ACCELERATE

PROPERTY FUND

INTEGRATED REPORT

for the year ended 31 March 2017

A LEADING PORTFOLIO

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The following icons are applied throughout the report to improve usability and show the integration between the relevant elements of the report.

Page reference

Website

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

Vision 2020

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

www.acceleratepf.co.za

CHAIRMAN'S REVIEW

Mr Tito Mboweni

Introduction

The board is ultimately responsible to stakeholders for developing and implementing Accelerate's strategy. As we continue to build a sustainable business, our vision and strategy provide a roadmap, that guides the company's decisions and informs stakeholders of our intentions.

Strategy, risk and governance

As a board, we understand that robust corporate governance is the foundation on which an ethical and transparent business is built. We believe that governance can contribute to value creation by ensuring the correct checks and balances are in place, and ensuring enhanced accountability to shareholders through better risk and performance management. We strive to foster and entrench corporate governance principles and structures that enable us to maintain healthy relationships between Accelerate and its stakeholders.

Understanding that risks and challenges are unavoidable, Accelerate's board-approved and driven risk management process seeks to achieve an appropriate balance between realising opportunities for gain and minimising adverse impacts. While day-to-day management of risk lies with the management team, any changes to the company's risk profile are discussed at board level. Working alongside such an experienced board enables us to guide the group effectively in order to mitigate risk and enable the company to capitalise on opportunity in a way that is responsible and sustainable. I believe that the board has the correct mix of knowledge and experience from various spheres of business to strategically direct Accelerate into the future.

The successful acquisitions of the past year are a testament to the cooperation between the board and management and the implementation of these acquisitions by the management team. As a board, we will continue to monitor the implementation of the group's strategy as Accelerate continues to grow and create value for its stakeholders.

Fit-for-purpose leadership

The board is satisfied with the leadership structure of the group and the delegation of responsibility within the management team. While the chief executive officer, Michael Georgiou, is responsible for strategy and is a key dealmaker for the group, the group's chief operating officer, Andrew Costa, is responsible for the day-to-day management and running of the company's business in terms of the strategies and objectives approved by the board. We believe that the leadership and strengths of both parties complement one another and offer additional value to the group over and above what each brings to the table.

Corporate citizenship and stakeholder inclusivity

The board acknowledges that stakeholder engagement is a business imperative, as it helps minimise risks, identify opportunities, and understand and respond to the issues that matter to our stakeholders. Creating and maintaining stakeholder relations is, therefore, part of our culture, and the board considers relationship building as critical. The social and ethics committee monitors key issues raised by the company's stakeholders and how the company responds to such issues. We regularly communicate with our stakeholders through formal feedback sessions, informal dialogue and our various publications and communications tools, including this report.

Because we value sound relationships with the communities within our geographical footprint we invest in and engage them. We focused on education due to the opportunities it creates for the youth and its potential for sustainable returns. We identified schools within our geographical footprint, and invested in building lasting relationships with and helping them to provide quality education.

In the Fourways node, Accelerate identified four schools in Diepsloot, with which to establish supportive relationships. The schools identified were Muzomuhle Primary School, Diepsloot West, Diepsloot Secondary No 3 and Diepsloot Combined School. A few of the projects undertaken during the year include the revamping of the grade Rs classroom and play area at Diepsloot Combined School and providing water pumps to Diepsloot West for their vegetable garden. We are also in the process of launching a bursary programme for university students. We truly believe that investments such as these are investments in the future of South Africa, contributing to the provision of top-quality education for underprivileged learners.

Appreciation

My thanks go to our stakeholders for their continued support. To my fellow directors – thank you for your counsel and wisdom during the year. Finally, I extend my sincere gratitude to each and every person in the Accelerate family – your dedication continues to move the group forward.

Mr Tito Mboweni
Chairman

13 June 2017

INVESTMENT CASE

Accelerate offers a compelling case for investors seeking to own a quality property portfolio.

Our portfolio consists of 60 properties across South Africa, including ownership of two regional shopping centres. In addition, investors are offered exposure to a quality portfolio of nine single-tenant retail assets with long-term leases (greater than 10 years) in Central and Eastern Europe (CEE), and a scalable offshore investment platform that provides exposure to foreign real estate markets with attractive yields and lower interest rates. Accelerate has continued to show strong growth through our strategic thinking, innovation and deal-making ability.

A strong portfolio and consistent performance

Successful execution of growth strategy to date

- 111% growth in property portfolio since listing in December 2013, significantly improving portfolio quality

Successfully implemented European strategy and scalable platform

- European platform established with unique strategy of investing in long-term single-tenant net leases
- Acquisition of six properties in Austria and three in Slovakia, tenanted by blue-chip German DIY retailer, OBI
- Blended European acquisition yield of 7,0% (equity ZAR yield of approximately 11,5%, including the effect of the cross-currency swap). European platform is scalable with on-the-ground deal origination, asset management and finance functions

A portfolio of quality assets with strong underlying property fundamentals

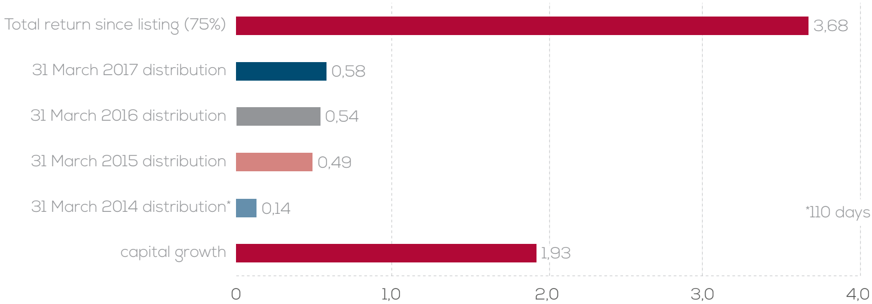
- 5,63 year weighted average lease expiry with 6,91% vacancies (net of structural vacancies)
- Rental escalations of 7,8% (6,9% including our offshore portfolio)
- Weighted average cost of funding of 8,4%, with 77,9% of debt hedged
- 65,1% of tenants are classified as A-grade by revenue (listed/large national tenants)

Significant exposure to resilient retail sector

- The retail sector (South Africa and Europe) comprises 67,4% of our property portfolio by revenue
- The Fourways Development is well underway, which is expected to significantly increase the value of our Fourways retail asset base

Return on equity	Rand	Growth %
Share price at listing (Dec 2013)	4,88	
Share price growth	1,85	37,9
Closing share price 31 March 2017	6,73	37,9

Total return since listing (Rands per share)



ABOUT OUR REPORT

Accelerate Property Fund Ltd (Accelerate) regards this integrated report (the report) as an opportunity to engage proactively with our stakeholder groups. The report should enable stakeholders to assess our ability to create and sustain value over the short, medium and long term.

Scope and boundary

This report identifies and explains the material aspects of our business, including economic, social, governance and environmental issues facing the group, and their impact.

Accelerate is a South African-listed property fund with a portfolio of 69 properties. The asset management function is housed within the company and comprises an asset management team and an investment committee that render strategic services to the company.

This is the company's fourth integrated report and covers the activities of Accelerate for the financial year 1 April 2016 to 31 March 2017, with comparatives shown where applicable. In the report, Accelerate Property Fund and/or its management and subsidiaries are referred to interchangeably as Accelerate, the company, the group, us, our, we, or the fund. All references to the year refer to the financial year ended 31 March 2017.

Our operational structure can be found on page 18.

Reporting frameworks

We aim to continue to produce a report that we believe presents a balanced and informative overview of Accelerate for all stakeholders.

In compiling our report, the following reporting principles and requirements were considered:

- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- International Financial Reporting Standards (IFRS)
- King Report on Corporate Governance for South Africa 2009 (King III)
- Companies Act of South Africa, 71 of 2008, as amended
- Johannesburg Stock Exchange (JSE) Listings Requirements.

Our integrated report is the primary mechanism for communicating with stakeholders and includes the annual financial statements.

Supplementary information

The following information is supplementary to our integrated report and is available online at www.acceleratepf.co.za.

Supplementary information	Overview
Latest financial results, including our interim and annual financial results presentations	Detailed financial communications to stakeholders
King III checklist	Accelerate has disclosed our compliance and application of the King III principles as required
Additional information	Detailed shareholder information is available online, including: • SENS announcements; • the pre-listing statement; • annual general meeting (AGM) information; and • circulars.
Capital market information	Details of the domestic medium-term note programme
Portfolio information	Updated information on our portfolio, including a summary of our property portfolio, tenant, sectoral and geographic profiles

Assurance

The consolidated annual financial statements were prepared in accordance with IFRS and were externally audited by EY. The three lines of defence incorporate management and board oversight, risk management, and independent assurance. These form the basis of the combined assurance approach required under King III, which aims to provide a coordinated approach to all assurance activities. We continue to make progress 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 102.

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 be different 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.

Stakeholder feedback

We continue to engage the services of Instinctif Partners to coordinate our investor relations. Therefore, please send any feedback on reporting content or requests for copies to:

Instinctif Partners

Attention: Lizelle du Toit
Tel: 011 447 3030
Email: accelerate@instinctif.com

About our report (continued)

Approval of Accelerate's integrated report

The board acknowledges its responsibility to ensure the integrity of this report. The directors confirm that they have collectively assessed the content of the report and believe it addresses the company's material issues and is a fair representation of the integrated performance of Accelerate. The directors believe that this report was prepared in accordance with the <IR> Framework. Therefore, the board has approved the 2017 integrated report for publication.

Mr Tito Mboweni
Chairman

13 June 2017

Mr Michael Georgiou
Chief executive officer

13 June 2017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CHIEF EXECUTIVE OFFICER'S REVIEW

Mr Michael Georgiou

Overview

It gives me great pleasure to present Accelerate's 2017 integrated report to you, our valued stakeholders.

While political uncertainty and weak economic growth continued to weigh on all South African businesses during the year, our ability to adapt to changing markets while staying true to our strategic ambitions has enabled us to achieve a distribution growth of 7,3% to 57,57 cents per share. The value of our property portfolio increased to R11,6 billion as at 31 March 2017 from R8,4 billion in the prior year, reflecting growth of 38%.

Carving a path to success during challenging times

During the year, lacklustre global economic growth remained a pervasive theme. Given the lack of clarity surrounding the policy stance of the new US administration and the turmoil stemming from Brexit, it was no surprise that the year was once again shrouded in uncertainty.

Despite this, according to the International Monetary Funds' *World Economic Outlook – Update January 2017*, the position for advanced economies has improved, reflecting somewhat stronger activity in the second half of 2016. In emerging and developing economies, however, growth prospects have worsened marginally due to the tightening of financial conditions. Conversely, shorter-term prospects for China were revised up due to expected policy stimulus but many other large economies, such as India, Brazil and Mexico, were revised down.

In South Africa, we continued to face severe headwinds, and we are anticipating a further two difficult years.

As a retail-focused fund, conditions on the ground for ordinary South Africans are important to our business as these individuals are the consumers who support our shopping centres. High levels of unemployment and disappointing economic growth continued to place strain on consumers' disposable income, and, in turn, on retailers' profitability. Challenges in the retail sector were further aggravated by the progressively competitive nature of the sector due to increased supply. In this context, our focus remains on tenant retention, understanding the need to manage the balance between escalations and vacancies. In addition, we work to bring our tenants cost savings through actively managing expenses and investigating ways of increasing operational efficiencies.

Despite the challenges faced, the South African retail sector remained resilient and continued to perform satisfactorily during the period.

Nodal investment approach

Our nodal investment approach is one of our key differentiators. By focusing on nodes that are deemed to have good economic fundamentals and superior growth potential, it allows for economies of scale within these nodes – where any investment in improving specific properties, infrastructure or services is to the benefit of other assets owned by the group in the same area. This strategy continued to work well during the year, as we sought to unlock value in delivering on these objectives where appropriate.

A consistent strategy with strong delivery

We remain focused on strengthening our portfolio through strategic investments, enhancing efficiencies and the successful completion of the Fourways Development. In this way, we continue significantly improving the quality of our portfolio.

Our Fourways Development project remained our core focus, and the successful launch and implementation of the project is our highest priority in our short to medium-term strategy.

Our exposure offshore has further strengthened our position. Austria and Slovakia are attractive investment destinations for Accelerate due to a range of positive underlying fundamentals. We acquired a portfolio of nine properties (six in Austria and three in Slovakia) for €82 million at a euro yield of 7,0% translating to a South African yield of 11,5%.

Locally, we acquired a portion of the: iconic premium-grade office block, Portside, in the Cape Town Foreshore; Eden Meander Lifestyle Centre, in George; Murray & Roberts building, in Foreshore, Cape Town; and the Citibank building, in Sandton.

Outlook

We are well aware of the challenges our operating context presents. We will continue to focus on the Fourways Development, SA expansion is expected to slow save for any exceptional and strategic opportunities. Offshore expansion is set to continue with the aim of building critical mass in our offshore long term single tenant subsidiary.

Appreciation

I would like to extend my sincere gratitude to the board and the executive team for their assistance over the past year. I would also like to thank our shareholders for their support. Thank you to our valued tenants for their continued partnership, and special thanks to our tenants at Fourways Mall and Cedar Square for their fortitude during the challenges the developments have presented to their day-to-day business. To the customers we serve, thank you for your continued support.

Mr Michael Georgiou
Chief executive officer

13 June 2017

CHIEF OPERATING OFFICER'S REVIEW

Mr Andrew Costa

Our operating context is and will remain challenging in the short to medium term, but we have shown our determination and resilience in these trying times. In fact, in reflecting on the events over the past financial year, I believe 2017 will be remembered as a year that demonstrated our ability to adapt to change and capture opportunities while staying true to our strategy.

We remain committed to expanding our offshore portfolio while being very selective with local acquisitions and developments, focusing on enhancing the quality of the portfolio.

Our local focus

During the year, we completed the acquisition of Portside, a top-quality office block in the Foreshore node. Portside is a premium-grade property which adds to the quality of our portfolio, and its location is in line with our strategic objective to develop and grow key nodes in South Africa. This asset, along with the Murray & Roberts acquisition, increases our stake in the Cape Town Foreshore node.

The Eden Meander Centre in George, acquired in 2016, is also of material importance to our strategy going forward, providing Accelerate with the opportunity to expand in this node as there is a considerable amount of bulk that can be unlocked in the coming years.

A significant determinator of where we establish a strategic node, are major transportation corridors. The Gautrain is one of these corridors and we consequently purchased the Citibank property, an A-grade office building situated in a prime location in the heart of Sandton. The property is located within 300 m from the Sandton Gautrain station, which has become a catalyst for development. Furthermore, additional bulk of 38 928 m^2 exists, resulting in significant future development opportunities.

Our largest asset, the Fourways Development, remains a key strategic priority. Strong progress in redeveloping the mall has been made, with completion expected in late 2018.

Looking abroad

Our European strategy of investing in long-term single-tenant, net lease properties is unique for a South African property company.

The CEE strategy was implemented to achieve a unique and bespoke investment philosophy; a strategy no other South African property company is pursuing.

- Acquire and develop real estate that other international institutional investors want to own
- Utilise geographic and tenant diversification to mitigate portfolio risk
- People on the ground with local knowledge and experience
- Have an exit strategy

Our European platform is scalable with on-the-ground deal origination, and finance functions. Particular emphasis was placed on finding the right partners and right people. The committed and experienced management team has significant local knowledge, experience, networks, relationships, deal flow and presence in the region, having concluded in excess of €2,5 billion in property transactions across CEE. This fit-for-purpose team provides access to off-market acquisition and development opportunities and avoids the setup costs and pitfalls of investing in a new market.

The objective of our offshore strategy is to diversify our portfolio and grow hard currency shareholder value. CEE was chosen as a region as it is currently well positioned for investment.

There is an appetite for credit in the area, interest rates are low, and while inflation is low at present, economic growth through quantitative easing will ensure that inflation will rise in the coming years, resulting in escalations linked to EU-Index inflation, which will bolster rental revenue.

Our focused investment approach means we seek out property that meet the following **investment criteria**:

- Properties that are **'mission critical**' for the tenant
- Single-tenanted **multinational/blue-chip** tenants.
- Tenant to be backed by a parent guarantee (if necessary).
- **Long-term lease** (minimum 10 years)
- **Triple-net lease** structure where possible
- Euro denominated rents with **periodic indexation** to Eurozone consumer price index

The offshore transaction undertaken by Accelerate Europe during the year included the acquisition of nine big-box DIY-retail warehouses in Austria (six properties) and Slovakia (three properties). The operator of these properties, OBI, is a global leader in DIY-retail and we, therefore, believe that the transaction meets our investment criteria. Moreover, the anticipated return of this transaction is 11,5% to South African investors, boosting Accelerate's bottom-line.

Looking ahead

With the challenges presented in our operating environment, we expect a tough two years ahead. Locally, we will focus on the development at Fourways Mall as well as other local developments. We look to add to our portfolio but only with quality acquisitions that align to our strategy. Offshore, our pipeline remains robust and we will look to achieve critical mass in our long term, single-tenant platform in the medium term.

Appreciation

I would like to thank the board for their guidance and support as well as our executive team, employees and property management teams for their support, commitment and dedication throughout the year. The strides we made during the year can be attributed to their hard work and determination, and for that, I am truly grateful.

Mr Andrew Costa
Chief operating officer

13 June 2017


PRIMEGRILL

WHO WE ARE

GROUP PROFILE

Accelerate is a listed real estate investment trust (REIT) offering investors the opportunity to share in a portfolio of well-established high-quality properties across South Africa and Central and Eastern Europe (CEE).

69	633 494 m²	R11,6 billion	1 802
properties	GLA	property portfolio value	tenants

Listing date	12 December 2013	Tenant profile by revenue: A B C	A – 65,1% B – 13,7% C – 21,2%
Strategic nodes	**Fourways** Johannesburg **Charles Crescent** Sandton, Johannesburg **Foreshore** Cape Town **Somerset West**	Portfolio spread	• 31 retail properties • Nine European retail • 22 office properties • Seven industrial properties
Weighted average lease expiry	5,6 years	Yield (based on share price of R6,73)	8,6% (annualised)
Geographic spread based on gross lettable area (GLA)	• **Gauteng** – 60,3% • **Western Cape** – 23,3% • **KwaZulu-Natal** – 1,9% • **Limpopo** – 2,6% • **Eastern Cape** – 1,4% • **Mpumalanga** – 0,1% • **Europe** – 10,4%	Escalations	Average of 6,9% (7,8% excluding our offshore portfolio)
Occupancy (net of structural vacancies)	93,1%	Market capitalisation (based on a closing share price of R6,73 at 31 March 2017)	R6,64 billion

OPERATIONAL STRUCTURE

Asset management function:

- To consider acquisitions, disposals, developments and redevelopments
- To recommend to the investment committee appropriate acquisitions, disposals and redevelopments
- To implement such transactions and capital expenditure

The investment committee will make recommendations to the board for transactions and capital expenditure that fall outside its approved mandate.

Retail	Office	Industrial	European retail
31 properties	**22** properties	**Seven** properties	**Nine** properties
GLA **315 666 m²**	GLA **167 699 m²**	GLA **84 236 m²**	GLA **65 893 m²**
Property value	Property value	Property value	Property value
R6,5 billion	**R3,2 billion**	**R0,6 billion**	**R1,25 billion**

Property management functions:

Fourways Precinct (Pty) Ltd and Accelerate Property Management Company (Pty) Ltd property management functions have been merged operationally in order to enhance efficiency and effectiveness.

Property management services include the following functions:

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

M2 property managers in Europe

Property management services include the following functions:

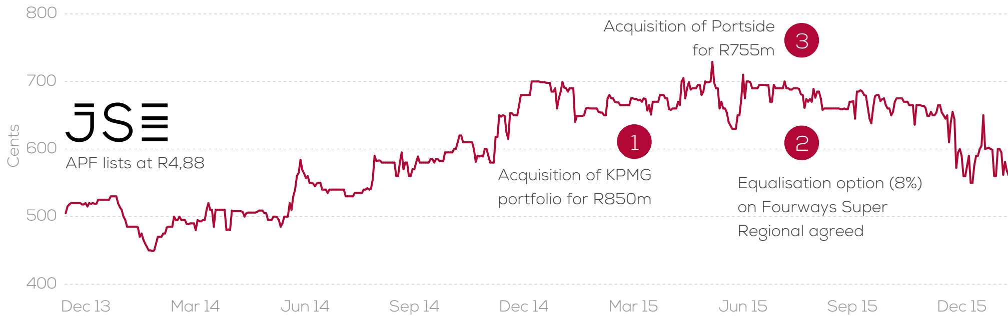
- Operations (administration, collections and maintenance)
- Finance

Baker Street Properties (12 properties)


MUGG & BEAN

CREATING VALUE

Total return (including distributions) since listing of 73,2%, compared to the SAPU index, which has delivered 64,2% over the same period



Key transactions

1. KPMG portfolio

This transaction included five A-grade offices tenanted by KPMG. Their blue-chip status, combined with a 15-year lease, provides a resilient underpin to this portfolio.

Acquisition price	R850 million
Lease	15 years triple net
Tenants	100% occupied by KPMG
Escalation rates	8% per annum
Yield (year one)	8%
Transaction concluded	May 2015

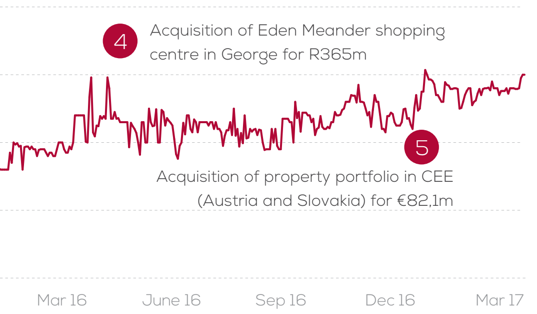
2. Fourways Development

We undertook to exercise our option to acquire an equalising portion of Fourways super-regional mall at the development's date of completion, ensuring we own 50% of the rental stream of the completed development. We will acquire this equalising portion at a yield of 8%.

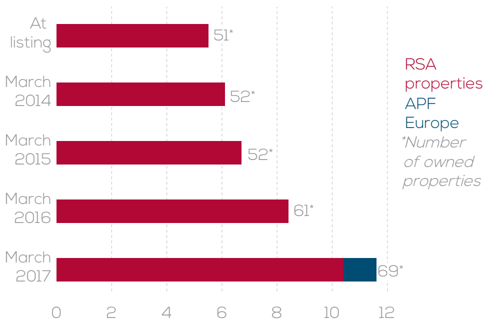
3. Portside

In June 2016, Accelerate acquired all Old Mutual's ownership of the Portside Tower in Cape Town. The building's iconic nature, energy-efficiency and eco-friendliness showcase the value of the acquisition, enhancing the group's green portfolio.

Acquisition price	R755 million
Building specifics	25 224 m^2 of P-grade, five-star Green Star SA rated office and retail building
Tenants	71% occupied with key tenants such as Equites Property Fund, China Construction Bank Corporate and Lindt & Sprüngli South Africa (25,9% occupied at acquisition).
Escalation rates	7% per annum
Yield (year one)	7,5%
Transferred	June 2016



Asset growth – R'bn



4. 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.

Acquisition price	R365 million
Building specifics	28 478 m² convenience centre in George
Tenants	98% occupied with anchor tenants such as Checkers, Pick n Pay clothing and Builders Warehouse
Yield (year one)	9,1%
Transferred	October 2016

5. Offshore acquisition

In late 2016, Accelerate established our European platform through the establishment of a subsidiary in the Netherlands and the acquisition of a portfolio of big-box DIY stores in Austria and Slovakia. We plan to expand on this strategy in the coming year.

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

OUR POSITIONING

Creating value through a focused nodal approach

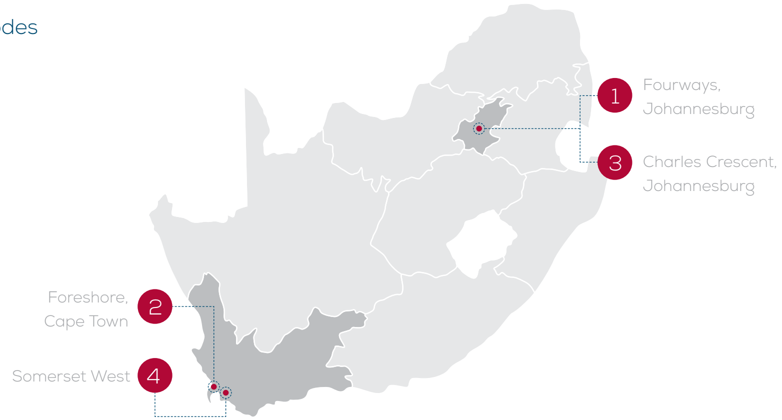
Goal

To create a high-quality portfolio.

Strategy

We have a nodal approach strategy to property investments. We identify a strategic node by looking at, amongst other factors, 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.

Our nodes



1. Fourways, Johannesburg

Fourways lies on the outskirts of the Johannesburg metropolis along key transport routes. Fourways has seen considerable growth in residential dwellings over the last five years, resulting in increased demand for both retail and office space.

Total GLA	175 563 m^2
Valuation	R5,1 billion (31 March 2017)
Properties	Fourways Mall, Fourways View, Cedar Square, BMW, The Buzz, Leaping Frog, Regus Fourways
Undeveloped bulk	The area surrounding the BMW dealership on Cedar Road, the bulk around Cedar Square Shopping Centre and the Buzz Shopping Centre
Development	Redevelopment of Fourways Mall is well underway, completion late 2018/ early 2019
Anchor tenants	Woolworths, Pick n Pay, Virgin Active, Game, Nedbank, Edcon Group, Foschini Group, H&M, Hamleys, Bounce Inc
Option	Option to acquire up to 50% of Fourways Mall has been executed and committed to, which will be a super-regional shopping centre.

2. Foreshore, Cape Town

The Foreshore is situated between Cape Town City Centre and the modern Port of Cape Town. Much of the area is occupied by transport infrastructure for the port, office buildings and the Cape Town Railway station.

Total GLA	51 057 m²
Valuation	R1,3 billion
Properties	101 Hertzog, Thomas Patullo, Portside, Oceana Head Office, Mustek House, Murray & Roberts
Acquisition potential	Remain acquisitive in the node, with existing first right of refusal on quality buildings such as Chevron, BMW and Netcare Hospital
Anchor tenants	City of Cape Town, Mustek, Oceana, Bytes Technology, Murray & Roberts
Development potential	The Murray & Roberts acquisition comprises two erven adjacent to Foreshore properties owned by Accelerate. There is significant commercial and retail development potential for this precinct, which we intend to unlock

3. Charles Crescent, Sandton

Charles Crescent is strategically located near the M1/N3 highway and Sandton. The precinct is close to the Sandton and Marlboro Gautrain stations and lends itself to a development in the future.

Total GLA	44 380 m²
Valuation	R430 million
Properties	1, 9 and 10 Charles Crescent, PriMovie Park, ACT
Anchor tenants	Primemedia, Scottish Knitware (Pringle)
Current strategy	Active asset management focus
Future strategy	This is a future growth node earmarked for conversion into a multi-purpose node that will include residential, retail and office (mixed-use) property

4. Somerset West

Total GLA	19 281 m²
Valuation	R153 million
Properties	The Pines, Mr Price and Triangle House
Anchor tenant	Mr Price
Current strategy	Active asset management focus
Future strategy	Possible further additions to the node as opportunities arise.

PROPERTY PORTFOLIO

Geographic summary

Gauteng	60,3% (2016: 75,6%)
Western Cape	23,3% (2016: 17,0%)
Limpopo	2,6% (2016: 3,2%)
KwaZulu-Natal	1,9% (2016: 2,3%)
Eastern Cape	1,4% (2016: 1,7%)
Mpumalanga	0,1% (2016: 0,2%)
Europe	10,4% (2016: –)

Gauteng	74,5% (2016: 84,7%)
Western Cape	18,7% (2016: 12,0%)
Limpopo	1,9% (2016: 1,7%)
KwaZulu-Natal	1,3% (2016: 1,1%)
Eastern Cape	0,8% (2016: 0,3%)
Mpumalanga	0,1% (2016: 0,2%)
Europe	2,7% (2016: –)

Gauteng	66,3% (2016: 85,4%)
Western Cape	19,9% (2016: 10,4%)
Limpopo	1,6% (2016: 2,4%)
KwaZulu-Natal	0,6% (2016: 0,8%)
Eastern Cape	0,7% (2016: 0,8%)
Mpumalanga	0,1% (2016: 0,2%)
Europe	10,8% (2016: –)

TOP 10 PROPERTIES (BY VALUE)

FOURWAYS MALL SHOPPING CENTRE (Gauteng)

GLA	Fair value
61 617 m^2	R2 601 046 888
(2016: 61 617 m^2)	(2016: R2 417 200 000)

CEDAR SQUARE SHOPPING CENTRE (Gauteng)

Fair value
R1 029 737 771
(2016: R979 531 662)

GLA
44 213 m²
(2016: 44 213 m²)

PORTSIDE (Western Cape)

Fair value
R807 850 000

GLA
25 224 m²

KPMG CRESCENT (Gauteng)

Fair value
R653 100 000
(2016: R631 102 338)

GLA
20 096 m²
(2016: 20 096 m²)

OBI WIEN (Austria)

Fair value
R581 916 113

GLA
16 365 m²

EDEN MEANDER (Western Cape)

Fair value
R408 747 650

GLA
28 478 m²

FOURWAYS VIEW (Gauteng)

Fair value
R358 531 787
(2016: R328 386 292)

GLA
12 731 m²
(2016: 12 731 m²)

THE BUZZ SHOPPING CENTRE (Gauteng)

Fair value
R296 640 688
(2016: R287 449 933)

GLA
14 108 m²
(2016: 14 108 m²)

CITI BANK (Gauteng)

Fair value
R260 000 000

GLA
12 433 m²

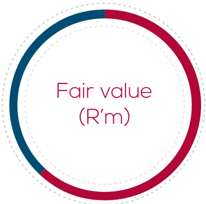
KPMG WANOOKA PLACE (Gauteng)

Fair value
R237 400 000
(2016: R210 254 400)

GLA
6 762 m²
(2016: 6 762 m²)

Property portfolio (continued)

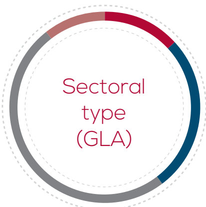
Total for 10 properties compared to total property portfolio



Top 10 properties	62% (2016: 67%)
Rest of property portfolio	38% (2016: 33%)

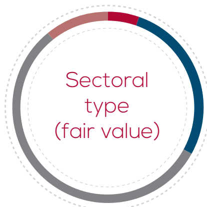
Top 10 properties	38%
Rest of property portfolio	62%

Sector summary



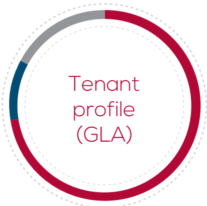
Industrial	13,3% (2016: 17,3%)
Office	26,5% (2016: 22,8%)
Retail	49,8% (2016: 59,9%)
European Retail	10,4% (2016: –)

Industrial	6,1% (2016: 4,4%)
Office	26,5% (2016: 21,2%)
Retail	64,7% (2016: 74,4%)
European Retail	2,7% (2016: –)

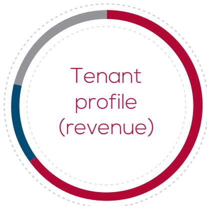


Industrial	5,5% (2016: 7,6%)
Office	27,8% (2016: 22,2%)
Retail	55,9% (2016: 70,2%)
European Retail	10,8% (2016: –)

Tenant profile



A	72,5% (2016: 62,2%)
B	10,5% (2016: 13,4%)
C	17,0% (2016: 24,4%)



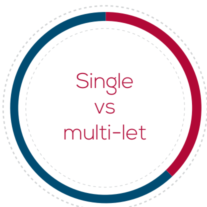
A	65,1% (2016: 57,2%)
B	13,7% (2016: 17,1%)
C	21,2% (2016: 25,7%)

A: Large national tenants; large listed tenants; large professional firms; and major franchises, including among others, ABSA, Capitec, Dis-Chem, Edgars, First National Bank, Foschini, Jet stores, KPMG, Makro, Massmart, Medscheme, Nedbank, OK Furnishers. Pepkor, Pick n Pay, Primedia, Shoprite, Standard Bank and Woolworths

B: National tenants; listed tenants; and franchises including, among others, Fishmonger, KFC, Mugg & Bean, Nando's, Spur, Steers and Wimpy

C: Other, smaller non-listed and non-franchised businesses mainly owner-operated

Single vs multi-let



Single-tenanted	37,8% (2016: 34,1%)
Multi-tenanted	62,2% (2016: 65,9%)

HOW ACCELERATE CREATES VALUE

CREATING VALUE

We strive to create shareholder value by delivering on our strategic objectives. The longevity of this value depends on the quality of our relationships with our broader stakeholder groups and, therefore, on our economic, social and environmental sustainability, which is linked to our reputation and the trust we build with these stakeholders.

A broader view of value creation necessitates the use of a wide-angle lens to determine what is most material to our value creation over time. It requires understanding our:

Operating context (see page 49)

Including stakeholder feedback and concerns (see page 7)

And allowing the matters that emerge as material matters and risks (see page 42)

To inform our strategy (see page 34)

And business model (see page 38).

These components inform our value-creation story, which is designed to show the connection between these elements – specifically through their connection to our strategic pillars.

OUR STRATEGY

We continue to create value through selective acquisitions that complement our nodal strategy, careful management of funding costs and a conservative hedging policy. Ensuring that we are maintaining relationships of trust with our key stakeholders remains key to our ongoing success.

Our strategic pillars	Our strategic objectives	Relevant key performance indicators
Growing our quality portfolio	Investing in quality property assets	65,1% of tenants are qualified as A-grade by revenue (listed or large national tenants)
	Concentrating on existing **strategic nodes and creating** new strategic nodes	• Total investment per strategic node: • Fourways, Johannesburg: R5,1 billion • Charles Crescent, Sandton: R430 million • Foreshore, Cape Town: R1,3 million • Somerset West: R153 million
	Maintaining our retail focus	Maintained retail bias with 60,20% of the portfolio constituting retail property by GLA
	Expanding our **offshore strategy**	Increased offshore exposure to 10,4% of the portfolio by GLA

What we achieved	Related stakeholders	Outlook
Value-enhancing acquisitions carried out during the year include: • Portside Tower • Eden Meander • CEE acquisitions	Investors Tenants Employees	The acquisitions carried out during the year are consistent with our strategy of acquiring high-quality, strategic properties that unlock additional value.
Created a new offshore strategic node Acquisition of Portside building in the foreshore node Citibank acquisition and related development could leap to the development of a new node		Accelerate is looking at the best possible options to develop its undeveloped bulk in the Fourways area. Given the current rapid rate of urbanisation, demand for residential property, and increase in transport infrastructure linking key metros, **transportation** is a key factor Accelerate considers. The Citibank acquisition, given its proximity to the Sandton Gautrain station, is consistent with this strategy.
Acquisition of Eden Meander in George (potential node), which has development bulk that can be leveraged Offshore acquisition – all retail properties		The Eden Meander Lifestyle Centre acquisition will allow Accelerate to create another strategic node in the Western Cape, as the acquisition comes with bulk for future possible expansion and development.
Established European platform through the establishment of a subsidiary in The Netherlands and the acquisition of a portfolio of big-box DIY stores in Austria and Slovakia.		There is a strong pipeline of potential acquisitions consistent with our offshore strategy which Accelerate will look to acquire during the next year.

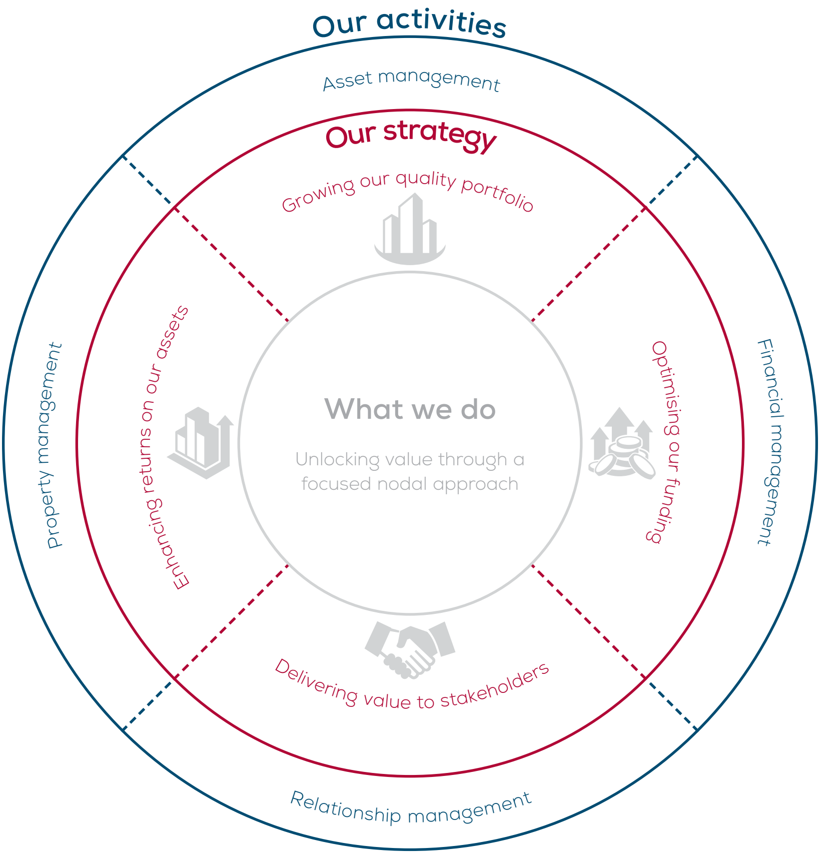
Our strategy (continued)

Our strategic pillars	Our strategic objectives	Relevant key performance indicators
Enhancing returns on our assets	**Redeveloping and upgrading** properties to enhance their value	Capex investment of R99,5 million during the year
Optimising our funding	**Diversifying our funding** while proactively managing interest rate risk	77,9% of debt hedged Weighted average swap maturity over two years Funding diversity: • 25,1% finance through debt capital markets • 74,9% finance through three banks • 8,4% blended interest rate Loan-to-value ratio of 41,9%
Delivering value to stakeholders	Distribution growth	Year-on-year distribution growth was 7,3%
	Maintaining tight control on **property expenses**	Net property expenses of R65,8 million (2016: R47,6 million), in conjunction with R74,0 million in other operating costs (2016: R38,7 million), resulted in a 16,9% cost-to-income ratio (2016: 13,40 %)
	Delivering on tenants' expectations	Tenant retention rate of 91% (within context of broader South African economy and large scale development) Vacancies of 6,91% (net of structural vacancies)

<table>
<tr><th>What we achieved</th><th>Related stakeholders</th><th>Outlook</th></tr>
<tr><td>Redevelopment of Fourways Malls is well underway:
• Phase one: completed during the year, including a new food court anchored by a flagship ‘Bounce store’, was completed during the year
• Phase two: anticipated completion in the third quarter of 2018, with parking sections being completed in the third quarter of 2017
Redevelopment of Cedar Square:
• Extension of Woolworths as well as the 3 000 m² upgrade of façade, overall revamp and refurbishment</td><td>Investors
Tenants
Communities</td><td>We will continue to invest in the maintenance and upgrade of our existing buildings. Additional capital will be utilised to improve access to Fourways Mall and road improvement to alleviate traffic congestion.</td></tr>
<tr><td>Continued to diversify our funding base, raising funding abroad to match acquisitions and successfully issued APF 4 to the value of R225 million through the domestic medium-term note (DMTN) programme locally.
Extended swap maturities by taking out swap at opportunistic times to benefit from favourable market conditions.</td><td>Investors</td><td>We remain committed to mitigating risks surrounding funding by diversifying the pool of available funding. In 2018, we will focus on retaining this structure and minimising the effects of interest rate movements by proactively managing our swaps.</td></tr>
<tr><td rowspan="2">Shareholder distribution of 57,57 cents per share</td><td rowspan="3">Employees
Tenants
Suppliers
Investors
Communities
Regulatory authorities</td><td>Distribution growth over the next two years is expected to be constrained due to the Fourways Mall development and rising debt funding costs.</td></tr>
<tr><td>We will continue to investigate innovative solutions to reduce tenant costs, including greening initiatives.</td></tr>
<tr><td>In the current trying macroeconomic context, we understand that our tenants are facing many challenges. We work closely with them to help achieve their business objectives while looking for ways to increase the value of our properties. During the year, we focused on optimising our tenant mix and supporting our tenants during the development phase at Fourways Mall and Cedar Square.</td><td>We are committed to improving our tenants’ experience, and will continue to engage with them to best understand their needs. We will implement solutions to limit interruption to tenants and patrons as a result of water and power disruptions or building and redevelopment work and ensure all buildings function at their optimal level.</td></tr>
</table>

OUR BUSINESS MODEL

At the core of our value creation story is our business model. We draw on various capitals as inputs and, through our business activities, convert these to outputs, including the services we offer, and outcomes in terms of 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 in order to remain a successful and sustainable business in the long term.



Our inputs

Financial capital

The funds we use

- Rental income generated from our properties
- Equity funding
- Debt funding
- Proceeds from property disposals

Manufactured capital

The buildings we own

- Manufactured capital refers to the property portfolio through which we generate revenue. Our property portfolio by GLA consists of:
  - 49,8% retail
  - 10,4% European retail
  - 26,8% office
  - 13,3% industrial

Intellectual capital

The intangible knowledge, systems and processes that make us tick

Our organisational, knowledge-based intangibles include the balanced and diverse experience of our management team and board of directors (including capital markets, property management, legal, finance etc.), and the continual enhancement of our robust governance structures and employee development.

Human capital

The staff we depend on

The competency, capability and experience of employees, and their motivations to innovate, make up the human capital upon which we rely to achieve our strategy.

Social and relationship capital

The relationships that sustain our ability to create value over time

The relationships we have with stakeholders ensure the continued success of our business. It is a strategic imperative for the group that we contribute meaningfully to our society.

Natural capital

The natural resources upon which we rely

The water, electricity and healthy external environment upon which we depend to operate and support the current and future prosperity of our business.

Our activities

Financial management

We ensure our access to the capital when opportunities arise by prudently managing our funding.

Asset management

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

Property management

We maintain our buildings to the optimal standards.

Investing in the development of our staff through internal and external training as well as skills transfer.

Adequately incentivising and rewarding staff and aligning the interest of the staff and the company.

Relationship management

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

Outputs we deliver

/e deliver quality spaces to our tenants and an attractive return to our investors and shareholde

Our outcomes

Financial capital enables us to provide income and capital growth for shareholders.

- Capital raised: R1,1 billion
- Paid interest of R325 million
- Distributed R502 million in dividends

Enhanced our portfolio in line with our strategy, through refurbishments, acquisitions and developments.

- Property assets expanded by R3,2 billion to R11,6 billion
- Disposed of four non-core properties valued at R185 million

Increased intellectual capital through experience and development, including the skills and knowledge transfer between employees.

- Growth in the knowledge and expertise with Accelerate property management company through internal and external training

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

Continued developing social and relationship capital through effective stakeholder engagement and our social and ethics policy.

Reduced natural capital reliance by 'greening' our buildings, including energy-efficient lighting, and managing water usage.

Our trade offs

When we invest in properties, whether through acquisitions, developments, refurbishments or general upkeep, our available financial capital is temporarily reduced and our manufactured capital is increased. We invest in properties that we believe will create a significant, sustainable return on investment. We take investment risk based on our property knowledge (intellectual and human capital).

South Africa's macroeconomic outlook and political instability raised the cost of our financial capital. This has made acquiring the right assets challenging. However, it has resulted in offshore diversification becoming more appealing, resulting in financial capital gains in these markets.

Property management is human capital intensive. Effective management increases the value of our properties (manufactured capital) as it grows relationships and enables us to retain quality tenants in the long term.

Maintaining good tenant relationships (social and relationship capital) during development activity (which improves our manufactured capital) is challenging. We go out of our way to support our tenants, during development and across our portfolio, by working together to support their business understanding that their continued success is key to our ongoing growth and success.

MATERIAL MATTERS AND RISKS

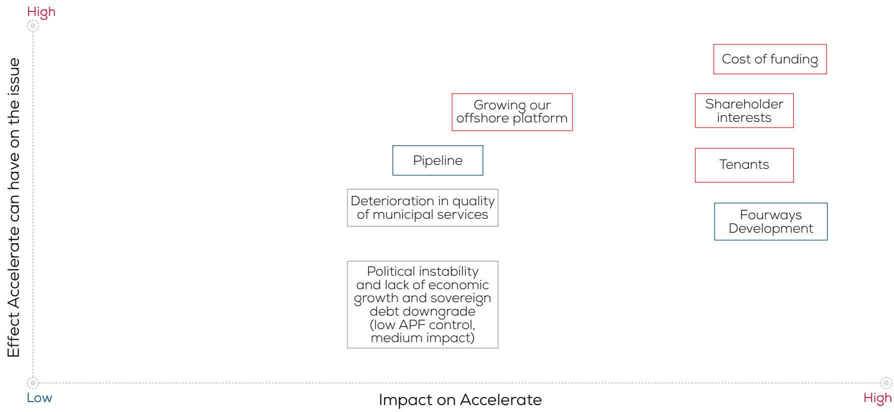
Accelerate defines a material matter as an element that has a direct or indirect impact on our ability to create value for ourselves and our stakeholders over the short, medium and long term.

The table below shows what we consider to be our material matters and their link to our strategic objectives.

The impact rating refers to the level of impact the material matter could have on Accelerate's ability to create value, ranging from low (no meaningful impact) to high (severe material impact).

The effect rating refers to our ability to change the outcome/impact.

Material matter priority map



Managing material matters

Material matter	Context	How Accelerate Property Fund is addressing the material matter	Strategic pillar
Fourways Development	The Fourways Development forms a large part of our strategy and plan for the long-term success of the group. Our portfolio is currently predominantly focused on the Fourways node. As such, this project is material as it will cement Fourways Mall among South Africa's super-regional shopping centres and complement a new business-focused investment node in Fourways – both of which positively impact our growth ambitions.	Accelerate is in constant communication with the developer, ensuring that the project is effectively monitored at all times and is managed according to the highest standards following our pre-determined strategy.	  
Tenants	Tenants are essential to creating income sustainability. As such, attracting and retaining quality tenants is critical for us.	Accelerate prioritises communication with tenants, working towards meeting their specific needs. We manage our portfolios to ensure a good mix of retail options within our properties. We also ensure that building upgrades and maintenance are ongoing so as to present ourselves as the best option for our tenants and their customer base.	 
Shareholder interests	Accelerate believes that sustaining long-term distribution and capital growth impacts shareholder confidence in the strategies we have set and in our ability to meet our strategies effectively.	Accelerate engages with shareholders through regular one-on-one interactions, keeping them informed of our progress and strategic developments. We continued in our partnership with Instinctif, an external investor relations company, to facilitate meaningful stakeholder interactions.	 

Material matters and risks (continued)

Material matter	Context	How Accelerate Property Fund is addressing the material matter	Strategic pillar
Pipeline	Accelerate holds a healthy strategic position in the South African property market due to the large pipeline of assets it has available for acquisition. These assets have the potential to create a positive impact on our asset base, rental income, retail bias and overall portfolio quality.	Accelerate holds an option to purchase 50% of the Loch Logan Waterfront development in Bloemfontein, the largest shopping centre in central South Africa. Accelerate also has a long-standing relationship with a number of individuals holding valuable private property portfolios. Furthermore, Accelerate has pre-emptive rights on the new Christian Barnard Hospital and Parow Shopping Centre. This provides Accelerate with an opportunity to access portfolios that are not immediately available on the market.	
Cost of funding	The rise in interest rates over the last two years, and the likelihood of further increases, has created a challenge for the South African property market. Stunted economic growth has served to compound this challenge.	Accelerate has implemented a robust hedging strategy to protect against interest rate increases with a weighted average swap term of two years and 77,9% of debt hedged.	
The deterioration in quality of municipal services	Water and electricity supply is a concern for tenants and the rise in prices expected over the foreseeable future will add extra pressure and create new challenges.	Accelerate is constantly investigating new ways of providing efficiency for water and electricity consumption. We prioritise the continued introduction of innovative green technology into our buildings.	
Growing our offshore platform	The low growth environment in South Africa incentivises the pursuit of selective geographic diversification abroad.	Accelerate has launched a defined offshore strategy being single-tenant, long-term net lease acquisitions in the retail, office and industrial sectors in selected jurisdictions within Central and Eastern Europe. The initial transaction worth €82 million was concluded in December 2016. Accelerate has also appointed three senior individuals with extensive property management, broking and development experience in the region to roll out the strategy as well as a CFO for Europe.	

Material matter	Context	How Accelerate Property Fund is addressing the material matter	Strategic pillar
Lack of economic growth and sovereign debt downgrade	The lack of economic growth and the sovereign debt status downgrade to sub-investment grade is hampering offshore investment into South Africa as well as consumer spending and growth within the retail sector.	Accelerate focuses on quality. Quality assets in good locations backed by long-term leases with strong tenants is an initial shield. Accelerate's retail bias has thus far also sheltered us from the lack of economic growth to an extent due to the resilience shown by the retail sector as a whole. However, continued low economic growth will have an effect. During the past financial year Accelerate has also further diversified our portfolio trough the launch of the European platform and investment in European retail assets.	

STAKEHOLDER ENGAGEMENT

We believe that engagement with our stakeholders is key to our ongoing success, providing important inputs that inform our decision making, helping us to continuously progress towards our strategic objectives. We strive towards mutually beneficial relationships with our stakeholders and recognise that their diversity necessitates that we engage in different ways.

Our stakeholder engagement policy is committed to timely and effective communication with our stakeholders to present relevant financial and non-financial matters in a transparent manner.

Employees

Why we engage

To maintain a dedicated and high-performance work culture, which encourages a favourable working environment.

How we create value

Through constant engagement, employees feel heard and valued. It also places us in a better position to meet their legitimate needs and address their concerns. This, in turn, supports job satisfaction for our employees and talent retention for the business.

Tenants

Why we engage

To create mutual benefit for Accelerate and our tenants through long-term relationships.

How we create value

By truly understanding our tenants' ambitions, challenges and needs, we are better positioned to meet these needs and create value for them. This is essential as tenant retention is a key to our success.

Suppliers

Why we engage

To ensure the responsible provision of goods and services.

How we create value

Our suppliers enable us to add value to our stakeholders. Through our contact with these suppliers, we create value for Accelerate by communicating our needs and ensuring they are met. In the same way, through the engagement process, suppliers are better able to position themselves to meet our needs and thereby secure our business.

Investors

Why we engage
To provide timely and transparent communication.

How we create value
Our business depends on our ability to access finance to fund our growth. By understanding and addressing our investors' concerns and/or complying with funders' requirements, we are able to grow our business. This in turn provides a return on investment to our investors.

Community

Why we engage
To create a positive impact on the community and environment in which Accelerate operates.

How we create value
By engaging with our community groups, we add value in a way that they see and appreciate, ensuring our ongoing social licence to operate and enhancing our brand.

Regulatory authorisation

Why we engage
To fully comply with applicable laws and regulations.

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

OPERATIONAL OVERVIEW

SOUTH AFRICAN COMMERCIAL PROPERTY SECTOR PERFORMANCE IN 2017

The South African commercial property market has shown considerable resilience. This sturdiness exists despite a trading environment characterised by an uncertain political climate and poor macroeconomic performance.

Present economic uncertainties relate to the exchange rate, inflationary pressures, and rising risks associated with the possible trajectory of short and long-term interest rates.

Historically, the South African property sector has performed well compared to other asset classes. Property equities have outperformed equities and bonds over a three and 10-year period.

Comparison of return for asset classes

	Period	
Sector	**3 years %**	**10 years %**
Equities	6,9	10,5
Property equities	11,7	15,8
Bonds	3,2	7,1
Inflation	5,9	6,2
Direct property	12,4	14,1

Source: MSCI

The 2016 returns recorded for the South African commercial property market suggest an underperforming office sector with the industrial sector, and in particular the logistics sector, outperforming the market.

Total returns MSCI retail, office and industrial sectors

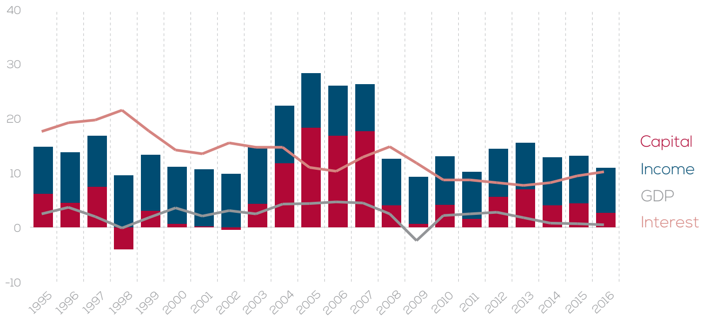
Sector	**Total returns (capital and yield) 2016 %**
Retail	12,6
Office	7,6
Industrial	13,6
Total	11,1

Source: MSCI 2016

While in 2016 income yields remained largely stable at the 8% mark, the deterioration in domestic economic conditions placed downward pressure on rental and capital growth. Historical data suggests that a strong correlation exists between GDP and capital growth.

The longer-term performance of the South African commercial market is illustrated in the graph below, which demonstrates that in 2016, the sector recorded a yield of 8,5%, with capital growth of approximately 4%. The graph also shows that since 2013 the returns have come under pressure with capital growth showing a downward trend. The slowdown in the local economy has reduced inflationary pressures and it is expected that the inflation rate will remain within the 3% to 6% target range of the South African Reserve Bank.

Total IPD returns versus GDP growth



Source: MSCI 2016

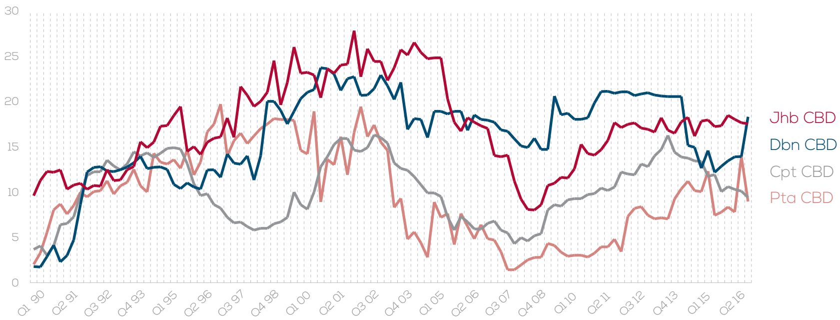
Taking a longer-term perspective, the performance of the property sector is expected to be influenced by rapidly changing technological and social trends. For example, there is growing evidence that the expansion of e-retailing could have considerable implications for the quantum and type of retail space required by the market. However, this same trend could have a positive impact on the logistics sector with the demand for warehousing space rising. An analysis of the retail sector in 2016 shows that neighbourhood shopping centres outperformed the market with a return of 26,3% compared to community shopping centres with a return of 13,1% and regional shopping centres with a return of 12,5%.

CBD and decentralised vacancies in the office sector remained under pressure for most of 2016 although the trend seems to vary considerably between markets. While premium office nodes with A-grade space withstood poor market fundamentals, rental growth is under pressure, and property owners remain focused on tenant retention as a key strategic priority. The office sector is seeing low levels of new building activity, which should play a role in bringing the market back into equilibrium.

South African office vacancy rates in decentralised nodes in Cape Town and Pretoria are being driven by strong market fundamentals, however, vacancies in the Johannesburg and Durban CBDs are surpassing the 15% mark.

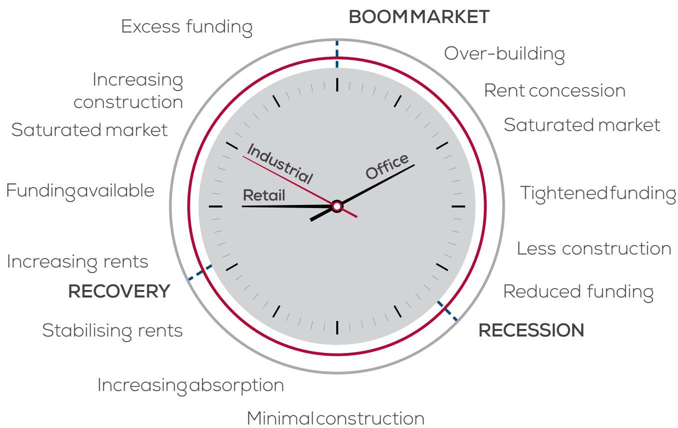
South African commercial property sector performance In 2017 (continued)

CBD office vacancy rates (%)



Source: SAPOA-Viruly

Forecasts for the South African commercial property sector, as depicted by the property clock below, project considerable strength in the industrial and retail sectors, with the office sector lagging behind.



The medium-term performance of the South African property market will continue to be influenced by the uncertain trajectory of the South African economy and global economic conditions. With South African property investors amplifying exposure to European property dealings, the performance of these markets will become increasingly important to local investors. Forecasts for European economies suggest that GDP growth is expected to be approximately 1,6% in 2017, rising to 1,8% in 2018, which should underpin a strong demand for space. This will be driven by an improvement in prospects for advanced economies. These prospects are expected to be accompanied by an expansion in consumer expenditure, rising construction activity and a relatively stable monetary policy environment.

Prof Francois Viruly

May 2017

MANAGEMENT AND OPERATIONAL STRUCTURE

ACCELERATE
PROPERTY FUND

Asset management
Asset management forum, investment committee, board

Property management (South Africa)

Property management (Europe)

Fourways precinct and Accelerate Property Management Company

Managing director

Managing director

In-country executives

Head of leasing

Head of portfolio management

Head of legal and compliance

Head of finance

Head of facilities management

Head of administration

M2 property managers (Europe)

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

Services rendered

Asset management

- Manages the complete property portfolio for long-term performance optimisation
- Sources new acquisition possibilities
- Evaluates development, redevelopment and investment opportunities
- Assesses strategic disposal needs
- Determines capital expenditure necessary to maintain the quality of the group's portfolio. This includes property refurbishment and improvement
- Develops budgetary preparations for total anticipated income and expenditure for every property in Accelerate's portfolio
- Monitors and revises income and expenditure forecasts against budget
- Conducts research into the state and relative investment merits of the property market
- Formulates and implements letting policies and leasing terms in accordance with the group's objectives, as required by prevailing market conditions
- Ensures annual valuations of the property portfolio and the procurement of an external independent valuation on a three-year cycle for a third of the property portfolio

Property management

- Manages marketing of vacant space to the general market
- Ensures vacancies are filled with appropriate tenants
- Negotiates and renews lease agreements with tenants
- Investigates prospective tenants' creditworthiness, trade history and other relevant information to determine their suitability
- Communicates with tenants personally and attends to their requirements
- Collects rentals, rental deposits, rental security and other contributions pursuant to any lease agreements
- Appoints and manages maintenance contractors where required
- Arranges security where required
- Manages timely payments of expenses:
  - Municipal consumption and service fees
  - Property taxes and other municipal taxes
  - Duties and levies for the property portfolio
  - Arranges and supervises property cleaning
- Directs audits and inspections regarding compliance requirements relating to all relevant laws and regulations

TENANTS AND LEASING

Profile: Tenants represent the core of our business and are essential for creating a sustainable stream of income. Recognising this, our portfolio managers take great care in sourcing new tenants and negotiating lease agreements.

Accelerate has approximately 1 802 tenants categorised as follows (by GLA):

- A tenants (approximately 72,5%): large national tenants and large listed tenants
- B tenants (approximately 10,5%): national tenants, listed tenants, franchises and medium to large professional firms
- C tenants (approximately 17,0%): other smaller, non-listed and non-franchised businesses

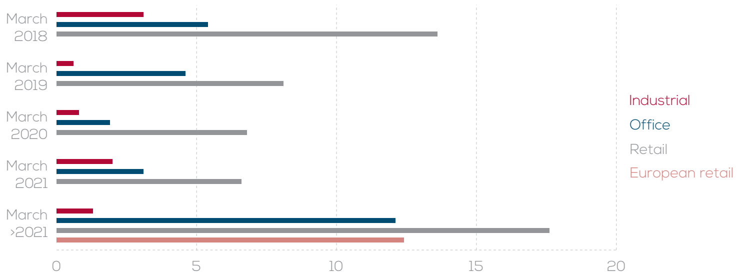
The head of our leasing division oversees all leasing activities in the group's portfolio. The tenant profile by GLA and by revenue is shown on page 31.

Tenant evaluation: All potential tenants undergo a thorough evaluation prior to signing a lease. We gain a better understanding of a potential tenant's creditworthiness, trade history, and business or product suitability for our particular locations through this evaluation. This information is used to build a comprehensive tenant portfolio.

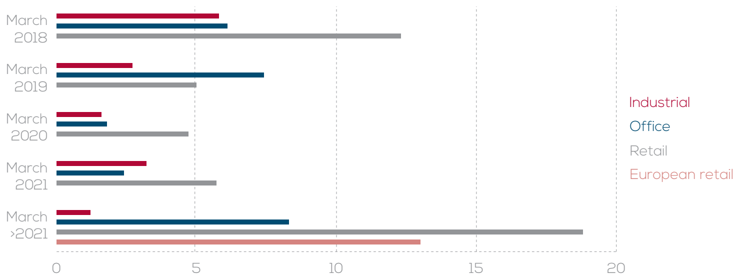
Tenant attraction and retention: All our shopping centre portfolio managers are responsible for ensuring that tenants are correctly placed. They evaluate and use tenant profiles to position a tenant to serve the centre's market. Anchor tenants are strategically placed to maximise foot traffic through the centres. Furthermore, assessments are conducted on nearby competitors to ensure that we are providing the best possible option for current and future tenants.

Leasing: The weighted average lease expiry of Accelerate's property portfolio by gross rental is approximately 5,6 years as depicted in the graph below. Furthermore, the weighted average annual escalation across the fund's property portfolio is approximately 6,9% (7,8% excluding our offshore portfolio). Accelerate seeks to maintain the average escalation rate of our property portfolio above long-term inflation rates.

Lease expiry by gross rental (%)



Lease expiry by GLA (%)



VACANCIES

Accelerate recognises two variants of vacancies: actual vacancies and structural vacancies. Structural vacancies arise when an area is intentionally left vacant with the anticipated view of further development or refurbishment. Accelerate's vacancy rate net of structural vacancies and Portside was 6,9%. All vacancies are monitored by the executive and senior management, and portfolio managers on a weekly basis. The vacancies per sector are shown in the table below.

Actual vacancy profile per sector as at 31 March 2017

	Total		Retail		Office		Industrial		European retail	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Number of properties	**69**	61	**31**	33	**22**	20	**7**	8	**9**	–
GLA (m^2)	**633 494**	520 226	**315 666**	311 527	**167 699**	118 657	**84 236**	90 042	**65 893**	–
Vacancy including structural vacancies (%)	**9,54**	8,73	**10,85**	9,69	**15,60**	12,86	**–**	–	**–**	–
Vacancy net of structural and Portside (%)	**6,91**	7,13	**7,91**	7,00	**11,22**	12,86	**–**	–	**–**	–

Tenant profiles are consistently monitored by their respective portfolio managers along with the head of leasing throughout the life of a lease agreement. As a hands-on company, Accelerate ensures that all tenants have access to the portfolio managers, senior management and executives, as and when necessary. Issues or problems that may arise are dealt with in a timely manner by the portfolio manager through engagement with the tenant. An analysis is drawn up and a suitable, mutually beneficial solution is put in place.

OPERATIONAL EFFICIENCIES

Maintenance: Regular property maintenance is key to preserving the asset values in Accelerate's property portfolio. This responsibility falls to outsourced property management companies according to a pre-determined strategy and budgeting process. Operations managers at our major shopping centres have access to a maintenance team, which is able to address our tenants' maintenance issues as they arise. Service level agreements are in place for waste management, security, cleaning, landscaping, and pest control services. Facilities maintenance has been outsourced to Broll.

Resource efficiencies: Accelerate's material expenditures include rates, taxes and metered municipal expenses. Metered expenditures, comprising water and electricity, are forecast to continue increasing, placing a material burden on tenants across all sectors. Accelerate continues to explore energy-efficient and water-efficient alternatives to implement throughout our properties.

SECTORAL REVIEWS

Our strategy seeks to spread our portfolio over three sectors of the property market: retail, office and industrial, with a focus on retail. We seek to have a long-term income balance of:

- 70% of rental revenue from retail property
- 15% of rental revenue from office property
- 15% of rental revenue from industrial property

	Accelerate's property portfolio (total)		Retail	
Indicator	**2017**	2016	**2017**	2016
Number of properties	**69**	61	**31**	33
Asset value (R'000)	**11 628 506**	8 392 506	**6 502 070**	5 886 694
Value per sector (%)	**100,0**	100,0	**55,9**	70,2
Average property value (R'000)	**168 529**	137 582	**209 744**	178 384
Net property income (excluding straight-lining) (R'000)	**776 684**	593 586	**482 092**	438 385
Average escalation (%) (7,8% excluding offshore)	**6,90**	8,04	**7,80**	8,05
Expense-to-income ratio (%)	**16,90**	13,40		
Weighted average lease period (years)	**5,63**	5,10	**3,53**	3,68

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	Office		Industrial		European retail	
	2017	2016	**2017**	2016	**2017**	2016
	22	20	**7**	8	**9**	–
	3 230 105	1 865 935	**644 621**	639 878	**1 251 710**	–
	27,8	22,2	**5,5**	7,6	**10,8**	–
	146 823	93 296	**84 236**	79 985	**65 893**	–
	210 190	123 836	**58 363**	31 365	**26 039**	–
	7,60	7,71	**7,70**	8,75	**–**	–
	7,03	7,39	**2,73**	2,64	**13,28**	–

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Retail

During the year, through key acquisitions and redevelopments, we maintained our fund's retail bias while building a quality property portfolio that offers long-term distribution security and capital growth underpinned by strong underlying contractual cash flows.

The retail portfolio consists of the Fourways retail portfolio and other retail properties. The Fourways portfolio includes our flagship asset, the Fourways Mall Shopping Centre, as well as 11 other letting enterprises, the majority of which are retail centres, comprising approximately 44,2% of Accelerate's total portfolio value. Other prominent letting enterprises within the Fourways retail node include Fourways View, Cedar Square, The Buzz Shopping Centre, Fourways Game and Leaping Frog. Fourways View and Fourways Game will be incorporated into the completed Fourways Mall super-regional shopping centre.

Our other retail properties consist of 22 properties, comprising typical neighbourhood or convenience-type shopping centres, mainly anchored by large national and listed supermarket chains such as Shoprite Checkers, Spar and Pick n Pay.

During the year, we added Eden Meander to our retail portfolio, which is a newly built multi-tenanted lifestyle shopping centre located near the residential hub of George, Western Cape. It is approximately 28 000 m^2 retail property with long-term leases underpinned by various national tenants. The acquisition further increases our portfolios weighting within the retail sector and improves our geographical spread in the Western Cape while increasing the potential development/redevelopment opportunities available in this area.

Accelerate owns three purpose-built motor dealerships within proximity of the Fourways Mall Shopping Centre, being BMW Fourways, Ford, Mazda and Sasol Delta. Sasol Delta will be incorporated into the completed Fourways Mall super-regional shopping centre.

Some of the key highlights, challenges and focus areas going forward are shown in the sections that follow.

Highlights	Quality trading demographics and densities in the Fourways area
	Growth of the Fourways retail market through the development of housing estates
	Progress of the Fourways Development
	A high occupancy rate at Fourways Mall at a vacancy of only 1% (net of structural vacancies)
	Acquired the Eden Meander shopping centre in George
	Cedar Square expansion
Challenges	Increasing traffic congestion in the Fourways area
	A tough economic environment affecting consumers' disposable income, thus impacting our tenants
	Municipal service degradation
	Increasing administered costs place pressure on tenants
	An increase in competition throughout the country
Looking ahead	Fourways Development will create a super-regional shopping centre, creating more lettable space and growing our target market – with completion expected in late 2018
	Investment in improving the infrastructure in the surrounding area is underway
	Ongoing support of tenants during difficult economic times
	Continual investment in improving our assets

Delivering on Fourways

Fourways Mall is situated in the heart of one of Johannesburg's most prestigious northern suburbs and is a landmark shopping centre that provides an all-in-one retail and entertainment experience. Established almost two decades ago, the mall continues to provide an exceptional shopping experience to both local and international shoppers across a range of categories from luxury homeware, designer fashion and jewellery to everyday essentials.

The Fourways Development project is a core focus for Accelerate and the successful launch and implementation of the project is our highest priority in the short to medium term. Our aim is to build the most sought after shopping centre in South Africa. The plan for the mall includes the addition of 90 000 m^2 of lettable space, transforming the mall into a super-regional shopping centre of approximately 170 000 m^2. Concurrently with the construction, the developer is completing a retail offering and head office for Leroy Merlin, one of the largest DIY retailers in Europe, which will be joined to the Mall, taking the combined GLA to approximately 200 000 m^2.

The development is due for completion in late 2018. Phase one included the development of the food court and two parkades while phase two will include the roll-out of the planned retail space.

The redevelopment will combine surrounding properties – including the Fourways View Centre on the corner of Witkoppen and Cedar roads, and the Game building adjacent to the taxi rank area. In addition to the upgrades and renovations to the existing mall, the project will also see infrastructural upgrades to the road systems surrounding the mall, creating ease of access for road users and further developing the area. We believe that the project will strengthen the node and create a huge number of opportunities for the future.

National and international tenants have shown a keen interest in the shopping centre. Tenants include toy retailer, Hamleys, and fitness trampoline company, Bounce Inc. The development has also garnered the attention of international fashion retailers, which, over the past five years, have been growing their exposure in the South African market as an entrance point to expand into other African markets. To date, the centre is more than 75% pre-let.

Following the completion of the project, Accelerate and the developer will each hold a 50% undivided share in this combined letting enterprise.

The developer has an extremely experienced and skilled development team and uses the services of industry-leading construction companies in the project. To ensure that we are kept apprised of the progress of the development, we have put in place reporting structures and monitor all developments in the project closely.

We are excited to watch the Fourways Development take shape in the coming years and are pleased with the progress to date. We believe that this project is a huge leap forward towards achieving our goal of becoming the highest-valued property fund on the JSE.

Retail portfolio

Buildings	Region	GLA (m²)	Net rental per m²	Fair value 31 March 2017 R
Fourways Mall	Gauteng	61 617	211,95	**2 601 046 888**
Cedar Square Shopping Centre	Gauteng	44 312	106,60	**1 029 737 771**
Eden Meander Lifestyle Centre	Western Cape	28 478	93,59	**408 747 650**
Fourways View Shopping Centre	Gauteng	12 731	169,56	**358 531 788**
The Buzz Shopping Centre	Gauteng	14 108	102,12	**296 640 689**
Fourways Game	Gauteng	8 074	95,34	**208 670 795**
Kyalami Downs	Gauteng	13 722	107,37	**150 600 000**
The Leaping Frog S&G Centre	Gauteng	11 027	110,11	**155 100 000**
Bela Bela	Limpopo	10 626	58,52	**101 300 000**
Cherry Lane	Gauteng	11 504	84,23	**117 456 273**
Wilrogate Centre	Gauteng	10 151	81,72	**96 900 000**
Eshowe Mall	KwaZulu-Natal	11 775	42,00	**67 434 034**
Mr Price	Western Cape	8 096	53,88	**63 835 195**
Waterford	Gauteng	6 682	68,90	**53 700 000**
Tyger Manor	Western Cape	3 747	111,22	**58 150 733**
East Lynn Shopping Centre	Gauteng	7 630	61,22	**56 054 930**
Edgars Polokwane	Limpopo	4 500	86,01	**51 607 800**
The Pines (Heartland Properties)	Western Cape	7 619	42,77	**44 436 841**
Eden Terrace Shopping Centre	Gauteng	4 655	82,48	**42 300 000**
Beacon Isle	Gauteng	2 089	113,98	**31 300 000**
Corporate Park Corner Shopping Centre	Gauteng	4 252	54,72	**23 500 000**
9 and 11 Main Road Melville	Gauteng	3 113	62,74	**26 000 000**
Valleyview Centre	Gauteng	2 012	80,21	**21 517 756**
Cascades Shopping Centre	Gauteng	3 439	58,30	**23 300 000**
7 Main Road Melville	Gauteng	1 973	81,18	**14 800 000**
Wilropark	Gauteng	2 771	58,05	**18 400 000**
14 Main Road Melville	Gauteng	1 068	43,11	**4 700 000**
BMW Fourways (Cedar)	Gauteng	8 037	112,41	**214 882 384**
Mazda Fourways	Gauteng	3 388	118,01	**98 593 625**
Ford Fourways	Gauteng	2 469	169,64	**62 824 888**
		315 666		**6 502 070 039**

Office

We continue to create value through selective acquisitions that are in line with our strategic objective to develop and grow key nodes in South Africa.

Accelerate's office property portfolio comprises 22 properties, with assets dispersed throughout South Africa and a predominant focus on Gauteng and Cape Town. Most of our assets are near large retail hubs or financial centres. Our tenants are mainly blue-chip national tenants, including KPMG, Primedia, Oceana, Mustek, Cape Metro Police, Citi bank, Murray & Roberts and Regus. Our primary focus on the office sector is placed in two essential nodes: the Cape Town Foreshore node, which holds a strong geographic position and can be enhanced significantly through options of an expansion; and the Charles Crescent node in Sandton, which is close to the Gautrain and Rea Vaya Bus Rapid Transport System stations. The Portside transaction, which transferred during the year, is of key importance to our nodal strategy as it is an asset that gives us the opportunity to expand in the growing Foreshore node in the Western Cape. Accelerate also acquired two erven in Cape Town, Foreshore. The erven consist of a building let to Murray & Roberts and an 11 230 m² parking lot adjacent to the building. This acquisition was done with a potential redevelopment of the office space as well as a residential development in view.

Highlights	Acquisition of Portside Tower
	Acquisition of the Citibank building in Sandton
	Acquisition of two erven situated in the Cape Town Foreshore
Challenges	Economic instability applies pressure to B and C-grade office space and tenants continue downsizing
	High market vacancy rate as companies transition towards owner-occupied buildings as opposed to leased offices
	Costly transitions towards 'go-green' concepts, which is an ever-increasing requirement
Looking ahead	Locally, less acquisition and more developments.
	Ongoing upgrades to office spaces tailored to meet tenant needs
	Commitment to invest in sustainable solutions and quality assets in our strategic nodes
	Offshore, more acquisitions and developments

Case study: Portside

Nestled in the heart of Cape Town, the Portside Tower is an iconic building in the city's skyline. Standing at 139 metres, it is the tallest building in Cape Town, offering approximately 57 000 m^2 of P-grade office space.

The building is not only beautiful; it is one of South Africa's greenest. The Green Building Council of South Africa (GBCSA) awarded the property a five-star Green-Star rating, making it the tallest green building in South Africa. The tower follows best practice regarding sustainability, visual impact, public space, green building principles, climatic control, ease of access, security and social responsibility. It has 1 444 parking bays, 70 of which are designated for hybrid or alternative fuel vehicles and 16 with electric car chargers, 70 motorcycle bays and 227 bicycle spaces. The building is designed to encourage employees to cycle to work, with clear cycle routes allocated, and change rooms with showers and lockers. Community bicycle racks are also available to the public.

The Portside Tower was designed as a "building for the people", with the vision of redeveloping the foreshore area and revitalising local street life. It holds a prime location in Cape Town's emerging financial district, with proximity to important amenities such as the Cape Town International Convention Centre, the V&A Waterfront, a MyCiTi Bus Stop, Cape Town Station, banks, hotels and a Virgin Active gym.

Accelerate acquired approximately 50% of the buildings in June 2016. Post acquisition management has reduced vacancies from 74,10% to 27,00%. The reduction in vacancies is in line with Accelerate's analysis and projections at acquisition. Management expects the positive trend in reducing vacancies to continue through active asset management. The Portside Tower will give us the opportunity to expand in the Foreshore node in the Western Cape and capitalise on an opportunity in Cape Town's growing property market.

Office portfolio

Buildings	Region	GLA (m²)	Net rental per m²	Fair value 31 March 2017 R
Portside Tower	Western Cape	25 224	200,17	**807 850 000**
KPMG Crescent	Gauteng	20 096	222,37	**653 100 000**
Citibank	Gauteng	12 433	–	**260 000 000**
KPMG Wanooka Place	Gauteng	6 762	220,17	**237 400 000**
Murray & Roberts	Western Cape	5 494	–	**165 000 000**
Oceana House (Zamori/Erf 230)	Western Cape	7 254	143,85	**154 590 617**
Pri-movie Park	Gauteng	17 364	45,49	**160 600 000**
Flora Park	Gauteng	14 673	68,44	**107 599 688**
1 Charles Cresent	Gauteng	13 723	63,07	**103 900 000**
Thomas Pattullo Building	Western Cape	4 965	147,84	**106 125 484**
Keerom Street Chambers	Western Cape	4 193	131,92	**81 944 691**
Glen Gables	Gauteng	6 472	94,58	**68 970 798**
99 to 101 Hertzog Boulevard	Western Cape	3 620	129,33	**62 424 456**
Triangle House	Western Cape	3 566	90,17	**44 349 724**
9 Charles Crescent	Gauteng	4 298	85,84	**36 200 000**
Mustek (89 Hertzog Boulevard)	Western Cape	4 500	77,17	**46 299 844**
KPMG Polokwane	Limpopo	1 484	176,38	**35 600 000**
Highway Gardens Office Park	Gauteng	5 791	49,45	**27 000 000**
Exact Mobile	Gauteng	1 106	146,24	**29 858 943**
KPMG Sekunda	Mpumalanga	830	143,79	**15 700 000**
KPMG Port Elizabeth	Eastern Cape	1 054	108,90	**15 800 000**
ABSA Brakpan	Gauteng	2 797	36,46	**9 790 968**
		167 699		**3 230 105 214**

Industrial

Our strategy surrounding the industrial sector is to identify and acquire quality properties in prime locations.

Accelerate's industrial assets are made up of seven properties. Our industrial assets are located in Port Elizabeth, Cape Town and Johannesburg. Blue-chip national tenants include Checkers, FD Schmidt, Pick n Pay and Edgars.

Highlights	There has been no movement in our industrial portfolio during the year. The bulk of our industrial properties are underpinned by long-term triple-net leases with strong blue-chip tenants. Our industrial portfolio is regarded as a high-quality resilient portfolio.
Looking ahead	Increase the industrial portfolio through quality acquisitions that adhere to our strategic objectives

Industrial portfolio

Buildings	Region	GLA (m^2)	Net rental per m^2	Fair value 31 March 2017 R
Checkers Montague	Western Cape	26 135	54,11	**186 485 077**
Accéntuate	Gauteng	12 000	77,05	**123 286 678**
MB Technologies	Gauteng	6 000	135,83	**108 667 078**
Edcon Warehouse	Western Cape	14 775	42,81	**86 243 409**
Pick n Pay	Eastern Cape	7 983	59,70	**64 987 341**
Meshcape Building	Gauteng	13 898	34,18	**54 551 263**
10 Charles Crescent	Gauteng	3 445	75,02	**20 400 000**
		84 236		**644 620 846**

Offshore

During the year, Accelerate acquired a portfolio of nine well-located retail warehouse properties in Central and Eastern Europe. These properties are tenanted by OBI and have been acquired for an aggregate acquisition value of €82,1 million at a blended acquisition yield of 7,0% based on contractual rentals and an equity return to South African investors of around 11,5%. OBI is one of the largest specialist DIY retailer in CEE.

The acquisition is underpinned by a defined investment philosophy. That is, to develop and acquire 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 that are considered core markets to such tenants (specialist focus within an established and defensive asset class and exposure to blue-chip investment grade tenants).

Austria has one of the highest GDP per capita figures in Europe with above-average growth forecasts and low political risk. Slovakia is one of the fastest-growing economies in Europe with rising real wage growth, rising disposable income, strong domestic private consumption and strong manufacturing and industrial activity.

Structure of the portfolio

To facilitate this acquisition, Accelerate incorporated several companies and branches across Holland/The Netherlands, Hungary, Slovakia and Austria. The holding company in the structure resides in Amsterdam, Holland and is 96,4% owned by Accelerate Property Fund Ltd in South Africa. The remaining 3,6% is owned by management executives.

Financing of offshore acquisitions

In order to achieve operational and tax efficiency, our offshore acquisition was financed as follows:

- 50% debt financed by Eerste Bank into the B.V. (AFPE). Eerste Bank is one of Europe's leading banks
- 50% equity utilised through an issuance of shares in South Africa, where the fund raised R632,5 million to finance this acquisition, via 50% equity investment in APF Europe and 50% loan to APF Europe.

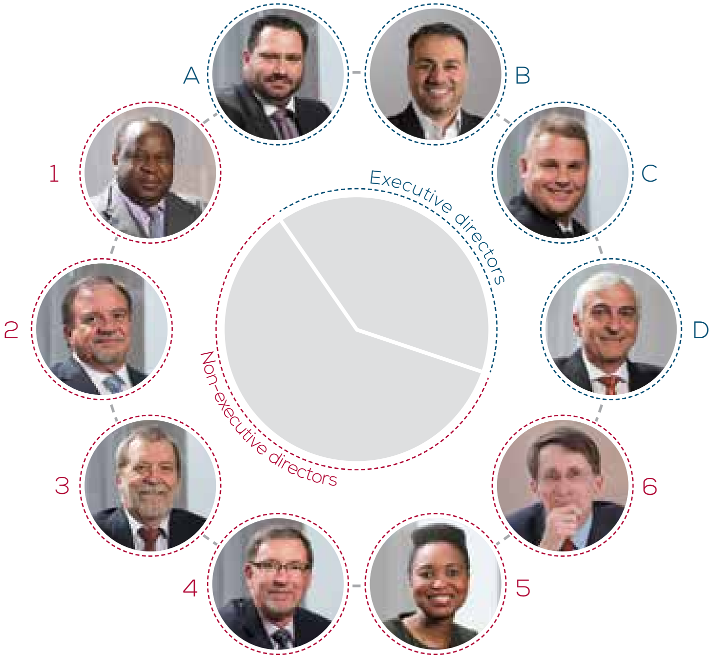
Offshore portfolio

Buildings	Region	GLA (m^2)	Net rental per m^2	Fair value 31 March 2017 R
Austria				
OBI – Mauthausen	Oberösterreich	5 146	119,42	**102 557 203**
OBI – Hallein	Salzburg	3 739	67,08	**44 351 367**
OBI – Bruck/Mur	Steiermark	6 823	80,37	**93 652 791**
OBI – Mürzzuschlag	Steiermark	5 822	102,89	**105 743 446**
OBI – Rosental	Steiermark	3 316	90,39	**52 459 218**
OBI – Wien	Wien	16 356	179,42	**581 916 113**
Slovakia				
OBI – Martin	Martin	7 950	62,95	**85 530 716**
OBI – Kosice	Kosice	8 054	59,76	**84 421 221**
OBI – Nitra	Nitra	8 687	65,28	**101 077 876**
		65 893		**1 251 709 251**


BOUNCE
BOUNCE

CORPORATE GOVERNANCE

BOARD OF DIRECTORS



Executive directors

A Mr Michael Georgiou (47)

Chief executive officer

Appointed: 1 January 2013

Committee: IC

Expertise: Acquisitions, disposals, property developments, property management, finance

B Mr Andrew Costa (46)

Chief operating officer

Appointed: 1 April 2013

Committees: ARC, RemCo, IC

Qualifications: BCom, LLB

Expertise: Investment banking, legal, finance, capital markets, acquisitions, disposals, property management

C Mr John Paterson (43)

Appointed: 1 January 2013

Committees: ARC, SETCo, IC

Qualifications: BA, LLB, LLM

Expertise: Capital markets, acquisitions, property management, law, finance, disposals

D Mr Dimitri Kyriakides (62)

Chief financial officer

Appointed: 1 January 2013

Committee: ARC

Qualifications: CA(SA)

Expertise: Audit, commercial property, accountancy, property management, finance, acquisitions, disposals

Non-executive directors

1. Mr Tito Mboweni (58)

Chairman

Appointed: 1 June 2013

Committees: RemCo, NomCo (chair), IC

Qualifications: BA, MA

Expertise: Finance, corporate governance, remuneration, banking

2. Dr Gert Cruywagen (61)

Lead independent director

Appointed: 1 June 2013

Committees: ARC, IC (chair)

Qualifications: PhD, MBSc, PMD, FIRM(SA), CRM Prof (SA), RIMS CRMP (US)

Expertise: Corporate governance, risk management, compliance, insurance

3. Mr John Doidge (68)

Appointed: 1 June 2013

Committees: RemCo (chair), NomCo, SETCo

Qualifications: BProc, Attorney of the High Court of South Africa

Expertise: Corporate governance, legal, structured finance, risk, audit, remuneration

4. Mr Timothy Fearnhead (68)

Appointed: 1 June 2013

Committees: ARC (chair), RemCo, NomCo

Qualifications: CTA, CA(SA), AdvDip (Banking)

Expertise: Audit, corporate governance, finance, remuneration, risk management, banking, business, business and risk management, insurance

5. Ms Kolosa Madikizela (37)

Appointed: 1 June 2013

Committees: ARC, SETCo (chair)

Qualifications: MTech (Construction Management)

Expertise: Property development, property management, enterprise asset management

6. Prof Francois Viruly (58)

Appointed: 1 April 2014

Committees: SETCo, IC

Qualifications: BA, BA (Hons), MA

Expertise: Property economist

ARC	Audit and risk committee
RemCo	Remuneration committee
NomCo	Nominations committee
SETCo	Social, ethics and transformation committee
IC	Investment committee

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

HOW WE ARE GOVERNED

Accelerate is cognisant of the role that good governance and compliance plays in the delivery of accretive value to its stakeholders. To this end, Accelerate ensures that it complies with all relevant provisions of the Companies Act of South Africa, 71 of 2008, as amended (the Companies Act), the JSE Listings Requirements and the recommendations of King III. A full report of the company's application of each of the King III principles is available on the Accelerate website: www.acceleratepf.co.za.

Leadership structure

Accelerate has established a board structure and adopted the appropriate policies and procedures to demonstrate that it embraces the principles of King III and is accountable to shareholders and other stakeholders.

The board of directors

The responsibility for effective and beneficial corporate governance at Accelerate resides with the board of directors. The board is committed to leading the company with integrity and in an efficient manner, which promotes ethical business practices and displays the highest standards of business conduct. Operational control is exercised through the chief executive officer and chief operational officer, who are accountable to the board and its committees through providing regular reports.

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

The board comprises 10 directors. Six of the directors are non-executive and four are executive directors. The ratio of executive to non-executive directors ensures that the board has a sufficient mix of informed, independent perspectives and an appropriate balance of knowledge, expertise and collective experience. The nominations committee oversees the formal process for nominating new directorial candidates.

Appointment of directors are approved by the board, following recommendations from the nominations committee. Newly appointed directors are required to step down at the first annual general meeting following their appointment, for election by shareholders and, if eligible and available, may be re-elected. The nominations committee reviewed the competence and skills of the retiring directors, Mr Tito T Mboweni and Prof Francois M Viruly, and the board recommends their re-appointment.

Information regarding involvement in stakeholder relationships is included on pages 46 and 47.

The board has a formal charter that, among other things, sets out its role, powers and responsibilities in areas such as ethical leadership, strategy, risk, performance, financial management, risk management, compliance, sustainability and governance in general. The board recognises that strategy, risk, performance and sustainability are inseparable. Decisions and actions made by the board are based on the company's ethical values and principles. The charter addresses the specific duties of individual directors in terms of common law and the provisions of the Companies Act. Important elements of good governance that are also covered in the charter include the roles of the chairman, the lead independent director, the chief executive officer, the chief operating officer and the chief financial officer, the focus on stakeholder relationships, the implementation of a proper delegation of authority, and the composition and evaluation of the board and its various committees. The charter also contains the requirements for the composition of the board, meeting procedures and the annual work plan. The board charter was reviewed and adopted with additional clauses to comply with King IV for the 2018 financial year end. The board is satisfied that it has complied with the terms of its charter for the year under review.

Integrity and ethical behaviour

The board is committed to providing effective leadership, based on an ethical foundation, and believes that responsible leadership is characterised by the ethical values of responsibility, accountability, fairness and transparency. The board is assisted by the social, ethics and transformation committee and ensures that management actively promotes a culture of ethical conduct throughout the company.

Accelerate has a code of ethics that incorporates its values of integrity, trust and honesty, and its relationships with various stakeholders. The social, ethics and transformation committee is responsible for monitoring Accelerate's ethical conduct. The committee meets at least twice a year to monitor and review Accelerate's social and ethics plan, policies and procedures and its statutory obligations against a comprehensive annual work plan.

Details of the activities of the social, ethics and transformation committee appear in its report on page 92.

Accelerate's approach to business ethics

- We operate and compete according to the principles governing ethical behaviour in business
- Ethical behaviour is founded on the concept of good faith, and characterised by integrity and reliability
- Ethical business transactions will benefit all parties by a fair exchange of value or satisfaction of need. The creation of profit is a legitimate component of this exchange and an incentive to continue in business

We expect our competitors to comply with legal and ethical commercial practices. We do not expect favours from our competitors, nor should they expect any from us

- We expect equivalent standards of ethical behaviour from those with whom we deal
- It is incumbent upon us to strive for excellence in our ethical standards, as in any other aspect of our activities
- At all times, we aim to adhere to the principles of sound corporate governance

Fiduciary and statutory duties

The board and directors are aware of their fiduciary and other duties and responsibilities under the Companies Act, King III, the board charter and other company governance policies. The directors exercise objective judgement and act in the best interests of Accelerate, ensuring:

- adherence to legal standards of conduct as detailed in the Companies Act;
- they exercise their duties in the company's best interests;
- they have access to independent advice;
- disclosure of possible conflicts of interest to the board; and
- adherence to Accelerate's policy regarding trading in the company's shares.

Chairman of the board

In accordance with King III and the JSE Listings Requirements, the roles of chairman and chief executive officer are separated and there is a clear division of responsibilities within the board and Accelerate, ensuring a balance of power and authority.

The lead independent director assessed the performance of the chairman and was satisfied with the chairman's performance.

Lead independent director

The lead independent director, Dr Gert C Cruywagen, provides guidance to the board in situations where the impartiality of the chairman is impaired or when conflict or a perceived conflict arises.

Details of the directors and brief résumés appear on pages 72 and 73.

Board composition

The board elects the chairman annually following the annual general meeting. The nominations committee considers the composition of the board and its committees and strives to ensure that the board consists of individuals with appropriate skills, experience and diversity. As required by the JSE Ltd, the chairman of the board is the chairman of the nominations committee. The structure of the board and its committees provides the appropriate framework to assist Accelerate to deliver on its strategic objectives.

The JSE Ltd implemented a requirement for disclosure in the integrated report on a policy on the promotion of diversity at board level effective 1 January 2017. The nominations committee reviewed the policy on diversity at board level and recommended its adoption by the board, which the board approved at its meeting in March 2017. The board affirms that it is mindful and supportive of transformation at all levels of the company. The composition of the board has not changed but, when reviewing the board composition, the board, assisted by the nominations committee, will consider the following diversity criteria: different perspectives, generational mix, culture, skills, experience and specific industry knowledge. International experience will also be an important consideration going forward in line with the beginning of the implementation of this aspect of the company's strategy.

Non-executive directors may accept appointments to other boards, including industry-related organisations, government entities and charitable organisations, provided their other commitments do not affect their ability to discharge their duties to the company. Non-executive directors are not awarded share options or any benefits other than directors' fees.

More information is set out on pages 80.

Independence

The independence of non-executive directors forms part of the board evaluation process. There were no directors who have served on the board for more than nine years. The strong independent component of the board ensures that no one individual has unfettered powers of decision-making and authority. The board underwent an evaluation process through a self-assessment questionnaire and the chairman assessed each non-executive director's performance. The chairman was satisfied that board members had satisfactorily discharged their duties.

Board and governance objectives

2017 objectives	Strategic objective alignment	Achievement of objective
Annual review of progress of the company's strategy, with particular emphasis on the new offshore strategy	The company concluded its first offshore transaction on 20 December 2016. The board committed to continue and extend the offshore strategy in 2017/2018	Fully achieved ✓
Monitor and assess debt and equity issuances for optimal returns	The debt arrangements are regularly reviewed and adjusted according to the best returns available in the market. Equity issuances are made as appropriate	Fully achieved and ongoing ✓
Monitor and review the risk environment	Additional staff have been employed in Accelerate Property Management Company. Together with valuable input from the internal auditors, the risk and control environment has significantly improved	Substantially achieved ✓
Implement a robust good corporate citizenship programme	The social, ethics and transformation committee has developed and approved several educational initiatives aligned to its business strategy and supports local communities in the Fourways area where Accelerate predominantly operates. Implementation will take place in the new financial year	Substantially achieved ✓
Monitor and assess the culture and motivation in the company	Succession planning was strengthened. There were no ethical breaches. A staff motivation and retention plan is in place	Fully achieved ✓

Strategy

Management is responsible for developing and presenting the company's strategy to the board annually. The board has a duty to ensure that the strategy takes account of associated risks, risk appetite and risk tolerance levels and is aligned with the company's code of ethics.

Access to information and resources

All directors of the board are provided with unrestricted access to Accelerate's company secretary, management, and company information. Directors are also provided with the requisite access to experts to discharge their duties and responsibilities.

Company secretary

The company secretary is TMF Corporate Services (South Africa) (Pty) Ltd, represented by Ms Joanne Matisonn (FCIS; H Dip 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 over 20 years' experience as a company secretary and is actively involved in assisting the board in its governance initiatives and fulfilling its statutory and fiduciary duties and obligations.

On an annual basis, the board 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(i) of the JSE Listings Requirements.

Ms Matisonn is not a director and as an outsourced secretarial service is not connected to any of the directors that could result in a conflict of interest. Accordingly, the board is comfortable that she maintains an arm's length relationship with the board according to paragraph 3.84(j) of the JSE Listings Requirements.

Retirement by rotation

In compliance with the provisions of Accelerate's memorandum of incorporation, one-third of the non-executive directors are required to retire by rotation and, if eligible and willing to continue serving as directors, may offer themselves for re-election by shareholders. The retiring directors are Mr Tito T Mboweni and Prof Francois M Viruly, both of whom are eligible and have indicated that they are available for re-election by shareholders at the annual general meeting to be held on Friday, 21 July 2017.

Details of directors are set out in the notice of annual general meeting on page 26 and 27.

Succession planning

The board has developed a succession plan for the board and key management positions, taking into account current needs and its growth strategy. The board is satisfied that the current board composition is appropriate to support the achievement of Accelerate's strategic objectives. Following the implementation of the first transaction offshore, the board has appointed Mr John RP Doidge to the audit and risk committee effective 1 April 2017 as Mr Doidge has extensive offshore experience.

Board evaluation

An internal board, committee and individual directors' evaluation as well as an evaluation of the chairman took place through questionnaire-based assessments. The process was overseen by the remuneration committee and thereafter discussed by the board. The board was satisfied that the board and its committees are operating effectively.

Induction and training

There were no changes to the board. However, where new appointments are made to the board, an induction programme is implemented which covers statutory and governance compliance, industry and specific company briefings. The board received a briefing on the changes required to comply with King IV from its sponsor. The board is in the process of evaluating and implementing the requirements for implementation in the new financial year.

The board is kept up to date with its duties and changes in relevant legislation, codes and changing risk areas through the company secretary and other service providers.

Share dealings by directors and officers

Accelerate implements a closed period commencing on 1 April until the year-end results are released. As required by the JSE, a closed period is also implemented at half-year until the release of the interim results. A policy for trading in company shares is in place. During closed periods, directors, senior executives and employees may not deal in the shares, or in any other instrument linked to the shares, of Accelerate.

In addition, directors and employees cannot trade in Accelerate's shares during any period where they have access to unpublished price-sensitive information and at any time that the company is trading under a cautionary announcement.

To ensure effective compliance, no Accelerate securities may be traded outside of the closed periods without prior approval.

Directors and senior designated employees are required to instruct their portfolio or investment managers not to trade in company securities without their written consent. They are required to advise the company secretary immediately after the trade has taken place, who will then report the transaction to the JSE Ltd through the Stock Exchange News Service, within the required period.

Identical rules and restraints apply where company securities are held by immediate family members of directors, or senior designated employees, or by trusts in which directors or senior designated employees or their families are beneficiaries.

Conflict of interest

Accelerate has a conflict of interest policy that provides guidance to directors and senior management on how conflicts can arise and how these should be declared.

The aim of the policy is to protect the company and individuals involved 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 Act and recommendations of King III, principles 2.14(25) and (26) in respect of directors' personal financial interests. 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.

Board and committee meeting attendance

Board meetings

The board meets at least on a quarterly basis and additional meetings are held when required. The board had six scheduled meetings and one additional meeting during the year under review. The number of meetings held are considered necessary for the board to properly apply itself to achieving its objectives through a strong focus on developing and implementing the company's strategy and operational business plans.

Director	Board (5 scheduled 2 special)	Audit and risk committee (4)	Remuneration committee (3)	Nominations committee (2)	Social, ethics and transformation committee (2)	Investment committee (2)
Mr TT Mboweni	7/7	n/a	2/3	1/2	n/a	1/2
Mr A Costa	7/7	2/4*	3/3	2/2*	n/a	2/2
Dr GC Cruywagen	6/7	4/4	n/a	n/a	n/a	2/2
Mr JRP Doidge	7/7	n/a	3/3	2/2	2/2	1/2*
Mr TJ Fearnhead	7/7	4/4	3/3	2/2	n/a	1/2*
Mr M Georgiou	7/7	n/a	n/a	n/a	n/a	2/2
Mr D Kyriakides	7/7	4/4*	n/a	n/a	n/a	2/2*
Ms K Madikizela	6/7	4/4	n/a	n/a	2/2	1/2*
Mr JRJ Paterson	5/7	2/4*	1/1*	n/a	2/2	2/2
Prof FM Viruly	6/7	n/a	n/a	n/a	2/2	n/a

** By invitation*

Board committees

To assist the board in discharging its duties, and in line with legislative and regulatory compliance requirements, the board has constituted the following committees:

- Audit and risk committee
- Remuneration committee
- Nominations committee
- Social, ethics and transformation committee
- Investment committee.

Each committee is governed by terms of reference, which are reviewed and approved by the board on an annual basis with or without amendments, as required. The chairman of each committee reports to the board on its activities at the board meeting following a committee meeting. Minutes of committee meetings are available in the board agenda packs. In addition, the chairman of the relevant committee provides verbal feedback at each board meeting. On an annual basis, the committees assess whether they have complied with their terms of reference and report back on compliance to the board. The committees have complied with this requirement.

The duties and responsibilities of the members of the committees, as set out in their terms of reference, are in addition to those duties and responsibilities that they have as members of the board. The deliberations of the committees do not reduce the individual and collective responsibilities of the board members regarding their fiduciary duties and responsibilities, and they must continue exercising due care and judgement in accordance with their legal obligations. Terms of reference are subject to the provisions of the Companies Act, the memorandum of incorporation of Accelerate, and other applicable laws or regulatory provisions.

Audit and risk committee

Members	Independent non-executive directors • Mr TJ Fearnhead (chairman) • Dr GC Cruywagen • Ms K Madikizela • Mr JRP Doidge was appointed as a member with effect from 1 April 2017
Strategic objective alignment	Governance of risk and the internal control environment to support the company's strategic objectives and ensure the integrity of financial reporting
Reviewed	Management accounts and key indicators
Monitored	• Insurance cover • Legal and compliance • Risk register and risk report • New auditor reporting format • New B-BBEE regulations
Approved	• Internal audit plan • 2016 year-end external audit plan and audit fees • Internal audit plan and fees • Expertise of the CFO and finance function • Non-audit services provided by the auditors • Internal audit activity charter
Recommended to the board	• Interim and final results and distributions • Budget for 2017/2018 financial year • Risk appetite overview • Risk tolerance overview • Going concern
Overall comment	The committee remains satisfied with the overall control environment, including controls supporting the financial statements for the year ended 2017, 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.

Information technology governance

The board is responsible for information technology (IT) governance and management is responsible for implementing the structures and processes to execute the IT governance framework. An IT usage policy was reviewed and updated during the year and a more comprehensive IT framework is being developed to ensure regulatory compliance and to meet increased global technology risks.

Legislative compliance

The board is responsible for the company's compliance with applicable laws, rules, codes and standards. Compliance is an integral part of the company's culture as a key contributor to support and achieve the company's strategy. The board complies with various codes and regulations such as the Companies Act, the JSE Ltd Listings Requirements and King III.

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 Consulting (Pty) Ltd is Accelerate's internal auditor. The internal auditor submits an annual assessment on the effectiveness of the risk management process in Accelerate to the audit and risk committee for consideration. The internal audit noted the enhanced control process implemented.

Relationships with stakeholders

The board realises and appreciates that stakeholders' perceptions affect Accelerate's reputation. A stakeholder engagement policy is in place, which requires that communication with stakeholders be timely and transparent. In addition, Accelerate has partnered with Instinctif Partners to assist in the management of investor relations.

Integrity of the integrated report

The contents and correctness of Accelerate's integrated report have been reviewed and unanimously approved by the board of directors on recommendation from the audit and risk committee. The remuneration and social, ethics and transformation committees reviewed and recommended their reports to the board for approval.

Internal controls

The management of the company performs annual internal reviews focused on financial controls and expresses an opinion. This opinion is presented to the audit and risk committee and the board. The board relies on this assurance and reports on the effectiveness of controls.

Business rescue proceedings

The board is aware of the procedures regarding business rescue proceedings and the going concern statement is presented to the board biannually to assess the company's financial position. Monthly management reports are also submitted to the executive directors to closely monitor the solvency and liquidity of Accelerate.

The board understands that, should Accelerate become financially distressed, business rescue or other appropriate turnaround mechanisms would be implemented.

Compliance, ethics and financial reporting

Competition law

The company provides training and information to all employees, management and directors regarding relevant provisions of the Competition Act 89 of 1998.

Real Estate Investment Trust (REIT) legislation and regulation

The board is aware of the REIT requirements as set out in the JSE Listings Requirements and Income Tax Act and continues to conduct business operations in such a manner that ensures compliance with REIT legislation and regulation.

The REIT structure includes tax benefits for the company, whereby it becomes a conduit for property rental income from owners and provides investors with an investment similar to direct ownership of the underlying property. When a South African REIT sells a property, it does not pay capital gains tax on any profits from the sale.

Furthermore, shareholders do not pay securities transfer tax on buying or selling South African REIT shares. As the distribution from a REIT is not considered to be a dividend, South African investors receive distributions that are exempt from the 15% dividends tax. Investors are taxed on the distributions received at their applicable marginal income tax rate.

The JSE has included certain requirements for a company to qualify for REIT status, and the directors are required to supply the JSE with an annual compliance declaration within six months of the company's financial year-end.

Financial reporting and going concern

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 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 integrity and reliability of the financial statements, accounting policies and the information contained in the integrated report are assured through a robust, integrated process of identifying, evaluating and managing the significant risks posed to the company. This process is in place and while management is responsible for this process, the audit and risk committee independently monitors it.

Financial indicators

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

Remuneration committee

Members	Independent non-executive directors • Mr JRP Doidge (chairman) • Mr TJ Fearnhead • Mr TT Mboweni Executive director • Mr A Costa
Strategic objective alignment	Ensure that remuneration is fair and responsible and rewards achievements in line with the company's strategic objectives
Approved	• Executive directors' KPIs • Short and long-term incentives for executive directors • Annual work plan • Remuneration philosophy and policy for inclusion in the integrated report
Recommended to the board	• Board, committee, individual directors and chairman's evaluation questionnaires • Non-executive directors' remuneration for approval by shareholders
Overall comment	The committee remains satisfied with the overall remuneration policy and strategy to recruit and retain key talent.

Accelerate's remuneration review is discussed on page 86.

Nominations committee

Members	Independent non-executive directors • Mr TT Mboweni (chairman) • Mr JRP Doidge • Mr TJ Fearnhead
Strategic objective alignment	Ensure that the composition of the board and its committees has the required experience and expertise to meet the strategic objectives of the company
Recommended to the board	• Amended terms of reference • Gender diversity policy at board level • Re-election of retiring directors • Re-election of members of the audit and risk committee and the additional appointment of Mr JRP Doidge • Re-election of the chairman of the board
Overall comment	The committee remains satisfied that the nominations committee complied with its mandate.

Social, ethics and transformation committee

Members	Independent non-executive directors • Ms K Madikizela (chairman) • Mr JRP Doidge • Prof FM Viruly Executive director • Mr JRJ Paterson
Strategic objective alignment	Oversight of statutory responsibilities, organisational ethics and corporate citizenship that is aligned to the company's business
Monitored	• Significant cases of misconduct, fraud, dishonesty, whistle-blowing activities • Ethical culture • Compliance with statutory obligations detailed in Regulation 43 to the Companies Act
Approved	CSI proposals and strategy
Recommended to the board	• Social, ethics and transformation committee report • Committee's budget for 2017/2018 financial year • Terms of reference of the committee
Overall comment	The committee remains satisfied with the performance of the committee in that significant progress has been made in developing a robust CSI strategy.

Accelerate's social and ethics and transformation review is discussed on page 92.

Investment committee

Members	Independent non-executive directors • Dr GC Cruywagen (chairman) • Mr TT Mboweni • Prof FM Viruly Executive directors • Mr A Costa • Mr M Georgiou • Mr JRJ Paterson
Strategic objective alignment	• Growing a quality portfolio • Enhancing returns on assets • Optimising funding • Delivering value to stakeholders
Approved	Investments during the year
Recommended to the board	Accepting or rejecting proposed investments and disposals on a case-by-case basis
Overall comment	The committee remains satisfied that it appropriately interrogated investment and disinvestment proposals before making recommendations to the board.

The investment committee meets on an ad hoc basis as and when required to approve strategic acquisitions, disposals, developments or redevelopments.

King III

Accelerate is committed to King III.
No exceptions were noted to Accelerate's application of King III. The full King III compliance assessment can be found on the company website at www.acceleratepf.co.za.
A gap analysis has been conducted between King III and King IV. The new requirements will be implemented where appropriate for the 2018/2019 financial year.

Risk management review

Accelerate recognises the importance of managing risk and is committed to best practice risk management. We have a robust risk management process in place to ensure that:

- key risks are identified;
- ownership is assigned for each risk at a senior management level;
- existing and planned management activities against each risk are identified; and
- the residual likelihood and impact of each risk are assessed and monitored on an ongoing basis.

We have implemented a policy for the governance of risk that provides a framework within which management can operate to reinforce a strong risk management culture throughout the group. This framework contains risk management standards and guidelines that are based on the requirements of King III – specifically, the governance of risk. The policy is reviewed regularly and any changes are submitted to the audit and risk committee for consideration and approval. Accelerate's management is responsible for the implementation of the risk management functions and the policy in their respective areas.

At every meeting, a risk register is presented to the audit and risk committee for review. The risk register sets out the risks identified within Accelerate and the mechanisms to mitigate such risks.

The audit and risk committee assumes overall responsibility for monitoring Accelerate's risk management performance and considers Accelerate's tolerance level and risk register, which it recommends to the board for annual approval.

Accelerate's risk management processes aim to achieve the following:

- Identify, quantify and respond to 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 and net worth
- 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

As part of Accelerate's risk management process, the risks to the business were identified and reviewed. Management has put in place mechanisms to respond to these risks.

Material matters and risks identified as part of the risk review and mechanisms in place to mitigate the risks are reflected on page 42.

Remuneration review

Letter from the remuneration committee chairman

Dear shareholder,

The board of Accelerate Property Fund Ltd and the remuneration committee are pleased to submit the remuneration report setting out the company's performance and key highlights for the year ended 31 March 2017.

In line with the recently published revised King Code of Corporate Governance, we have revised our remuneration report to ensure compliance as far as possible. We have therefore segmented our remuneration report into three parts with part one being the chairman's statement providing context to the decisions during the year which influenced the remuneration outcomes disclosed; part two setting out the remuneration philosophy and part three providing details of the actual remuneration during the year under review.

This year, we saw the introduction of the executive buy-in plan. In addition to our existing long-term incentive plan, we believe that the introduction of the executive buy-in plan will not only provide the executives with the opportunity to acquire meaningful stakes in the company and to ensure that there is real "skin in the game", but will also commit executives who are directly responsible for the company's performance to long-term value creation and sustainability.

In the year under review, the executive planned and successfully executed a comprehensive new offshore initiative resulting in an offshore subsidiary being set up in Amsterdam and the acquisition of nine properties in Austria and Slovakia, tenanted by OBI, one of the largest DIY retailers in Europe.

Furthermore, the executive managed to improve the quality of Accelerate's property portfolio with excellent acquisitions, including a portion of the Portside and the Murray & Roberts buildings in Cape Town, Eden Meander Shopping Centre in George and the Citibank building in Sandton. All acquisitions were in terms of the strategies approved by the board.

Because we operate in a highly competitive market, we recognise the need to ensure that our remuneration structures remain sufficiently competitive to attract the calibre of employees required for the company to realise its business strategy. We have therefore engaged PwC as independent advisors to again assist us with an in-depth benchmarking exercise for the executive and non-executive directors. Accelerate's performance has been very satisfying in the period under review in the context of increasingly challenging market conditions and the resulting incentives for executives will be reported on in the 2018 remuneration report. As in previous years, the targets of the short-term and long-term incentives for executives are set to be sufficiently stretching, requiring superior performance for pay-out of any short-term incentive, and for vesting of long-term awards. This drives the appropriate long-term behaviour in executives to align the executives with the interest of stakeholders.

The remuneration of executive directors has been designed to support the entrepreneurial spirit of the company, through the investment in high-calibre employees who have the experience and ability to drive the performance of the company in a limited resource environment. Furthermore, we have endeavoured to ensure that appropriate safeguards are built into the remuneration structures to ensure that behaviour that exposes the group to unnecessary risk is not encouraged.

During the year, the basis for the calculation of fees paid to non-executive directors was also reviewed. Our proposal for non-executive directors' fees is now based broadly on a retainer for board meetings and a fee per meeting for all sub-committee work. We believe this will reflect a more market-related basis for the fee calculation, whilst ensuring that non-executive directors are remunerated on an equitable basis.

We value stakeholder engagement, and we will continue to actively maintain open channels of communication with you to ensure that our remuneration policies and practices are transparent and remain fair and responsible in the context of overall remuneration.

Mr John Doidge
Chairman of the remuneration committee

13 June 2017

The remuneration committee

Terms of reference

The board of directors delegates formal terms of reference, which represent the scope of responsibility, to the committee. In turn, the committee confirms that it has discharged its functions and complied with its terms of reference.

Remuneration philosophy

Scope and application

This philosophy sets the guidelines for all permanent employees of the company

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:

- remuneration policies should align closely and transparently with the agreed company strategy and be reviewed regularly in light of changes in the business strategy;
- remuneration policies should be considered in light of their 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;
- remuneration policies should promote risk management and not encourage behaviour which is contrary to the company's risk management strategy and which may drive excessively risky behaviour;
- remuneration policies should be transparent and easy to understand and apply;
- remuneration policies 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; and
- remuneration should be delivered in the form of a balanced pay-mix, which comprises the following components:
  - basic cash
  - variable remuneration (STI and LTI).

Remuneration process

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

Annual increases
In order to determine an appropriate annual increase, Accelerate takes a number of factors into consideration. These factors include CPI, affordability, the financial position of the company, market movements, the employee populations' market position and the necessity to retain top talent.

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

- The cost of living adjustments: takes 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 inequities which exist 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

Benchmarking and position in the market
To ensure that the company remains competitive in the markets in which it operates, 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 on the Johannesburg Stock Exchange (JSE) using the remuneration information disclosed in their most recent annual reports. Benchmarking is undertaken by an external remuneration consultant.

Fixed remuneration and benefits

Accelerate follows a total guaranteed package (TGP) approach to structure its remuneration for employees. The TGP includes the total benefit to the individual, and the total cost to the organisation. The TGP approach acts as a reflection on employees' job worth within the company and 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 high-calibre skills that we require.

Variable remuneration

Accelerate endeavours to ensure that there is a strong link between strategic objectives and remuneration policies and practices.

To achieve this outcome, Accelerate has two plans to reward performance in the short and long-term:

The Short Term Incentive plan, the main purpose of which is the creation of a performance culture and the reward of employees for achieving strong annual results against pre-determined targets.

The main purpose of the Long Term Incentive Plan, which will be a Conditional Share Plan (CSP), is to attract, retain and reward participants through the annual award of shares. It provides employees with the opportunity to share in the success of the company and to be incentivised to deliver the business strategy for Accelerate over the long term. This will provide alignment between key employees and shareholders.

Short-term incentive

Purpose and principles of the STI
The Accelerate STI plan is based on the following principles:

- All employees are eligible for an annual STI.
- The annual STI will be 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 key performance indicators or such other measures set by the committee from time to time, as follows:

Indicator	Weighting
Business/financial indicator* Achievement of financial metrics, including: • Loan-to-value ratio • Debt expiry profile • Interest rate hedging • Hedging expiry profile • Debt rating Achievement of operational metrics, including: • Property cost-to-income ratio • Vacancies • Operating expense ratio • Arrears (as percentage of collectibles)	70%
Personal indicator Achievement of personal KPIs, including: • Key executive responsibilities • Compliance with industry best standards • Development of people/culture/values • Industry perception	30%

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

Long-term incentives (LTI)

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 in an effort to align their interests with those of the shareholders. Vesting of the conditional shares is subject to continued employment and appropriate stretching performance conditions. The performance conditions are measured over a three-year period, in line with the financial year-end of the company.

The essential features of the CSP are detailed below:

Purpose	The primary intent of the CSP is to provide an opportunity to executives and senior management to receive shares in the company, thereby aligning their interests with those of shareholders. This is done through the award of conditional shares.
Operation	The vesting of the conditional shares is subject to continued employment (employment condition) and appropriate stretching performance results (performance condition(s)). The performance conditions are measured over a three-year period, in line with the financial year-end of the company. 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 discretion of the remuneration committee.
Performance period	The performance conditions are measured over a three-year period, in line with the financial year-end of the company.
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 issued share capital of the company.
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-executive directors' fees

Non-executive directors do not hold contracts of employment with the company and play no part in any short-term or long-term incentives. Their fees are reviewed by Accelerate, and submitted for shareholder approval on an annual basis.

Non-executive directors' fees reflect the directors' role and membership of the board and its committees.

Currently, the fees comprise an aggregate of a 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 committee recommends the non-executive director fee structure to the board for approval and recommendation to shareholders to approve at the upcoming annual general meeting.

2017 fees

The resolutions relating to non-executive directors' fees for the 2017 financial year can be found on page 7 of the notice of annual general meeting.

Fees: 2016 and 2017

Non-executive directors' fees for 2016 and 2017 are as follows:

	31 March 2017 R	31 March 2016 R
TT Mboweni	**1 130 856**	1 632 682
GC Cruywagen	**438 998**	536 183
TJ Fearnhead	**400 309**	379 657
JRP Doidge	**349 721**	329 130
K Madikizela	**349 721**	329 130
FM Viruly	**349 721**	329 130

Executive directors' remuneration

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

Remuneration: 2016 and 2017

The executive directors' TGP and short-term incentive remuneration for the 2016 and 2017 financial year are as follows:

	31 March 2017 R	31 March 2016 R
Total guaranteed package		
M Georgiou	**Nil**	Nil
A Costa	**3 534 390**	2 900 920
D Kyriakides	**2 206 090**	1 956 800
JRJ Paterson	**2 553 614**	2 100 153
Short-term incentive payment		
M Georgiou	**Nil**	Nil
A Costa	**4 600 000**	1 697 843
D Kyriakides	**1 200 000**	1 158 033
JRJ Paterson	**3 000 000**	1 414 874

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

	Performance shares		Retention shares		Vesting date					
Director	Number of shares	**Accrual at 31 March 2017 R**	Number of shares	**Accrual at 31 March 2017 R**	Number of shares vesting 11 Aug 17	Number of shares vesting 31 Jan 18	Number of shares vesting 1 Apr 18	Number of shares vesting 11 Aug 18	Number of shares vesting 31 Jan 19	Number of shares vesting 1 Apr 19
M Georgiou	2 247 156	**2 104 048**					824 770			1 422 386
M Georgiou			201 244	**467 462**			201 244			
A Costa	3 957 355	**3 906 374**			1 243 781		824 770	466 418		1 422 386
A Costa			1 448 578	**3 466 520**	252 118	455 927	201 244	278 458	260 831	
D Kyriakides	1 231 806	**1 268 277**			404 229		346 403	58 302		422 872
D Kyriakides			294 286	**697 048**	31 515	227 964		34 807		
JRJ Paterson	2 151 671	**2 082 874**			621 891		412 385	233 209		884 186
JRJ Paterson			1 353 177	**2 902 909**	126 029	577 508	150 993	139 229	359 418	
Total	9 587 988	**9 361 573**	3 297 285	**7 533 939**	2 679 563	1 261 399	2 961 809	1 210 423	620 249	4 151 830

	31 March 2017 R
Share options exercised	
M Georgiou	**Nil**
A Costa	**3 059 447**
D Kyriakides	**1 527 359**
JRJ Paterson	**4 084 790**

The maximum number of shares that may be allocated under the CSP shall not exceed 31 945 846 (thirty-one million, nine hundred and forty-five thousand, eight hundred and forty-six).

Employees

Our employees drive our day-to-day success providing their professional expertise in the many facets of our business, through sourcing, developing, leasing, working with tenants, suppliers and corporate partners, and managing property portfolios. We take care to select the people who display a passion for the property industry and potential to grow and add value to the company.

We manage employees in a way that ensures their success and the success of our company. We provide them with the means and resources to carry out their duties and responsibilities and create an environment in which they can excel and be rewarded appropriately for their performances.

High-performance culture

We believe in a high-performance culture at Accelerate and strive to ensure that this culture filters down from the management team to each individual employee.

Employees are encouraged to maintain this culture and are provided with the necessary tools to reach their goals, in a personal and professional capacity.

All employees of Accelerate are reviewed against key performance indicators on an annual basis to measure their performance. These reviews are set to ensure our company's strategic objectives are met, and that employees have attained their goals. We believe in continued growth and development and so employees are encouraged to discuss their training needs during their performance reviews.

Social, ethics and transformation review

Accelerate's approach to corporate social responsibility (CSR) is intentionally designed to allow the company to be the best operating entity that it can be. This is done with the understanding that business success is a multi-faceted measure. We acknowledge the need to conduct our business in a way that generates economic growth for the company, creates sustainable social and economic benefit for stakeholders, and protects the natural capital that sustains our way of life.

We acknowledge the important role of the communities within our geographical footprint in maintaining our social licence to operate and, therefore, the essential need to invest in these communities. We do this through investing in job creation, prospective economic growth provision and infrastructural development in these communities. Accelerate thus demonstrates its commitment to being a responsible and contributing corporate citizen.

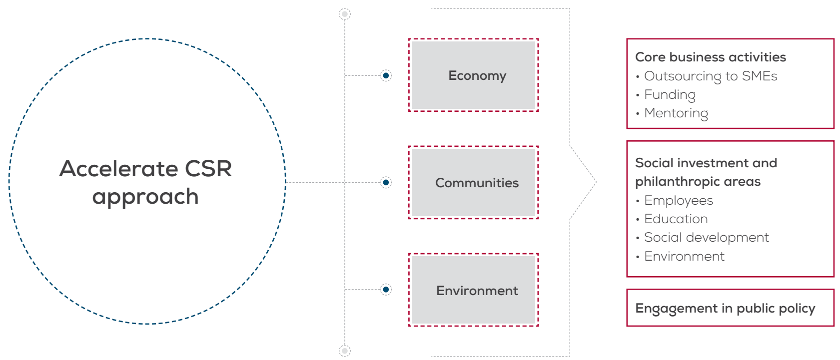
Accelerate's approach to CSR is depicted graphically below, and the social, ethics and transformation committee's agenda is aligned with its CSR approach. Accelerate aims to adopt one of the three social investment and philanthropic focus areas on a cyclical basis once projects have reached fruition, and by partnering with relevant local and national organisations, it aims to bring about upliftment in that specific area.

The social, ethics and transformation committee's purpose is to monitor Accelerate's activities in line with its mandate, including:

- social and economic development;
- corporate citizenship;
- consumer relationships;
- labour and employment issues; and
- legislative and regulatory requirements.

Furthermore, the committee advises the board on all relevant aspects that affect Accelerate's long-term sustainability, and it reports to shareholders at the annual general meeting.

Further information and membership of this committee is shown on page 84.



Social investment and philanthropic areas unpacked

Employees	We aim to make a difference in the lives of employees and their families, providing them with income, educational opportunities and the potential for skills development. We believe that employees are core to our success, and that providing an environment in which they can reach their full potential is beneficial to them and the company.
Education	Accelerate recognises that an investment in education is an investment in the future of South Africa, one that yields sustainable returns and has the potential to create meaningful value for generations to come. Our aim is to build sustainable relationships with education facilities in the areas in which we operate and work to help them provide top-quality education.
Social development	Accelerate believes that investment into social entrepreneurship, particularly among women and youth, has far-reaching benefits for the country, the communities in which we operate, and the company itself. We aim to uplift individuals who have the potential and the desire to make a difference in their own environment. We do this through job creation, training programmes, and skills development within local communities.
Environment	Accelerate recognises that our services could have harmful effects on the environment if not well planned and executed. As such, we aim to ensure that all aspects of our operations are exercised with utmost respect for environmental sustainability, adhering to all required environmental considerations.

Educational initiatives

Giving back to our communities is an integral part of our business. As a company, we aim to provide resources, both financial and non-financial, to educational initiatives with the aim of stimulating and supporting social economic upliftment in these areas. In keeping with this focus, Accelerate identified four schools with the aim of establishing a supportive relationship and upgrading the infrastructure so that learners can focus on achieving their academic potential. The schools identified were Muzomuhle Primary School, Diepsloot West, Diepsloot Secondary no 3 and Diepsloot Combined School. During 2017, Accelerate continued to work with these schools, all of which are located within Diepsloot, a community within our Fourways node.

Muzomuhle Primary School: A primary school with a high enrolment rate, comprising a group of more than 2 000 pupils. The school is predominantly constructed of prefabricated buildings in good condition, but additional space is required. Accelerate has approved the building of a new classroom and will provide 90 new chairs and 30 new primary school desks.

Diepsloot West: A primary and secondary school made up of formal structures that are well maintained. The school identified the need for four new water storage tanks as replacements for older, contaminated tanks, and two new water pumps. Accelerate provided the water tank pumps, which are used to water the school's vegetable garden. This garden is the source of food for school lunches, providing sustenance for learners.

Diepsloot Secondary No 3: The entire school is made up of prefabricated structures in good condition. In a move to give the hard-working grade 12 learners a memorable send-off experience, Accelerate agreed to arrange a matric farewell dance. Our team organised invitations, venue hire and decoration, a DJ, and food for the evening. It was truly a touching experience for all involved as it was the first Matric farewell the school had ever had and was certainly one to remember.

Diepsloot Combined School: The school comprises formal and prefabricated buildings and provides primary and high school education to pupils. During the year, Accelerate undertook the revamping of the grade Rs classroom and play area. We patched the walls, painted and supplied the play area with shade cloth as there was no shade at all in the area.

Over and above these initiatives, we wish to provide bursaries for two to three candidates from Diepsloot for their university studies. We have completed the first and second round of interviews and, we believe, have selected the best candidates for these bursaries, which include course fees, text books, accommodation, transport and general living expenses. During the selection process, we focused on identifying learners with a drive to study who may have faced difficulties in financing their educational aspirations.

The committee members and directors will mentor the candidates and monitor their progress throughout their studies. A grant with the University of Cape Town has also been considered for 2018. We believe these ventures will make a considerable difference in the lives of promising individuals who may not otherwise be able to fund their tertiary education.

Confirmation

The committee's mandate also encompasses monitoring ethical standards within the company. The committee confirms that no material breaches took place.

The committee confirms that it complied with its terms of reference for the year under review.

ANNUAL FINANCIAL STATEMENTS

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

Preparer:
Dimitri Kyriakides Chief Financial Officer

Published:
13 June 2017

CHIEF FINANCIAL OFFICER'S REVIEW

In a challenging year, Accelerate performed well – focus remained on maximising rental income and tenant recoveries, reducing vacancies, effectively managing costs and enhancing the quality of our property portfolio.

Financial performance

Accelerate remained focused on maximising rental income and tenant recoveries, reducing vacancies, effectively managing costs and enhancing the quality of our property portfolio.

Accelerate earned a gross rental income (excluding straight line rental revenue adjustment) of R1,06 billion for the period (2016: R819 million).

The group's major expenses were largely recovered in terms of leases and consisted of: utility charges of R205,8 million (2016: R155,3 million), security of R28,5 million (2016: R25,7 million), and cleaning costs of R10,9 million (2016: R10,2 million).

The net property expenses of R65,8 million (2016: R47,6 million), in conjunction with R74,0 million in other operating costs (2016: R38,7 million), resulted in Accelerate reporting a 16,9% cost-to-income ratio (2016: 13,40%)

During the year, the group took out further interest rate swaps, resulting in 77,9% (2016: 86,9%) of Accelerates debt being hedged.

Our distribution per share for the year of 57,57 cents (2016: 53,67 cents) shows a distribution growth of 7,3%. Refer to the distribution analysis for more detail as well as comparatives.

Distributions per share are used as a performance measure for trading statement purposes.

Core portfolio growth

	31 March 2017 R'000	31 March 2016 R'000	Variance %
Gross property revenue (excluding straight-lining)	**1 062 999**	818 700	29,8
Office	**280 523**	173 262	61,9
Industrial	**65 124**	36 108	80,4
Retail	**688 509**	609 330	12,9
European – Single tenant	**28 843**	–	100,0
Property expenses	**(286 314)**	(225 114)	27,7
Office	**(70 333)**	(49 426)	42,3
Industrial	**(6 761)**	(4 743)	42,5
Retail	**(206 417)**	(170 945)	21,4
European – Single tenant	**(2 803)**	–	100,0
Net property income (excluding straight-lining)	**776 684**	593 586	30,5
Office	**210 190**	123 836	69,7
Industrial	**58 363**	31 365	86,1
Retail	**482 092**	438 385	9,6
European – Single tenant	**26 040**	–	100,0
Acquisitions	**(107 450)**	33 576	
Office	**(64 803)**	10 750	
Industrial	**–**	22 826	
Retail	**(16 607)**	–	
European – Single tenant	**(26 040)**	–	
Disposals	**8 497**		
Retail	**8 497**	–	
Like-for-like net property income	**677 732**	627 162	7,8
Office	**145 387**	134 586	8,0
Industrial	**58 363**	54 191	7,7
Retail	**473 982**	438 385	8,1
European – Single tenant	**–**	–	0,0

Financial position

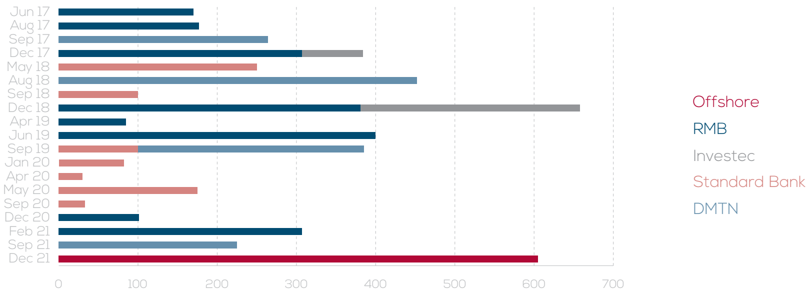
Accelerate continues to create value through selective acquisitions, and careful debt management.

As at 31 March 2017, Accelerate's investment property portfolio had a value of R11,6 billion, excluding the effects of straight-lining. The increase in the portfolio is largely due to Accelerates initial offshore investment of R1,25 billion, the acquisition of the iconic Portside tower in Cape town for R755 million, fair value adjustments of R475 million, as well as some smaller acquisitions and capital expenditure.

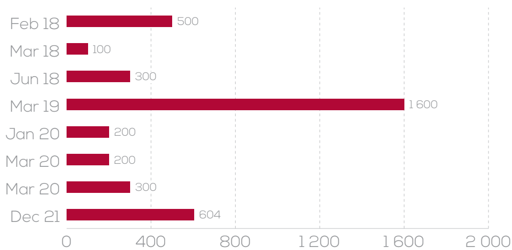
Trade and other receivables amounted to R340 million (2016: R167 million) (this excludes prepaid deposits for properties in process of transferring) at the end of the year.

Funding

Long-term debt funding maturity profile (R'm)



Swap maturity profile (R'm)



Long-term debt allocation

Bank funding – SA portfolio	31 March 2017		31 March 2016	
	R'm	**%**	R'm	%
Debt capital markets	**1 226**	**25,1**	1 001	33,5
Bank funding	**3 654**	**74,9**	1 991	66,5
Total	**4 880**	**100,0**	2 992	100,0
Weighted average debt term (years)	**2,3**		2,7	
Short-term portion of debt	**992,0**	**20,3**	422,3	14,3
Debt hedged	**3 805**	**77,9**	2 600	86,9
Weighted average swap term (years)	**2,4**		2,4	
Blended interest rate	**8,4**			8,24
Interest cover ratio (times)	**2,6**		2,8	
Loan-to-value ratio (%)	**41,9**			35,6

Mr Dimitri Kyriakides
Chief financial officer CA(SA)

13 June 2017

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. 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 International Financial Reporting Standards (IFRS) and are based upon 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 March 31, 2018 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 104 and 105.

The consolidated audited annual financial statements set out on pages 108 to 145, which have been prepared on the going concern basis, were approved by the board on 13 June 2017 and were signed on their behalf by:

Approval of financial statements

Mr Tito Titus Mboweni
Tuesday, 13 June 2017

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, do hereby confirm that for the financial year ended 31 March 2017, Accelerate Property Fund Limited 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 that to the best of my knowledge such returns are true, correct and up to date.

J Matisonn
Company secretary

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ACCELERATE PROPERTY FUND LIMITED

Report on the audit of the consolidated annual financial statements

Opinion

We have audited the consolidated financial statements of Accelerate Property Fund Limited which comprises the statement of financial position as at 31 March 2017 and the statement of comprehensive income, statement of cash flows and the notes to the consolidated financial statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Accelerate Property Fund Limited as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Federation of Accountants' Code of Ethics for Professional Accountants (IFAC Code) and other independence requirements applicable to performing the audit of the financial statements of Accelerate Property Fund Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IFAC Code and in accordance with other ethical requirements applicable to performing an audit of Accelerate Property Fund Limited.

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 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 financial statements.

Key audit matters	How the matter was addressed in the audit
Valuation of investment properties We considered the valuation of the investment properties to be significant to the audit because the determination of the fair value involves significant judgement by management and the use of external valuation experts. Valuation techniques for real estate can be subjective in nature and involve various assumptions regarding pricing factors. These assumptions include the capitalisation rate, operating income and other qualitative factors such as vacancy levels and grading of the property. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. The disclosure associated with valuation of the investment properties is set out in the consolidated annual financial statements in note 10 – investment properties and note 11 – fair value measurement of investment properties.	Our procedures included, among others the following: • We assessed that the valuation techniques and methodologies are consistent with generally accepted property valuation techniques in the real estate market. • We considered the expertise of management's valuation experts by inspecting their qualifications and assessing their experience, and considered whether management's valuation experts were independent of the group. • In respect of the European properties acquired during the year, the purchase price was compared to the external valuation reports received. • We critically assessed the assumptions adopted by management. These included: – comparing the capitalisation rates used in the report to the capitalisation rates in the Rode and South African Property Owners Association (SAPOA) reports; – assessing the accuracy of the net operating income used in the valuation by comparing it to Accelerate Property Fund's underlying accounting records of the property; and – assessing the qualitative factors impacting the buildings such as the vacancy levels of the building, the general area where the property is situated, whether any national tenants are experiencing difficulty and whether they occupy a substantial portion of gross lettable area. • We recomputed the valuation using the selected methodologies, inputs and assumptions used by management and performed sensitivity analyses.
Accounting for the offshore acquisition Accelerate Property Fund entered into a transaction to acquire properties in Slovakia and Austria. The transaction entailed Accelerate incorporating a Netherlands domiciled subsidiary (Accelerate Property Fund Europe BV), which holds a controlling share in the acquisition companies, which are incorporated in Austria and Slovakia. The acquisition companies acquired a 100% share in special purpose vehicles which housed the nine properties. The properties are retail warehouse properties tenanted by OBI GmbH & Co. Deutschland for an aggregate acquisition value of €82.1 million. The disclosure associated with the acquisition of the offshore properties and the European structure is set out in the consolidated annual financial statements in note 10.	Our procedures included, among others: • We inspected the purchase agreement between the acquisition companies and the seller to determine whether the transaction had been correctly accounted for in terms of IFRS. • We agreed the payment of the purchase price in the contract to the bank statements. • For the funding of the acquisition, we agreed the equities to share certificates and debt to loan agreements. • EY tax specialists in Austria, Slovakia and the Netherlands assisted in the audit of the income tax calculations. • We physically verified the properties in Austria and Slovakia and inspected the title deeds.

INDEPENDENT AUDITOR'S REPORT TO THE SHARE-HOLDERS OF ACCELERATE PROPERTY FUND LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the integrated report that includes the corporate governance report, directors' responsibilities and approval, company secretary's certification and directors' report, but does not include financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated annual 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.

Directors' responsibilities for the consolidated financial statements

The Group's directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS 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 has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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.

The engagement partner on the audit resulting in this independent auditor's report is Rohan Baboolal.

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 four years.

Ernst & Young Inc.

Ernst & Young Inc.
Director: Rohan Baboolal CA (SA)
Registered auditor
102 Rivonia Road
Sandton

13 June 2017

DIRECTORS' REPORT

The directors take pleasure in submitting their report on the consolidated audited annual financial statements of Accelerate Property Fund Limited Group for the year ended 31 March 2017.

1. **Review of financial results and activities**

   The consolidated audited annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008 as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies have been applied consistently compared to the prior year.

   The group recorded a net profit after tax for the year ended 31 March 2017 of R902 million. This represented an increase of 11,9% from the net profit after tax of the prior year ended 31 March 2016 of R805 million.

   Group rental revenue increased by 29,8% from R819 million in the prior period to R 1 062 billion for the period ended 31 March 2017.

   Group cash flows from operating activities decreased by 21,3% from R 229 million in the prior period to R 180 million for the year ended 31 March 2017.

2. **Share capital**

Authorised	2017 Number of shares	2016 Number of shares
Ordinary shares	**5 000 000 000**	5 000 000 000

Issued	2017 R'000	2016 R'000	2017 Number of shares	2016 Number of shares
Ordinary shares	**5 156 011**	4 105 211	**986 372 706**	801 344 007

Of the 986 372 706 Accelerate shares in issue at 31 March 2017, 672 317 574 shares are publicly held and 314 055 132 shares are held by directors as tabled below:

Major shareholders	No of shares	% Holding
Fourways Precinct (Pty) Ltd	**250 944 727**	**25,44%**
Michael Family Trust	**40 924 783**	**4,15%**
Coronation Fund Managers	**165 748 126**	**16,80%**
Government Employees Pension Fund	**95 418 992**	**9,67%**
STANLIB	**54 068 297**	**5,48%**
Nedbank Group	**43 959 009**	**4,46%**
	651 063 934	**66,00%**

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 2016

Michael Georgiou	291 869 510 shares	29,59%	Indirect holding
Andrew Costa	17 541 041 shares	1,78%	Indirect holding
John Paterson	4 590 883 shares	0,47%	Indirect holding
Dimitri Kyriakides	53 698 shares	0,01%	Direct holding
	314 055 132 shares	**31,85%**	

3. **Directorate**

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

Directors	Designation
Mr Tito Mboweni	Chairperson
Dr Gert Cruywagen	Non-executive Independent
Mr John Doidge	Non-executive Independent
Mr Tim Fearnhead	Non-executive Independent
Ms Kolosa Madikizela	Non-executive Independent
Prof Francois Viruly	Non-executive Independent
Mr Michael Georgiou	Chief Executive Officer
Mr Andrew Costa	Chief Operating Officer
Mr Dimitri Kyriakides	Chief Financial Officer
Mr John Paterson	Executive

There have been no changes to the directorate for the year under review.

4. **Accelerate group structure**

The Accelerate Group consists of Accelerate Property Fund Limited and its 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

5. **Distribution**

The board has declared a final cash distribution (number 7) for the year ended 31 March 2017 of 28,80 cents per ordinary share (2016: 27,05 cents per ordinary share), which together with the interim cash distribution of 28,77 cents per ordinary share (2016: 26,62 cents per ordinary share), produces a total cash distribution declared for the year of 57,57 cents per ordinary share (2016: 53,67 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 28,80 cents per ordinary share (2016: 27,05 cents per ordinary share) for the year ended 31 March 2017, to all ordinary shareholders recorded in the books of Accelerate at the close of business on Friday, 14 July 2017 and will be paid on 17 July 2017.

The final cash distribution timetable is structured as follows:

- Declaration date is Wednesday, 14 June 2017
- The last day to trade cum distribution in order to participate in the distribution is Tuesday, 11 July 2017
- The shares commence trading ex-distribution from the commencement of business on Wednesday, 12 July 2017
- The record date is Friday, 14 July 2017
- The distribution is to be paid on Monday, 17 July 2017

Share certificates will not able to be rematerialised or dematerialised between Wednesday, 12 July 2017 and Friday, 14 July 2017, both days inclusive.

6. **Auditors**

Ernst & Young Inc. continued in office as auditors for the company for the year ending 31 March 2017.

At the AGM, the shareholders will be requested to reappoint Ernst & Young Inc. as the independent external auditors of the company and to confirm Mr Rohan Baboolal as the designated lead audit partner for the 2017 financial year.

7. **Secretary**

The company secretary is Ms Joanne Matisonn – TMF Corporate Services (South Africa) (Pty) Ltd.

Postal address and business address:

3rd Floor
200 on Main
Cnr Main and Bowwood Roads Claremont
7708

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note(s)	2017 R'000	2016 R'000
Assets			
Non-current assets			
Property, plant and equipment	12	**1 376**	519
Investment property	10	**11 860 689**	8 422 776
Derivative financial assets	24	**38 134**	73 086
		11 900 199	8 496 381
Current assets			
Trade and other receivables	13	**340 189**	197 908
Current tax receivable	27	**9 881**	9 269
Cash and cash equivalents	14	**133 618**	71 428
		483 688	278 605
Non-current assets held for sale	26	**–**	130 726
Total assets		**12 383 887**	8 905 712
Equity and liabilities			
Equity			
Equity attributable to equity holders of parent			
Ordinary share capital	15	**5 156 011**	4 105 211
Other reserves		**52 944**	20 045
Retained income		**2 131 616**	1 646 710
		7 340 571	5 771 966
Non-controlling interest		**12 421**	–
		7 352 992	5 771 966
Liabilities			
Non-current liabilities			
Contingent compensation to vendor	21	**–**	27 276
Borrowings	16	**3 887 257**	2 569 905
		3 887 257	2 597 181
Current liabilities			
Trade and other payables	17	**151 619**	114 209
Borrowings	16	**992 019**	422 356
		1 143 638	536 565
Total liabilities		**5 030 895**	3 133 746
Total equity and liabilities		**12 383 887**	8 905 712

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Note(s)	2017 R'000	2016 R'000
Revenue, excluding straight-line rental revenue adjustment	2	**1 062 999**	818 700
Straight-line rental revenue adjustment	2	**36 958**	68 059
Revenue		**1 099 957**	886 759
Other income		**5 529**	(142)
Unrealised foreign exchange (losses)/gains		**(47 367)**	–
Operating expenses	4	**(74 022)**	(38 694)
Property expenses	3	**(286 314)**	(225 114)
Operating profit		**697 783**	622 809
Finance income	5	**34 094**	14 247
Fair value adjustments	28	**469 463**	383 746
Finance cost	6	**(299 032)**	(215 770)
Profit before taxation		**902 308**	805 032
Taxation	7	**(423)**	–
Profit for the year		**901 885**	805 032
Other comprehensive income that may be reclassified to profit and loss in subsequent periods			
Exchange differences on translation of foreign operations		**(1 439)**	–
Total comprehensive income		**900 446**	805 032
Profit attributable to:			
Shareholders of the parent		**898 372**	805 032
Non-controlling interest		**3 513**	–
		901 885	805 032
Earnings per share			
Per share information			
Basic earnings per share (including bulk ceded shares) (cents)	9	**101,47**	107,53
Diluted earnings per share (including bulk ceded shares) (cents)	9	**99,96**	105,92
Distributable earnings			
Profit after taxation attributable to equity holders		**898 372**	805 032
Less: straight-line rental revenue adjustment	2	**(36 958)**	(68 059)
Less: fair value adjustments		**(466 398)**	(383 746)
Plus: unrealised losses/(gains)		**55 804**	–
Less: capital profit sale of properties		**(1 107)**	–
Plus: year-end distribution from reserves		**36 999**	25 758
Distributable earnings		**486 712**	378 985

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share capital R'000	Foreign currency translation reserve R'000	Other reserves R'000
Balance at April 1, 2015	3 422 723	-	7 223
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Issue of shares	682 488	-	-
Distribution paid	-	-	(4 200)
Conditional share plan reserve (note 30)	-	-	3 098
Antecedent distribution reserve	-	-	13 924
Total contributions by and distributions to owners of company recognised directly in equity	682 488	-	12 822
Balance at April 1, 2016	**4 105 211**	**-**	**20 045**
Profit for the year	**-**	**-**	**-**
Other comprehensive income	**-**	**(1 439)**	**-**
Total comprehensive income for the year	**-**	**(1 439)**	**-**
Issue of shares	**1 050 800**	**-**	**-**
Distribution paid	**-**	**-**	**(22 353)**
Conditional share plan reserve (note 30)	**-**	**-**	**11 264**
Antecedent distribution reserve	**-**	**-**	**45 427**
Non-controlling interest	**-**	**-**	**-**
Total contributions by and distributions to owners of company recognised directly in equity	**1 050 800**	**-**	**34 338**
Balance at March 31, 2017	**5 156 011**	**(1 439)**	**54 383**
Note(s)	15		

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
7 223	1 174 197	4 604 143	–	4 604 143
–	805 032	805 032	–	805 032
–	–	–	–	–
–	805 032	805 032	–	805 032
–	–	682 488	–	682 488
(4 200)	(332 519)	(336 719)	–	(336 719)
3 098	–	3 098	–	3 098
13 924	–	13 924	–	13 924
12 822	(332 519)	362 791	–	362 791
20 045	**1 646 710**	**5 771 966**	**–**	**5 771 966**
–	**898 372**	**898 372**	**3 513**	**901 885**
(1 439)	**–**	**(1 439)**	**–**	**(1 439)**
(1 439)	**898 372**	**896 933**	**3 513**	**900 446**
–	**–**	**1 050 800**	**–**	**1 050 800**
(22 353)	**(413 466)**	**(435 819)**	**–**	**(435 819)**
11 264	**–**	**11 264**	**–**	**11 264**
45 427	**–**	**45 427**	**–**	**45 427**
–	**–**	**–**	**8 908**	**8 908**
34 338	**(413 466)**	**671 672**	**8 908**	**680 580**
52 944	**2 131 616**	**7 340 571**	**12 421**	**7 352 992**

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 31 MARCH 2017

	Note(s)	2017 R'000	2016 R'000
Cash flows from operating activities			
Cash generated from operations	18	560 720	556 567
Finance received		34 094	14 247
Distribution paid		(413 466)	(332 519)
Tax received/(paid)		(1 035)	(9 254)
Net cash from operating activities		180 313	229 041
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(1 066)	(385)
Purchase of investment property	10	(2 951 540)	(1 300 193)
Sale of non-current assets held for sale	10	55 000	–
Contingent purchase		(27 276)	(18 960)
Proceeds from disposal of investment property		144 902	28 420
Net cash from investing activities		(2 779 980)	(1 291 118)
Cash flows from financing activities			
Proceeds on share issue		1 050 800	682 488
Long-term borrowings raised		2 414 371	1 335 500
Long-term borrowings repaid		(527 356)	(737 253)
Finance paid		(299 032)	(215 770)
Antecedent distribution		23 074	9 723
Net cash from financing activities		2 661 857	1 074 688
Total cash movement for the year		62 190	12 611
Cash at the beginning of the year		71 428	58 817
Total cash at end of the year	14	133 618	71 428

Of the total cash at year end R45 428 106 is held in euro-denominated bank accounts (2016: Rnil).

DISTRIBUTABLE EARNINGS RECONCILIATION
FOR THE YEAR ENDED 31 MARCH 2017

	Year ended 31 March 2017 R'000	Year ended 31 March 2016 R'000
Distributable earnings	486 712	378 985
Less: Interim distribution from profits	217 301	175 255
Final distribution	269 411	203 730
Shares qualifying for distribution		
Number of shares at year end	986 372 706	801 344 008
Less: Bulk ceded shares to Accelerate	(51 070 184)	(51 070 184)
Less: Ceded distribution with regard to Noor properties acquired	–	(13 290 135)
Add: Shares issued after year end	–	16 100 000
Shares qualifying for distribution	935 302 522	753 083 689
Distribution per share		
Final distribution per share (cents)	28,80469	27,05277
Interim distribution per share made (cents)	28,76627	26,61692
Total distribution per share for the year (cents)	57,57096	53,66969

SEGMENTAL ANALYSIS

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

Consequently, the 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; and
- European single-tenant segment: acquires, develops and leases single tenant space backed by long-term leases.

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

For the year ended 31 March 2016	Office R'000	Industrial R'000	Retail R'000	European retail R'000	Total R'000
Statement of comprehensive income 2016					
Revenue, excluding straight-line rental revenue adjustment	173 262	36 108	609 330	–	818 700
Straight-line rental adjustment	35 655	2 217	30 187	–	68 059
Property expenses	(49 426)	(4 743)	(170 944)	–	(225 114)
Segment operating profit	159 491	33 582	468 572	–	661 645
Fair value adjustments on investment property	71 155	45 591	265 066	–	381 812
Segment profit	230 646	79 173	733 638	–	1 043 457
Other operating expenses					(38 694)
Other income					(142)
Fair value gain on financial instruments					1 934
Finance income					14 247
Long-term debt interest					(215 770)
Profit before tax					805 032
For the year ended 31 March 2017					
Statement of comprehensive income 2017					
Revenue, excluding straight-line rental revenue adjustment	**280 523**	**65 124**	**688 509**	**28 843**	**1 062 999**
Straight-line rental adjustment	**21 685**	**3 043**	**12 230**	**–**	**36 958**
Property expenses	**(70 333)**	**(6 761)**	**(206 417)**	**(2 803)**	**(286 314)**
Segment operating profit	**231 875**	**61 406**	**494 322**	**26 040**	**813 643**
Fair value adjustments on investment property	**86 143**	**3 585**	**372 233**	**42 454**	**504 415**
Segment profit	**318 018**	**64 991**	**866 555**	**68 494**	**1 318 058**
Other operating expenses					**(74 022)**
Other income					**5 529**
Fair value gain on financial instruments					**(34 952)**
Foreign exchange gains/(losses)					**(47 367)**
Finance income					**34 094**
Long-term debt interest					**(299 032)**
Profit before tax					**902 308**

For the year ended 31 March 2016	Office R'000	Industrial R'000	Retail R'000	European retail R'000	Total R'000
Statement of financial position extracts at 31 March 2016					
Assets					
Investment property balance 1 April 2015	921 328	282 874	5 627 655	–	6 831 857
Acquisitions	850 000	295 221		–	1 145 221
Capitalised costs	92 559	12 093	50 321	–	154 973
Disposals/classified as held for sale	(28 420)		(130 726)	–	(159 146)
Investment property held for sale			130 726	–	130 726
Straight-line rental revenue adjustment	35 655	2 217	30 187	–	68 059
Fair value adjustments	71 155	45 591	265 066	–	381 812
Segment assets at 31 March 2016	1 942 277	637 996	5 973 229	–	8 553 502
Other assets not managed on a segmental basis					
Derivative financial instruments					73 086
Equipment					519
Current assets					278 605
Total assets					8 905 712
For the year ended 31 March 2017					
Statement of financial position extracts at 31 March 2017					
Assets					
Investment property balance 1 April 2016	**1 942 277**	**637 996**	**5 973 229**	**–**	**8 553 502**
Acquisitions	**1 180 000**		**365 000**	**1 166 560**	**2 711 560**
Capitalised costs	**46 445**	**5 917**	**144 922**	**42 696**	**239 980**
Disposals/classified as held for sale			**(185 726)**		**(185 726)**
Investment property held for sale					**–**
Straight-line rental revenue adjustment	**21 685**	**3 043**	**12 230**	**–**	**36 958**
Fair value adjustments	**86 143**	**3 585**	**372 233**	**42 454**	**504 415**
Segment assets at 31 March 2017	**3 276 550**	**650 541**	**6 681 888**	**1 251 710**	**11 860 689**
Other assets not managed on a segmental basis					
Derivative financial instruments					**38 134**
Equipment					**1 376**
Current assets					**483 688**
Total assets					**12 383 887**

SEGMENTAL ANALYSIS (CONTINUED)

For the year ended 31 March 2016	Gauteng R'000	Western Cape R'000	KwaZulu-Natal R'000	Limpopo R'000	Eastern Cape R'000	Mpuma-langa R'000	Europe R'000	Total R'000
Statement of comprehensive income 2016								
Revenue, excluding straight-line rental revenue adjustment	693 565	98 556	8 981	13 866	2 550	1 181	–	818 700
Straight-line rental adjustment	53 951	5 752	3	6 435	1 126	792	–	68 059
Property expenses	(193 067)	(25 880)	(2 210)	(3 957)	–	–	–	(225 114)
Segment operating profit	554 450	78 428	6 774	16 344	3 676	1 973	–	661 645
Fair value adjustments on investment property	327 363	48 297	3 622	2 530	–	–	–	381 812
Segment profit	881 813	126 725	10 396	18 874	3 676	1 973	–	1 043 457
Other operating expenses								(38 694)
Other income								(142)
Fair value gain on financial instruments								1 934
Finance income								14 247
Long-term debt interest								(215 770)
Profit before tax								805 032
For the year ended 31 March 2017								
Statement of comprehensive income 2017								
Revenue, excluding straight-line rental revenue adjustment	**792 025**	**198 742**	**13 642**	**20 408**	**7 991**	**1 348**	**28 843**	**1 062 999**
Straight-line rental adjustment	**34 553**	**(547)**	**(216)**	**1 636**	**994**	**538**	**–**	**36 958**
Property expenses	**(215 559)**	**(55 401)**	**(5 926)**	**(4 614)**	**(2 004)**	**(7)**	**(2 803)**	**(286 314)**
Segment operating profit	**611 019**	**142 794**	**7 500**	**17 430**	**6 981**	**1 879**	**26 040**	**813 643**
Fair value adjustments on investment property	**278 039**	**162 878**	**3 812**	**4 463**	**6 800**	**5 969**	**42 454**	**504 415**
Segment profit	**889 058**	**305 672**	**11 312**	**21 893**	**13 781**	**7 848**	**68 494**	**1 318 058**
Other operating expenses								**(74 022)**
Other income								**5 529**
Fair value gain on financial instruments								**(34 952)**
Foreign exchange gains/(losses)								**(47 367)**
Finance income								**34 094**
Long-term debt interest								**(299 032)**
Profit before tax								**902 308**

For the year ended 31 March 2016	Gauteng R'000	Western Cape R'000	KwaZulu-Natal R'000	Limpopo R'000	Eastern Cape R'000	Mpuma-langa R'000	Europe R'000	Total R'000
Statement of financial position extracts at 31 March 2016								
Investment property balance 1 April 2015	5 871 524	855 102	60 492	44 739	–	–	–	6 831 857
Acquisitions	1 003 221			70 000	64 500	7 500	–	1 145 221
Capitalised costs	100 157	25 492	2 549	24 649	1 225	901	–	154 973
Disposals/classified as held for sale	(130 726)	(28 420)					–	(159 146)
Investment property held for sale	130 726						–	130 726
Straight-line rental revenue adjustment	53 951	5 752	3	6 435	1 126	792	–	68 059
Fair value adjustments	327 363	48 297	3 622	2 530	–	–	–	381 812
Investment property at 31 March 2016	7 356 216	906 223	66 666	148 353	66 851	9 193	–	8 553 502
Other assets not managed on a segmental basis								
Derivative financial instruments								73 086
Equipment								519
Current assets								278 605
Total assets								8 905 712
For the year ended 31 March 2017								
Statement of financial position extracts at 31 March 2017								
Investment property balance 1 April 2016	7 356 216	906 223	66 666	148 353	66 851	9 193		8 553 502
Acquisitions	260 000	1 285 000					1 166 560	2 711 560
Capitalised costs	132 750	51 641	438	12 455			42 696	239 980
Disposals/classified as held for sale	(185 726)							(185 726)
Investment property held for sale								–
Straight-line rental revenue adjustment	34 553	(547)	(216)	1 636	994	538	–	36 958
Fair value adjustments	278 039	162 878	3 812	4 463	6 800	5 969	42 454	504 415
Investment property at 31 March 2017	7 875 832	2 405 195	70 700	166 907	74 645	15 700	1 251 710	11 860 689
Other assets not managed on a segmental basis								
Derivative financial instruments								38 134
Equipment								1 376
Current assets								483 688
Total assets								12 383 887

ACCOUNTING POLICIES

1. Significant accounting policies

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

1.1 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the new standards, amendments and interpretations that became effective during the 31 March 2017 reporting period. However, they are not expected to have a significant impact on the annual financial statements of Accelerate.

- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (Effective date 1 January 2016)
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (Effective date 1 January 2016)
- IFRS 14 Regulatory Deferral Accounts (Effective date 1 January 2016)
- IAS 1 Disclosure Initiative (Effective date 1 January 2016)
- IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (Effective date 1 January 2016)
- IAS 16 and IAS 41 Agriculture – Bearer Plants (Effective date 1 January 2016)
- IAS 27 Equity Method in Separate Financial Statements (Effective date 1 January 2016)
- AIP IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Effective date 1 January 2016)
- AIP IFRS 7 Financial Instruments: Disclosures – Servicing contracts (Effective date 1 January 2016)
- AIP IFRS 7 Financial Instruments: Disclosures – Applicability of offsetting disclosures to condensed interim financial statements (Effective 1 January 2016)
- AIP IAS 19 Employee Benefits - Discount rate: regional market issue (Effective date 1 January 2016)
- AIP IAS 34 Interim Financial Reporting – Disclosure of information 'elsewhere in the interim financial report' (Effective date 1 January 2016)

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.

- IAS 7 Disclosure Initiative (Effective 1 January 2017)
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (Effective 1 January 2017)
- AIP IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12 (Effective 1 January 2017)
- IFRS 15 Revenue from Contracts with Customers (Effective date 1 January 2018)
- IFRS 9 Financial Instruments (Effective 1 January 2018)
- IFRS 2 Classification and Measurement of Share-based Payments Transactions (Effective date 1 January 2018)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Effective date 1 January 2018)
- Transfers of Investment Property (Amendments to IAS 40) (Effective date 1 January 2018)
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (Effective date 1 January 2018)
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters (Effective date 1 January 2018)
- AIP 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 (Effective date 1 January 2018)
- IFRS 16 Leases (Effective date 1 January 2018)
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Effective date indefinite)

These standards are not expected to have a significant effect 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.

1.3 Significant judgements and sources of estimation uncertainty *(continued)*

Judgements and other estimates

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

Significant judgements 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 & 11.

Accruals

The accrual at year end for recoveries from tenants is based on average recoveries received from tenants during a 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.

The valuation of the share-based payments reserve

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

Financial guarantee

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

(i) projecting the future distribution growth of Accelerate Property Fund; and
(ii) projecting historic yield volatility 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 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.

1.5 Investment property *(continued)*

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.

1.6 Non-current assets (disposal groups) held for sale or distribution to owners

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 measured at the lower of their carrying amount and fair value less costs to sell (distribute).

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 an income on a straight-line basis over the lease term except for contingent rental payments, which are expensed when they arise.

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

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 being 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. Recoveries of costs from lessees where Accelerate is merely acting as an agent and makes payments of these costs on behalf of lessees are offset against the relevant costs.

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

1.8 Revenue *(continued)*

Rental income

Accelerate is the lessor in operating leases. Rental income arising from operating leases on 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.

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 gross of the related costs, as the directors consider that Accelerate acts as principal in this respect.

1.9 Financial instruments classification

The company 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 re-assessed on an annual basis.

Initial recognition and measurement

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

The company 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 assets have expired or have been transferred and the company 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.

Impairment of financial assets

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

ACCOUNTING POLICIES (CONTINUED)

1.9 Financial instruments Classification *(continued)*

For amounts due to the company, 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 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

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 portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits 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. The basis of the judgement is set out in note 10. Where such acquisitions are not judged to be an acquisition 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.

1.11 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 effective interest rate method.

Tenant deposits

Tenant deposits liabilities are initially recognised at fair value and subsequently measured at amortised cost where the effects of discounting are 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 completed property

A property is regarded as sold when the significant risks and returns 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 effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Finance income is included in finance income in the statement of comprehensive income.

Taxes

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

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 that it operates 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 an expense and included in profit or loss for the period, except to the extent that the tax arises from:

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

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

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

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.

ACCOUNTING POLICIES (CONTINUED)

1.11 Accounting policies *(continued)*

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.

Derivative financial instruments – initial recognition and subsequent measurement

Accelerate uses interest rate swaps to hedge its risks associated with 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.

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 expense represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

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

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

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

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

Share capital

Ordinary shares are classified as equity.

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.

1.11 Accounting policies *(continued)*

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

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

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

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

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

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 are assumed to approximate their fair values.

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

1.12 Property, plant and equipment

Property, plant and equipment are tangible assets which the company 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 company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company 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 company. 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.

ACCOUNTING POLICIES (CONTINUED)

1.12 Property, plant and equipment *(continued)*

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

Item	Depreciation method	Average useful life
Office furniture	Straight line	5 years
Motor vehicles	Straight line	5 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.

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

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

1.13 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 IAS 18 “Revenue”.

NOTES TO THE CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

	2017 R'000	2016 R'000
2. Revenue		
Contracted rental	722 069	609 160
Parking	19 451	18 012
Rental guarantee	45 081	11 563
Development guarantee income	28 101	1 452
Sundry property income	27 794	1 003
Revenue before recoveries	842 496	641 190
Recoveries (incl rates, municipal costs, operations cost)	220 503	177 510
Revenue, excluding straight-line rental revenue adjustment	1 062 999	818 700
Straight-line rental revenue adjustment	36 958	68 059
Total revenue	1 099 957	886 759
3. Property expenses		
Cleaning	10 942	10 250
Insurance	4 633	3 565
Security	28 462	25 714
Repairs & maintenance	8 586	13 568
Electricity	101 839	68 117
Rates & taxes	69 000	67 899
Sewerage	9 504	7 497
Water	14 042	7 792
Other municipal expenses	7 842	4 034
Management fee: Facilities	2 325	–
Professional fees	2 195	2 071
Other property costs*	25 560	14 607
Tenant installation	1 384	–
Property expenses	286 314	225 114
Less: recovered expenses	(220 503)	(177 510)
Net property expenses	65 811	47 604

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

	2017 R'000	2016 R'000
4. Operating expenses		
Management fees	10 457	6 456
Employee costs	46 455	20 170
Auditors remuneration	2 807	1 762
Licences	196	274
Bank charges	368	255
Telephone and fax	150	129
Printing and stationery	58	29
Subscriptions	913	234
Professional fees	6 181	4 181
Bad debts	6 009	4 385
Tenant installation	–	803
Other expenses	428	16
Total other operating expenses	74 022	38 694
5. Finance income received		
Interest income		
Interest received from banks	2 252	1 558
Cash deposits	20 934	5 750
Interest from tenants	2 119	1 618
Interest from vendors	8 789	5 321
	34 094	14 247

NOTES TO THE CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

	2017 R'000	2016 R'000
6. Finance cost		
Non-current borrowings	**325 012**	227 152
Net payment on swaps	**(26 002)**	(12 788)
Other interest paid	**22**	1 406
Net finance cost	**299 032**	215 770

Finance cost on capital construction projects to the amount of R 17,9 million (2016: R12,9 million) was capitalised during the year ended 31 March 2017 at an average cost of debt of 9,1% (2016: 8,18%) per annum.

	2017 R'000	2016 R'000
7. Taxation		
Major components of the tax expense		
Current		
Local income tax – current period	**–**	–
Foreign income tax or withholding tax – current period	**423**	–
	423	–
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	**(1,14)%**	(2,35)%
Fair value adjustment	**(14,43)%**	(13,43)%
Capital profits not taxable (as APF is a REIT)	**(0,22)%**	–%
Qualifying distribution	**(12,20)%**	(12,22)%
	0,01%	–%

	2017 R'000	2016 R'000
8. Distribution per share		
Final distribution for the year ended 31 March 2017		
Profit after taxation attributable to equity holders	**898 372**	805 032
Less: straight-line rental revenue adjustment	**(36 958)**	(68 059)
Less: fair value adjustment on investment property and derivative financial instruments	**(466 398)**	(383 746)
Plus: unrealised losses/(gains)	**55 804**	–
Less: profits sale of properties	**(1 107)**	–
Plus: distributions from reserves	**36 999**	25 758
Less: Interim distribution from profits	**(217 301)**	(175 255)
Final distribution	**269 411**	203 730
Reconciliation of shares qualifying for final distribution		
Shares in issue at 31 March 2017	**986 372 706**	801 344 008
Less: Shares ceded on purchase of bulk*	**(51 070 184)**	(51 070 184)
Less: Ceded distribution shares with regard to Noor properties acquired	**-**	(13 290 135)
Add: Shares issued after year end	**-**	16 100 000
Shares qualifying for distribution	**935 302 522**	753 083 689
Year end distribution per share (cents)	**28,80**	27,05

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

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

	2017 R'000	2016 R'000

9. Earnings per share

Basic earnings per share (EPS) 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.

	2017 R'000	2016 R'000
Reconciliation of basic/diluted earnings to headline earnings		
Total comprehensive income attributable to equity holders	**898 372**	805 032
Fair value adjustment on investment property	**(501 350)**	(383 746)
Gains on investment property sold	**(7 038)**	–
Headline profit attributable to shareholders	**389 984**	421 286
Basic earnings per share (cents)*	**101,47**	107,53
Diluted earnings per share (cents)*	**99,96**	105,92
Headline earnings per share (cents)	**44,05**	56,27
Diluted headline earnings per share (cents)	**43,39**	55,43
Shares in issue at the end of the year	**986 372 706**	801 344 008
Weighted average number of shares in issue	**885 350 951**	748 651 001
Shares subject to the deferred acquisition costs	**–**	4 538 397
Shares subject to the conditional share plan	**13 377 341**	6 851 733
Weighted average number of deferred shares	**13 377 341**	11 390 130
Total diluted weighted average number of shares in issue	**898 728 292**	760 041 131

* *Basic earnings and diluted earnings are based on the same revenue 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 subsequent expenditure R'000	Disposals R'000	Straight-line rental revenue adjustment R'000	Fair value adjustments R'000	Total R'000
Reconciliation of investment property – 2017							
Investment property	**8 422 776**	**2 711 560**	**239 980**	**(55 000)**	**36 958**	**504 415**	**11 860 689**

	Opening balance R'000	Additions R'000	Additions resulting from capitalised subsequent expenditure R'000	Classified as held for sale R'000	Straight-line rental revenue adjustment R'000	Fair value adjustments R'000	Total# R'000
Reconciliation of investment property – 2016							
Investment property*	6 803 437	1 145 221	154 972	(130 726)	68 059	381 813	8 422 776

* *The entire portfolio of investment property is pledged as security for borrowings, except for Edgars Polokwane.*
\# *Excludes properties held for sale at 31 March 2016 to the value of R130 726 000.*

The following investment properties are held by Accelerate through subsidiaries:

- The KMPG portfolio valued at R957 million 100% held through Parktown Crescent Proprietary Limited and Wanooka Properties Proprietary Limited.
- 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.

	2017 R'000	2016 R'000

10. Investment property *(continued)*

	2017 R'000	2016 R'000
Investment property summary		
Investment property	**11 319 316**	7 972 904
Investment property held for sale (refer note 26)	**–**	130 726
Fair value gain/(losses) on investment property (unrealised)	**504 415**	412 245
Fair value gain/(losses) on investment property (unrealised) held for sale	**–**	(30 432)
Straight-line rental revenue adjustment	**36 958**	68 059
	11 860 689	8 553 502

	Office R'000	Industrial R'000	Retail R'000	Europe R'000	Total R'000
Investment properties					
Balance as at 31 March 2016	**1 942 277**	**637 996**	**5 973 229**	**–**	**8 553 502**
Acquisitions/improvements	**1 226 445**	**5 917**	**509 922**	**1 209 256**	**2 951 540**
Subtotal	**3 168 722**	**643 913**	**6 483 151**	**1 209 256**	**11 505 042**
Disposals/classified as held for sale	**–**	**–**	**(185 726)**	**–**	**(185 726)**
Straight-line rental revenue adjustment	**21 685**	**3 043**	**12 230**	**–**	**36 958**
Fair value gain on investment properties	**86 143**	**3 585**	**372 233**	**42 454**	**504 415**
Balance at 31 March 2017	**3 276 550**	**650 541**	**6 681 888**	**1 251 710**	**11 860 689**

	Office R'000	Industrial R'000	Retail R'000	Total R'000
Balance as at 31 March 2015	892 907	282 874	5 627 656	6 803 437
Acquisitions	942 559	307 314	50 321	1 300 194
Subtotal	1 835 466	590 188	5 677 977	8 103 631
Straight-line rental revenue adjustment	35 655	2 217	30 187	68 059
Fair value gain on investment properties	71 155	45 591	265 066	381 812
Balance at 31 March 2016	1 942 276	637 996	5 973 230	8 553 502

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. Valuers are normally rotated every three years. 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.

11. Fair value measurement of investment properties *(continued)*

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

The directors have presented the valuation results to Accelerate's independent auditors. This includes a discussion of the major assumptions used in the valuations, with an emphasis on property with fair value changes outside of the relevant thresholds.

Valuation techniques

The fair values of investment properties are determined using either a discounted cash flow (DCF) method or income capitalisation method (cap rate).

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 up costs. Under the cap rate method, over and under-rent situations are separately capitalised/(discounted).

The external valuations were performed by Mills Fitchet 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 2017, 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 at 31 March 2017 R'000	Current vacancies	Long-term vacancies	Estimated period of convergence
Office	**3 276 550**	0% – 100%	5% – 10%	2 years
Industrial	**650 541**	0%	0%	n/a
Retail	**6 681 888**	0% – 85%	5% – 10%	3 years
Europe	**1 251 710**	0%	0%	n/a
	11 860 689			

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 on the next page 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.

11. Fair value measurement of investment properties *(continued)*

Class of property	Fair value as at 31 March 2017 R'000	Valuation technique	Key unobservable inputs	Ranges	Weighted average discount rate
Office	**3 276 550**	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R36,00 – R222,00 • 7,7% • 5% – 10%	7,80%
Industrial	**650 541**	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R34,00 – R136,00 • 7,7% • 0%	9,30%
Retail	**6 681 888**	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R43,00 – R212 • 7,8% • 5% – 10%	6,90%
Europe	**1 251 710**	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R64,00 – R182,00 • 0% • 0%	7,00%
	11 860 689				

Descriptions and definitions

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

Estimated rental value (ERV)

The 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. Long-term vacancy rate can also be determined based on the percentage of estimated vacant space divided by the total lettable area.

Discount rate

Rate used to discount the net cash flows generated from rental activities during the period of analysis (estimated up to 10 years).

Equivalent yield

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

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

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

- ERV
- Rental growth
- Long-term vacancy rate
- Discount rate/yield.

Significant increases/(decreases) in the ERV (per sqm p.a.) and rental growth p.a. 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 sqm p.a.) is accompanied by:

- a similar change in the rent growth p.a. and discount rate (and exit yield); and
- 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 6,3% if the equivalent yield is increased, and increase by 7,2% if the equivalent yield is decreased.

12. Property, plant and equipment

	2017 R'000 Cost or revaluation	2017 R'000 Accumulated depreciation	2017 R'000 Carrying value	2016 R'000 Cost or revaluation	2016 R'000 Accumulated depreciation	2016 R'000 Carrying value
Furniture and fixtures	**446**	**(57)**	**389**	92	(34)	58
Motor vehicles	**709**	**(89)**	**620**	379	(23)	356
IT equipment	**572**	**(205)**	**367**	190	(85)	105
Total	**1 727**	**(351)**	**1 376**	661	(142)	519

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Reconciliation of property, plant and equipment – 2017				
Furniture and fixtures	**58**	**354**	**(23)**	**389**
Motor vehicles	**356**	**330**	**(66)**	**620**
IT equipment	**105**	**382**	**(120)**	**367**
	519	**1 066**	**(209)**	**1 376**
Reconciliation of property, plant and equipment – 2016				
Furniture and fixtures	73	–	(15)	58
Motor vehicles	–	379	(23)	356
IT equipment	161	6	(62)	105
	234	385	(100)	519

13. Trade and other receivables

	2017 R'000	2016 R'000
Debtors#	**69 949**	32 932
Selling entity debtors	**130 489**	94 657
Prepaid expenses	**2 390**	1 791
Municipal	**13 410**	11 301
Deposit: Property acquisition	**33 108**	31 214
Sundry Debtors	**62 220**	1 280
Accrued recoveries	**29 623**	25 733
Less: provision for bad debts (Refer note 4)	**(1 000)**	(1 000)
	340 189	197 908

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

Tenant debtor balances past due but not yet impaired are as follows:

	30 Days R'000	60 Days R'000	90 Days R'000	120 Days R'000	Total R'000
31 March 2017	**3 994**	**1 655**	**1 507**	**4 619**	**11 775**
31 March 2016	1 352	897	826	2 660	5 735

Movement in bad debts provision:

	2017 R'000	2016 R'000
Opening balance	**1 000**	1 000
Provision created	**10 977**	4 385
Bad debts written off	**(10 977)**	(4 385)
Closing balance	**1 000**	1 000

	2017 R'000	2016 R'000
14. Cash and cash equivalents		
Cash held on call account	**133 618**	71 428

Surplus cash is placed on call account at an interest rate of 6,55%

	2017	2016
15. Ordinary share capital		
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	**801 344 008**	691 423 255
Issue of shares – ordinary shares at an average of R6,02 per share	**185 028 698**	109 920 753
Total number of shares in issue at year end	**986 372 706**	801 344 008
Issued		
Ordinary share capital of no par value (R'000)	**5 156 011**	4 105 211

The unissued authorised ordinary shares of no par value in the company are under the control and authority of the directors of the company who are authorised to allot or issue any such shares at their discretion, subject at all times to the provisions of the Companies Act, the company's MOI and the Listings Requirements of the JSE, provided that

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

	2017 R'000	2016 R'000
16. Borrowings		
Total value of loans secured by investment property		
RMB	**1 927 784**	898 748
Domestic medium-term note programme	**1 226 000**	1 001 000
Investec	**350 959**	484 013
Standard Bank	**770 000**	608 500
Eerste Bank	**604 533**	–
Less: portion repayable within the next 12 months	**(992 019)**	(422 356)
Total non-current financial liabilities	**3 887 257**	2 569 905
Reconciliation of debt movements		
Opening balance	**2 992 261**	2 394 014
Debt raised	**2 414 371**	1 335 500
Debt repayment	**(527 356)**	(737 253)
	4 879 276	2 992 261

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.

16. Borrowings *(continued)*

16.1 Details of secured loans at 31 March 2017

	Tranche	Weighting	Debt amount R'000	Maturity date	Rate
RMB	D – Current	6%	307 056	December 2017	Jibar + 185 bps
	E	8%	381 036	December 2018	Jibar + 195 bps
	K – Current	1%	27 091	September 2017	Jibar + 190 bps
	L	2%	85 000	April 2019	Jibar + 215 bps
	N	2%	100 850	December 2020	Jibar + 225 bps
	M	3%	151 200	February 2021	Jibar + 225 bps
	A1 – Current	2%	100 000	June 2017	Jibar + 150 bps
	A2 – Current	1%	70 000	June 2017	Jibar + 150 bps
	B	8%	400 000	June 2019	Jibar + 200 bps
	D2 – Current	3%	150 000	August 2017	Jibar + 130 bps
	E2	3%	155 550	February 2021	Jibar + 225 bps
Investec	D – Current	1%	73 872	December 2017	Jibar + 166 bps
	E	6%	277 088	December 2018	Jibar + 175 bps
Standard Bank	A	5%	250 000	May 2018	Jibar + 170 bps
	B	4%	175 000	May 2020	Jibar + 190 bps
	F	2%	82 000	January 2020	Jibar + 188 bps
	G	1%	30 000	April 2020	Prime – 164 bps
	H1	2%	100 000	October 2018	Jibar + 172 bps
	H2	2%	100 000	October 2019	Jibar + 188 bps
	H4	1%	33 000	October 2020	Jibar + 200 bps
DMTN Programme	A – Current	5%	264 000	September 2017	Jibar + 170 bps
	B	6%	285 000	September 2019	Jibar + 230 bps
	C	9%	452 000	August 2018	Jibar + 175 bps
	D	5%	225 000	September 2021	Jibar + 230
Eerste Bank	A	12%	604 533	December 2021	2,10% fixed
Total long-term borrowings – secured		**Total/weighted average**	**4 879 276**		

Details of swaps impacting on long-term debt

	Notional amount R'000	Maturity	Base rate
RMB	1 700 000	March 2019	6,50%
RMB	300 000	June 2018	7,64%
RMB	200 000	January 2020	7,58%
Standard Bank	250 000	February 2018	7,86%
Standard Bank	250 000	February 2018	7,92%
Standard Bank	200 000	March 2020	7,64%
Standard Bank	300 000	March 2020	7,21%
	3 200 000		

16. Borrowings *(continued)*

16.2 Details of secured loans at 31 March 2016

	Tranche	Weighting	Debt amount R'000	Debt maturity date	Rate
RMB	C – Current	13,00%	119 428	December 2016	Jibar + 165 bps
	D	40,00%	358 282	December 2017	Jibar + 185 bps
	E	43,00%	381 036	December 2018	Jibar + 195 bps
	K	4,00%	40 000	September 2017	Jibar + 190 bps
Investec	C – Current	25,00%	119 428	December 2016	Jibar + 166 bps
	D	18,00%	87 500	December 2017	Jibar + 166 bps
	E	57,00%	277 087	December 2018	Jibar + 175 bps
Standard Bank	A	41,00%	250 000	May 2018	Jibar + 170 bps
	B	29,00%	175 000	May 2020	Jibar + 190 bps
	E – Current	30,00%	183 500	May 2016	Prime – 163 bps
DMTN Programme	A	26,00%	264 000	September 2017	Jibar + 170 bps
	B	28,00%	285 000	September 2017	Jibar + 230 bps
	C	46,00%	452 000	August 2018	Jibar + 175 bps
Total long-term borrowings – secured*			2 992 261		

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

Details of swap impact on long-term debt	Notional amount R'000	Maturity	Base rate
RMB	1 800 000	March 2019	6,00%
RMB	300 000	March 2017	7,14%
Standard Bank	250 000	February 2018	7,86%
Standard Bank	250 000	February 2018	7,92%
	2 600 000		

17. Trade and other payables

	2017 R'000	2016 R'000
Trade payables	**20 021**	29 358
Debtors in credit	**32 442**	14 850
VAT	**14 295**	14 188
Tenant deposits	**29 609**	20 861
Accrued expenses	**46 814**	34 952
Financial guarantee liability*	**8 438**	–
	151 619	114 209

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, on 22 November 2017 an executive buy in structure was approved by shareholders and John Paterson and Andrew Costa acquired Accelerate shares through Special purpose vehicles (SPVs). The SPVs are funded through bank debt from RMB and can acquire shares up to a maximum of R 205 million in Accelerate at market related share prices. The interest on bank debt in the SPVs will be serviced by the distributions received from APF. RMB will have cession over these shares and the director(s) will only have an unconditional right to the shares in the SPVs once the bank debt has been settled. Accelerate provides a limited guarantees to RMB for the performance of each SPVs obligations. The maximum liability Accelerate may have under the guarantees is the equivalent of (65%) to the extent that losses incurred by RMB are not settled by the sale of the shares RMB has cession over. At 31 March 2017 R 125 million of the RMB facility has been drawn down.*

	2017 R'000	2016 R'000

18. Cash generated from operations

	2017 R'000	2016 R'000
Profit before taxation	**902 308**	805 032
Adjustments for:		
Depreciation and amortisation	**1 440**	544
Net profit on disposal of investment property	**(7 038)**	–
Interest income	**(34 094)**	(14 247)
Finance cost	**299 032**	215 770
Fair value adjustments	**(469 463)**	(383 746)
Share incentive expense	**11 264**	3 098
Straight-line rental revenue adjustment	**(36 958)**	(68 059)
Other non-cash items	**(900)**	(443)
Changes in working capital:		
Trade and other receivables	**(142 281)**	(27 264)
Trade and other payables	**37 410**	25 882
	560 720	556 567

19. Capital commitments

	2017 R'000	2016 R'000
Authorised capital expenditure		
Not yet contracted for and authorised by directors	**77 500**	65 044

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

20. Related parties

Relationships

M Georgiou (100% shareholder of Fourways Precinct (Pty) Ltd through The Michael Family Trust and 100% shareholder of Accelerate Property Management company (Pty) Ltd) and A Costa are directors of both Accelerate Property Fund Ltd and Accelerate Property Management Company (Pty) Ltd, both directors' full remuneration is paid by Accelerate. Please refer to the executive directors' remuneration note, note 29 for further details.

Holding company	Accelerate Property Fund Limited

	2017 R'000	2016 R'000
20. Related parties *(continued)*		
Related-party balances		
Loan accounts		
Fourways Precinct (Pty) Ltd	11 458	–
The Michael Family Trust	55 602	50 040
Contingent purchase		
Fourways Precinct (Pty) Ltd	–	(27 276)
Vacancy guarantee		
The Michael Family Trust	–	11 563
Fourways Precinct (Pty) Ltd	15 921	–
Development guarantee		
The Michael Family Trust	–	6 887
Fourways Precinct (Pty) Ltd	39 288	–
Related party transactions		
Vacancy guarantee		
The Michael Family Trust	–	11 563
Fourways Precinct (Pty) Ltd	7 502	–
Development guarantee		
The Michael Family Trust	–	1 452
Fourways Precinct (Pty) Ltd	28 101	–
Interest charged on outstanding amounts		
Fourways Precinct (Pty) Ltd	2 001	–
The Michael Family Trust	3 472	2 711
Accelerate Property Management fees paid		
Fourways Precinct (Pty) Ltd	(4 396)	(3 647)
Accelerate Property Management Company (Pty) Ltd (APMC)	(4 857)	(2 766)
Letting commission		
Fourways Precinct (Pty) Ltd	(25 886)	–
Financial guarantees#	(8 438)	–

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

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

21. Contingent compensation to vendor

As part of the sale and purchase agreement for properties acquired by Accelerate at listing, an amount of contingent purchase consideration has been agreed with the vendor in accordance with the conditional deferred payment agreement. In accordance with this agreement, Accelerate will provide the vendor with additional purchase consideration for any lettable vacant space excluded from the purchase consideration which is let within the first three years. This payment will be settled by Accelerate through the issue of additional shares in Accelerate in future when certain conditions have been met. As at the acquisition date, the fair value of the contingent purchase consideration was estimated at R209 784 554. During the year ended 31 March 2015 a portion of the vacant lettable space has been let in compliance with the conditions laid down in the agreement. As a result of this an amount of R163 548 205 in shares was issued in terms of the contingent purchase consideration. The remaining contingent purchase consideration at 31 March 2016 was R27 275 766. The deferred payment agreement expired in December 2016, no further issuances were done since 31 March 2016.

A reconciliation of the movement of the contingent purchase consideration liability is provided below:

	2017 R'000	2016 R'000
Contingent purchase consideration		
Opening balance	27 276	46 236
Expiry of agreement/reduction due to vacancies filled	(27 276)	(18 960)
	–	27 276
The contingent purchase consideration is a mechanism used to shift the risk of vacant space from purchaser (Accelerate) to the various selling entities.		

	2017 R'000	2016 R'000

22. Net asset value

	2017 R'000	2016 R'000
Shares in issue at the end of the year	**986 372 706**	801 344 007
Net asset value (R'000)	**7 352 992**	5 771 966
Net asset value per share (R)	**7,46**	7,20

23. Finance risk management

Total financial assets and liabilities

Financial assets 31 March 2017	Carried at fair value R'000	Amortised cost R'000#	Total R'000
Derivative financial assets*	**38 134**	**–**	**38 134**
Trade and other receivables	**–**	**340 189**	**340 189**
Cash and cash equivalents	**–**	**133 618**	**133 618**
	38 134	**473 807**	**511 941**
Financial liabilities 31 March 2017			
Long-term interest-bearing borrowings	**–**	**(3 887 257)**	**(3 887 257)**
Trade and other payables	**–**	**(137 324)**	**(137 324)**
Current portion of long-term debt	**–**	**(992 019)**	**(992 019)**
	–	**(5 016 600)**	**(5 016 600)**
Financial assets 31 March 2016			
Derivative financial assets*	73 086	–	73 086
Trade and other receivables	–	197 908	197 908
Cash and cash equivalents	–	71 428	71 428
	73 086	269 336	342 422
Financial liabilities 31 March 2016			
Long-term interest-bearing borrowings	–	(2 569 905)	(2 569 905)
Trade and other payables	–	(100 021)	(100 021)
Current portion of long-term debt	–	(422 356)	(422 356)
	–	(3 092 282)	(3 092 282)

* *The values of the derivative financial asset shown at fair value are based on inputs other than quoted prices that are observable in the market for the assets and liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices) – level 2 (refer to note 24 for further details). The fair value is determined as the net discounted cash flows to be received from the swaps in place at 31 March 2017.*

\# *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.*

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 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 specialist teams that have the appropriate skills, experience and supervision.

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

23. Finance risk management *(continued)*

Other financial risk management considerations *(continued)*

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 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 as well as derivative financial instruments with floating interest rates.

To manage its interest rate risk, Accelerate enters into interest rate 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 hedge underlying debt obligations. At 31 March 2017, after taking into account the effect of interest rate swaps, 77,9% of Accelerate's borrowings are hedged.

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

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

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

2017	Increase/ (decrease) in basis points	Effect on profit before tax (R'000)
Jibar	**100**	**(10 747)**
Jibar	**(100)**	**10 747**
	–	**–**
2016		
Jibar	100	(3 923)
Jibar	(100)	3 923
	–	–

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 both its leasing activities and financing 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. For full details please refer to note 17.

Tenant receivables

Accelerate's exposure to credit risk is mainly in respect of clients and is influenced by the individual characteristics of each client. Accelerate's widespread client 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 17. Tenants are usually required to provide two months rental as a deposit. For the age analysis of tenant receivables past due but not yet impaired, refer to note 13.

23. Finance risk management *(continued)*

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.

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 as well as an unsecured domestic medium-term note (DMTN) bond issue.

77,9% of interest-bearing borrowings were hedged against interest rate fluctuations at 31 March 2017, for a weighted average period of 2,4 years.

Total borrowings 31 March 2017	R'000
Interest-bearing borrowings maturing June 2017	170 000
Interest-bearing borrowings maturing August 2017	150 000
Interest-bearing borrowings maturing September 2017	291 090
Interest-bearing borrowings maturing December 2017	380 929
Interest-bearing borrowings maturing May 2018	250 000
Interest-bearing borrowings maturing August 2018	452 000
Interest-bearing borrowings maturing October 2018	100 000
Interest-bearing borrowings maturing December 2018	658 124
Interest-bearing borrowings maturing April 2019	85 000
Interest-bearing borrowings maturing June 2019	400 000
Interest-bearing borrowings maturing September 2019	285 000
Interest-bearing borrowings maturing October 2019	100 000
Interest-bearing borrowings maturing January 2020	82 000
Interest-bearing borrowings maturing April 2020	30 000
Interest-bearing borrowings maturing May 2020	175 000
Interest-bearing borrowings maturing October 2020	33 000
Interest-bearing borrowings maturing December 2020	100 850
Interest-bearing borrowings maturing February 2021	306 750
Interest-bearing borrowings maturing September 2021	225 000
Interest-bearing borrowings maturing December 2021 (fixed)	604 533
	4 879 276
Interest rate swap 31 March 2017	
Swap maturing February 2018	500 000
Swap maturing June 2018	300 000
Swap maturing March 2019	1 700 000
Swap maturing January 2020	200 000
Swap maturing March 2020	500 000
	3 200 000
Percentage of total debt hedged	77,90%
Long-term debt 31 March 2016	
Interest-bearing borrowings maturing May 2016	183 500
Interest-bearing borrowings maturing December 2016	238 853
Interest-bearing borrowings maturing September 2017	304 000
Interest-bearing borrowings maturing December 2017	445 784
Interest-bearing borrowings maturing May 2018	250 000
Interest-bearing borrowings maturing August 2018	452 000
Interest-bearing borrowings maturing December 2018	658 124
Interest-bearing borrowings maturing September 2019	285 000
Interest-bearing borrowings maturing May 2020	175 000
	2 992 261

23. Finance risk management *(continued)*

Interest rate swap 31 March 2016	R'000
Swap maturing 31 March 2017	400 000
Swap maturing 28 February 2018	500 000
Swap maturing 31 March 2018	100 000
Swap maturing 31 March 2019	1 600 000
	2 600 000
Percentage of total debt hedged	86,90%

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 2017*					
Total borrowings	**1 040 743**	**1 665 639**	**3 022 718**	**–**	**5 729 100**
Trade and other payables (excl VAT)	**128 886**	**–**	**–**	**–**	**128 886**
Financial guarantees	**81 250**				**81 250**
	1 250 879	**1 665 639**	**3 022 718**	**–**	**5 939 236**
31 March 2016*					
Total borrowings	440 977	815 982	2 347 706	–	3 604 665
Trade and other payables (excl VAT)	100 021	–	–	–	100 021
	540 998	815 982	2 347 706	–	3 704 686

* *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 45% of the value of investment property. Total interest-bearing borrowings may not exceed 50%.*

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 a hedge, the group negotiates the terms of the derivative to match the terms of the hedged exposure. The group hedges its exposure to fluctuations on the translation into euros of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forwards. The exchange rate of the euro-denominated debt is fixed by the cross currency swap.

An increase or decrease of R1 in the exchange rate would result in an increase or decrease of R42 500 000 of the long-term loan in rand terms.

A 20% appreciation in the exchange rate would result in an appreciation of R96 047 447 in the fair value of the cross currency swap and a 20% depreciation in the exchange rate would result in a depreciation of R52 361 875 in the fair value of the cross currency swap.

24. Derivative financial assets

Economic hedges

Interest rate swaps

Accelerate holds interest rate swap contracts with notional amounts of R3 200 000 000 (2016: R2 600 000 000) 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.

24. Derivative financial assets *(continued)*

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 March 2020 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 R 17 685 301 (2016: R73 086 000).

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 2017, 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 (2016: R nil) to hedge exchange rate movements in 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 R 20 448 667 (2016: R nil).

	2017 R'000	2016 R'000
Reconciliation of the swap derivatives		
Opening balance value	**73 086**	71 153
Net changes in fair value through profit and loss	**(34 952)**	1 933
Closing balance	**38 134**	73 086

25. Capital management

The primary objective of Accelerate's capital management is to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. No changes were made in the objectives, policies or processes during the years ending 31 March 2017 and 31 March 2016. 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 41,86%. Accelerate did not default on any other of its obligations under its loan agreements.

	2017 R'000	2016 R'000
Carrying amount of interest-bearing loans and borrowings	**4 879 276**	2 992 264
Investment property at fair value (excluding straight-lining adjustment)	**11 665 098**	8 392 506
	41,83%	35,65%

26. Non-current assets held for sale

The following non-core retail properties held for sale at 31 March 2016 were sold during the 31 March 2017 financial year:

- Rietfontein Pavilion, fair value at 31 March 2016 R24 527 580
- Rock Cottage, fair value at 31 March 2016 R62 541 200
- Centurion Highveld Park and Investments, fair value at 31 March 2016 R43 657 069

No assets are held for sale at 31 March 2017.

	2017 R'000	2016 R'000
Assets and liabilities		
Non-current assets held for sale		
Investment property	**–**	130 726

NOTES TO THE CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

	2017 R'000	2016 R'000
27. Current tax payable (receivable)		
Refund due from SARS	**(9 881)**	(9 269)
The refund due from SARS of R9 881 000 is due to provisional tax paid by Wanooka Properties (Pty) Ltd of which Accelerate subsequently acquired 100% shareholding of 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		
Investment property (Fair value model)	**504 415**	381 812
Mark to market movement on swap	**(34 952)**	1 934
	469 463	383 746

29. Directors' remuneration

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

	Year ended 31 March 2017 R'000	Year ended 31 March 2016 R'000
Total guaranteed package	**–**	–
M Georgiou	**–**	–
A Costa	**3 534**	2 901
D Kyriakides	**2 206**	1 957
JRJ Paterson	**2 553**	2 100
Short-term incentive payment	**–**	–
M Georgiou	**–**	–
A Costa	**4 600**	1 698
D Kyriakides	**1 200**	1 158
JRJ Paterson	**3 000**	1 415
Non-executive directors	**–**	–
TT Mboweni	**1 131**	1 633
GC Cruywagen	**439**	536
TJ Fearnhead	**400**	379
JRP Doidge	**350**	329
K Madikizela	**350**	329
Prof F Viruly	**350**	329
	20 113	14 764

The executive directors have been awarded share options in line with Accelerate Property Fund's Conditional Share Plan which came into effect during the year ending 31 March 2015. None of the share options are yet exercisable.

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

30. Accelerate Property Fund Conditional Share Plan

Share options awarded at 31 March 2017, which only vest on the below dates once the vesting conditions have been met, are as follows:

Directors	Number of perfor-mance shares	Reserve (R) at 31 March 2017	Number of retention shares	Reserve (R) at 31 March 2017	Vesting March 2018 year end	Vesting March 2019 year end	Vesting 31 March 2020 year end
M Georgiou – Indirect	-	-	-	-	-	-	-
Performance shares	2 247 156	2 104 048	-	-	-	824 770	1 422 386
Retention shares	-	-	201 244	467 462	-	201 244	-
A Costa – Indirect	-	-	-	-	-	-	-
Performance shares	3 957 355	3 906 374	-	-	1 243 781	1 291 188	1 422 386
Retention shares	-	-	1 448 578	3 466 520	708 045	740 533	-
D Kyriakides – Direct	-	-	-	-	-	-	-
Performance shares	1 231 806	1 268 277	-	-	404 229	404 705	422 872
Retention shares	-	-	294 286	697 048	259 479	34 807	-
J Paterson – Direct	-	-	-	-	-	-	-
Performance shares	2 151 671	2 082 874	-	-	621 891	645 594	884 186
Retention shares	-	-	1 353 177	2 902 909	703 537	649 640	-
	9 587 988	9 361 573	3 297 285	7 533 939	3 940 962	4 792 481	4 151 830

In addition to the allocations to directors above, 492 068 shares have been allocated to other management personnel with a reserve at 31 March 2017 of R489 115. All these shares vest on 6 June 2019.

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

The maximum number of shares which may be allocated under the CSP shall not exceed 31 945 846 (thirty-one million, nine hundred and forty-five thousand, eight hundred and forty-six) shares, which represents approximately 5% of the number of issued shares as at the date of approval of the CSP by shareholders.

The maximum number of shares which may be allocated to an individual in respect of all unvested awards may not exceed 9 583 854 (nine million, five hundred and eighty-three thousand seven hundred and fifty-four) shares, which represents approximately 1,5% of the number of issues shares as at date of approval of the CSP by shareholders.

The share price on 31 March 2017 was R6,73.

The reserve at 31 March 2017 was calculated by applying the share prices at the date of granting the shares, pro rata over the vesting period of the shares.

	Year ended 31 March 2017 R'000	Year ended 31 March 2016 R'000
Share options exercised during the year	–	–
M Georgiou	–	–
A Costa	3 059	–
D Kyriakides	1 527	–
JRJ Paterson	4 085	–
	8 671	–

	2017 R'000	2016 R'000
31. Minimum contracted rental income		
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 five years.		
Contractual amounts due in terms of operating lease agreements:		
Within one year	**754 609**	656 521
Between one and five years	**2 013 970**	1 786 982
More than five years	**2 017 960**	579 513
Total	**4 786 539**	3 023 016

NOTES

CORPORATE INFORMATION

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(Incorporated in the Republic of South Africa)
(Registration number 2005/015057/06)
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