2021 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

ACCELERATE
PROPERTY FUND

ACCELERATE PROPERTY FUND CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2021

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CONSOLIDATED ANNUAL Financial Statements

Chief Financial Officer's review

"Our proactive decision to strengthen our balance sheet, which commenced in 2018, has stood us in good stead to weather the COVID-19 storm.

Dimitri Kyriakides

KEY MESSAGES

- COVID-19
- Balance sheet strengthened
- Active treasury management
- Prudent property valuations

KEY THEMES DURING 2021

COVID-19 impact

Our response

The Fund's approach to COVID-19 has been clear, concise and well executed. It is focused on the long-term stability of the Fund and its tenants.

Response was guided by the PI Group recommendations on COVID-19 tenant relief as the basis of its negotiation

- Ensuring the long-term sustainability of tenants through granting sufficient rental assistance during COVID-19
- Tenant engagement
- Entering into new longer-term leases when granting COVID-19 assistance
- Rebalancing tenant mix
- Exploring alternative uses for space
- Cutting costs

Impact on Accelerate

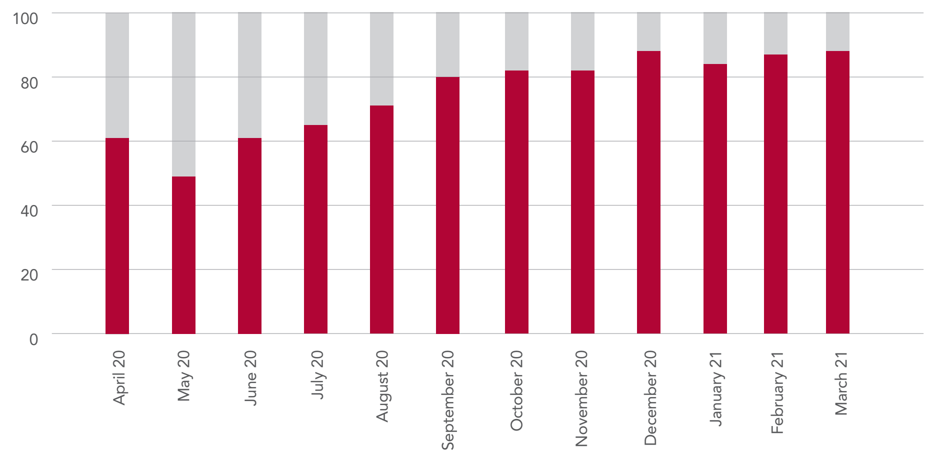
R182 million
COVID-19 relief
(31 March 2021)

Weighted average lease expiry
increased to 6,1 years
(2020: 5,6 years)

2020
Valuation write-down
R1 billion
(31 March 2020)

2021
Valuation write-down
R660 million
(31 March 2021)

Rental recovery (%)



Strengthening the balance sheet

In anticipation of the Fourways Mall equalisation payment we would have to make and considering our depressed share price at the time (which would not allow for an equity issuance, in the best interest of the group and the shareholders), we had identified the need to strengthen our balance sheet, through a number of interventions, in order to:

- Increase liquidity
- Reduce overall debt levels
- Decrease our LTV
- Strengthen our interest coverage ratios (ICRs)

Our approach to simplifying and strengthening the balance sheet relied on the following levers:

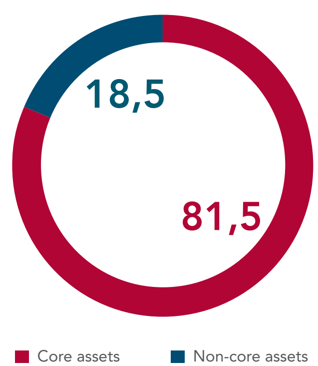
1 The sale of non-core assets, with the proceeds used to repay debt

2 Unlocking additional value on existing assets

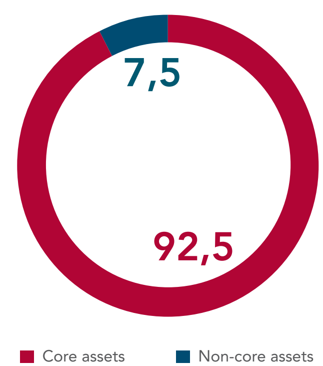
1. Sale of non-core assets

Since the commencement of this initiative in 2018, the Fund has sold a total of R1,3 billion of non-core assets. Of the R595 million of assets held for sale at 31 March 2020, sales worth R188 million have been completed to date. The Fund has experienced significant delays in the conclusion of sales due to COVID-19 closures at the deeds office, and due to the depressed economic climate. Sales worth another R200 million are close to completion, with a remaining non-core sales pipeline post these sales of R759 million. To ensure the objective to reduce gearing is reached, the Fund is also actively marketing its offshore portfolio, the sale of which will have a positive LTV impact and a marginal ICR effect.

APF listing (%)



March 2021 (%)



2. Unlocking additional value on existing assets

We are currently reviewing a number of opportunities to unlock additional value on existing properties, including establishing a storage platform utilising and repurposing its vacancies and excess parking, which is progressing well.

Proactive treasury management

A large part of how we create value is through our treasury management practices. This year, we focused on proactively optimising our debt in terms of:

- Reducing our debt
- Diversifying our funding sources
- Pre-emptively refinancing debt
- Optimising our hedging
- Managing the overall cost of our funding

As a result of the work undertaken this year, our blended interest rate is down to 7,4% as at 31 March 2021 (31 March 2020: 7,8%) and our ICR remained stable at 2,0x. The weighted average swap term improved to over two years with new at-market swaps taken out as old swaps expire.

The Fund has made significant progress with regard to diversification of funding with:

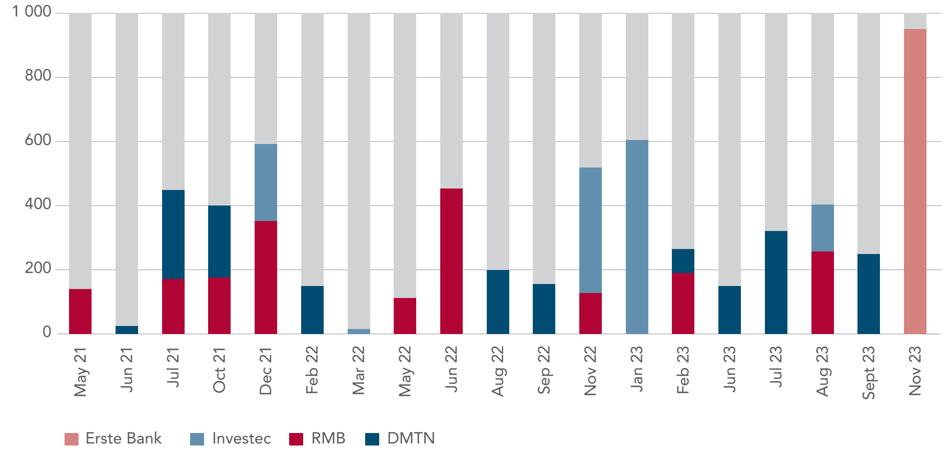
- One new relationship funder added towards the end of 2020
- Additional new relationship funders are in various stages of discussion

Long-term debt allocation

Debt funding	31 March 2021 (Rm)	%	31 March 2020 (Rm)	%
Other debt capital markets	630	10,5	649	10,4
Relationship funding (including banks and dept capital markets)	5 395	89,5	5 594	89,6
Total	6 025	100.00	6 243	100,0
Weighted average debt term (years)	1,8		2,2	
Short-term portion of debt*	1 775	29,5	1 118	18,6
Debt hedged		81,4		72,6
Weighted average swap term (years)	2,2		1,8	
Blended interest rate		7,4		7,8
Interest cover ratio (x)	2,0		2,1	
LTV ratio#		48,5		45,5

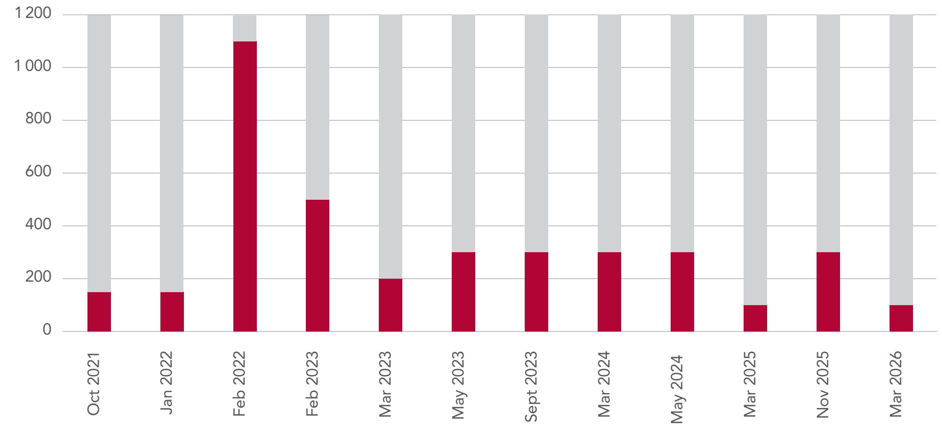
* R225 million of this has been refinanced post-year-end.
# Takes into account vendor loan receivables.

Debt expiry (Rm)



* The May 2021 expiry has been refinanced post-year-end.

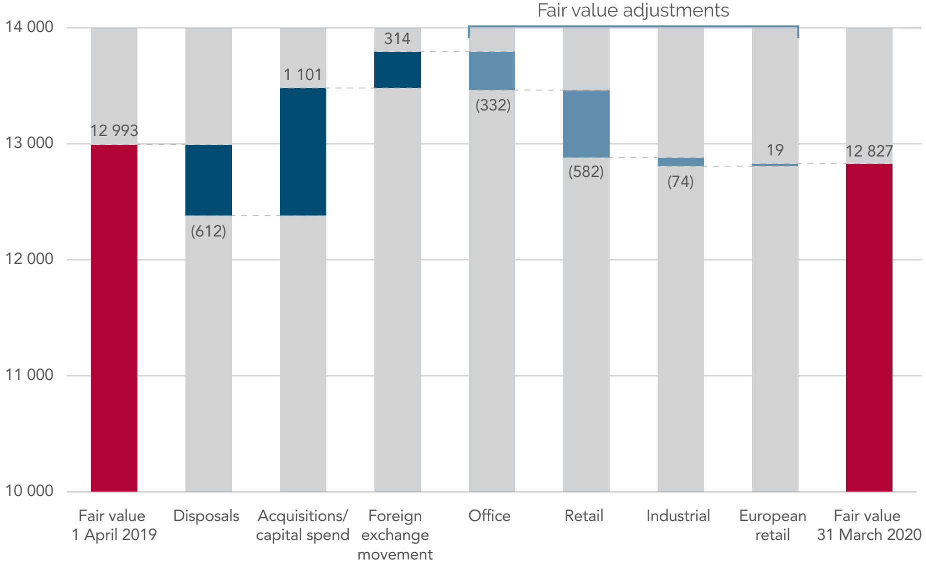
SWAPS expiry



Prudent property valuations

Our investment properties are valued based on future cash flows at market-related discount rates. While we recognise that these assessments are inherently subject to judgement and reflect the point-in-time measure of our assets, the valuations are critical as they determine the underlying value of our portfolio and are linked to LTV ratios.

Property valuation bridge 2020 (Rm)



Given the impact of COVID-19 during the year, and to enhance the trust of our stakeholders, we have elected to have the majority of our investment properties (over 90% by value) externally valued.

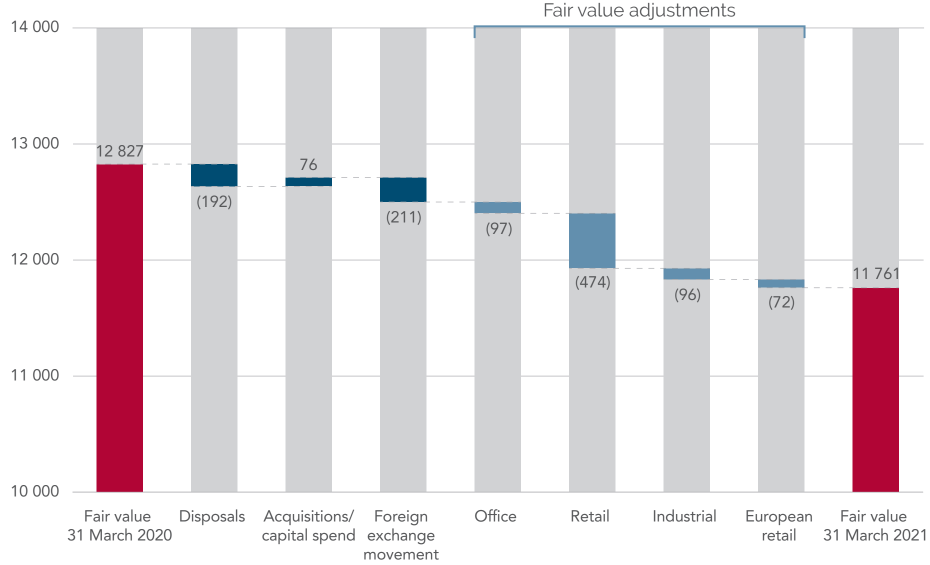
EXECUTIVE BUY-IN SCHEME

In order to align key Executive Directors with shareholders, the group encouraged the acquisition of shares by Executive Directors who did not have a material shareholding in the group.

A decision has been taken to terminate the scheme, which is no longer serving its intended purpose due to the substantial drop in the price of Accelerate rate shares. In order to unwind the scheme, Accelerate has settled R67 million of exposure, with the remaining balance of R171 million due to be settled in the new financial year.

Prudent property valuations continued

Property valuation bridge 2021 (Rm) continued



OUTLOOK

We expect the coming financial year to continue to be fraught with challenges. However, we believe the difficult decisions taken this year will give Accelerate the necessary resilience and flexibility to respond to the ongoing challenges posed by the operating environment, ensuring the Fund is well placed to capitalise on the emerging opportunities, now and into the future.

My sincere thanks go to our all stakeholders, especially our tenants, investors and funders for their continued support during this challenging time. We look forward to working with you to create mutual value in the year ahead.

Dimitri Kyriakides
Chief Financial Officer (CFO)
28 June 2021

Report of the Audit and Risk Committee

The Audit and Risk Committee (the committee) is pleased to submit its report for the year ended 31 March 2021, as required by section 94(7)(f) of the Companies Act. This report is based on the requirements of the Companies Act, King IV, the JSE Listings Requirements and the JSE Debt Listings Requirements.

Role and mandate

The committee regulates its affairs as set out in its Terms of Reference, which are reviewed and approved by the board on an annual basis.

The committee's role is to assist the board in fulfilling its oversight responsibilities, particularly with regard to the integrity of the group's financial statements, and the effectiveness of the systems of internal control, financial reporting and procedures, and risk management.

The committee is also responsible for assessing the effectiveness of the internal audit service provided by LateganMashego Audit and Advisory (Pty) Ltd, the qualifications, expertise and experience of the Chief Financial Officer, the appropriate resourcing, skills and effectiveness of the finance function, and the independence and effectiveness of the group's external auditor.

In addition, the committee took a decision on 16 March 2021 to dissolve the Technology Governance Subcommittee and to absorb the work delegated to that subcommittee going forward.

Committee composition and changes

The committee comprises three Independent Non-Executive Directors, all of whom satisfy the requirements to serve as members of an audit committee, as defined by section 94(5) of the Companies Act read with clause 42 of the Companies Regulations, 2011.

The Chairman of the committee reports to the board on the committee's activities and all matters discussed, highlighting key issues requiring action, and providing recommendations for consideration.

The external auditors and internal audit service providers are standing invitees to the committee's meetings, as are the Chairman of the board, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and the Head of Treasury and Finance. Invitations to attend committee meetings are also extended to senior executives and professional advisers, as required. Directors of the board who are not members of the committee have the right of attendance at all committee meetings.

During the year under review, Dr Gert Cruywagen resigned from the board on 2 October 2020 and consequently stepped down as Chairman of the committee on the same date. Mr George Cavaleros, already a member of the committee, was appointed by the board as Chairman of the committee on 25 November 2020.

Mr Derick van der Merwe, upon his appointment to the board as an Independent Non-Executive Director on 1 February 2021, was appointed as a member of the committee with effect from the same date.

Mr George Cavaleros subsequently resigned from the board on 5 March 2021 and accordingly stepped down as Chairman of the committee on the same date. Mr Derick van der Merwe was appointed by the board as Chairman of the committee on 16 March 2021.

The committee met six times during the year.

The committee acts as Audit and Risk Committee for the subsidiaries of the company and has performed the functions required under the Companies Act on behalf of those subsidiaries.

Activities and areas of focus during the year

The committee carried out its duties by reviewing the following on a quarterly basis:

- Financial management reports
- Key financial, property and operational information and performance indicators
- Reports and financial information from subsidiaries and associated companies
- Internal audit reports
- External audit reports
- Risk registers
- Off-balance sheet items
- Information technology feedback received from the Technology Governance Subcommittee pertaining specifically to matters relating to financial reporting

In addition, the committee reviewed:

- Key audit matters
- Property valuations
- Treasury metrics against group guidelines, in line with the group's Treasury Policy
- Findings received from the JSE emanating from the JSE's review of the group's 2020 annual financial statements and 2021 interim financial statements as part of the JSE's proactive monitoring programme

Key focus areas considered by the committee in the current financial year included:

- Monitoring risks arising from the impact of the COVID-19 pandemic in all jurisdictions where the company and its subsidiaries or associated companies operate, and assessing the group's response and risk management strategies to address the impact of this pandemic
- Monitoring the group's response to tenants' requests for financial assistance (rental relief) due to struggling businesses in the wake of the pandemic
- Closely monitoring ongoing compliance by the group with the REIT requirements as contained in the JSE Listings Requirements

Significant financial and reporting matters

As part of its role in assessing the integrity of the group's external reporting, the committee has continued to pay particular attention to the key areas of management's judgement underpinning the annual financial statements. The group has considered a number of significant issues during the year. The issues and how they were addressed by the group are detailed on the following page.

Related party transactions (refer note 29)

The committee placed significant emphasis on reviewing related party transactions.

- Azrapart (Pty) Ltd controlled by Mr Michael Georgiou: Flowing from the development of the Fourways Mall extension matters that required special attention are the Equalisation account, Azrapart development claim and headlease accounts. Refer note 29 and 35.
- The Michael Family Trust/Fourways Precinct (Pty) Ltd: Outstanding vendor amounts. Refer to note 29.
- The committee also considered the group's response to claims by financiers made against guarantees given by the group with regards to the funding of shares purchased by certain executive directors (Refer note 2).

Contingent liabilities

The committee considered the contingent liabilities and is satisfied that they have received proper consideration.

Impact of COVID-19

COVID-19 had a significant impact on existing tenants' abilities to stay in business, leasing vacant space, rental recoveries, etc. as clearly evident from the AFS. The committee considered steps taken by management to mitigate and respond to these matters. It was clearly an exceedingly difficult issue that has received considerable attention by the companies, dealt with over a wide front with the most significant items evident below.

Valuations

The committee reviewed management's valuation process. It also relied significantly on external valuations of its property investments to determine the need to impair, challenging key assumptions in those judgements and is satisfied that the valuations are fair and reasonable to place the value on the properties as reflected in the AFS in the context of the existing economy.

Loan to value (LTV) and interest cover (refer note 32)

The committee reviewed the steps taken by the group to comply with the covenant requirements of the funders, It is satisfied that the group took all steps reasonably possible to maintain a LTV level within the covenant.

REIT status

The committee considered the impact of COVID-19 on the LTV, cash flow and consequences on distributable revenues that might impact on the company's status as a REIT and the shareholders' expectations as such, and was satisfied that sufficient steps and measures are being taken to protect the status of the company as a REIT.

Liquidity

With strained revenues impacting on cash flows, the committee considered that impact on the group and the steps and measures being taken to protect cash flow.

Internal controls

The committee's review of the forementioned information, together with the committee's ongoing interaction with *ex officio* attendees of its meetings, collectively enable the committee to conclude that the systems of internal financial control have been designed appropriately and operated effectively during the year under review.

Statutory duties and terms of reference

The committee is satisfied:

- With the independence of the external auditor
- With the nature and extent of non-audit services provided by the external auditor, which also comply with the group's policy in this regard
- That the external auditor attended all meetings of the committee
- With the terms, scope, quality and proposed fee of the external auditor relating to the external audit for the financial year ended 31 March 2021
- With the financial statements and the accounting practices utilised, as well as the significant matters considered in the preparation thereof
- With the group's continuing viability as a going concern, which it reported to the board
- That it has considered the findings of the JSE's 2020 report on proactive monitoring of financial statements
- That the group's Chief Financial Officer, Mr Dimitri Kyriakides, is appropriately qualified and has the necessary expertise and experience to carry out his duties, supported by an able and professionally qualified team in finance and treasury.
- That the finance function is adequately resourced, well skilled and sufficiently experienced to achieve its objectives
- That APF has established appropriate financial reporting procedures and that those procedures are operating
- With the effectiveness of the internal audit service provider, and the arrangements for internal audit
- With the effectiveness of collaboration between the external auditor and internal audit service provider
- That it has afforded both external and internal audit, as well as management, access to the committee without other invitees being present
- With the integrity of the integrated report and that it addresses all material issues and fairly presents the integrated performance of the organisation

Concerns or complaints received from within or from outside the organisation relating to accounting practices and the internal audit of the group, the content or auditing of the group's financial statements, the internal financial controls of the group, or any related matters were considered and dealt with accordingly.

The committee is satisfied that it has performed all of its statutory duties, as well as its duties under its terms of reference, for the reporting period.

Committee performance

The committee assesses its performance on an annual basis to determine whether or not it has delivered on its mandate, and continuously enhances its contribution to the board. The assessment takes the form of a questionnaire, which is independently completed by each member of the committee. The composition of the self-assessment questionnaire, as well as the consolidation of the results and feedback to committee members, was the responsibility of the Company Secretary.

- That it reviewed the information detailed in paragraph 22.15(h) of the JSE Debt Listings Requirements in its assessment of the suitability for the appointment of EY and Mr Gerhard van Deventer as designated individual partner.
- That the re-appointment of EY as the group's auditor will be tabled as a resolution at the AGM.

Key focus areas for 2022

The committee's key focus areas for the 2022 financial year include the following:

- The group's ongoing financial soundness and sustainability (cost containment, revenue strength, etc) amid extreme economic challenges and market volatility
- Monitoring COVID-19 related risks and corresponding risk management strategies
- Monitoring compliance by the group with the REIT requirements as contained in the JSE Listings Requirements on a continual basis

Approval

The committee reviewed the company's annual financial statements for the year ended 31 March 2021 and recommended them to the board for approval on 15 June 2021, which was granted on 28 June 2021.

On behalf of the Audit and Risk Committee

Mr JF (Derick) van der Merwe
Audit and Risk Committee Chairman
28 June 2021

Directors' Responsibilities and Approval

The board of directors of the Accelerate group (the "board"), whose names are stated below, hereby confirm that adequate accounting records are maintained by the Accelerate group and are responsible for the content and integrity of the consolidated audited annual financial statements and related financial information included in this report.

The consolidated audited annual financial statements are prepared in accordance with International Financial Reporting Standards and is a fair presentation, in all material respects, of the financial position, financial performance and cash flows of the Accelerate group. No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading.

The directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at ensuring that material information relating to Accelerate, and its consolidated subsidiaries, have been provided to effectively prepare the annual financial statements of the Accelerate group. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Accelerate group and all employees are required to maintain the highest ethical standards in ensuring the Accelerate group's business is conducted in a manner that is in line with the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Going concern

The directors have assessed the group's ability to continue as a going concern. The assessment includes solvency and liquidity tests which included inter alia a forecast of debt covenants such as the loan-to-value and interest cover ratios. The liquidity test considers expected cash flows in the next 12 months, including the anticipated proceeds from disposals. As at 31 March 2021 , the group had a positive net asset value and a stable liquidity position.

The following uncertainties were considered as part of the going concern assessment:

- Deteriorating economic conditions pre-COVID-19
- Access to liquidity
- Stressed market conditions continue to impact debt funders' risk appetite and may limit future access to liquidity.
- Timing of proceeds from ongoing sales are expected
- Impact of COVID-19

The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient liquidity to meet its foreseeable cash requirements. Considering the outcomes of the solvency and liquidity projections, the group will be solvent and liquid and the directors are confident in the ability of the group to continue as a going concern in the year ahead. The directors have therefore concluded that the group has adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Debt covenants

The Fund has also evaluated its ability to comply with debt covenants for the 12 months ending 31 March 2022 and has concluded that debt covenants will be met, taking into account:

- Out of the money swaps rolling off
- Current non-core asset sales pipeline
- Covenant relaxations that have been granted by the funders

Rental concessions

Additional rental concessions may be provided to tenants as the impact of the pandemic persists, locally and beyond. Tenants' businesses may further be adversely impacted should the South African government continue to enforce or reintroduce restrictions to mitigate against the risk of rising infections.

Provision for credit losses

The provision for credit losses and write-off of unrecoverable amounts may increase as the adverse impact of the pandemic on tenants' businesses persists.

Change to business environment

The acceleration of the adoption of technologies due to the pandemic, as well as potential changes in the demand for rentable space, particularly within the retail and office sectors, may impact the group adversely.

The directors' response to the pandemic included:

- Establishment of a dedicated team to implement a co-ordinated response across the business to ensure the health, safety and wellbeing of all stakeholders
- Implementation of business continuity plans to minimise disruption by initiatives implemented to curb the spread of the virus
- Increased monitoring of the group's liquidity position
- Negotiated the temporary relaxation of LTV and ICR covenants for three reporting periods
- The company is also in process of pursuing an insurance claim for business disruption

The external auditors are responsible for independently auditing and reporting on the Accelerate group's consolidated audited annual financial statements. The consolidated audited annual financial statements have been examined by the Accelerate group's external auditors and their report is presented on pages 16 to 20.

The consolidated audited annual financial statements set out on pages 24 to 98, which have been prepared on the going concern basis, were approved by the board on 28 June 2021 and were signed on their behalf by:

Approval of financial statements

Mr Michael Georgiou Mr Dimitri Kyriakides

Company Secretary's certification

In terms of Section 88(2)(e) of the Companies Act, 71 of 2008, as amended (the Companies Act), I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Act in respect of the financial year ended 31 March 2021 and that, to the best of my knowledge and belief, all such returns are true, correct and up to date.

Margi Pinto
Company Secretary

Independent auditor's report

To the Shareholders of Accelerate Property Fund Limited

Report on the Audit of the Consolidated Annual Financial Statements

Opinion

We have audited the consolidated financial statements of Accelerate Property Fund Limited and its subsidiaries (the group) set out on pages 24 to 98, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements for the year ended, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 March 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the Group and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How the matter was addressed in the audit
Valuation of investment properties The disclosures associated with the valuation of investment properties is set out in Note 5 – Investment properties, Note – 6 Fair value measurement of investment properties and Note 11 – Non-current assets held for sale. Investment property (including non-current assets held for sale) makes up approximately 94.1% (2020: 94.8%) of the total assets of the Fund at a fair value of R11.8 billion (2020: R12.8 billion). The portfolio consists of retail, industrial, office properties and European retail. The valuation of investment properties remains a Key Audit Matter in the current year, as this is an area of significant management judgement and for which new valuations are performed each year. The key assumptions that underpin the valuations are inherently subjective and impacted by uncertain economic and market conditions arising from the COVID-19 pandemic. This necessitated support from our EY valuation specialists and discussions with management. . Auditor attention was required on the following management determinable inputs which need to be assessed: • The capitalisation rate (equivalent yield) is derived from widely available market related data which is continuously updated based on current market conditions. This requires management to exercise their judgement in the selection of a point in the capitalisation rate range, which is based on the category, condition, gross lettable area (GLA), location and grade of a property. There is more judgement required in determining capitalisation rate given the negative impact of COVID-19 pandemic on property sales, whereby comparable market values are limited which form the basis of the capitalisation rates;	Our audit procedures included, among others, the following: We assessed that the valuation techniques applied by management and their external appraisers are consistent with generally accepted property valuation techniques in the real estate market. We evaluated the competence, independence and experience of management's external independent appraisers with reference to their qualifications and industry experience. With the support of our EY valuation specialists, we assessed the methodologies and assumptions and applied in determining the fair value of investment properties by management and the external appraisers. This included: • Assessing the category, condition, GLA, location and grade of a property, all of which inform management in the selection of the appropriate capitalisation rate rates to apply to the range from the latest Rode and South African Property Owners Association (SAPOA) reports, against the outcome of current and prior external valuations, and considering the location of the properties and the impact of COVID-19 pandemic on the properties to inform our assessment of the capitalisation rates used by management. • Comparing the capitalisation rates to other market information and through discussions with management and the use of our valuation specialist's professional judgement, we assessed the appropriateness of the specific capitalisation rates used. • Evaluating the assumptions used in arriving at the budget that forms the basis of the forecasted ERV per property against recent historical income and expenses data, specifically considering the impact of COVID-19 pandemic on the forecasted ERV.

Key Audit Matter	How the matter was addressed in the audit
• Vacancy rates and estimated rental value (ERV) are judgemental and determined by management based on unique property specific information and the impact of COVID-19 pandemic on the historical cash flows, the ability to retain current tenants, secure new tenants and the ability to sustain current rental rates and future rental escalations.	• Agreeing the ERV, and vacancy rates assumptions applied by management in the property valuations to lease agreements, tenancy schedules and property industry reports. • We assessed the reasonability of the fair value of the investment properties at year end as determined by management against the outcome of our independent calculations, in which the outcomes of our above procedures were incorporated. We assessed the disclosure of the investment property and the fair value thereof against the requirements of *IAS 40 - Investment Property and IFRS 13 - Fair Value Measurement.*

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 100-page document titled "Accelerate Property Fund Consolidated Annual Financial Statements 2021", which includes the Directors' report, Report of the Audit and Risk Committee and Company Secretary's certification as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report 2021, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Accelerate Property Fund Limited for 8 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director: Gerhardus J van Deventer CA(SA)
Registered Auditor
102 Rivonia Road
Sandton

30 June 2021

Directors' report

The directors take pleasure in submitting their report on the consolidated audited annual financial statements of The Accelerate Property Fund Limited group for the year ended 31 March 2021.

1. Review of financial results and activities

The consolidated audited annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 71 of 2008, as amended (the Companies Act), as well as 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 accounting policies have been applied consistently compared to the prior year.

2. Share capital

	Number of shares	
	2021	2020
Authorised		
Ordinary shares	5 000 000 000	5 000 000 000

			Number of shares	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Issued				
Ordinary shares	4 937 567	4 935 967	954 488 735	954 069 026

Of the 954 488 735 Accelerate shares in issue at 31 March 2021, 653 041 726 shares are publicly held and 301 447 009 shares are held by directors as tabled below:

	Number of shares	**% holding**
Major shareholders		
MN Georgiou (indirect)	294 332 138	30,84
Coronation Fund Managers	137 984 603	14,45
Government Employees Pension Fund	89 821 529	9,40
Nedbank Group	75 345 456	7,89
Golden Brics Investments SA (Pty) Ltd	49 027 718	5,10
	646 511 444	67,68

Refer to note 12 of the consolidated audited annual financial statements for detail of the movement in authorised and issued share capital.

Directors' direct/indirect interest in the shares of the company 31 March 2021

MN Georgiou*	294 332 138	shares	30,84%	Indirect holding
A Costa	5 076 161	shares	0,53%	Direct holding
D Kyriakides	1 538 710	shares	0,16%	Direct holding
DJ Wandrag	500 000	shares	0,05%	Indirect holding
	301 447 009		31,58%	

Directors' direct/indirect interest in the shares of the company 31 March 2020

MN Georgiou*	294 332 138	shares	30,85%	Indirect holding
A Costa	5 076 161	shares	0,53%	Direct holding
D Kyriakides	1 538 710	shares	0,15%	Direct holding
DJ Wandrag	500 000	shares	0,05%	Indirect holding
	301 447 009		31,58%	

* Pledged as security to the funders of Azrapart, the developer of Fourways Mall.

There have been no changes to the directors' interest between the end of the financial year and the date of approval of the annual financial statements.

3. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Date of changes	Changes
TJ Fearnhead	Chairperson	Non-executive Independent		
K Madikizela	Other	Non-executive Independent		
FM Viruly	Other	Non-executive Independent		
MN Georgiou	Chief Executive Officer	Executive		
A Costa	Chief Operating Officer	Executive		
D Kyriakides	Chief Financial Officer	Executive		
AM Mawela	Other	Non-executive Independent		
DJ Wandrag	Other	Executive		
JF van der Merwe	Other	Non-executive Independent		Appointed Monday, 01 February 2021
G Cavaleros	Other	Non-executive Independent		Resigned Friday, 05 March 2021
GC Cruywagen	Other	Non-executive Independent		Resigned Friday, 02 October 2020

Detailed biographies of our directors can be found at https://www.acceleratepf.co.za/about/governance/#Team

4. Accelerate group structure

The Accelerate group consists of Accelerate Property Fund Limited and the following holdings in subsidiaries,

- Wanooka Properties Proprietary Limited 100% held
- Parktown Crescent Properties Proprietary Limited 100% held
- Pybus Sixty-Two (RF) Proprietary Limited 100% held
- Accelerate Property Fund Europe B.V. 96,4% held
- Accelerate Treasury Proprietary Limited 100% held

The following SPVs are not owned or controlled by the group, but are consolidated into the group financial statements due to Accelerate's exposure to the variable returns in the SPVs. Please refer to **note 2** in the financial statements for further information:

- Chesham Blue (RF) Proprietary Ltd
- Tuscany 777 Investments (RF) Proprietary Ltd

5. Auditors

Ernst & Young Inc continued in office as auditors for the group for the year ended 31 March 2021.

At the AGM, the shareholders will be requested to reappoint Ernst & Young Inc as the independent external auditors of the group and to confirm Mr G van Deventer as the designated lead audit partner for the 2021 financial year.

6. Secretary

The company secretary is Margi Pinto.

Business and postal address:
Cedar Square Shopping Centre
1st Floor Management Office
Cnr of Willow Ave and Cedar Road
Fourways
2055

Consolidated statement of financial position

as at 31 March 2021

	Note(s)	2021 R'000	2020 Restated* R'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	206	326
Right-of-use assets	4	120 676	141 676
Investment property	5	11 633 782	12 231 279
Derivatives	9	36 341	–
		11 791 005	12 373 281
Current assets			
Trade and other receivables	8	597 462	531 133
Cash and cash equivalents	10	25 462	33 538
Derivatives	9	21 332	–
		644 256	564 671
Non-current assets held for sale	11	127 714	595 897
Total assets		12 562 975	13 533 849
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of parent			
Ordinary share capital	12	4 937 567	4 935 967
Other reserves		131 493	165 946
Retained income		923 301	1 629 004
		5 992 361	6 730 917
Non-controlling interest		27 150	23 075
		6 019 511	6 753 992
Liabilities			
Non-current liabilities			
Derivatives	9	83 725	168 423
Lease liabilities	4	116 854	136 173
Borrowings	13	4 249 916	4 904 762
		4 450 495	5 209 358
Current liabilities			
Trade and other payables	14	221 804	214 203
Derivatives	9	89 653	10 912
Lease liabilities	4	5 943	6 745
Borrowings	13	1 775 569	1 338 639
		2 092 969	1 570 499
Total liabilities		6 543 464	6 779 857
Total equity and liabilities		12 562 975	13 533 849

* Refer to note 2.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March 2021

	Note(s)	2021 R'000	2020 Restated* R'000
Revenue, excluding straight-line rental revenue adjustment and COVID-19 rental relief	15	1 003 605	1 054 228
Straight-line rental revenue adjustment	15	(78 425)	31 393
COVID-19 rental relief	15	(182 515)	–
Revenue		742 665	1 085 621
Other income/(expense)		3 606	(303)
Unrealised (losses)/gains	16	(73 547)	61 658
Expected credit loss	8	(49 137)	(60 268)
Property expenses	17	(329 651)	(360 963)
Operating expenses	18	(43 793)	(54 154)
Operating profit		250 143	671 591
Finance income calculated using the effective interest method	19	38 060	42 321
Finance costs	20	(396 598)	(375 132)
Fair value adjustments	21	(596 597)	(1 179 930)
Loss before taxation		(704 992)	(841 150)
Taxation	22	–	(399)
Loss for the year		(704 992)	(841 549)
Other comprehensive income:			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		(30 911)	89 396
Total comprehensive loss		(735 903)	(752 153)
(Loss)/profit attributable to:			
Shareholders of the parent		(705 703)	(843 521)
Non-controlling interest		711	1 972
		(704 992)	(841 549)
Total comprehensive (loss)/income attributable to:			
Shareholders of the parent		(739 978)	(756 196)
Non-controlling interest		4 075	4 043
		(735 903)	(752 153)
Earnings per share			
Per share information			
Basic earnings per share (including bulk ceded shares) (cents)	23	(73,95)	(88,50)
Diluted earnings per share (including bulk ceded shares) (cents)	23	(72,85)	(86,54)

* Refer to note 2.

Consolidated statement of changes in equity

for the year ended 31 March 2021

	Share capital R'000	Foreign currency translation reserve R'000	Share incentive reserve R'000	Total reserves R'000	Retained income R'000	Total attributable to equity holders of the group/ company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 April 2019	5 115 671	54 515	23 372	77 887	2 752 707	7 946 265	19 032	7 965 297
Prior period adjustment (note 2)	(189 138)	–	–	–	78 810	(110 328)	–	(110 328)
Balance at 1 April 2019 (Restated)	4 926 533	54 515	23 372	77 887	2 831 517	7 835 937	19 032	7 854 969
Loss for the year	–	–	–	–	(843 521)	(843 521)	1 972	(841 549)
Other comprehensive income	–	87 325	–	87 325	–	87 325	2 071	89 396
Total comprehensive Loss for the year	–	87 325	–	87 325	(843 521)	(756 196)	4 043	(752 153)
Shares repurchased	(2 000)	–	–	–	–	(2 000)	–	(2 000)
Transfer between reserves	11 434	–	(11 434)	(11 434)	–	–	–	–
Conditional shareplan reserve (note 31)	–	–	12 168	12 168	–	12 168	–	12 168
Distribution paid	–	–	–	–	(358 992)	(358 992)	–	(358 992)
Total contributions by and distributions to owners of company recognised directly in equity	9 434	–	734	734	(358 992)	(348 824)	–	(348 824)
Balance at 01 April 2020 (Restated)	4 935 967	141 840	24 106	165 946	1 629 004	6 730 917	23 075	6 753 992
Loss for the year	–	–	–	–	(705 703)	(705 703)	711	(704 992)
Other comprehensive income	–	(34 275)	–	(34 275)	–	(34 275)	3 364	(30 911)
Total comprehensive Loss for the year	–	(34 275)	–	(34 275)	(705 703)	(739 978)	4 075	(735 903)
Transfer between reserves	1 600	–	(1 600)	(1 600)	–	–	–	–
Conditional share plan reserve (note 31)	–	–	1 422	1 422	–	1 422	–	1 422
Total contributions by and distributions to owners of company recognised directly in equity	1 600	–	(178)	(178)	–	1 422	–	1 422
Balance at 31 March 2021	4 937 567	107 565	23 928	131 493	923 301	5 992 361	27 150	6 019 511
Note(s)	12		12					

Consolidated statement of cash flows

for the year ended 31 March 2021

	Note(s)	2021 R'000	2020 R'000 (Restated)*
Cash flows from operating activities			
Cash generated from operations	24	350 206	718 799
Finance income received		4 169	8 219
Tax received	25	–	5 135
Distribution paid		–	(358 992)
Net cash from operating activities		354 375	373 161
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(43)	(31)
Purchase of investment property	5	(36 760)	(1 032 412)
Purchase of investments at fair value		–	(6 330)
Proceeds from disposal of investment property and assets held for sale		188 000	597 568
Net cash from investing activities		151 197	(441 205)
Cash flows from financing activities			
Reduction of share capital or buy back of shares	12	–	(2 000)
Borrowings raised		1 325 875	2 330 958
Borrowings repaid		(1 432 602)	(1 842 190)
Derivative settlement		–	(34 113)
Capital payment on lease liabilities		(3 426)	(2 894)
Finance cost paid		(402 362)	(435 865)
Net cash from financing activities		(512 515)	13 896
Total cash movement for the year		(6 943)	(54 148)
Cash at the beginning of the year		33 538	84 131
Effect of exchange rate movement on cash balances		(1 133)	3 555
Total cash at end of the year	10	25 462	33 538

Of the total cash at year-end, R18 198 702 is held in euro denominated bank accounts (2020: R29 540 537).

* Please refer to note 2.

Segmental analysis

For investment property, discrete financial information is provided on a property-by-property basis to members of executive management, which collectively comprise the chief operating decision-maker. The individual properties are aggregated into segments with similar economic characteristics such as nature of the property and the occupier market it serves. Management considers that this is best achieved by aggregating properties into office, industrial, retail and European retail.

Consequently, the group is considered to have four reportable operating segments, as follows:

- Office segment: acquires, develops and leases offices
- Industrial segment: acquires, develops and leases warehouses and factories
- Retail segment: acquires, develops and leases shopping malls, community centres as well as retail centres
- European single-tenant segment: acquires, develops and leases single-tenant space backed by long-term leases

Group administrative costs, profit/loss on disposal of investment property, finance revenue, finance costs, income taxes and segment liabilities are not reported to the members of executive management on a segmented basis. There are no sales between segments.

Finance cost is not disclosed on a segmental basis as Accelerates funding is secured on an overall portfolio basis and not per segment.

For the year ended 31 March 2020

R'000	Office	Industrial	Retail	European – single tenant	Total
Statement of comprehensive income 2020					
Revenue, excluding straight-line rental revenue adjustment	231 282	61 032	656 321	105 593	1 054 228
Straight-line rental adjustment	(7 726)	2 470	36 649	–	31 393
Property expenses	(73 213)	(22 219)	(289 067)	(36 732)	(421 231)
Segment operating profit	150 343	41 283	403 903	68 861	664 390
Fair value adjustments on investment property	(323 864)	(76 807)	(618 804)	19 013	(1 000 462)
Segment profit/(loss)	(173 521)	(35 524)	(214 901)	87 874	(336 072)
Other operating expenses					(54 154)
Other income					(303)
Fair value loss on financial instruments					(173 138)
Fair value loss on equity investments					(6 330)
Unrealised gains					61 658
Finance income					42 321
Finance cost					(375 132)
Loss before tax					(841 150)

Segmental analysis continued

For the year ended 31 March 2021

R'000	Office	Industrial	Retail	European – single tenant	Total
Statement of comprehensive income 2021					
Revenue, excluding straight-line rental revenue adjustment	217 317	44 675	619 065	122 548	1 003 605
COVID-19 rental assistance	(5 526)	(682)	(171 091)	(5 216)	(182 515)
Straight-line rental adjustment	(16 805)	(124)	(61 496)		(78 425)
Property expenses	(72 444)	(26 720)	(241 032)	(38 592)	(378 788)
Segment operating profit	122 542	17 149	145 446	78 740	363 877
Fair value adjustments on investment property	(79 952)	(95 999)	(412 032)	(72 244)	(660 227)
Segment profit/(loss)	42 590	(78 850)	(265 586)	6 496	(296 350)
Other operating expenses					(43 793)
Other income					3 606
Fair value loss on financial instruments					63 630
Unrealised losses					(73 547)
Finance income					38 060
Finance cost					(396 598)
Loss before tax					(704 992)

For the year ended 31 March 2020

R'000	Office	Industrial	Retail	European – single tenant	Total
Statement of financial position extracts at 31 March 2020					
Assets					
Investment property balance 1 April 2019	3 401 207	586 265	7 505 905	1 499 922	12 993 299
Acquisitions	–	–	919 800	–	919 800
Capitalised costs	83 173	1 726	96 118		181 017
Disposals/classified as held for sale	(583 307)	(166 772)	(457 318)	–	(1 207 397)
Investment property held for sale	265 307	166 772	163 818	–	595 897
Straight-line rental revenue adjustment	(7 726)	2 470	36 649	–	31 393
Foreign exchange gains	–	–	–	313 629	313 629
Fair value adjustments	(323 864)	(76 807)	(618 804)	19 013	(1 000 462)
Segment assets at 31 March 2020	2 834 790	513 654	7 646 168	1 832 564	12 827 176
Other assets not managed on a segmental basis					
Derivative financial instruments					–
Property, plant and equipment					326
Lease hold assets					141 676
Current assets					564 671
Total assets					13 533 849

Segmental analysis continued

For the year ended 31 March 2021

R'000	Office	Industrial	Retail	European – single tenant	Total
Statement of financial position extracts at 31 March 2021					
Assets					
Investment property balance 1 April 2020	2 834 790	513 654	7 646 168	1 832 564	12 827 176
Capitalised costs	31 938	2 708	35 934	6 235	76 815
Disposals/classified as held for sale	(16 800)	(258 772)	(44 414)		(319 986)
Investment property held for sale	16 800	92 000	18 914		127 714
Straight-line rental revenue adjustment	(16 805)	(124)	(61 496)		(78 425)
Foreign exchange losses	–	–	–	(211 571)	(211 571)
Fair value adjustments	(79 952)	(95 999)	(412 032)	(72 244)	(660 227)
Segment assets at 31 March 2021	2 769 971	253 467	7 183 074	1 554 984	11 761 496
Other assets not managed on a segmental basis					
Derivative financial instruments					57 673
Right of use asset					120 676
Property, plant and equipment					206
Current assets					622 924
Total assets					12 562 975

For the year ended 31 March 2020

R'000	South Africa	Austria	Slovakia	Total
Statement of comprehensive income 2020				
Revenue, excluding straight-line rental revenue adjustment	948 635	79 741	25 852	1 054 228
Straight-line rental adjustment	31 393	–	–	31 393
Property expenses	(384 499)	(27 499)	(9 233)	(421 231)
Segment operating profit	595 529	52 242	16 619	664 390
Fair value adjustments on investment property	(1 019 475)	14 552	4 461	(1 000 462)
Segment profit	(423 946)	66 794	21 080	(336 072)
Other operating expenses				(54 154)
Other income				(303)
Fair value loss on financial instruments				(173 138)
Fair value loss on equity investments				(6 330)
Unrealised gains				61 658
Finance income				42 321
Finance cost				(375 132)
Loss before tax				(841 150)

For the year ended 31 March 2021

R'000	South Africa	Austria	Slovakia	Total
Statement of comprehensive income 2021				
Revenue, excluding straight-line rental revenue adjustment	881 057	91 911	30 637	1 003 605
COVID-19 rental relief	(177 299)	(3 912)	(1 304)	(182 515)
Straight-line rental adjustment	(78 425)	–	–	(78 425)
Property expenses	(340 196)	(28 944)	(9 648)	(378 788)
Segment operating profit	285 137	59 055	19 685	363 877
Fair value adjustments on investment property	(587 983)	(54 183)	(18 061)	(660 227)
Segment profit	(302 846)	4 872	1 624	(296 350)
Other operating expenses				(43 793)
Other income				3 606
Fair value gain on financial instruments				63 630
Unrealised losses				(73 547)
Finance income				38 060
Finance cost				(396 598)
Loss before tax				(704 992)

Segmental analysis continued

For the year ended 31 March 2020

R'000	South Africa	Austria	Slovakia	Total
Statement of financial position extracts at 31 March 2020				
Investment property balance 1 April 2019	11 497 938	1 121 521	373 840	12 993 299
Acquisitions	919 800	–	–	919 800
Capitalised costs	181 017			181 017
Disposals/classified as held for sale	(1 207 397)	–	–	(1 207 397)
Investment property held for sale	595 897	–	–	595 897
Straight-line rental revenue adjustment	31 393	–	–	31 393
Foreign exchange gains	–	240 042	73 587	313 629
Fair value adjustments	(1 019 475)	14 552	4 461	(1 000 462)
Investment property at 31 March 2020	10 999 173	1 376 115	451 888	12 827 176
Other assets not managed on a segmental basis				
Derivative financial instruments				–
Property, plant and equipment				326
Lease hold assets				141 676
Current assets				564 671
Total assets				13 533 849

For the year ended 31 March 2021

R'000	**South Africa**	**Austria**	**Slovakia**	**Total**
Statement of financial position extracts at 31 March 2021				
Investment property balance 1 April 2020	10 999 173	1 376 115	451 888	12 827 176
Capitalised costs	70 580	4 676	1 559	76 815
Disposals/classified as held for sale	(319 986)			(319 986)
Investment property held for sale	127 714			127 714
Straight-line rental revenue adjustment	(78 425)			(78 425)
Foreign exchange losses	–	(158 679)	(52 892)	(211 571)
Fair value adjustments	(587 983)	(54 183)	(18 061)	(660 227)
Investment property at 31 March 2021	10 211 073	1 167 929	382 494	11 761 496
Other assets not managed on a segmental basis				
Derivative financial instruments				57 673
Right of use asset				120 676
Property, plant and equipment				206
Current assets				622 924
Total assets				12 562 975

Accounting policies

1. Significant accounting policies

The consolidated audited annual financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act, 71 of 2008, as amended (the Companies Act). The consolidated audited annual financial statements have been prepared on the historic cost convention, except for investment property and derivative financial instruments that have been measured at fair value. They are presented in South African rands. All figures are rounded off to R'000 except where otherwise stated.

1.1 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the new standards, amendments and interpretations that became effective during the 31 March 2021 reporting period. However, they are not expected to have a significant impact on the annual financial statements of Accelerate.

- COVID-19-Related Rent Concessions – Amendments to IFRS 16 Leases

1.2 Standards issued but not yet effective

Standards issued but not yet effective as of the date of issuance of Accelerate's financial statements are listed below. This listing of standards and interpretations issued are those that Accelerate reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. Accelerate intends to adopt these standards when they become effective.

Other new standards not yet effective:

- COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

1. Significant accounting policies continued

1.2 Standards issued but not yet effective continued

These standards are not expected to have a significant effect on the financial statements of Accelerate.

The standards issued during the year, but not listed above, will have no impact on the financial statements of Accelerate.

1.3 Consolidation*

Basis of consolidation

	Subsidiaries (including special purpose vehicles)	Joint operations
% ownership interest	Greater than 50%	Proportionate share of assets and liabilities
Nature of relationship with Accelerate	Subsidiaries are entities over which Accelerate exercises control. The subsidiaries' financial results are included in the consolidated financial statements of Accelerate from the date Accelerate obtains control until the date that control ceases.	A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Determining control

An investor controls an investee if and only if the investor has all of the following elements,

- power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect the amount of the investor's returns.

* For more information on SPVs being consolidated, please refer to note 2.

1. Significant accounting policies continued

1.3 Consolidation continued

	Consolidation	Joint operation
Initial and subsequent recognition in the consolidated financial statements	100% of the assets, liabilities, income, expenses, and cash flows of a subsidiary is accounted for on a line-by-line basis in the financial statements from the date Accelerate obtains control until the date that control ceases. The non-controlling interest is measured at their proportionate share of the minority shareholders identifiable assets at the date of acquisition. Subsequently the portion of the profit or loss is recognised in the statement of profit or loss and other comprehensive income and transferred to a non-distributable reserve.	Accelerate recognises the assets and liabilities, including its share of any assets held jointly and liabilities incurred jointly, the share of the revenue from the sale of the output by the joint operations and the expenses, including its share of any expenses incurred jointly.
Intercompany transactions	All intragroup transactions, balances and unrealised gains and losses are eliminated on consolidation.	Unrealised gains and losses with the joint operation are eliminated to the extent of Accelerate's interest in the joint operation. Unrealised losses are eliminated to the extent that there is no evidence of impairment.

1.4 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Accelerate owns 50% of the Fourways Mall net income streams from 29 November 2019 and accounts for it as a joint operation as follows:

Joint operations

The group recognises the following in relation to its interests in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly

1. Significant accounting policies continued

1.5 Significant judgements and sources of estimation uncertainty

The preparation of consolidated audited annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, 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.

Significant judgements include:

Judgements and other estimates

In the process of applying the accounting policies, management has made the following judgements and estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Valuation of property

The fair value of investment property is determined by real estate valuation experts and management using recognised valuation techniques and the principles of IFRS 13. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in the investment property note 5 & 6.

Valuation of the share-based payments reserve

The group issues equity-settled share-based payments to certain employees in the group as well as key employees in the Accelerate Property Management Company. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value at the grant date of the equity-settled share-based payments is expensed as services are rendered over the vesting period, based on the group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

IFRS 16

In cases where Accelerate is the lessee significant judgement is applied in determining the incremental borrowing rate used to determine the present value of the right of use asset as well as the lease liability for IFRS 16 purposes at the date of initial recognition.

Acquisition of investment properties: asset acquisition or business combination

IFRS 3 *Business Combinations* defines a business as 'an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits'.

When Accelerate acquires subsidiaries that own real estate, Accelerate considers whether each acquisition represents the acquisitions of a business or the acquisition of an asset. Accelerate accounts for an acquisition as a business combination where an integrated set of activities and assets, including property, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary.

1. Significant accounting policies continued

1.5 Significant judgements and sources of estimation uncertainty continued

When Accelerate acquires subsidiaries that own real estate, Accelerate considers whether each acquisition represents the acquisitions of a business or the acquisition of an asset. Accelerate accounts for an acquisition as a business combination where an integrated set of activities and assets, including property, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary.

Indicators of business combinations	Not necessarily indicators of business combinations on their own
Substantive processes and/or services acquired/provided: – Lease management – Management of common areas to promote increased footfall – Selection of tenants – Investment decisions – Marketing decisions	Administrative processes and/or ancillary services acquired/provided: – Security – Cleaning – Rent invoicing and collection – Caretaker

In line with the above the acquisition of Fourways Mall in November 2020 was not regarded as a business combination due to the following:

- In the case of Fourways Mall the asset management is done on a 50/50 decision-making basis (in-line with the ownership percentage) by the two owners of Fourways Mall. This input is applied by The group as the 50% owner of Fourways Mall and is not an input that was acquired. This input is applied by the same unaltered management team of the group prior to the Fourways Mall equalisation.
- The property management of Fourways Mall, as is the case with all investment properties owned by Accelerate, is provided by a third property management company and was not acquired with the property.

1.6 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. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service 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.

Investment property is subsequently measured at fair value in accordance with IAS 40.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to a sale.

1. Significant accounting policies continued

1.6 Investment property continued

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses on the retirement or disposal of investment property. Any gains or losses are recognised in profit or loss in the year of retirement or disposal.

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.

1.7 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 year.

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 or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Subsequent measurement is at cost less accumulated depreciation and accumulated impairment losses.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged in order 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. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives or the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	6 years
IT equipment	Straight line	3 years

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

1. Significant accounting policies continued

1.7 Property, plant and equipment continued

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.8 Non-current assets (disposal groups) held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups are classified as held for distribution to owners when the entity is committed to distribute the asset or disposal group to the owners. This condition is regarded as met only when the distribution is highly probable and the asset (or disposal group) is available for immediate distribution in its present condition, provided the distribution is expected to be completed within one year from the classification date.

Non-current assets held for sale comprise solely of investment properties and therefore are excluded from the measurement scope of IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations, and continue to be measured according to the fair value model with gains/losses recognised in the statement of comprehensive income.

Non-current assets held for sale are presented separately from other assets in the statement of financial position.

1. Significant accounting policies continued

1.9 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Accounting for financial assets

Classification

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Accelerate's business model for managing them. Except for trade receivables that do not contain a significant financing component or for which Accelerate has applied the practical expedient Accelerate initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. As Accelerate's rent and other trade receivables do not contain a significant financing component, they are measured at the lease income determined under IFRS 16. Refer to the accounting policies on revenues.

For a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Accelerate's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Accelerate classifies its Derivative financial instruments at fair value through profit or loss and its rent and other trade receivables and cash and short-term deposits at amortised cost.

Recognition and measurement

Initial recognition and measurement

Accelerate initially measures a financial asset at its fair value or, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

For purposes of subsequent measurement, Accelerate's financial assets are classified in two categories:

- Financial assets at fair value through profit or loss (derivative financial instruments)
- Financial assets measured at amortised cost (rent and other trade receivables and cash and short-term deposits)

Financial assets at amortised cost

For purposes of subsequent measurement, Accelerate measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Since Accelerate's financial assets (rent and other trade receivables, cash and short-term deposits) meet these conditions, they are subsequently measured at amortised cost.

1. Significant accounting policies continued

1.9 Financial instruments continued

Recognition and measurement continued

Subsequent measurement continued

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments which Accelerate had not irrevocably elected to classify at fair value through other comprehensive income.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Rent and other trade receivables Note 8
- Financial instruments risk management objectives and policies Note 32

Accelerate recognises an allowance for expected credit losses (ECLs) for all receivables held by Accelerate. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Accelerate expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held, deposits on hand and bank guarantees or other credit enhancements that are integral to the contractual terms.

For rent and other trade receivables, Accelerate applies a simplified approach in calculating ECLs. Therefore, Accelerate does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default).

Accelerate considers a financial asset to be in default when contractual payments are 90 days past due and legal processes have commenced. However, in certain cases, Accelerate may also consider a financial asset to be in default when internal or external information indicates that Accelerate is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by Accelerate. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

1. Significant accounting policies continued

1.9 Financial instruments continued

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- Accelerate has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) Accelerate has transferred substantially all the risks and rewards of the asset, or (b) Accelerate has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Accelerate has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, Accelerate continues to recognise the transferred asset to the extent of its continuing involvement. In that case, Accelerate also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Accelerate has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Accelerate could be required to repay.

Accounting for financial liabilities

Recognition and measurement

Initial recognition and measurement

Accelerate's financial liabilities comprise interest-bearing loans and borrowings, derivative financial instruments and trade and other payables.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of all financial liabilities except derivative financial instruments, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, all financial liabilities, except derivative financial instruments, are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

For more information on the interest-bearing loans and borrowings, refer to Note 13.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

1. Significant accounting policies continued

1.10 Leases

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component, on the basis of their relative standalone prices.

Company as lessee

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost (which is equal to the lease liability adjusted for upfront deposits) and increased with initial direct costs incurred and the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset. The group applies the cost model subsequent to the initial measurement of the right-of-use asset. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the remaining lease payments on the commencement date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be determined, the lessee uses the lessee's incremental borrowing rate. The lease liabilities were discounted at the incremental borrowing rate as at 1 April 2019. The discount rate used was 2,23%. In order to calculate the incremental borrowing rate, reference interest rates were derived based on Accelerate Europe's cost of debt. The lease liability is subsequently increased by interest cost on the lease liability and decreased by lease payments made.

Lease payments included in the measurement of the lease liability comprise the following: fixed payments; variable lease payments that depend on an index or a rate; amounts payable under a residual value guarantee; and the exercise price under a purchase option that the group is certain to exercise.

Consolidated statement of cash flows The group has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion as finance activities consistent with the presentation of interest payments chosen by the group.

Accelerate as lessor – operating leases

Operating lease income is recognised as income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

1. Significant accounting policies continued

1.10 Leases continued

Accelerate as lessor – operating leases continued

The group may reduce past lease payments that are recognised as a lease receivable in an operating lease. For these instances there is an accounting policy choice of either:

1) An extinguishment of the operating lease receivable and the derecognition requirements of IFRS 9 apply, or
2) Lease modification under IFRS 16 where the group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease

The group has elected to apply the lease modification under IFRS 16. As a result, the amount granted as relief is accounted for as a lease incentive in terms of the new lease agreement. This incentive is recognised as a reduction to lease income over the lease term.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.12 Revenue

Rental income

Accelerate is the lessor in operating leases. Rental income arising from operating leases of investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Tenant installations are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the statement of comprehensive income when the right to receive them arises.

Rental income does not fall within the scope of IFRS 15, Revenue from contracts with customers, but is accounted for in terms of IFRS 16, Leases.

1. Significant accounting policies continued

1.12 Revenue continued

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which Accelerate expects to be entitled in exchange for those services.

Service and management charges and other such receipts are included in revenue gross of the related costs, as the directors consider that Accelerate acts as principal in this respect. It is accounted for as a single performance obligation based on the actual provision of utilities services to the customer.

Revenue from service charges, management charges and other expenses recoverable from tenants is recognised over time when the customer receives the benefit of the related service.

Recoveries

Recovering operating costs, such as utilities from tenants.

Utility recoveries are recognised over the period for which the services we are rendered. The group acts as a principal on its own account when recovering operating costs, such as utilities, from tenants.

Casual parking, non-GLA income and lease cancellation fees

Casual parking income is recognised over the period for which the services are rendered. Non-GLA income, like advertising, promotion and exhibition income, and lease cancellation fees are contingent and are recorded in the period in which they are earned.

Revenue from development guarantee

Revenue for the development guarantee and head lease is recognised when invoiced in line with the stipulations in the guarantee agreement.

1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of investment property is capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Interest is also capitalised on the purchase cost of a property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

1. Significant accounting policies continued

1.14 Other accounting policies

Property acquisitions and business combinations

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business as per IFRS 3. Where such acquisitions are not judged to be acquisitions of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

Investment property acquisitions which do not meet the definition of a business as defined in IFRS 3 are recognised and measured in accordance with IAS 40.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, 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 recorded at amortised cost.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Tenant deposits

Tenant deposit liabilities are initially recognised at fair value and subsequently measured at amortised cost where the effect of discounting is material. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

Finance income

Finance income is recognised as it accrues using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Finance income is included in finance income in the statement of comprehensive income.

Taxes

Accelerate converted to a Real Estate Investment Trust (REIT) on listing. As a result, section 25BB of the Income Tax Act applies to qualifying REIT income and expenses. The legislation provides that capital gains on sale of investment properties are not taxable and previous building allowances claimed will be recouped at 28%. All rental income and dividends from property subsidiaries will be taxed at 28% and any qualifying distribution paid from these taxable profits will be deductible at 28%. Should the entities' assets be sold or the entity wound up, there could be a tax liability to the value of the recoupments previously claimed.

1. Significant accounting policies continued

1.14 Other accounting policies continued

Taxes continued

Accelerate is of the view that the provisions of IAS 12 Income Taxes regarding different tax rates for distributed and undistributed profits are intended to apply where the only significant factor determining the differential tax rate is the retention or distribution of profit. This view is applied given that this would reflect the economic reality of Accelerate as being tax neutral and would not result in deferred taxation being raised at each reporting date merely to be reversed after the end of the reporting date when distributions are declared to shareholders. This view is formulated based on guidance from the withdrawn ED/2009/2 as published by the International Accounting Standards Board (IASB). This view implies that the entity can choose to operate within one of two tax regimes, either a 'full tax' regime by not distributing rental income and dividends from property subsidiaries to shareholders or a 'no tax' regime by distributing rental income and dividends from property subsidiaries to shareholders, rather than operating in a single tax regime with a dual tax rate, depending on whether profits are retained or distributed. Accordingly, the measurement of deferred tax assets and liabilities takes into account expected future distributions. This results in no deferred tax being recognised by Accelerate on REIT assets and liabilities.

REIT legislation is currently being revised to clarify the legislation where difficulties have been noted in practice.

Current taxes are recognised as income or 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 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 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 different period, directly to equity.

Current income tax

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.

Accelerate is registered as a REIT, and as such will only pay tax on profits not distributed to shareholders.

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.

Share-based payments

Employees (including senior executives) of Accelerate receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions).

1. Significant accounting policies continued

1.14 Other accounting policies continued

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves (share- based payment reserve), in equity over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and Accelerate's best estimate of the options that will ultimately vest. The profit or loss represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market condition. These are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance service conditions are satisfied.

When the terms of the equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of the modification.

When the equity award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either Accelerate or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Share capital

Ordinary shares are classified as equity. Accelerate shares held by Accelerate Treasury Proprietary Limited, Tuscany 777 Investments (RF) Proprietary Limited and Chesham Blue (RF) Proprietary Limited are classified as treasury shares on consolidation and presented as a deduction from equity and these shares are held at cost.

Fair value measurements

Accelerate measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the financial statements when the carrying values are not determined to approximate fair value.

1. Significant accounting policies continued

1.14 Other accounting policies continued

Fair value measurements continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

Accelerate must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Accelerate uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole. Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, Accelerate determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. Accelerate uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

1. Significant accounting policies continued

1.14 Other accounting policies continued

Fair value measurements continued

The fair value of investment property is determined by using valuation techniques. Accelerate uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Techniques include discounted cash flows and cap rate methods.

The carrying value of trade receivables and payables approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Accelerate for similar financial instruments. Accelerate's own non-performance risk is considered.

Notes to the consolidated audited annual financial statements

for the year ended 31 March 2021

2. Restatement of financial statements

2.1 Financial guarantee

The financial statements for the year ended 31 March 2020 as reported, have been restated to correct the previous non-consolidation of certain SPVs, but for which guarantees were provided by Accelerate to Rand Merchant Bank. The nature and amounts of the correction are detailed below.

Origin and nature of the guarantee

In order to retain and align key executive directors with shareholders, the group encourages the acquisition of shares by executive directors who did not have a material shareholding in the group.

Consequently, in December 2016 an executive buy in structure was approved by shareholders and certain executive directors acquired Accelerate shares through special purpose vehicles (SPVs). The SPVs were funded through bank debt from RMB expiring on 7 December 2020. The interest on bank debt accrued in the SPVs was to be serviced by the distributions received from Accelerate, and RMB had cession over these shares. The directors would only have an unconditional right to the shares in the SPVs once the bank debt had been settled.

Accelerate provided guarantees to RMB for the performance of each SPVs obligations. The maximum liability Accelerate may have under the guarantees is 100% (2020: 100%) of the debt outstanding to the extent that amounts owing to RMB are not settled by the sale of the shares RMB has cession over.

Accounting for the guarantee to 31 March 2020

From inception of the structure, Accelerate did not consolidate the SPVs but recognised a liability in its financial statements equivalent to the full value of the obligation Accelerate had under the guarantee to RMB, less the fair value of the shares held by RMB as collateral at reporting date.

The liability recognised in the consolidated group annual financial statements of Accelerate for the year ended 31 March 2020 was R179 572 000 (2019: R98 492 000).

As at 31 March 2020 the total loan balance owed to RMB by the SPVs was R219,8 million.

Consequently, for the financial year ended 31 March 2020 and the preceding years the full exposure under the guarantee was recognised.

Change in accounting from 31 March 2021 onwards

On re-assessment of the accounting treatment of the SPVs by Accelerate, we concluded that the exposure to variable returns as a result of the financial guarantees would lead to consolidation of the SPVs. The group therefore took the decision that the SPVs be consolidated and the financial statements have been retrospectively corrected as a result.

2. Restatement of financial statements continued

2.1 Financial guarantee continued

The effect of correction

The restatement of the annual results of the group resulting from the consolidation of the share SPVs resulted in:

- The full nominal value of the liability owing by the SPVs to RMB being recognised as a liability in the financial statements of the group
- The Accelerate shares held by the SPVs being treated as treasury shares for group reporting purposes
- A reversal of unrealised losses recognised in prior years on the financial guarantee liability created

The restatement of the financial statements as result of the correction of consolidation of the SPVs resulted in the following net effect on the annual financial statements of the group:

	31 March 2020 R'000			31 March 2019 R'000		
	As reported	Adjustment	Consolidated reporting	As reported	Adjustment	Consolidated reporting
Statement of Financial Position						
Ordinary share capital	**(5 125 105)**	**189 138**	**(4 935 967)**	(5 115 671)	189 138	(4 926 533)
Retained earnings*	**(1 480 166)**	**(148 838)**	**(1 629 004)**	(2 752 707)	(78 810)	(2 831 517)
Current liabilities						
Trade and other payables	**(393 774)**	**179 571**	**(214 203)**	(297 231)	98 492	(198 739)
Borrowings	**(1 118 768)**	**(219 871)**	**(1 338 639)**	(1 111 050)	(208 820)	(1 319 870)
Statement of Profit or Loss and Other Comprehensive Income						
Unrealised (losses)/gains	**(19 422)**	**81 080**	**61 658**	(21 909)	52 910	31 001
Finance costs	**(350 396)**	**(24 736)**	**(375 132)**	(341 781)	(23 955)	(365 736)
Earnings per share						
Basic earnings per share (cents)	**(90,21)**	**1,71**	**(88,50)**	56,77	5,69	62,46
Diluted earnings per share (cents)	**(88,30)**	**1,76**	**(86,54)**	55,79	5,54	61,33
Headline earnings per share (cents)	**10,15**	**6,39**	**16,54**	45,26	5,15	50,41
Diluted headline earnings per share (cents)	**9,94**	**6,23**	**16,17**	44,47	5,02	49,49

* The retained earnings impact includes distributions paid to the SPVs that were eliminated on consolidation.

2. Restatement of financial statements continued

2.2 Restatement of cash flows

The consolidated cash flows for the year ended 31 March 2020 as reported, have been restated to correct the interest received and interest paid, which previously did not include the removal of interest accruals and therefore did not reflect the actual cash received and paid. This also included borrowing cost capitalised to investment property which was incorrectly included in the purchase of investment property. The distribution paid was also restated as a result of the restatement of the financial guarantee, where the shares held by the SPVs are treasury shares and therefore the dividend. The nature and amounts of the correction are detailed below:

	31 March 2020 R'000		
	As previously stated	**Effect of adjustment**	**As restated**
Statement of cash flows			
Effect on cash flows from operating activities			
Cash generated from operations	681 371	37 428	718 799
Finance income received	42 321	(34 102)	8 219
Distribution paid	(372 676)	13 684	(358 992)
Net cash from operating activities	**356 151**	**17 010**	**373 161**
Effect on cash flows from investing activities			
Purchase of investment property	(1 100 817)	68 405	(1 032 412)
Net cash from investing activities	(509 610)	68 405	(441 205)
Cash flows from financing activities			
Finance cost paid	(350 396)	(85 469)	(435 865)
Net cash from financing activities	99 365	(85 469)	13 896

3. Property, plant and equipment

	2021 (R'000)			2020 (R'000)		
	Cost or re-valuation	**Accumu-lated de-preciation**	**Carrying value**	Cost or re-valuation	Accumu-lated de-preciation	Carrying value
Furniture and fixtures	567	(442)	125	537	(362)	175
Motor vehicles	622	(563)	59	622	(505)	117
Office equipment	31	(22)	9	31	(15)	16
IT equipment	556	(543)	13	720	(702)	18
Total	1 776	(1 570)	206	1 910	(1 584)	326

3. Property, plant and equipment continued

Reconciliation of property, plant and equipment – 2021 (R'000)

	Opening balance	**Additions**	**Depreciation**	**Total**
Furniture and fixtures	175	43	(93)	125
Motor vehicles	117	–	(58)	59
Office equipment	16	–	(7)	9
IT equipment	18	–	(5)	13
	326	43	(163)	206

Reconciliation of property, plant and equipment – 2020 (R'000)

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	265	–	(90)	175
Motor vehicles	242	–	(125)	117
Office equipment	25	–	(9)	16
IT equipment	156	31	(169)	18
	688	31	(393)	326

4. Leases (company as lessee)

	2021 R'000	2020 R'000
Right-of-use asset		
Opening balance	141 676	–
IFRS 16 adoption balance	–	146 399
Depreciation	(4 547)	(3 926)
Foreign exchange movement	(16 453)	(797)
	120 676	141 676
Lease liabilities		
Opening balance	142 918	–
IFRS 16 adoption balance	–	146 399
IFRS 16 interest	3 069	2 714
Repayment	(6 495)	(5 608)
Exchange rate movement	(16 696)	(587)
	122 796	142 918
Non-current liabilities	116 854	136 173
Current liabilities	5 943	6 745
	122 797	142 918

The lease liabilities relate to the rental of land in Austria and Slovakia by Accelerate Property Fund Europe B.V. The incremental borrowing rate used by the lessee is 2,23%.

There are no restrictive conditions in place on these leases.

5. Investment property

	Opening balance R'000	Additions resulting from capitalised cost R'000	Classified as held for sale~ R'000	Foreign exchange movements R'000	Straight-line rental revenue adjustment R'000	Fair value adjustments R'000	Total R'000
Reconciliation of investment property – 2021							
Investment property*	12 231 279	76 815	275 911	(211 571)	(78 425)	(660 227)	11 633 782

	Opening balance R'000	Additions R'000	Additions resulting from capitalised cost R'000	Disposals R'000	Classified as held for sale R'000	Foreign exchange movements R'000	Straight-line rental revenue adjustment R'000	Fair value adjustments R'000	Total R'000
Reconciliation of investment property – 2020									
Investment property*	12 203 592	919 800	181 017	(87 100)	(330 590)	313 629	31 393	(1 000 462)	12 231 279

* The entire portfolio of investment property is pledged as security for borrowings. For detailed borrowings please refer to note 13.

Included in this balance is R238 180 000 (2020: R316 604 889) of straight-line rental revenue adjustment.

~ In the 2020 financial year R595 897 277 non-current assets were held for sale. Properties worth R192 272 289 were sold in the 2021 financial year and the balance of R403 624 988 are no longer held for sale. Therefore, the current held for sale movement will be a positive movement of R275 910 745 as the non-current assets held for sale for the 2021 financial year have a fair value of R127 714 243. Refer note 11 for more details on the non-current assets held for sale.

The following investment properties are held by Accelerate through subsidiaries:

- The KMPG portfolio 100% held through Parktown Crescent Proprietary Limited and Wanooka Properties Proprietary Limited.
- Citibank building in Sandton 100% held through Pybus Sixty-Two (RF) Proprietary Limited
- Nine single-tenant, long-term lease OBI properties held through a 96,4% equity holding in Accelerate Property Fund Europe B.V.

5. Investment property continued

	2021 R'000	2020 R'000
Borrowing costs capitalised		
Borrowing costs capitalised to investment property	40 055	68 405
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation	7,80%	9,30%
Investment property summary		
Investment properties	12 584 005	12 886 719
Fair value (loss) on investment property	(660 227)	(1 000 462)
Foreign exchange (loss)/gain	(211 571)	313 629
Straight-line rental revenue adjustment	(78 425)	31 393
	11 633 782	12 231 279

	Office R'000	Industrial R'000	Retail R'000	Europe R'000	Total R'000
Investment properties					
Balance as at 31 March 2020	2 524 483	346 882	7 527 350	1 832 564	12 231 279
Acquisition/ improvements	31 938	2 708	35 934	6 235	76 815
Non-current asset held for sale	248 507	(92 000)	119 404	–	275 911
Straight-line rental revenue adjustment	(16 805)	(124)	(61 496)	–	(78 425)
Foreign exchange loss	–	–	–	(211 571)	(211 571)
Fair value gains/(losses) on investment properties	(79 952)	(95 999)	(412 032)	(72 244)	(660 227)
Balance at 31 March 2021	2 708 171	161 467	7 209 160	1 554 984	11 633 782
Balance at 31 March 2019	2 772 900	586 265	7 344 505	1 499 922	12 203 592
Acquisitions/ improvements	83 173	1 726	1 015 918	–	1 100 817
Disposals	–	–	(87 100)	–	(87 100)
Non-current asset held for sale	–	(166 772)	(163 818)	–	(330 590)
Straight-line rental revenue adjustment	(7 726)	2 470	36 649	–	31 393
Foreign exchange gains	–	–	–	313 629	313 629
Fair value gains/(losses) on investment properties	(323 864)	(76 807)	(618 804)	19 013	(1 000 462)
Balance at 31 March 2020	2 524 483	346 882	7 527 350	1 832 564	12 231 279

6. Fair value measurement of investment properties

Levels of fair value measurement

It is the policy of Accelerate to have every property valued by an external valuer on a three-year rotational basis as required by the JSE Listings Requirements. This means that each property Accelerate holds is externally valued at least every three years. The remaining investment properties held at the end of each reporting period are valued by Accelerate's directors.

Each year the directors appoint an external valuer who is responsible for the external valuations of property for the annual financial statements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. In addition, the directors are responsible for Accelerate's internal property valuations. Internal methods are aligned with those used by external valuers.

At each reporting date, the directors analyse the movements in each property's value. For this analysis, the directors verify the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts (e.g., rent amounts in rental contracts), market reports (e.g. market rent, cap rates in property market reports) and other relevant documents. Each property is considered a separate asset class based on the unique nature, characteristics and risks of the property. The directors compare each property's change in fair value with relevant external sources (such as the investment property database or other relevant benchmarks) to determine whether the change is reasonable.

Valuation techniques

The fair values of investment properties are determined using either a discounted cash flow (DCF) method or income capitalisation method (cap rate). These two valuation methods are used across the different property portfolios of Accelerate.

COVID-19

For the year ended 31 March 2020 Accelerate took a conservative view on the valuation of Investment property with the potential effects of COVID-19 at top of mind. This resulted in a downward valuation of R1 billion (7,0%) recorded at 31 March 2020. In order to ensure transparency and to provide the market with additional comfort regarding the valuation of investment property, the fund had in excess of 90% of its investment property (by value) externally valued for the year ended 31 March 2021. The additional effect of COVID-19 resulted in a further downwards valuation of the portfolio by R660 million (5,0%) for the year ended 31 March 2021.

DCF method

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and costs of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the cash inflows associated with the property. The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re- letting, redevelopment or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of property. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted at the appropriate rate.

6. Fair value measurement of investment properties continued

Income capitalisation method

Under the capitalisation rate method, a property's fair value is estimated based on the normalised and market related net operating income generated by the property, which is divided by the capitalisation rate. The difference between gross and net rental income includes the same expense categories as those for the DCF method with the exception that certain expenses are not measured over time, but included on the basis of a time weighted average, such as the average lease costs.

The external valuations were performed by Mills Fitchet and Coldwell Banker Richard Ellis (Offshore valuations) accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The internal valuations were performed by the directors. The valuation models applied are in accordance with those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13.

Changes in valuation techniques

There were no changes in valuation techniques during the year.

Highest and best use

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

Valuation techniques and inputs derive level 3 fair values

The table below presents the following for each class of the investment property:

- The fair value measurements at the end of the reporting period
- A description of the valuation techniques applied
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building
- Quantitative information about the significant unobservable inputs used in the fair value measurement

6. Fair value measurement of investment properties continued

Class of property	Fair value as at 31 March 2021 R'000	Valuation technique	Key unobservable inputs	Weighted average of key observable inputs	Weighted average equivalent yield %
Office	2 769 971	Income capitalisation/ DCF method	ERV	R180,90	8,50
			Rental growth pa	5,1%	
			Long-term vacancy rate	2,3%	
Industrial	253 467	Income capitalisation/ DCF method	ERV	R76,90	9,70
			Rental growth pa	4,8%	
			Long-term vacancy rate	4,0%	
Retail	7 183 074	Income capitalisation/ DCF method	ERV	R308,50	7,50
			Rental growth pa	5,0%	
			Long-term vacancy rate	2,1%	
European retail	1 554 984	Income capitalisation/ DCF method	ERV	R138,60	6,46
			Rental growth pa	0%	
			Long-term vacancy rate	0%	
Total#	11 761 496				

Class of property	Fair value as at 31 March 2020 R'000	Valuation technique	Key unobservable inputs	Weighted average of key observable inputs	Weighted average equivalent yield %
Office	2 834 790	Income capitalisation/ DCF method	ERV	R194,90	8,10
			Rental growth pa	5,9%	
			Long-term vacancy rate	2,4%	
Industrial	513 654	Income capitalisation/ DCF method	ERV	R76,50	9,60
			Rental growth pa	5,8%	
			Long-term vacancy rate	3,3%	
Retail	7 646 168	Income capitalisation/ DCF method	ERV	R315,10	7,10
			Rental growth pa	6,0%	
			Long-term vacancy rate	3,6%	
European retail	1 832 564	Income capitalisation/ DCF method	ERV	R156,00	6,20
			Rental growth pa	0%	
			Long-term vacancy rate	0%	
Total#	12 827 176				

Included in the above total are properties held for resale of R127 714 243 (2020: R595 897 000), R11 395 601 757 (2020: R11 914 674 111) of investment properties and R238 180 000 (2020: R316 604 889) of straight-line revenue adjustment.

6. Fair value measurement of investment properties continued

Descriptions and definitions

The table on the previous page includes the following descriptions and definitions relating or valuation techniques and key unobservable inputs made in determining the fair values.

Estimated rental value (ERV)

The gross rent per square meter per month at which space could be let in the market conditions prevailing at the date of valuation.

Rental growth

The estimated average increase in rent per annum based on both market estimations and contractual indexations.

Long-term vacancy rate

The ERV of the expected long-term average structural vacant space divided by ERV of the whole property. Long-term vacancy rate can also be determined based on the percentage of estimated vacant space divided by the total lettable area.

COVID-19

The long-term impact of COVID-19 on the above inputs is yet to be determined with certainty. Short term assistance given to tenants will not materially impact the valuation of investment property. The long-term impact on rental levels, vacancies and discount rates cannot yet be determined with any degree of certainty.

Equivalent yield

The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review, but with no further rental growth.

Sensitivity analysis to significant changes in unobservable inputs within level 3 of the hierarchy

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy of the entity's portfolios of investment property are:

- ERV
- Long-term vacancy rate
- Equivalent yield

ERV

An increase or decrease in ERV is directly correlated to an increase or decrease in the estimated fair value. A 5% increase or decrease in the ERV would result in a 5% increase or decrease in the estimated fair value.

Long-term vacancy rate

Increases/decreases in the long-term vacancy rate would result in decreases/increases in the estimated fair value.

6. Fair value measurement of investment properties continued

Rental growth

The rental growth rate assumption used to value investment property is a direct input into the discount rate used in a discounted cash flow valuation. Thus if the growth rate increases the discount rate also increases.

Equivalent yield

South African portfolio	**50 bps increase %**	**50 bps decrease %**
Equivalent yield – Impact on fair value		
31 March 2021		
Retail	(6,3)	7,1
Office	(5,6)	6,3
Industrial	(4,9)	5,4

European retail	**25 bps increase %**	**25 bps decrease %**
Equivalent yield – Impact on fair value		
31 March 2021		
European retail	(3,6)	4,1

South African portfolio	50 bps increase %	50 bps decrease %
Equivalent yield – Impact on fair value		
31 March 2020		
Retail	(7,0)	8,0
Office	(6,0)	6,8
Industrial	(4,6)	5,0

European retail	25 bps increase %	25 bps decrease %
Equivalent yield – Impact on fair value		
31 March 2020		
European retail	(3,9)	4,2

7. Investments

Joint operation

The following joint operations are material to the group:

	% Ownership interest 2021	2020
Joint operation		
Fourways Mall	50%	50%

Accelerate owns 50% of Fourways Mall via an undivided share, excluding 2 828 parking bays constructed by Azrapart for future development of bulk. Investment property relating to the Fourways Mall retail site recognised in the financial statements of Accelerate amounts to R4,7 billion (included in the investment property balance). Of the 61 074m² bulk at Fourways Mall, Accelerate owns 21 214m² and Azrapart the joint owner of Fourways Mall 39 860m². Accelerate's proportional share of the revenue and expenses flowing from the joint operation are recognised on a line by line basis. The other 50% of Fourways Mall is owned by Azrapart (Pty) Ltd, a related party as it is indirectly owned by Accelerate CEO, MN Georgiou.

Joint ventures

The following joint ventures are material to the group:

	% Ownership interest 2021	2020
Joint operation		
Requiza Properties One (Pty) Ltd	49%	49%

Requiza is a shelf company set up for the Buzz residential development, of which Accelerate Property Fund Limited is a 49% joint venture partner. The development has not yet commenced and the company is currently still dormant.

8. Trade and other receivables

	2021 R'000	2020 R'000
Financial assets:		
Debtors including tenant receivables	210 129	159 922
Selling entity debtors	44 870	41 768
Related party receivables – note 29	273 270	248 750
Expected credit loss*	(47 118)	(40 393)
Municipal deposits	16 920	24 836
Deposit: property acquisition	975	975
Sundry debtors	18 490	15 169
Accrued recoveries	79 195	77 458
	596 731	528 485
Non-financial assets:		
Prepaid expenses	731	2 648
Total trade and other receivables	597 462	531 133

* ECL relates to debtors including tenant receivables, selling entity debtors and related party receivables.

Carrying value approximates the fair value of trade and other receivables.

Exposure to credit risk

Refer to note 32 Credit Risk of trade receivables, which explains how the group manages and measures credit quality of receivables.

Movement in expected credit loss:

	2021 R'000	2020 R'000
Opening balance	40 393	17 763
Charge for the year	49 137	60 268
Debtors written off	(42 412)	(37 638)
Closing balance	47 118	40 393

9. Derivatives

Economic hedges

Interest rate swaps

Accelerate holds interest rate swap contracts with notional amounts of R3 950 000 (2020: R3 450 000 000) whereby it pays a fixed rate of interest and receives a variable rate based on one month JIBAR on the notional amount. The swap is used to hedge exposure to the variable interest rate payments on the variable rate secured loans.

The interest rate swaps have been used to match the critical terms of the underlying debt (hedge accounting has not been applied for accounting purposes). Cash flows are expected to occur until May 2023 and will be recognised through profit or loss as and when incurred.

The aggregate fair value of the interest rate swaps at the end of the reporting period was negative R86 406 341 (2020: negative R93 327 599).

The valuation techniques applied to fair value the derivatives which include the swap models, use present value calculations. The derivatives are classified in level 2 of the fair value hierarchy.

Cross-currency swap

Accelerate also holds a cross-currency swap with a nominal value of €21 000 000 (2020: €21 000 000) to hedge exchange rate movements on euro denominated debt. The cross-currency swap matures in July 2022.

The fair value of the cross-currency swaps at the end of the reporting period was negative R29 298 894 (2020: negative R86 007 420). This is due to the closing rand/euro exchange rate strengthening to R17,42 (2020: R19,77).

The valuation techniques applied to fair value the derivatives which include the cross-currency swap models, use present value calculations. The derivatives are classified in level 2 of the fair value hierarchy.

	2021 R'000	2020 R'000
Reconciliation of the swap derivatives		
Opening balance value	(179 335)	(40 310)
Net changes in fair value through profit and loss	63 630	(173 138)
Derivative settlement	–	34 113
Closing balance	(115 705)	(179 335)
Current assets	21 332	–
Non-current assets	36 341	–
Total assets	57 673	–
Current liabilities	(89 653)	(10 912)
Non-current liabilities	(83 725)	(168 423)
	(115 705)	(179 335)

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021 R'000	2020 R'000
Cash held on call account	25 462	33 538

Surplus cash is placed on call account at an interest rate of 3,85% (2020: 6,3%).

At 31 March 2021, Accelerate had undrawn debt facilities of R85,1 million.

Cash balances of R4 915 000 (2020: R4 915 000) are encumbered due to bank guarantees lodged for municipal and other deposits.

The fund has undrawn facilities of R145 million.

11. Non-current assets held for sale

As part of the main business of the group, Accelerate intends to sell non-core assets and utilise proceeds to either reduce debt or reinvest in the core portfolio. These properties are held in the books of Accelerate at fair value, based on the agreed selling price.

Non-current assets held for sale:	2021 R'000	2020 R'000
Investment Property	127 714	595 897

The following non-core properties are held for sale at 31 March 2021:

- 1 Bolt Avenue (Industrial)
- KPMG Port Elizabeth (Office)
- Cascades (Retail)

12. Ordinary share capital

12.1 Ordinary share capital

	2021 R'000	2020 R'000
Authorised		
Ordinary shares of no par value	5 000 000 000	5 000 000 000
Reconciliation of number of shares issued:		
Reported as at 1 April	954 069 026	950 395 203
Shares purchases	–	(540 634)
Issue of shares	419 709	4 214 457
Total number of shares in issue at year-end*	954 488 735	954 069 026
Issued		
Ordinary share capital of no par value (R'000)	4 935 967	4 926 533
Issue of shares	1 600	11 434
Shares repurchased	–	(2 000)
	4 937 567	4 935 967

* 44 455 554 (2020: 44 455 554) treasury shares are held by the group.

12. Ordinary share capital continued

12.1 Ordinary share capital continued

The unissued authorised ordinary shares of no par value in the company are under the control and authority of the directors of the company 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, provided that

- such authority to allot and issue new shares is limited to vendor settlements only;
- the number of shares that may be issued (under general authority), in aggregate in any one financial year, is limited to 10% of the total number of shares in issue at the beginning of each financial year, any other issuances require specific authority; and
- the maximum discount permitted, in respect of vendor settlement, will be 5% of the average trade price of the shares in question, measured over the 30 business days prior to the date of each issue of new shares or the 30 business days prior to the date the directors resolve to issue such new shares.

12.2 Other reserves

	2021 R'000	2020 R'000
Share incentive reserve		
Opening balance	24 106	23 372
Expense	1 442	12 168
Shares vested	(1 600)	(11 434)
	23 948	24 106

13. Borrowings

	2021 R'000	2020 R'000
Total value of loans secured by investment property		
RMB	1 806 961	1 914 943
Domestic medium-term note (DMTN) programme	1 831 000	1 785 000
Investec	1 402 616	1 369 174
Erste Bank	842 869	954 413
Debt on consolidation of SPVs (refer to note 2)	171 464	219 871
Bank fees to be amortised over the remaining term of the debt	(29 425)	–
	6 025 485	6 243 401
Less: portion repayable within the next 12 months	(1 775 569)	(1 338 639)
	4 249 916	4 904 762
Reconciliation of debt movements		
Opening balance	6 243 401	5 590 244
Debt raised	1 355 300	2 330 958
Debt repayment	(1 432 602)	(1 842 190)
Bank fees to be amortised over the remaining term of the debt	(29 425)	–
Exchange rate movement on foreign debt	(111 189)	164 389
	6 025 485	6 243 401

Carrying value approximates the fair value of borrowings. Interest payments are made as they fall due and capital repayments are only made as per the maturity dates below. Interest rates on these loans are market related and at arm's length with third party lenders.

The group has not purchased any debt in the financial period, nor are any fair value adjustments applicable. The company does not have foreign denominated debt (the ring-fenced Erste Bank loan is held by Accelerate Europe).

13. Borrowings continued

13.1 Details of secured loans at 31 March 2021

	Tranche	Weighting %	Debt amount R'000	Maturity date	Rate
RMB	AC – Current	2,39	140 649	May 2021	3M JIBAR + 265 bps
RMB	T – Current	3,00	176 488	October 2021	Prime – 0,75 bps
RMB	U – Current	5,97	351 264	December 2021	3M JIBAR + 195 bps
RMB	M	1,91	112 247	May 2022	3M JIBAR + 310 bps
RMB	I	7,71	453 825	June 2022	3M JIBAR + 270 bps
RMB	W	1,31	76 899	November 2022	3M JIBAR + 255 bps
RMB	J	0,85	50 000	November 2022	3M JIBAR + 275 bps
RMB	O	3,23	189 907	February 2023	3M JIBAR + 275 bps
RMB	CC	1,49	87 500	August 2023	3M JIBAR + 325 bps
RMB	EE	1,97	115 806	August 2023	3M JIBAR + 300 bps
RMB	N	0,89	52 375	August 2023	3M JIBAR + 325 bps
Investec	V – Current	4,10	241 142	December 2021	3M JIBAR + 225 bps
Investec	K – Current	0,26	15 563	March 2022	3M JIBAR + 255 bps
Investec		4,26	250 638	November 2022	Prime – 25 bps
Investec	Y	2,42	142 500	November 2022	3M JIBAR + 245 bps
Investec	009	2,31	136 139	January 2023	Prime – 0,25 bps
Investec	010	7,97	469 135	January 2023	Prime – 0,4 bps
Investec	BB	1,02	60 000	August 2023	Prime
Investec	DD	1,49	87 500	August 2023	Prime
DMTN	APF13 – Current	0,42	25 000	June 2021	3M JIBAR + 300 bps
DMTN	APF08 – Current	4,74	279 000	July 2021	3M JIBAR + 185 bps
DMTN	APF04 – Current	3,82	225 000	October 2021	3M JIBAR + 230 bps
DMTN	APF12 – Current	2,55	150 000	February 2022	3M JIBAR + 300 bps
DMTN	APF06	3,40	200 000	August 2022	3M JIBAR + 214 bps
DMTN	APF10	2,65	156 000	September 2022	3M JIBAR +195 bps
DMTN	APF15	1,27	75 000	February 2023	3M JIBAR + 290 bps
DMTN	APF07	2,55	150 000	June 2023	3M JIBAR + 210 bps
DMTN	APF09	5,46	321 000	July 2023	3M JIBAR + 208 bps
DMTN	APF14	4,25	250 000	September 2023	3M JIBAR + 350 bps
Erste Bank	A	14,33	842 869	November 2023	2,23% fixed
Debt on consolidation of SPVs (refer to note 2)			171 464		
Bank fees to be amortised over the remaining term of the debt			(29 425)		
			6 025 485		

13. Borrowings continued

13.1 Details of secured loans at 31 March 2021 continued

	Notional amount R'000	Maturity	Base rate %
Details of interest rate swaps on debt			
RMB	150 000	April 2021	7,13
RMB	150 000	October 2021	7,86
RMB	150 000	January 2022	7,40
RMB	300 000	February 2022	7,36
RMB	200 000	March 2023	7,56
RMB	300 000	May 2023	7,05
RMB	300 000	September 2023	4,25
RMB	300 000	March 2024	5,05
RMB	300 000	May 2024	5,07
RMB	100 000	March 2025	5,57
RMB	300 000	December 2025	5,18
RMB	100 000	March 2026	6,08
Investec	500 000	February 2022	6,38
Investec	300 000	February 2022	7,39
Investec	500 000	February 2023	6,49
	3 950 000		

13. Borrowings continued

13.2 Details of secured loans at 31 March 2020

	Tranche	Weighting %	Debt amount R'000	Maturity date	Rate
RMB	M – Current	1,7	101 461	February 2021	3M JIBAR + 225 bps
	P – Current	2,2	129 328	May 2020	3M JIBAR +195 bps
	Q – Current	1,2	74 813	October 2020	3M JIBAR + 195 bps
	R – Current	0,8	48 000	July 2020	3M JIBAR + 195 bps
	S – Current	1,2	71 165	October 2020	3M JIBAR +195 bps
	T	2,9	176 487	October 2021	Prime – 115 bps
	U	5,9	353 180	December 2021	3M JIBAR + 195 bps
	W	1,3	76 899	November 2022	3M JIBAR + 205 bps
	X – Current	0,5	32 500	May 2020	3M JIBAR + 230 bps
	F – Current	1,2	70 000	May 2020	3M JIBAR + 210 bps
	H – Current	1,1	63 625	July 2020	3M JIBAR + 195 bps
	I	7,6	453 828	June 2022	3M JIBAR + 220 bps
	J	0,8	50 000	November 2020	3M JIBAR + 225 bps
	K – Current	0,7	41 375	May 2020	3M JIBAR + 250 bps
	L	2,9	172 282	February 2023	3M JIBAR + 225 bps
Investec					
	V	4,6	278 099	December 2021	3M JIBAR + 225 bps
	K	0,2	14 873	March 2022	3M JIBAR + 255 bps
	Y	2,4	142 500	November 2022	3M JIBAR + 245 bps
	Z – Current	0,5	32 500	May 2022	3M JIBAR + 245 bps
	009	2,4	145 000	January 2023	Prime – 0,25 bps
	010	8,6	514 190	January 2023	Prime – 0,6 bps
		4,0	242 012	November 2022	Prime – 25 bps
DMTN programme					
	APF04	3,8	225 000	September 2021	3M JIBAR + 230 bps
	APF05	5,4	325 000	August 2020	3M JIBAR + 189 bps
	APF06	3,3	200 000	August 2022	3M JIBAR + 214 bps
	APF07	2,5	150 000	June 2023	3M JIBAR + 210 bps
	APF08	4,7	279 000	July 2021	3M JIBAR + 185 bps
	APF09	5,4	321 000	July 2023	3M JIBAR + 208 bps
	APF10	2,6	156 000	September 2022	3M JIBAR + 195 bps
	APF11	2,2	129 000	November 2020	3M JIBAR +130 bps
Erste Bank	A	22,5	954 413	November 2023	2,23% fixed
Debt on consolidation of SPVs (refer to note 2)			219 871		
Total long-term borrowings – secured			6 243 401		

13. Borrowings continued

13.2 Details of secured loans at 31 March 2020 continued

	Notional amount R'000	Maturity	Base rate %
Details of interest rate swaps on debt			
RMB	400 000	August 2020	6,88
RMB	300 000	February 2021	7,08
RMB	150 000	April 2021	7,13
RMB	150 000	October 2021	7,86
RMB	150 000	January 2022	7,40
RMB	300 000	February 2022	7,36
RMB	200 000	March 2023	7,58
RMB	300 000	May 2023	7,05
Investec	200 000	November 2020	7,72
Investec	500 000	February 2022	6,38
Investec	300 000	February 2022	7,39
Investec	500 000	February 2023	6,49
	3 450 000		

14. Trade and other payables

	2021 R'000	2020 R'000
Financial liabilities:		
Trade payables	59 960	16 049
Tenant deposits	31 383	31 475
Accrued expenses	78 826	100 219
	170 169	147 743
Non-financial liabilities:		
Debtors in credit	25 872	48 910
Prepayments received	1 067	7 541
VAT	24 696	10 009
	221 804	214 203

Trade and other payables are settled within 30 days of invoice date. Carrying value approximated the fair value of trade and other payables due to the short-term nature of payables.

15. Revenue

	2021 R'000	2020 R'000
Rental income	789 916	732 861
Parking	46 858	36 183
Development guarantee income*	–	76 474
Sundry property income	179	2 156
Revenue before recoveries	836 953	847 674
Revenue from contracts with customers: Recoveries	166 652	206 554
Revenue excluding straight-line rental revenue adjustment and COVID-19 rental relief	1 003 605	1 054 228
Straight-line rental revenue adjustment	(78 425)	31 393
COVID-19 rental relief#	(182 515)	–
Total revenue	742 665	1 085 621

* This income was derived from an income guarantee in place during the development of Fourways Mall granted by the developer to provide Accelerate with a minimum income level on the existing Fourways Mall during the development period. This guarantee expired upon completion of the new Fourways Mall in September 2019.

COVID-19 rental relief relates to the reduction of past lease payments that were recognised as a lease receivable in an operating lease. This was accounted for as a lease modification (see 1.10).

16. Unrealised losses

	2021 R'000	2020 R'000
Net foreign exchange (losses)/gains	(73 547)	61 658

In the prior year, the unrealised losses included the movement in the financial guarantee which has been restated as per note 2.1.

17. Property expenses

	2021 R'000	2020 R'000
Cleaning	11 562	13 716
Centre managers cost	1 838	4 140
Insurance	7 252	8 764
Security	31 634	31 245
Repairs and maintenance	17 812	17 162
Electricity	78 492	103 460
Rates and taxes	82 959	81 200
Sewerage	5 410	10 754
Water	10 519	12 697
Other municipal expenses	10 814	10 714
Management fees – Property	10 457	10 882
Professional fees	28 726	20 991
COVID-19 expenses	986	–
Other property costs*	30 587	33 325
Tenant installation	603	1 913
Property expenses	329 651	360 963
Less: recovered expenses	(166 652)	(206 554)
Net property expenses	162 999	154 409

* Note: Other property costs relate to miscellaneous property costs, such as consumables, legal fees, parking, pest control.

18. Operating expenses

	2021 R'000	2020 R'000
Employee costs*	22 129	37 185
Auditors remuneration	3 594	3 394
Licences	255	241
Bank charges	286	446
Telephone and fax	121	160
Printing and stationery	59	89
Subscriptions	930	967
Professional fees	10 333	5 833
Other expenses	6 086	5 839
Total other operating expenses	43 793	54 154

* R1 421 607 (2020: R12 167 270) of this expense relates to share based payments. For more information refer to note 31.

19. Finance income calculated using the effective interest rate method

	2021 R'000	2020 R'000
Interest income		
Investments in financial assets:		
Interest from banks	376	1 085
Interest on late payment from tenants	895	1 811
Cash deposits	10 099	5 445
Interest from vendors	26 690	33 980
Total finance income	38 060	42 321

20. Finance costs

	2021 R'000	2020 R'000
Borrowings	328 630	382 539
Net payment on swaps	64 517	(10 123)
Interest on lease liability	3 145	2 714
Other interest expense	306	2
Total finance cost	396 598	375 132

Finance cost on capital construction projects of R40,1 million (2020: R68,4 million) were capitalised during the year ended 31 March 2021 at an average cost of debt of 7,8% (2020: 9,3%) per annum.

21. Fair value adjustments

	2021 R'000	2020 R'000
Investment property (fair value model)	(660 227)	(1 000 462)
Gains/(losses) on derivatives at fair value through profit and loss	63 630	(173 138)
Fair value adjustment on equity investment	–	(6 330)
	(596 597)	(1 179 930)

22. Taxation

	2021 R'000	2020 R'000
Major components of the tax expense		
Current		
Local income tax – current period	–	–
Local income tax – recognised in current tax for prior periods	–	399
	–	399
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.	%	%
Applicable tax rate	(28,00)	(28,00)
Straight-line rental revenue adjustment	4,64	(0,98)
Fair value adjustment	16,52	36,81
Foreign exchange	6,64	–
Qualifying distributions	–	(7,82)
Prepaid expenses	(0,08)	–
Capitalised interest	(2,60)	–
Section 9D – Distribution received	(1,17)	–
Provisions	4,45	–
Amortisation of letting commission	0,08	–
Capitalised debt structuring fee	(0,40)	–
	–	0,01

23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of Accelerate by the weighted average number of ordinary shares outstanding during the year.

	2021 R'000	2020 R'000
Reconciliation of basic/diluted earnings to headline earnings		
Total comprehensive income attributable to equity holders of the parent	(705 703)	(843 521)
Fair value adjustment on investment property attributable to equity holders of the parent excluding straight-lining	657 626	1 001 146
Headline profit attributable to shareholders of the parent	(48 077)	157 625
Basic earnings per share (cents)*	(73,95)	(88,50)
Diluted earnings per share (cents)*	(72,85)	(86,54)
Headline earnings per share (cents)	(5,04)	16,54
Diluted headline earnings per share (cents)	(4,96)	16,17
Shares in issue at the end of the year	954 488 735	954 069 026
Weighted average number of shares in issue	954 326 600	953 087 577
Shares subject to the conditional share plan	14 393 215	21 585 499
Weighted average number of deferred shares	14 393 215	21 585 499
Total diluted weighted average number of shares in issue	968 719 815	974 673 076

* Basic earnings and diluted earnings are based on the same earnings figures but are different as a result of the use of weighted average number of shares in issue for the year.

24. Cash generated from operations

	2021 R'000	2020 R'000
Loss before taxation	(704 992)	(841 150)
Adjustments for:		
Depreciation and lease amortisation	8 129	12 792
Debt fee amortisation	4 621	–
Depreciation IFRS 16	4 547	3 926
Interest income	(38 060)	(42 321)
Finance costs	396 598	375 132
Fair value losses	596 597	1 179 930
Unrealised gains	73 547	(61 658)
Share incentive expense	1 422	12 168
Straight-line rental revenue adjustment	78 425	(31 393)
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(33 444)	75 795
(Decrease)/Increase in trade and other payables	(37 184)	35 578
	350 206	718 799

25. Current tax receivable

	2021 R'000	2020 R'000
Balance at beginning of the year	–	5 534
Current tax for the year recognised in profit or loss	–	(399)
Tax received	–	5 135

26. Minimum contracted rental income

	2021 R'000	2020 R'000
Accelerate leases a number of retail, office, industrial and European retail properties under operating leases, which typically run for a period of one to 10 years. Contractual amounts due in terms of operating lease agreements:		
Within one year	752 656	711 534
Between one and five years	2 327 335	2 209 083
More than five years	1 275 226	1 586 421
	4 355 217	4 507 038

27. Net asset value

	2021 R'000	2020 R'000
Shares in issue at the end of the year	954 488 735	954 069 026
Net asset value (R'000)	5 992 361	6 730 917
Net asset value per share (R)	6,28	7,05

28. Capital commitments

	2021 R'000	2020 R'000
Authorised capital expenditure		
Not yet contracted for	50 000	101 336
This committed expenditure relates to property and will be financed by available bank facilities and debt.		
Leases – as lessee		
Minimum lease payments due		
– within one year	3 205	5 652
– in second to fifth year inclusive	13 552	22 535
– later than five years	106 040	140 250
	122 797	168 437

The lease payments above represent rentals payable in Austria and Slovakia, utilised by the company in terms of long-term leases.

29. Related parties

Relationships

Directors

MN Georgiou (100% shareholder of Fourways Precinct Proprietary Limited through The Michael Family Trust and 100% shareholder of Accelerate Property Management Company Proprietary Limited and A Costa are directors of both Accelerate Property Fund Limited and Accelerate Property Management Company Proprietary Limited.

Cordev Marketing Proprietary Limited is a related party due to its sole director W Kyriakides being the wife of Accelerate's CFO D Kyriakides.

29. Related parties relationships continued

	2021 R'000	2020 R'000
Related party balances		
Loan accounts		
Fourways Precinct Proprietary Limited#	10 431	9 435
The Michael Family Trust#	98 742	89 590
Vacancy Guarantee		
Fourways Precinct Proprietary Limited#	11 220	10 238
Development guarantee		
Fourways Precinct Proprietary Limited#	152 875	139 487
Fourways headlease		
Fourways Precinct Proprietary Limited#	55 603	–
Related party transactions		
Development guarantee		
Fourways Precinct Proprietary Limited	–	76 473
Interest charged on outstanding amounts		
Fourways Precinct Proprietary Limited	15 085	23 254
The Michael Family Trust	8 503	7 017
Accelerate Property Management fees paid		
Fourways Precinct Proprietary Limited	(3 665)	(993)
Accelerate Property Management Company Proprietary Limited (APMC)	(5 265)	(8 598)
Letting commission		
Fourways Precinct Proprietary Limited	(4 220)	(4 550)
Marketing		
Cordev Marketing Proprietary Limited	(1 260)	(200)
Fourways headlease		
Fourways Precinct Proprietary Limited	48 350	–

There is no security in place over related party balances at 31 March 2021; however, security was obtained post-year-end via a cession over a property held by the owner/trustee of the company and trust above.

- Related party balances are to be settled either (i) in cash or (ii) through future transactions with the relevant related parties.
- No fixed repayment terms have been put in place, interest on balances are charged at market related interest rates.

The following factors are taken into account when assessing the recoverability of related party balances due to the fund:

- Historical receipts and reduction of the related party balances outstanding;
- The nature and timing of current and potential future related party transactions;
- The financial ability of the related parties to settle their obligations on the future taking into account security provided.

30. Directors' remuneration

The basic directors' remuneration figures below form part of employee cost (refer to note 18)

	2021 R'000	2020 R'000
Total package		
MN Georgiou	975	–
A Costa	4 882	4 795
D Kyriakides	3 628	3 551
JRJ Paterson	–	1 546
DJ Wandrag	1 200	–
Short-term incentive payment	–	–
MN Georgiou	–	–
A Costa	–	3 240
D Kyriakides	–	1 500
Non-executive directors	–	–
GC Cruywagen	315	498
TJ Fearnhead	669	630
K Madikizela	450	420
Ass. Prof FM Viruly	450	420
G Cavaleros	421	426
AM Mawela	440	403
DJ Wandrag	–	394
J F van der Merwe	80	–

Directors' direct/indirect interest in the shares of the company 31 March 2021

MN Georgiou	294 332 138	shares	30,84%	Indirect holding
A Costa	5 076 161	shares	0,53%	Direct holding
D Kyriakides	1 538 710	shares	0,16%	Direct holding
DJ Wandrag	500 000	shares	0,05%	Indirect holding
	301 447 009		31,58%	

Directors' direct/indirect interest in the shares of the company 31 March 2020

MN Georgiou	294 332 138	shares	30,85%	Indirect holding
A Costa	5 076 161	shares	0,53%	Direct holding
D Kyriakides	1 538 710	shares	0,15%	Direct holding
DJ Wandrag	500 000	shares	0,05%	Indirect holding
	301 447 009		31,58%	

There have been no changes to the directors' interest between the end of the financial year and date of approval of the annual financial statements.

31. Accelerate Property Fund conditional share plan

The executive directors have been awarded share options in line with Accelerate Property Fund's Conditional Share Plan which came into effect during the year ending 31 March 2015.

The shares to be awarded to each executive director have been calculated in the following manner:

- Performance Shares, the vesting of which are subject to predetermined performance metrics ("Performance Condition(s)") and continued employment ("Employment Conditions"), and which are intended to be used primarily as an incentive to Participants to deliver the group's business strategy over the long-term through the selection of appropriate and stretching Performance Condition(s).
- Retention Shares, the vesting of which are subject to the fulfilment of the Employment Condition by the Participant, and which are aimed at retention in specific, ad-hoc circumstances where it is in the company's, management company's and shareholders' strategic and financial interests that a specific individual is retained, or to address sign-on requirements.
- The CSP (conditional share plan) also provides for the once off award of Top Up Awards, being awards of Performance Shares and Retention Shares made simultaneously with the initial allocation of awards under the CSP.

  Share options awarded, which only vest on the below dates once the vesting conditions have been met, are as follows:

Directors	Number of performance shares	Reserve (R) at 31 March 2021	Number of retention shares	Reserve (R) at 31 March 2021	Vesting March 2022 year-end	Vesting March 2023 year-end
MN Georgiou –	–	–	–	–	–	–
Performance shares	1 769 231	1 830 041	–	–	–	1 769 231
Retention shares	–	–	2 864 254	6 456 877	1 095 023	1 769 231
A Costa –	–	–	–	–	–	–
Performance shares	1 769 231	1 830 041	–	–	–	1 769 231
Retention shares	–	–	2 864 254	6 456 877	1 095 023	1 769 231
D Kyriakides –	–	–	–	–	–	–
Performance shares	1 307 692	1 407 634	–	–	–	1 307 692
Retention shares	–	–	1 886 878	4 148 006	579 186	1 307 692
	4 846 154	5 067 716	7 615 386	17 061 760	2 769 232	9 692 308

31. Accelerate Property Fund conditional share plan continued

In addition to the allocations to directors above 1 931 675 (2020: 2 594 840) shares have been allocated to other management personnel with a reserve at 31 March 2021 of R1 798 025 (2020: R3 347 623).

After vesting the shares are exercisable at a strike price of R0.

The maximum number of shares which may be allocated under the CSP shall not exceed 49 468 217 (forty nine million, four hundred and sixty eight thousand, two hundred and seventeen) shares, which represents approximately 5% of the number of issued shares as at the date of approval of the CSP by shareholders.

The maximum number of shares which may be allocated to an individual in respect of all unvested awards may not exceed 14 840 465 (fourteen million, eight hundred and forty thousand, four hundred and sixty five) shares, which represents approximately 1,5% of the number of issues shares as at date of approval of the CSP by shareholders.

The share price on 31 March 2021 was R0,68 (2020: R0,38).

The reserve at 31 March 2021 was calculated by applying the share prices on grant date, pro rata over the vesting period of the shares.

	Year ended 31 March 2021	Year ended 31 March 2020
Share options exercised during the year (number of shares)		
MN Georgiou	–	1 341 114
A Costa	–	1 341 114
D Kyriakides	–	398 710
J Paterson	–	833 665
	–	3 914 603

	31 March 2021	31 March 2020
Reconciliation of shares outstanding (number of shares)		
Opening balance	21 585 499	17 157 243
Shares awarded	–	13 861 538
Shares vested	(419 709)	(4 214 457)
Shares forfeited	(6 772 575)	(5 218 825)
Closing balance	14 393 215	21 585 499

32. Financial risk management

	Carried at fair value R'000	Amortised cost# R'000	Total
Total financial assets and liabilities			
Financial assets 31 March 2021			
Derivatives*	57 673	–	57 673
Trade and other receivables	–	596 731	596 731
Cash and cash equivalents	–	25 462	25 462
	57 673	622 193	679 866
Financial liabilities 31 March 2021	–	–	–
Derivatives*	(173 378)	–	(173 378)
Long-term interest-bearing borrowings	–	(4 249 916)	(4 249 916)
Long-term lease liability	–	(116 854)	(116 854)
Trade and other payables	–	(170 169)	(170 169)
Current portion of long-term debt	–	(1 775 569)	(1 775 569)
Current portion of lease liability	–	(5 943)	(5 943)
	(173 378)	(6 318 451)	(6 491 829)
Financial assets 31 March 2020			
Trade and other receivables	–	528 485	528 485
Cash and cash equivalents	–	33 538	33 538
	–	562 023	562 023
Financial liabilities 31 March 2020	–	–	–
Derivatives*	(179 335)	–	(179 335)
Long-term interest-bearing borrowings	–	(4 904 762)	(4 904 762)
Long-term lease liability	–	(136 173)	(136 173)
Trade and other payables	–	(147 743)	(147 743)
Current portion of long-term debt	–	(1 338 639)	(1 338 639)
Current portion of lease liability	–	(6 745)	(6 745)
	(179 335)	(6 534 062)	(6 713 397)

* The values of the derivative financial asset and liabilities are shown at fair value are based on inputs other than quoted prices that are observable in the market for the assets and liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices) – level 2 (refer to note 9 for further details). The fair value is determined as the net discounted cash flows to be received from the swaps in place at 31 March 2021.

The carrying value of financial assets and liabilities carried at amortised cost is considered to approximate the fair value of those financial assets and liabilities. There have been no significant changes in valuation techniques or transfers between fair value hierarchy levels.

32. Financial risk management continued

Other financial risk management considerations

Accelerate's principal financial liabilities, other than derivatives, are loans and borrowings as well as guarantees provided. The main purpose of Accelerate's loans and borrowings is to finance the acquisition and development of Accelerate's property portfolio. Accelerate has rent and other receivables, vendor loans, trade and other payables and cash and short-term deposits that arise directly from its operations.

Accelerate is exposed to market risk (including interest rate risk and real estate risk), credit risk and liquidity risk.

The board has overall responsibility for the establishment and oversight of Accelerate's Risk Management Framework. As such, Accelerate's senior management is supported by the Audit and Risk Committee that advises on financial risks and the appropriate Financial Risk Governance Framework for Accelerate. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision.

Accelerate's risk management policies are established to identify and analyse the risks faced by Accelerate, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Accelerate's activities. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Accelerate is exposed to credit risks from its leasing activities, including deposits with banks and financial institutions and derivatives as well as trade and related party receivables. Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

As required by IFRS 9, the group used the simplified approach in calculating ECL for trade receivables that do not contain a significant financing component. The group calculates ECL evaluating the recoverability of balances on a tenant by tenant basis.

Tenant receivables

In determining the expected credit loss for tenant and tenant related receivables the following factors are taken into account:

- The overall state and wellbeing of the South African economy
- The impact of COVID-19 on doing business and cash flows of tenants
- The nature, sustainability and current performance of a tenants business
- The financial position of the tenant
- The quantum of deposits/guarantees/collateral held by the fund to offset future tenant losses
- The payment history of the tenant
- Market available forward-looking information regarding tenants

32. Financial risk management continued

Tenant receivables continued

Accelerate's exposure to credit risk is mainly in respect of tenants and is influenced by the individual characteristics of each tenant. Accelerate's widespread tenant base reduces credit risk. Tenants are assessed according to Accelerate's criteria prior to entering into lease arrangements. Management has established a credit policy under which each new tenant is analysed individually for creditworthiness before Accelerate'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, Accelerate's credit review includes external ratings. The carrying amount of financial assets represents the maximum credit exposure. The collateral that is held by Accelerate as security for credit risk includes deposit payments by tenants upon entering into a lease, bank guarantees provided as well as sureties by the tenant as an individual or by the business entering into the lease. Impairment losses have been recorded for those debts whose recovery was not reasonably assured at year-end. The maximum credit exposure at the reporting date was R127,6 million (2020: R88,1 million), of which R72,2 million (2020: R40,4 million) has already been provided for. Tenants are regarded to be in default if payment of rentals billed is not made within 7 days of month end.

Related party receivables

In determining the expected credit loss for related party receivable the following factors are taken into account:

- The overall state and wellbeing of the South African economy
- The impact of COVID-19 on doing business and the cash flows of the related party
- Historical recovery of related party receivables
- Pending future deals contemplated with the related party
- Assets held as security for related party balances

The maximum credit exposure at the reporting date was R328,90 million (2020: R248,8 million). Based on the factors above no impairment provision was made.

Please refer to note 29 for further details.

COVID-19 impact on ECL (expected credit loss)

The Fund's approach to COVID-19 has been clear, concise and well executed. It utilised the PI group (Property Industry group) recommendations on COVID-19 tenant relief (including headlease space) as the basis of its negotiation. It is focused on the long-term stability of the Fund and its tenants. To this end the Fund focused on ensuring the long-term sustainability of tenants through granting sufficient rental assistance during COVID-19. The bulk of this COVID-19 assistance has been granted through once of rental relief rather than deferment of rentals, resulting in the bulk of the impact of COVID-19 on arrears being absorbed from rental assistance passed to tenants at 31 March 2021. The impact of COVID-19 on tenants and the remaining arrears post-COVID-19 relief granted was considered on a tenant by tenant basis when determining the ECL provision.

32. Financial risk management continued

Liquidity risk

Liquidity risk is the risk that Accelerate will not be able to meet its financial obligations as they fall due or take advantage of property opportunities as they arise. Accelerate's policy is to seek to minimise its exposure to liquidity risk by balancing its exposure to interest rate risk and to refinancing risk. Accelerate seeks to borrow for as long as possible at the lowest acceptable cost. Accelerate regularly reviews the maturity profile of its financial liabilities and will seek to avoid concentration of maturities through the regular replacement of facilities, and by using a selection of maturity dates. Accelerate intends to refinance the current portion of the maturing debt, by the issue into the market of a secured domestic medium-term note (DMTN) bond issue, bank debt or from cash reserves.

78,9% (2020: 72,6%) of interest-bearing borrowings were economically hedged at 31 March 2021, for a weighted average period of 2,2 years (2020: 1,8 years).

For a breakdown of total borrowings and swaps please refer to note 13.

The tables below set out the maturity analysis (including future capital and interest payments) of Accelerate's financial liabilities based on the undiscounted contractual cash flows.

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
31 March 2021					
Financial liabilities (R'000)					
Total borrowings*	1 835 958	2 546 102	2 187 569	–	6 569 629
Trade and other payables	162 837	–	–	–	162 837
Derivatives	47 995	34 018	4 335	–	86 348
Lease liability	5 943	5 943	17 831	142 645	172 362
	2 052 733	2 586 063	2 209 735	142 645	6 991 176
31 March 2020					
Financial liabilities (R'000)					
Total borrowings	1 393 359	1 489 055	4 206 667	–	7 089 081
Trade and other payables	147 743	–	–	–	147 743
Derivatives	11 269	49 933	74 290	–	135 492
Lease liability	6 745	6 745	20 236	168 630	202 356
	1 559 116	1 545 733	4 301 193	168 630	7 574 672

* Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet the requirements of Accelerate. In terms of covenants with its lenders at 31 March 2021, the nominal value of interest-bearing borrowings over secured properties may not exceed a range of 55% – 65% of the value of investment property depending on the covenants of the applicable security portfolio. Total interest-bearing borrowings may not exceed 55%. All loan to value covenants have been met at 31 March 2021. The loan to value of Accelerate at 31 March 2021, as measured in accordance with lending arrangements, is 48,5% (2020: 45,5%). The interest cover ratio is 2,0x (2020: 2,1x) with the covenant at 1,8x.

32. Financial risk management continued

Going concern

The directors have assessed the group's ability to continue as a going concern. The assessment includes solvency and liquidity tests which included inter alia a forecast of debt covenants such as the loan-to-value and interest cover ratios. The liquidity test considers expected cash flows in the next 12 months, including the anticipated proceeds from disposals. As at 31 March 2021 , the group had a positive net asset value and a stable liquidity position.

The following uncertainties were considered as part of the going concern assessment:

- Access to liquidity
- Stressed market conditions continue to impact debt funders' risk appetite and may limit future access to liquidity.
- Timing of proceeds from ongoing sales are expected
- Impact of COVID-19 lockdown measures

The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient liquidity to meet its foreseeable cash requirements. Considering the outcomes of the solvency and liquidity projections, the group will be solvent and liquid and the directors are confident in the ability of the group to continue as a going concern in the year ahead. The directors have therefore concluded that the group has adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Debt covenants

The Fund has also evaluated its ability to comply with debt covenants for the 12 months ending 31 March 2022 and has concluded that debt covenants will be met, taking into account:

- Out of the money swaps rolling off
- Current non-core asset sales pipeline
- Covenant relaxations that have been granted by the market

Rental concessions

Additional rental concessions may be provided to tenants as the impact of the pandemic persists, locally and beyond. Tenants' businesses may further be adversely impacted should the South African government continue to enforce or reintroduce restrictions to mitigate against the risk of rising infections.

Provision for credit losses

The provision for credit losses and write-off of unrecoverable amounts may increase as the adverse impact of the pandemic on tenants' businesses persists.

32. Financial risk management continued

Change to business environment

The acceleration of the adoption of technologies due to the pandemic, as well as potential changes in the demand for rentable space, particularly within the retail and office sectors, may impact the group adversely.

The directors' response to the pandemic included:

- Establishment of a dedicated team to implement a co-ordinated response across the business to ensure the health, safety and wellbeing of all stakeholders
- Implementation of business continuity plans to minimise disruption by initiatives implemented to curb the spread of the virus
- Increased monitoring of the group's liquidity position
- Negotiated the temporary relaxation of LTV and ICR covenants for three reporting periods
- The company is also in process of pursuing an insurance claim for business disruption

Exchange rate risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The group's exposure to the risk of changes in foreign exchange rates relates primarily to the group's operating activities (when revenue or expense is denominated in a foreign currency) and the group's net investments in foreign subsidiaries. When a derivative is entered into for the purpose of being an economic hedge, the group negotiates the terms of the derivative to match the terms of the exposure. The group economically hedges its exposure to fluctuations on the translation into euros of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forwards. The exchange rate in the euro denominated debt is fixed by the cross-currency swap.

An increase or decrease of R1 in the euro exchange rate would result in an increase or decrease of R48 378 750 (2020: R48 500 000) of the long-term loan in rand terms.

A 20% appreciation in the rand exchange rate would result in an appreciation of R80 894 074 (2020: R97 848 470) in the fair value of the cross-currency swap and a 20% depreciation in the rand exchange rate would result in a depreciation of R80 894 074 (2020: R97 848 470) in the fair value of the cross-currency swap.

1% upward movement in the euro cross-currency curve would result in an appreciation of R4 982 821 (2020: R928 925) in the fair value of the cross-currency swap and a 1% depreciation would result in a depreciation of R5 047 031 (2020: R105 500).

1% upward movement in the rand cross-currency curve would result in a depreciation of R4 417 864 (2020: R7 839 233) in the fair value of the cross-currency swap and a 1% depreciation would result in an appreciation of R4 473 935 (2020: R8 011 946).

32. Financial risk management continued

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate or that the fair values of financial instruments will fluctuate because of changes in market interest rates. Accelerate's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations.

To manage its interest rate risk, Accelerate enters into interest rate swaps and cross-currency swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. At 31 March 2021, after taking into account the effect of interest rate swaps, 78,9% of Accelerate's borrowings are economically hedged.

The analysis below describes reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax and equity. It should be noted that the impact of movement in the variable is not necessarily linear.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates of the debt and derivatives are all constant:

- The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on finance income less finance expense for one year, based on the floating rate financial liabilities held at the reporting date, including the effect of hedging instruments.

	Increase/ (decrease) in basis points	Effect on profit before and after tax (R'000)
2021		
JIBAR (three month)	100	(12 422)
JIBAR (three month)	(100)	12 422
	–	–
2020		
JIBAR (three month)	100	(15 952)
JIBAR (three month)	(100)	15 952
	–	–

Market risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by Accelerate that are affected by market risk are the derivative interest rate and cross-currency hedging financial instruments.

Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and financial institutions is managed in accordance with Accelerate's policy. Investments of surplus funds are made only with approved counterparties. Accelerate only deposits cash with banks with high-quality credit standing. For this reason, the group does not consider there to be any significant concentration of credit risk.

33. Events after the reporting period

Investment property sales post-year-end

No properties held for sale at 31 March 2021 have yet transferred at date of publication.

Debt refinances post-year-end

The following debt facilities at 31 March 2021 have been refinanced post-year-end:

Funder	Nominal amount R'000	Margin – linked to 3-month JIBAR
RMB Facility AC	140 649	3M JIBAR + 265 bps
APF 16 (Debt capital markets)	60 000	3M JIBAR + 325 bps
APF 14 (Debt capital markets – Tap)	25 000	3M JIBAR + 300 bps

34. Capital management

The primary objective of Accelerate's capital management is to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. No changes were made in the objectives, policies or processes during the years ending 31 March 2021 and 31 March 2020. Accelerate monitors capital primarily using a loan-to-value ratio, which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio. Banking covenants vary according to each loan agreement, but typically require that the loan-to-value ratio does not exceed 55%. During the period, Accelerate did not breach any of its loan covenants and is satisfied with its current loan to value of 48,5%. Accelerate did not default on any other of its obligations under its loan agreements.

The board of directors monitors the level of distributions to shareholders and ensures compliance with the Income Tax Act and the JSE Listing Requirements. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

The interest cover ratio is 2,0x (2020: 2,1x) with the covenant at 1,8x.

35. Contingent liability

Azrapart claim

Azrapart (the developer of Fourways Mall) contends that it has a claim against Accelerate arising from the development of Fourways Mall. Azrapart has not instituted a claim as yet. Any claim instituted will be referred to arbitration. Azrapart has advised that, should it pursue the claim, it will not exceed R300 million.

Fourways Mall purchase price adjustment

There is a 12-month adjustment account in place for the Fourways Mall equalisation transaction concluded on 28 November 2019 (this transaction had an effective date of 1 September 2019). This adjustment mechanism caters for certain income not yet in place at the date of equalisation as well as expenses that were estimated due to the new mall not having a trading history. The purchase price adjustment has been calculated separately by the parties involved. These parties have not reached agreement on the price to be paid. As such this has been referred to arbitration. Any amount payable will be settled via offset of amounts owed to Accelerate by the developer of Fourways Mall.

Constructive dismissal claim

A former executive director has instituted legal action against the company for constructive dismissal. Management and its external legal advisors are confident of the group's position in this matter and do not consider an economic outflow of the claimed amount to be probable when the matter is evaluated in court. In the best interest of the company and expediency, Accelerate and the former executive director are in the process of negotiating a settlement.

36. Property portfolio

36.1 Sectoral review

		Total	Retail	Office	Industrial	Offshore portfolio
Number of properties	2021	45	15	16	5	9
	2020	51	19	16	7	9
Average escalation (%) (6,6% excluding offshore)	2021	6,2	6,1	7,4	7,8	–
	2020	6,4	7,6	7,7	7,3	–
Weighted average lease period (years)	2021	6,1	54,7	6,1	3,1	12,5
	2020	5,6	5,3	6,0	4,7	8,9

36.2 Vacancies

Portfolio Managers, as well as Executives and Senior Management, monitor all vacancies and develop strategies to manage current and future vacancies weekly.

Vacancies in the retail space have remained constant with vacancies in the office space reducing slightly. The vacancy in the Fund's small industrial portfolio has increased due to one industrial tenant going into liquidation. This additional industrial vacancy has resulted in an increase in the overall Fund vacancy by GLA of approximately 1,0%.

The vacancies per sector are shown in the table below.

Actual vacancy profile per sector as at 31 March 2021

Vacancy (%)[1]	Total	Retail	Office	Industrial	Offshore portfolio
2021	15,0*	8,5	29,5	27,5	0
2020	10,8	6,5	25,1	8,6	–

[1] Excludes properties under development.

* Reduced to 14% post-year-end.

The Fund's vacancy by revenue is only 7,2%, due to the vacancies consisting mainly of B- and C-grade office space and large industrial space with lower rentals per m².

36. Property portfolio continued

36.3 Retail

Property	Type	Region	GLA (m²)	Net rental (R/m²)	Fair value 31 March 2021 (R)
Fourways Mall	Retail	Gauteng	89 619	288	4 676 272 616
Cedar Square Shopping Centre	Retail	Gauteng	44 418	91	849 240 799
Eden Meander	Retail	Western Cape	30 817	100	490 504 500
The Buzz Shopping Centre	Retail	Gauteng	14 118	96	265 750 000
BMW Fourways	Retail	Gauteng	7 857	157	254 100 000
The Leaping Frog	Retail	Gauteng	11 027	99	140 300 000
Bela-Bela Shopping Centre	Retail	Limpopo	10 626	95	123 800 000
Cherry Lane	Retail	Gauteng	11 504	58	85 500 000
FORD Fourways	Retail	Gauteng	2 469	213	74 349 558
Waterford	Retail	Gauteng	6 682	78	73 389 884
Edgars Polokwane	Retail	Limpopo	4 500	70	45 100 000
Beacon Isle	Retail	Gauteng	2 080	105	30 000 000
Valleyview Centre	Retail	Gauteng	2 012	82	28 800 000
Corporate Park Corner Shopping Centre	Retail	Gauteng	4 252	41	20 923 880
Cascades Shopping Centre	Retail	Gauteng	3 413	43	18 914 243
					7 176 945 480

36. Property portfolio continued

36.4 Office

Property	Type	Region	GLA (m²)	Net rental (R/m²)	Fair value 31 March 2021 (R)
KPMG Crescent	Office	Gauteng	20 096	245	707 100 000
Portside	Office	Western Cape	25 224	183	680 100 000
CITIbank	Office	Gauteng	12 433	143	554 144 000
Oceana House	Office	Western Cape	7 254	172	150 000 000
Pri-movie Park	Office	Gauteng	17 364	62	129 600 000
Murray & Roberts	Office	Western Cape	5 470	111	123 873 758
1 Charles Crescent	Office	Gauteng	13 723	63	100 300 000
Thomas Pattullo Building	Office	Western Cape	6 084	105	84 416 000
Mustek (89 Hertzog Boulevard)	Office	Western Cape	4 500	87	49 719 621
99 – 101 Hertzog Boulevard	Office	Western Cape	3 620	106	47 800 000
KPMG Polokwane	Office	Limpopo	1 484	191	37 100 000
9 Charles Crescent	Office	Gauteng	4 298	58	31 200 000
Brooklyn Place	Office	Gauteng	2 862	76	25 400 000
KPMG Secunda	Office	Mpumalanga	830	170	17 000 000
KPMG Port Elizabeth	Office	Eastern Cape	1 054	121	16 800 000
ABSA Brakpan	Office	Gauteng	2 797	16	4 873 818
					2 759 427 197

36. Property portfolio continued

36.5 Industrial

Property	Type	Region	GLA (m²)	Net rental (R/m²)	Fair value 31 March 2021 (R)
Checkers Montague	Industrial	Western Cape	21 484	36	92 000 000
MB Technologies	Industrial	Gauteng	6 000	85	55 200 000
Accentuate	Industrial	Gauteng	13 566	25	44 200 000
Meshcape Building	Industrial	Gauteng	13 898	28	37 400 000
10 Charles Crescent	Industrial	Gauteng	3 445	54	22 449 220
					251 249 220

36. Property portfolio continued

36.6 European Retail

Property	Type	Region	GLA (m²)	Net rental (€/m²)	Fair value 31 March 2021 (€)
Mauthausen	European retail	Austria	5 146	8	7 200 000
Hallein	European retail	Austria	3 739	5	3 090 000
Bruck / Mur	European retail	Austria	6 823	6	6 540 000
Mürzzuschlag	European retail	Austria	5 822	7	7 500 000
Rosental	European retail	Austria	3 316	6	3 720 000
Wien 3	European retail	Austria	16 356	13	40 000 000
Martin	European retail	Slovakia	7 950	4	6 850 000
Kosice	European retail	Slovakia	8 054	4	6 500 000
Nitra	European retail	Slovakia	8 687	5	7 650 000
					89 050 000*

* Rand value at 31 March 2021 is R1 554 984 000.

Appendix: Distribution per share

Distribution per share

	2021 R'000	2020 R'000
Final distribution for the year ended 31 March 2021		
Loss attributable to equity holders	(705 703)	(843 521)
Plus/(less): Straight-line rental revenue adjustment	78 425	(31 393)
Plus: fair value adjustment on investment property and derivative financial instruments	594 000	1 180 615
Plus: unrealised losses/(gains)	73 547	(61 658)
Less: other deductible items not distributable	(64 925)	–
Plus: amortisation	–	16 718
Less: Capital retention	–	(109 486)
Less: interim distribution from profits	–	(151 275)
Final distributable loss	(24 656)	–
Shares in issue at year-end	954 488 735	954 069 026
Less: shares ceded on purchase of bulk*	(51 070 184)	(51 070 184)
Shares qualifying for distribution	903 418 551	902 998 842
Final distribution	–	–

* Mr. MN Georgiou has ceded the distribution relating to 51 070 184 shares held by him to Accelerate until the earlier of development of the bulk acquired by Accelerate from Mr Georgiou or December 2021.

Distribution per share is used as a measure for trading statement purposes by Accelerate Property Fund. Due to the impact of COVID-19 on property sector distributions in the short term and as per guidance received from the JSE, Accelerate will be evaluating whether this measure is still the most relevant.

Corporate information

Accelerate Property Fund Ltd
(Incorporated in the Republic of South Africa) (Registration number 2005/015057/06) Share code: APF ISIN: ZAE000185815 Bond company code: APFE (Approved as an REIT by the JSE)

Holding company
Accelerate Property Fund Ltd incorporated in South Africa

Nature of business and principal activities
Property letting

Registered office and business address
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