 the group, through its subsidiary Castleview One (Pty) Ltd subscribed for 99.9% of the voting equity interest of FEC Prop (Pty) Ltd which resulted in the group obtaining control over FEC Prop (Pty) Ltd. FEC Prop (Pty) Ltd is principally a property holding company. The business combination was entered into in order to obtain exposure to the retail property sector through assets owned in FEC Prop (Pty) Ltd.

Fair value of assets acquired and liabilities assumed:	**Reviewed 28 February 2018 R**
Property, plant and equipment	848 337
Investment property (including operating lease asset)	314 126 382
Deposits held	(3 824 725)
Trade and other receivables	49 667
Cash and cash equivalents*	5 475 036
Other financial liabilities	(127 446 612)
Deferred tax	221 519
Shareholder loan	(2 105 159)
Trade and other payables	(2 085 130)
Current tax payable	(1 864 547)
Total identifiable net assets	183 394 768
Non-controlling interest (0.1% of fair value of total identifiable net assets)	(183 395)
Gain on a bargain purchase in a business combination	(2 511 373)
	180 700 000
Acquisition date fair value of consideration paid	
Cash*	(29 098 809)
Other loans and receivables, being a loan receivable from I Group Investments (Pty) Ltd, ceded to the company	(151 601 191)
	(180 000 000)

* *Net cash and cash equivalents arising on business combination: (23 623 773).*

The gain on a bargain purchase occurred due to directors' valuation of investment property during negotiations being R2.5 million lower than the independent valuation obtained on date of acquisition.

FEC Prop (Pty) Ltd earned revenue of R17 802 346 and profit after tax of R3 264 792 from 1 October 2017 to period-end.

8. PER SHARE INFORMATION

	Reviewed 28 February 2018 R
Profit attributable to shareholders	3 845 546
Gain on bargain purchase in a business combination	(2 511 373)
Headline earnings	1 334 173
Lease straight-lining adjustment	(717 425)
Listing expenses	3 354 726
Depreciation	63 765
Deferred tax movement	(207 915)
Distributable income	3 827 324
Number of shares in issue	33 000 000
Weighted average number of ordinary shares in issue	29 658 228
Earnings per share (c)	12.97
Headline earnings per share (c)	4.50
Distributable earnings per share (c)	11.60
Net asset value per share (c)	511.65
Distribution per share (c)	16.72

The company does not have any potential dilutionary instruments in issue.

9. REPORTING PERIOD AND COMPARATIVE FIGURES

The current reporting period is eight months, as the company was incorporated on 6 July 2017. No comparative figures have been presented as these are the first provisional summarised reviewed consolidated financial statements for the group.

10. RELATED PARTIES

	Reviewed 28 February 2018 R
Relationship	
Parent company: Urban Retail Property Investments 1 (Pty) Ltd	
Companies under common directorships: Castleview Asset Managers (Pty) Ltd	
Loan account owing to parent company	
Urban Retail Property Investments 1 (Pty) Ltd	(30 111 698)
Other receivables owing by companies under common directorships	
Castleview Asset Manager (Pty) Ltd	285 000
Interest capitalised on loan owing to parent company	
Urban Retail Property Investments 1 (Pty) Ltd	1 692 314
Asset management fees paid to companies under common directorships	
Castleview Asset Managers (Pty) Ltd	449 131
Compensation to directors and other key management	
Short-term employee benefits	215 000

SIGNIFICANT FINANCIAL STATEMENT NOTES (continued)

11. PAYMENT OF DIVIDEND

The board has approved and notice is hereby given of the final gross dividend of 16.71996 cents per share for the eight months ended 28 February 2018.

The dividend is payable to Castleview's shareholders in accordance with the timetable set out below:

Last date to trade *cum* dividend: Tuesday, 5 June 2018
Shares trade *ex* dividend: Wednesday, 6 June 2018
Record date: Friday, 8 June 2018
Payment date: Monday, 11 June 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 June 2018 and Friday, 8 June 2018, both days inclusive.

In accordance with Castleview's status as a REIT, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("**Income Tax Act**"). The dividend will be deemed to be a dividend for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. This dividend is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders submitted the following forms to their Central Securities Depository Participant ("**CSDP**") or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

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

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

both in the form prescribed by the Commissioner for the South African Revenue Service (SARS). Shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend, which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. On 22 February 2017, the dividends withholding tax was increased from 15% to 20% and, accordingly, any dividends received by non-residents from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("**DTA**") between South Africa and the country of residence of the shareholders. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 13.37597 cents per share. A reduced dividend withholding rate, in terms of the applicable DTA, may only be relied upon if the non-resident shareholder has submitted the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

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

b) a written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the SARS. Non-resident shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted, if applicable.

The dividend will be transferred to dematerialised shareholders' CSDP/broker accounts on Monday, 11 June 2018. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on, or about, Monday, 11 June 2018.

Shares in issue at the date of declaration of dividend: 33 000 000.

Castleview's income tax reference number: 9366916188.

By order of the board

James Templeton
Chief executive officer

Elana Kruger
Financial director

Cape Town
17 May 2018

CORPORATE INFORMATION

CASTLEVIEW PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2017/290413/06)
JSE share code: CVW
ISIN: ZAE000251633
(Approved as a REIT by JSE)
("**Castleview**" or "**the Company**" or "**the group**")

Directors
JWA Templeton, E Kruger, RG Volks, GC Bayly,
DJ Green, A Padayachee

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Company secretary
Statucor

Transfer secretary
Link Market Services

Designated adviser
Java Capital

GREYMATTER & FINCH # 12557