

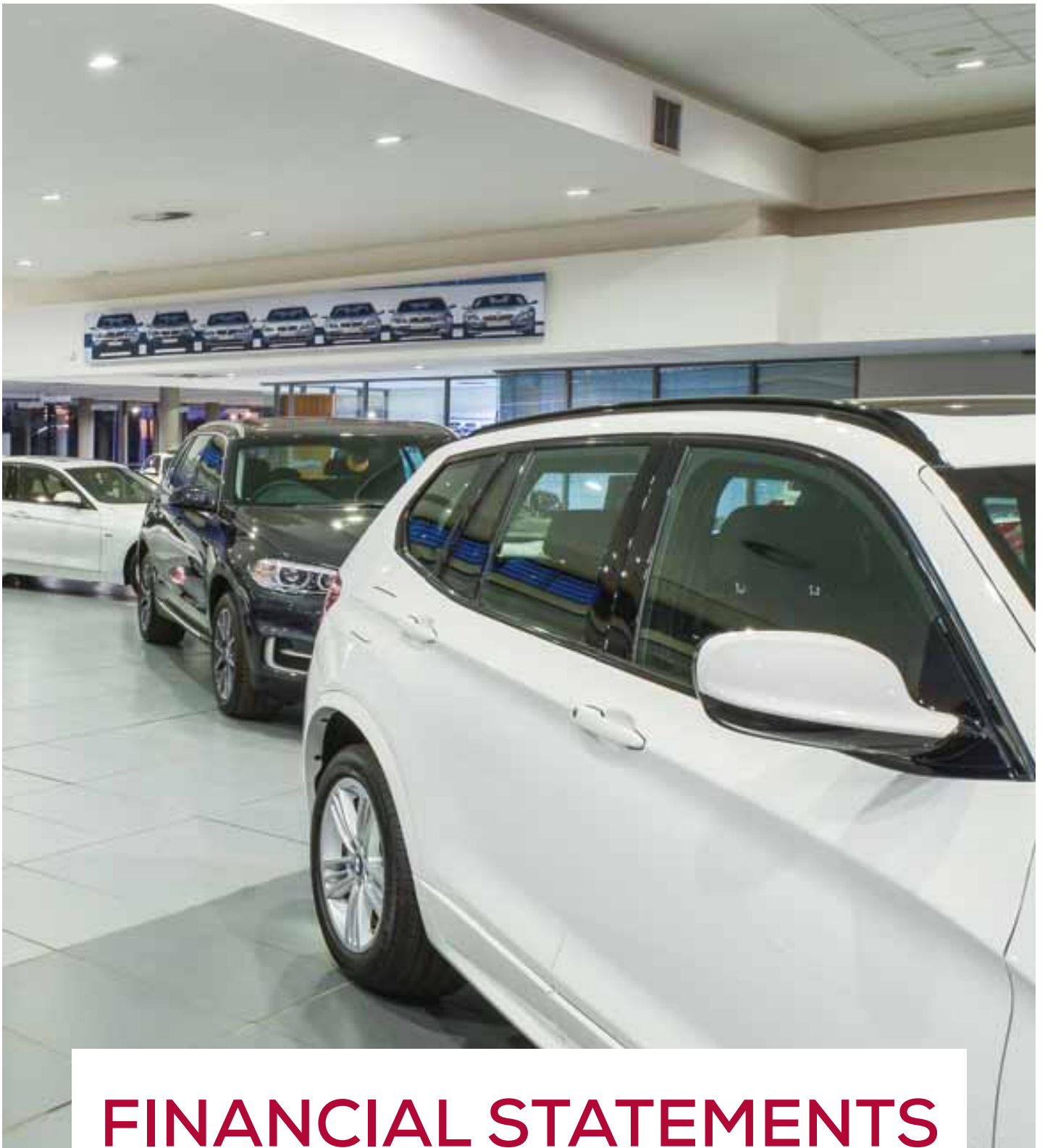
## Annual financial statements

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# FINANCIAL STATEMENTS

## RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

### **Directors' responsibility and approval of the annual financial statements**

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

The annual financial statements are prepared in accordance with IFRS and incorporate disclosure in line with the accounting policies of the fund. The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the fund and place considerable importance on maintaining a strong control environment.

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 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 fund's cash flow forecast for the period to 31 March 2015. In light of this review and the current financial position, they are satisfied that the fund has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, the annual financial statements have been prepared on a going-concern basis.

The financial statements were prepared under the supervision of D Kyriakides (CA)SA, the financial director.

The annual financial statements set out on pages 96 to 127, which have been prepared on the going-concern basis, were approved by the board of directors and were signed on their behalf by:



**TT Mboweni**  
*Chairman*  
20 June 2014



**M Georgiou**  
*Chief executive officer*  
20 June 2014

## COMPANY SECRETARY'S CERTIFICATE

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, as amended, I certify that Accelerate Property Fund Limited has lodged with the Companies and Intellectual Property Commission of South Africa all the returns required of a public company by the Companies Act, 71 of 2008, and that all such returns appear to be true, correct and up to date.



**CL Middlemiss**

*iThemba Governance and Statutory Solutions (Pty) Ltd*  
20 June 2014

# REPORT OF THE AUDIT AND RISK COMMITTEE

## **Composition of the committee**

The membership of the committee comprises three independent non-executive directors, namely

TJ Fearnhead (chairman, independent, non-executive)

GC Cruywagen (independent, non-executive)

K Madikizela (independent, non-executive)

The composition of the audit committee complies with the Companies Act, 71 of 2008, as amended, and the JSE Listings Requirements.

## **Committee activities**

In the financial year ended 31 March 2014, and in addition to the duties set out in the committee's terms of reference, a summary of which is provided in the corporate governance section of this annual report, the committee carried out its functions as follows:

- Nominated the appointment of Ernst & Young Incorporated as the external registered independent auditor after satisfying itself, through enquiry, that the said firm is independent and R de Lange, the auditor, is independent;
- Determined the fees to be paid to Ernst & Young Incorporated and its terms of engagement;
- Ensured that the appointment of Ernst & Young Incorporated complied with the Companies Act, 71 of 2008, as amended, and any other legislation relating to the appointment of auditors;
- Reviewed the external audit reports and management comments;
- Considered any other services provided by the auditors;
- Considered the effectiveness of the internal control systems;
- Reviewed the risk reports and, where relevant, made recommendations to the board; and
- Considered and was satisfied with the appropriateness of the experience and expertise of the financial director and his staff.

## **Recommendation of financial statements**

The committee recommended the financial statements for the year ended 31 March 2014 to the board for approval.

The board has subsequently approved the financial statements, which will be presented at the annual general meeting.

## **TJ Fearnhead**

*Chairman of the audit committee*

20 June 2014

# DIRECTORS' REPORT

## **To the shareholders of Accelerate Property Fund Limited**

The directors have pleasure in submitting their report together with the annual financial statements for the year ended 31 March 2014.

### **Nature of business**

On 12 December 2013, the fund listed on the Johannesburg Stock Exchange as a Real Estate Investment Trust (REIT), which status was granted by the JSE in accordance with the REIT provisions contained in the JSE Listings Requirements, as amended.

The fund is listed on the JSE under "Financial Services – Real Estate Investment Trusts", with a market capitalisation at 31 March 2014 of R3 131 million and a portfolio of 52 directly-owned properties valued at R6 147 million.

### **Capital structure**

The authorised share capital is 5 000 000 000 shares of no par value.

At the date of listing, being 12 December 2013, the fund issued 638 916 916 shares for a total cash consideration of R3 117 million, at an average price per share of R4,88.

Shareholders are entitled through the REIT structure to participate in the before tax profits of the fund, excluding capital profits and losses. The amount so distributed to its shareholders may be claimed by the fund against its taxable income, as an allowable tax deduction.

### **Special resolutions**

The fund did not pass any special resolutions in the period under review.

### **Borrowing powers**

In terms of the memorandum of incorporation, the fund has unlimited borrowing capacity. However, in practice, the fund aims to keep gearing levels below 50%.

### **Property portfolio**

On listing, the fund acquired investment properties at a cost of R5 441 million.

The fund's property portfolio was valued by the directors at R6 147 million at 31 March 2014.

Each year one-third of the property portfolio is valued on a rotational basis by independent external valuers.

All valuations performed were consistent with the directors' valuations at 31 March 2014. The directors are confident, taking all factors into account, that their valuations represent fair value.

Details of the property portfolio can be found on page 36 of these financial statements.

### **Capital commitments**

Details of capital commitments can be found on page 122 of these financial statements.

### **Net asset value and market price per share**

The net asset value per share at 31 March 2014 was 590,37 cents.

The closing market price per linked unit at 31 March 2014 was 490 cents.

## Directors' report (continued)

### Summary of results for the year

	2014 R'000	2013 R'000
Revenue, excluding straight-line rental revenue adjustment	204 845	-
Straight-line rental revenue adjustment	16 457	-
<b>Revenue</b>	<b>221 302</b>	<b>-</b>
Property expenses	(65 696)	-
<b>Net property income</b>	<b>155 606</b>	<b>-</b>
Other operating expenses	(8 354)	3
<b>Operating profit</b>	<b>147 252</b>	<b>3</b>
Fair value adjustments	455 391	-
Other income	48	-
Finance income	1 607	-
<b>Profit before long-term debt interest and taxation</b>	<b>604 297</b>	<b>3</b>
Long-term debt interest	(51 486)	-
<b>Profit before taxation</b>	<b>552 811</b>	<b>3</b>
Taxation	-	-
<b>Total comprehensive income attributable to equity holders</b>	<b>552 811</b>	<b>n/a</b>
Basic earnings per share (including bulk ceded shares) (cents)*	287,10	n/a
Diluted earnings per share (including bulk ceded shares) (cents)*	269,00	n/a
Headline earnings per share (cents)*	50,59	n/a
Diluted headline earnings per share (including bulk ceded shares) (cents)*	47,41	-
	<b>2014 R'000</b>	2013 R'000
<b>Distributable earnings</b>		
Profit after taxation attributable to equity holders	552 811	-
Less: straight-line rental revenue adjustment	(16 457)	-
Less: fair value adjustments on investment property	(455 391)	-
<b>Distributable earnings</b>	<b>80 963</b>	<b>-</b>
Diluted shares	651 872 371	weighted 205 505 758
Number of shares in issue	638 916 916	192 550 303
Ceded shares on bulk	51 070 184	
Net shares for distribution	587 846 732	

\* Note: The above basic, diluted, headline and diluted headline earnings per share include the 51 070 184 shares on which the distribution was ceded to the Fund, until such time that the bulk is developed. As these shares do not qualify for distribution, they have been excluded from the distribution per share. The shares issued on listing have been weighted over the full financial year, in order to arrive at an average total number of shares in issue of 192 550 303 (177 164 782 shares in issue eligible for distribution).

## Highlights for the year

### Financial results

Accelerate reported a profit after taxation attributable to equityholders of R552,81 million, which is considerably higher than the forecast profit after taxation attributable to equityholders of R123 million for the four-month period ended 31 March 2014, as disclosed in the pre-listing statement dated Wednesday, 27 November 2013. This variation is as a result of a fair value adjustment relating to property valuations of R424,9 million and a mark-to-market movement of R30,4 million on financial instruments.

The results for the year allow the directors to propose a distribution per share for the 110-day period ended 31 March 2014, being 13,77289 cents, is 0,36% higher than the pro rata forecast distribution per share over the same period per the pre-listing statement, being 13,71817 cents

### Net property income

The fund was listed on 12 December 2013 instead of 1 December 2013 as per the pre-listing statement, and this resulted in a trading and reporting period of 110 days instead of 121 days. After adjusting for the above reduced trading period, net earnings of the fund were above forecast earnings.

The ratio of non-recoverable property expenses to net property revenue, excluding recoveries and non-cash items such as straight-line and fair value adjustments, came in at 13,4%. Other operating expenses came in at 5,2% of revenue, resulting in a cost to income ratio of 18,6%.

### Fair value adjustments

Revaluation of the property portfolio at 31 March 2014 resulted in an upward revision to the properties of R425 million, resulting in the properties' fair value being R6 147 million.

Revaluation of financial instruments at 31 March 2014 resulted in an upward movement of R30,4 million and fair value of R131,7 million.

### Finance costs

Finance costs are not expected to rise as a result of the interest rate swaps which the fund has secured. In terms of these swaps, a net blended interest rate of 7,1% on approximately 90% of the funds' interest-bearing borrowings is payable. These swaps mature between July 2017 and October 2017.

### Annual financial statements

#### Tenants' arrears

At 31 March 2014, tenants' arrears amounted to R20 million, with a provision of R1 million having been raised for potential bad debts. There were no bad debts expenses written off for the year.

#### Selling entity debtors

At 31 March 2014, selling entity debtors in respect of adjustment account balances relating to the purchase of the fund's properties amounted to R50 million. This amount is expected to be recovered in full.

#### Vacancy levels

The company's vacancy levels, as a percentage of gross lettable area (GLA) as at 31 March 2014, were:

Office 18%	Industrial 0%	Retail 9%	Specialised 0%	Total 10%
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#### Acquisitions, disposals and commitments

During the year, the fund purchased a retail property at Warmbaths for a purchase consideration of R71 million. The fund also entered into negotiations for the sale of a retail property in Pretoria, called The Willows Shopping Centre for an amount of R77 million. The two transactions above are not expected to have any sizeable impact on the fund's cash flow as the net inflow of funds will be R6 million.

No other property acquisitions or disposals were concluded by the fund.

As at 31 March 2014, the company has no capital commitments in respect of approved redevelopment expenditure, but is finalising the process of allocating the R65 million it raised at listing for such purpose to various of its properties earmarked for refurbishment.

#### Borrowings

As at 31 March 2014 the loan-to-value ratio (LTV) of the company, which is measured by dividing the nominal value of interest-bearing borrowings by the fair value of property assets, amounted to 38,86%.

The fund does not currently have any other bank facilities in place, and is not expected to require any in the short term.

#### Stated capital

The authorised stated capital of the company is 5 000 million shares of no par value. On listing, the fund issued 638 916 916 shares at an average price of 488 cents per share.

#### Net asset value

The net asset value per share at 31 March 2014 is 590 cents. The growth in the value has arisen mainly from the growth in the value of the property assets in its portfolio.



## Directors' report (continued)

### Real Estate Investment Trust (REIT)

The fund is registered as a REIT, effective on listing. As a result of this, the fund is not liable for capital gains tax, so any growth generated from the sale of its properties is available for reinvesting in the fund's property assets. Another advantage is that it does not pay tax on income distributed to its shareholders.

### Directors

Details of the directors can be found on pages 68 to 75.

### Directors' remuneration

Fees paid for services rendered as directors for the period from 1 December 2013 to 31 March 2014

TT Mboweni	R506 667
GC Cruywagen	R166 667
TJ Fearnhead	R116 667
JRP Doidge	R100 000
K Madikizela	R100 000

### Basic salary

M Georgiou	Nil
A Costa	R500 000
D Kyriakides	R450 000
JRJ Paterson	R425 000

### Remuneration policy

The above fees are determined by the board on recommendation from the remuneration and nomination committee.

### Details of service contracts with executive directors

The service contracts with the directors are for indefinite periods and encompass a reciprocal 60-day notice period.

### Directors' interests in shares

As at 31 March 2014, the directors' interests in shares were held directly and indirectly:

Michael Georgiou owns 253 517 647 shares in Accelerate through Fourways Precinct (Pty) Ltd and Michael Family Trust.

### The Accelerate Property Fund Limited Share Incentive Scheme Trust

The scheme was introduced to promote stable and settled terms and conditions of employment for employees of the group companies (including executive directors and an alternate to an executive director, but excluding non-executive directors) and to operate as an incentive to employees to remain with the group of companies and render services to their respective employers over the long term.

The granting of awards, in shares or options, is based on the performance of the company and the participant, the participant's position and level of seniority in the company and the length of employment with the company.

In terms of the scheme, 500 000 000 of the issued share capital of the company may be awarded to participants. No individual participant shall be entitled to hold or receive more than 15 000 000 of the scheme shares of the company. No awards were granted during the year ended 31 March 2014.

### Annual financial statements

#### Changes in directors' interests in shares after year-end

There were no changes in directors' interests in shares between year-end and 18 June 2014.

### Details of secretary

iThemba Governance and Statutory Solutions Proprietary Limited

Monument Office Park

Block 5, Suite 102,

79 Steenbok Avenue,

Monument Park

7925

PO Box 25160

Monument Park,

0105

Pretoria

South Africa

[www.ithembaonline.co.za](http://www.ithembaonline.co.za)

### Management and administration

The fund manages its own properties; however, the fund's properties are administered by outside parties, which are controlled by one of the fund's executive directors, M Georgiou.

### Directors' interests in contracts

Apart from the management agreements noted above, the directors of the company have no material interests in contracts.



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Doxes 123 Randburg  
ey.com  
Co. Reg. No. 2005/002308/21

## INDEPENDENT AUDITOR'S REPORT

### **Independent auditor's report to the members of Accelerate Property Fund Limited**

We have audited the financial statements of Accelerate Property Fund Limited, which comprise the statement of financial position as at 31 March 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Directors' responsibility for the financial statements**

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

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Accelerate Property Fund Limited at 31 March 2014, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

*Ernst & Young Inc.*

### **Ernst & Young Inc.**

*Director – Rosanne de Lange*  
*Registered Auditor*  
*Chartered Accountant (SA)*  
20 June 2014  
102 Rivonia Road  
Sandton  
Johannesburg  
2196

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	Notes	2014 R'000	2013 R'000
Revenue, excluding straight-line rental revenue adjustment	8	204 845	-
Straight-line rental revenue adjustment	8	16 457	-
<b>Revenue</b>		<b>221 302</b>	<b>-</b>
Property expenses	9	(65 696)	-
<b>Net property income</b>		<b>155 606</b>	<b>-</b>
Other operating expenses	10	(8 354)	(3)
<b>Operating profit</b>		<b>147 252</b>	<b>(3)</b>
Fair value adjustments	16	455 391	-
Other income		48	-
Finance income	12	1 607	-
<b>Profit before long-term debt interest and taxation</b>		<b>604 297</b>	<b>(3)</b>
Long-term debt interest	11	(51 486)	-
<b>Profit before taxation</b>		<b>552 811</b>	<b>(3)</b>
Taxation	13	-	-
<b>Total comprehensive income attributable to equity holders</b>		<b>552 811</b>	<b>n/a</b>
Basic earnings per share (including bulk ceded shares) (cents)*	15	287,10	n/a
Diluted earnings per share (including bulk ceded shares) (cents)*	15	269,00	n/a
Headline earnings per share (including bulk ceded shares) (cents)*	15	50,59	n/a
Diluted headline earnings per share (including bulk ceded shares) (cents)*	15	47,41	n/a

\* Note: The above basic, diluted, headline and diluted headline earnings per share include the 51 070 184 shares on which the distribution was ceded to the Fund, until such time that the bulk is developed. As these shares do not qualify for distribution, they have been excluded from the distribution per share. The shares issued on listing have been weighted over the full financial year, in order to arrive at an average total number of shares in issue of 192 550 303 (177 164 782 shares in issue eligible for distribution).

	Notes	2014 R'000	2013 R'000
<b>Distributable earnings</b>			
Profit after taxation attributable to equity holders		552 811	-
Less: straight-line rental revenue adjustment	8	(16 457)	-
Less: fair value adjustments on investment property	16	(455 391)	-
<b>Distributable earnings</b>		<b>80 963</b>	<b>-</b>

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Notes	2014 R'000	2013 R'000
<b>Assets</b>			
<b>Non-current assets</b>		<b>6 228 589</b>	-
Investment property	16.1	6 096 791	-
Straight-line rental revenue adjustment		16 151	-
Fair value of investment property assets		6 080 640	-
Derivative financial instruments	30	131 709	-
Equipment		89	-
<b>Current assets</b>		<b>176 694</b>	-
Trade and other receivables	18	119 051	-
Cash and cash equivalents	19	57 643	-
<b>Investment property held for sale</b>	16.2	<b>66 866</b>	-
Straight-line rental revenue adjustment		306	-
Fair value of investment property assets		66 560	-
<b>Total assets</b>		<b>6 472 149</b>	-
<b>Equity and liabilities</b>			
<b>Shareholders' interest</b>		<b>3 771 962</b>	(12)
Stated capital	20	3 117 914	-
Retained earnings		654 048	(12)
<b>Total equity</b>		<b>3 771 962</b>	(12)
<b>Non-current liabilities</b>		<b>2 240 060</b>	-
Long-term borrowings	21	2 030 276	-
Contingent compensation to vendor	7	209 784	-
<b>Current liabilities</b>		<b>460 127</b>	12
Trade and other payables	22	89 541	12
Current portion of long-term debt	21	358 284	-
Taxation payable (VAT)		12 302	-
<b>Total equity and liabilities</b>		<b>6 472 149</b>	-
Shares in issue	20	638 916 916	n/a
Net asset value per share (cents)	28	590,37	n/a

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2014

	Stated capital R'000	Retained earnings R'000	Cash flow hedge reserve R'000	Total equity R'000
<b>Balance at 1 March 2012</b>	-	(9)	-	(9)
Issue of ordinary shares	-	-	-	-
Profit/(loss) for the year	-	(3)	-	(3)
Other comprehensive income	-	-	-	-
<b>Balance at 31 March 2013</b>	-	(12)	-	(12)
Issue of ordinary shares	3 117 914	-	-	3 117 914
Retained earnings on listing	-	101 249	-	101 249
<b>Total comprehensive income attributable to equity holders</b>	-	552 811	-	552 811
Profit/(loss) for the year	-	552 811	-	552 811
<b>Balance at 31 March 2014</b>	3 117 914	654 048	-	3 771 962

# STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

	Note	2014 R'000	2013 R'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	24	113 628	(3)
Finance income received	12	1 607	-
Finance costs paid	11	(51 486)	-
<b>Net cash inflow from operating activities</b>		<b>63 749</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Investment in investment property	16	(5 512 474)	-
Listing acquisition		(5 441 474)	-
Post-listing acquisitions		(71 000)	-
Equipment		(94)	-
<b>Net cash outflow from investing activities</b>		<b>(5 512 568)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Long-term debt financing	21	2 388 560	-
Repayment of shareholder loans		-	3
Proceeds from issue of shares	20	3 117 914	-
Adjustment: opening retained earnings		(12)	-
<b>Net cash inflow from financing activities</b>		<b>5 506 462</b>	<b>3</b>
Net increase/(decrease) in cash and cash equivalents		57 643	-
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of the year</b>	19	<b>57 643</b>	<b>-</b>

## SEGMENTAL ANALYSIS

For investment property, financial information is provided on a property-by-property basis to members of executive management, which collectively comprises the chief operating decision-maker. The information provided is net of rentals (including gross rent and property expenses), valuations gains/losses and profit/loss on disposal of investment property. 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 specialised segments.

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 and shopping centres; and
- Specialised segment: acquires, develops and leases specialised buildings not within the previous segments.

There are no sales between segments.

For the year ended 31 March 2014	Office R'000	Industrial R'000	Retail R'000	Specialised R'000	Total R'000
<b>Statement of comprehensive income 2014</b>					
Revenue, excluding straight-line rental revenue adjustment	32 070	4 524	162 400	5 852	204 845
Straight-line rental adjustment	2 136	293	12 859	1 168	16 457
Property expenses	(9 882)	(471)	(53 128)	(2 215)	(65 696)
<b>Segment operating profit</b>	<b>24 324</b>	<b>4 346</b>	<b>122 131</b>	<b>4 805</b>	<b>155 606</b>
Fair value adjustments on investment property	10 478	2 230	399 254	12 980	424 941
<b>Segment profit</b>	<b>34 802</b>	<b>6 576</b>	<b>521 385</b>	<b>17 785</b>	<b>580 547</b>
Other operating expenses					(8 354)
Other income					48
Fair value gain on financial instrument					30 449
Finance income					1 607
Long-term debt interest					(51 486)
<b>Profit before tax</b>					<b>552 811</b>
<b>Statement of financial position extracts at 31 March 2014</b>					
<b>Assets</b>					
Investment property balance 1 April 2013	-	-	-	-	-
Acquisitions through listing	677 663	109 488	4 399 852	254 470	5 441 474
Conditional purchase price	108 013	-	101 771	-	209 784
Acquisitions*	-	-	71 000	-	71 000
Disposals/classified as held for sale	-	-	(66 560)	-	(66 560)
Investment property held for sale	-	-	66 560	-	66 560
Straight-line rental revenue adjustment	2 136	293	12 859	1 168	16 457
Fair value adjustments	10 478	2 230	399 254	12 980	424 941
<b>Segment assets at 31 March 2014</b>	<b>798 290</b>	<b>112 012</b>	<b>4 572 624</b>	<b>254 470</b>	<b>6 163 657</b>
<b>Other assets not managed on a segmental basis</b>					
Derivative financial instruments					131 709
Equipment					89
Current assets					176 695
<b>Total assets</b>					<b>6 472 149</b>

\* Note: Bela Bela was acquired in February 2014 for R71 million.

For the year ended 31 March 2014	Gauteng R'000	Western Cape R'000	KwaZulu- Natal R'000	Limpopo R'000	Total R'000
<b>Statement of comprehensive income 2014</b>					
Revenue, excluding straight-line rental revenue adjustment	177 817	22 507	3 221	1 299	204 845
Straight-line rental adjustment	14 321	1 682	134	320	16 457
Property expenses	(58 238)	(3 750)	(2 931)	(777)	(65 696)
<b>Segment operating profit</b>	<b>133 899</b>	<b>20 440</b>	<b>424</b>	<b>842</b>	<b>155 606</b>
Fair value adjustments on investment property	406 346	15 229	2 866	500	424 941
<b>Segment profit</b>	<b>540 245</b>	<b>35 669</b>	<b>3 290</b>	<b>1 342</b>	<b>580 547</b>
Other operating expenses					(8 354)
Other income					48
Fair value gain on financial instrument					30 449
Finance income					1 607
Long-term debt interest					(51 486)
<b>Profit before tax</b>					<b>552 811</b>
<b>Statement of financial position extracts at 31 March 2014</b>					
Investment property balance 1 April 2013					
Acquisitions through listing	4 819 556	574 660	47 258	-	5 441 474
Conditional purchase price	188 170	18 285	3 328	-	209 784
Acquisitions**	71 000	-	-	-	71 000
Disposals/classified as held for sale	(66 560)	-	-	-	(66 560)
Investment property held for sale	66 560	-	-	-	66 560
Straight-line rental revenue adjustment	14 321	1 682	134	320	16 457
Fair value adjustments	406 346	15 229	2 866	500	424 941
<b>Investment property at 31 March 2014</b>	<b>5 499 393</b>	<b>609 856</b>	<b>53 587</b>	<b>820</b>	<b>6 163 657</b>
<b>Other assets not managed on a segmental basis</b>					
Derivative financial instruments					131 709
Equipment					89
Current assets					176 695
<b>Total assets</b>					<b>6 472 149</b>

\* Note: Comparative segmental information is not provided given that the entity was dormant in the previous reporting period with no reportable profit or assets per segment.

\*\* Note: Bela Bela was acquired in February 2014 for R71 million.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

## 1. Corporate information

The consolidated financial statements of Accelerate Property Fund Limited (hereafter referred to as Accelerate) for the year ended 31 March 2014 were authorised for issue in accordance with a resolution of the directors on 18 June 2014. Accelerate is a public company incorporated and domiciled in South Africa and whose shares are publicly traded on the Johannesburg Stock Exchange. The registered office is located at Cedar Square Shopping Centre, corner Cedar Road and Willow Avenue. The principal activities of Accelerate are described within the segmental analysis. The functional and presentation currency of Accelerate is South African rand thousands (R'000).

Accelerate acquired 51 properties on 12 December 2014 and commenced trading on the same date. As such, Accelerate's trading period for the year ended 31 March 2014 was three months and 20 days.

## 2. Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and in the manner required by the JSE Listings Requirements and the South African Companies Act, 71 of 2008, as amended. The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment property and certain financial instruments at fair value through profit or loss or subject to hedge accounting, and incorporate the principal accounting policies set out below.

## 3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRSs that became effective during the 31 March 2014 reporting period. The nature and the impact of each new standard and amendment are described below. Other amendments to certain standards apply for the first time in 2014. However, they do not impact the annual financial statements of Accelerate.

### IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. Accelerate has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. The resulting calculations under IFRS 13 affected the principles that Accelerate uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of Accelerate. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. IFRS 13 disclosures are provided in multiple notes. The disclosure requirements of IFRS 13 apply prospectively and need not be provided for comparative periods before initial application. Consequently, comparatives of these disclosures have not been provided.

### Amendments to revise the way other comprehensive income is presented:

This amendment clarified the presentation of items of other comprehensive income (OCI) in the statement of comprehensive income. The main change resulting from these amendments was a requirement for entities to group items presented in OCI on the basis of whether or not they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments did not address which items are presented in OCI. This amendment had a disclosure impact but no financial impact on the company's results.

## 4. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### Judgements other than 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:

### Business combinations (note 7)

Accelerate acquires entities that own real estate or property portfolios that constitute a business per IFRS 3 Business Combinations. At the time of acquisition, Accelerate considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. Accelerate accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by any subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). For example, Accelerate assessed the acquisition of property portfolio on listing in the current period (note 7) as a purchase of a business, because of the strategic management function and associated processes purchased along with the investment properties.

When the acquisition does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

**Operating lease contracts – Accelerate as lessor (note 26)**

Accelerate has entered into commercial property leases on its investment property portfolio. Accelerate has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

**Taxes (note 23)**

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Accelerate establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

**Valuation of property (note 17)**

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 17.

**5. 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 4. 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.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date, fair value and the amount of any non-controlling interests in the acquiree. For each business combination, Accelerate elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When Accelerate acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent purchase consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent purchase consideration classified as an asset or liability that is a financial instrument, and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value, recognised either in profit or loss or as a change to OCI. If the contingent purchase consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent purchase consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, Accelerate reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

## Notes to the financial statements (continued)

### for the year ended 31 March 2014

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Accelerate's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalised is calculated using Accelerate's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

#### **Investment property**

Investment property is measured initially at cost including transaction costs. 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. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred, if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise, including the corresponding tax effect. For the purposes of these financial statements, in order to avoid double accounting, the assessed carrying value is:

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 the income statement in the year of retirement or disposal.

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.

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

#### **Non-current assets held for sale**

Investment property is transferred to non-current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property and its sale must be highly probable.

For the sale to be highly probable:

- the board must be committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated;
- the property must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. On re-classification, investment property that is measured at fair value continues to be so measured.

#### **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.

#### **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 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.

#### **Leases**

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 lessee – finance leases**

Finance leases, which transfer to Accelerate substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with Accelerate's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

#### **Accelerate as lessor – operating leases**

Other leases are classified as operating leases where substantially all the risks and rewards associated with ownership of the asset are not transferred from the lessor to the lessee. Operating lease income is recognised as income in the income statement 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.

#### **Revenue recognition**

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.

#### **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 income statement 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 income statement when the right to receive them arises.

## Notes to the financial statements (continued)

### for the year ended 31 March 2014

#### 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.

#### Service charges, management charges and other expenses recoverable from tenants

Income arising from expenses recharged to 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.

#### 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 income statement.

#### Investment income

Interest from listed property investments is recognised using the EIR method. Dividends from listed property investments are recognised on the date that Accelerate's right to receive payment is established. Interest earned on cash invested with financial institutions is recognised on an accrual basis using the EIR method.

#### Taxes

Accelerate converted to a Real Estate Investment Trust (REIT) on listing. As a result, section 25BB of the Income Tax Act will apply to qualifying REIT income and expenses. The new legislation provides that capital gains on sale of investment properties are zero-rated 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 recoups 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 and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

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

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

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

#### Current income tax

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

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

### **Deferred tax**

Deferred tax is recognised for temporary differences between the carrying amounts of non-REIT assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, goodwill that arises on initial recognition in a business combination and on REIT assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised only to the extent that it is probably that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **Derivative financial instruments and hedge accounting – 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.

At the inception of a hedge relationship, Accelerate formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

### **Cash flow hedges**

For the purpose of cash flow hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement. Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs. When a derivative is held as an economic hedge for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument is classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if: 1) a reliable allocation can be made; and 2) it is applied to all designated and effective hedging instruments.

### **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.

## Notes to the financial statements (continued)

### for the year ended 31 March 2014

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.

#### **Fair value measurements**

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

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

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

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

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

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

Accelerate uses valuation techniques that are appropriate in the circumstances and for which sufficient data are 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:

- 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 traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by Accelerate is the current bid price.

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 forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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 less impairment provision 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.

### **Financial instruments**

#### **Classification**

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

- Loans and receivables
- Financial liabilities at fair value through profit or loss
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is reassessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

#### **Initial recognition and measurement**

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

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

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

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

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

#### **Subsequent measurement**

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

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.



## Notes to the financial statements (continued)

for the year ended 31 March 2014

### **Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Accelerate 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, Accelerate assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to Accelerate, 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.

### **Loans to/from related parties**

These include loans to and from companies with common shareholders and are recognised initially at fair value plus direct transaction costs.

Loans to related parties are classified as loans and receivables.

Loans from related parties are classified as financial liabilities measured at amortised cost.

### **Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

### **Impairments of 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.

### **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### **Share capital**

Ordinary shares are classified as equity.

### **Employee benefits**

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

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

The expected cost of profitsharing 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.

## 6. Standards issued but not yet effective

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

### **IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9, as issued in 2010, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013. In November 2013, chapter 6 of IFRS 9 on hedge accounting was published. At the same time, chapter 7, containing the effective date and transition provisions, was amended to remove the mandatory effective date of IFRS 9. This was intended to provide sufficient time for preparers to make the transition to the new requirements. Entities may still choose to apply IFRS 9 immediately, but are not required to do so. In subsequent phases, the IASB is addressing impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of Accelerate's financial assets, but will not have an impact on classification and measurements of financial liabilities. Accelerate will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

### **Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)**

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are effective for annual periods beginning on or after 1 January 2014. It is not expected that this amendment would be relevant to Accelerate, since none of the entities in Accelerate would qualify to be an investment entity under IFRS 10.

### **IAS 32 Financial Instruments: Presentation (amendments relating to the offsetting of assets and liabilities)**

The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 Financial Instruments: Presentation offsetting criteria to settlement systems. This amendment becomes effective for year-ends beginning on or after 1 January 2014 which is the company's March 2015 year-end.

### **IAS 39 Financial Instruments: Recognition and Measurement (amendments for novations of derivatives)**

The IASB amended IAS 39 Financial Instruments: Recognition and Measurement to provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. Novation indicates that parties to a contract agree to replace their original counterparty with a new one. This amendment becomes effective for year-ends beginning on or after 1 January 2014 which is the company's March 2015 year-end.

### **IFRS 2 (definitions relating to vesting conditions)**

Performance condition and service condition are defined in order to clarify various issues, including the following:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same company
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. This amendment is effective from 1 July 2014 which is the company's 2015 year-end. The new definitions will be assessed by the company in order to determine the impact on the results of the company.

### **IFRS 3 (contingent consideration)**

Contingent consideration that is not classified as equity is subsequently measured at fair value through profit and loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment becomes effective on 1 July 2014, the company's March 2015 year-end. This amendment may impact future business combinations of the company.

### **IFRS 8**

#### **Aggregation of operating segments**

Operating segments may be combined/aggregated if they are consistent with the core principle of the standard, if the segments have similar economic characteristics and if they are similar in other qualitative aspects. If they are combined the entity must disclose the economic characteristics used to assess the segments as 'similar'.

The amendment becomes effective on 1 July 2014, the company's 2015 year-end.

The impact of this amendment is still being considered by the company.

#### **Reconciliation of the total of the reportable segment assets to the entity's total assets**

This disclosure is only required if the reconciliation is reported to the chief operating decision-maker, similar to the disclosure for segment liabilities.

## Notes to the financial statements (continued)

for the year ended 31 March 2014

### 7. Business combinations

#### Acquisitions in 2014

On 12 December 2013, Accelerate acquired a property portfolio consisting of 51 properties during the listing on the JSE. These properties were obtained from Fourways Precinct (Pty) Ltd, George Nicholas Trust and Orthotouch (Pty) Ltd. The portfolio consists of retail, office, industrial and specialised buildings let under operating leases and the acquisition was made to give Accelerate access to those assets. The existing strategic management function and associated processes were acquired with the property and, as such, the directors consider this transaction to constitute the acquisition of a business, rather than that of an asset. The fair value of the identifiable assets and liabilities as at the date of acquisition was:

	Fair value recognised at acquisition R'000
Investment property	5 651 258
Derivative financial instruments	101 249
<b>Total identifiable net assets at fair value</b>	<b>5 752 507</b>
Gain on bargain purchase from derivative financial instrument obtained for no consideration	(101 249)
<b>Purchase consideration transferred</b>	<b>5 651 258</b>

The purchase consideration was settled in cash for R5 441 474 071 on the acquisition date and R209 784 554 in contingent purchase consideration. The incidental costs incurred in connection with the acquisition were carried by the Fourways Precinct in accordance with the sales agreement.

#### Contingent purchase consideration

As part of the sale and purchase agreement, an amount of contingent purchase consideration has been agreed with the seller in accordance with the conditional deferred payment agreement. In accordance with this agreement, Accelerate will provide the seller 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. There were no measurement period adjustments and the contingent purchase consideration remains unpaid as at 31 March 2014 and the fair value continues to be R209 784 554. This is a level 3 measurement in the fair value measurement hierarchy as at 31 March 2014. The fair value was determined using a discounted cash-flow analysis using the significant unobservable valuation inputs, as provided below:

Inputs	Range
Estimated rental value (ERV) per square metre	R42,00 – R123,50
Vacancy assumptions	5% – 10%
Equivalent yield	8,5% – 21,8%

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/or
- An opposite change in the long-term vacancy rate.

As at 31 March 2014, the key performance indicators show that it is moderately probable that some of the targets will be achieved and that a portion of the contingent purchase consideration would be payable.

A reconciliation of fair value measurement of the contingent purchase consideration liability is provided below:

	Contingent consideration R'000
Opening balance as at 1 April 2013	–
Liability arising on business combination	209 784
Unrealised fair value changes recognised in profit or loss	–
<b>Closing balance as at 31 March 2014</b>	<b>209 784</b>

The contingent purchase consideration is a mechanism used to shift the risk of vacant space from purchaser (Accelerate) to the various selling entities. The manner in which additional shares are issued to Fourways Precinct is unlikely to have a dilutive effect on yield.

	2014 R'000	2013 R'000
<b>8. Revenue</b>		
Contracted rental	157 120	-
Rental guarantee	2 383	-
Casual parking	1 134	-
Other income	40	-
<b>Revenue before recoveries</b>	<b>160 677</b>	-
Recoveries (including rates, municipal costs, operating costs)	44 168	-
<b>Revenue, excluding straight-line rental revenue adjustment</b>	<b>204 845</b>	-
Straight-line rental revenue adjustment	16 457	-
<b>Total revenue</b>	<b>221 302</b>	-
<b>9. Property expenses</b>		
Cleaning	2 722	-
Insurance	1 500	-
Security	6 453	-
Repairs and maintenance	2 759	-
Electricity	26 007	-
Rates and taxes	17 916	-
Sewerage	1 409	-
Water	3 844	-
Other municipal expenses	625	-
Other property costs*	2 460	-
<b>Total property expenses</b>	<b>65 696</b>	-
Property expenses from investment property that generated rental income	65 570	
Property expenses from investment property that did not generate rental income	126	
Less: recovered expenses	(44 167)	-
<b>Net property expense</b>	<b>21 529</b>	-
<i>* Note: Other property costs relate to miscellaneous property costs, such as consumables.</i>		
<b>10. Other operating expenses</b>		
Management fee	2 128	-
Salaries	4 244	-
Fund management	756	3
Audit fees	230	3
Licences	2	-
Bank charges	50	-
Telephone and postage	23	-
Stationery and printing	13	-
Subscriptions	125	-
Professional fees	313	-
Bad debts	1 002	-
Tenant installation	224	-
<b>Total fund expenses</b>	<b>8 354</b>	3
<b>11. Finance costs</b>		
Interest on long-term debt	50 921	-
Net payment on interest swap	565	-
<b>Total finance costs</b>	<b>51 486</b>	-

## Notes to the financial statements (continued)

for the year ended 31 March 2014

	2014 R'000	2013 R'000
<b>12. Finance income</b>		
Interest received from banks	92	-
Interest due on late payments from tenants	47	-
Interest due on late payments from vendors	1 468	-
<b>Total finance income</b>	<b>1 607</b>	<b>-</b>
<b>13. Taxation</b>		
The major components of income tax expense for the year ended 31 March 2014 are:		
<b>Income tax expense reported in the income statement</b>		
South African normal tax		
Normal tax	-	-
Capital gains tax	-	-
Deferred taxation charge	-	-
<b>Income tax expense reported in other comprehensive income</b>		
Net gains/(losses) on revaluation of cash flow hedges	-	-
A reconciliation between tax expense and the product of accounting profit multiplied by Accelerate's tax rate for the year ended 31 March is as follows:		
Standard rate of South African normal taxation (%)	28,0	28,0
Non-deductible expenses (%)	-	-
Prior year over/(under) provision (%)	-	-
Other permanent differences (%)	(28,0)	(28,0)
<b>Effective tax rate</b>	<b>-</b>	<b>-</b>
<b>14. Distribution per share</b>		
<b>Final distribution for the year ended 31 March 2014 (of which the trading period consists of three months and 20 days)</b>		
<b>Profit after taxation attributable to equity holders</b>	<b>552 811</b>	<b>-</b>
Less: straight-line rental revenue adjustment	(16 457)	-
Less: fair value adjustment on investment property	(455 391)	-
<b>Distributable earnings</b>	<b>80 963</b>	<b>-</b>
<b>Reconciliation of shares qualifying for distribution</b>		
Shares in issue at 31 March 2014	638 916 916	-
Shares ceded on purchase of bulk*	51 070 184	-
Shares qualifying for distribution	587 846 732	-
<b>Distribution per share (cents)</b>	<b>13,77</b>	<b>-</b>
* The vendors will cede the distribution relating to 51 070 184 shares held by themselves to Accelerate over vacant land acquired per the Bulk Agreement. This is due to Accelerate acquiring the bulk development rights over various buildings in the greater Fourways area.		

	2014 R'000	2013 R'000
<b>15. Earnings per share</b>		
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.		
Reconciliation of basic/diluted earnings to headline earnings		
Total comprehensive income attributable to equity holders	552 811	-
Fair value adjustment excluding straight-lining	455 391	-
Applicable taxation	-	-
<b>Headline profit attributable to shareholders</b>	<b>97 421</b>	
Basic earnings per share (cents)	287,10	-
Diluted earnings per share (cents)	269,00	-
Headline earnings per share (cents)	50,59	-
Diluted headline earnings per share (cents)	47,41	-
Shares in issue at the end of the year	638 916 916	1 000
Weighted average number of shares in issue	192 550 303	1 000
Shares subject to the deferred acquisition costs	42 988 555	-
Weighted average number of deferred shares	12 955 455	-
Total diluted weighted average number of shares in issue	205 505 758	1 000

*Note: Weighted average number of shares in issue has been time weighted from the commencement of trading, on 12 December 2013.*

	Level 3*	
Investment properties	5 655 861	-
Investment properties held for sale (refer note 16.2)	66 395	-
<b>Investment properties prior to adjustments</b>	<b>5 722 259</b>	
Fair value gain/(loss) on investment properties (unrealised)	424 779	-
Fair value gain/(loss) on investment properties (unrealised) held for sale	162	-
<b>Fair value on investment properties</b>	<b>6 147 200</b>	
Straight-line rental revenue adjustment	16 457	-
<b>Carrying value</b>	<b>6 163 657</b>	-

\* Classified in accordance with the fair value hierarchy. There were no transfers between levels during the period.

	Office R'000	Industrial R'000	Retail R'000	Specialised R'000	Total 2014 R'000	Total 2013 R'000
<b>16.1 Investment properties</b>	<b>Level 3</b>	<b>Level 3</b>	<b>Level 3</b>	<b>Level 3</b>	<b>Level 3</b>	
<b>Investment property balance as at 31 April 2013</b>						
Acquisitions through listing	677 663	109 488	4 399 852	254 470	5 441 473	-
Conditional purchase price	108 013	-	101 771	-	209 784	-
Acquisitions			71 000		71 000	-
<b>Subtotal</b>	<b>785 676</b>	<b>109 488</b>	<b>4 572 623</b>	<b>254 470</b>	<b>5 722 258</b>	<b>-</b>
Disposals/classified as held for sale			(66 398)		(66 398)	-
Straight-line rental revenue adjustment	2 136	293	12 554	1 168	16 151	-
Fair value gain on investment properties	10 478	2 230	399 092	12 980	424 779	-
<b>Carrying value at the end of the year</b>	<b>798 290</b>	<b>112 011</b>	<b>4 917 871</b>	<b>268 618</b>	<b>6 096 790</b>	<b>-</b>

\* Classified in accordance with the fair value hierarchy. There were no transfers between levels during the year.

## Notes to the financial statements (continued)

### for the year ended 31 March 2014

#### 16. Investment properties summary *continued*

	Office R'000	Industrial R'000	Retail R'000	Specialised R'000	Total 2014 R'000	Total 2013 R'000
<b>16.2 Investment properties held for sale</b>	<b>Level 3</b>	<b>Level 3</b>	<b>Level 3</b>	<b>Level 3</b>	<b>Level 3</b>	
<b>Investment property balance as at 31 April 2013</b>						
Acquisitions through listing	-	-	58 739	-	58 739	-
Conditional purchase price Acquisitions	-	-	7 659	-	7 659	-
Disposals/classified as held for sale	-	-	66 398	-	66 398	-
Straight-line rental revenue adjustment	-	-	306	-	306	-
Fair value gain on investment properties	-	-	162	-	162	-
<b>Carrying value at the end of the year</b>	<b>-</b>	<b>-</b>	<b>66 866</b>	<b>-</b>	<b>66 866</b>	<b>-</b>

\* Classified in accordance with the fair value hierarchy. There were no transfers between levels during the year.

#### 17. Fair value measurement of investment properties

It is the policy of Accelerate to value all properties using an independent external valuer on a three-year rolling cycle as required by the JSE Listings Requirements. 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.

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. In addition, the accuracy of the computation is tested on a sample basis. 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).

##### Discounted cash flow method

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

## 17. Fair value measurement of investment properties *continued*

### Income capitalisation method

Under the cap rate method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. The difference between gross and net rental income includes the same expense categories as those for the DCF method with the exception that certain expenses are not measured over time, but included on the basis of a time weighted average, such as the average lease up costs. Under the cap rate method, over and under-rent situations are separately capitalised/(discounted).

The external valuations were performed by MDK Consulting and Promax (Pty) Ltd, both 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 2014, 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	Current vacancies	Long-term vacancies	Estimated period to convergence
Office	0% - 52,45%	2,5% - 15%	2,5 years
Industrial	0%	1,7% - 5%	n/a
Retail	0% - 52,88%	1,3% - 12%	2,5 years
Specialised	0%	0,8% - 1,3%	n/a

### 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 used to derive level 3 fair values

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

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

Class of property	Fair value as at 31 March 2014 R'000	Valuation technique	Key unobservable inputs	Ranges
<b>Held for rental</b>				
Office	796 154	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R39,39sm - R113,85sm • 8% • 2,5% - 15%
Industrial	111 718	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R25,22sm - R52,86sm • 8% - 8,5% • 1,7% - 5%
Retail	4 905 317	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R38,5sm - R194,60sm • 8% - 12% • 1,3% - 12%
Specialised	267 451	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R48,79sm - R180,86sm • 8% • 0,8% - 1,3%
<b>Subtotal</b>	<b>6 080 640</b>			
<b>Held for sale</b>				
Retail	66 560	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R55,84sm • 8% • 5%
<b>Total</b>	<b>6 147 200</b>			



## Notes to the financial statements (continued)

### for the year ended 31 March 2014

#### 17. Fair value measurement of investment properties *continued*

##### **Descriptions and definitions**

The table on the previous page includes the following descriptions and definitions relating to 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.

	2014 R'000	2013 R'000
<b>18. Trade and other receivables*</b>		
Selling entity debtors	49 914	-
Debtors in arrears	20 037	-
Municipal deposits	1 620	-
Prepaid expenses	21 986	-
Accrued recoveries	26 496	-
Less: provision for bad debts <sup>#</sup>	(1 002)	-
<b>Total trade and other receivables</b>	<b>119 051</b>	<b>-</b>
<p>* Carrying value approximates the fair value of trade and other receivables.  <sup>#</sup> Accelerate assesses the recovery of each debtor over 121 days and applies a provision for bad debts accordingly. As at 31 March 2014, no debtors were over 121 days as the trading period was 110 days from 12 December 2013 to 31 March 2014. Accelerate applied a provision of R1 million to account for tenants that may fall into this category in the near future.</p>		
<b>19. Cash and cash equivalents</b>		
Cash held on call account	57 643	-
<b>20. Ordinary share capital (R'000)</b>		
<b>Authorised</b>		
Ordinary shares with no par value	5 000 000 000	1 000
<b>Issued</b>		
On listing – 638 916 916 ordinary shares	638 916 916	-
<b>In issue at year-end</b>	<b>638 916 916</b>	<b>1 000</b>
Average listing price per share (cents)	488	
<b>Share capital at 31 March 2014</b>	<b>3 117 914</b>	
The unissued shares are under the control of the directors of the company subject to the provisions of the Companies Act, 71 of 2008, as amended and the Listings Requirements of the JSE Limited.		
<b>21. Borrowings</b>		
Total value of loans secured by investment property		
RMB	1 194 280	
Investec	1 194 280	
<b>Total nominal value of interest-bearing borrowings</b>	<b>2 388 560</b>	<b>-</b>
Less: portion repayable within the next 12 months – at nominal value	(358 284)	-
<b>Total non-current financial liabilities</b>	<b>2 030 276</b>	<b>-</b>
* Carrying value approximates the fair value of borrowings.		

## Notes to the financial statements (continued)

### for the year ended 31 March 2014

#### 21. Borrowings *continued*

21.1 Details of secured loans	Tranche	Weighting	Debt amount
RMB	A – current	15%	179 142
	B	10%	119 428
	C	10%	119 428
	D	30%	358 284
	E	35%	417 998
Investec	A – current	15%	179 142
	B	10%	119 428
	C	10%	119 428
	D	30%	358 284
	E	35%	417 998
<b>Total long-term borrowings – secured</b>	Total/weighted average	100%	2 388 560

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

21.2 Details of swap impact on long-term debt	Swap	Notional amount
RMB	1, 2, 3, 4	2 147 000 000

Accelerate intends to refinance the current portion of the maturing debt, by the issue into the market of a secured, as well as an unsecured domestic medium-term note (DMTN) bond issue.

	2014 R'000	2013 R'000
<b>22. Trade and other payables</b>		
Accrued expenses	31 422	–
Accrued interest	6 824	–
Client deposits	11 562	–
Debtors in credit	18 601	–
Trade creditors	21 132	11
<b>Subtotal</b>	<b>89 541</b>	11
Tax payable	12 302	–
<b>Total trade and other payables</b>	<b>101 843</b>	11

\* Carrying value approximates fair value of trade and other payables.

Maturity date	Rate	Effective rate for the period	Interest for the year
December 2014	Jibar + 145 bps	6,61%	3 570
December 2015	Jibar + 153 bps	6,91%	2 488
December 2016	Jibar + 165 bps	7,03%	2 532
December 2017	Jibar + 185 bps	7,24%	7 812
December 2018	Jibar + 195 bps	7,34%	9 241
December 2014	Jibar + 158 bps	6,74%	3 640
December 2015	Jibar + 158 bps	7,96%	2 506
December 2016	Jibar + 166 bps	7,04%	2 535
December 2017	Jibar + 166 bps	7,04%	7 606
December 2018	Jibar + 175 bps	7,13%	8 988
3.1 years		7,1%	50 920

Maturity	Base rate	spread	Net swap payment for the year
July – October 2017	5,35%	n/a	565

### 23. Deferred taxation

Accelerate converted to a Real Estate Investment Trust (REIT) on listing. As a result, section 25BB of the Income Tax Act will apply to qualifying REIT income and expenses. The new legislation provides that capital gains on sale of investment properties are zero-rated and previous building allowances claimed will be recouped at 28%. All rental income and dividends from property subsidiaries will be taxed at 28% and any qualifying distribution paid from these taxable profits will be deductible at 28%. Should the entity's assets be sold or the entity wound up, there could be a tax liability to the value of the recoupments previously claimed.

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 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.

## Notes to the financial statements (continued)

for the year ended 31 March 2014

	2014 R'000	2013 R'000
<b>23. Deferred taxation <i>continued</i></b>		
<b>23.1 Taxable temporary differences</b>		
Deferred tax rates applied to temporary differences	-	-
Fair value adjustment - investment property assets	-	-
Fair value adjustment - interest rate swaps	-	-
IFRS adjustment - rental straight-lining	-	-
<b>Deferred tax liability</b>	<b>-</b>	<b>-</b>
<b>23.2 Movement in deferred tax</b>		
Balance at the beginning of the year	-	-
Movement in deferred tax liability	-	-
Movement in deferred tax asset	-	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>
<b>24. Cash generated from operations</b>		
Operating profit	147 252	(3)
Straight-line rental revenue adjustment	(16 457)	-
Other income	48	-
Non-cash items	5	-
Working capital movement	(17 220)	-
Trade and other receivables	(119 051)	-
Current liabilities	101 843	3
Adjustment: Prior year trade creditors	(12)	-
<b>Cash generated from operations</b>	<b>113 628</b>	<b>-</b>
<b>25. Capital commitments</b>		
Authorised and contracted	-	-
Authorised and not contracted	65 000	-
	<b>65 000</b>	<b>-</b>
<p>The capital expenditure will be financed from existing funding facilities and properties held for sale.</p> <p>As per Accelerate's pre-listing statement R65 million was raised and allocated to the planned capital expenditure and working capital requirements of Accelerate. As such Accelerate views this amount as authorised and not contracted.</p>		
	2014 R'000	2013 R'000
<b>26. Minimum contracted rental</b>		
<b>Minimum contracted rental income</b>		
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	505 967	-
Between one and five years	1 203 814	-
More than five years	374 681	-
<b>Total</b>	<b>2 084 462</b>	<b>-</b>

2014

2013

**27. Related-party transactions**

<b>Property acquisitions</b>		
Fourways Precinct (Pty) Ltd	<b>Retail</b>	
Number of properties	11	-
Gross lettable area (GLA)/(m <sup>2</sup> )	175 132	-
Cost of acquisition (R'000)	3 715 049	-
<b>Contingent purchase consideration</b>		
Fourways Precinct (Pty) Ltd	209 784	
<b>Interest charged on outstanding amounts</b>		
Interest owed from Fourways Precinct (Pty) Ltd (R'000)	861	-
<b>Vacancy guarantee</b>		
Fourways Precinct (Pty) Ltd		
Vacancy rental guarantee from seller (R'000)	2 716	-
<b>Accelerate Property Management</b>		
Fourways Precinct (Pty) Ltd		
Property management fee (including commission) (R'000)	1 158	-
<b>Accelerate Property Management Company (Pty) Ltd (APMC)</b>		
Property management fee (R'000)	1 148	-
Cash payment to APMC	1 636	-
Prepayment raised	(488)	-

M Georgiou and A Costa are directors of both Accelerate and APMC, both directors' full remuneration is paid by Accelerate. Please refer to the executive directors' remuneration note for further details.

**28. Net asset value**

Shares in issue at the end of the year	638 916 916	1 000
Net asset value per share (R)	5,90	-

**29. Financial risk management****29.1 Total financial assets and liabilities**

The table below sets out Accelerate's accounting classification of each class of financial asset and liability and their fair values at 31 March 2014.

	Carried at fair value R'000	Amortised cost <sup>#</sup> R'000	Total R'000
<b>Financial assets</b>			
Derivative financial assets*	131 709	-	131 709
Trade and other receivables	-	119 051	119 051
Cash and cash equivalents	-	57 643	57 643
<b>Total financial assets</b>	131 709	176 694	308 403
<b>Financial liabilities</b>			
Long-term interest-bearing borrowings	-	(2 030 276)	(2 030 276)
Trade and other payables	-	(101 843)	(101 843)
Current portion of long-term debt	-	(358 284)	(358 284)
<b>Total liabilities</b>	-	(2 490 403)	(2 490 403)

\* 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 17 for further details).

<sup>#</sup> 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 as this is the company's first year of operation.

## Notes to the financial statements (continued)

### for the year ended 31 March 2014

#### 29. Financial risk management *continued*

##### 29.2 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 below.

##### Market risk

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

##### Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument 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 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 2014, after taking into account the effect of interest rate swaps, 89% 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 and using the hedge designations in place at the reporting date:

- The sensitivity of the income statement 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.
- The sensitivity of equity is calculated by revaluing swaps designated as cash flow hedges, for the effects of the assumed changes in interest rates.

2014	Increase/ (decrease) in basis points	Effect on profit before tax (R'000)
Jibar (one month)	100	(7 198)
Jibar (one month)	(100)	7 198

## 29. Financial risk management *continued*

### 29.2 Other financial risk management considerations *continued*

#### 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. 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.

#### 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 client 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.

#### 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.

89% of interest-bearing borrowings were fixed at 31 March 2014, for a weighted average period of 3.2 years.

Long-term debt	R'000
<b>Financial year</b>	
Interest-bearing borrowings maturing on 11 December 2014	358 284
Interest-bearing borrowings maturing on 11 December 2015	238 856
Interest-bearing borrowings maturing on 11 December 2016	238 856
Interest-bearing borrowings maturing on 11 December 2017	716 568
Interest-bearing borrowings maturing on 11 December 2018	835 996
<b>Total</b>	<b>2 388 560</b>
<b>Interest rate swap</b>	
<b>Financial year</b>	
Swap maturing 17 July 2017	250 000
Swap maturing 9 October 2017	290 000
Swap maturing 17 July 2017	947 000
Swap maturing 9 October 2017	660 000
<b>Total</b>	<b>2 147 000</b>
Percentage of total debt hedged	89,89%



## Notes to the financial statements (continued)

### for the year ended 31 March 2014

#### 29. Financial risk management *continued*

##### 29.2 Other financial risk management considerations *continued*

The tables below set out the maturity analysis 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
<b>31 March 2014*</b>					
Long-term borrowings	358 284	238 856	1 791 420	–	2 388 560
Trade and other payables	101 843		–		101 843
<b>Total liabilities</b>	<b>460 127</b>	<b>238 856</b>	<b>1 791 420</b>	<b>–</b>	<b>2 490 403</b>

Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet the requirements of Accelerate. Subsequent to year-end 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%.

	Total R'000
Value of investment property pledged as security	6 147 200
Nominal value of interest-bearing borrowings utilised at year-end	2 388 560
Current ratio of interest-bearing borrowings to value of investment property	38,86%

\* There was no debt in the previous financial year.

#### 30. Hedging activities and derivatives

##### Economic hedges

Accelerate has acquired interest rate swap contracts with notional amounts of R2 147 000 000 in the current reporting period, whereby it pays a fixed rate of interest of 5,35% and receives a variable rate based on one-month Jibar on the notional amount. The swap is used to economically hedge the exposure to the variable interest rate payments on the variable rate secured loans.

The interest rate swaps have been used to match the critical terms of the underlying debt to achieve economic hedging (hedging has not been applied for accounting purposes). Cash flows are expected to occur until October 2017 and will be recognised through profit or loss at that time.

The aggregate fair value of the interest rate swaps at the end of the reporting period was an asset of R131 709 223.

The valuation techniques applied to fair value the derivatives include the swap models, using present value calculations. The model incorporates various inputs including the credit quality of counterparties and forward rates. All derivative contracts are fully cash-collateralised, thereby eliminating both counterparty and Accelerate's own non-performance risk. As at 31 March 2014, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships recognised at fair value. The derivatives are classified in level 2 of the fair value hierarchy.

	2014 R'000	2013 R'000
<b>Reconciliation of the swap derivatives</b>		
Value as at 1 April 2013	–	–
Swap obtained during business combination	101 260	–
Net changes in fair value through profit and loss	30 449	–
<b>Value as at 31 March</b>	<b>131 709</b>	<b>–</b>

### 31. 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 2014 and 31 March 2013. 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 40%. 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, nor did it default on any other of its obligations under its loan agreements.

	2014 R'000	2013 R'000
Carrying amount of interest-bearing loans and borrowings	2 388 560	-
Investment property at fair value	6 147 200	-
<b>Loan-to-value ratio (%)</b>	<b>38,86</b>	-

### 32. Subsequent events

Subsequent to year-end there have been no material changes.

## SHAREHOLDERS' ANALYSIS

Analysis of shareholders	Number of shareholders	% of total shareholders	Number of shares	% Interest
1 - 100 shares	13	2,68%	603	0,00%
101 - 1 000 shares	36	7,42%	21 538	0,00%
1 001 - 50 000 shares	168	34,64%	2 956 739	0,46%
50 001 - 100 000 shares	52	10,72%	4 241 731	0,66%
100 001 - 10 000 000 shares	203	41,86%	213 289 752	33,38%
More than 10 000 000 shares	13	2,68%	418 406 553	65,49%
<b>Total</b>	<b>485</b>	<b>100%</b>	<b>638 916 916</b>	<b>100%</b>
<b>Type of shareholder</b>				
Individuals	157	32,37%	2 268 029	0,35%
Companies	26	5,36%	232 383 135	36,37%
Growth funds/unit trusts	134	27,63%	290 375 910	45,45%
Nominee companies or trusts	43	8,87%	42 401 513	6,64%
Pension and retirement funds	100	20,62%	68 535 723	10,73%
Other	25	5,15%	2 952 606	0,46%
<b>Total</b>	<b>485</b>	<b>100%</b>	<b>638 916 916</b>	<b>100%</b>

Shareholder spread	Number of shareholders	Shareholders in South Africa		Shareholders other than in South Africa		Total shareholders	
		Nominal number	% Interest	Nominal number	% Interest	Nominal number	% Interest
Public shareholders	479	330 200 221	51,68%	9 212 837	1,44%	339 413 058	53%
Directors and associates	5	253 517 647	39,68%			253 517 647	40%
Holdings of 5% or more	1	45 986 211	7,20%			45 986 211	7%
Coronation balance plus fund		45 986 211	7,30%				
<b>Total</b>	<b>485</b>	<b>629 704 079</b>	<b>98,56%</b>	<b>9 212 837</b>	<b>1,44%</b>	<b>638 916 916</b>	<b>100%</b>

# CORPORATE INFORMATION

as at 16 June 2014

## **Accelerate Property Fund Limited**

(Incorporated in the Republic of South Africa)  
(Registration number 2005/015057/06)  
Share code: APF ISIN: ZAE000185815

## **Registered office and business address**

Cedar Square Shopping Centre, Management Office, 1st Floor, Cnr Willow Ave and Cedar Rd  
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## **Company secretary**

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## **Sponsor**

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## **Auditors**

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