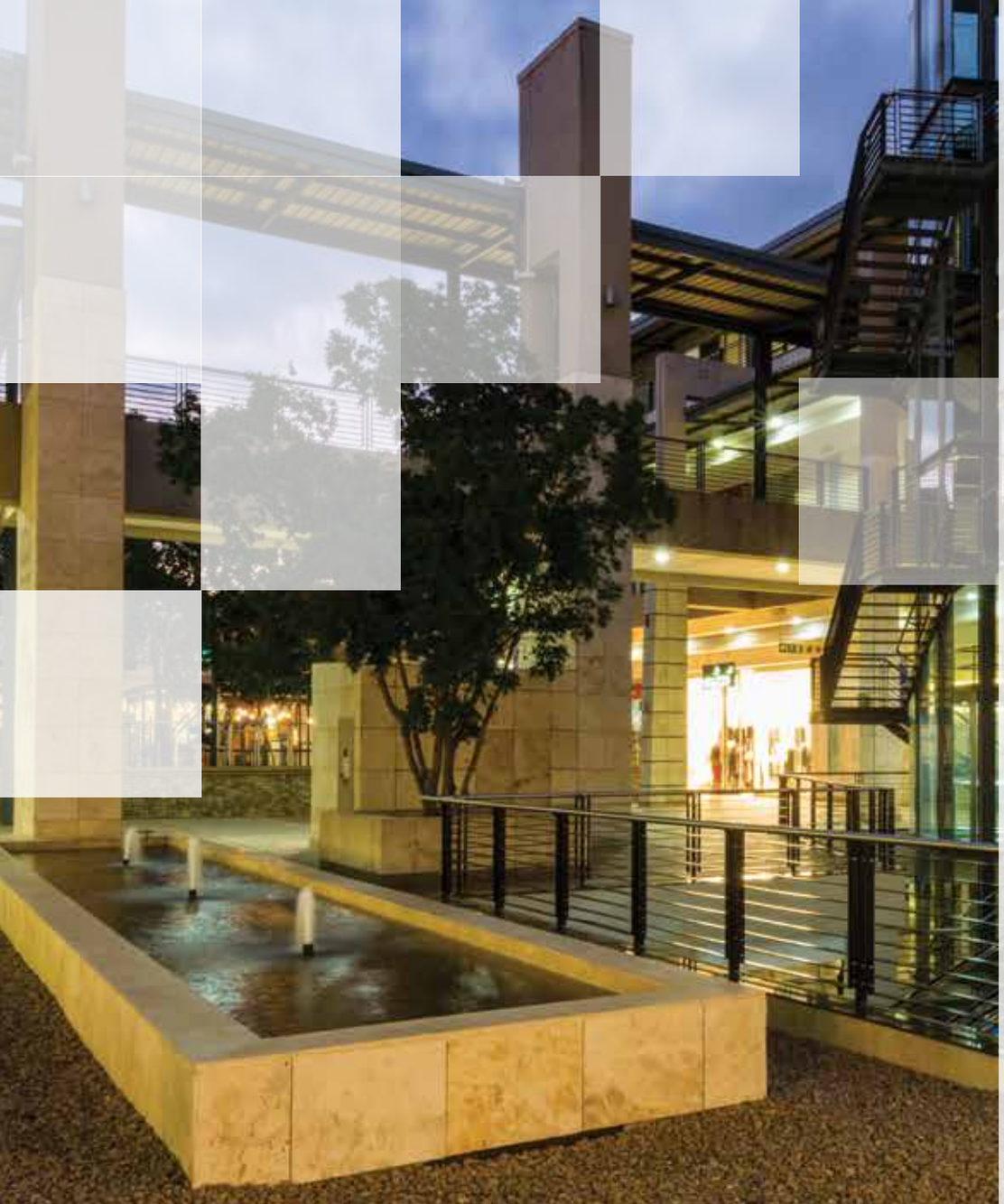
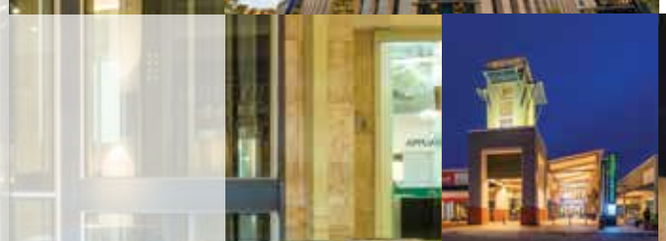


www.acceleratepf.co.za

ACCELERATE PROPERTY FUND INTEGRATED REPORT 2019

ACCELERATE
PROPERTY FUND



2019

INTEGRATED *Report*

ABOUT THIS *Report*

Accelerate Property Fund Ltd (Accelerate) has prepared this integrated report (the report) for stakeholders to gain an understanding of Accelerate's vision, performance and investment case. This report is our primary method of communicating with stakeholders and includes our annual financial statements.

Accelerate focuses on creating value through:

- Investing in key strategic nodes
- Acquiring high-quality properties with long-term leases and strong tenants
- Redeveloping and upgrading properties to enhance their value
- Improving non-core properties, selling and reinvesting in the core portfolio
- In-house and joint venture property developments
- Delivering on tenants' expectations
- Maintaining tight control over property expenses to deliver long-term value for shareholders

SCOPE AND BOUNDARY

This report identifies and explains the material aspects and activities of Accelerate, comprising the fund's management and subsidiaries in South Africa, Austria and Slovakia. In the report, Accelerate and/or its management and subsidiaries are referred to interchangeably as Accelerate, the company, the group, us, our, we, or the fund.

Our management and operational structure can be found on page 10.

This report covers the reporting period from 1 April 2018 to 31 March 2019, with comparatives shown where applicable.

Fourways Mall, Johannesburg

Navigation

This page reference icon is applied throughout the report to improve usability and show integration between relevant elements of the report.

The following icons are used to illustrate linkage to our strategic pillars:

- Enhancing returns on our assets
- Growing our quality portfolio
- Optimising our funding
- Delivering value to stakeholders

REPORTING FRAMEWORKS

In compiling this report, we considered local and international guidelines, including the following:

- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- International Financial Reporting Standards (IFRS)
- King Report on Corporate Governance™ for South Africa, 2016 (King IV)[1]
- Companies Act of South Africa, 71 of 2008, as amended (Companies Act)
- Johannesburg Stock Exchange (JSE) Listings Requirements

DETERMINING MATERIALITY

We have applied the principle of materiality in preparing this report. A matter is considered material if it can substantively affect our ability to create and sustain value over the short, medium or long term. We considered a range of evidence to determine material matters, including management discussions, internal documents, risk assessments, media releases and stakeholder engagements throughout the year.

These matters inform topics to report on, ensuring we only report on areas that could have a substantial effect on our ongoing commercial viability and/or the value we create for our broad range of stakeholders over time.

[1] *Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.*

Contents

ABOUT THIS REPORT

OVERVIEW

Performance at a glance 5
Group profile 6
Our group structure 7
Investment case 12

LEADERSHIP OVERVIEW

Chief executive officer's review 15
Chief operating officer's review 18

STRATEGY AND VALUE CREATION

How Accelerate creates value 23
Risks and opportunities 24
Stakeholder engagement 28
Our business model 32
Our strategy 36
How our strategy is creating value 40

OPERATIONAL REVIEW

Key performance statistics 51
Our top 10 properties by value 52
Tenants and leasing 56
Vacancies 58
Sectoral reviews 59

CORPORATE GOVERNANCE

Chairman's review 75
Board of directors 78
How we are governed 82
Remuneration review 102
Social, ethics and transformation committee review 113

ANNUAL FINANCIAL STATEMENTS

CORPORATE INFORMATION

GENERAL INFORMATION

ABOUT THIS REPORT (CONTINUED)

ASSURANCE

The consolidated annual financial statements were prepared in accordance with IFRS and were externally audited by EY. The three lines of defence model is used to incorporate management and board oversight, risk management, and independent assurance. We continue progressing with the integration and alignment of assurance processes to optimise governance oversight and risk management, such as increased combined assurance between internal and external auditors.

The independent auditor's report can be found on page 127.

FORWARD-LOOKING STATEMENTS

This report may include forward-looking statements that involve inherent risks and uncertainties and, if one or more of these risks materialise, or should the underlying assumptions prove incorrect, actual results may differ from those anticipated.

Words such as believe, anticipate, intend, seek, will, plan, could, may, endeavour, project and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements apply only as of the date on which they are made and Accelerate does not undertake any obligation to update or revise them, whether as a result of new information, future events or otherwise.

Tigers Milk, Sunclare

SUPPLEMENTARY INFORMATION

The content of this integrated report is supplemented by the following additional information, available online at www.acceleratepf.co.za:

- Latest financial results, including our interim and annual financial results presentations
- King IV application register
- Shareholder information including Stock Exchange News Service (SENS) announcements, annual general meeting (AGM) information and circulars
- Capital market information
- Portfolio information

STAKEHOLDER FEEDBACK

We have engaged the services of Articulate Capital Partners to coordinate our investor relations. Please send any feedback on reporting content or requests for copies to:

Articulate Capital Partners

Attention: Morne Reinders

Tel: 082 480 4541

Email: morne@articulatepartners.com

BOARD RESPONSIBILITY

The board acknowledges its responsibility to ensure the integrity and completeness of this report. The directors confirm that they have collectively assessed the content of the report and believe it addresses the company's material matters and is a fair representation of the integrated performance of Accelerate.

The directors believe that this report materially aligns with the <IR> Framework, providing a true and material account of the group's performance and strategic direction. Therefore, the board has approved the 2019 integrated report for publication.

Mr Timothy J Fearnhead
Chairman
20 June 2019

Mr Michael N Georgiou
Chief executive officer (CEO)
20 June 2019

OVERVIEW

Performance at a glance	5
Group profile	6
Our group structure	10
Investment case	12

PERFORMANCE AT A *Glance*

Financial performance

Net asset value (NAV) per share (excluding dividend)
R8,0 billion
(2018: R7,7 billion)

Weighted annual cost of funding
8,4%
(2018: 8,4%)

Loan to value (LTV) ratio
39,0%*
(2018: 40,7%)

Percentage of debt hedged, post-expiry of the R1,6 billion in the money swap on 31 March 2019
82,8%
(2018: 97,4%)

Portfolio performance

Properties
62
(2018: 67)

Asset value
R12,7 billion
(2018: R12,3 billion)

Weighted average lease expiry (WALE)
5,3 years
(2018: 5,5)

Gross lettable area (GLA)
601 506 m²
(2018: 623 988 m²)

Vacancy
9,0%**
(2018: 10,0%)

Escalations (excluding offshore)
7,4% average
(2018: 7,7%)

Tenant retention
86%
(2018: 89%)

Strategic performance

Fourways Mall Development near completion

Sale of non-core properties valued at approximately
R800 million
well under way

European asset value growth:
11,6% to
€91,6 million
since acquisition
(at acquisition €82,1 million)

Non-financial performance

Five tertiary education bursaries granted in 2018

Three additional tertiary education bursaries granted in 2019

Mandela Day community project at Witkoppen Primary School

Santa shoebox project

Supplied winter clothing and shoes

Foundation level reading, writing and maths project

Grade 11 essay writing competition

* *Takes into account the receivables from the Fourways developer to be offset at equalisation.*

** *Excludes properties held for redevelopment within the next 12 months.*

GROUP *Profile*

Accelerate is a Real Estate Investment Trust (REIT) listed on the JSE. We offer investors the opportunity to share in a portfolio of 62 high-quality properties worth R12,7 billion in South Africa and Europe.

VISION

To be the most valued and respected company in the South African property sector by focusing on the business of tomorrow but not at the expense of the business of today or the communities in which we operate.

WHAT WE DO

Accelerate focuses on creating value through:

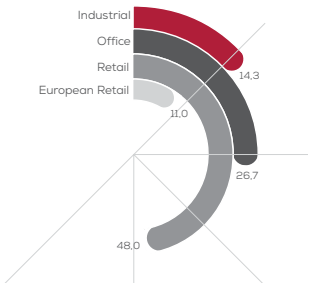
Investing in key strategic nodes by acquiring high-quality properties with long-term leases with strong tenants	**Buying**	**Developing**	Redeveloping and upgrading of properties to enhance their value
Delivering on tenants' expectations	**Letting and managing**	**Selling**	Disposal of non-core properties to enhance the value of the portfolio

OUR PROPERTY PORTFOLIO

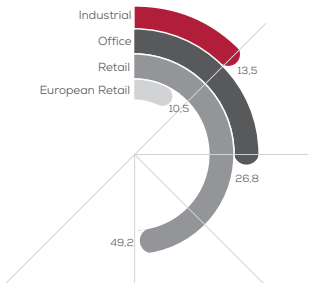
A balanced portfolio to create sustained value.

The fund acquires, develops and leases premium sites in commercial, industrial and retail sectors. Based primarily in South Africa, we have a strong retail focus and the retail (including offshore) comprises 69% of our property portfolio by revenue. Moreover, Accelerate holds a portfolio of nine well-located retail warehouse properties in central and eastern Europe (six in Austria and three in Slovakia).

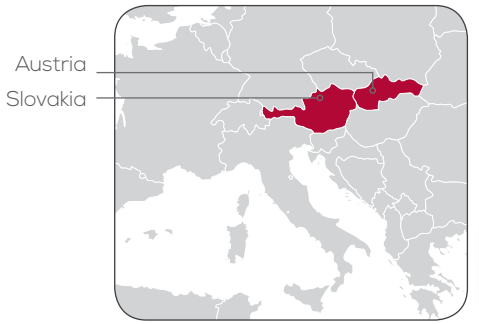
Sector profile by GLA (%) 2019



Sector profile by GLA (%) 2018



OUR GEOGRAPHIC SPREAD



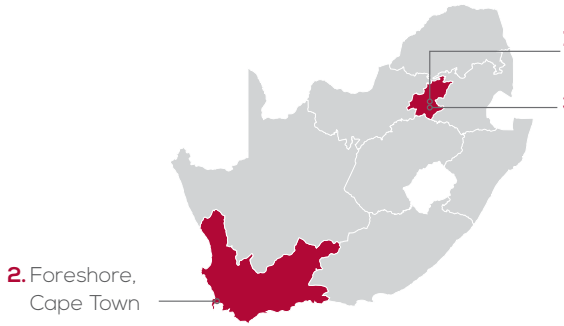
PORTFOLIO SPREAD

26 retail properties (2018: 29)

Nine European retail properties (2018: nine)

20 office properties (2018: 22)

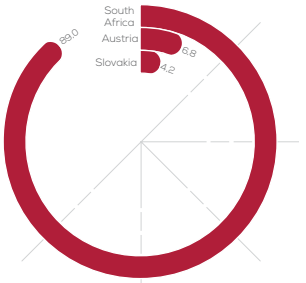
Seven industrial properties (2018: seven)



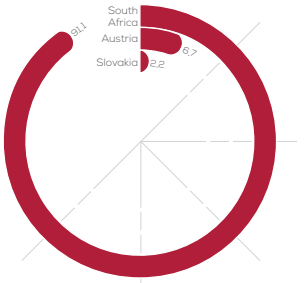
Property portfolio

Geographic summary

GLA (%)



Revenue (%)



GROUP PROFILE (CONTINUED)

OUR NODAL STRATEGY

Creating value through a focused nodal approach.

We have a nodal strategy for property investments. We identify a strategic node by looking at, inter alia, transport routes, growth and densification. Thereafter, we buy, develop or redevelop in these strategic nodes. This allows us the flexibility to assist tenants and maximise value by developing properties that enhance the value of the area.

1. Fourways, Johannesburg

Fourways is in northern Johannesburg along key transport routes. It has seen considerable growth in residential dwellings over the past five years, resulting in increased demand for both retail and office space

Total GLA	174 944 m^2
Valuation	R6,2 billion (31 March 2019)
Properties	Fourways Mall, Fourways View, Cedar Square, BMW, The Buzz, Leaping Frog and Regus Fourways, Waterford, Ford Fourways, Mazda Fourways, Valleyview and Exact Mobile
Undeveloped bulk	The area surrounding the BMW dealership on Cedar Road, the bulk around Cedar Square Shopping Centre and The Buzz Shopping Centre
Plans for undeveloped bulk	Residential development at The Buzz, potential motor dealership and fast food drive through at Cedar Square/BMW as well as potential hotel and conference centre
Development	Fourways Mall Development
Option	Option to acquire up to 50% of Fourways Mall super-regional centre has been executed and committed to. The Fourways Mall redevelopment is set for completion in August 2019

2. Foreshore, Cape Town

Foreshore is situated between the Cape Town city centre and the port of Cape Town. The area is mainly occupied by office buildings. The Cape Town central business district (CBD) remains extremely resilient as a premier, global destination.

Total GLA	52 152 m^2
Valuation	R1,4 billion
Properties	Portside, 101 Hertzog, Thomas Pattullo, Oceana Head Office, 89 Hertzog Boulevard, 73 Hertzog Boulevard, and erf 7
Acquisition potential	We remain acquisitive in the node, with existing first right of refusal on quality buildings such as Chevron, BMW and Netcare Hospital
Development potential	The Murray & Roberts acquisition comprises two erven adjacent to Accelerate's Foreshore properties. There is significant commercial and retail development potential for this precinct, which we intend to unlock

3. Charles Crescent, Johannesburg

Charles Crescent is conveniently located near the M1/N3 highways and Sandton with exceptional visibility from the M1 highway. The precinct is close to the Sandton and Marlboro Gautrain stations and lends itself to future development.

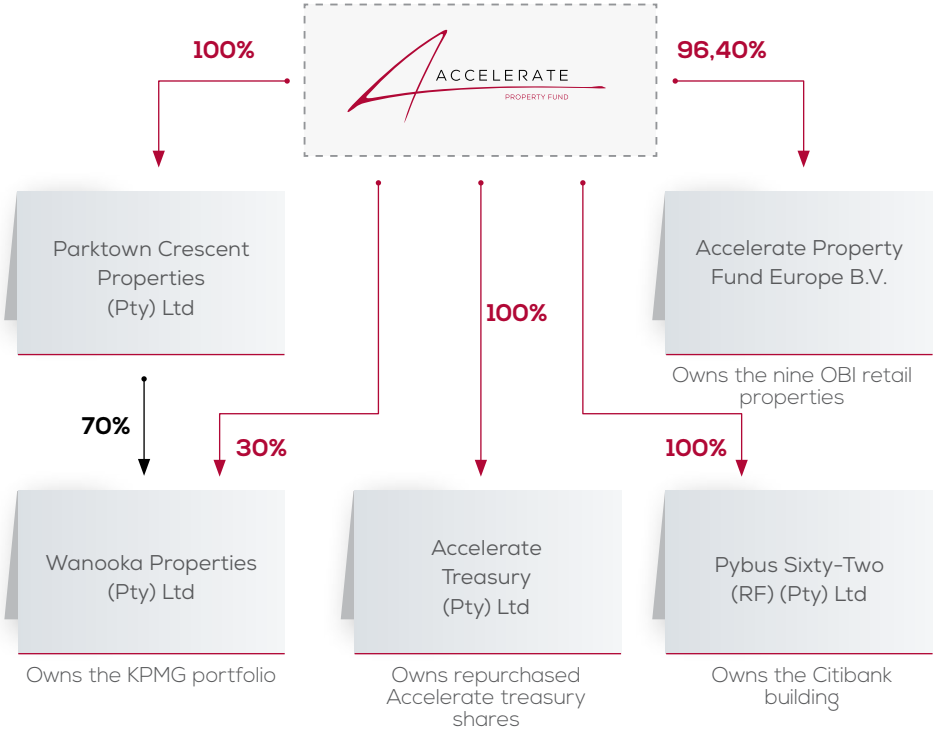
Total GLA	47 692 m^2
Valuation	R453 million
Properties	1, 8, 9 and 10 Charles Crescent, Primovie Park, MB Technologies and Brooklyn Place
Current strategy	Active asset management focus, unlocking advertising potential, considering development options
Future strategy	This is a future growth node earmarked for conversion into a multi-purpose node that may include residential, retail and office (mixed-use) property

OUR GROUP *Structure*

Our fit-for-purpose group structure provides full transparency to stakeholders.

GROUP ORGANOGRAM

Accelerate has a simple, transparent group structure as depicted below:



Eden Meander, George

HOW WE OPERATE

ASSET MANAGEMENT

Asset management forum, investment committee, board

PROPERTY MANAGEMENT (South Africa) External						PROPERTY MANAGEMENT (Europe) External
Fourways Precinct (Pty) Ltd and Accelerate Property Management Company (Pty) Ltd						In-country executives
Managing director						
Head of leasing	Head of portfolio manage-ment	Head of legal & compliance	Head of finance	Head of facilities manage-ment	Head of ad-ministration	M2 Property Management

Accelerate's board of directors is responsible for the overall direction and supervision of the company, with general management delegated to executive directors. Executives and certain senior management are responsible for the asset management function which, in turn, directs the property management function.

Services rendered

INTERNAL ASSET MANAGEMENT FUNCTION:

- To consider acquisitions, disposals, developments and redevelopments
- To recommend appropriate acquisitions, disposals and redevelopments to the investment committee
- To implement such transactions and capital expenditure
- The investment committee makes recommendations to the board for transactions and capital expenditure that fall outside its approved mandate

PROPERTY MANAGEMENT FUNCTIONS:

- Portfolio management
- Leasing
- Marketing
- Operations (administration, collections and maintenance)
- Finance
- Legal
- Facilities

INVESTMENT *Case*

With a focus on quality, defensive assets, Accelerate offers a compelling case for investors seeking to invest in a leading property portfolio, both locally and abroad.

Return on equity	NAV (Rbn)
At listing (December 2013)	3,3
Growth	4,7
Closing at 31 March 2019	8,0

142,4%
growth

	Value of core assets (Rbn)	Core properties (number)	Core properties by value (%)
At listing	4,5	20	81,5
At 31 March 2019	**11,8**	**44**	**92,5**

SUCCESSFUL EXECUTION OF GROWTH STRATEGY TO DATE

Our NAV grew by 142,4% since listing in December 2013, delivering consistent growth over time.

SIGNIFICANT EXPOSURE TO RETAIL SECTOR

The retail sector (South Africa and Europe) comprises 69% of our property portfolio by revenue. Our portfolio includes two regional shopping centres and a super-regional retail hub. The Fourways Mall Development will significantly increase the value of our Fourways retail asset base. Once completed, Fourways Mall will be the ultimate shoppertainment destination.

FOCUS ON EXCELLENT CORPORATE GOVERNANCE AND TRANSPARENCY

Accelerate's board structure, policies and procedures demonstrate that it embraces King IV and that it is accountable to shareholders and other stakeholders. The board of directors is responsible for the overall direction and supervision of the company, with general management delegated to senior management.

A PORTFOLIO OF QUALITY ASSETS WITH STRONG UNDERLYING PROPERTY FUNDAMENTALS

- 5,3-year WALE
- Rental escalations of 7,4% (6,6% including our offshore portfolio)
- Weighted average cost of funding of 8,4%, with 82,8% of debt hedged
- 65,7% of tenants are classified as A-grade by revenue (listed/large national tenants).

SCALABLE EUROPEAN PLATFORM

We established a scalable European platform with a unique strategy of investing in long-term (greater than 10 years), single-tenant net leases. The platform enables Accelerate to assess and act on new opportunities in Europe through a dedicated on-the-ground management team. The current investment includes six properties in Austria and three in Slovakia, tenanted by blue-chip German DIY retailer, OBI. The platform is easily scalable and can house various other strategies such as multi-tenanted buildings etc.

LEADERSHIP *Overview*

Chief executive officer's review 15
Chief operating officer's review 18

CHIEF EXECUTIVE OFFICER'S *Review*

Michael Georgiou

KEY MESSAGES

- Enduring a difficult economic environment
- Remaining focused on the Fourways Mall Development
- Maintaining sound governance

The upcoming launch of the Fourways Mall super-regional centre represents the first step in the fund's 15-year plan for the node, including enhanced office, hospitality and retail offerings.

REFLECTING ON OUR OPERATING ENVIRONMENT

The financial year under review was characterised by a difficult economic environment. Macroeconomic difficulties were compounded by listed companies facing low investor confidence, with South African property companies facing additional pressure due to the much publicised governance concerns relating to certain companies in the sector.

Accelerate is predominantly a retail fund (69% by revenue) and therefore the performance of the economy has an acute impact on the disposable income of our shoppers. Under South Africa's current tough economic conditions, consumers were also impacted by, inter alia, increases in property rates, unemployment and fuel costs; load shedding and the consequences thereof; and below-inflation salary increases.

Consequently, retailers are also under pressure, resulting in pressures in negotiating renewal rates, escalations and lease terms. Other income pressures faced by the fund in the market include increased rates, utility costs and finance costs.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

The relative performance of properties and nodes becomes more apparent during tough economic times. Accelerate is fortunate that the majority of its retail exposure (77,4% of retail by revenue) is located in the dominant Fourways node, which continues to perform well and we are poised to deliver on our commitment to stakeholders with the imminent opening of the redeveloped Fourways Mall super-regional centre.

DELIVERING FOURWAYS

Focusing on strategic nodes has proven to be key to our success. We continue strengthening these nodes through development and capital expenditure (capex) spend on existing properties, and the acquisition of high-quality properties. By doing this, we have significantly improved the quality of our portfolio. We pride ourselves in demonstrating delivery against strategy and meeting key milestones to realise our objectives.

The Fourways node is a dominant retail node characterised by high residential densification with a strong living standards measure (LSM). Due to urbanisation and urban sprawl in Gauteng, Fourways is anticipated to annually grow in population by approximately 3%, with stable middle/upper LSM and particular strength in the highest LSM brackets (53%).

Our core focus is developing Fourways Mall, and we expect its relaunch during August 2019. The redevelopment is anticipated to bolster the fund's future earnings with an offering of approximately 174 000 m^2 GLA upon completion[1].

I believe that this super-regional centre's positive impact on the Fourways node and the fund cannot be overstated. This transformative development will create a super-regional mall that will anchor the fund in the Fourways node and provide a catalyst for future value creation. While having the 'typical' offerings of a super-regional mall, Fourways Mall will differentiate itself by way of its family entertainment offering, futureproofing the centre against changing consumer preferences.

OUTLOOK

We anticipate that market conditions will remain challenging in the short to medium term. However, Accelerate will continue pursuing initiatives to reduce costs and fill vacant space to counteract the income pressures faced on numerous fronts.

In the medium term, the fund expects to be well positioned to capitalise on improved market conditions given the quality of the underlying portfolio of properties, the opportunities in the strategic nodes the fund has invested in, together with the offshore platform, which continues to perform well.

[1] *Excluding Leroy Merlin's flagship store of approximately 18 000 m^2, which will be linked to the mall in due course, but not owned by the fund.*

We firmly believe that our focus on delivering the Fourways Mall Development anchors Accelerate into the future and will create long-term sustainable benefits for all our stakeholders.

APPRECIATION

During the year, Mr Tito T Mboweni resigned as an independent non-executive director and chairman of the board following his appointment as finance minister of South Africa. Mr Mboweni was also chairman of the nominations committee, and a member of the remuneration committee and investment committee. I take this opportunity to acknowledge his significant contribution to the group since listing, and to thank him for his part in establishing a robust governance culture within Accelerate, creating long-term value for the group.

I thank Dr Gert C Cruywagen for assuming the role of interim chairman until a suitable replacement for Mr Mboweni was identified. Dr Cruywagen's position as the lead independent director and strong leadership ensured a smooth transition. During the year, we appointed Mr Timothy J Fearnhead, an existing independent non-executive director, as chairman of the board as of 31 March 2019. Mr Fearnhead has been the chairman of the audit and risk committee since listing and is well suited to assume the responsibilities of chairman.

I take this opportunity to thank the board for its guidance and strong leadership, enabling us to continue delivering on our promises despite our challenging operating context.

To our shareholders, thank you for your continued support. I also extend our appreciation to our tenants, many of whom have endured discomfort during construction and yet continue supporting our vision for our properties.

Mr Michael N Georgiou
Chief executive officer (CEO)
20 June 2019

CHIEF OPERATING OFFICER'S *Review*

Andrew Costa

KEY MESSAGES

- Focusing on tenant retention and protecting income streams
- Optimising our portfolio through the sale of non-core assets
- Maximising the Fourways Mall opportunity

Reflecting on the 2019 financial year, I can say with confidence that we have remained committed to our strategy and are poised to capture the opportunity that the imminent completion of the Fourways Mall will present for the node and fund.

OPERATING PERFORMANCE OVERVIEW

Due to the tough economic conditions in the past financial year, business confidence remains low and investor sentiment was cautious leading up to the elections in May 2019. However, at Accelerate we circumvent these challenges by working today to build the future of tomorrow. Our future focus ensures our core South African retail portfolio's fundamentals are robust, guided by our clear strategy for the future.

We approach relationship management proactively and with commitment, retaining our tenants and protecting income streams. As a result, the fund achieved a tenant retention rate of approximately 86% as at 31 March 2019, a remarkable achievement given current market conditions.

Where necessary, Accelerate assisted struggling tenants by providing softer leases, higher tenant installation allowances and rent-free periods. These allowances put income under pressure; however, we believe this approach will ensure sustainable value for the fund in the medium to long term.

During the period, optimising efficiencies was a key imperative and I am pleased to report that costs have been well controlled. In addition, ongoing increases in administered costs continue offsetting our goal of finding innovative ways to manage expenses.

It is pleasing to report that our arrears are stable, vacancies across the portfolio have reduced and our portfolio WALE remains defensive (in excess of five years).

DELIVERING ON OUR PROMISES

We remain committed to delivering on our strategic objectives, building on the progress we have made to date. We pride ourselves in our delivery against strategy and continue making great strides in meeting our objectives. The key progress against our short-term strategy is outlined below.

Optimising our portfolio

Since listing in 2013, we have focused on building a portfolio of quality assets that will position us well for the future. At listing, Accelerate held property worth R5,517 billion in value, which we have selectively grown by more than R7 billion to R12,7 billion at 31 March 2019.

An important part of our portfolio optimisation was targeting property sales of non-core assets, which should assist in reducing gearing levels to our target level of 35%. This strategy both creates funding capacity for the Fourways equalisation (discussed below) and improves our portfolio's overall quality.

Over the past year, non-core properties to the value of approximately R800 million have been disposed of or sale agreements signed, and a further R500 million of disposals are at various stages of finalisation. The intention is to apply the sale proceeds towards reducing gearing and/or buying back shares.

For information on how we have optimised our balance sheet, please refer to the chief financial officer's (CFO) review on page 120.

The remaining portfolio is underpinned by quality assets, including a 50% stake in the redeveloped Fourways Mall (super-regional retail), Cedar Square (regional retail), Eden Meander (regional retail), KPMG's South African head office (A-grade office), Citibank's South African head office (A-grade office), Portside (P-grade office) and our offshore portfolio of retail properties predominantly in Austria let to OBI.

Maximising the Fourways Mall opportunity

The imminent completion of the Fourways Mall Development will be an exciting milestone for the fund. Stakeholders should note that Accelerate owns the existing properties of the Fourways redevelopment (that is, the existing GLA before development). The developer is, however, independently building new GLA on these properties, with an income guarantee to Accelerate during the development. Both parties agreed that, upon completion of the development, the one-year forward yield of the existing GLA and the new GLA will be equalised at an attractive yield of 8% to ensure that each party owns 50% of the completed development's forward revenue. As per legal agreements, a minimum payment of R700 million is due to the developer's bank funders. Various funding options are available to Accelerate.

CHIEF OPERATING OFFICER'S REVIEW (CONTINUED)

From an asset perspective, the mall will be the crown jewel in our quality portfolio. Once this landmark mega-project is complete, Accelerate and the developer will each hold a 50% undivided share in this combined letting enterprise, which is expected to bolster our distributions over time with sustainable income growth.

APPRECIATION AND OUTLOOK

I express my appreciation to the board and my fellow executives for their insight and wisdom. I extend my gratitude to our employees and property management teams – it has been a challenging year on many fronts. However, your dedication and unwavering commitment are inspiring and define our future.

Looking ahead, I am positive about the fund's future. With various initiatives to reduce gearing and fill vacancies under way, together with the ultimate 50% ownership of what will arguably be the leading super-regional shopping centre in southern Africa, I believe that Accelerate is well positioned to create sustainable value for our stakeholders well into the future.

Mr Andrew Costa
Chief operating officer (COO)
20 June 2019

Citibank, Johannesburg

STRATEGY AND VALUE *Creation*

How Accelerate creates value	23
Risks and opportunities	24
Stakeholder engagement	28
Our business model	32
Our strategy	36
How our strategy is creating value	40

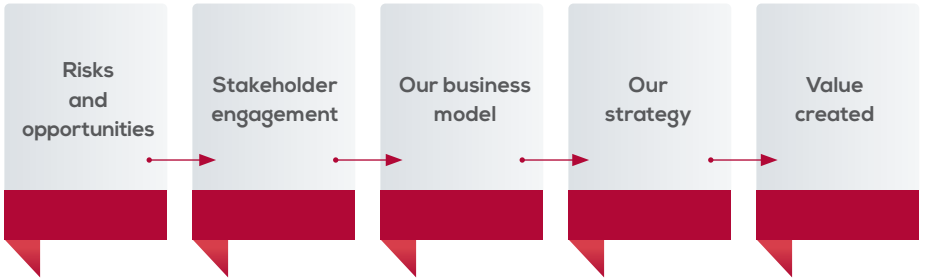
HOW ACCELERATE CREATES *Value*

We extract maximum value from properties for tenants, communities, investors and other relevant stakeholders by purchasing, selling, developing, letting and enhancing these properties.

VALUE CREATION PROCESS

Using a wide-angle lens, Accelerate determines what is material to our value creation over time. Value creation requires an understanding of our operating context, including stakeholder feedback, and allowing material matters and our risks and opportunities to inform Accelerate's strategy and business model.

Our value creation narrative is formed by connecting these elements to one another and to our strategy.

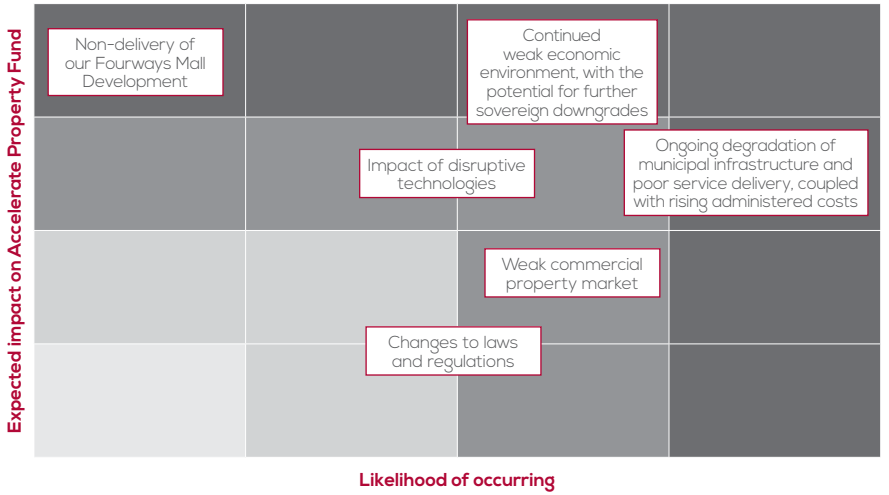


RISKS AND *Opportunities*

Accelerate is committed to proactive risk management, identifying and managing risks that could impact our ability to deliver on our strategic objectives.

Our material risks are set out in the fund's risk register and are identified in terms of their probability and potential effect, with each risk linked to the strategic objective that it could impact. Accelerate's system of internal controls is designed to provide reasonable assurance as to the integrity and reliability of the financial statements, and intends to safeguard, verify and maintain accountability for the company's assets.

The system also identifies and minimises fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations. The risks shown below are unranked and reflect only the most material risks to the business – indicating their probability and potential impact.



Risk	Description and implications for value creation	Mitigating actions and opportunities	Strategic pillar
Continued weak economic environment, with the potential for further sovereign downgrades	South Africa's low gross domestic product (GDP) growth continues to impact businesses across the country, including retailers, with consumer spending under pressure. This may necessitate retailers to reduce their space requirements, request discounted rentals and be more cautious when negotiating renewals or new lettings. Furthermore, a downgraded sovereign credit rating would negatively impact the business, resulting in increased borrowing costs.	By improving our portfolio through developments and strategic disposals, and differentiating our retail centres through experiential offerings, we can attract and retain high-quality tenants. We proactively collaborate with our tenants to help reduce costs to avoid vacancies and remain sustainable until the economy improves. Challenges in the economy may also provide opportunities for local acquisitions at favourable prices. We actively explore offshore opportunities to earn hard currency.	
Weak commercial property market	The sector is characterised by an oversupply in the market. This, combined with poor GDP growth and a lack of business confidence, has resulted in a suppressed economic environment.	In this fiercely competitive market, tenant retention is critical. We continue maintaining close relationships with our tenants to ensure their needs are met and relationships are sustained. Furthermore, we anticipate improved business confidence following the May 2019 elections, which we expect will positively impact demand for space.	

RISKS AND OPPORTUNITIES (CONTINUED)

Risk	Description and implications for value creation	Mitigating actions and opportunities	Strategic pillar
Non-delivery of our Fourways Mall Development	The Fourways Mall Development is nearing completion. This critical milestone forms an essential part of our strategy and plan for the fund's long-term success.	Upon completion of the Fourways Mall Development, the value inherent in the Fourways node, a prime location in South Africa, will further be unlocked. The Fourways node will become even more sought after destination in Gauteng due to its unique offerings, anchoring the fund into the future.	
Ongoing degradation of municipal infrastructure and poor service delivery, coupled with rising administered costs	Water and electricity supply remain key concerns for our tenants. Inflated rates and rising utility costs resulted in additional pressure on our tenants who we are often unable to pass the cost on to.	We continually strive to find innovative ways to meet tenants' needs and manage these expenses. Through green technology, we become less reliant on municipal services, reduce our environmental impact and enhance our reputation as a responsible corporate citizen.	
Changes to laws and regulations	Not remaining at the forefront of regulatory changes could impact our legitimacy and sustainability as a business.	By ensuring we are cognisant of potential regulatory changes, we enhance our reputation and ensure our alignment with best practice.	
Impact of disruptive technologies	Disruptive technologies could potentially create new markets and disrupt traditional business models, changing the way consumers shop and influencing which businesses they choose to engage with. This has been demonstrated in the banking sector and could impact other retailers.	Understanding consumer habits in the context of technological changes enables us to futureproof our malls by offering a responsive, entertainment experience. KidZania, Bounce, food courts and other shoppertainment offerings have demonstrated the responsive nature of our business model and we will continue monitoring retail trends to ensure we surpass our competitors in capturing opportunities as they arise.	

STAKEHOLDER *Engagement*

We believe our stakeholder engagement is key to our ongoing success, provides essential inputs that inform our decision-making, and helps us progress towards our strategic objectives.

EMPLOYEES

Through constant engagement, employees are heard and valued, allowing us to meet their legitimate needs and address their concerns. In turn, this supports employees' job satisfaction and the business's talent retention.

Stakeholder concerns

- Long-term sustainability and job security
- Career development
- Succession planning
- Loss of key employees
- Remuneration

Our response

- Regular performance evaluation and improvement discussions
- Tight control over the company's cost structures and annually re-examining our strategy to adapt to changing circumstances
- Key employees are remunerated in line with industry benchmarks and incentivised to align with the company's goals
- Career development and progression discussions
- Implemented professional training and development programmes

SUPPLIERS

Through ongoing engagement with our suppliers, we form mutually beneficial partnerships that create value. By articulating our specific needs, we enable delivery that supports business growth for both parties.

Stakeholder concerns

- Efficient contract management
- Maintaining good relationships
- Quality of services rendered

Our response

- Upgrade information technology (IT) management systems to provide a transparent and efficient tender process
- Adequate vetting of suppliers
- Efficient and well-controlled payment processes

TENANTS

By understanding our tenants' ambitions, challenges and needs, we can meet these needs and create value for them. This is essential as tenant retention is critical for our success.

Stakeholder concerns

- Property maintenance
- Utility supply interruptions
- Increased cost of utilities
- Attracting shoppers and increasing foot count
- Implementing 'green' solutions
- Contract renewal and rent escalations
- Weak economy and low consumer spend

Our response

- Planned preventive maintenance is in place and prioritised within the Occupational Health and Safety Act (OHSA) ambit
- Environmentally friendly solutions, such as solar projects, are being sought to reduce electricity outages and utility costs for our tenants
- Established an internal marketing department to communicate with tenants
- Strong relationships and communication with tenants
- Assisting tenants through difficult economic times

INVESTORS AND PROVIDERS OF FINANCIAL CAPITAL

Our business depends on our access to finance. For this reason, our engagement strategies focus on our investors and providers of financial capital. By understanding and addressing our investors' feedback, we can grow our business. This, in turn, provides a return on investment to our investors.

Stakeholder concerns

- Distribution growth
- LTV levels
- Strong board of directors with relevant experience
- Weak economic environment and its impact on consumer spending power
- Political uncertainty

Our response

- Clear and timely communication with the market
- Balance sheet and portfolio optimisation initiatives by management
- A strong board with relevant diverse experience
- Endeavour to position our malls with a differentiating factor
- Monitor the political situation and scenario planning
- Actively managing debt and swap maturity profiles

STAKEHOLDER ENGAGEMENT (CONTINUED)

COMMUNITY

By engaging with our community groups, we add tangible value, ensuring our ongoing social licence to operate and enhancing our brand.

Stakeholder concerns

- Bursaries and future job creation

Our response

- Corporate social responsibility (CSR) programme and forum in place, focusing on bursaries and education to prepare participants for the job market
- Opportunities to spend time at Accelerate's office, shadowing employees in the relevant field of interest

REGULATORY AND INDUSTRY AUTHORITIES

We engage to ensure our compliance with mandatory laws and standards and to further our understanding and application of governance best practice. This improves the credibility of the Accelerate brand and ensures we grow responsibly and can support value creation in the short, medium and long term.

Stakeholder concerns

- Compliance with laws and regulations

Our response

- Monitor compliance
- Member of industry forums
- Engage with regulator and industry bodies to influence outcomes, and ensure understanding and compliance

CASE STUDY

MANDELA DAY COMMUNITY PROJECT AT WITKOPPEN PRIMARY SCHOOL

> "What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead."
>
> **Nelson Mandela**

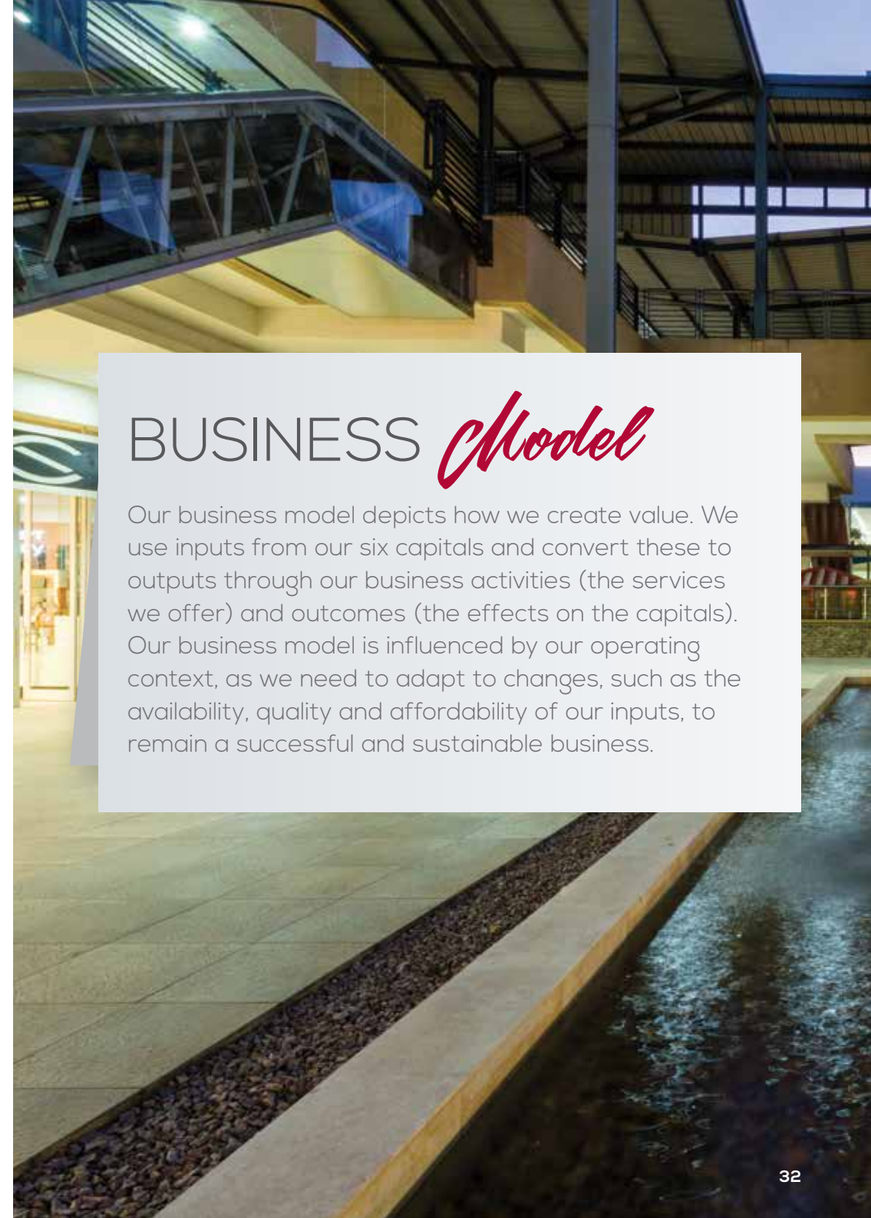
Mandela Day, launched in 2009, is an annual international celebration on 18 July – Nelson Mandela's birthday. It is a day for giving back and a day for looking forward to our potential contributions in the year ahead. The celebration was inspired by a call made by Mandela in 2008, urging the next generation to assume the mantle of leadership in addressing the world's social injustices.

During 2018, our people continued answering this call. In line with our aim of building sustainable relationships with our local schools to support them in providing quality education, Accelerate's employees tackled various projects at Witkoppen Primary School in Diepsloot. The overarching aim of these projects was to effect positive change in the school ecosystem that would be meaningful and have a sustainable impact.

The projects entailed:

- Painting a sign at the school's entrance to ensure the school's name is prominently displayed, inspiring a sense of school pride
- Upgrading the assembly area by painting the school sign and a mural on the main wall in a 'paint by number for colours' project
- Painting the stairs in school colours to entrench the school brand
- Painting demarcation signs on the walls of the library and the office Installing eight-seater tables throughout the school to foster a sense of community and create dedicated recreational areas
- Addressing the necessary maintenance of the school; a severely decayed central water point was seen to, and the team's efforts resulted in the plumbing being upgraded
- Upgrading the school's kitchen area, which feeds approximately 800 students a day, through installing new kitchen cupboards and counter tops
- Providing four serving tables for the courtyard

After a hard day's work, we held a braai to thank everyone for their efforts and to give Accelerate's employees, teachers and students the opportunity to become acquainted with one another and celebrate the day's accomplishments.



BUSINESS *Model*

Our business model depicts how we create value. We use inputs from our six capitals and convert these to outputs through our business activities (the services we offer) and outcomes (the effects on the capitals). Our business model is influenced by our operating context, as we need to adapt to changes, such as the availability, quality and affordability of our inputs, to remain a successful and sustainable business.

OUR INPUTS

Financial capital
The funds we use, including:
- Rental income
- Equity funding
- Debt funding
- Property disposal proceeds

Manufactured capital
The buildings we own, including the property portfolio through which we generate revenue:
- NAV of R8,0 billion
- Our property portfolio by GLA consists of:
  - 59% retail
  - 26,7% office
  - 14,3% industrial

Intellectual capital
Our intangible knowledge, systems and processes, including:
- Balanced and diverse experience of our management team and board of directors
- Governance structures
- Employee management processes

Natural capital
The natural resources which we rely on, including:
- Water
- Electricity
- Land

Social and relationship capital
The relationships that sustain our ability to create value over time, including:
- Communities
- Tenants
- Shoppers
- Government

Human capital
The employees we depend on, including their:
- Competency
- Capability
- Experience
- Motivation

OUR ACTIVITIES AND STRATEGY

Financial management
We ensure continued access to financial capital by prudently managing the fund, optimising our property portfolio and delivery on our strategy.

OPTIMISING OUR FUNDING

Asset management
Through active asset management, we grow our asset base while maintaining our strong retail bias. We take advantage of investment opportunities as they arise, pursue optimal development and expansion opportunities, and dispose of non-core assets.

GROWING OUR QUALITY PORTFOLIO

Property management
We employ leading property professionals to ensure our properties are managed to the highest standards, and that our property strategy remains responsive and effective.

We strive to maintain our buildings to the highest standards, aiming for operational efficiencies to preserve natural capital.

ENHANCING RETURNS ON OUR ASSETS

Relationship management
Accelerate is committed to creating and maintaining inclusive and mutually beneficial relationships with all stakeholders.

We adequately incentivise and reward employees to align their interests with those of the company.

DELIVERING VALUE TO STAKEHOLDERS

OUR OUTCOMES

- Revenue of R1,2 billion
- Distributed R475 million in dividends
- Through balance sheet optimisation, we reduced our gearing level to 39,0%
- Cost to income ratio of 15,9%

- Enhancing our portfolio in line with our strategy, focusing on redevelopments, particularly the Fourways Mall Development, and growing the value of our assets through refurbishments
- Disposing of certain non-core properties. Proceeds will be used to repay debt and reinvest in the core portfolio

- Continuously evaluating the board and management to ensure we have adequate expertise and experience
- Driving a high performance culture

- Through a dedicated focus on 'greening' our buildings to reduce our reliance on natural capital. These initiatives include energy-efficient lighting, water-saving interventions and further exploration in solar photovoltaic (PV)

- Through proactive stakeholder engagement to continue developing social and relationship capital

- Given the scarcity of skills in the property sector, we focus on developing our human capital through recruiting, retaining and training high-quality employees

OUTPUTS WE DELIVER

We deliver quality spaces to our tenants and attractive returns to our investors and shareholders.

OUR TRADE-OFFS

Despite the challenging operating environment, we continue investing in **upgrading and maintaining our portfolio**. Improving the underlying quality of the portfolio stands the fund in good stead for the future.

Acquisitions undertaken in recent years to improve the quality of our portfolio impacted our financial capital in the short term, with the fund's LTV ratio growing above the targeted level. During the year, we focused on selling assets that no longer meet our investment criteria. The intention is to apply the sale proceeds towards reducing gearing and/or buying back shares.

Retaining tenants and managing vacancies are critical to our ability to create sustainable value. In a highly competitive market, which has been negatively impacted by limited economic growth; however, this often requires that we incentivise tenants to remain in, or move to our buildings. This may involve offering attractive tenant installations, reduced rentals or leases that favour the tenant. While these arrangements may impact our short-term profitability, by maintaining relationships with our tenants, we reduce the risk of significant financial loss through increased or prolonged vacancies while securing sustainable growth by means of long-term leases that escalate over time.

OUR Strategy

We are driven by delivering on our strategic ambitions and take pride in our track record. To realise our vision, we implement a clearly defined strategy with strategic objectives to provide the roadmap. We view our strategic timelines in two timeframes: We focus on medium to long-term priorities to deliver value to our stakeholders, and short-term objectives that will enable these priorities.

OUR STRATEGIC PILLARS

Enhancing returns on our assets

Our strategic objective
Redeveloping and upgrading properties to enhance their value.

Relevant key performance indicators (KPIs)
Various redevelopments and upgrades of properties, including:

- The Foreshore redevelopment
- The Buzz bulk development
- The Fourways View revamp
- The Cedar Square upgrade and tenant optimisation
- The refurbishment of Citibank
- The extended retail at Eden Meander
- Spend on upgrading and tenanting smaller centres
- Solar power investment and initiatives

Growing our quality portfolio

Our strategic objectives
- Investing in quality property assets
- Concentrating on existing strategic nodes and creating new ones
- Maintaining our retail focus
- Offshore diversification

Relevant KPIs
- 61,2% of tenants are qualified as A-grade by revenue (listed or large national tenants)
- Total investment per strategic node:
  - Fourways, Johannesburg: R6,2 billion
  - Foreshore, Cape Town: R1,4 billion
  - Charles Crescent, Sandton: R0,5 billion
  - Retail bias was maintained with 69% of the portfolio constituting retail property by revenue
- Offshore exposure is 8,9% of the portfolio by revenue

Optimising our funding

Our strategic objective
Diversifying our funding while proactively managing interest rate risk.

Relevant KPIs
- 82,8% of debt hedged
- Weighted average swap maturity of 2,5 years
- Funding diversity:
  - 33,4% financed through debt capital markets
  - 66,6% financed through four banks
  - 8,4% blended interest rate
- LTV ratio of 39,0%

Delivering value to stakeholders

Our strategic objectives
- Investing in long-term quality and growth
- Maintaining tight control on property expenses
- Delivering on tenants' expectations
- Assisting our tenants during difficult economic times

Relevant KPIs
- Delivering on the Fourways Mall Development
- Balance sheet optimisation
- Improving the existing portfolio by selling non-core assets and continued investment in our core portfolio
- Cost to income ratio of 15,9% (2018: 14,8%)
- Vacancies of 9%*
- Retention rate of 86%

**Excludes properties held for redevelopment within the next 12 months*

OUR STRATEGY (CONTINUED)

OUR STRATEGIC PRIORITIES

Our three priorities for the 2019 year included:

Delivering on the Fourways Mall Development

What we achieved

Completion of Fourways Mall is imminent:

- Revised opening date is 22 August 2019
- National (including national franchises) and international tenants (144 000 m²) – 83% of GLA
- Focused on achieving an optimal tenant mix
- Over 3 000 new parking bays
- A unique family entertainment offering
- R400 million invested in roadworks funded by Fourways Precinct (Pty) Ltd
- Approximately 450 new stores opening

Outlook

We anticipate that the Fourways node will become the most dominant retail market in South Africa. The launch of the Fourways Mall Development and surrounding infrastructure improvements positions Accelerate to take advantage of this.

Ongoing proactive property management

What we achieved

Tenant relationship management is a key component of our property management strategy. As the market is aware, Edcon has requested a 40% rental reduction from landlords on their retail space in exchange for an equity holding in Edcon as part of the Edcon balance sheet restructure. We have undertaken to assist Edcon as we believe it is in the national interest to have them continue and be a viable retailer.

Outlook

We will continue implementing initiatives to drive value across the portfolio, focusing on tenant retention in a constrained market.

Our focus in the short term is on delivering the Fourways Mall Development and positioning the portfolio for future growth.

Balance sheet optimisation, including reducing gearing levels

What we achieved

We proactively manage our debt maturity profile, cost of debt and interest rate risk.

Through targeted property sales of non-core assets, the fund has made excellent headway in reducing gearing levels towards its target level of 35%.

A R1,6 billion swap (6,5% base rate taken out at listing) expired on 31 March 2019. In anticipation of this, management has proactively managed the fund's swap profile over the past several years. Post-expiry of this large swap, the fund is 82,8% hedged with a weighted average swap expiry profile of 2,5 years. The weighted average debt maturity profile has also improved from 2,1 years (31 March 2018) to 2,5 years (31 March 2019).

The fund entered into a joint venture with a leading residential property developer to develop approximately 500 residential units on the bulk behind The Buzz and Waterford shopping centres in Fourways. Phase 1 of The Buzz development is expected to be completed in the next financial year. The transaction will see value being unlocked for Accelerate, and will be complementary to The Buzz and Waterford shopping centres.

Outlook

Through funding diversification strategies, we will continue proactively mitigating funding risks.

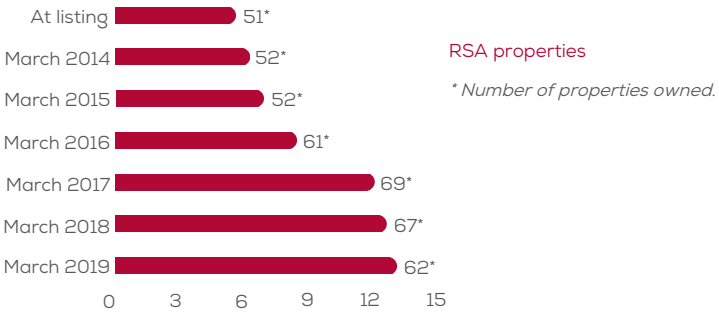
We remain focused on meticulously managing swap maturity to ensure we have adequate hedging.

The fund will continue taking advantage of the development opportunities available.

HOW OUR STRATEGY IS CREATING *Value*

Since listing, we have grown our asset value by 130,9%, from R 5,5 billion to R12,7 billion at 31 March 2019 through selected acquisitions and disposals coupled with active asset management.

Asset growth (Rbn)



RSA properties

** Number of properties owned.*

We continue enhancing our portfolio through acquiring quality properties and selling non-core properties.

In addition to the portfolio's jewel, Fourways Mall, our portfolio is underpinned by quality assets as mentioned below:

Cedar Square

Cedar Square was acquired at listing and anchors Accelerate's convenience offering in the Fourways area. It offers an exceptionally diverse shopping experience to our patrons, with food retailers such and Pick n Pay and Woolworths, family entertainment offerings such as The Kids Gym, Ster-Kinekor and Smoke Daddy's (family restaurant), restaurants such as Tigers Milk, Laurentina, Carmella's, Saigon Suzy (opening in June 2019) and Big Bad Wolf, as well as wide ranging fashion, lifestyle, beauty and health offerings, including Virgin Active.

Acquisition price	R748 million
Building specifics	44 418 m² – regional shopping centre
Major tenants	Woolworths, Pick n Pay, Clicks, Carrol Boyes, Smoke Daddy's, Tigers Milk, Virgin Active, Carmella's, Sorbet, Laurentina, Toy Zone
Yield (year one)	7%
Acquired	December 2013

HOW OUR STRATEGY IS CREATING VALUE (CONTINUED)

Portside

In June 2016, Accelerate acquired Old Mutual's share (approximately 50%) of the Portside Tower in Cape Town. The building's iconic nature, energy efficiency and eco-friendliness showcase the acquisition's value, enhancing the group's green portfolio. When Accelerate acquired Portside, our share was approximately 75% vacant; however, due to concerted letting efforts, the vacancy was reduced to 3,4% as at 31 March 2019.

Demand for P-grade green buildings is a growing and potentially continuous tend in the Cape Town CBD.

Acquisition price	R755 million
Building specifics	25 224 m^2 of P-grade, five-star Green Star SA rated office and retail building
Major tenants	China Construction Bank Corporate, Lindt & Sprüngli South Africa, Zai Lab and EXL Services South Africa
Yield (year one)	7,5%
Acquired	June 2016

Eden Meander

Eden Meander is a newly built, multi-tenanted lifestyle shopping centre in the residential hub of George, Western Cape. George is the administrative and commercial hub of the Garden Route and is one of the largest towns in the Western Cape.

Since the mall's opening, tenant trading densities and footfall have consistently grown year on year.

Acquisition price	R365 million
Building specifics	29 840 m^2 convenience centre in George
Tenants	@Home, Checkers, Pick n Pay Clothing, Sportsmans Warehouse, Mr Tekkie and Builders Warehouse
Yield (year one)	9,1%
Acquired	October 2016

HOW OUR STRATEGY IS CREATING VALUE (CONTINUED)

Citibank

In February 2017, Accelerate acquired the Citibank building in the Sandton CBD, thereby gaining an A-grade office building, anchored by Citibank with a long-term lease and is situated in a prime location.

Adjacent to Nelson Mandela Square and is 300 m from the Sandton Gautrain station.

Acquisition price	R260 million
Building specifics	12 444 m^2 A-grade office space in Sandton
Tenants	Citibank
Yield (year one)	8,3%
Transferred	February 2017

KPMG South Africa head office

In May 2015, Accelerate acquired five office buildings tenanted by KPMG, including the KPMG head office in Parktown, Johannesburg (Parktown Crescent and Wanooka). This acquisition was off the back of a 15-year lease signed with KPMG at an escalation of 8%.

KPMG, as part of its restructure and business optimisation, consolidated its Pretoria office (not owned by Accelerate) and its employees in the Wanooka office into Parktown Crescent. In a mutually beneficial agreement between all parties, Accelerate is selling the Wanooka office to Old Mutual for R240 million, which results in a reduction of operating costs for KPMG and a reduction of exposure for Accelerate.

Proceeds from the sale will be used towards debt in the special purpose vehicle (SPV) and will reduce the LTV to approximately 32% in that SPV.

Acquisition price	R850 million
Building specifics	30 226 m^2 A-grade office space
Tenants	KPMG
Yield (year one)	7,5%
Transferred	May 2015

HOW OUR STRATEGY IS CREATING VALUE (CONTINUED)

Our development opportunities

Accelerate owns 47 692 m² of GLA in Charles Crescent, adjacent to Kramerville. With its close proximity to Sandton and accessibility from the M1 highway (Marlboro Drive), the Crescent lends itself to a large mixed-use redevelopment in the medium-term future, when the economy starts to improve.

Demand for A and P-grade office space in Cape Town is high and the company anticipates to commence with the redevelopment of some B-grade office space in the Cape Town Foreshore in the near future. The properties in question, 99 to 101 Hertzog Boulevard, ex-Mustek, ex-Murray & Roberts and erf 7, will be sold out of the fund at their current holding value of R265 million, developed by our partner in Cape Town (phase 1), and will then be repurchased at the fund's option at a predetermined yield. The total GLA of the development's phase 1 is approximately 17 375 m², anchored by a blue-chip tenant of 14 256 m² with a 15-year lease term escalating at 6%.

Offshore

During 2016, Accelerate launched its single-tenant, long-term net lease platform. The fund initiated this strategy by acquiring nine well-located retail properties in Austria and Slovakia, tenanted by OBI – the largest DIY retailer in central and eastern Europe.

The properties were independently valued in June 2018 at €91,6 million, resulting in an 11,6% increase post-acquisition.

Acquisition price	€82,1 million
Building specifics	100% occupied by OBI
Tenants	10 to 14-year single-tenant leases backed by a guarantee from the holding company
Yield (year one)	11,5% yield on South African equity investment
Transferred	December 2016

Fourways Mall, Johannesburg

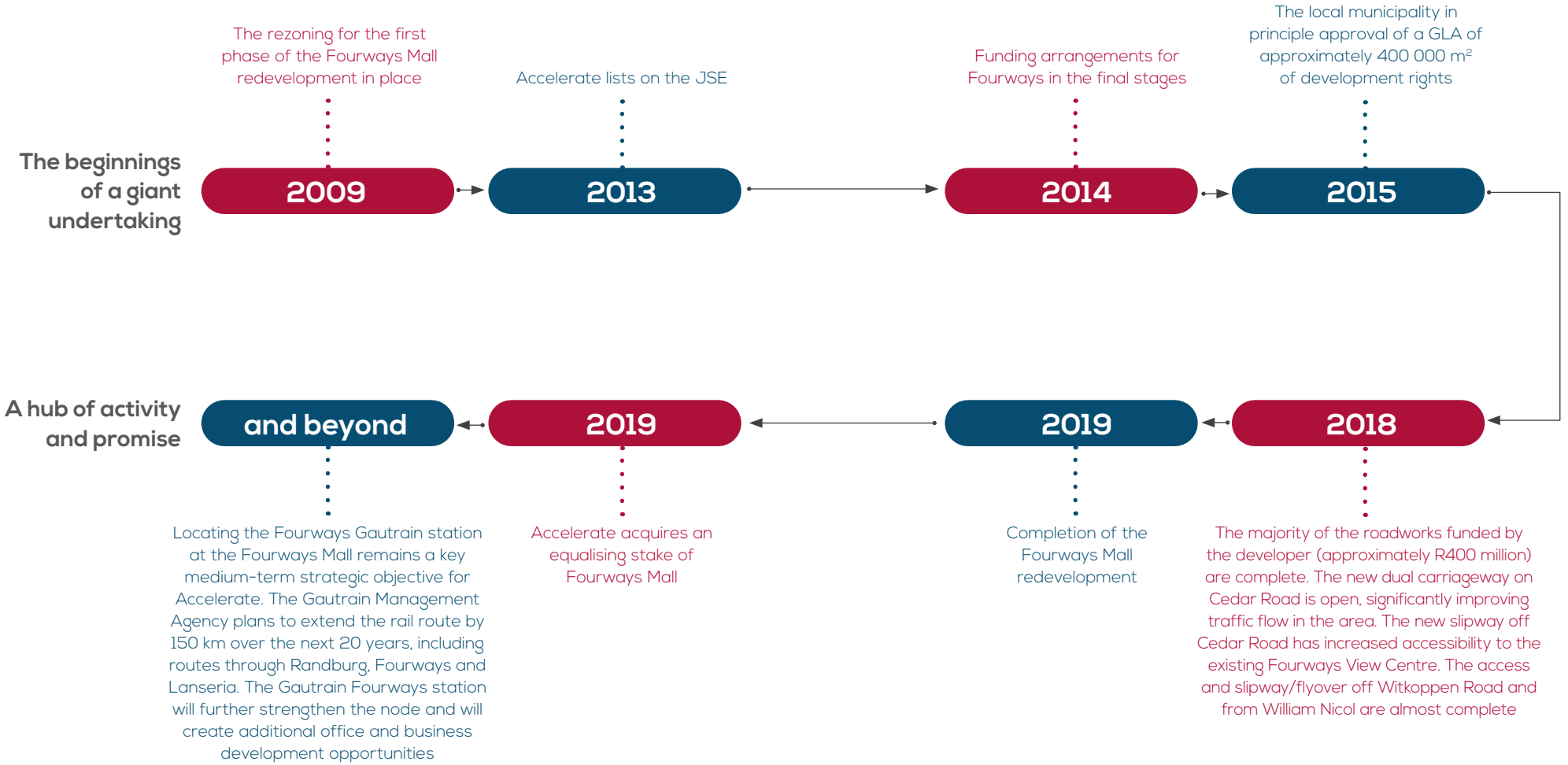
Fourways

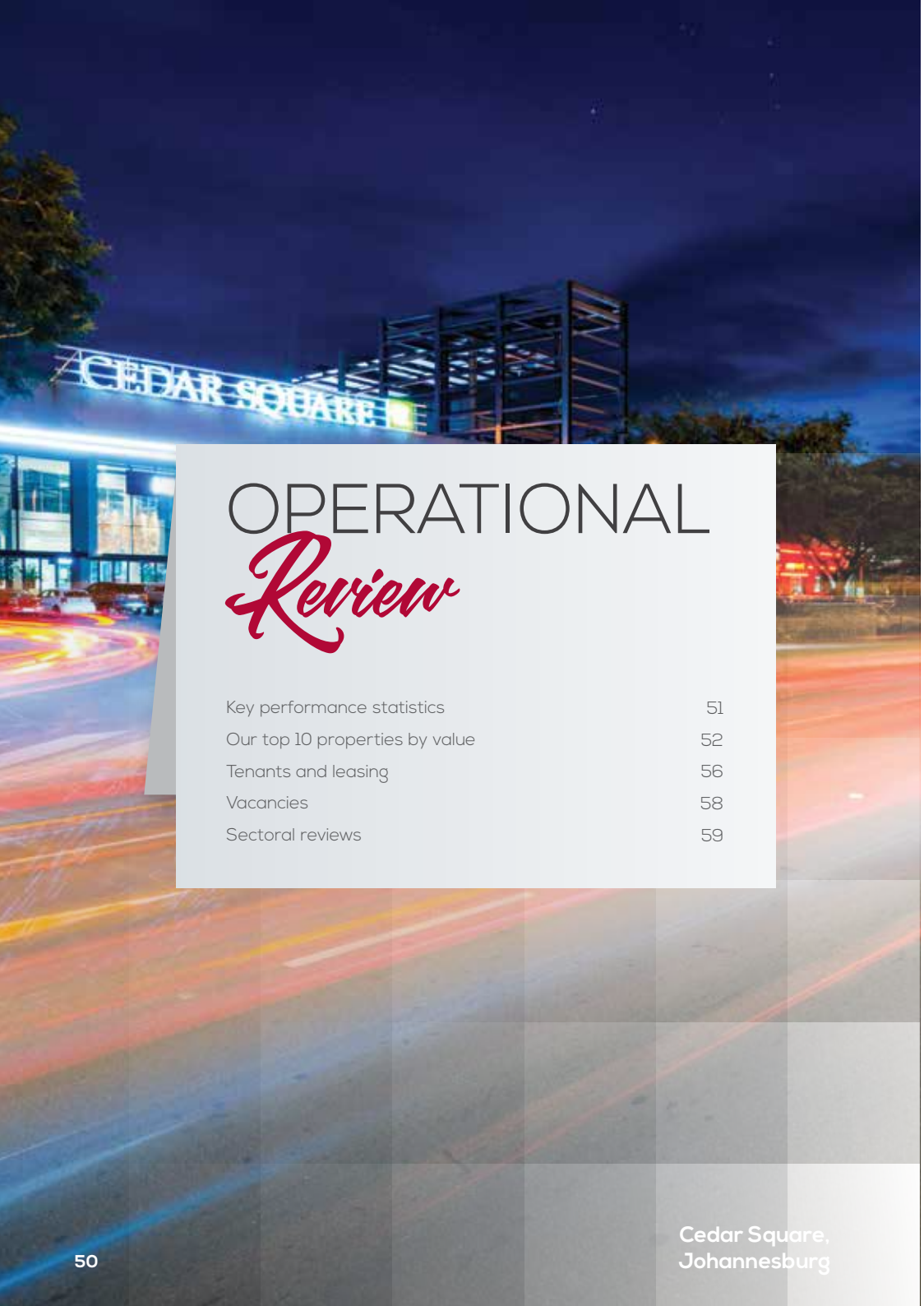
Fourways Mall Development

Developing Fourways Mall is our focus, with the opening date planned for 22 August 2019. This transformative development will create a super-regional mall, anchoring the fund in the Fourways node and providing a catalyst for future value creation. While having the 'typical' offerings of a super-regional, Fourways Mall will differentiate itself through its family entertainment offering. This offering will be anchored in the mall with, among others, Bounce Fourways and KidZania, an interactive 'city' built for children, blending learning with entertainment.

Fourways over time

With commercial, residential and mixed-use property in demand and unprecedented investment and development under way, the broader Fourways area continues to create value and deliver opportunity for investors across sectors as it offers a fresh alternative to Gauteng's older, more crowded nodes.





OPERATIONAL *Review*

Key performance statistics	51
Our top 10 properties by value	52
Tenants and leasing	56
Vacancies	58
Sectoral reviews	59

Cedar Square, Johannesburg

KEY PERFORMANCE *Statistics*

TOTAL FOR TOP 10 PROPERTIES COMPARED TO TOTAL PROPERTY PORTFOLIO

Fair value (%)

Top 10 properties	Rest of property portfolio
67,4 (2018: 65)	32,6 (2018: 35)

SECTOR SUMMARY

Sectoral type by GLA (%)

14,3 (2018: 13,5)	26,7 (2018: 26,8)	48,0 (2018: 49,2)	11,0 (2018: 10,5)

Sectoral type by gross revenue (%)

6,4 (2018: 5,7)	24,6 (2018: 26,3)	60,1 (2018: 59,7)	8,9 (2018: 8,3)

Sectoral type by fair value (%)

4,7 (2018: 4,3)	25,9 (2018: 27,5)	57,6 (2018: 57,7)	11,8 (2018: 10,5)

Industrial · Office · Retail · European retail

Gauteng

FOURWAYS MALL
(Gauteng)

Fair value

R3 421 564 916

CEDAR SQUARE SHOPPING CENTRE
(Gauteng)

Gauteng

Fair value

R1 003 453 189

PORTSIDE
(Western Cape)

Fair value

R817 275 653

Western Cape

KPMG CRESCENT
(Gauteng)

Fair value

R781 867 780

Gauteng

WIEN 3 (Austria)

Fair value

R703 692 132

Austria

CITIBANK (Gauteng)

Fair value

R298 400 000

Gauteng

FOURWAYS VIEW (Gauteng)

Fair value

R494 110 314

Gauteng

THE BUZZ SHOPPING CENTRE (Gauteng)

Fair value

R277 646 113

Gauteng

EDEN MEANDER (Western Cape)

Fair value

R475 213 463

Western Cape

BMW FOURWAYS (Gauteng)

Fair value

R267 788 926

Gauteng

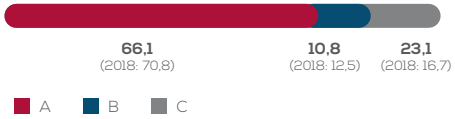
TENANTS AND *Leasing*

Profile: Our tenants are at the core of what we do and are critical for the sustainability of our business. Accordingly, our portfolio managers and leasing team are dedicated to sourcing new tenants, retaining existing tenants and negotiating lease agreements.

Accelerate's tenants are divided into the following three categories:

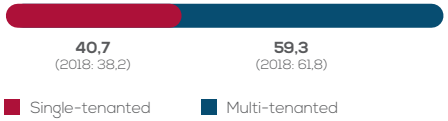
Tenant profile

Tenant profile by GLA (%)



A: Large national tenants and large listed tenants.
B: National tenants, listed tenants, franchises and medium to large professional firms.
C: Other, smaller non-listed and non-franchised businesses mainly owner-operated.

Single versus multi-let by GLA (%)

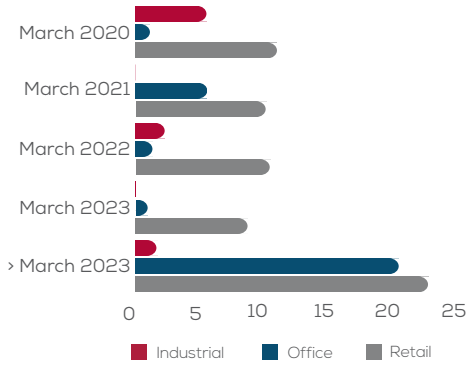


Tenant evaluation: We embark on a thorough evaluation process prior to signing a lease with a potential tenant. This allows us to gain a better understanding of a potential tenant's creditworthiness, trade history, and business or product suitability for our particular locations. From this evaluation, we build a comprehensive tenant portfolio.

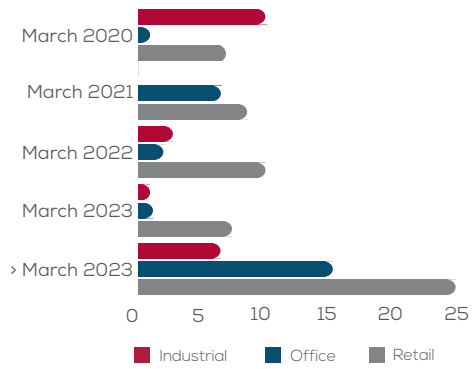
Tenant attraction and retention: Ensuring we attract and retain the right tenants is an important part of how we create value for our stakeholders. Our shopping centre and portfolio managers ensure that tenants are correctly placed to serve the centre's market, while also being cognisant of nearby competitors to ensure that we provide the best possible option for current and future tenants. Anchor tenants are strategically placed to maximise foot traffic through the centres. Given the current market conditions, we have taken a more proactive approach to assisting tenants where necessary.

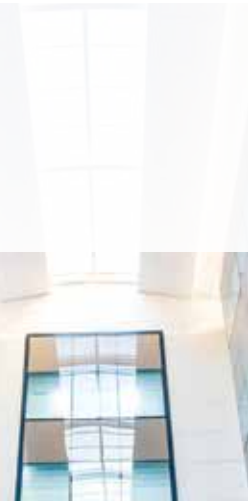
Leasing: The WALE of Accelerate's property portfolio by gross rental is defensive at approximately 5,3 years (2018: 5,5 years) as depicted in the graph below. Furthermore, the weighted average annual escalation across the fund's property portfolio is solid at approximately 7,4% (6,6% including our offshore portfolio) (2018: 7,7%/7,1%).

Lease expiry by revenue (%)



Lease expiry by GLA (%)





Vacancies

Portfolio managers as well as executives and senior management weekly monitor all vacancies and develop strategies to manage current and future vacancies. The vacancies per sector are shown in the table below:

Actual vacancy profile per sector as at 31 March 2019

		Total	Retail	Office	Industrial	Offshore portfolio
GLA (m^2)	**2019**	**601 506**	**288 581**	**160 475**	**86 557**	**65 893**
	2018	623 998	306 382	167 477	84 236	65 893
Vacancy (%)[1]	**2019**	**9,0**	**6,3**	**21,8**	**2,5**	**–**
	2018	10,0	5,6	15,7	22,7	–

[1] *Excludes properties under development.*

Portfolio managers, along with the head of leasing, are also responsible for continuously monitoring tenant profiles throughout the lease agreement period and engage with tenants to timeously address any issues. Tenants have unfettered access to their portfolio managers, as well as access to executives and senior management when necessary.

SECTORAL Reviews

The South African economic environment remains challenging, and unfavourable economic conditions continue to weigh heavily on property fundamentals during the financial year. Recent retailers' results echo these sentiments, with consumers' disposable income still under pressure and overall business sentiment poor. Based on this, it is critical that we remain committed to tenant retention, reduction of vacancies, cost control and protecting our income stream.

Accelerate's portfolio comprises properties in three sectors: retail, office and industrial, with a bias towards the retail sector. Consistent with our strategy from listing, we endeavour to create a long-term rental revenue income balance of:

- 70% from retail property
- 15% from office property
- 15% from industrial property

During the year, we entered into a joint venture with a leading property developer to develop approximately 500 residential units behind The Buzz and Waterford shopping centres in Fourways. We expect that phase 1 of The Buzz's development will be complete in the next financial year, further anchoring growth in the Fourways node and complementing The Buzz and Waterford centres which are directly adjacent to one another.

Indicator		Accelerate property portfolio (total)	Retail	Office	Industrial	Offshore portfolio
Number of properties	**2019**	**62**	**26**	**20**	**7**	**9**
	2018	67	29	22	7	9
Asset value (R'000)	**2019**	**12 668 686**	**7 301 732**	**3 287 297**	**579 735**	**1 499 922**
	2018	12 270 240	7 073 460	3 370 717	528 054	1 298 009
Value per sector (%)	**2019**	**100**	**57,6**	**26,0**	**4,6**	**11,8**
	2018	100	57,6	27,5	4,3	10,6
Average property value (R'000)	**2019**	**204 334**	**280 835**	**164 365**	**82 819**	**166 658**
	2018	183 137	243 912	153 214	75 436	144 223
Average escalation (%) (7,4% excluding offshore)	**2019**	**6,6**	**7,3**	**7,6**	**7,3**	**-**
	2018	7,1	7,7	7,7	7,8	-
Weighted average lease period (years)	**2019**	**5,3**	**4,7**	**5,9**	**3**	**11,3**
	2018	5,5	3,8	6,4	4,6	12,3

SECTORAL REVIEWS (CONTINUED)

RETAIL

The retail sector comprises 60,1% of our property portfolio by revenue and includes two regional shopping centres and a super-regional retail hub.

- Properties: **26** (2018: 29)
- GLA: **288 581 m²** (2018: 306 376 m²)
- Property value: **R7,30 billion** (2018: R7,1 billion)

The dominant Fourways retail node is characterised by high residential densification. It provides an alternative to Gauteng's older nodes, facilitates value creation and attracts tenants across all sectors. In 2019, we continued focusing on completing The Fourways Mall's Development , our flagship asset. The mall's redevelopment and expansion to a super-regional centre has been extended and should be completed during August 2019. At 174 000 m², it will be one of the largest shopping destinations in Africa, comprising approximately 450 stores.

Despite a recessionary macro economic environment, Fourways remains one of the fastest growing nodes in the country and the launch of Fourways Mall represents the first step in Accelerate's 15-year plan for the node, including enhanced office, hospitality and retail offerings.

Our Fourways retail portfolio comprises 77,4% of Accelerate's total retail portfolio value, and includes 11 letting properties, the majority of which are retail centres, in addition to the Fourways Mall Shopping Centre. Other prominent properties within the node include Fourways View, Cedar Square, The Buzz Shopping Centre, Fourways Game and Leaping Frog. As part of the Fourways Mall redevelopment, Fourways View and Fourways Game were incorporated into the completed Fourways Mall super-regional shopping centre. The balance of our retail portfolios comprises 14 other properties, including neighbourhood or convenience-type shopping centres, largely anchored by national and listed supermarket chains such as Shoprite Checkers, Spar and Pick n Pay.

Accelerate also owns three purpose-built motor dealerships close to the Fourways Mall Shopping Centre, being Cedar Isle BMW Fourways, Ford Fourways and Mazda Fourways.

Highlights

- The Fourways Mall Shopping Centre construction is in its final stages
- The Fourways retail market should continue growing through the development of housing estates in the Fourways catchment area. Growth in the node is underpinned by residential demand, the infrastructure development linked to road access and public transport
- A dominant retail node, the Fourways node is characterised by high residential densification within a strong LSM and quality trading demographics and densities. As a result of urbanisation and urban sprawl in Gauteng, Fourways is anticipated to annually grow in population by approximately 3,0%. Fourways' LSM profile has a stable middle/upper LSM (62% – LSM 4 to 10) with strength in the higher LSM brackets (31%)
- Tenant retention at Fourways Mall remains strong
- Cedar Square offers a uniquely diverse shopping experience for patrons, with wide ranging offerings from kids' entertainment, food, fashion retail and health. As part of an ongoing revamp of Cedar Square, Saigon Suzy and Big Bad Wolf will be opening in June 2019
- Eden Meander, a multi-tenanted lifestyle shopping centre near the residential hub of George in the Western Cape, acquired in 2016, is trading well, with trading figures significantly growing year on year

Challenges

- Increased rates and utility costs
- Low economic growth prospects for South Africa, placing retailers and REITs under pressure

Looking ahead

- Continue focusing on tenant retention and filling vacancies while protecting our income stream and maintaining an optimal tenant mix at our centres
- Improving quality and sustainability of our portfolio with strategic spend and reinvestment

SECTORAL REVIEWS (CONTINUED)

Building	Region	GLA (m^2)	Net rental (R/m^2)	Fair value 31 March 2019 (R)
Fourways Mall	Gauteng	61 634	278	3 421 564 916
Cedar Square Shopping Centre	Gauteng	44 418	100	1 003 453 189
Fourways View	Gauteng	12 731	191	494 110 314
Eden Meander	Western Cape	29 841	104	475 213 463
The Buzz Shopping Centre	Gauteng	14 118	102	277 646 113
Fourways Game	Gauteng	7 504	135	213 100 000
BMW Fourways	Gauteng	7 857	143	267 788 926
Leaping Frog	Gauteng	11 027	109	160 910 956
Kyalami Downs	Gauteng	13 649	85	145 778 853
Cherry Lane	Gauteng	11 504	74	101 100 000
Bosveld Bela Bela	Limpopo	15 998	58	110 882 820
Mazda Fourways	Gauteng	3 388	133	109 969 617
Mr Price	Western Cape	8 096	59	55 000 000
The Pines	Western Cape	7 619	58	56 400 000
East Lynn Shopping Centre	Gauteng	7 630	76	50 000 000
Ford Fourways	Gauteng	2 469	190	75 245 213
Waterford	Gauteng	6 682	76	76 019 175
Edgars Polokwane	Limpopo	4 500	86	51 546 333
Beacon Isle	Gauteng	2 080	121	30 300 000
Valleyview Centre	Gauteng	2 012	76	27 100 000
9 and 11 Main Road Melville	Gauteng	3 113	75	28 062 400
Cascades Shopping Centre	Gauteng	3 413	44	26 100 000
Corporate Park Corner Shopping Centre	Gauteng	4 252	45	22 944 940
7 Main Road Melville	Gauteng	1 978	68	16 191 140
14 Main Road Melville	Gauteng	1 068	41	5 303 400
		288 581		**7 301 731 768**

CASE STUDY

WHAT MAKES FOURWAYS UNIQUE?

The Fourways catchment area is primed for the future with a growing number of high-income residences in close proximity to future and current transport hubs. Fourways Mall is at the heart of this rapidly growing node. It is a transformative development, changing the face of northern Johannesburg.

Opening date

August 2019

Number of stores

Approximately **450 new stores** upon opening

LSM profile

Fourways' LSM profile is categorised by a **stable middle/upper** LSM with strength in the **highest** (10 and 10+) LSM brackets **(53%)**

Total GLA

178 000 m² (excluding Leroy Merlin's flagship store of approximately **18 000 m²**, which will be linked to the mall in due course, but not owned by the fund)

Number of entrances

A total of **52 entrances**, allowing for both card and pedestrian access

Total parking bays

Approximately **8 000**

Anticipated footfall

1,8 million to **2 million** on average per month

Anticipated WALE

Approximately **5,8 years**

Anticipated weighted average escalation

8,5% per annum

Gautrain

Locating the **Fourways Gautrain station** at the Fourways Mall is a key medium-term strategic objective for Accelerate. The Gautrain Management Agency is planning to **extend** the **rail route by 150 km** over the next **20 years**, including routes through Randburg, Fourways and Lanseria

Our anchor tenants include:

Entertainment

KidZania	6 774 m²
Bounce Inc	3 677 m²
Ster-Kinekor	1 975 m²
The Fun Company	1 350 m²

Fashion and food retail

Woolworths	11 495 m²

Food retail

Checkers	7 762 m²
Pick n Pay	2 810 m²
Food Lover's Market	2 398 m²

Home accessories

Mr Price Home	1 810 m²
@Home	1 498 m²

Fashion

Edcon group	16 052 m²
Truworths	4 144 m²
Foschini group	7 161 m²
Mr Price	1 985 m²
Cotton On	1 307 m²
H&M	2 678 m²
LC Waikiki	1 196 m²
Cape Union Mart	1 533 m²
Ackermans	1 576 m²

Retail

Game	5 744 m²
Dion Wired	1 000 m²
Dis-Chem	2 367 m²
Toys R Us	1 341 m²
West Pack	2 221 m²

CASE STUDY (CONTINUED)

SHOPPERTAINMENT OVERVIEW

Shopping centres continue evolving to meet consumer demands and with the rise of online shopping, the entertainment element is more important than ever before. To remain relevant, malls should offer shopping, as well as convenience, entertainment and experiences for the whole family.

McKinsey research highlights that successful malls of the future will differentiate their offerings, focusing on experience and convenience. They will leverage technology and multi-channel strategies and explore new formats. Malls offering multi-sensory experiences will gain an increasing number of visitors.

That is where shoppertainment comes in; a combination of shopping and entertainment taking the drudgery out of shopping and spicing it up with various entertainment options appealing to the whole family.

For example, Fourways Mall, in the heart of one of the most rapidly growing areas in the country, offers many retail options, and also offers family entertainment, like Bounce, cinemas, adventure golf, ten pin bowling and the soon to be opened KidZania, an 8 000 m² children's edutainment city.

KidZania is an interactive city combining inspiration, fun and learning through realist roleplay. In collaboration with industry partners, KidZania is designed to deliver immersive, realistic experiences and fabricated environments where children discover, explore and learn about real-life employment. Each experience is designed to empower children, giving them the confidence to be their best selves, and to inspire great global citizenship.

Another initiative to enhance the shopper experience is by creating themed zones, such as a food court or entertainment zone, a specialised fashion zone, and a home interest zone. These zones are strategically linked to assist shoppers in navigating their way through expansive malls and help them plot time spent in each section to make the most of their experience.

Several exciting venues within Fourways Mall are open in line with its strategy of creating an unprecedented family-oriented shopping experience, with others to follow by the time the project is complete in August this year.

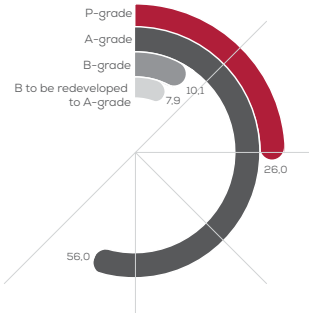
OFFICE

Accelerate's office property portfolio predominantly consists of P and A-grade (73% by value) properties situated in Gauteng and the Western Cape.

- Properties: **20** (2018: 22)
- GLA: **160 475 m²** (2018: 167 475 m²)
- Property value: **R3,3 billion** (2018: R3,4 billion)
- Key nodes: Foreshore and Charles Crescent

We have mainly blue-chip national tenants. Leading tenants include Primedia, Oceana, Citibank, EXL, Lindt, China Construction Bank, Zai Lab, KPMG and Regus.

Office ratings by revenue (%)



SECTORAL REVIEWS (CONTINUED)

Highlights

- Potential redevelopment of the Charles Crescent node, which is close to the M1/N3 highways, Gautrain and Rea Vaya Bus Rapid Transport System stations
- Acquisition of Brooklyn Place in the Charles Crescent node
- P and A-grade properties continue performing well – quality is a differentiator in a constrained office market
- Portside vacancy reduced to 3,4% at 31 March 2019

Challenges

- Oversupply of office space in Sandton
- Increased rates and utility costs
- Vacancy rates of B-grade offices are high due to an oversupply in the market

Looking ahead

- We are focused on attracting and retaining quality tenants through tailored upgrades and enhancements to existing assets
- Potential development opportunities

Building	Region	GLA (m^2)	Net rental (R/m^2)	Fair value 31 March 2019 (R)
Portside	Western Cape	25 224	203	817 275 653
KPMG Crescent	Gauteng	20 096	259	781 867 780
Citibank	Gauteng	12 433	173	298 400 000
KPMG Wanooka Place	Gauteng	6 762	257	240 000 000
Oceana House	Western Cape	7 254	167	193 945 738
Primovie Park	Gauteng	17 177	56	160 600 000
73 Hertzog Boulevard	Western Cape	5 470	90	158 135 356
1 Charles Crescent	Gauteng	13 723	62	106 901 053
Thomas Pattullo Building	Western Cape	6 084	115	104 550 463
Flora Park	Gauteng	15 401	55	78 000 000
Glen Gables	Gauteng	8 297	74	45 000 000
99 to 101 Hertzog Boulevard	Western Cape	3 620	111	54 800 000
89 Hertzog Boulevard	Western Cape	4 500	109	52 371 233
Brooklyn Place	Gauteng	2 862	71	30 543 138
KPMG Polokwane	Limpopo	1 484	206	45 794 512
9 Charles Crescent	Gauteng	4 298	59	36 400 000
Exact Mobile	Gauteng	1 104	165	33 549 506
KPMG Secunda	Mpumalanga	830	168	20 880 616
KPMG Port Elizabeth	Eastern Cape	1 054	127	20 082 361
610 Voortrekker Road, Brakpan	Gauteng	2 802	33	8 200 000
		160 475		**3 287 297 409**

CASE STUDY

PORTSIDE TOWER: INVESTMENT CASE

The Portside Tower is an iconic feature of Cape Town's skyline, boasting expansive views of the mother city.

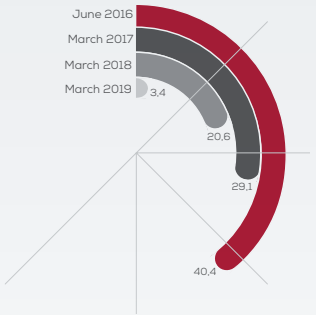
Purchasing approximately 50% this remarkable building gave us the opportunity to expand in the Foreshore node in the Western Cape and capitalise on an opportunity to expand within Cape Town's growing property market.

The Portside Tower offers 57 000 m² P-grade office space and is South Africa's only five-star green tall building, as rated by the Green Building Council of South Africa (GBCSA). The tower was built with the vision of redeveloping the Foreshore node – it is located in the heart of the city's financial district in close proximity to the Cape Town International Convention Centre, the V&A Waterfront, a MyCiTi Bus Stop, Cape Town Station, banks, hotels and a Virgin Active.

Acquired from Old Mutual in June 2016, purchasing an approximately 50% share of the building was an important part of Accelerate's growth strategy. At the time of the sale, approximately 75% of our portion of the building was vacant and therefore securing the right tenants was a priority for the management team.

Following a targeted approach to identifying and securing top-quality tenants, the vacancies were reduced to 3,4% from approximately 40%.

Vacancy (%)



INDUSTRIAL

Our industrial portfolio comprises seven properties in prime locations in Port Elizabeth, Cape Town and Johannesburg.

- Properties: **seven** (2018: seven)
- GLA: **86 557 m²** (2018: 84 236 m²)
- Property value: **R0,6 billion** (2018: R0,6 billion)

While our industrial exposure is limited, we are committed to managing these properties to optimise value for both the business and our tenants.

Highlights
- The majority of our properties in our industrial portfolio are underpinned by long-term net leases
- Vacancies decreased to 2,5% as at 31 March 2019, down from 22,7% at 31 March 2018

Challenges
- The weak economic environment resulted in some softer rentals in order to manage vacancies

Looking ahead
- The focus remains on maximising value by improving letting and increasing efficiencies

Building	Region	GLA (m²)	Net rental (R/m²)	Fair value 31 March 2019 (R)
Checkers Montague	Western Cape	26 890	57	170 342 857
Edcon Warehouse	Western Cape	14 775	47	91 650 811
MB Technologies	Gauteng	6 000	119	90 177 253
Accéntuate	Gauteng	13 566	43	68 692 300
Pick n Pay	Eastern Cape	7 983	68	71 911 967
Meshcape Building	Gauteng	13 898	35	58 766 688
10 Charles Crescent	Gauteng	3 445	61	28 193 200
		86 557		**579 735 076**

SECTORAL REVIEWS (CONTINUED)

OFFSHORE PORTFOLIO

Our offshore portfolio consists of six well-located retail warehouse properties in Austria and three in Slovakia, with all nine properties leased by OBI, one of the largest specialist DIY retailers in central and eastern Europe.

- Properties: **nine**
  (2018: nine)
- GLA: **65 893 m²**
  (2018: 65 893 m²)
- Property value:
  R1,5 billion
  (2018: R1,3 billion)

Our international investment philosophy focuses on developing and acquiring long-term, single-tenant net lease properties that are strategic to blue-chip multinational or large regional tenants, in countries that meet defined minimum investment criteria and are also considered core markets to such tenants.

Our scalable international operating platform exists to respond to any identified opportunities that would benefit Accelerate's shareholders. The holding company in the structure is based in Amsterdam, of which 96,4% is owned by Accelerate. The remaining 3,6% is owned by on-the-ground management executives.

Our offshore investment has proven to be defensive with a WALE of 9,9 years and is an important source of geographic revenue diversification for Accelerate.

Highlights

- The Austrian portfolio performing within expectations and the Slovakian operation exceeding expectations
- Properties externally revalued upwards in June 2018 to €91,6 million

Challenges

- Rental growth is challenging in a low inflation environment

Looking ahead

- We will continue focusing on creating value with a single-tenant strategy in our offshore portfolio
- The platform is scalable with on-the-ground deal origination and finance functions, and remains poised to capture opportunities in line with our strategy

Building	Region	GLA (m²)	Net rental (€/m²)	Fair value 31 March 2019 (€)
Austria				
OBI – Mauthausen	Oberösterreich	5 146	8,4	7 237 000
OBI – Hallein	Salzburg	3 739	4,7	3 053 000
OBI – Bruck/ Mur	Steiermark	6 823	5,7	6 500 000
OBI – Mürzzuschlag	Steiermark	5 822	7,2	7 519 000
OBI – Rosental	Steiermark	3 316	6,4	3 598 000
OBI – Wien	Wien	16 356	12,6	42 940 000
Slovakia				
OBI – Martin	Martin	7 950	4,4	6 218 600
OBI – Kosice	Kosice	8 054	4,2	6 589 600
OBI – Nitra	Nitra	8 687	4,6	7 872 200
		65 893		**91 526 800**

CORPORATE *Governance*

Chairman's review	75
Board of directors	78
How we are governed	82
Remuneration review	102
Social, ethics and transformation committee review	113

Eden Meander, George

CHAIRMAN'S *Review*

Q&A with our outgoing interim chairman, Dr Gert C Cruywagen, and incoming chairman, Mr Timothy J Fearnhead

We are committed to and continue evaluating ways of enhancing our transparency, accountability and ethical leadership practices.

KEY MESSAGES

- Performance in a tough economy
- Demonstrating good governance
- Processes to achieve an optimal board composition

Q: What is your opinion of the external environment during the reporting year?

Tim: The economic environment in South Africa remains challenging. The tough economic climate continues to weigh heavily on property fundamentals, and I believe the sector will remain under pressure during 2019.

These sentiments are more than my personal opinion and are reinforced by the recent retailers' results, indicating that consumers' disposable income is under pressure and overall business sentiment is, unfortunately, quite poor.

Q: Given this context, how did the group perform, and what is the board's assessment of this performance?

Gert: It is a challenging time for all businesses in the country. However, as a retail-focused fund, the financial struggles of the South African consumer are particularly relevant for us as these pressures affect our shoppers – the people who frequent our malls.

While the economic realities weighed on the fund's performance, and despite the challenges faced, we as a board are pleased with the progress made against our strategic goals during the year. The opening of the Fourways Mall super-regional shopping centre is imminent, and this is the most important milestone for the fund since listing.

Q: How would you characterise Accelerate's approach to governance and how does this add value to the business?

Tim: Since 2013, the board has been on a journey of continuous improvement to advance the way we function. This primarily involves moving from an owner-managed business to a listed entity that must comply with the regulations that come with the responsibility of acting as stewards of shareholder investments.

To this end, it has always been our objective to have robust governance structures. Moreover, we seek to pursue holistic and value accretive governance practices that ensure the best outcomes for all our stakeholders. This is a goal we remain committed to, and we continue evaluating ways of enhancing our transparency, accountability and ethical leadership practices.

Q: Governance is a topical issue for investors and stakeholders. How is governance within Accelerate adding value to the business?

Gert: Recent corporate failings have eroded investor confidence. As a board, we understand the focus required to continuously demonstrate what has always been a key tenet to the way we operate – that is, that effective corporate governance is the foundation on which our business is built.

As a member of the King Committee on Corporate Governance, I recognise that this requires more than simply a compliance approach to how we perform our duties. We follow the spirit of King IV and believe that governance can contribute to value creation by ensuring the correct checks and balances are in place, and by ensuring enhanced accountability to shareholders through better risk and performance management.

Q: How does the board promote achieving the four governance outcomes as described by King IV?

Tim: The board takes the lead in facilitating these outcomes. We are committed to leading the company with integrity, ensuring good governance which, in turn, promotes effective control and legitimacy.

Operational control is exercised through the CEO and COO, who are accountable to the board and its committees through providing regular reports.

These are all the working parts, and the working relationship between these parts is key to ensuring the best outcomes. We work well together as a team but also allow for rigorous debate.

Gert: During my time on the board, we never went through a vote in board deliberations. We discuss every issue from all angles until we reach an agreement. This type of engaged leadership and robust debate ensures that the best outcomes are achieved for the business.

Q: How has Accelerate sought to achieve an optimal board mix?

Tim: It is our objective to ensure that the board has the right skills and experience to lead Accelerate into the future, though the right composition goes beyond skills and experience. It includes background, personality and various elements of diversity. Achieving the right balance is not a simple task, but it is essential in ensuring the board can objectively and effectively discharge its governance roles and responsibilities.

Gert: Agreed. We have recently appointed additional non-executive directors to the board, focusing on property and financial skills, taking into account the need to strengthen diversity on the board. At all times, the goal is to achieve an optimal composition that creates and sustains value for the company.

Q: Any closing comments?

Tim: I would like to convey a special word of thanks to Mr Tito T Mboweni for the direction he has provided as chairman of Accelerate since listing, and to Dr Cruywagen for his strong leadership and wise counsel during this transitionary period. I also express my confidence in the leadership team and thank them for their unwavering efforts in the past year.

Gert: In closing, on behalf of the board, I take this opportunity to thank our stakeholders for their continued support and convey my gratitude to my fellow directors for their sustained efforts in guiding Accelerate to achieve its objectives while always demonstrating the ethical and effective leadership we expect to see implemented throughout the organisation.

Dr Gert C Cruywagen
Outgoing chairman
20 June 2019

Mr Timothy J Fearnhead
Incoming chairman
20 June 2019

BOARD OF *Directors*

EXECUTIVE DIRECTORS

Mr Michael N Georgiou (49)
CEO

Appointed: 1 January 2013
Committee: IC
Expertise: Acquisitions, disposals, finance, property development, property management

Mr Andrew Costa (48)
COO

Appointed: 1 April 2013
Committees: IC, RemCo
Qualifications: BCom, LLB
Expertise: Acquisitions, capital markets, disposals, finance, investment banking, legal, property management

Mr John RJ Paterson (45)
Executive director

Appointed: 1 January 2013
Committees: IC, SETCo
Qualifications: BA, LLB, LLM
Expertise: Acquisitions, capital markets, disposals, finance, investment banking, legal, property management

Mr Dimitri Kyriakides (64)
CFO

Appointed: 1 January 2013
Committee: TG
Qualification: CA(SA)
Expertise: Audit, accounting, acquisitions, disposals, finance, IT, property development, property management

Note: Mr John RP Doidge (70), independent director appointed 1 June 2013 and retired 31 March 2019.

Detailed biographies of our leadership team can be found on acceleratepf.co.za/investor-centre/integrated-annual-report/

NON-EXECUTIVE DIRECTORS

Mr Timothy J Fearnhead (70)
Independent director and chairman

Appointed: 1 June 2013
Committees: NomCo (chairman), RemCo
Qualifications: CTA, CA(SA), AdvDip (Banking)
Expertise: Audit, banking, corporate governance, finance, insurance, remuneration, risk management

Dr Gert C Cruywagen (63)
Lead independent director

Appointed: 1 June 2013
Committees: ARC (chairman), IC (chairman), Nomco
Qualifications: MBSc, PMD, PhD, FIRM(SA), CRM Prof (SA), RIMS CRMP (US)
Expertise: Compliance, corporate governance, insurance, risk management

Ms Kolosa Madikizela (39)
Independent director

Appointed: 1 June 2013
Committees: ARC, SETCo (chairman)
Qualification: MTech (Construction Management)
Expertise: Property development, property management

Ass. Prof Francois M Viruly (60)
Independent director

Appointed: 1 April 2014
Committees: IC, RemCo (chairman)
Qualifications: BA, BA (Hons), MA
Expertise: Property economist

ARC	Audit and risk committee	**SETCo**	Social, ethics and transformation committee
RemCo	Remuneration committee	**IC**	Investment committee
NomCo	Nominations committee	**TG**	Technology governance subcommittee

BOARD OF DIRECTORS (CONTINUED)

Subsequent to year-end, the following three non-executive directors were appointed:

Mr George Cavaleros (62)

Independent director

Appointed: 1 May 2019
Committees: ARC, RemCo and NomCo
Qualifications: CA(SA), CFA, CIA, ACIS
Expertise: Finance, audit, insurance, remuneration, capital markets, compliance, accounting

Mr Abel M Mawela (57)

Independent director

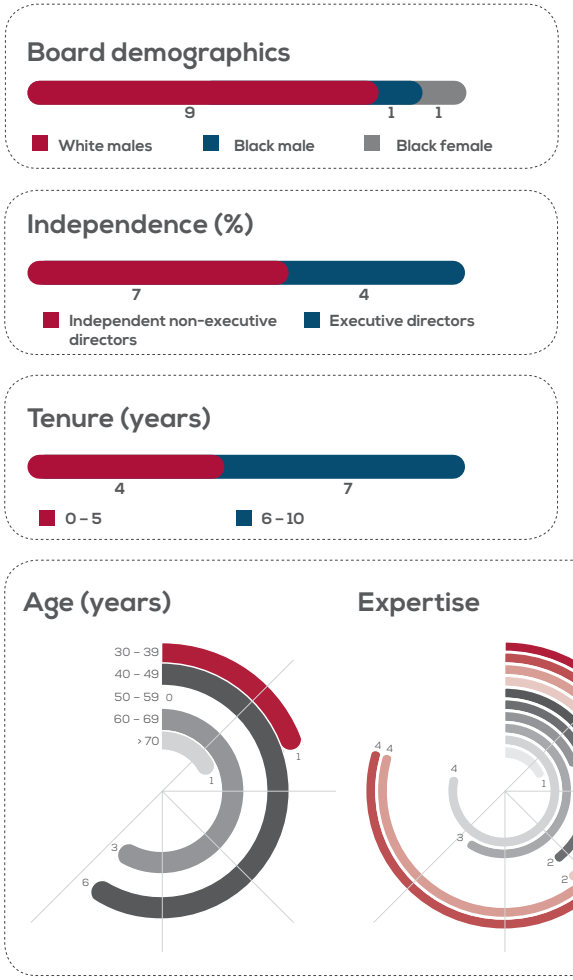
Appointed: 1 May 2019
Committees: ARC, SETCo
Qualifications: MBA, BCom (Hons)
Expertise: Finance, audit, corporate governance, insurance, risk management, compliance, accounting

Mr Dawid J Wandrag (67)

Independent director

Appointed: 1 May 2019
Committees: IC, TG (chairman)
Qualifications: BCom (Accounting)
Expertise: Acquisitions, disposals, finance, property development, property management, audit, banking, corporate governance, insurance, risk management, capital markets, legal, compliance, IT

BOARD COMPOSITION



HOW WE ARE *Governed*

The board of directors embraces good corporate governance, which exceeds mere compliance. Good corporate governance is embedded in the company culture and underpins long-term value creation and sustainability. The board proactively manages its governance framework, enhancing structures, policies and processes, as appropriate. The focus on a high standard of corporate governance ensures the board's effective functioning and successful implementation of the company's strategy.

Please refer to our website for our King IV application register for further details on our application of the King IV principles.

LEADERSHIP STRUCTURE

Accelerate has a unitary board structure with board committees that focus on key strategic areas in line with the committee members' expertise and experience. The structure of the board and its committees is simple and transparent, enabling an efficient and timely flow of information from the board and its committees through the CEO, COO and the executive team into the group, as well as ensuring accountability upwards from the board to shareholders. The board annually reviews its delegation of authority framework and confirms that it is satisfied with its contribution towards appropriate role clarity between the board, its committees and executive management.

Appropriate policies and procedures provide the parameters for the committees to fulfil their mandates and add value to the effective functioning of the board and, ultimately, to create value for stakeholders.

The board of directors confirms its accountability for effective corporate governance. This is enshrined in its commitment to leading the company with integrity, competence, responsibility, fairness and transparency.

The board comprises four independent non-executive directors and four executive directors. The board embarked on a recruitment process for new directors to replace Mr Tito T Mboweni, who resigned from the board on 11 October 2018 to take up the position as finance minister of South Africa, and Mr John RP Doidge, who retired from the board on 31 March 2019. The new board members, Messrs George Cavaleros, Abel M Mawela and Dawid J Wandrag were appointed to the board subsequent to year-end, on 1 May 2019. Their extensive experience and expertise will strengthen the finance and property experience on the board.

The new board complement of 11, of whom seven are independent non-executive directors and four executive directors, will ensure a balance of power so that no one director may have undue influence on board processes and decision-making. The fact that the company has a lead independent director even though the chairman of the board is independent, also strengthens the overall balance and independent judgement brought to decision-making. Having four executive directors on the board provides the board with comfort that it receives diverse points of view from an executive perspective. This contributes to robust debates and the decision-making process. Following the new appointments to the board, the composition of the board committees was reviewed to take effect on 1 May 2019. A review of the qualifications experience, disciplines, generations, gender and racial diversity of the directors, as detailed in the notice of AGM, indicates that the directors meet several diversity criteria to satisfactorily fulfil their fiduciary duties and duties of care, skill and diligence.

Accelerate embarked on an extensive search process, using an external board recruitment service provider, to replace the two independent directors who stepped down during the year. An independent third party verified a shortlist of proposed candidates, who were then interviewed by a panel of several board members. During this process, the board was mindful of its aspiration of gender balance and diversity as and when opportunities arise. The shortlist of candidates, as recommended by the nominations committee, was approved by the board.

The board also considered succession planning. The current chairman, Mr Timothy J Fearnhead, was previously the chairman of the audit and risk committee and the only chartered accountant on the board. Accordingly, it was important to bolster the audit and risk committee by appointing a second chartered accountant to the committee. The board also decided to further strengthen the property expertise available to guide the company in these difficult times.

Newly appointed directors are required to retire at the first AGM following their appointment, and may be re-elected by shareholders, if eligible and available. The nominations committee has reviewed the competence, performance, diversity and expertise of the retiring directors, being Dr Gert C Cruywagen and Ass. Prof Francois M Viruly, and concluded that their performance meets or exceeds expectations. Accordingly, the board will recommend their re-election as directors at the 2019 AGM. Mr John RP Doidge, who retired from the board on 31 March 2019, although eligible, has not made himself available for re-election. The newly appointed independent non-executive directors, Messrs Cavaleros, Mawela and Wandrag, also retire at the upcoming AGM and are eligible and available for re-election. The board recommends that shareholders approve the re-election of all five retiring directors to the board.

The average board tenure of directors is six years. Assessing the independence of board members was included in the 2019 board evaluation process, following which the board concluded that no non-executive director has served on the board long enough to compromise objective judgement or cause any bias in decision-making.

HOW WE ARE GOVERNED (CONTINUED)

THE REGULATORY AND GOVERNANCE ENVIRONMENT

The board and its committees have sound robust policies and processes in place to ensure that all applicable laws, regulations and governance codes and standards are adhered to. The ethos and ethical values are incorporated in the code of ethics and other governance policies. Compliance is an integral part of the company's strategy. The board confirms that no penalties, sanctions or fines for contraventions of or non-compliance with statutory obligations, were imposed on the company or any of its directors for the year under review.

The compliance framework covers, inter alia, managing risks and opportunities, effective controls, information and technology governance, ensuring an ethical culture, assurance of material matters and integrated reporting, both financial and non-financial, to stakeholders. The board complies with legislation, various codes and regulations such as the Companies Act, the JSE Listings Requirements, the Income Tax Act, REIT legislation and King IV. A register of key acts impacting the company's performance and operations is biannually interrogated by the audit and risk committee. All policies are reviewed on a regular basis as well as when new legislation or amendments to existing legislation comes into effect.

The board oversees processes that ensure each business area and every employee of the company are responsible for acting in accordance with sound corporate governance principles in their relationships with management, shareholders and other stakeholders.

ETHICAL CULTURE

The board strives to ensure that its actions reflect its commitment to leading ethically. The social, ethics and transformation committee increased its focus on ethics management by having a training session on its role, aligned to King IV. The role of the social, ethics and transformation committee has evolved over the past few years to play a more prominent role in ethics management and to ensure that an ethical culture and ethical conduct permeate throughout the group.

Accelerate has a code of ethics that incorporates its values, which include integrity, trust and honesty, in its relationships with various stakeholders. Accelerate expects its suppliers, clients and other stakeholders in the value chain to adhere to its ethical code. The social, ethics and transformation committee is responsible for monitoring Accelerate's ethical conduct. The board upholds the protection of human rights as encapsulated in the South African Constitution and Bill of Rights. The board confirms that Accelerate adheres to the 10 principles of the United Nations Global Compact.

Further details of the activities of the social, ethics and transformation committee are discussed in the committee's review on page 113.

CONFLICTS OF INTEREST

Accelerate's conflict of interest policy guides directors and senior management on how perceived and actual conflicts may arise and should be declared. The board is cognisant that managing potential conflicts of interest arising through related party transactions is key to Accelerate's ongoing success.

The aim of the policy is to protect the company and individuals from any appearance of impropriety and to ensure compliance with statutory and best practice requirements. The policy covers the statutory provisions in section 75(5) of the Companies Act and the JSE Listings Requirements regarding related party transactions. In addition, the policy includes guidance on when to declare any gifts or hospitality a director or senior management may receive in connection with their role in the company. The conflict of interest policy was reviewed and strengthened during the year as part of the board's commitment to upholding and implementing ethical conduct.

BOARD CONTRIBUTION TO STRATEGIC DELIVERY AND VALUE CREATION

The board is responsible for managing the company and ensuring its long-term economic, social and environmental sustainability. The purchase of quality assets and the disposal of non-core properties are indicative of the company's commitment to long-term sustainability as opposed to pursuing short-term yields. This is underpinned by ongoing

HOW WE ARE GOVERNED (CONTINUED)

innovation, such as differentiating the company's retail properties, its strategic offshore diversification in 2016 and the passion of the executive team. The board regularly reviews its governance framework to ensure its relevance and contribution to value creation. Some of the initiatives that took place during the year under review include the following:

Function	Outcome
• The company secretary function was brought in-house	• More gravitas to the role • Deepens the commitment to good corporate governance
• Social media was included in the IT usage policy	• Meets new legislative requirements
• Procurement governance was identified as an area for development	• Procurement was holistically reconsidered with various operating procedures in the process of being finalised for approval by the audit and risk committee
• The technology governance committee became a subcommittee of the audit and risk committee	• The change in structure aligns more closely with its actual role in the governance structure
• A review of policies in place was undertaken	• Potential areas of improvement in policies were identified and policies have been bolstered. Legislative developments were addressed in the relevant policies
• The role of the social, ethics and transformation committee was expanded and many of its corporate social investment (CSI) programmes reached a more mature level	• More effective CSI programmes • Bursary programme streamlined

The board has a formal charter, which it reviews and approves annually. The charter sets out the board's role, powers and responsibilities, as well as differentiating the roles of the chairman, lead independent director, non-executive directors, CEO and CFO.

The board confirms that the company has complied with all material aspects of King IV, the mandatory corporate governance provisions in the JSE Listings Requirements and the board charter for the year under review.

KING IV OUTCOMES

The board implements the 16 good corporate governance principles, as described in King IV, through a wide range of good governance practices and processes which are articulated in the company's King IV application register. This is available on the company's website. These practices and processes result in the following outcomes:

ETHICAL CULTURE

An ethical culture underpins our approach to business. Across the company, we strive to conduct ourselves ethically in everything we do in line with our values and the terms of our board charter.

PERFORMANCE

Our strategy is designed to deliver good performance over the short, medium and long term. Performance is connected to our immediate financial results and the long-term growth prospects of the business.

EFFECTIVE CONTROL

While the board is ultimately responsible to shareholders, our governance structures ensure there is an effective delegation of responsibility to enable sustainable delivery.

LEGITIMACY

Linked to our ethical culture is a desire to be scrupulous in the way we conduct our business. We endeavour to be a responsible corporate citizen – contributing to the growth of the communities we operate in.

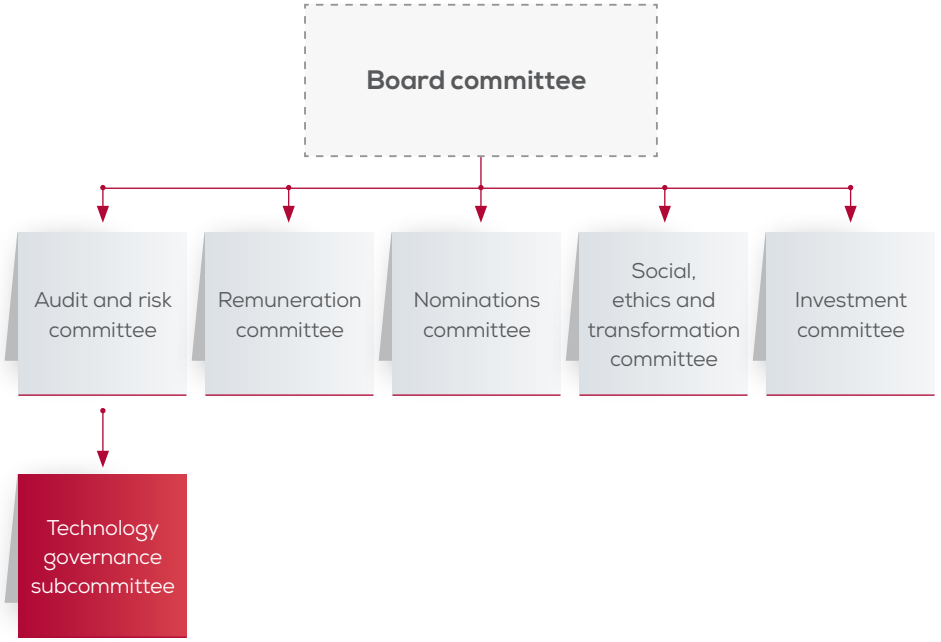
HOW WE ARE GOVERNED (CONTINUED)

DELEGATION TO BOARD COMMITTEES

The board has established various committees that promote efficient and effective decision-making while acknowledging that it is ultimately accountable for the affairs and functions of the company. Directors are appointed to board committees with reference to their specialised skills, experience and various other diversity criteria. The board receives reports on the activities and recommendations of each committee at the board meeting following a committee meeting.

The board is satisfied that all committees fulfilled their responsibilities in accordance with their terms of reference.

The material matters addressed by each board committee are reflected on pages 89 to 95.



REMUNERATION COMMITTEE

The committee is satisfied with the overall remuneration policy and strategy to recruit and retain key talent.

Members

Independent non-executive directors
FM Viruly (chairman)
GC Cruywagen
TJ Fearnhead
G Cavaleros

Executive director
A Costa

Strategic objective alignment

The committee's objective is to ensure that the company has an optimal remuneration strategy based on a fair and responsible reward policy which aims to attract, retain and motivate employees and non-executive directors for achievements in line with the company's strategic objectives.

Reviewed

- Board evaluation report

Approved

- Executive directors' KPIs
- Remuneration, inclusive of short and long-term incentives for executive directors
- Annual work plan

Recommended to the board

- Committee's terms of reference
- Non-executive directors' remuneration for approval by shareholders
- Amended remuneration philosophy
- Remuneration report for inclusion in the integrated report

Accelerate's remuneration review and remuneration report are discussed on pages 102 to 112.

HOW WE ARE GOVERNED (CONTINUED)

AUDIT AND RISK COMMITTEE

The committee is satisfied with the overall control environment, including controls supporting the financial statements for the year ended 31 March 2019, as confirmed by the internal and external auditors.

The committee and the board are satisfied that there is adequate segregation between the external and internal audit functions, and that the independence of the internal and external auditors is not in any way impaired or compromised.

Members

Independent non-executive directors

GC Cruywagen (chairman)

K Madikizela

G Cavaleros (appointed 1 May 2019)

AM Mawela (appointed 1 May 2019)

Permanent invitees

Executive directors

Financial manager

Internal auditors

External auditors

Strategic objective alignment

The committee's objective is the governance of risk and the internal control environment to support the company's strategic objectives and ensure the integrity of financial reporting.

Monitored

- Insurance cover
- Legal and compliance matters
- Technology and information governance
- Risk register and risk reports
- New accounting standards
- The Independent Regulatory Board for Auditors' (IRBA) assessment on EY and audit partner
- Treasury guidelines

Reviewed

- Financial statements and key indicators
- Significant matters considered in the annual financial statements include revenue recognition and valuations of investment properties

Approved

- Internal audit plan and fees
- Internal audit activity charter
- 2018 external year-end audit plan and audit fees
- Confirmed the independence of the auditor
- Non-audit services provided by the external auditors which fall within the policy limit of R500 000
- Nominated the appointment of the auditor and audit firm, following a review of the information detailed in paragraph 22.15(h) of the JSE Listings Requirements
- Appropriateness, experience and expertise of the CFO and financial function
- Fixed assets policy
- Annual work plan
- Appropriateness of the financial reporting procedures and that those procedures are operating

Future focus areas

- Ensure that new committee members are appointed following the appointment of new board members
- Improve risk management

Recommended to the board

- Interim and year-end financial results and distributions
- Integrated report
- Budget for 2020 financial year
- Going concern principles
- IT governance framework
- Policy for the governance of risk
- Committee's terms of reference

HOW WE ARE GOVERNED (CONTINUED)

NOMINATIONS COMMITTEE

The committee embarked on an extensive recruitment process to fill the two independent non-executive directors' vacancies. This process was finalised shortly after the financial year-end.

Members

Independent non-executive directors

TJ Fearnhead (chairman)

GC Cruywagen

G Cavaleros (appointed 1 May 2019)

Executive director

A Costa

Strategic objective alignment

The committee's objective is to assist the board in ensuring that an accountable and transparent process is followed in the appointment of directors to establish an optimally diverse board and committee composition.

Future focus area

- Recommend the appointment of new board members and reconstitute the board committees accordingly

Recommended to the board

- Committee's terms of reference
- Re-election of retiring directors
- Re-election of members of the audit and risk committee
- Amended diversity policy

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The committee is satisfied that it complied with its terms of reference.

Members

Independent non-executive directors

K Madikizela (chairman)

FM Viruly

AM Mawela (appointed 1 May 2019)

Executive director

JRJ Paterson

Permanent invitees

Head of marketing

Managing director of Accelerate Property Management Company

Strategic objective alignment

The committee's objective is to oversee statutory responsibilities, organisational ethics and corporate citizenship that is aligned with the company's business.

Recommended to the board

- Social, ethics and transformation committee report for inclusion in the integrated report
- Committee's budget for the 2019/2020 financial year
- Committee's terms of reference

Approved

- Annual work plan
- Employment equity plan for 1 October 2016 to 30 September 2021
- CSI proposals
- The appointment of Afrika Tikkun to manage community projects in Diepsloot

Monitored

- Significant cases of misconduct, fraud, dishonesty or whistle-blowing activities
- Ethical culture
- Compliance with statutory obligations detailed in Regulation 43 of the Companies Act
- Implementation of the bursary programme

Future focus areas

- Develop a holistic social and ethics strategy
- Finalise the ethics matrix

Accelerate's social, ethics and transformation committee review can be found on pages 113 to 117.

HOW WE ARE GOVERNED (CONTINUED)

INVESTMENT COMMITTEE

The committee is satisfied that it appropriately interrogated investment and disinvestment proposals and capital expenditure before approving or making recommendations to the board.

Members

Independent non-executive directors
GC Cruywagen (chairman)

FM Viruly

DJ Wandrag (appointed 1 May 2019)

Executive director
A Costa

MN Georgiou

JRJ Paterson

Permanent invitees
D Kyriakides

All non-executive directors that are not members of this committee

Strategic objective alignment

The committee's objective is to examine proposed investments, potential acquisitions and disposals and capital projects above executive management's authority levels prior to recommendation to the board and approve acquisitions/disposals and capex projects within its delegation of authority.

Future focus areas

- Oversee equalisation process

Approved

- Investments and disposals
- Establishment of subcommittee (project equalisation) to address and monitor all aspects of equalisation relating to Fourways Mall

Recommended to the board

- Accepts or rejects proposed investments and disposals on a case-by-case basis
- Committee's terms of reference

The investment committee holds ad hoc meetings as and when required to approve strategic acquisitions, disposals, developments or redevelopments.

TECHNOLOGY GOVERNANCE SUBCOMMITTEE

The board approved the conversion of the technology governance committee into a subcommittee of the audit and risk committee.

Members

Independent non-executive directors
DJ Wandrag (chairman) (appointed 1 May 2019)

Executive director
D Kyriakides

Senior management
P Grobler

Permanent invitees
Internal auditors

Strategic objective alignment

The subcommittee's objective is to ensure the effective management of technology and the protection of IT to support the company setting and achieving its strategic objectives.

Future focus areas

- Improve and streamline the IT system

Monitored

- IT risks, controls, system integrity and passwords
- Chief information officer's report
- Strategic alignment between IT and the company's strategy

Recommended to the board

- Amended policy for the governance of technology

Approved

- Purchase of IT systems
- IT usage policy
- Annual work plan
- Appointment of IT contractor

The subcommittee is satisfied that it complied with its terms of reference.

HOW WE ARE GOVERNED (CONTINUED)

BOARD AND COMMITTEE MEETING ATTENDANCE

The board has six scheduled meetings which comprise four quarterly meetings, an annual strategy meeting and a meeting to appoint the chairman of the board for the ensuing financial year. The number of meetings is appropriate for the optimal functioning of the board. These meetings are structured so that the majority of time spent by the board focuses on developing, implementing and monitoring the company's strategy, operational business plans, governance and its social commitments. Additional meetings are held as required.

The board and committee meeting attendance for the year under review is detailed below:

Director	Board**	Audit and risk committee	Remuneration committee***	Nominations committee	Social, ethics and transformation committee	Investment committee	Technology governance subcommittee
TT Mboweni[1]	3/3	–	2/2	–	–	–	–
A Costa	8/8	4/4*	3/3	1/1	–	1/1	–
GC Cruywagen[2]	7/8	2/4	1/3	1/1	–	1/1	–
JRP Doidge[3]	7/8	3/4	2/3	1/1	3/3	–	–
TJ Fearnhead	8/8	4/4	3/3	1/1	–	–	3/4
MN Georgiou	8/8	1/4*	–	–	–	1/1	n/a
D Kyriakides	8/8	4/4*	–	–	–	1/1	4/4
K Madikizela	8/8	3/4	–	–	3/3	–	–
JRJ Paterson	8/8	4/4*	–	–	3/3	1/1	–
FM Viruly	8/8	–	–	–	3/3	–	–

* *By invitation.*

** *Three special board meetings were held to report back on shareholder engagement and the vendor loan.*

*** *One special remuneration committee meeting was held to address share scheme matters.*

1 *Mr Tito T Mboweni resigned as a director on 11 October 2018.*

2 *Dr Gert C Cruywagen was appointed chairman of the board from 11 October 2018 to 31 March 2019 and accordingly resigned from the audit and risk committee on 11 October 2018. He was appointed member and chairman of the nominations committee and a member of the remuneration committee on 11 October 2018.*

3 *Mr John RP Doidge retired from the board on 31 March 2019.*

HOW WE ARE GOVERNED (CONTINUED)

Integrated risk management

Accelerate recognises the importance and benefits of managing risk in a structured way and adhering to best practice. The governance of risk policy and the risk register are key governance tools for risk management implementation and monitoring. Key risks are identified, ranked and allocated to a senior manager to take accountability thereof. Mitigating actions are agreed to, implemented and monitored. The residual likelihood and impact of each risk are assessed and monitored on an ongoing basis.

The risk governance regime reinforces a strong risk management culture throughout the group. The policy for the governance of risk contains risk management standards and guidelines that apply the principles of King IV. The policy is reviewed annually, and any changes are submitted to the audit and risk committee for consideration and recommendation to the board for approval. The audit and risk committee confirms that it has adopted an appropriate risk management policy and further confirms that it has monitored compliance therewith in all material respects. Accelerate's management is responsible for implementing the risk management functions and the policy in their respective areas. In this way, the risk management efforts are optimised.

The audit and risk committee assume overall responsibility for monitoring Accelerate's risk management performance and interrogates Accelerate's risk register at its quarterly meetings. Key risks and opportunities are determined in relation to the potential impact on our earnings sustainability and our ability to create value for stakeholders.

On the audit and risk committee's recommendation, the board annually reviews its risk tolerance and risk appetite limits. To assess Accelerate's risk tolerance, the audit and risk committee identifies the main business risks for the company, the factors that impact/influence the risks, the tolerance limit per risk, how Accelerate can mitigate each risk and the impact on Accelerate if a particular risk level is breached. An assessment is also made of the potential upside or opportunity associated with each risk and the potential negative effects on the six capitals.

Accelerate recognises the wide range of risks and opportunities to which it is exposed. It is therefore a strategic objective of Accelerate to develop, implement and maintain a risk management programme that will assist Accelerate in meeting its strategic objectives, in particular to:

- Identify, quantify and mitigate the significant risks that may affect Accelerate
- Identify, quantify and exploit the opportunities presented to Accelerate
- Maintain and further develop risk governance
- Maximise long-term shareholder value
- Develop and protect our people
- Protect our assets and the environment
- Facilitate our long-term growth under all business conditions
- Protect the reputation and brand name of Accelerate

To achieve these strategic objectives, Accelerate ensures that it operates the risk management programme effectively, and continuously reviews and seeks to improve its adequacy and efficacy.

Internal audit

The board ensures that the internal audit function is risk-based. This is monitored and controlled by the audit and risk committee.

LateganMashego Audit and Advisory (Pty) Ltd is Accelerate's internal auditor. The internal auditor submits an annual assessment on the effectiveness of the governance, risk management and financial control process within Accelerate to the audit and risk committee for consideration and recommendation to the board. The board relies on this assurance for its risk-related financial reporting obligations. The board and the audit committee are satisfied that the arrangements for the internal audit are effective.

The audit committee is satisfied that internal controls are adequately designed and function effectively.

The technology governance subcommittee reviews and monitors the matters relating to technology and information governance that arise from the internal audit reports.

The board is of the opinion that the company's risk management processes and the systems of internal control are effective.

Assurance

The board, with the assistance of the audit and risk committee, oversees that the assurance services and functions support the integrity of:

- Information used for internal decision-making by management, the board and its committees
- External reports

The board and the audit committee are satisfied that the company has established appropriate financial reporting procedures and those procedures are operating effectively.

Based on the recommendation of the audit and risk committee, the board considers and confirms the going concern status of the company in the preparation of the financial statements at the interim reporting period and at year-end. The assumptions underlying

HOW WE ARE GOVERNED (CONTINUED)

the going concern statement include profitability, budgets, profit forecasts and resources. In addition, the solvency and liquidity requirements, as required by the Companies Act, are considered. The board is satisfied that the company will continue as a going concern into the foreseeable future and the annual financial statements have been prepared on this basis.

The board is confident that there are no known events or conditions that may give rise to business risks that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern.

The integrity and reliability of the financial statements, accounting policies and the information contained in the integrated report are assured through a robust, integrated process which is reviewed by management and then the audit and risk committee prior to recommendation to the board. The board is satisfied that internal and external audits provide appropriate and effective assurance in respect of the control environment, risk management and the reliability of the financial statements.

The audit and risk committee is satisfied that the external auditor is independent of Accelerate and that the level of non-audit services provided by EY did not negatively impact their independence. The audit and risk committee also confirms that it is satisfied with the quality of the external audit including the results articulated in the accreditation pack issued by IRBA.

PERFORMANCE EVALUATION RESULTS

A formal internal board, committee, chairman and individual directors' evaluation took place through questionnaire-based assessments for the year under review. The process was facilitated by the company secretary and overseen by the remuneration committee and thereafter discussed by the board. The results confirmed that the board continues to function effectively, with open and candid debates. The board dynamics and compilation of the board agendas enable the directors to spend an appropriate amount of time focusing on key challenges and strategic objectives.

The independence of non-executive directors' forms part of the board evaluation. There are no directors who have served on the board for more than nine years. The strong independent component of the board ensures that no individual director has unfettered powers of decision-making and authority.

The chairman of the board was satisfied that the board and its committees were operating effectively. The lead independent non-executive director confirmed that Mr Tito T Mboweni's leadership during the financial year was effective and contributed to the functioning of the board. Likewise, Mr Timothy J Fearnhead, the new chairman, confirmed that Dr Gert C Cruywagen headed up the board effectively during the second half of the year.

COMPANY SECRETARY

The company secretary is Ms Joanne Matisonn (FCIS; HDip Co Law (Wits); MA in applied ethics for professionals (Wits)). The board is satisfied that she has the requisite skills, attributes and experience to effectively fulfil the duties of a company secretary of a public, listed company. Ms Matisonn has 25 years' experience as a company secretary and proactively assists the board in its governance initiatives and fulfilling its statutory and fiduciary duties and obligations.

The board annually considers the skills and experience of the company secretary. The board was satisfied with the level of competence, qualifications and experience of Ms Matisonn as required in terms of paragraph 3.84(h) of the JSE Listings Requirements.

Ms Matisonn is not a director and is not connected to any director in a way that could result in a conflict of interest. Accordingly, the board is comfortable that she maintains an arm's length relationship with the board.

STAKEHOLDER RELATIONSHIPS

The board appreciates that stakeholders' perceptions affect Accelerate's reputation. Accelerate's stakeholder engagement policy provides the framework to effectively communicate and engage with its stakeholders. The company is committed to creating and maintaining inclusive, honest and mutually beneficial relationships with its stakeholders through ongoing dialogue and communication initiatives. Stakeholder engagement is focused on the most pertinent concerns that impact stakeholders and that provide the greatest benefit to the company and its stakeholders. Through regular dialogue with stakeholders, we mitigate risks, identify new business opportunities, improve financial results and comply with best practice corporate governance guidelines. Accelerate has partnered with Articulate Partners to assist with investor relations.

The company is committed to improving the lives of people in the communities in which it operates, with the bulk of its CSI budget allocated to providing bursaries at tertiary level to students from previously disadvantaged backgrounds. In addition, its CSI initiatives are focused on the communities in Fourways where it operates its key business.

Looking ahead, we will continue collaborating with our tenants to ensure their sustainability in our buildings, with a focus on minimising our environmental impact and the ramifications of planned electricity outages. We regularly review our stakeholder engagement activities in an endeavour to enhance our stakeholder engagement programmes.

Further details of the company's commitment to stakeholders is included in the stakeholder engagement report on pages 28 to 30.

REMUNERATION *Review*

LETTER FROM THE REMUNERATION COMMITTEE CHAIRMAN

Dear shareholders

The board of Accelerate Property Fund Ltd and the remuneration committee are pleased to submit the remuneration committee's report setting out the company's performance, key highlights and challenges for the year ended 31 March 2019. This report was compiled together with Mr John RP Doidge, who chaired the remuneration committee until his retirement from the board on 31 March 2019.

The year under review has been extremely challenging. An underperforming economy, political uncertainty and difficult market conditions in general have impeded our ability to meet all our strategic objectives. Our key achievements during the year were substantial sales of non-core properties and balance sheet optimisation initiatives, a portion of which was used to reduce debt. In addition, the Citibank redevelopment was completed, and the Fourways Mall Development and equalisation process is close to completion. However, irrespective of the macroenvironment, we still need to ensure that our remuneration structures are sufficiently attractive to recruit and retain the calibre of employees Accelerate needs to realise its business strategy.

In 2017, Accelerate advised shareholders that its long-term strategy required a period of quality asset growth. This is to be followed by a period of consolidating that growth which could result in flat or negative growth in dividends. This has been a general trend in the property sector for the past two years. The factors over which executives have control and those which are beyond their control have been considered in implementing the remuneration philosophy and policy.

A detailed review of Accelerate's strategy and how it has addressed its challenges can be found in the COO's review on pages 18 to 20.

Targets for executives' short-term incentives (STIs) and long-term incentives (LTIs) require performance and effective decision-making for the long-term sustainability of the company for pay-out of any STI, and for vesting of long-term awards. This drives the appropriate behaviour in executives to align them with the interests of stakeholders. We have endeavoured to build appropriate safeguards into the remuneration structures to discourage behaviour that exposes the group to unnecessary risk. Failure to meet financial and personal performance targets may result in no payment of STIs and/or LTIs.

Shareholders approved the company's remuneration philosophy and implementation report at the 2018 AGM. We are pleased to advise that we received sufficient support to be comfortable that our remuneration philosophy and implementation of the remuneration policy meets shareholders' expectations and is aligned with the REIT sector, and more specifically, to REITs of a similar size and investment profile.

Accelerate values high-performance employees, especially those able to make decisions in the company's best long-term interest. Accelerate endeavours to benchmark its executives and senior management to the upper quartile of the appropriate peer comparison group.

Accelerate's remuneration advisors, 21st Century, reported that executives were broadly remunerated in line with the market (with the exception of the STIs generally and the retention value of the LTIs of certain executives, which were found to be substantially below the peer group) and adjustments were made as appropriate.

Non-executive directors' fees reflect the directors' roles and membership of the board and its committees. Currently, the fees comprise an aggregate board base fee plus additional fees for each committee a director is a member of. In the committee's view, the fees paid to non-executive directors are sufficient to attract board members with the appropriate level of skill and expertise.

The calculation of fees paid to non-executive directors was also reviewed. Non-executive directors' fees are broadly based on a retainer for board meetings and a fee per meeting for all committee work. As a result of the difficult economic conditions, it was decided that non-executive directors' fees will not be increased. This decision was approved by shareholders. However, for the 2019/2020 financial year, shareholders will be asked to approve a special resolution increasing existing non-executive directors' fees, and approving fees for new directors appointed to the board on 1 May 2019.

The remuneration committee is satisfied that the remuneration philosophy is fair, transparent and responsible in that there is a remuneration philosophy which is annually reviewed and approved.

Remuneration for executive and non-executive directors is benchmarked by an independent service provider. Challenging KPIs are put in place for executive directors and their performance is reviewed against agreed KPIs.

We wish to thanks Mr John RP Doidge for his contribution to the effective functioning of the remuneration committee.

In conclusion, the remuneration committee is satisfied that it fulfilled all its objectives in line with its terms of reference for the year under review. We continue striving to improve our remuneration practices and look forward to receiving your support on the resolutions for both the remuneration policy and the implementation report at the AGM on 24 July 2019.

Associate Prof Francois M Viruly
Chairman of the remuneration committee
20 June 2019

REMUNERATION REVIEW (CONTINUED)

REMUNERATION PHILOSOPHY

Scope and application
This philosophy sets the guidelines for all permanent employees of the company.

The remuneration committee
The board of directors delegates formal terms of reference, which represent the scope of responsibility, to the committee. In turn, the committee reports to the board on its activities at the board meeting following a remuneration committee meeting. The remuneration committee chairman attends the AGM to respond to questions from shareholders within its areas of responsibilities. The remuneration committee confirms that it has satisfactorily discharged its functions and complied with its terms of reference.

Key principles of remuneration
The principles of remuneration underpin each component of the philosophy, and represent the company's remuneration approach, providing guidance for the basis upon which employees are rewarded, namely:

- The remuneration policy should align closely and transparently with the agreed company strategy and be reviewed regularly in light of changes in the business strategy
- The remuneration policy should be considered in light of its affordability to the company, with particular consideration paid to the aggregate impact of employees' remuneration on the finances of the company, its capital and investment needs, and distributions to shareholders
- The remuneration policy should promote risk management and discourage behaviour which is contrary to the company's risk management strategy and which may drive excessively risky behaviour
- The remuneration policy should be transparent and easy to understand and apply
- The remuneration policy should be equitable, striking a balance between internal and external equity
- Guaranteed remuneration should be aligned to the job requirements and competence of each individual employee
- Remuneration should be strongly linked to performance, resulting in sustainable long-term benefits to the company
- Remuneration should be delivered in the form of a balanced pay mix, which comprises the following components:
  - Basic cash
  - Variable remuneration (STI and LTI)

Fixed remuneration and benefits
Accelerate follows a total guaranteed package (TGP) approach to structure remuneration. The TGP includes the total benefit to the individual and the total cost to the organisation. The TGP approach reflects employees' job worth within the company, and the package is payable for executing the expected day-to-day requirements. We believe that this approach forms the basis for Accelerate's ability to attract and retain the required high-calibre skills.

Remuneration process
Annual reviews
The purpose of the annual review process is to review where the employee's remuneration is in relation to the market and make necessary adjustments in line with the remuneration policy.

Annual adjustments
In order to determine an appropriate annual adjustment, Accelerate considers numerous factors. These factors include consumer price index (CPI), affordability, the financial position of the company, market movements, the employee populations' market position and the necessity to retain top talent.

The adjustments will be conducted in accordance with the following guidelines:

- The cost of living adjustments take into account the current CPI and other factors such as external environment and market pressures
- Market adjustment and/or parity increases, which seek to address internal inequalities within the organisation by awarding an additional amount to employees who are performing and are paid below market
- The desire to reward and retain top talent in an environment of scarce skills

REMUNERATION REVIEW (CONTINUED)

Benchmarking and position in the market

To ensure that the company remains competitive, all elements of remuneration are subject to regular reviews against relevant market and peer data. Reviews are performed to benchmark remuneration against an appropriate peer group of comparable companies. Benchmarking is undertaken by an external remuneration consultant. The comparator group that was utilised is detailed below:

Comparator group	
Attacq Properties Ltd	Rebosis Property Fund Ltd
Fairvest Property Holdings Ltd	Redefine Properties Ltd
Fortress Income Fund Ltd	Resilient Reit Ltd
Growthpoint Properties Ltd	SA Corporate Real Estate Fund Ltd
Hyprop Investments Ltd	Texton Property Fund Ltd
Investec Property Fund Ltd	Vukile Property Fund
Octodec Investment Ltd	

Variable remuneration

Accelerate endeavours to ensure a strong link between strategic objectives and remuneration policies and practices. To this end, Accelerate has two plans to reward performance in the short and long term:

1. The STI plan is designed to create a performance culture and reward employees against predetermined targets.
2. The LTI plan, which is a CSP, is designed to attract, retain and reward participants by annually awarding shares. It provides employees with the opportunity to share in the success of the company, and it incentivises them to deliver on the business strategy over the long term. It also encourages employees to make the right decisions for the long-term sustainability and success of the company. This will align key employees with shareholders and other stakeholders.

STI

Purpose and principles of the STI

The Accelerate STI plan is based on the following principles:

- All employees are eligible for an annual STI
- It is limited to a maximum of 1,25 x TGP
- The annual STI is calculated on an additive basis, and will be based on both personal and business scores, determined with reference to the financial performance of the company and the achievement of personal KPIs or such other measures set by the committee from time to time, as follows:

  The STI indicators are reviewed annually to ensure relevance.

Indicator		Weighting (%)
Business/financial indicator[1]		75
Achievement of financial metrics, including:		
LTV ratio	10	
- Debt expiry profile	10	
- Interest rate hedging	10	
- Hedging expiry profile	10	
- Debt rating	10	
Achievement of operational metrics, including:		
- Property cost to income ratio	5	
- Vacancies	7,5	
- Operating expense ratio	7,5	
- Arrears (as percentage of revenue)	5	
Personal indicator		25
- Achievement of personal KPIs, including:		
- Key executive responsibilities	10	
- Compliance with industry best standards	5	
- Development of people/culture/values	10	

[1] *Subject to adjustments approved by the remuneration committee. Such adjustments would be for instances such as acquisitions, disposals and redevelopments during the performance period.*

LTIs

Regular annual awards of conditional shares are made in terms of the CSP on a consistent basis to ensure long-term shareholder value creation. The CSP makes shares available to executives and selected senior management of Accelerate Property Management Company (Pty) Ltd to align their interests with those of Accelerate's shareholders.

REMUNERATION REVIEW (CONTINUED)

The conditional shares vest on condition of continued employment and appropriate performance conditions. The performance conditions are measured over a three-year period, in line with the company's financial year-end.

The essential features of the CSP are detailed below:

Purpose	The primary intent of the CSP is to provide an opportunity for executives and senior management to receive shares in the company, thereby aligning their interests with those of shareholders and other stakeholders. This is done through awarding conditional shares.
Operation	Conditional shares vest on condition of continued employment (employment condition) and appropriate performance results (performance condition(s)). The performance conditions are measured over a three-year period, in line with the company's financial year-end. Regular annual awards of performance units are made in terms of the CSP on a consistent basis to ensure long-term shareholder value creation.
Participants	Selected senior employees of the company and Accelerate Property Management Company are eligible to participate, at the remuneration committee's discretion.
Performance period	The performance conditions are measured over a three-year period, in line with the company's financial year-end.
Maximum value of award	The maximum annual face value of the LTI is based on market benchmarks obtained from independent experts.
Plan limits	The aggregate number of shares that may be allocated under the CSP is subject to an overall limit of 5% of the issued share capital, and an individual limit of 1,5% of the company's issued share capital.
Performance conditions	The performance conditions are objective and include one or more of the following: • Growth in dividend per share (internal benchmark, and peer group comparison if possible/appropriate) • Outperformance relative to SA All Bond Index (ALBI) • Outperformance relative to Listed Property Index (SAPI)

Non-binding vote

Accelerate's remuneration philosophy and implementation report were put to shareholders for a non-binding vote on 25 July 2018. 90,01% were in favour of the philosophy and 90,82% were in favour of the implementation report. The next vote will be on 24 July 2019 at our AGM.

IMPLEMENTATION REPORT

Non-executive directors' remuneration

Non-executive directors do not hold contracts of employment with the company and play no part in any STI or LTI. Their fees are annually reviewed by Accelerate and submitted to shareholders for approval.

The committee recommends the non-executive directors' fee structure to the board for approval and recommendation to shareholders to approve at the upcoming AGM.

The resolutions relating to non-executive directors' fees for the 2019 financial year can be found in the notice of AGM.

Non-executive directors' fees for 2018 and 2019 are as follows:

	31 March 2019 (R'000)	31 March 2018 (R'000)
TT Mboweni (1 April to 11 October 2018)	**634**	975
GC Cruywagen	**414**	412
TJ Fearnhead	**430**	424
JRP Doidge	**400**	388
K Madikizela	**360**	358
Ass. Prof FM Viruly	**360**	358

Executive directors' remuneration

Fixed remuneration is determined through the annual review process which considers an employee's remuneration rate in relation to market averages. Any adjustments to remuneration pay are made in accordance with the company's remuneration philosophy. The annual review commences every March, and any rate changes will become effective on 1 July.

REMUNERATION REVIEW (CONTINUED)

The executive directors' TGP and STI remuneration for the 2018 and 2019 financial year are as follows:

	31 March 2019 (R'000)	31 March 2018 (R'000)
TGP		
MN Georgiou	**Nil**	Nil
A Costa	**4 325**	3 993
D Kyriakides	**3 150**	2 815
JRJ Paterson	**3 387**	3 064
STI PAYMENT		
MN Georgiou	**Nil**	Nil
A Costa	**1 850**	Nil
D Kyriakides	**1 050**	Nil
JRJ Paterson	**1 350**	Nil

Share options outstanding at the end of the period under review, which only vest on the specified dates, if the vesting conditions have been met, are as follows:

	Performance shares		Retention shares		Vesting dates		
Director	**Shares (number)**	**Accrual at 31 March 2019 (R)**	**Shares (number)**	**Accrual at 31 March 2019 (R)**	**Vesting 31 March 2020 year-end**	**Vesting 31 March 2021 year-end**	**Vesting 31 March 2022 year-end**
M Georgiou	4 135 035	6 228 595			1 422 386	1 617 626	1 095 023
M Georgiou			1 095 023	718 943			1 095 023
A Costa	4 135 035	6 228 595			1 422 386	1 617 626	1 095 023
A Costa			1 095 023	718 943	–	–	1 095 023
D Kyriakides	1 526 693	2 014 826			422 872	524 635	579 186
D Kyriakides			579 186	380 268	–	–	579 186
JRJ Paterson	2 611 739	3 898 712			884 186	1 005 551	722 002
JRJ Paterson			722 002	474 034	–		722 002
Total	**12 408 502**	**18 370 728**	**3 491 234**	**2 292 188**	**4 151 830**	**4 765 438**	**6 982 468**

REMUNERATION REVIEW (CONTINUED)

Share options exercised (number of shares)	Year ended 31 March 2019	Year ended 31 March 2018
MN Georgiou	**1 012 514**	–
A Costa	**2 068 158**	2 122 826
D Kyriakides	**440 084**	719 283
JRJ Paterson	**1 313 453**	1 410 928

The maximum number of shares that 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).

Employees

Our employees are key to the success of our business. We believe in a high-performance culture and strive to ensure this culture filters down from the management team to each employee. We take care to select people who display a passion for the property industry and enhance the DNA of the company.

The performance of all Accelerate's employees is annually reviewed against KPIs to measure their performance. These reviews are set to ensure our company's strategic objectives are met, and that employees have attained their goals.

Ongoing training and professional development, as well as career path guidance, ensure each employee understands his or her current value to the company and where a potential career path with the company can lead to.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE *Review*

OUR VALUES

INTEGRITY

To be accountable for our actions, to be consistently fair to others, and to be truthful and respectful

HONESTY

To be reliable, approachable, sensitive to the needs of others, open and honest

TRUST

To be trustworthy in our dealings and interactions with all stakeholders

These core values are supported by:

COMPETENCE

To channel our skills and abilities into innovative and efficient outcomes that we deliver with energy and professionalism

COOPERATION

To work together in an entrepreneurial spirit, sharing information, knowledge and resources towards achieving our individual and overall organisational performance objectives

COMMITMENT

To be committed to our respective jobs, customers and other stakeholders by delivering beyond expectations of quality, punctuality and efficiency

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REVIEW (CONTINUED)

Accelerate affirms that, as a good corporate citizen, it has rights, responsibilities and obligations to the broader society and the natural environment in which it operates. This interdependency not only makes good business sense but is the right way to conduct our business as the creation of wealth for the company also creates wealth for our stakeholders. The implementation of being a good corporate citizen focuses on creating sustainable economic growth for the company, as well as creating sustainable social and economic benefits for both internal and external stakeholders and protects the natural capital that sustains our way of life.

We acknowledge the important role of communities within our geographical footprint in maintaining our social licence to operate and, therefore, the need to invest in them. We primarily invest in outreach programmes in schools in the Fourways area – our main operating business environment – and a bursary programme at tertiary level. These initiatives demonstrate Accelerate's commitment to be a responsible and contributing corporate citizen.

Accelerate's focus on education has positive outcomes in the economy, local communities and environment. Where appropriate, we partner with relevant local and national organisations, as well as our retail tenants, to reach our objectives of uplifting local communities and contributing to job creation.

The social, ethics and transformation committee monitors Accelerate's activities in line with its mandate, including:

- Social and economic development
- Corporate citizenship
- Consumer relationships
- Labour and employment issues
- Legislative and regulatory requirements

The social, ethics and transformation committee spent the majority of its time and budget on implementing its tertiary level bursary programme. In addition, it appointed Afrika Tikkun as a credible partner to manage its projects in Diepsloot. These projects were expanded to support students in enhancing their educational journey, from foundation level to tertiary level, thereby improving their prospects of obtaining meaningful employment.

Some of the initiatives undertaken during the year include the following:

DIRECTORS/EMPLOYEES

Strategic objectives

Despite having few employees, we aim to make a difference in their lives, as well as the lives of their families, by providing them with income, educational opportunities and skills development. Talented, passionate employees are integral to our success. Providing a congenial, safe environment in which employees can realise their full potential benefits them and the company.

Project implementation

- Adherence to legislation
- Monitor ethical culture and behaviour and ensure words match actions
- The board and senior employees participated in a Henley Masterclass series and other professional development initiatives

Outcomes

- No fines or sanctions for non-compliance with laws and regulations
- No incidences of fraud or impropriety
- Improved operational implementation of the strategy
- Supportive of ongoing professional development

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REVIEW (CONTINUED)

LOCAL COMMUNITIES

Strategic objectives

Accelerate recognises that an investment in education yields sustainable returns and has the potential to increase employment opportunities for young people. Accelerate aims to build sustainable relationships with local educational facilities in the areas in which we operate and to contribute to superior quality education and social welfare.

Project implementation

- Afterschool programmes such as homework assistance, participation in national Spelling Bee competition in Diepsloot for grades one to three to teach young people literacy and numeracy
- Provided 196 pairs of school shoes for vulnerable children in Diepsloot
- Essay writing competition for grade 11
- Participation in Mandela Day project at Diepsloot Primary School: improved infrastructure, provided 80 school chairs
- Employees provided gifts for 30 Santa shoeboxes and the company matched this contribution

Outcomes

- Improved reading, writing and self-confidence
- Developed cognitive and academic capabilities
- Enable children to be more comfortable and give them dignity with the result that they can focus on their educational responsibilities
- Preparation for tertiary education and entering the job market as well as improving softer skills
- Challenge students to excel academically, learn problem solving and critical analysis
- Inspire young people to dream beyond the walls of their classrooms
- Improved analytical and research skills

ENVIRONMENT

Strategic objectives

To limit potential or actual harmful effects on the environment and ensure that all aspects of our operations are exercised with the utmost respect for environmental sustainability, adhering to all required environmental considerations.

Project implementation

- Accelerate is actively exploring solar energy options and sustainable renewable energy
- A recycling project has been approved for three retail shopping centres, together with an awareness programme. The intention is to extend this programme to other shopping centres over time
- We are reviewing the installation of motion-controlled energy efficient lighting in our parking garages. We will also be reviewing the feasibility of installing smart metres on our properties whereby instant reading and charging of tenant consumption is made possible

Outcomes

- Protect the environment
- Cost reduction
- Increases awareness for protecting the environment
- Visible recycling bins change behaviour patterns
- Provide sustainable energy solutions

The committee advises the board on all aspects that affect Accelerate's long-term sustainability, and reports to shareholders at the AGM.

Further information of activities and membership of this committee is shown on page 93.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REVIEW (CONTINUED)

OUR BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) INITIATIVES

We are committing to embracing the B-BBEE legislative requirements while acknowledging the challenge of meeting the amended targets which came into effect on 1 April 2018. As a REIT, the B-BBEE legislation must be viewed in conjunction with the revised property sector codes which were promulgated during June 2017. The company has set targets and chartered a plan to reach compliance within a reasonable period.

Employment equity progress

The number of employees in each of the following occupational levels:

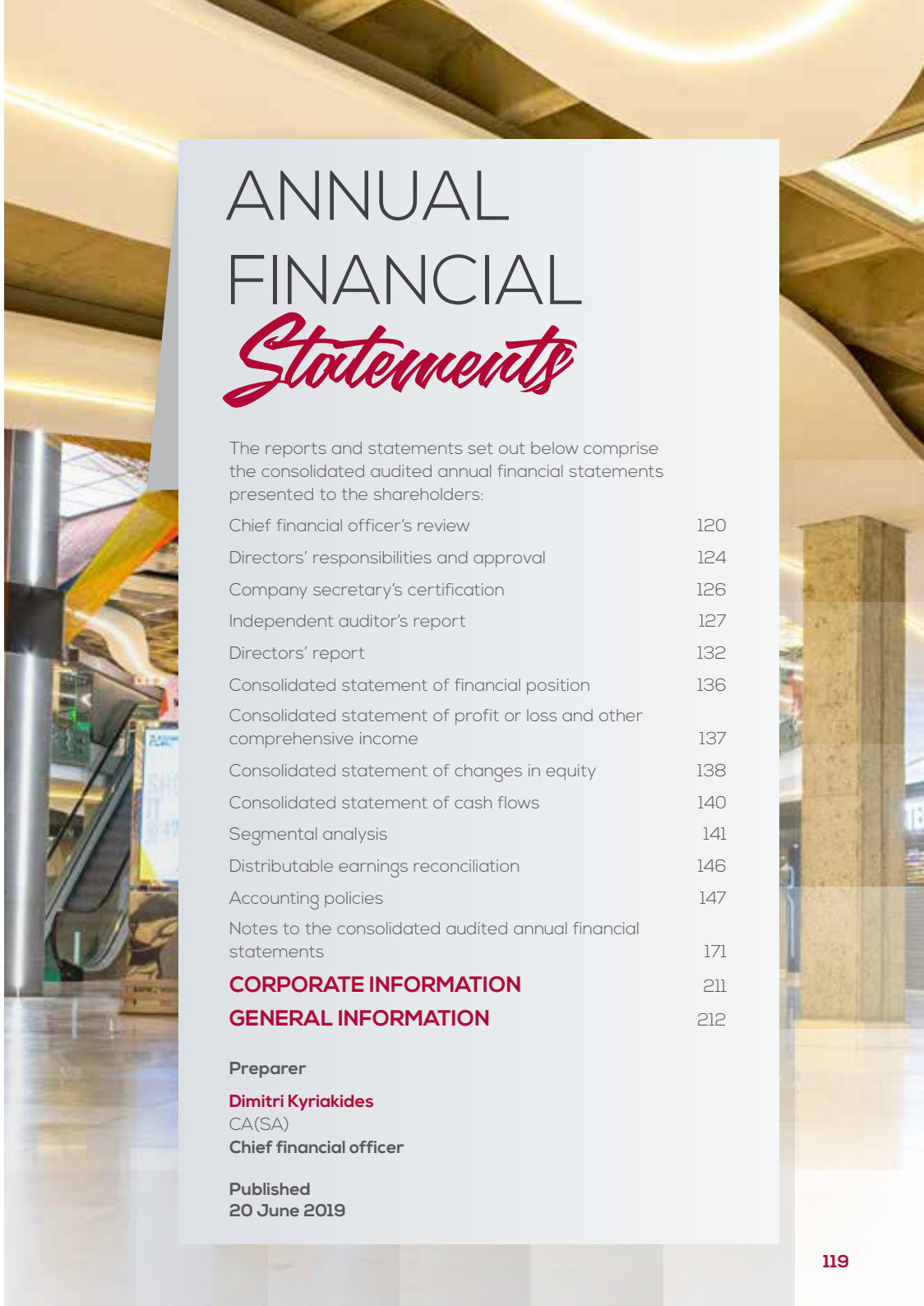
	Male				Female				Total
Occupational levels	**A**	**C**	**I**	**W**	**A**	**C**	**I**	**W**	
Top management	1	–	–	8	1	–	–	–	10
Senior management	–	–	–	–	–	–	–	1	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	–	–	–	–	–	–	–	1	1
Total permanent	1	–	–	8	1	–	–	2	12

A: African, C: Coloured, I: Indian and W: White

The company does not currently employ any persons with disabilities.

CONFIRMATION

The committee confirms that it has performed its functions within its mandate.



ANNUAL FINANCIAL *Statements*

The reports and statements set out below comprise the consolidated audited annual financial statements presented to the shareholders:

Chief financial officer's review	120
Directors' responsibilities and approval	124
Company secretary's certification	126
Independent auditor's report	127
Directors' report	132
Consolidated statement of financial position	136
Consolidated statement of profit or loss and other comprehensive income	137
Consolidated statement of changes in equity	138
Consolidated statement of cash flows	140
Segmental analysis	141
Distributable earnings reconciliation	146
Accounting policies	147
Notes to the consolidated audited annual financial statements	171
CORPORATE INFORMATION	211
GENERAL INFORMATION	212

Preparer

Dimitri Kyriakides
CA(SA)
Chief financial officer

Published
20 June 2019

CHIEF FINANCIAL OFFICER'S *Review*

Dimitri Kyriakides

KEY MESSAGES

- Macroeconomic pressure continues to weigh heavily on consumers' disposable income
- Portfolio value increases by R0,5 billion during the year
- R600 million raised through our domestic medium-term note (DMTN) programme

We are focused on managing and appropriately funding our portfolio to ensure that we can deliver on our strategic goals.

The 2019 South African economic environment was challenging, with unfavourable conditions including pressure on consumers' disposable income and overall poor business confidence, weighing heavily on property fundamentals, rentals and recovery collections.

The cost to income ratio remained well contained but increased from 14,8% in 2018 to 15,9%. This increase was primarily driven by increased administered rates and utility costs as well as increased tenanting costs. Furthermore, while the fund reduced vacancies to 9%* from 10% in the prior year, this required initiatives such as softer rentals to retain tenants, rent-free periods and tenant installations, all of which adversely impacted the cost to income ratio and the funds profitability. These pressures resulted in the funds distributable income being reduced.

The board declared a total distribution for the year ended 31 March 2019 of 50,97 cents per share (2018: 57,55 cents).

* *Excludes properties held for redevelopment within the next 12 months.*

FINANCIAL POSITION

As at 31 March 2019, our property portfolio was valued at R12,7 billion (2018: R12,3 billion), excluding the effects of straightlining. The increase in the portfolio's value was due to the increase in the external valuation of our offshore assets, the revaluation of local assets (in particular Fourways Mall) as well as the positive impact of capital invested on improving existing assets in our local portfolio.

Funding our assets is key to how we create value. During the year, the fund maintained a diversified funding base and at year-end 33,2% of our financing was funded through debt capital markets (DCMs) and 66,8% through bank debt.

Accelerate successfully accessed the debt capital market in July 2018 through our DMTN programme raising R600 million to refinance R452 million of DCM debt as well as expiring bank debt. All funds were utilised to refinance the maturing debt. Favourable bids of R700 million were received and of this, R600 million was accepted. In total, R279 million (47%) was three-year debt at 185 basis points and R321 million (53%) was five-year debt at 208 basis points, above the three-month Johannesburg Interbank Average Rate (JIBAR).

The weighted average debt maturity profile has also improved from 2,1 years (30 September 2018) to 2,5 years with the short-term portion of long-term debt reducing to R1.1 billion (2018: R1,4 billion).

A R1,6 billion swap (6,5% base rate taken out at listing) expired on 31 March 2019. In anticipation of this, management has proactively managed the fund's swap profile for the past few years taking out new swaps at opportune pricing points. Post-expiry of this large swap, the fund is 82,8% hedged with a weighted average swap expiry profile of 2,5 years (30 September 2018: 1,9 years). With this large in the money swap being replaced by new swaps at current market rates there was a negative impact on the funds overall cost of funding as noted in the table overleaf.

The fund continues monitoring interest rates and the swap curve to ensure swaps are executed at optimal rates when the opportunity presents itself.

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

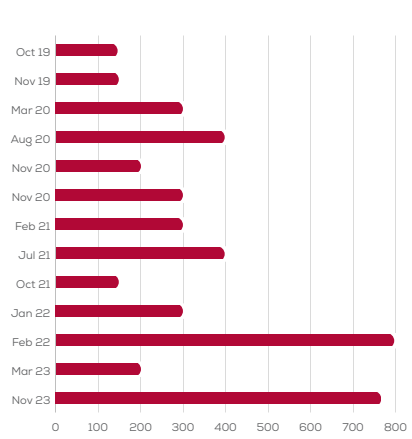
Long-term debt allocation

Debt funding	31 March 2019 (Rm)	31 March 2019 (%)	31 March 2018 (Rm)	31 March 2018 (%)
Debt capital markets	**1 785**	**33,2**	1 487	28,9
Bank funding	**3 590**	**66,8**	3 663	71,1
Total	**5 375**	**100,0**	5 150	100,0
Weighted average debt term (years)	**2,5**		2,1	
Short-term portion of debt	**1 111**	**20,7**	1 492	28,9
Debt hedged		**82,8**		97,4
Weighted average swap term (years)	**2,5**		2,1	
Blended interest rate*		**8,4**		8,4
Interest cover ratio (x)	**2,3**		2,4	
LTV ratio (%)**		**39,0**		40,7

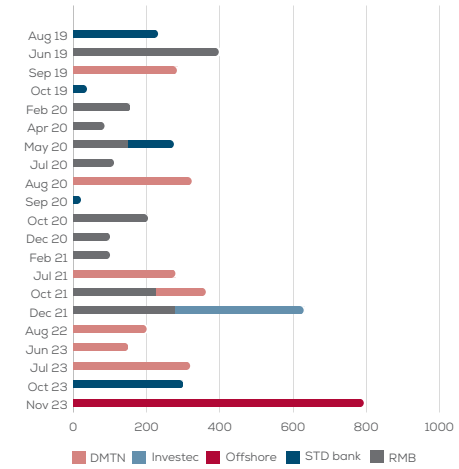
* *Includes the effect of interest rate swaps.*

** *Takes into account receivable from Fourways developer to be offset at equalisation.*

Swap expiry profile (Rm)



Debt expiry profile (Rm)



OUTLOOK AND APPRECIATION

The opening of the super-regional Fourways Mall, the most important milestone for the fund since listing in 2013, is highly anticipated.

My utmost gratitude goes to the board and management for their support and council during the year. I would also like to thank our employees for their dedication and unwavering commitment, and to all our stakeholders for their continued support.

Dimitri Kyriakides
Chief financial officer
18 June 2019

DIRECTORS' RESPONSIBILITIES AND *Approval*

The directors are required in terms of the Companies Act, 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the consolidated audited annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated audited annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditors are engaged to express an independent opinion on the consolidated audited annual financial statements.

The consolidated audited annual financial statements are prepared in accordance with IFRS and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company 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 reducing the risk of error or loss in a cost-effective manner. 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 group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

- The external auditors are responsible for independently auditing and reporting on the group's consolidated audited annual financial statements. The consolidated audited annual financial statements have been examined by the group's external auditors and their report is presented on pages 127 to 131.
- The consolidated audited annual financial statements set out on pages 136 to 210, which have been prepared on the going concern basis, were approved by the board on 18 June 2019 and were signed on its behalf by:

Approval of financial statements

Tuesday, 18 June 2019

COMPANY SECRETARY'S

Certification

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 88(2)(E) OF THE COMPANIES ACT, 71 OF 2008

I, the undersigned in my capacity as company secretary, hereby confirm that for the financial year ended 31 March 2019, Accelerate Property Fund Ltd has lodged with the Companies and Intellectual Property Commission all such returns as are required in terms of the Companies Act, 71 of 2008, as amended, and to the best of my knowledge such returns are true, correct and up to date.

J Matisonn
Company secretary
18 June 2019

EY
Building a better working world

EY
102 Rivonia Road
Sandton
Private Bag X14
Sandton
2146

Ernst & Young Incorporated
Co. Reg. No. 2005/002308/21
Tel: +27 (0) 11 772 3000
Fax: +27 (0) 11 772 4000
Docex 123 Randburg
ey.com

INDEPENDENT AUDITOR'S

Report

TO THE SHAREHOLDERS OF ACCELERATE PROPERTY FUND LTD

Report on the Audit of the Consolidated Annual Financial Statements

Opinion

We have audited the consolidated financial statements of Accelerate Property Fund Ltd and its subsidiaries ('the group') set out on pages 136 to 210, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) 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, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the group and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 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 matters	How the matter was addressed in the audit
Valuation of investment properties Investment property (including non-current assets held for sale) makes up approximately 95% of the total assets of the Fund at a fair value of R12.99 billion. The portfolio consists of retail, industrial and office properties. The valuation of investment properties continued to be an area of most significance in the current year as the valuations of properties are subject to high level of management judgment. Valuation techniques for real estate incorporate various assumptions. These include, inter alia, the capitalisation rate, net operating income, vacancy rates, estimated rental value, rental growth and other qualitative factors such as early terminations and the grading of the property. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. The disclosure associated with the valuation of investment properties is set out in the Consolidated Annual Financial Statements in Note 10 – Investment Properties, Note 26 – Non-current assets held for sale and Note 11 – Fair value measurement of investment properties.	Our audit procedures included, among others, the following: We assessed that the valuation techniques and methodologies applied are consistent with generally accepted property valuation techniques in the real estate market. We agreed all investment properties' fair values to the external independent property valuers' reports or management valuations. We evaluated the competence, independence and experience of the external independent valuers used and the extent of management influence over their work. With the support of EY property valuation specialists, we assessed the methodologies and assumptions and applied in determining the fair value of investment properties. This included: • Comparing the capitalisation rates to Rode and South African Property Owners Association ("SAPOA") reports; • Evaluating assumptions used in arriving at the budget that forms the basis of the forecasted net operating income per property and comparing the budgets to historical income and expenses data; • Comparing the assumptions such as Estimated Rental Value (ERV), rental growth and vacancy rates to lease agreements, tenancy schedules and property industry reports; • Comparing the grading applied per property based on gross letting area (GLA), location and condition of the property to Rode and SAPOA reports. Assessed that each property within the portfolio had been subject to an external valuation during the three-year rotational basis. We agreed the fair value of investment property held for sale to signed sale agreements and evaluated the disclosures against the requirements of IFRS 5 Non-Current Assets Held for sale. We assessed the disclosure in terms of the investment property and the fair value thereof in terms of IAS 40, Investment Property and IFRS 13, Fair Value Measurement.
Valuation of financial guarantees In the current year, the value of financial guarantees increased to R 98 million (FY18: R45 million). The valuation of financial guarantees continued to be an area of most significance as it is considered to be a significant related party balance and the subjective nature of the valuations. Valuation techniques for financial guarantees are subjective in nature and involve the following key assumptions: the prediction of the future share prices using historical volatility, future dividends and forecasted interest rates until the maturity of the loan. The disclosure associated with financial guarantees is set out in the Consolidated Annual Financial Statements in Note 17 – Trade and other payables.	Our procedures included, among others, the following: We obtained confirmations of the loan amounts at year end and the loan facility agreements signed by directors. With the support of EY Quantitative specialists, we re-computed the fair value of the financial guarantees. We assessed the assumptions adopted by management. This included: • Comparing the share price volatility to historical market price data. • Comparing the dividend forecast expectations to the historic distribution for reasonability and applied to the number of shares within the directors' SPVs. • With the support of specialists re-performing the forecasted interest rates applied to the loan facilities.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 212-page document titled "Accelerate Property Fund Integrated Report 2019" and in the 93-page document titled "Accelerate Property Fund Annual Financial Statements for the year ended 31 March 2019", which includes the Directors' Report, and the Company Secretary's Certification as required by the Companies Act of South Africa. 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 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, 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 judgment 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 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 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, related safeguards.

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 the Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Accelerate Property Fund Limited for 6 years.

Ernst & Young Inc.
Director: Rohan Baboolal CA(SA)
Registered Auditor
102 Rivonia Road
Sandton
19 June 2019

DIRECTORS' Report

The directors take pleasure in submitting their report on the consolidated audited annual financial statements of Accelerate Property Fund Ltd group for the year ended 31 March 2019.

1. Review of financial results and activities

The consolidated audited annual financial statements have been prepared in accordance with IFRS and the requirements of the Companies Act, 71 of 2008, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

2. Share capital

	Number of shares	
Authorised	**2019**	2018
Ordinary shares	**5 000 000 000**	5 000 000 000

	2019 R'000	2018 R'000	Number of shares **2019**	2018
Issued				
Ordinary shares	**5 115 671**	5 103 067	**984 742 719**	979 796 940

Of the 994 310 123 (including treasury shares held) Accelerate shares in issue at 31 March 2019, 660 428 673 shares are publicly held and 333 881 450 shares are held by directors as tabled below:

Major shareholders	Number of shares	% holding
M Georgiou	**292 882 024**	**29,46**
Coronation Fund Managers	**187 496 440**	**18,86**
Bridge Fund Managers	**111 678 440**	**11,34**
Government Employees Pension Fund	**93 728 676**	**9,43**
Nedbank Group	**77 481 178**	**7,79**
STANLIB	**31 035 398**	**3,12**
	794 302 156	**80,00**

Refer to note 15 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 2019

M Georgiou	**292 882 024**	shares	**29,46%**	Indirect holding
A Costa	**27 804 855**	shares	**2,80%**	Indirect holding
J Paterson	**12 424 571**	shares	**1,25%**	Indirect holding
D Kyriakides	**770 000**	shares	**0,08%**	Direct holding
	333 881 450	shares	33,59%	

Directors' direct/indirect interest in the shares of the company 31 March 2018

M Georgiou	291 869 510	shares	29,50%	Indirect holding
A Costa	25 736 697	shares	2,60%	Indirect holding
J Paterson	11 111 118	shares	1,12%	Indirect holding
D Kyriakides	493 804	shares	0,05%	Direct holding
	329 211 129	shares	33,27%	

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.

3. Directorate

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

Directors	Office	Designation	Date of changes	Changes
T Mboweni	Chairperson	Non-executive Independent	11 October 2018	Resigned due to appointment as minister of finance
G Cruywagen	Other	Non-executive Independent		
J Doidge	Other	Non-executive Independent	31 March 2019	Retired
T Fearnhead	Chairperson	Non-executive Independent		
K Madikizela	Other	Non-executive Independent		
Ass. Prof FM Viruly	Other	Non-executive Independent		
M Georgiou	Chief executive officer	Executive		
A Costa	Chief operating officer	Executive		
D Kyriakides	Chief financial officer	Executive		
J Paterson	Other	Executive		
G Cavaleros	Other	Non-executive Independent	1 May 2019	Appointed
A Mawela	Other	Non-executive Independent	1 May 2019	Appointed
D Wandrag	Other	Non-executive Independent	1 May 2019	Appointed

4. Accelerate group structure

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

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

5. Distribution

The final cash distribution (number 11) for the year ended 31 March 2019 of 23,71 cents per ordinary share (2018: 28,77 cents per ordinary share), which together with the interim cash distribution of 27,26 cents per ordinary share (2018: 28,77 cents per ordinary share), produced a total cash distribution declared for the year of 50,97 cents per ordinary share (2018: 57,55 cents per ordinary share). The group has distributed 100% of its distributable income.

Final cash distribution

The board has declared a final cash distribution of 23,71 cents per ordinary share (2018: 28,77 cents per ordinary share) for the year ended 31 March 2019, to all ordinary shareholders recorded in the books of Accelerate at close of business on Friday, 26 July 2019 and will be paid on 29 July 2019.

The final cash distribution timetable is structured as follows:

- Declaration date is Thursday, 20 June 2019
- The last day to trade cum distribution is Tuesday, 23 July 2019
- The shares commence trading ex-distribution from the commencement of business on Wednesday, 24 July 2019
- The record date is Friday, 26 July 2019
- The distribution is to be paid on Monday, 29 July 2019

Shareholders will not be able to rematerialise or dematerialise certificates between Wednesday, 24 July 2019 and Friday, 26 July 2019, both days inclusive.

6. Auditors

EY continued in office as auditors for the group for the year ended 31 March 2019.

At the annual general meeting (AGM), the shareholders will be requested to reappoint EY as the independent external auditors of the group and to confirm Rohan Baboolal as the designated lead audit partner for the 2020 financial year.

7. Secretary

The company secretary is Joanne Matisonn.

Business and postal address: Cedar Square Shopping Centre
1st Floor Management Office
Corner Willow Avenue and Cedar Road
Fourways
2055

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note(s)	2019 R'000	2018 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**688**	1 019
Investment property	10	**12 203 592**	12 515 562
Derivatives	24	**1 598**	17 371
		12 205 878	12 533 952
Current assets			
Trade and other receivables	13	**589 559**	565 237
Current tax receivable	27	**5 534**	5 534
Derivatives	24	**–**	1 887
Cash and cash equivalents	14	**84 131**	76 921
		679 224	649 579
Non-current assets held for sale	26	**789 707**	27 000
Total assets		**13 674 809**	13 210 531
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of parent			
Ordinary share capital	15	**5 115 671**	5 103 067
Other reserves		**77 887**	25 923
Retained income		**2 752 707**	2 718 357
		7 946 265	7 847 347
Non-controlling interest		**19 032**	14 519
		7 965 297	7 861 866
Liabilities			
Non-current liabilities			
Derivatives	24	**18 780**	27 617
Borrowings	16	**4 259 323**	3 654 607
		4 278 103	3 682 224
Current liabilities			
Derivatives	24	**23 128**	385
Trade and other payables	17	**297 231**	173 526
Borrowings	16	**1 111 050**	1 492 530
		1 431 409	1 666 441
Total liabilities		**5 709 512**	5 348 665
Total equity and liabilities		**13 674 809**	13 210 531

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Note(s)	2019 R'000	2018 R'000
Revenue, excluding straight-line rental revenue adjustment	2	**1 190 524**	1 160 620
Straight-line rental revenue adjustment	2	**43 802**	45 819
Revenue		**1 234 326**	1 206 439
Other income		**12 933**	6 552
Unrealised (losses)/gains	32	**(21 909)**	8 612
Operating expenses	4	**(46 677)**	(77 334)
Property expenses	3	**(374 658)**	(306 516)
Expected credit loss provision		**(7 686)**	–
Operating profit		**796 329**	837 753
Finance income calculated using the effective interest method	5	**37 880**	37 228
Fair value adjustments	28	**73 405**	542 984
Finance cost	6	**(341 781)**	(334 768)
Profit before taxation		**565 833**	1 083 197
Taxation	7	**–**	4 549
Profit for the year		**565 833**	1 087 746
Other comprehensive income that may be reclassified to profit and loss in subsequent periods			
Exchange differences on translation of foreign operations		**52 031**	6 127
Total comprehensive income		**617 864**	1 093 873
Profit attributable to:			
Shareholders of the parent		**563 356**	1 085 816
Non-controlling interest		**2 477**	1 930
		565 833	1 087 746
Total comprehensive income attributable to:		**–**	–
Shareholders of parents		**613 351**	1 091 775
Non-controlling interest		**4 513**	2 098
		617 864	1 093 873
Earnings per share			
Per share information			
Basic earnings per share (including bulk ceded shares) (cents)	9	**56,77**	110,81
Diluted earnings per share (including bulk ceded shares) (cents)	9	**55,79**	109,13
Distributable earnings			
Profit after taxation attributable to equity holders		**563 356**	1 085 816
Less: straight-line rental revenue adjustment	2	**(43 802)**	(45 819)
Less: fair value adjustments		**(72 244)**	(542 316)
Less: Gains on sale of investment property		**(6 000)**	–
Unrealised (gains)/losses		**21 909**	28 532
Plus: amortised lease cost		**12 515**	7 000
Distributable earnings		**475 734**	533 213

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Share capital R'000	Foreign currency translation reserve R'000	Other reserves 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 2017	5 156 011	(1 439)	54 383	52 944	2 131 616	7 340 571	12 421	7 352 992
Profit for the year	–	–	–	–	1 085 816	1 085 816	1 930	1 087 746
Other comprehensive income	–	5 959	–	5 959	–	5 959	168	6 127
Total comprehensive income for the year	–	5 959	–	5 959	1 085 816	1 091 775	2 098	1 093 873
Issue of shares	2 850	–	–	–	–	2 850	–	2 850
Share buyback	(63 150)	–	–	–	–	(63 150)	–	(63 150)
Issue of treasury shares to directors (in terms of conditional share plan)	7 356	–	–	–	–	7 356	–	7 356
Distribution paid	–	–	(36 999)	(36 999)	(499 075)	(536 074)	–	(536 074)
Conditional share plan reserve (note 30)	–	–	4 019	4 019	–	4 019	–	4 019
Total contributions by and distributions to owners of company recognised directly in equity	(52 944)	–	(32 980)	(32 980)	(499 075)	(584 999)	–	(584 999)
Balance at 1 April 2018	**5 103 067**	**4 520**	**21 403**	**25 923**	**2 718 357**	**7 847 347**	**14 519**	**7 861 866**
IFRS 9 opening balance adjustment	**–**	**–**	**–**	**–**	**(7 082)**	**(7 082)**	**–**	**(7 082)**
Restated balance at 1 April 2018	**5 103 067**	**4 520**	**21 403**	**25 923**	**2 711 275**	**7 840 265**	**14 519**	**7 854 784**
Profit for the year	**–**	**–**	**–**	**–**	**563 356**	**563 356**	**2 477**	**565 833**
Other comprehensive income	**–**	**49 995**	**–**	**49 995**	**–**	**49 995**	**2 036**	**52 031**
Total comprehensive income for the year	**–**	**49 995**	**–**	**49 995**	**563 356**	**613 351**	**4 513**	**617 864**
Distribution paid	**–**	**–**	**–**	**–**	**(521 924)**	**(521 924)**	**–**	**(521 924)**
Transfer between reserves	**12 604**	**–**	**(12 604)**	**(12 604)**	**–**	**–**	**–**	**–**
Conditional share plan reserve (note 30)	**–**	**–**	**14 573**	**14 573**	**–**	**14 573**	**–**	**14 573**
Total contributions by and distributions to owners of company recognised directly in equity	**12 604**	**–**	**1 969**	**1 969**	**(521 924)**	**(507 351)**	**–**	**(507 351)**
Balance at 31 March 2019	**5 115 671**	**54 515**	**23 372**	**77 887**	**2 752 707**	**7 946 265**	**19 032**	**7 965 297**
Note(s)	15		15					

Foreign currency translation reserve relates to exchange rate difference resulting from consolidation of foreign subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Note(s)	2019 R'000	2018 R'000
Cash flows from operating activities			
Cash generated from operations	18	**836 836**	594 840
Finance income received		**37 880**	37 228
Tax received/(paid)		**–**	8 896
Distribution paid		**(521 924)**	(499 075)
Net cash from operating activities		**352 792**	141 889
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(51)**	(214)
Proceeds of property, plant and equipment	12	**46**	–
Purchase of investment property/capital spend	10	**(380 589)**	(267 844)
Proceeds from disposal of investment property		**230 132**	253 337
Net cash from investing activities		**(150 462)**	(14 721)
Cash flows from financing activities			
Proceeds on share issue	15	**–**	–
Reduction of share capital or buy back of shares	15	**–**	(63 150)
Long-term borrowings raised	16	**1 785 380**	1 332 925
Long-term borrowings repaid	16	**(1 643 623)**	(1 078 910)
Finance cost paid		**(341 781)**	(334 768)
Antecedent distribution		**–**	(36 999)
Net cash from financing activities		**(200 024)**	(180 902)
Total cash movement for the year		**2 306**	(53 734)
Cash at the beginning of the year		**76 921**	133 618
Effect of exchange rate movement on cash balances		**4 904**	(2 963)
Total cash at the end of the year	14	**84 131**	76 921

Of the total cash at year-end, R32 848 661 is held in euro denominated bank accounts (2018: R29 302 986).

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 the 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 company 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.

	Office R'000	Industrial R'000	Retail R'000	European single-tenant retail R'000	Total R'000
For the year ended 31 March 2018					
Statement of comprehensive income 2018					
Revenue, excluding straight-line rental revenue adjustment	317 984	69 841	672 700	100 095	1 160 620
Straight-line rental adjustment	31 095	991	13 733	–	45 819
Property expenses	(69 021)	(11 803)	(190 335)	(35 357)	(306 516)
Segment operating profit	280 058	59 029	496 098	64 738	899 923
Fair value adjustments on investment property	158 497	(116 567)	529 387	18 544	589 861
Segment profit	438 555	(57 538)	1 025 485	83 282	1 489 784
Other operating expenses					(77 334)
Other income					6 552
Fair value loss on financial instruments					(46 877)
Unrealised gains					8 612
Finance income					37 228
Long-term debt interest					(334 768)
Profit before tax					1 083 197
For the year ended 31 March 2019					
Statement of comprehensive income 2019					
Revenue, excluding straight-line rental revenue adjustment	**297 411**	**76 660**	**710 132**	**106 321**	**1 190 524**
Straight-line rental adjustment	**29 867**	**1 797**	**12 138**	**–**	**43 802**
Property expenses	**(76 377)**	**(17 551)**	**(251 751)**	**(36 665)**	**(382 344)**
Segment operating profit	**250 901**	**60 906**	**470 519**	**69 656**	**851 982**
Fair value adjustments on investment property	**(62 172)**	**47 001**	**87 893**	**32 250**	**104 972**
Segment profit	**188 729**	**107 907**	**558 412**	**101 906**	**956 954**
Other operating expenses					**(46 677)**
Other income					**12 933**
Fair value loss on financial instruments					**(31 567)**
Unrealised losses					**(21 909)**
Finance income					**37 880**
Long-term debt interest					**(341 781)**
Profit before tax					**565 833**

	Office R'000	Industrial R'000	Retail R'000	European single-tenant retail R'000	Total R'000
For the year ended 31 March 2018					
Statement of financial position extracts at 31 March 2018					
Assets					
Investment property balance 1 April 2017	3 276 550	650 541	6 681 888	1 251 710	11 860 689
Acquisitions	48 000	–	–	–	48 000
Capitalised costs	12 314	1 775	205 755		219 844
Disposals	(81 945)	–	(194 462)	–	(276 407)
Investment property held for sale	–	–	27 000	–	27 000
Straight-line rental revenue adjustment	31 095	991	13 733	–	45 819
Foreign exchange gains/(losses)	–	–	–	27 756	27 756
Fair value adjustments	158 497	(116 567)	529 387	18 544	589 861
Segment assets at 31 March 2018	3 444 511	536 740	7 263 301	1 298 010	12 542 562
Other assets not managed on a segmental basis					
Derivative financial instruments					17 371
Equipment					1 019
Current assets					649 579
Total assets					13 210 531
For the year ended 31 March 2019					
Statement of financial position extracts at 31 March 2019					
Assets					
Investment property balance 1 April 2018	**3 444 511**	**536 740**	**7 263 301**	**1 298 010**	**12 542 562**
Acquisitions	**–**	**–**	**74 995**	**–**	**74 995**
Capitalised costs	**62 180**	**727**	**238 126**	**4 561**	**305 594**
Disposals/classified as held for sale	**(701 486)**	**–**	**(331 948)**	**–**	**(1 033 434)**
Investment property held for sale	**628 307**		**161 400**	**–**	**789 707**
Straight-line rental revenue adjustment	**29 867**	**1 797**	**12 138**	**–**	**43 802**
Foreign exchange gains/(losses)	**–**	**–**	**–**	**165 101**	**165 101**
Fair value adjustments	**(62 172)**	**47 001**	**87 893**	**32 250**	**104 972**
Segment assets at 31 March 2019	**3 401 207**	**586 265**	**7 505 905**	**1 499 922**	**12 993 299**
Other assets not managed on a segmental basis					
Derivative financial instruments					**1 598**
Equipment					**688**
Current assets					**679 224**
Total assets					**13 674 809**

	South Africa R'000	Austria R'000	Slovakia R'000	Total R'000
For the year ended 31 March 2018				
Statement of comprehensive income 2018				
Revenue, excluding straight-line rental revenue adjustment	1 060 525	75 071	25 024	1 160 620
Straight-line rental adjustment	45 819	–	–	45 819
Property expenses	(271 159)	(26 517)	(8 840)	(306 516)
Segment operating profit	835 185	48 554	16 184	899 923
Fair value adjustments on investment property	571 317	13 908	4 636	589 861
Segment profit	1 406 502	62 462	20 820	1 489 784
Other operating expenses				(77 334)
Other income				6 552
Fair value loss on financial instruments				(46 877)
Unrealised gains				8 612
Finance income				37 228
Long-term debt interest				(334 768)
Profit before tax				1 083 197
For the year ended 31 March 2019				
Statement of comprehensive income 2019				
Revenue, excluding straight-line rental revenue adjustment	**1 084 203**	**79 741**	**26 580**	**1 190 524**
Straight-line rental adjustment	**43 802**			**43 802**
Property expenses	**(345 679)**	**(27 499)**	**(9 166)**	**(382 344)**
Segment operating profit	**782 326**	**52 242**	**17 414**	**851 982**
Fair value adjustments on investment property	**72 722**	**24 188**	**8 062**	**104 972**
Segment profit	**855 048**	**76 430**	**25 476**	**956 954**
Other operating expenses				**(46 677)**
Other income				**12 933**
Fair value loss on financial instruments				**(31 567)**
Unrealised losses				**(21 909)**
Finance income				**37 880**
Long-term debt interest				**(341 781)**
Profit before tax				**565 833**

	South Africa R'000	Austria R'000	Slovakia R'000	Total R'000
For the year ended 31 March 2018				
Statement of financial position extracts at 31 March 2018				
Investment property balance 1 April 2017	10 608 979	938 782	312 928	11 860 689
Acquisitions	48 000		–	48 000
Capitalised costs	219 844	–	–	219 844
Disposals/classified as held for sale	(276 407)		–	(276 407)
Investment property held for sale	27 000		–	27 000
Straight-line rental revenue adjustment	45 819	–	–	45 819
Foreign exchange gains/(losses)	–	20 817	6 939	27 756
Fair value adjustments	571 317	13 908	4 636	589 861
Investment property at 31 March 2018	11 244 552	973 507	324 503	12 542 562
Other assets not managed on a segmental basis				
Derivative financial instruments				17 371
Equipment				1 019
Current assets				649 579
Total assets				13 210 531
For the year ended 31 March 2019				
Statement of financial position extracts at 31 March 2019				
Investment property balance 1 April 2018	**11 244 552**	**973 507**	**324 503**	**12 542 562**
Acquisitions	**74 995**			**74 995**
Capitalised costs	**305 594**			**305 594**
Disposals/classified as held for sale	**(1 033 434)**			**(1 033 434)**
Investment property held for sale	**789 707**			**789 707**
Straight-line rental revenue adjustment	**43 802**			**43 802**
Foreign exchange gains/(losses)		**123 826**	**41 275**	**165 101**
Fair value adjustments	**72 722**	**24 188**	**8 062**	**104 972**
Investment property at 31 March 2019	**11 497 938**	**1 121 521**	**373 840**	**12 993 299**
Other assets not managed on a segmental basis				
Derivative financial instruments				**1 598**
Equipment				**688**
Current assets				**679 224**
Total assets				**13 674 809**

DISTRIBUTABLE EARNINGS RECONCILIATION
FOR THE YEAR ENDED 31 MARCH 2019

	Year ended 31 March 2019 R'000	Year ended 31 March 2018 R'000
Distributable earnings	**475 734**	533 213
Less: interim distribution from profits	**254 352**	266 037
Final distribution	**221 382**	267 176
Shares qualifying for distribution		
Number of shares at year-end	**994 310 123**	989 364 344
Less: bulk ceded shares to Accelerate	**(51 070 184)**	(51 070 184)
Less: shares repurchased	**(9 567 404)**	(9 567 404)
Shares qualifying for distribution	**933 672 535**	928 726 756
Distribution per share		
Final distribution per share (cents)	**23,71088**	28,76799
Interim distribution per share made (cents)	**27,26021**	28,77713
Total distribution per share for the year (cents)	**50,97109**	57,54512

ACCOUNTING POLICIES

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated audited annual financial statements have been prepared in accordance with IFRS and the Companies Act, 71 of 2008. 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 rand. 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 2019 reporting period. However, except for IFRS 9 they are not expected to have a significant impact on the annual financial statements of Accelerate.

- **IFRS 15 Revenue from Contracts with Customers**

  In May 2014, the IASB and the FASB issued their joint revenue recognising standard, IFRS 15 Revenue from Contracts with Customers. IFRS 15 sets out the requirements for recognising revenue and providing disclosures that apply to all contracts with customers, except for contracts that are within the scope of the standards of leases, insurance contracts and financial instruments. The standard replaces IAS 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations and has been endorsed by the EU. In April 2016, the IASB issued amendments to IFRS 15, clarifying some requirements and providing additional transitional relief. The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. IFRS 15 was applied from 1 January 2018.

  The group performed an assessment of IFRS 15 and concluded that IFRS 15 has been implemented using a modified retrospective approach. The group concluded that IFRS 15 does not have a significant impact on the group's consolidated financial statements and accounting policies at the implementation date. Note that IFRS 15 did not affect the recognition of lease income as this is still dealt with under IAS 17 Leases.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Changes in accounting policies (continued)

- **IFRS 9 Financial Instruments**

  In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

  The group has adopted a modified retrospective approach for IFRS 9 Financial Instruments with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

  The nature and effects of the key changes to the group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification and measurements

Loans are classified and measured at amortised cost. These are held within the business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon application of IFRS 9.

All financial assets and financial liabilities are measured on the same bases as previously adopted under IAS 39.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognised earlier than under IAS 39. This impact is disclosed in note 13.

- **Other new standards** will not have a significant impact on the annual financial statements:
  - Amendments to IAS 40 Transfers of Investment Property
  - Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
  - IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
  - Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
  - Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
  - Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

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.

- **IFRS 16 Leases**

  IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019. There is no impact on recognition of leases in situations where Accelerate is the lessor.

  The new standard will have an effect on the accounting policies applied in situations where the group is the lessee. Under IFRS 16, all lease contracts, including those currently classified as operating leases, will be recognised as a right-of-use asset and as a lease liability in the statement of financial position.

  For leases previously classified as operating leases, the group will recognise a lease liability, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The group will recognise the respective right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Standards issued but not yet effective (continued)

- **IFRS 16 Leases (continued)**

  The group intends to apply the modified retrospective approach on adoption, with right-of-use assets measured retrospectively using an incremental borrowing rate. The expected monetary impact of the adoption of IFRS 16 is that a lease asset and lease liability of approximately R168 million will be recognised.

- IAS 23 Borrowing Costs Eligible for Capitalisation (effective 1 January 2019)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (effective date 1 January 2019)
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (effective 1 January 2019)
- Long-term Interest in Associates and Joint Ventures – Amendment to IAS 28 (effective 1 January 2019)
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19 (effective 1 January 2019)
- IFRS 3 Business Combinations – Previously held interest in a joint operation (effective 1 January 2019)
- IFRS 11 Joint Arrangements – Previously held interest in a joint operation (effective date 1 January 2019)
- IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity (effective date 1 January 2019)
- Amendments to IAS 1 and IAS 8 – Definition of Material (effective 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS (effective 1 January 2020)
- Amendments to IFRS 3 – Definition of a Business (1 January 2020)

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 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.

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.

Significant estimates include:

Valuation of property

The fair value of investment property is determined by real estate valuation experts 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 10 and 11.

Accruals

The accrual at year-end for recoveries from tenants is based on average recoveries received from tenants during the financial period.

Accrual for municipal expenses is performed on a municipal account level and is based on the number of uninvoiced days at year-end and the average municipal cost for a specific account during the financial period.

Valuation of the share-based payments reserve

The group issues equity-settled share-based payments to certain employees. 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3 Significant judgements and sources of estimation uncertainty (continued)

Judgements and other estimates (continued)

Financial guarantee

In the valuation of the financial guarantee as further explained in note 17, the significant estimates applied in the valuation of the guarantee are:

(i) Projecting the expected future distribution growth of Accelerate Property Fund

(ii) Projecting historic yield volatility of the shares of the fund forward into the future via Monte Carlo simulations

1.4 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are 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.

1.5 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 to 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 sale.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at 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

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

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

There are no property interests held under operating leases which are recognised as investment property.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.6 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 (or disposal groups) held for sale (distribution to owners) are recognised at the lower of their carrying amount and fair value less costs to sell (distribute). Investment properties classified as held for sale are measured in accordance with IAS 40 investment property at fair value with gains and losses on subsequent measurement being recognised in profit or loss.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale (held for distribution to owners), or while it is part of a disposal group classified as such.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale (distribution to owners) are recognised in profit or loss.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

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.

1.8 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 lease incentives 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 IAS 17 Leases.

Revenue from contracts with customers

For periods before 1 April 2018 (IAS 18)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Accelerate and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Accelerate has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in most of the revenue arrangements, it has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.8 Revenue (continued)

Service charges, management charges and other expenses recoverable from tenants

Income arising from expenses recovered from tenants is recognised in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in net rental income net of the related costs, as the directors consider that Accelerate acts as principal in this respect.

For periods after 1 April 2018 (IFRS 15)

Revenue from contracts with customers is recognised when control of the goods or services is 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.

Variable consideration

If the consideration in a contract includes a variable amount, Accelerate estimates the amount of consideration to which it will be entitled in exchange for providing the services to the customer. The transaction price in relation to the services charges, management charges and other expenses recoverable from tenants constitutes variable consideration. To estimate the variable consideration for the expected future rebates, Accelerate applies the most likely amount method based on the consumption of the related services.

1.9 Financial instruments

For periods before 1 April 2018 (IAS 39)

Classification

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

- Financial assets and liabilities measured at fair value
- Financial assets and liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is reassessed on an annual basis.

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

Derecognition

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

When Accelerate has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Accelerate's continuing involvement in the asset. 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.9 Financial instruments (continued)

Impairment of financial assets

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

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

Impairment losses are recognised in profit or loss.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as financial assets at amortised cost.

Accelerate assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, Accelerate makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a per tenant basis and provided for based on the likelihood of recovery. For more information on the impairment of trade and other receivables, refer to note 13.

1.9 Financial instruments (continued)

Derivatives

Accelerate uses interest rate swaps to hedge risks associated with interest rate movements, as well as cross-currency swaps to hedge against movements in the exchange rate and interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For periods after 1 April 2018 (IFRS 9)

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 IAS 17. 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.

Initial recognition and measurement

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.9 Financial instruments (continued)

Accounting for financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, Acccelerate'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
- 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 and cash and short-term deposits) meet these conditions, they are subsequently measured at amortised cost.

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.

1.9 Financial instruments (continued)

Accounting for financial assets (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.

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 13
- Financial instruments risk management objectives and policies, note 23

Accelerate recognises an allowance for 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 or other credit enhancements that are integral to the contractual terms.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.9 Financial instruments (continued)

Accounting for financial assets (continued)

Impairment of financial assets (continued)

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 (ie, a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default).

Accelerate has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Accelerate considers a financial asset in default when contractual payments are 120 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.

Accounting for financial liabilities

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 16.

Derecognition

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

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those wholly settled 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.

1.11 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.

Rent and other receivables

Rent and other receivables are recognised at their original invoiced value. Where the time value of money is material, receivables are carried at amortised cost. A provision is made when there is objective evidence that Accelerate will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.11 Accounting policies (continued)

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 EIR 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.

Sale of property

A property is regarded as sold when the significant risks and rewards have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

Finance income

Finance income is recognised as it accrues using the 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 entity's assets be sold or the entity wound up, there could be a tax liability to the value of the recoupments previously claimed.

1.11 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 distribution. 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 in 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.11 Accounting policies (continued)

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).

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.

1.11 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity.

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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.11 Accounting policies (continued)

Fair value measurements (continued)

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.

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 approximates 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.

1.12 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use 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 are 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.

1.12 Property, plant and equipment (continued)

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment is 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 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 and 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
Computer equipment	Straight line	3 years

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

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.12 Property, plant and equipment (continued)

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 on 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.

1.13 Financial guarantee

Financial guarantee contracts are accounted for as financial instruments and measured initially at estimated fair value. They are subsequently measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with IFRS 15 Revenue.

2. REVENUE

	2019 R'000	2018 R'000
Rental income	**826 434**	819 921
Parking	**28 787**	24 499
Rental guarantee	**–**	51 386
Development guarantee income	**113 163**	58 972
Sundry property income	**2 761**	190
Revenue before recoveries	**971 145**	954 968
Revenue from contracts with customers: Recoveries	**219 379**	205 652
Revenue excluding straight-line rental revenue adjustment	**1 190 524**	1 160 620
Straight-line rental revenue adjustment	**43 802**	45 819
Total revenue	**1 234 326**	1 206 439

3. PROPERTY EXPENSES

Cleaning	**14 267**	12 664
Bad debts	**–**	458
Centre manager's cost	**7 490**	3 377
Insurance	**7 886**	7 074
Security	**33 605**	30 340
Repairs and maintenance	**20 393**	16 764
Electricity	**97 245**	68 551
Rates and taxes	**90 719**	65 230
Sewerage	**8 665**	6 059
Water	**13 494**	9 503
Other municipal expenses	**8 505**	8 866
Management fees	**11 260**	13 406
Professional fees	**20 097**	23 455
Other property costs*	**37 173**	40 030
Tenant installation	**3 859**	739
Property expenses	**374 658**	306 516
Less: recovered expenses	**(219 379)**	(205 652)
Net property expenses	**155 279**	100 864

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

4. OPERATING EXPENSES

	2019 R'000	2018 R'000
Employee costs	**35 580**	29 483
Financial guarantee*	**–**	37 144
Auditor's remuneration	**2 750**	2 756
Licences	**53**	56
Bank charges	**248**	153
Telephone and fax	**–**	215
Printing and stationery	**96**	–
Subscriptions	**993**	532
Professional fees	**4 838**	5 846
Donations – S18A	**–**	1
Other expenses	**2 119**	1 148
Total other operating expenses	**46 677**	77 334

* *Refer to note 17 for additional information on the financial guarantee. The financial guarantee expense of R52,9 million is included in unrealised gains and losses in the current financial year.*

5. FINANCE INCOME RECEIVED

	2019 R'000	2018 R'000
Interest income		
Interest received from banks	**1 764**	1 955
Cash deposits	**9 589**	20 140
Interest received from tenants	**941**	813
Interest due from vendors	**25 586**	14 320
	37 880	37 228

6. FINANCE COST

	2019 R'000	2018 R'000
Non-current borrowings	**363 752**	362 835
Net payment on swaps	**(22 054)**	(28 067)
Other interest paid	**83**	–
Net finance cost	**341 781**	334 768

Finance cost on capital construction projects to the amount of R69,4 million (2018: R54,9 million) was capitalised during the year ended 31 March 2019 at an average cost of debt of 9,2% (2018: 9%) per annum.

7. TAXATION

	2019 R'000	2018 R'000
Major components of the tax expense		
Current local income tax – current period	**–**	–
Foreign income tax – current period	**–**	(4 549)
	–	(4 549)
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	**(2,17)**	(1,10)
Fair value adjustment	**(3,03)**	(14,04)
Capital profits/(losses) not taxable/(deductible) (as APF is a REIT)	**(0,52)**	(0,13)
Qualifying distributions	**(25,9)**	(12,73)
	–	–

8. DISTRIBUTION PER SHARE

	2019 R'000	2018 R'000
Final distribution for the year ended 31 March 2019		
Profit after taxation attributable to equity holders	**563 356**	1 085 816
Less: straight-line rental revenue adjustment	**(43 802)**	(45 819)
Less: fair value adjustment on investment property and derivative financial instruments	**(72 244)**	(542 316)
Less: gains on sale of investment property	**(6 000)**	–
Plus: unrealised losses	**21 909**	28 532
Plus: amortised lease cost	**12 515**	7 000
Less: interim distribution from profits	**(254 352)**	(266 037)
Final distribution	**221 382**	267 176
Reconciliation of shares qualifying for final distribution		
Shares in issue at 31 March 2019	**994 310 123**	989 364 344
Less: shares ceded on purchase of bulk*	**(51 070 184)**	(51 070 184)
Less: shares repurchased	**(9 567 404)**	(9 567 404)
Add: issue of treasury share to directors	**–**	–
Shares qualifying for distribution	**933 672 535**	928 726 756
Year-end distribution per share (cents)	**23,71**	28,80

* *The vendors have ceded the distribution relating to 51 070 184 shares held by them to Accelerate until December 2021. This is due to Accelerate acquiring the bulk development rights over various buildings in the greater Fourways area.*

Distribution per share is used as a measure for trading statement purposes by Accelerate Property Fund.

Interim distribution was 27,26 cents (2018: 28,77 cents).

9. EARNINGS PER SHARE

	2019 R'000	2018 R'000
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.		
Reconciliation of basic/diluted earnings to headline earnings		
Total comprehensive income attributable to equity holders	**563 356**	1 085 816
Fair value adjustment excluding straight-lining	**(103 811)**	(589 861)
Gains on non-current assets held for sale	**(10 460)**	(4 846)
Headline profit attributable to shareholders	**449 085**	491 109
Basic earnings per share (cents)*	**56,77**	110,81
Diluted earnings per share (cents)*	**55,79**	109,13
Headline earnings per share (cents)	**45,26**	49,36
Diluted headline earnings per share (cents)	**44,47**	50,12
Shares in issue at the end of the year	**994 310 123**	979 796 940
Weighted average number of shares in issue	**992 285 018**	979 876 156
Shares subject to the conditional share plan	**17 480 830**	15 115 467
Weighted average number of deferred shares	**17 480 830**	15 115 467
Total diluted weighted average number of shares in issue	**1 009 765 848**	994 991 623

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

10. INVESTMENT PROPERTY

	Opening balance R'000	Additions R'000	Additions resulting from capitalised expenditure R'000	Disposals R'000	Classified as held for sale R'000	Foreign exchange gain R'000	Straight-line rental revenue adjustment R'000	Fair value adjustments R'000	Total** R'000
Reconciliation of investment property – 2019									
Investment property	**12 515 562**	**74 995**	**305 594**	**(216 727)**	**(789 707)**	**165 101**	**43 802**	**104 972**	**12 203 592**
Reconciliation of investment property – 2018									
Investment property*	11 860 689	48 000	219 844	(249 407)	(27 000)	27 756	45 819	589 861	12 515 562

* *The entire portfolio of investment property is pledged as security for borrowings.*

** *The R12 203 592 (2018: R12 515 562) consists of straight-lining rental revenue adjustment asset of R285 211 (2018: R241 409) and investment property held at fair value of R11 918 381 (2018: R12 274 153).*

10. INVESTMENT PROPERTY (CONTINUED)

The following investment properties are held by Accelerate through subsidiaries:

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

Investment property summary

	2019 R'000	2018 R'000
Investment property	**11 889 717**	11 852 127
Fair value gain on investment property (unrealised)	**104 972**	589 861
Foreign exchange gain	**165 101**	27 754
Straight-line rental revenue adjustment	**43 802**	45 820
	12 203 592	12 515 562

10. INVESTMENT PROPERTY (CONTINUED)

Investment properties

	Office R'000	Industrial R'000	Retail R'000	Europe R'000	Total R'000
Balance as at 31 March 2018	**3 417 511**	**536 740**	**7 263 301**	**1 298 010**	**12 515 562**
Acquisitions/improvements	**62 180**	**727**	**313 121**	**4 561**	**380 589**
Subtotal	**3 479 691**	**537 467**	**7 576 422**	**1 302 571**	**12 896 151**
Disposals	**(46 179)**	**–**	**(170 548)**	**–**	**(216 727)**
Non-current asset held for sale	**(628 307)**	**–**	**(161 400)**	**–**	**(789 707)**
Straight-line rental revenue adjustment	**29 867**	**1 797**	**12 138**	**–**	**43 802**
Foreign exchange gains/(losses)	**–**	**–**	**–**	**165 101**	**165 101**
Fair value gain/(losses) on investment properties	**(62 172)**	**47 001**	**87 893**	**32 250**	**104 972**
Balance at 31 March 2019	**2 772 900**	**586 265**	**7 344 505**	**1 499 922**	**12 203 592**
Balance as at 31 March 2017	3 276 550	650 541	6 681 888	1 251 710	11 860 689
Acquisitions/improvements	60 314	1 775	205 755	–	267 844
Subtotal	3 336 864	652 316	6 887 643	1 251 710	12 128 533
Disposals	(81 945)	–	(167 462)	–	(249 407)
Non-current asset held for sale	(27 000)	–	–	–	(27 000)
Straight-line rental revenue adjustment	31 095	991	13 733	–	45 819
Foreign exchange gains/(losses)	–	–	–	27 756	27 756
Fair value gain on investment properties	158 497	(116 567)	529 387	18 544	589 861
Balance at 31 March 2018	3 417 511	536 740	7 263 301	1 298 010	12 515 562

11. FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES

Levels of fair value measurements

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 independently 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. Valuations for interim reporting purposes are performed internally by the directors. 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 (eg rent amounts in rental contracts), market reports (eg 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).

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. As an accepted method within the income approach to valuation, 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, reletting, 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.

11. FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES (CONTINUED)

Income capitalisation method

Under the cap rate method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) 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. Under the cap rate method, over and underrent situations are separately capitalised/(discounted).

The external valuations were performed by Mills Fitchet and David Hoffman 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.

As at 31 March 2019, the portfolio had the following vacancy rates, calculated based on vacant area to total GLA along with the following estimates of when actual vacancy will equal the long-term rate:

Class of property	Fair value as 31 March 2019 R'000	Current vacancies %	Long-term vacancies %	Estimated period of convergence
Office	2 772 900	0 – 100	3,5 – 12	2 years
Industrial	586 265	0 – 15,7	0	1 year
Retail	7 344 505	0 – 59,1	3 – 10	3 years
Europe	1 499 922	0	0	n/a
	12 203 592			

Investment property comprises R789 707 000 of non-current assets held for sale and R12 203 592 000 of investment properties.

11. FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES (CONTINUED)

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

Class of property	Fair value as at 31 March 2019 R'000	Valuation technique	Key unobservable inputs	Ranges	Weighted average discount rate %
Office	**2 772 900**	Income capitalisation/ DCF method	• ERV • Rental growth pa • Long-term vacancy rate	• R33,00 – R259,00 • 7,6% • 3,5% – 12%	8,00
Industrial	**586 265**	Income capitalisation/ DCF method	• ERV • Rental growth pa • Long-term vacancy rate	• R35,00 – R119,00 • 7,3% • 0%	9,60
Retail	**7 344 505**	Income capitalisation/ DCF method	• ERV • Rental growth pa • Long-term vacancy rate	• R41,00 – R278,00 • 7,3% • 3% – 10%	7,10
Europe	**1 499 922**	Income capitalisation/ DCF method	• ERV • Rental growth pa • Long-term vacancy rate	• R64,00 – R193,00 • 0% • 0%	7,00
	12 203 592				

11. FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques and inputs derive level 3 fair values (continued)

Descriptions and definitions

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

Estimated rental value (ERV)

The rent at which space could be let in the market conditions prevailing at the date of valuation.

Rental growth

The estimated average increase in rent 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. The long-term vacancy rate can also be determined based on the percentage of estimated vacant space divided by the total lettable area.

Discount rate

Discount rate is the rate used to discount the net cash flows generated from rental activities during the period of analysis (estimated up to 15 years).

Equivalent yield

The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise in 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
- Rental growth
- Long-term vacancy rate
- Discount rate/yield

Significant increases/(decreases) in the ERV (per square metre per annum) and rental growth per annum in isolation would result in a significantly higher/(lower) fair value measurement. Significant increases/(decreases) in the long-term vacancy rate and discount rate (and exit or yield) in isolation would result in a significantly lower/(higher) fair value measurement. Generally, a change in the assumption made for the ERV (per square metre per annum) is accompanied by:

- A similar change in the rent growth per annum and discount rate (and exit yield)
- An opposite change in the long-term vacancy rate

Across the portfolio of properties held, it was determined that if the equivalent yield applied per property increases/(decreases) by 50 basis points, the overall value of the portfolio will decrease by 6,6% if the equivalent yield is increased, and increase by 7,2% if the equivalent yield is decreased.

12. PROPERTY, PLANT AND EQUIPMENT

	2019 R'000			2018 R'000		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	**537**	**(272)**	**265**	533	(175)	358
Motor vehicles	**622**	**(380)**	**242**	709	(302)	407
Office equipment	**31**	**(6)**	**25**	25	(17)	8
IT equipment	**689**	**(533)**	**156**	689	(443)	246
Total	**1 879**	**(1 191)**	**688**	1 956	(937)	1 019

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Reconciliation of property, plant and equipment – 2019					
Furniture and fixtures	**358**	**8**	**–**	**(101)**	**265**
Motor vehicles	**407**	**–**	**(45)**	**(120)**	**242**
Office equipment	**8**	**20**	**–**	**(3)**	**25**
IT equipment	**246**	**23**	**–**	**(113)**	**156**
	1 019	**51**	**(45)**	**(337)**	**688**
Reconciliation of property, plant and equipment – 2018					
Furniture and fixtures	389	87	–	(118)	358
Motor vehicles	620	–	–	(213)	407
Office equipment	–	10	–	(2)	8
IT equipment	367	117	–	(238)	246
	1 376	214	–	(571)	1 019

13. TRADE AND OTHER RECEIVABLES

	2019 R'000	2018 R'000
Debtors#	**160 705**	101 360
Selling entity debtors	**357 388**	211 826
Prepaid expenses	**24 736**	2 326
Municipal	**13 974**	14 245
Deposit: property acquisition	**1 486**	38 802
Sundry debtors	**2 614**	168 407
Accrued recoveries	**46 419**	36 683
Less: provision for bad debts	**–**	(8 412)
Less: provision for ECLs	**(17 763)**	–
	589 559	565 237

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

Refer to note 23 credit risk of trade receivables, which explains how the group manages and measures credit quality of receivables that are neither past due nor impaired.

 # Movement in bad debts provision:

	2019 R'000	*2018 R'000*
Opening balance	***8 412***	*11 976*
IFRS 9 adoption adjustment	***7 082***	*–*
New provision created	***7 686***	*837*
Debtors that are credit impaired	***(5 417)***	*(4 401)*
Closing balance	***17 763***	*8 412*

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

	(R'000)
31 March 2018 provision under IAS 39	*7 412*
Remeasurement	*7 082*
31 March 2018 provision under IFRS 9	*14 494*

	Current R'000	*30 days R'000*	*60 days R'000*	*90 days R'000*	*120 days R'000*	*Total*
ECL rate (%)	***6,10***	***24,10***	***18,10***	***37,00***	***17,80***	***17,10***
Carrying amount	***28 187***	***8 516***	***10 677***	***5 029***	***51 603***	***104 012***
ECL	***(1 729)***	***(2 050)***	***(1 930)***	***(1 862)***	***(10 192)***	***(17 763)***
	26 458	***6 466***	***8 747***	***3 167***	***41 411***	***86 249***

14. CASH AND CASH EQUIVALENTS

	2019 R'000	2018 R'000
Cash and cash equivalents	**84 131**	76 921

Surplus cash is placed on call account at an interest rate of 6,30%.

At 31 March 2019, Accelerate has undrawn debt facilities of R140 million.

Cash balances of R4 915 000 are encumbered due to bank guarantees lodged for municipal deposits.

15. ORDINARY SHARE CAPITAL

15.1 Ordinary share capital

	2019 R'000	2018 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	**979 796 940**	986 372 706
Shares repurchased	**–**	(10 828 803)
Issue of shares – ordinary shares at an average of R4,80 (2018: R5,64) per share	**4 945 779**	2 991 638
Issue of treasury shares to directors	**–**	1 261 399
Total number of shares in issue at year-end	**984 742 719**	979 796 940
Issued		
Ordinary share capital of no par value	**5 171 465**	5 158 861
Treasury shares issued to directors	**–**	7 356
Treasury shares/held by subsidiaries	**(55 794)**	(63 150)
	5 115 671	5 103 067

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 memorandum of incorporation (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
- 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

15. ORDINARY SHARE CAPITAL (CONTINUED)

15.2 Other reserves

	Antecedent reserve* R'000	Share incentive reserve# R'000	Total R'000
2019			
Opening balance	**–**	**21 403**	**21 403**
Expense	**–**	**14 573**	**14 573**
Shares vested	**–**	**(12 604)**	**(12 604)**
	–	**23 372**	**23 372**
2018			
Opening balance	36 999	17 384	54 383
Expense	–	14 225	14 225
Shares vested	–	(10 206)	(10 206)
Dividends	(36 999)	–	(36 999)
	–	21 403	21 403

* *The antecedent distribution reserve relates to prepaid distributions received from equity investors upon share issuances to the market.*

\# *Reserve for share options issued to directors and key management in terms of the conditional share scheme. Please refer to note 30.*

16. BORROWINGS

	2019 R'000	2018 R'000
Total value of loans secured by investment property		
RMB	**1 763 060**	1 861 175
Domestic medium-term note (DMTN) programme	**1 785 000**	1 487 000
Investec	**278 097**	277 087
Standard Bank	**754 190**	903 500
Eerste Bank	**790 026**	618 375
	5 370 373	5 147 137
Less: portion repayable within the next 12 months – at normal value	**(1 111 050)**	(1 492 530)
	4 259 323	3 654 607
Reconciliation of debt movements		
Opening balance	**5 147 137**	4 879 276
Debt raised	**1 785 380**	1 332 925
Debt repayment	**(1 643 623)**	(1 078 910)
Exchange rate movement on foreign debt	**81 479**	13 846
	5 370 373	5 147 137

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.

Accelerate has not acquired any debt in the financial period, nor are any fair value adjustments applicable. Accelerate does not hedge account long-term liabilities or have any lease liabilities. Accelerate SA does not have foreign denominated debt (an Eerste Bank loan is held by Accelerate Europe).

16. BORROWINGS (CONTINUED)

16.1 Details of secured loans at 31 March 2019

	Tranche	Weighting %	Debt amount R'000	Maturity date	Rate
RMB	N	2	100 850	December 2020	3M JIBAR + 225 bps
	M	2	101 461	February 2021	3M JIBAR + 225 bps
	P	2	129 328	May 2020	3M JIBAR + 195 bps
	Q	1	74 813	October 2020	3M JIBAR + 195 bps
	R	1	48 000	July 2020	3M JIBAR + 195 bps
	S	2	129 765	October 2020	3M JIBAR + 195 bps
	T	3	136 488	October 2021	Prime – 115 bps
	U	7	353 181	December 2021	3M JIBAR + 195 bps
	B – Current	7	400 000	June 2019	3M JIBAR + 200 bps
	E – Current	3	155 550	February 2020	3M JIBAR + 225 bps
	F	1	70 000	April 2020	3M JIBAR + 210 bps
	H	1	63 625	July 2020	3M JIBAR + 195 bps
Investec	V	5	278 097	December 2021	3M JIBAR + 225 bps
Standard Bank	A – Current	2	100 000	April 2019	3M JIBAR + 190 bps
	B	1	73 690	May 2020	3M JIBAR + 190 bps
	C	1	75 000	May 2020	Prime – 122 bps
	F – Current	2	82 000	April 2019	3M JIBAR + 188 bps
	H1 – Current	1	50 000	April 2019	3M JIBAR + 195 bps
	H3	-	20 000	October 2020	Prime – 120 bps
	I	-	15 000	April 2020	3M JIBAR + 188 bps
	J – Current	1	38 500	October 2019	3M JIBAR + 185 bps
DMTN programme	APFU 01 (unlisted note)	6	300 000	October 2023	3M JIBAR + 210 bps
	B – Current	5	285 000	September 2019	3M JIBAR + 230 bps
	D	4	225 000	September 2021	3M JIBAR + 230 bps
	E	6	325 000	August 2020	3M JIBAR + 189 bps
	F	4	200 000	August 2022	3M JIBAR + 214 bps
	G	3	150 000	June 2023	3M JIBAR + 210 bps
	H	5	279 000	July 2021	3M JIBAR + 185 bps
	I	6	321 000	July 2023	3M JIBAR + 208 bps
Eerste Bank	A	15	790 025	November 2021	2,23% fixed
Total long-term borrowings – secured		Total/ weighted average	5 370 373		

16. BORROWINGS (CONTINUED)

16.1 Details of secured loans at 31 March 2019 (continued)

Details of swaps on debt

	Notional amount R'000	Maturity	Base rate %
RMB	150 000	November 2019	7,32
RMB	400 000	August 2020	6,88
RMB	300 000	February 2021	7,08
RMB	150 000	October 2021	7,86
RMB	150 000	January 2022	7,40
RMB	300 000	February 2022	7,36
RMB	200 000	January 2020	7,58
Standard Bank	150 000	October 2019	7,35
Standard Bank	300 000	March 2020	7,21
Standard Bank	300 000	November 2020	7,76
Standard Bank	400 000	July 2021	7,51
Standard bank	150 000	January 2022	7,39
Standard Bank	200 000	February 2022	7,53
Investec	200 000	December 2020	7,72
Investec	300 000	February 2022	7,39
	3 650 000		

16. BORROWINGS (CONTINUED)

16.2 Details of secured loans at 31 March 2018

	Tranche	Weighting %	Debt amount R'000	Debt maturity date	Rate
RMB	E – Current	7,00	346 431	December 2018	JIBAR + 195 bps
	L	1,00	44 090	April 2019	JIBAR + 215 bps
	N	2,00	100 850	December 2020	JIBAR + 225 bps
	M	3,00	151 200	February 2021	JIBAR + 225 bps
	P	3,00	129 328	May 2020	JIBAR + 195 bps
	Q	1,00	74 813	October 2020	JIBAR + 195 bps
	R	1,00	48 000	July 2020	JIBAR + 195 bps
	S	3,00	151 275	October 2020	JIBAR + 195 bps
	T	2,00	126 488	October 2021	Prime – 115 bps
	B	8,00	400 000	June 2019	JIBAR + 200 bps
	E	3,00	155 550	February 2020	JIBAR – 225 bps
	F	1,00	70 000	April 2020	JIBAR + 210 bps
Investec	G – Current	1,00	63 150	July 2018	JIBAR + 175 bps
Standard Bank	J – Current	5,00	277 087	December 2018	JIBAR + 175 bps
	A – Current	5,00	250 000	May 2018	JIBAR + 170 bps
	B	5,00	250 000	May 2020	JIBAR + 190 bps
	F	2,00	82 000	April 2019	JIBAR + 188 bps
	H1 – Current	2,00	100 000	October 2018	JIBAR + 172 bps
	H2	2,00	100 000	October 2019	JIBAR + 188 bps
	H3 and 4	1,00	53 000	October 2020	JIBAR + 200 bps
	I	1,00	30 000	April 2020	JIBAR + 188 bps
	J	1,00	38 500	October 2019	JIBAR + 185 bps
	B	6,00	285 000	September 2019	JIBAR + 230 bps
DMTN programme	C – Current	9,00	452 000	August 2018	JIBAR + 175 bps
	D	4,00	225 000	September 2021	JIBAR + 230 bps
	E	6,00	325 000	August 2020	JIBAR + 189 bps
	F	4,00	200 000	August 2020	JIBAR + 214 bps
	A	12,00	618 375	December 2021	2,10% fixed
Total long-term borrowings – secured*			5 147 137		

* *The long-term borrowings shown in the table above are subject to the standard restrictions over bonded properties.*

16. BORROWINGS (CONTINUED)

16.2 Details of secured loans at 31 March 2018 (continued)

Details of swap impact on debt

	Notional amount R'000	Maturity	Base rate %
RMB	1 600 000	March 2019	6,50
RMB	300 000	June 2018	7,64
RMB	200 000	January 2020	7,58
RMB	400 000	August 2020	6,88
RMB	300 000	February 2022	7,36
RMB	300 000	February 2021	7,08
Standard Bank	200 000	March 2020	7,64
Standard Bank	300 000	March 2020	7,21
Standard Bank	300 000	November 2020	7,76
Investec	200 000	November 2020	7,72
Investec	300 000	February 2022	7,08
	4 400 000		

Accelerate intends to refinance the current portion of the maturing debt, by the issue into the market of a secured, as well as an unsecured DMTN bond issue and bank finance.

17. TRADE AND OTHER PAYABLES

	2019 R'000	2018 R'000
Trade payables	**14 416**	10 610
Debtors in credit	**54 771**	48 765
VAT	**14 462**	8 125
Tenant deposits	**36 901**	31 795
Accrued expenses	**78 189**	28 649
Financial guarantee liability*	**98 492**	45 582
	297 231	173 526

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.

* *In order to retain and align key executive directors with shareholders, the company encourages the acquisition of shares by executive directors who do not currently have a material shareholding in the company. 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 SPV are funded through bank debt from RMB and can acquire shares up to a maximum of R205 million in Accelerate at market-related prices. The interest on bank debt accrued in the SPV will be serviced by the distributions received from Accelerate. RMB has cession over these shares and the directors will only have an unconditional right to the shares in the SPV once the bank debt has been settled. Accelerate provides limited guarantees to RMB for the performance of each SPV obligations. The maximum liability Accelerate may have under the guarantees is the equivalent of 63,5% to the extent that losses incurred by RMB are not settled by the sale of the shares RMB has cession over. At 31 March 2019, R189,5 million of the RMB facility has been drawn down. Of the R98,4 million recognised at year-end, R71 million relates to shares held by Andrew Costa and R27,4 million relates to shares held by John Paterson.*

18. CASH GENERATED FROM OPERATIONS

	2019 R'000	2018 R'000
Profit before taxation	**565 833**	1 083 197
Adjustments for:		
Depreciation and amortisation	**11 814**	11 407
Net profit on disposal of investment property	**(10 460)**	(4 845)
Interest income	**(37 880)**	(37 228)
Finance cost	**341 781**	334 768
Fair value adjustments	**(73 405)**	(542 984)
Unrealised gains and losses	**(31 001)**	(14 739)
Share incentive expense	**14 573**	14 224
Straight-line rental revenue adjustment	**(43 802)**	(45 819)
Changes in working capital:		
Increase in trade and other receivables	**(24 322)**	(225 048)
Increase in trade and other payables	**123 705**	21 907
	836 836	594 840

19. CAPITAL COMMITMENTS

	2019 R'000	2018 R'000
Authorised capital expenditure		
Not yet contracted for and authorised by directors	**140 000**	79 400

This committed expenditure relates to property and will be financed by available bank facilities and debt.

	2019 R'000	2018 R'000
Operating leases – as lessee/(expense)		
Minimum lease payments due		
– within one year	**5 652**	5 017
– in second to fifth year inclusive	**22 535**	20 005
– later than five years	**140 250**	124 504
	168 437	149 526

Operating lease payments represent rentals payable by the company for certain of its properties.

20. MINIMUM CONTRACTED RENTAL INCOME

	2019 R'000	2018 R'000
Minimum contracted rental income		
Accelerate leases a number of retail, office and industrial 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	**752 324**	722 582
Between one and five years	**2 360 889**	2 084 024
More than five years	**1 802 833**	1 696 251
	4 916 046	4 502 857

21. RELATED PARTIES

Relationships

Michael Georgiou (100% shareholder of Fourways Precinct (Pty) Ltd through The Michael Family Trust and 100% shareholder of Accelerate Property Management Company (Pty) Ltd) and Andrew Costa are directors of both Accelerate Property Fund Ltd and Accelerate Property Management Company (Pty) Ltd.

Holding company: Accelerate Property Fund Ltd

21. RELATED PARTIES (CONTINUED)

Relationships (continued)

	2019 R'000	2018 R'000
Related party balances		
Loan accounts		
Fourways Precinct (Pty) Ltd	**–**	39 646
The Michael Family Trust	**68 180**	62 142
Vacancy guarantee		
Fourways Precinct (Pty) Ltd	**9 339**	17 038
Development guarantee		
Fourways Precinct (Pty) Ltd	**248 364**	105 629
Related party transactions		
Development guarantee		
Fourways Precinct (Pty) Ltd	**113 163**	58 972
Interest charged on outstanding amounts		
Fourways Precinct (Pty) Ltd	**17 544**	7 803
The Michael Family Trust	**5 172**	4 073
Accelerate Property Management fees paid		
Fourways Precinct (Pty) Ltd	**(2 121)**	(3 745)
Accelerate Property Management Company (Pty) Ltd	**(7 912)**	(6 156)
Letting commission		
Fourways Precinct (Pty) Ltd	**(21 020)**	(6 604)
Financial guarantee#	**(52 911)**	(37 144)

For information on financial guarantees with related parties, refer to note 17.

Related party balances bear interest at market-related interest rates.

22. NET ASSET VALUE

	2019	2018
Shares in issue at the end of the year	**984 742 719**	979 796 940
Net asset value (R'000)	**7 965 297**	7 861 866
Net asset value per share (R)	**8,09**	8,02

23. FINANCE RISK MANAGEMENT

Total financial assets and liabilities

	Carried at fair value R'000	Amortised cost# R'000	Total R'000
Financial assets 31 March 2019			
Derivatives*	**1 598**	**–**	**1 598**
Trade and other receivables	**–**	**564 823**	**564 823**
Cash and cash equivalents	**–**	**84 131**	**84 131**
	1 598	**648 954**	**650 552**
Financial liabilities 31 March 2019			
Derivative*	**(41 908)**	**–**	**(41 908)**
Long-term interest-bearing borrowings	**–**	**(4 259 323)**	**(4 259 323)**
Trade and other payables	**–**	**(282 768)**	**(282 768)**
Current portion of long-term debt	**–**	**(1 111 050)**	**(1 111 050)**
	(41 908)	**(5 653 141)**	**(5 695 049)**
Financial assets 31 March 2018			
Derivative financial assets*	19 258	–	19 258
Trade and other receivables	–	562 909	562 909
Cash and cash equivalents	–	76 921	76 921
	19 258	639 830	659 088
Financial liabilities 31 March 2018			
Derivatives*	(28 002)	–	(28 002)
Long-term interest-bearing borrowings	–	(3 654 607)	(3 654 607)
Trade and other payables	–	(165 401)	(165 401)
Current portion of long-term debt	–	(1 492 530)	(1 492 530)
	(28 002)	(5 312 538)	(5 340 540)

* *The values of the derivative financial assets and liabilities are shown at fair value and are based on inputs other than quoted prices that are observable in the market for the assets and liabilities, either directly (ie as prices) or indirectly (ie derived from prices) – level 2 (refer to note 24 for further details). The fair value is determined as the net DCF to be received from the swaps in place at 31 March 2019.*

\# *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.*

23. FINANCE RISK MANAGEMENT (CONTINUED)

Other financial risk management considerations

Accelerate's principal financial liabilities, other than derivatives, are loans and borrowings. 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, 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, exchange rate 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. The audit and risk committee provides assurance to Accelerate's senior management that Accelerate's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies for risk. All derivative activities for risk management purposes are carried out by management who 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.

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.

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 2019, after taking into account the effect of interest rate swaps, 82,8% of Accelerate's borrowings are economically hedged.

23. FINANCE RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

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.

2019	Increase/ (decrease) in basis points	Effect on profit before tax R'000
JIBAR (one month)	**100**	**(10 096)**
JIBAR (one month)	**(100)**	**10 096**
	–	**–**
2018		
JIBAR (one month)	100	(1 334)
JIBAR (one month)	(100)	1 334
		–

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 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. Accelerate is also exposed to credit risk on financial guarantees issued to related parties. Refer to note 13.

23. FINANCE RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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 applied the practical expedient to calculate ECL using a provision matrix.

In the simplified model, the group estimates the ECL in the horizon up to maturity of the instrument.

The group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The group has identified the following groups for the purpose of that analysis:

- Rental revenues – office (O)
- Rental revenues – retail (R)
- Other revenues (other)

The provision matrix is initially based on the group's historical observed default rates for each group of receivables adjusted for forward-looking factors specific to the debtors and the economic environment.

Tenant receivables

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 only collateral that is held by Accelerate as security for credit risk is deposit payments by tenants upon entering into a lease. For further details, refer to note 13. Tenants are usually required to provide one month's rental as a deposit. For the age analysis of tenant receivables past due but not yet impaired, refer to note 13.

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 company does not consider there to be any significant concentration of credit risk.

23. FINANCE 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. 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. In effect, 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 DMTN bond issue or bank debt.

82,8% (2018: 97,4%) of interest-bearing borrowings were economically hedged at 31 March 2019, for a weighted average period of 2,5 years (2018: 2,1 years).

For a breakdown of total borrowings and swaps, refer to note 16.

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.

	Within 1 year R'000	1 – 2 years R'000	2 – 5 years R'000	Over 5 years R'000	Total R'000
31 March 2019*					
Total borrowings	**1 150 816**	**1 387 131**	**3 798 169**	**–**	**6 336 116**
Trade and other payables (excluding VAT)	**184 276**	**–**	**–**	**–**	**184 276**
Financial guarantees	**130 175**	**–**	**–**	**–**	**130 175**
Derivatives	**23 128**	**5 122**	**13 658**	**–**	**41 908**
	1 488 395	**1 392 253**	**3 811 827**	**–**	**6 692 475**
31 March 2018*					
Total borrowings	1 562 465	1 247 619	3 094 684	–	5 904 768
Trade and other payables (excluding VAT)	119 819	–	–	–	119 819
Financial guarantees	130 175	–	–	–	130 175
Derivatives	385	18 830	8 787	–	28 002
	1 812 844	1 266 449	3 103 471	–	6 182 764

* *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, the nominal value of interest-bearing borrowings over secured properties may not exceed a range of 45% to 60% of the value of investment property depending on the security pool. Total interest-bearing borrowings may not exceed 50%.*

23. FINANCE RISK MANAGEMENT (CONTINUED)

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 euro 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 500 000 (2018: R42 500 000) of the long-term loan in rand terms.

A 20% appreciation in the rand exchange rate would result in an appreciation of R50 460 407 (2018: R87 722 115) in the fair value of the cross-currency swap, and a 20% depreciation in the rand exchange rate would result in a depreciation of R96 253 234 (2018: R53 009 553) in the fair value of the cross-currency swap.

1% upward movement in the euro cross-currency curve would result in an appreciation of R2 811 763 (2018: R5 881 911) in the fair value of the cross-currency swap, and a 1% depreciation would result in a depreciation of R2 834 000 (2018: R5 986 318).

1% upward movement in the rand cross-currency curve would result in a depreciation of R2 535 023 (2018: R5 727 386) in the fair value of the cross-currency swap, and a 1% depreciation would result in an appreciation of R2 554 858 (2018: R5 826 526).

24. DERIVATIVES

Economic hedges

Interest rate swaps

Accelerate holds interest rate swap contracts with notional amounts of R3 650 000 000 (2018: R4 400 000 000) 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 to achieve economic hedging (hedging has not been applied for accounting purposes). Cash flows are expected to occur until August 2022 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 -R17 922 863 (2018: -R26 114 516).

24. DERIVATIVES (CONTINUED)

Economic hedges (continued)

Interest rate swaps (continued)

The valuation techniques applied to fair value the derivatives which include the swap models, use present value calculations. The model incorporates various inputs including the credit quality of counterparties and forward rates. As at 31 March 2019, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. 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 (2018: €21 000 000) to hedge exchange rate movements on euro denominated debt. The cross-currency swap matures in January 2020.

The fair value of the cross-currency swaps at the end of the reporting period was -R22 388 082 (2018: R 17 371 005).

Reconciliation of the swap derivatives	2019 R'000	2018 R'000
Opening balance value	**(8 744)**	38 134
Net changes in fair value through profit and loss	**(31 567)**	(46 878)
Closing balance	**(40 311)**	(8 744)
Current assets	**–**	1 887
Non-current asset	**1 598**	17 371
Total asset	**1 598**	19 258
Current liabilities	**(23 128)**	(385)
Non-current liabilities	**(18 780)**	(27 617)
Total liabilities	**(41 908)**	(28 002)
	(40 311)	(8 744)

25. CAPITAL MANAGEMENT

The primary objective of Accelerate's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating. No changes were made in the objectives, policies or processes during the years ended 31 March 2019 and 31 March 2018. 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. Accelerate's policy is to keep its average loan to value ratio lower than or equal to 45%. Banking covenants vary according to each loan agreement, but typically require that the loan to value ratio does not exceed 50%. During the period, Accelerate did not breach any of its loan covenants and is satisfied with its current loan to value of 42,28%. 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 Listings Requirements. There were no changes in the group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

	2019 R'000	2018 R'000
Carrying amount of interest-bearing loans and borrowings*	**5 370 373**	5 147 137
Investment property at fair value (excluding straight-lining adjustment)	**12 703 068**	12 301 151
	42,28%	41,84%

* *Excludes cash on deposit and interest accrual at year end.*

26. NON-CURRENT ASSETS HELD FOR SALE

The following non-core office property are held for sale at 31 March 2019:

- Mr Price
- The Pines
- Glen Gables
- East Lynn
- Wanooka Place
- Flora Park
- 89 Hertzog Boulevard
- 99 – 101 Hertzog Boulevard
- 73 Hertzog Boulevard

Assets and liabilities

Non-current assets held for sale

	2019 R'000	2018 R'000
Investment property	**789 707**	27 000

27. CURRENT TAX PAYABLE/(RECEIVABLE)

	2019 R'000	2018 R'000
Refund due from SARS	**(5 534)**	(5 534)

The refund due from SARS of R5 534 000 is due to provisional tax paid by Wanooka Properties (Pty) Ltd of which Accelerate subsequently acquired 100% shareholding as part of the acquisition of the KPMG properties. As Wanooka now also qualifies as a REIT and distributes all of its profits, the provisional tax payment made will be refunded by SARS when the final tax return for Wanooka is assessed.

28. FAIR VALUE ADJUSTMENTS

	2019 R'000	2018 R'000
Investment property (fair value model)	**104 972**	589 861
Mark to market movement on swaps	**(31 567)**	(46 877)
	73 405	542 984

29. DIRECTORS' REMUNERATION

The directors' remuneration figures below form part of employee cost (refer to note 4).

	Year ended 31 March 2019 R'000	Year ended 31 March 2018 R'000
Total guaranteed package	**–**	-
M Georgiou	**–**	-
A Costa	**4 325**	3 993
D Kyriakides	**3 150**	2 815
JRJ Paterson	**3 387**	3 064
Short-term incentive payment	**–**	-
M Georgiou	**–**	-
A Costa	**1 850**	–
D Kyriakides	**1 050**	–
JRJ Paterson	**1 350**	–
Non-executive directors	**–**	-
TT Mboweni	**634**	975
GC Cruywagen	**414**	412
TJ Fearnhead	**430**	424
JRP Doidge	**400**	388
K Madikizela	**360**	358
Ass. Prof FM Viruly	**360**	358

Accelerate provides a financial guarantee for leveraged shares held by Andrew Costa and John Paterson. Refer to note 17 for details.

29. DIRECTORS' REMUNERATION (CONTINUED)

Directors' direct/indirect interest in the shares of the company 31 March 2019

Michael Georgiou	**292 882 024**	shares	**29,46%**	Indirect holding
Andrew Costa	**27 804 855**	shares	**2,80%**	Indirect holding
John Paterson	**12 424 571**	shares	**1,25%**	Indirect holding
Dimitri Kyriakides	**770 000**	shares	**0,08%**	Direct holding
	333 881 450	shares	**33,59%**	

Directors' direct/indirect interest in the shares of the company 31 March 2018

Michael Georgiou	291 869 510	shares	29,50%	Indirect holding
Andrew Costa	25 736 697	shares	2,60%	Indirect holding
John Paterson	11 111 118	shares	1,12%	Indirect holding
Dimitri Kyriakides	493 804	shares	0,05%	Direct holding
	329 211 129	shares	33,27%	

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.

30. ACCELERATE PROPERTY FUND CONDITIONAL SHARE PLAN

The executive directors have been awarded share options in line with Accelerate Property Fund's conditional share plan (CSP) which came into effect during the year ended 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, management company and shareholders' strategic and financial interests that a specific individual is retained, or to address sign-on requirements.
- The CSP 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 at 31 March 2019, which only vest on the below dates once the vesting conditions have been met, are as follows:

Directors	Number of performance shares	Reserve at 31 March 2019	Number of retention shares	Reserve at 31 March 2019	Vesting March 2020 year-end	Vesting March 2021 year-end	Vesting 31 March 2022 year-end
M Georgiou – Indirect	–	–	–	–	–	–	–
Performance shares	4 135 035	6 228 595	–	–	1 422 386	1 617 626	1 095 023
Retention shares	–	–	1 095 023	718 943	–	–	1 095 023
A Costa – Indirect	–	–	–	–	–	–	–
Performance shares	4 135 035	6 228 595	–	–	1 422 386	1 617 626	1 095 023
Retention shares	–	–	1 095 023	718 943	–	–	1 095 023
D Kyriakides – Direct	–	–	–	–	–	–	–
Performance shares	1 526 693	2 014 826	–	–	422 872	524 635	579 186
Retention shares	–	–	579 186	380 268	–	–	579 186
J Paterson – Direct	–	–	–	–	–	–	–
Performance shares	2 611 739	3 898 712	–	–	884 186	1 005 551	722 002
Retention shares	–	–	722 002	474 034	–	–	722 002
	12 408 502	18 370 728	3 491 234	2 292 188	4 151 830	4 765 438	6 982 468

30. ACCELERATE PROPERTY FUND CONDITIONAL SHARE PLAN (CONTINUED)

In addition to the allocations to directors above, 1 581 094 (2018: 1 405 718) shares have been allocated to other management personnel with a reserve at 31 March 2019 of R 2 728 874 (2018: R2 049 196). The allocations at 31 March 2018 will vest during the 2021 financial year. The increase is due to allocations during the current year and these allocations will vest during the 2022 financial year. No shares allocated to other employees have yet vested.

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

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 represent 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 represent approximately 1,5% of the number of issued shares as at date of approval of the CSP by shareholders.

The share price on 31 March 2019 was R2,75 (2018: R5,65).

The reserve at 31 March 2019 was calculated by applying the share prices on grant date, pro rata, over the vesting period of the shares.

Share options exercised during the year (number of shares)	**Year ended 31 March 2019**	Year ended 31 March 2018
M Georgiou	**1 012 514**	–
A Costa	**2 068 158**	2 122 826
D Kyriakides	**440 084**	719 283
JRJ Paterson	**1 313 453**	1 410 928
	4 834 209	4 253 037

31. EVENTS AFTER REPORTING DATE

The following properties which are listed as non-current assets held for sale at 31 March 2019 were transfered post-year-end at the fair value. Refer to note 10:

- Mr Price
- The Pines
- Glen Gables
- East Lynn
- Wanooka Place

Accelerate has agreed to accept the proposed 40.9% rental assistance to Edcon in the form of Edcon shares to be issued to Accelerate.

32. UNREALISED GAINS/(LOSSES)

	31 March 2019 R'000	31 March 2018 R'000
Foreign exchange gains	**31 001**	8 612
Financial guarantee	**(52 910)**	–
	(21 909)	8 612

33. FOURWAYS EQUALISATION

Accelerate has committed to, upon completion of the Fourways mall redevelopment purchase an equalising stake in the completed new Fourways Mall as to own the mall 50/50 with the developer.

The final purchase price is in process of being determined, however as per legal agreements a minimum of R 700 million will be payable to the developers bank funders.

Various funding options are available to Accelerate.

CORPORATE *Information*

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

Registered office and business address
Cedar Square Shopping Centre,
Management Office, 1st Floor,
Corner Willow Avenue and Cedar Road,
Fourways, Johannesburg, 2055
Tel: 010 001 0790
Web: www.acceleratepf.co.za

Investor relations
Articulate Capital Partners
Morne Reinders
Email: morne@articulatepartners.com
Tel: 082 480 4541

Company secretary
Ms Joanne Matisonn
Tel: 010 001 0790

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue,
Rosebank, Johannesburg, 2196
PO Box 61051, Marshalltown, 2107,
South Africa
Tel: 011 370 5000
Email: proxy@computershare.co.za
Fax: 011 688 2238

Sponsor
The Standard Bank of South Africa Ltd
(Registration number 1962/000738/06)
30 Baker Street, Rosebank, 2196
PO Box 61344, Marshalltown, 2107
Tel: 011 721 6125

Auditors
EY
102 Rivonia Road, Sandton,
Johannesburg, 2149
Tel: 011 772 3000

Internal auditors
LateganMashego Audit and Advisory (Pty) Ltd
(Registration number 2001/107847/07)
11 Boca Walk, Highveld, Centurion, 0157
Email: lindie@lateganmashego.co.za
Tel: 082 898 7644/083 609 1159

Attorneys
Glyn Marais Inc
(Registration number 1990/000849/21)
2nd Floor, The Place, 1 Sandton Drive,
Sandton, Johannesburg, 2196
PO Box 652361, Benmore, 2010
Tel: 011 286 3700

Contact details
Chief operating officer: Andrew Costa
Email: andrew@acceleratepf.co.za
Chief financial officer: Dimitri Kyriakides
Email: dimitri@acceleratepf.co.za

GENERAL *Information*

Country of incorporation and domicile
South Africa

Nature of business and principal activities
Property letting

Directors
Gert Cruywagen
Tim Fearnhead
Kolosa Madikizela
Ass. Prof Francois M Viruly
Michael Georgiou
Andrew Costa
Dimitri Kyriakides
John Paterson
George Cavaleros
Abel Mawela
Dawid Wandrag

Registered office
Cedar Square Shopping Centre,
Management Office, 1st Floor
Corner Willow Avenue and Cedar Road
Fourways
Johannesburg
2055

Business address
Cedar Square Shopping Centre,
Management Office, 1st Floor
Corner Willow Avenue and Cedar Road
Fourways
Johannesburg
2055

Holding company
Accelerate Property Fund Ltd
incorporated in South Africa

Auditors
EY
Chartered Accountants (SA)
Registered Auditors

Secretary
Joanne Matisonn

Tax reference number
9868626145

NOTES

NOTES

GREYMATTER & FINCH # 12994