ACCELERATE

PROPERTY FUND

A LEADING PORTFOLIO

INTEGRATED REPORT
for the year ended 31 March

2014

ACCELERATE
PROPERTY FUND

Accelerate is a newly listed property fund offering investors the opportunity to own a portfolio of 52 well-established, high-quality properties across South Africa

www.acceleratepf.co.za

52

Number of properties

450 240 m²

Total gross lettable area (GLA)

R6,15 bn

Property portfolio value

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Operational review

Corporate governance

ABOUT THIS REPORT

This is Accelerate Property Fund's (Accelerate or the company) first integrated annual report (the report) since its listing on the Johannesburg Stock Exchange's (JSE) main board on 12 December 2013. Therefore, the report only covers the period from 12 December 2013 to the end of the financial year dated 31 March 2014. Prior to 12 December 2013, though already established, the company was dormant.

Scope and boundary

This report focuses on Accelerate's material issues regarding strategic overview, investment overview and stakeholder reports. Accelerate is located in South Africa with the majority of its property portfolio located in Gauteng.

Accelerate's asset management function is housed within the company and comprises an asset management team and an investment committee that renders strategic services to the company. The property management function is outsourced to two separate entities, namely Fourways Precinct (Pty) Ltd (Fourways Precinct) and Accelerate Property Management Company (Pty) Ltd (Accelerate Property Management Company).

As depicted in the diagram on page 5, Fourways Precinct manages nine Fourways properties and has subcontracted its property management services to JHI Properties Proprietary Limited (JHI). The Accelerate Property Management Company manages the remainder of the property portfolio. The Cape Town properties have been subcontracted to Baker Street Properties and Rennie Property Management. Accelerate has executive representation in Fourways Precinct and Accelerate Property Management Company. Unless indicated otherwise, this report covers Accelerate Property Fund's activities.

WE FOCUS ON MATERIAL ISSUES REGARDING STRATEGIC OVERVIEW

Reporting frameworks

In keeping with best practice integrated reporting, the following reporting principles and requirements were applied when compiling this report:

- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- International Financial Reporting Standards (IFRS)
- King Report on Corporate Governance for South Africa 2009 (King III)
- Global Reporting Initiative's (GRI) sustainability reporting guidelines
- South African Companies Act, 71 of 2008
- JSE Listings Requirements

We acknowledge that this report is the first step in our reporting journey, which we embrace, and aim to continue producing a report that presents a balanced and informative overview of Accelerate for all our stakeholders.

The annual financial statements contained in this report from page 96 were prepared according to IFRS and have been externally audited by Ernst and Young Incorporated (E&Y). Their independent report is shown on page 95.

Approval of Accelerate's integrated annual report

The board acknowledges its responsibility to ensure the integrity of this report. The directors confirm that they have collectively assessed the content of the report and believe it addresses the company's most material issues and is a fair representation of the integrated performance of Accelerate. Therefore, the board has approved the 2014 integrated annual report for publication.

Mr Tito Titus Mboweni
Chairman
20 June 2014

Michael Georgiou
Chief executive officer
20 June 2014

Forward-looking statements

This report includes forward-looking statements that involve inherent risks and uncertainties and, if one or more of these risks materialise, or should the underlying assumptions prove incorrect, actual results may be different from those anticipated. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements apply only as of the date on which they are made, and Accelerate does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Stakeholder feedback

We welcome feedback from all our stakeholders on our first integrated annual report, including our approach to integrating our financial and non-financial information, and how we address our strategic priorities. Feedback on reporting content or requests for copies of this report can be requested from Sam Bruwer at sam@acceleratepf.co.za.

OPERATIONAL STRUCTURE

Accelerate Property Fund
52 properties
GLA 450 240 m²
Property value R6,15 billion

Asset management function:
- To consider acquisitions, disposals and redevelopments
- To recommend to the investment committee appropriate acquisitions, disposals and redevelopments
- To implement such transactions and capital expenditure
- The investment committee will make recommendations to the board for transactions and capex that fall outside its approved mandate

Retail 67%
31 properties
GLA **303 319 m²**
Property value
R4,97 billion

Office 22%
15 properties
GLA **97 825 m²**
Property value
R0,80 billion

Industrial 7%
3 properties
GLA **31 721 m²**
Property value
R0,11 billion

Specialised retail 4%
3 properties
GLA **17 375 m²**
Property value
R0,28 billion

Outsourced property management functions

Fourways Precinct (Pty) Limited
Manages nine Fourways properties within Accelerate's property portfolio. Property management services include the following functions that are outsourced to JHI:
- Portfolio management
- Leasing
- Marketing
- Operations (administration, collections and maintenance)

Accelerate Property Management Company (Pty) Limited
Manages 43 properties within Accelerate's property portfolio. Property management services include the following functions:
- Portfolio management
- Leasing
- Marketing
- Operations (administration, collections and maintenance)
- Finance

Note: Services only outsourced on 11 properties – 7 by Baker Street Properties and 4 by Rennie Property Management.

JHI

Baker Street Properties

Rennies

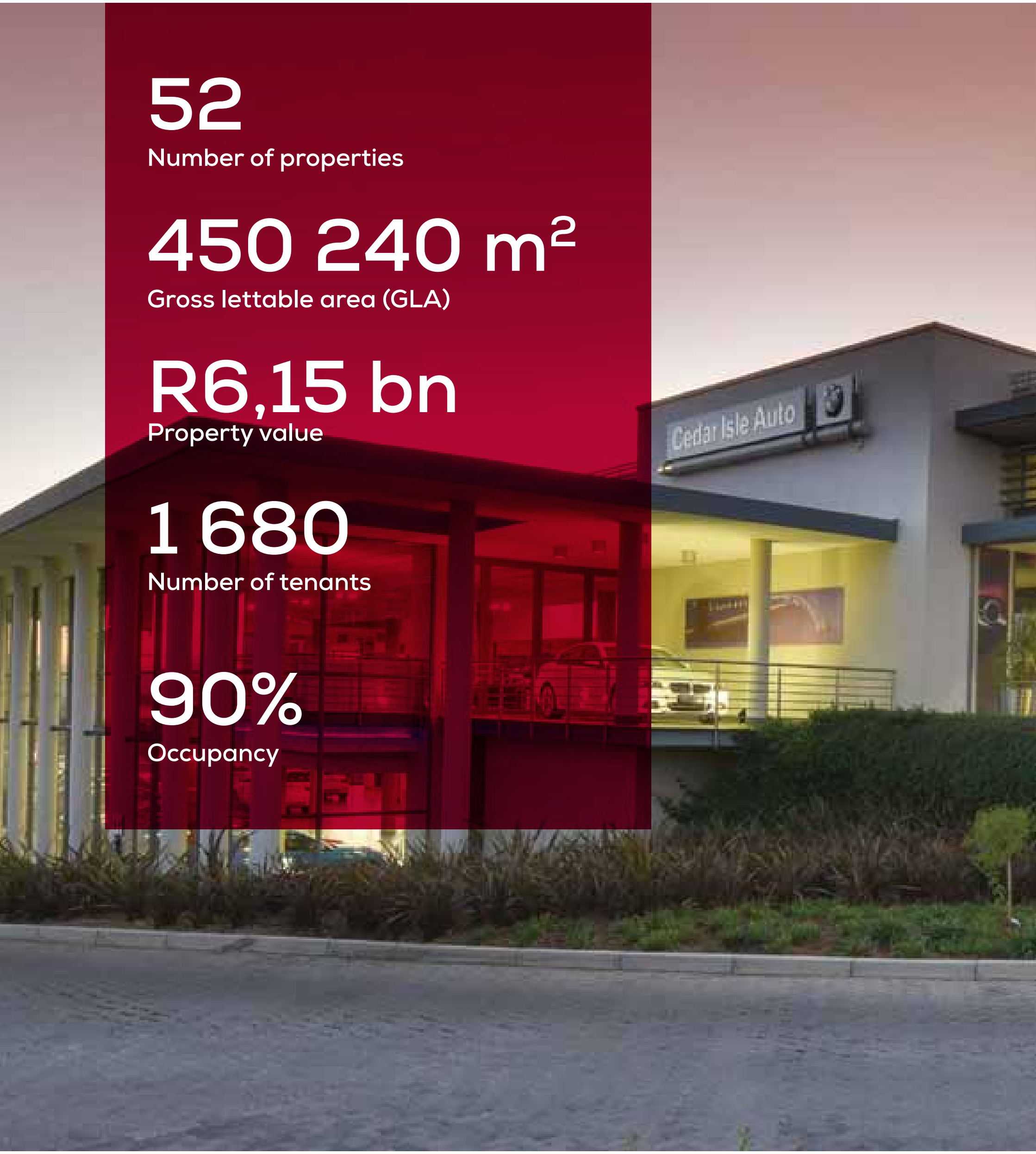
52
Number of properties

450 240 m^2
Gross lettable area (GLA)

R6,15 bn
Property value

1 680
Number of tenants

90%
Occupancy



WHO WE ARE

COMPANY PROFILE

Listing date	12 December 2013
Property portfolio	R6,15 billion
Strategic nodes	• Fourways • Charles Crescent – Kramerville • Foreshore – Cape Town • Other strategically located properties
Weighted average lease expiry	3,08 years
Geographic spread (GLA)	Gauteng – 80,6% Western Cape – 14,6% KwaZulu-Natal – 2,6% Limpopo – 2,2%
Gross lettable area (GLA)	45 240 m^2

Occupancy	90%
Tenants	1 680
Tenant profile by revenue: A B C	A – 43,8% B – 16,3% C – 39,9%
Portfolio spread	• 31 retail properties • 15 office properties • 3 industrial properties • 3 specialised retail properties
Forward yield	9,71% (annualised)
Escalations	Average of 8,35%
Market capitalisation	3,13 billion

OUR VALUES

Integrity

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

Honesty

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

Trust

To be trustworthy in our dealings and interactions with all stakeholders

These core values are supported by the following:

Competence

To channel our skills and abilities into innovative and efficient outcomes delivered with energy and professionalism

Cooperation

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

Commitment

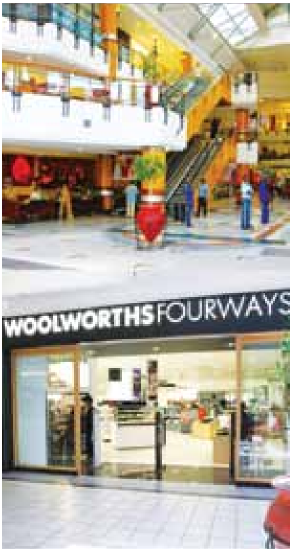
To be committed to our respective jobs, customers and other stakeholders by delivering beyond expectations of quality, punctuality and efficiency

Accelerate's approach to business ethics

- We operate and compete in accordance with the principles governing ethical behaviour in business.
- Ethical behaviour is founded on the concept of good faith, and characterised by integrity and reliability.
- Ethical business transactions will benefit all relevant parties by a fair exchange of value or satisfaction of need. The creation of profit is a legitimate component of this exchange and an incentive to continue in business.
- Other than the compliance with legal and ethical commercial practices, we expect no favours from our competitors, nor should they expect any from us.
- We expect equivalent standards of ethical behaviour from those with whom we deal.
- It is incumbent upon us to strive for excellence in our ethical standards, as in any other aspect of our activities.
- We will at all times aim to adhere to the principles of sound corporate governance.

PROPERTY PORTFOLIO – TOP 6 (BY VALUE)

Fourways Mall Shopping Centre



Price on listing (R'm)
R1 935,18

Fair value 31 March 2014 (R'm)
R2 145,08

GLA
61 480 m^2

Acquisition price/m^2 (excluding bulk where applicable) (rands)
R31 476,61

Cedar Square

Price on listing (R'm)
R732,12

Fair value 31 March 2014 (R'm)
R774,16

GLA
46 025 m^2

Acquisition price/m^2 (excluding bulk where applicable) (rands)
R12 865,22

Fourways View

Price on listing (R'm)
R259,02

Fair value 31 March 2014 (R'm)
R319,30

GLA
12 962 m^2

Acquisition price/m^2 (excluding bulk where applicable) (rands)
R19 983,34

The Buzz Shopping Centre

Price on listing (R'm)
R241,00

Fair value 31 March 2014 (R'm)
R286,17

GLA
14 291 m^2

Acquisition price/m^2 (excluding bulk where applicable) (rands)
R12 560,30

Fourways Game

Price on listing (R'm)
R135,96

Fair value 31 March 2014 (R'm)
R166,60

GLA
8 763 m^2

Acquisition price/m^2 (excluding bulk where applicable) (rands)
R15 515,11

BMW Fourways (Cedar)

Price on listing (R'm)
R152,30

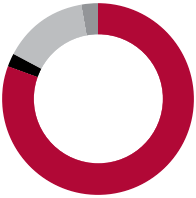
Fair value 31 March 2014 (R'm)
R165,56

GLA
13 098 m^2

Acquisition price/m^2 (excluding bulk where applicable) (rands)
R7 984,23

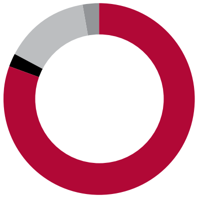
GEOGRAPHIC SUMMARY

Geographic region (GLA)



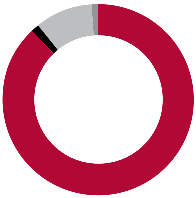
Gauteng	80,6%
Limpopo	2,2%
Western Cape	14,6%
KwaZulu-Natal	2,6%

Geographic region (revenue)



Gauteng	86,8%
Limpopo	0,6%
Western Cape	11,0%
KwaZulu-Natal	1,6%

Geographic region (fair value)



Gauteng	88,1%
Limpopo	1,2%
Western Cape	9,9%
KwaZulu-Natal	0,9%

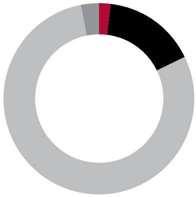
The Fourways retail properties comprise 63% of Accelerate's property portfolio. Future development will transform Fourways Mall into a super-regional shopping centre.

SECTOR SUMMARY

Sectoral type (GLA)

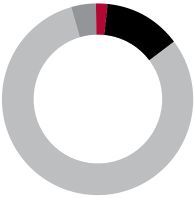
Industrial	7,0%
Office	21,7%
Retail	67,4%
Specialised	3,9%

Sectoral type (gross revenue)



Industrial	2,2%
Office	15,7%
Retail	79,3%
Specialised	2,9%

Sectoral type (fair value)



Industrial	1,8%
Office	13,0%
Retail	80,9%
Specialised	4,4%

TENANT PROFILE

Tenant profile (GLA)

A	51,7%
B	17,2%
C	31,1%

Tenant profile (revenue)

A	44,0%
B	16,2%
C	39,8%

Single vs. multi-let

Single tenanted	11,2%
Multi-tenanted	88,8%


OCEANA GROUP
OCEANA HOUSE

Grow asset base

by investing in well-priced income-producing properties to optimise capital and income returns for shareholders

Redevelop properties

to enhance value and support longer-term income and capital growth

Secure a diversified property portfolio

with a strong retail bias that provides growth opportunities

STRATEGIC OVERVIEW

KEY OBJECTIVES AND STRATEGY

Key objectives of Accelerate Property Fund

- Long-term objective: grow asset base by investing in well-priced income-producing properties to optimise capital and income returns for shareholders.
- Redevelop properties to enhance value and support longer-term income and capital growth.
- Maintain a strong bias towards the defensive retail sector.

Primary objectives of Accelerate Property Fund

- Provide an income stream through the acquisition and redevelopment of retail, office, and industrial investment properties.
- Grow its asset base by investing in fairly valued income-producing properties.
- Secure a diversified property portfolio with a strong retail bias that provides growth opportunities.
- Optimise and secure long-term distribution and capital growth.
- Allow shareholders to participate in the net income through distributions.

Executing Accelerate Property Fund's strategy

Deliver income and capital growth	Significant off-market pipeline	Upliftment of certain properties
Maintain weighted average annual escalations across property portfolio at above long-term inflation targets.	Inherent property network gives Accelerate Property Fund access to a unique pipeline of off-market acquisitions.	Fourways Development to introduce an additional 90 000 m^2 of retail space, resulting in a super-regional shopping centre. Improvement of road infrastructure in Fourways.
Pursue opportunities to achieve positive rental reversions and reduce cost-to-income ratios.	Demand to fill existing vacancies within the listing portfolio with appropriate capital expenditure spend.	Refurbishment of existing Fourways Mall to be undertaken at no cost to Accelerate Property Fund.
Access the debt capital markets to further diversify its source of funding.	Pre-emptive right on various iconic properties such as Loch Logan in Bloemfontein, Free State, and Parow Centre in the Western Cape.	Upliftment of certain properties to improve renewal rental rates on existing leases and secure new tenants for some of the existing vacant space.
Favourable debt cost of 7,1%, mostly fixed for a weighted average of 3,1 years.	Pre-emptive right on most Georgiou Group properties valued at over R100 million.	Bulk on certain key properties for expansion in the future.
Cost containment – internalised asset management function and reduction of future acquisition costs.		

VALUE CREATION

Vale added statement

for the year ended 31 March	2014 R'000	2013 R'000
Revenue	**204 845**	–
Property and other operating expenses	**(69 807)**	(3)
Value added	**135 038**	(3)
Other Income	**48**	–
Finance income	**1 607**	–
Wealth created	**136 693**	(3)
Shareholders – income distribution	**80 963**	–
Shareholders – loss financed	**–**	(3)
Providers of debt	**51 486**	–
Government and regulatory bodies	**187**	–
Employees	**4 057**	–
Wealth distribution	**136 693**	(3)

INVESTMENT CASE

Robust governance structure	• Well-balanced board with a mix of governance, risk management, law, economics, banking, construction and property experience • Independent non-executive chairman • Lead independent non-executive director • Transparent reporting through annual integrated report • Investment committee chaired by lead independent non-executive director
Growth opportunities	• Significant pipeline of off-market acquisitions and development opportunities • Quality property portfolio within strategically located nodes • Exposure to future development of the Fourways node • Guaranteed participation into a super-regional shopping centre upon completion of Fourways development • Access to properties previously not available to the South African-listed property sector • Well positioned to deliver capital growth through strong existing tenant covenants
High-quality tenants	• Anchor tenants include: Dis-Chem, Edgars, MassMart, Pick n Pay, Shoprite, Virgin and Woolworths • 69% (by GLA) of tenants are national tenants
Experienced management and board	• Managed by a professional and committed management team with extensive corporate, finance and property-related experience • Board members have a wealth of business and governance experience
Significant exposure to defensive retail sector	• Retail sector comprises 79,28% of property portfolio by revenue • Opportunities to grow Fourways retail asset base by an additional 90 000 m^2 once the Fourways development is completed • Access to retail property pipeline through the Georgiou Group property portfolio and other strategic acquisition opportunities
Geographic diversification	• Current property exposure in Gauteng, Western Cape, Limpopo and KwaZulu-Natal • Growth opportunities in Western Cape and KwaZulu-Natal
Return on investment	• An attractive yield (9,71% annualised*) relative to peers and the listed property sector ** Based share price of R4,88*

MATERIAL ISSUES

When compiling this report, it was important to establish Accelerate Property Fund's material issues to provide stakeholders with the most relevant information. Accelerate defines a material issue as information that has a direct or indirect impact on its ability to create, preserve or erode economic, environmental and social value for itself and its stakeholders. An externally facilitated materiality workshop was held with key management to determine the material issues.

Process followed

Management individually listed their top 10 most important issues that could have a positive and or negative impact on Accelerate's success. These issues were then clustered into groups, defined and debated, and this process resulted in the identification of six material issues:

- The Fourways Development
- Tenants
- Shareholder interaction
- Corporate governance
- Pipeline
- Interest rates and hedging

The participants collectively ranked these six issues in order of impact and effect (see chart below). The table on pages 22 and 23 unpacks and links these issues to Accelerate's strategic objectives.

Accelerate Property Fund material issue priority map

Material issues (continued)

Material issue	Why issue is material to Accelerate Property Fund	How Accelerate Property Fund addresses material issue	Link to primary strategic objective
Fourways Development	The Fourways Development forms part of Accelerate's strategic objectives. The development will be undertaken by a company owned by Michael Georgiou, Fourways Precinct. Once the Fourways Development is complete, an additional 90 000 m² of retail space will be introduced, providing further opportunities to positively impact Accelerate's revenue streams. Accelerate will be entitled to 50% undivided ownership of the completed super-regional centre.	Funding for the development is in the final stages and tendering for portions of the main contracting has been finalised.	• Provide a significantly enhanced income stream. • Grow asset base. • Optimise and secure long-term distribution and capital growth for shareholders.
Tenants	Tenants are key to ensuring the sustainability of rental income. Critical issues around tenants include the attraction and retention of quality tenants. This will be achieved by Accelerate's upgrades and maintenance of properties as and when required. The increasing municipal charges also have an impact on escalation costs that are carried by the tenants.	Refurbishments and upgrades are planned for Fourways Mall and other key properties in the portfolio. Accelerate continues to explore efficient energy and water management alternatives to proactively manage these resources and contain costs.	• Optimise and secure long-term distribution and capital growth for shareholders.
Shareholder interaction	Shareholders need to be comfortable that the strategies Accelerate follows will be achieved to sustain long-term distributions and capital growth.	Accelerate will embark on regular one-on-one interactions with its key shareholders, keeping them informed of its progress.	• Grow asset base. • Provide additional income stream. • Secure long-term distribution and capital growth for shareholders.

Material issue	Why issue is material to Accelerate Property Fund	How Accelerate Property Fund addresses material issue	Link to primary strategic objective
Corporate governance	Being a newly listed company, it is critical for Accelerate to demonstrate that it embraces the principles of good corporate governance as set out in King III, namely transparency, ethical leadership and accountability.	Robust corporate governance structure with a lead independent non-executive director – page 76. Respected non-executive directors. Top-tier auditing firm. Third-party internal audit function. Top-tier sponsor.	• Grow asset base. • Provide additional income stream. • Secure long-term distribution and capital growth for shareholders.
Pipeline	With the current shortage of quality property stock in the South African market, Accelerate is in the unique position whereby it has access to a pipeline of existing assets from the Georgiou Group that it can acquire and that will have a positive impact on its asset base, rental income, portfolio diversification and overall quality of the portfolio. Accelerate has access to unlisted, large, privately held property portfolios for possible acquisition, which provides Accelerate with a definite competitive edge.	Accelerate has negotiated an option to purchase 50% of the Loch Logan Waterfront shopping centre in Bloemfontein and pre-emptive rights on most properties over R100 million in value that are currently within the Georgiou Group. Accelerate's management, through years of experience in the property sector, have access to a network of individuals that own private unlisted property portfolios. This provides Accelerate with the unique position to gain access to opportunities that are not immediately available on the market.	• Grow asset base. • Provide additional income stream. • Secure long-term distribution and capital growth for shareholders.
Interest rates and hedging	South Africa's interest rates have remained low over the past number of years. However, with the South African Reserve Bank raising rates at the beginning of 2014, the market is anticipating further increases going forward.	Accelerate has implemented a robust hedging management strategy to protect against interest rate increases in the medium term.	• Optimise and secure long-term distribution and capital growth for shareholders.

"Rising urbanisation trends, a growing middle class, and a strong policy focus on improving the efficiency of South African cities bode well for the future of the South African property market"
(Prof F Viruly)

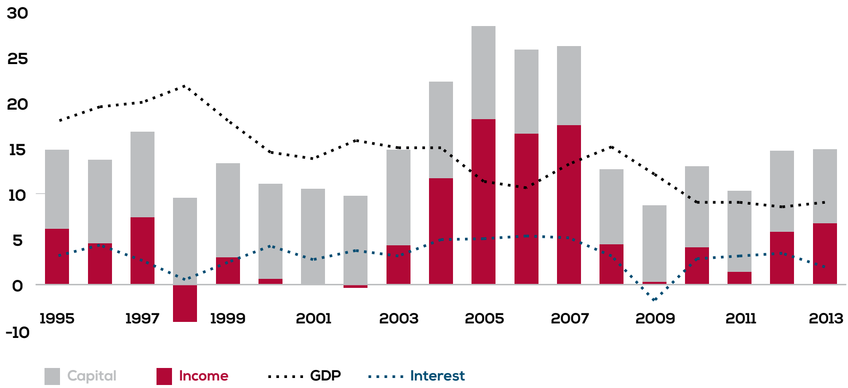
INVESTMENT OVERVIEW

Operating environment

The South African Reserve Bank (SARB) has reduced its economic growth forecasts for 2014 to 2,1% compared to the 1,9% GDP growth achieved in 2013. Yet there are growing indications that economic growth prospects will improve in 2015 and 2016, with GDP growth expected to exceed 3,0%.

The correlation between GDP growth and the performance of the South African property sector is illustrated in the graph below.

South African returns, GDP and interest rates



Source: Investment Property Databank, SARB

Direct investments in the commercial property sector provided a total return of 15,3% in 2013. Over a five-year period, unleveraged property provided a return of 13,5% that positions the sector between the equity market with 15%, and the bond market with 9,0% over the same period.

The strong performance of the commercial property sector reflects the sector's success in addressing high operating cost escalations. According to the Investment Property Databank (IPD), operating costs increased by 13% in 2012 and 12,3% in the first half of 2013. The escalation in operating costs is well above the inflation rate, and will require a continued strong focus on property management and the introduction of improved building efficiencies.

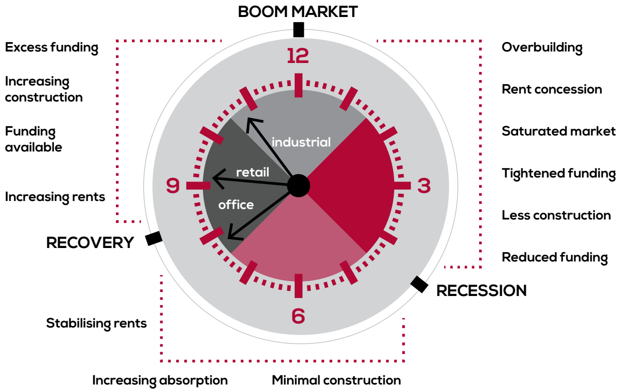
Further analysis of the 2013 IPD returns for the South African commercial sector suggests that in 2013, the industrial sector outperformed with a return of 17,1%, followed by the retail sector at 16,8% and the office sector at 13,6%.

The performance of the retail sector varies considerably across subsectors. Over a five-year period, super-regional shopping centres secured a 14,1% return, compared to 12,3% for small regional centres and 12,9% for community shopping centres.

The South African office sector still records a lacklustre performance driven by high levels of development activity and rising vacancy rates. However, a recent decline in new development activity means that the office sector should return to equilibrium during the course of 2014 and 2015, resulting in a strengthening of rentals and returns.

The South African commercial property market is entering a recovery phase, which should strengthen during the course of 2014 and 2015. The trend is illustrated on page 27 of this report, which shows the industrial sector leading the market, followed by the retail and office sectors.

The property clock



Rising urbanisation trends, a growing middle class and a strong policy focus on improving the efficiency of South African cities bode well for the future of the South African property market.

Management and operational structure

The overall direction and supervision of Accelerate is the responsibility of its board of directors, which delegates its management to the executives. The senior management is responsible for the asset management function, which in turn directs the property management function.

Asset management function: This function renders strategic management services to the company. These services, among others, include:

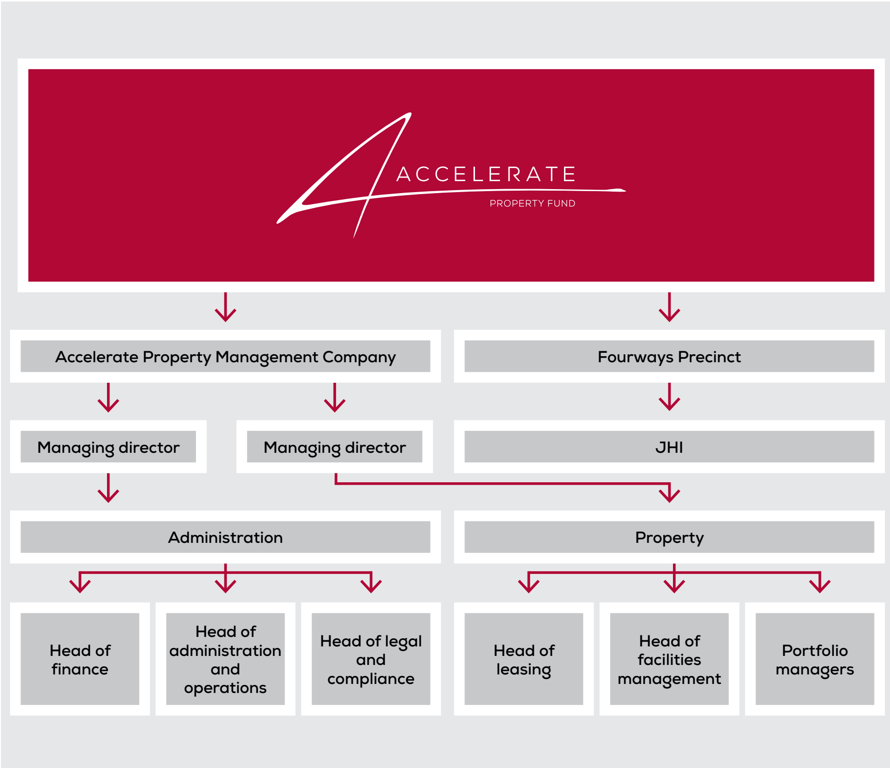
- managing the company's property portfolio to optimise performance over the long term;
- sourcing of new property, considering redevelopment opportunities and strategic disposals;
- evaluating all development and investment proposals presented to the company;
- determining what capital expenditure may be necessary to maintain the company's property portfolio, including refurbishments and improvements;
- preparation of budgets of total anticipated income and expenditure in respect of each property in the company's portfolio;
- monitoring and revising income and expenditure forecasts against budget;
- undertaking research into the state and relative investment merits of the various segments of the property market;
- formulating and implementing letting policies and leasing terms as required by prevailing market conditions and in accordance with the company's objectives; and
- ensuring annual valuations of the property portfolio and the procurement of an external valuation on a three-year cycle on a third of the property portfolio.

Part of the asset management function includes an investment committee, which is chaired by a non-executive director.

Property management function: Fourways Precinct manages nine of the Fourways properties, and has subcontracted its property management services to JHI Properties Management Company. Accelerate Property Management Company manages the balance of the company's property portfolio (43 properties). Both property management services are governed by service level agreements. The property management services include, but are not limited to, the following:

- Marketing vacant space to the general tenancy market and endeavouring to fill any vacancies with appropriate tenants.
- Negotiating and renewing lease agreements with tenants.
- Investigating prospective tenants' creditworthiness, trade history and other relevant information to determine their suitability.
- Collecting rentals per the lease agreements; however, tenants pay all rentals directly to the company.

Operational review (continued)



- Collecting rental deposits, rental security and other contributions pursuant to any lease agreements.
- Liaising with tenants and attending to their requirements.
- Appointing and managing maintenance contractors where required.
- Timely payment of all expenses, including:
  - municipal consumption and service fees;
  - property taxes and other municipal taxes; and
  - duties and levies for the property portfolio.
- Arranging security where required.
- Arranging and supervising the cleaning of properties.
- Being responsible for audits and inspections regarding compliance requirements relating to all relevant laws and regulations.

Further detail on the company's operational structures can be found in the chief operating officer's review on pages 52 to 55.

Tenants and leasing

Profile: Tenants are critical to the sustainability of Accelerate Property Fund's income streams and great care is taken by portfolio managers when sourcing tenants and negotiating lease agreements. Accelerate has approximately 1 680 tenants that are categorised as follows:

- **A** tenants (approximately 360): large national tenants and large listed tenants, including: Absa Bank, ADT, Capitec Bank, Dis-Chem, Edgars, FNB, Foschini, Jet Stores, Macro/MassMart, Medscheme, Nedbank, OK Furnishers, Pepcor, Pick n Pay, Shoprite, Standard Bank, Woolworths.

- **B** tenants (approximately 200): national tenants, listed tenants, franchises and medium to large professional firms, including: Fishmonger, KFC, McDonalds, Mugg & Bean, Nando's, Steers, Spur and Wimpy.
- **C** tenants (approximately 1 120): other.

Accelerate has created a head of leasing position, who will be housed in Accelerate Property Management but will oversee all leasing activities in the company's portfolio.

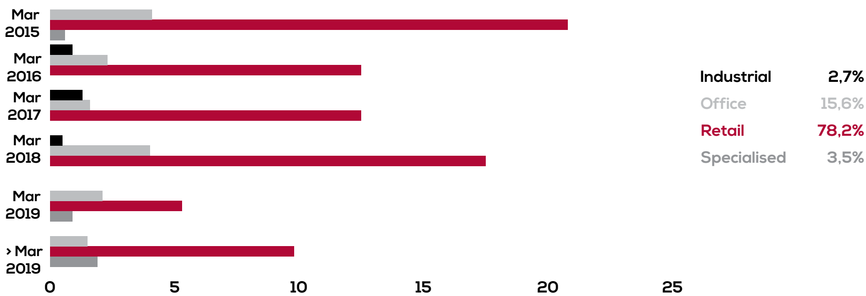
The tenant profile by revenue and by GLA is shown on page 14.

Tenant evaluation: Prior to signing up new tenants, a thorough evaluation takes place upfront. This evaluation process assists in determining a potential tenant's creditworthiness, their trade history and whether the tenant's business offering will be suited to a particular shopping centre.

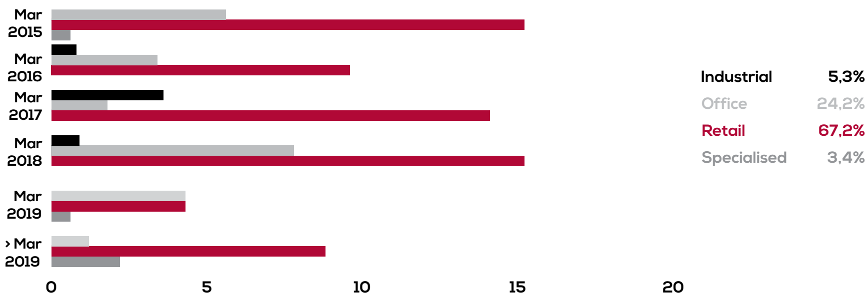
Tenant attraction and retention: When placing tenants in a shopping centre, the portfolio manager ensures that the tenant profile complements the shopping centre's market, what competitor shopping centres are located nearby and that the anchor tenant is correctly placed to maximise foot traffic.

Leasing: The weighted average lease expiry of Accelerate's property portfolio by gross rental is approximately 3,08 years as depicted in the graph below. Furthermore, the weighted average annual escalations across the Fund's property portfolio is approximately 8,35%. As per Accelerate's immediate strategy, it seeks to maintain the average escalations of its property portfolio at above long-term inflation rates.

Lease expiry profile by gross rental (%)



Lease expiry by GLA (%)



Operational review (continued)

Vacancies

Accelerate's total vacancy rate across its property portfolio, as at 31 March 2014, was 10,01% of GLA. The vacancies per sector are shown in the table below. Vacancies are monitored by the executive, senior management and portfolio managers on a weekly basis.

Tenant placements are continually monitored by the portfolio managers throughout the duration of lease agreements. Accelerate prides itself in being a hands-on company that is available to tenants should any issues arise. As such, all tenants have access to the portfolio managers, senior management and executives, as and when necessary. When a tenant experiences financial distress, the portfolio manager will engage with the tenant to analyse the particular situation and determine what the most suitable strategy or solution would be to implement.

Vacancy profile per sector

as at 31 March 2014

	Total	Retail	Office	Industrial	Specialised
Number of properties	52	31	15	3	3
GLA in m²	450 240	303 319	97 825	31 721	17 375
Vacancy (%)	10,01	9,04	18,06	–	–
Vacancy in GLA m²	45 090	27 427	17 663	–	–
Percentage of GLA (%)	1,35	2,00	–	–	–
GLA covered by guarantees (vacancies within the Fourways node) in m²	6 067	6 067	–	–	–
Percentage of GLA (%)	4,49	2,97	11,46	–	–
GLA relating to conditional deferred payment in m²	20 203	8 996	11 207	–	–

Operational efficiencies

Maintenance: To preserve the asset values in Accelerate's property portfolio, it is important that its properties are regularly maintained. The outsourced property management companies are responsible for property maintenance in accordance with a predetermined budgeting process and any major variances are monitored on a monthly basis. Most major shopping centres have an operations manager and maintenance team on site to address tenants' maintenance problems. Service level agreements are in place for waste management, security, cleaning, landscaping, and pest control services.

Resource efficiencies: Material items of expenditure in Accelerate's property portfolio include rates and taxes, and metered municipal expenses including electricity and water. Metered expenditure consisting of rates, taxes and water is forecast to increase, mainly due to these increases being at a higher rate than the South African consumer price index. This continued increase in municipal expenses places a material burden on Accelerate's tenants across all its sectors, as these costs are recovered from the tenants in their monthly rentals. Accelerate is in the early stages of exploring energy- and water-efficient alternatives and will be in a better position to elaborate on these initiatives in future integrated annual reports.

More information on the company's operations can be found in the chief operating officer's review on pages 52 to 55.

SECTORAL REVIEWS

Indicator	APF property portfolio (total)	Retail	Specialised retail	Office	Industrial
Number of properties	52	31	3	15	3
Asset value (R'000)	6 147 200	4 971 877	267 450	796 154	111 718
Value per sector (%)	100,00%	80,88%	4,35%	12,95%	1,82%
Average property value (R'000)	118 215	160 383	89 150	53 077	37 239
Total GLA (m^2)	450 240	303 319	17 375	97 825	31 721
GLA as % of portfolio	100,00%	67,37%	3,86%	21,73%	7,05%
Valuation per m^2	13 653	16 392	15 393	8 139	3 522
Total gross monthly rental (GMR) (R'000)	55 867	44 291	1 596	8 746	1 234
GMR as % of portfolio	100,00%	79,28%	2,86%	15,66%	2,21%
GMR (excluding undeveloped bulk) (rand per m^2)	124,08	146,02	91,85	89,41	38,89
Net property income (excluding straight-lining) (R'000)	139 149	109 272	3 636	22 188	4 053
Average % of net property income	100,00%	78,53%	2,61%	15,95%	2,91%
Average gross rental (rand per m^2/month)	84,29	98,25	57,08	61,86	34,84
Average escalation (%)	8,35%	8,46%	8,59%	8,06%	6,82%
Expense to income ratio	18,8%	–	–	–	–
Weighted average lease period (years)	3,08	3,0	4,8	3,08	2,8
Future development bulk (m^2)	74,135	60,500	13,635	–	–

Sectoral reviews (continued)

Ten largest letting properties by market value

Purchase consideration (R'm)	Purchase price on listing	Contingent purchase consider-ation (agterskot)	Potential total purchase consider-ation	Fair value 31 March 14	GLA (m^2)	Acquisition price/m^2 (excluding bulk and contingent purchase consider-ation where applicable (rand)
Fourways Shopping Mall Centre	1 935,18	–	1 935,18	2 145,08	61 480	31 476,61
Cedar Square	732,12	–	732,12	774,16	46 025	12 865,22
Fourways View	259,02	–	259,02	319,30	12 962	19 983,34
The Buzz Shopping Centre	241,00	–	241,00	286,17	14 291	12 560,30
Fourways Game	135,96	–	135,96	166,60	8 763	15 515,11
BMW Fourways Building	152,30	–	152,30	165,56	13 098	7 984,23
Leaping Frog	147,12	–	147,12	148,00	11 139	13 207,74
Kyalami Downs Shopping Centre	130,00	–	130,00	132,00	14 096	9 222,47
Oceana House	112,12	8,03	120,15	115,51	7 226	15 516,01
1 Charles Crescent	110,81	–	110,81	119,40	13 723	8 074,66
Total for 10 largest properties by value	3 955,63	8,03	3 963,66	4 371,78	202 803	18 276,03
Total property Portfolio (excl Bela Bela)	5 441,47	209,78	5 651,26	6 075,70	440 521	11 786,67
Bela Bela	71,00	–	71,00	71,50	9 719	7 305,28
Total property Portfolio	5 512,47	209,78	5 722,26	6 147,20	450 240	11 689,93

Retail

Fourways retail properties

The Fourways retail properties consist of nine letting enterprises, most of which are major retail centres within Fourways, that comprise approximately 63% of the value of Accelerate's property portfolio. The flagship asset is the Fourways Mall Shopping Centre, which will be subject to a future development resulting in 90 000 m^2 of additional retail space, culminating in Fourways Mall transforming into a super-regional shopping centre. Other prominent letting enterprises within the Fourways retail node include Fourways View, Cedar Square, The Buzz Shopping Centre, Fourways Game and Leaping Frog.

Some of the key highlights, challenges and focus areas going forward, since Accelerate Property Fund's listing in December 2013, are shown to the right.

Highlights	Challenges	Looking ahead
Excellent trading densities and demographics in the Fourways area.	Meeting the lettable space demand for local national tenants and international clients looking to penetrate the South African market.	The Fourways development will result in 90 000 m^2 additional letting space, which will lead to additional and increased revenues.
Flagship asset: Fourways Mall is the dominant mall in the region with major road arterials and access to the N1 highway.	Tough economic climate affecting consumers' disposable income. Mall requires refurbishment.	Opportunity to acquire up to 50% undivided ownership in a super-regional shopping centre, and improved infrastructure once development is completed. Fourways Precinct to undertake a R30 million revamp at no cost to Accelerate.
High occupancy rates – approximately 90%.	Traffic congestion.	Fourways Precinct has earmarked R270 million to be utilised for road infrastructure improvements around the new super-regional mall.
Anchored by blue-chip/national tenants including Dis-Chem, Edgars, Game, Shoprite and Woolworths.		
Good weighted average lease expiration dates and market-related rentals.		

Specialised retail properties

The specialised retail properties consist of three letting enterprises, which are all purpose-built motor dealerships within close proximity of the Fourways Mall Shopping Centre. These include:

- BMW Fourways as well as Ford and Mazda, which are ideally situated with good vehicle exposure and are let by single tenants. Comprise a workshop, showroom, parking, and offices; and
- Sasol Delta, which comprises a Sasol garage, workshop, showroom and 37 parking bays.

Highlights	Challenges	Looking ahead
Well supported by the surrounding retail/office developments.	Meeting the lettable space demand for additional motor dealerships.	Utilise bulk to develop additional motor dealerships and for other specialist projects, e.g. hotels.
Excellent positioning in a well-accessed area with good exposure.	Tough economic climate affecting consumers' disposable income.	

Sectoral reviews (continued)

Other retail properties

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

Highlights	Challenges	Looking ahead
Accelerate is able to extract value through hands-on management and comprehensive understanding of the profile and mix of tenants required.	Tough economic climate affecting consumers' disposable income.	Certain centres have been earmarked for extensions and upgrades.
Centres are well located with regard to convenience catering for the middle living standard measure (LSM) group.	Continue providing modern secure well-managed facilities to meet the changing demand of tenants.	Tenant demand for larger premises will drive other redevelopments.
Geographically well located.	New competition on the increase.	
Competitive rentals charged.		
Most properties have easy access via main arterial routes.		

Office

Office properties

The office properties comprise 15 properties. Certain of the properties are situated in areas that are in line with Accelerate's vision to dominate strategic property nodes and others are linked to retail centres.

The focus is on the following key areas:

- Fourways, which is positioned to develop into a major CBD to complement the established Sandton zone.
- Cape Town Foreshore, chosen for its strategic position and the imminent expansion of the Cape Town CBD and foreshore.
- Charles Crescent, which is situated 3 km from the Sandton CBD with motorway access and exposure, and is undergoing rapid improvements as an area.

Highlights	Challenges	Looking ahead
Various locations around South Africa, predominantly in Gauteng and Cape Town.	Meeting the constant change in office trend requirements to reflect owners' type of business.	Opportunities exist to re-profile certain B-grade offices to A-grade offices.
Located close to large retail hubs.	High vacancy rate due to companies centralising and relocating to owned buildings as opposed to leased offices.	Ongoing upgrading and tailoring of offices to meet tenants' requirements.
Blue-chip national tenants including: Ster Kinekor, Oceana, Mustek, ADT, Cape Metro Police, Regus, Moresport.	New office buildings need to embrace the 'go-green' concept, which is a relatively costly upfront expense.	Accelerate will invest in sustainable solutions in its key focus nodes.

Industrial

Industrial properties

The industrial component comprises of three letting enterprises, namely 10 Charles Crescent, Edcon and Meshcape Edenvale. In this asset class, it is our intention to identify and acquire multi-purpose, single-tenant properties in good locations.

Highlights	Challenges	Looking ahead
10 Charles Crescent, Sandton Located within an industrial/ commercial node with easy access to the N1 highway, very close to Sandton.	High capex spend.	Upgrade the buildings as Sandton grows and incorporates the node.
Edcon Property located within a small, established, industrial node in Cape Town. Easy access to rail.		Increase industrial property portfolio per guideline above.
Meshcape, Edenvale Property comprises an industrial development with two office buildings, two factories and two warehouses. Located on the border of an established middle-income residential area and an older industrial area.	Successful and satisfactory renewal of lease when it comes up for renewal.	

DETAILED PROPERTY LIST

Property name	Region	Acquisition cost (R'm)	GLA	(Net rental/m²)
Retail				
Fourways Mall Shopping Centre	Gauteng	1 935,2	61 480	177,3
Cedar Square	Gauteng	732,1	46 025	105,0
Fourways View	Gauteng	259,0	12 962	135,3
The Buzz Shopping Centre	Gauteng	241,0	14 291	95,2
Leaping Frog	Gauteng	147,1	11 139	97,7
Fourways Game	Gauteng	136,0	8 763	104,6
Kyalami Downs Shopping Centre	Gauteng	130,0	14 096	97,0
Cherry Lane	Gauteng	80,5	11 672	82,8
Mr Price	Western Cape	71,9	8 080	70,9
Bosveld Mall (Bela Bela)	Limpopo	71,5	9 719	83,1
The Pines	Western Cape	64,2	7 621	82,6
Rock Cottage	Gauteng	63,0	6 274	106,9
Wilrogate Shopping Centre	Gauteng	59,0	10 255	74,3
Willows Shopping Centre	Gauteng	58,7	9 166	84,6
Venter Centre	Gauteng	53,1	7 470	76,7
Tyger Manor	Western Cape	48,8	3 747	109,2
Eshowe	KwaZulu-Natal	47,3	11 775	56,4
Highveld Centurion	Gauteng	43,5	4 777	98,8
Waterford Shopping Centre	Gauteng	39,3	6 597	77,0
Eden Terrace	Gauteng	32,0	4 661	82,9
Eastlynne Shopping Centre	Gauteng	30,5	7 633	58,3
9 Main Road Melville	Gauteng	27,3	3 213	96,6
Rietfontein Pavilion	Gauteng	24,4	3 781	78,9
Beacon Isle	Gauteng	17,7	2 090	95,5
Cascades	Gauteng	14,0	3 441	50,1
Valley View Unit 1, 4, 5 & 7	Gauteng	10,2	1 991	96,3
Corporate Park Shopping Centre	Gauteng	9,2	5 200	72,6
Wilropark Shopping Centre	Gauteng	9,0	2 332	66,4
14 Main Road Melville	Gauteng	8,2	1 138	56,6
7 & 11 Main Road Melville	Gauteng	7,8	1 973	99,9
Total/weighted average per property type		**4 471,4**	**303 362**	**108,2**
Specialised retail				
BMW Fourways Building	Gauteng	152,3	13 098	52,4
Ford and Mazda Building	Gauteng	52,1	2 557	149,4
Sasol Delta Building	Gauteng	50,1	1 875	210,7
Total/weighted average per property type		**254,5**	**17 530**	**83,5**

Property name	Region	Acquisition cost (R'm)	GLA	(Net rental/m²)
Office portfolio				
Oceana House	Western Cape	112,1	7 227	86,7
1 Charles Crescent	Gauteng	110,8	13 273	64,6
PriMovie Park	Gauteng	83,1	17 364	32,7
Flora Office Park	Gauteng	71,4	14 673	51,5
Keerom Chambers	Western Cape	58,7	4 507	119,6
Thomas Pattullo	Western Cape	43,9	4 965	119,2
99 – 101 Hertzog Boulevard	Western Cape	41,7	3 620	105,3
Glen Gables	Gauteng	32,6	6 646	70,9
Triangle House	Western Cape	29,7	3 562	84,5
Mustek (89 Hertzog Boulevard)	Western Cape	24,6	4 500	76,3
Mill House	Western Cape	23,0	3 225	60,0
Highway Gardens Office Park	Gauteng	18,8	5 787	54,8
9 Charles Crescent	Gauteng	17,1	4 298	90,2
Absa Brakpan	Gauteng	10,3	2 797	82,4
Exact Mobile	Gauteng	–	1 106	86,6
Total/weighted average per property type		**677,7**	**97 550**	**68,3**
Industrial				
Edcon	Western Cape	56,1	14 775	35,8
Meshcape Edenvale	Gauteng	32,6	13 501	31,3
10 Charles Crescent	Gauteng	20,8	3 445	58,6
Total/weighted average per property type		**109,5**	**31 721**	**36,4**

Weighted average rental per square metre is calculated net of any recoveries.

EXECUTING ACCELERATE PROPERTY FUND'S STRATEGY

As part of executing its strategy, Accelerate plans to ensure Fourways Precinct implements the Fourways Development and the refurbishment of the Fourways Mall Shopping Centre. Accelerate will itself also attend to the upliftment of certain properties within its portfolio. All these initiatives will link into Accelerate's primary objective of providing an enhanced income stream and growing its asset base, which in turn allows its shareholders to participate in future revenue streams.

Fourways Development

Fourways Precinct, the previous owner of the Fourways properties and the holder of the development rights, will implement the Fourways Development to introduce an additional 90 000 m² of retail space at the Fourways Mall Shopping Centre. Following the Fourways Development, the Fourways Mall Shopping Centre will be a super-regional shopping centre. Accelerate and Fourways Precinct will each hold an undivided share in this combined letting enterprise. Accelerate has the right to own up to 50% of the combined letting enterprise. As part of the Fourways Development, infrastructure and traffic upgrades to significantly improve access to the Fourways Mall Shopping Centre will be undertaken by Fourways Precinct. These upgrades will have significant benefits for Fourways Mall Shopping Centre and surrounding Accelerate properties.

Fourways Precinct has a highly experienced and skilled development team who, collectively, have managed over 100 developments. This team will, in conjunction with industry-leading construction companies and related service providers, implement the Fourways Development. The Fourways Development is anticipated to take three years once construction has commenced.

There is a robust reporting structure in place between Fourways Precinct and Accelerate to keep the company apprised of the Fourways Development progress. Accelerate is represented on the Fourways Precinct board.

Fourways Development progress

Rezoning	The rezoning for the first phase of the development was in place since 2009.
Funding	The funding arrangements are in the final stages.
Selection of main contractor	Tendering for portions of the contracting have been finalised.
Infrastructure and traffic upgrades	Infrastructure and traffic upgrades will occur during the construction programme. It is critical that traffic solutions are in place and have been achieved prior to opening the Fourways Mall Shopping Centre.
	Fourways Precinct and Accelerate recognised that patrons need to access and exit the Fourways Mall Shopping Centre with the same ease. Initiatives to assist in achieving ease of access to date include: • an in-depth traffic study by Fourways Precinct, which has been approved by the city council and incorporated into the Johannesburg Road Agency's (JRA) future traffic upgrade model; and • committed resources (funds and capacity) by the JRA to develop public transport and implement further road upgrades.
Stakeholder engagement	**Tenants:** The centre managers have been proactive in engaging with their tenants through newsletters, briefing sessions and one-on-one meetings.
	Residents and the community: Proactive engagement has taken place to inform residents about the environmental impact the construction will have on the surrounding Fourways area. Measures taken to mitigate excessive noise levels include keeping construction vehicles off the roads during peak periods, blasting in designated time periods, and having materials delivered at night, where possible.
	All the necessary occupational health and safety certificates will be obtained from the contractor prior to construction. Fourways Precinct will also ensure that required and additional security measures are in place for the public during construction. Cash resources have been allocated to well-lit and covered boarding with informative branding to keep the public abreast of construction progress.

Executing Accelerate Property Fund's strategy (continued)

Investment case for the Fourways Development

- The Fourways area has been earmarked as the next CBD.
- The local municipality has approved a GLA of approximately 400 000 m² of development rights.
- Accelerate is well positioned in the Fourways area – this development provides a unique opportunity for growth into the future.
- The Fourways area is one of the most anticipated retail property development nodes in South Africa, and is the crossing point of two major arterial routes in the prestigious northern suburbs of Johannesburg.
- Fourways boasts one of the fastest-growing commercial and residential hubs in northern Johannesburg.
- Close proximity to amenities, such as Lanseria airport, prestigious schools, Life Hospital Fourways, well-known residential estates and hotel and conference venues.
- Fourways Precinct will be responsible for the cost of this development.
- Once linked with the current Fourways View and Game Store, the end result will be a super-regional shopping centre with approximately 175 000 m² under one roof.
- There are plans to achieve around 1 000 000 m² of rights in the future, including a 60-storey high-rise building.
- Approximately R270 million will be spent on the adjacent road infrastructure and R30 million on the refurbishment of the existing Fourways Mall Shopping Centre.
- Infrastructure spend, including fly-ways directly into the Fourways Mall Shopping Centre from the existing road network have been planned and approved.
- The development has the ability to become a major tourist destination, with access to domestic and private commuters by means of Lanseria airport and the future Gautrain expansion.
- Limited risk to shareholders – the Fourways Development is planned to minimise any disruption to the day-to-day operations of the mall. This notwithstanding, Fourways Precinct has provided an income guarantee equal to the Fourways Development guaranteed income to Accelerate (secured by cash and shares) for the period of the development.
- The current demand for space and the above-average trading density in the centre has resulted in national tenants expressing strong interest to take up space.
- New international tenants who are entering the South African market have also expressed interest in taking up space.

Graphic impression of what the ultimate Fourways Development will look like

Refurbishment and upliftment

Fourways Mall Shopping Centre refurbishment

Fourways Precinct has undertaken to attend to a refurbishment of the existing Fourways Mall Shopping Centre which should be completed before the Christmas trade in 2014. These refurbishments are planned at no cost to Accelerate.

Property upliftment

Certain properties within the portfolio have been earmarked for upliftment. Examples of certain projects are set out below.

Kyalami – Implementation of slip road to improve access to the property underway (environmental impact study being finalised).

Flora Office Park – We have undertaken remedial work within the park that should be completed during June. Further enhancements to the buildings will be undertaken specific to existing tenant requirements.

Pipeline

Accelerate Property Fund has access to a significant pipeline of properties through its pre-emptive right to acquire most letting enterprises with a transaction value above R100 million within the Georgiou Group property portfolio. In particular, Accelerate has pre-emptive rights over certain key properties such as the Parow Centre in the Western Cape and Loch Logan (the largest shopping centre in central South Africa) in Bloemfontein, Free State.

Furthermore, Accelerate's inherent network among unlisted property owners provides opportunities to access a unique pipeline of off-market acquisitions. Following its listing in December 2013, Accelerate purchased a property with a GLA of 9 719 m^2, Bela-Bela Shopping Centre, which is located in the Limpopo Province.

Operating profits per sector

R521,4m
Retail

R34,8m
Office

R17,8m
Specialised retail

R6,6m
Industrial

STAKEHOLDER REPORTS

CHAIRMAN'S REVIEW

Overview

It gives me pleasure to present Accelerate Property Fund's first integrated annual report as at 31 March 2014. We believe that integrated reporting is an appropriate way of transparently communicating with our stakeholders, as it encompasses our financial and non-financial information. This report is the first step in our reporting journey and our future goal is to continue producing a report that presents a balanced and informative analysis of Accelerate for all our stakeholders.

Accelerate Property Fund listing

Accelerate's listing was approached with enthusiasm and some trepidation – enthusiasm because we, the board, believed in our team's ability to execute the listing with their inherent passion, and trepidation because of the fear of the unknown. The listing was well received by the market, as is evident by our shareholding, which includes a variety of well-known South African financial institutions, asset managers and

"As a publicly listed company, we are better positioned to execute our value-creation and growth strategies. We look forward to using this platform to invest in well-priced income-producing properties to optimise capital and income returns for shareholders."

Tito Titus Mboweni, non-executive chairman,
Accelerate Property Fund

pension funds. It was also pleasing to note that our share price remained around R5,00 and analysts have quoted Accelerate's shares as a 'buy'.

Following our listing, it is now up to Accelerate to deliver on its strategic objectives to create and sustain shareholder wealth. Even with our reporting period comprising just over three months, the board is satisfied that the progress to date regarding key strategic deliverables.

Further detail on how Accelerate is executing its strategy is discussed on page 18 of this report.

Economic operating environment

The board is aware of the fact that the global and local economic outlook remains relatively bleak and that the South African economy is still feeling the effects of slow economic growth. This slow growth places ongoing strain on consumers' disposable income. In South Africa, the impact of the interest rate hike earlier in 2014 has increased the pressure on consumers to service their debt and all indications are that there may be further interest rate increases, which, coupled with increasing inflation rates, will bring greater pressure to consumers.

Closer to home, the negative impact will place the retail sector under pressure. This makes it imperative for Accelerate to actively manage costs and support social entrepreneurship, particularly among women and youth, as this can have far-reaching benefits in supporting the government's national development plan in respect of job creation.

Within the property sector, the Real Estate Investment Trust (REIT) legislation has been a positive step for South Africa in aligning it with international best practice and making South Africa's listed property sector more attractive to foreign investors. Investing in property remains a good investment compared to other sectors as, although it no longer offers double-digit returns, it still provides an investor with alternatives to beat inflation, through capital investment growth, and by providing regular income distributions.

Accelerate's high retail sector exposure of 67,4% is part of its growth strategy and it was pleasing to note that the company's projected annualised yield of 9,71% is above the overall property sector. Even in tough economic conditions, Accelerate has maintained its local blue-chip tenants and has even been approached by some international retail brands, which is encouraging for revenue streams. The office sector remains the most challenging. Accelerate's exposure to this sector is 21,7% and its industrial sector exposure is much smaller at 7,1%. The specialised retail sector has the lowest exposure at 3,9%.

Some of the challenges Accelerate is faced with include the increased cost of funding. However, the company is in an advantageous position with its robust hedging strategy that will protect its income stream against interest rate volatility for at least the next three years. As at 31 March 2014, approximately 89% of Accelerate's debt was hedged.

A further challenge is the increased competition in the property sector due to the limited stock available in the market and the recent introduction of the REIT legislation. Accelerate is in a unique position, with its significant pipeline, to access quality stock through the Georgiou Group property portfolio and through management's access to private unlisted portfolios.

The increase in municipal charges is still a challenge. Accelerate recognises that its operations could have a negative impact on the environment, if operations are not carried out taking the environment into consideration. As such, plans are underway to explore the feasibility of green initiatives to reduce energy and water use.

Financial performance

We are pleased to report that during the period under review of just over three months and 20 days, Accelerate achieved a net profit of R552,8 million, significantly above what was expected, driven primarily by the R425 million fair value adjustment on investment property and a mark-to-market movement of R30 million on financial instruments. In addition, our pro rata distribution per share for the period of 13,77 cents per share was higher than our forecast of 13,72 cents per share.

For details on our financial performance, please refer to the chief executive officer's review and financial statements on pages 48, and 96 to 128 of this report.

Chairman's review (continued)

Governance

The board appreciates that good corporate governance is the foundation on which an ethical and transparent business is built. As such, we have embraced the principles of King III and implemented a robust governance framework that will assist the board in directing the company in a responsible manner, taking cognisance of the community and environment in which we operate. A detailed board work plan was drawn up, based on the recommendations of King III, the Companies Act and the JSE Listings Requirements. Furthermore, the code of ethics was approved by the board and encapsulates our values of integrity, honesty and trust.

I am fortunate to be serving on Accelerate's board alongside my fellow board members who have significant property, business, finance, risk and governance experience. Our well-balanced board provides the correct mix to strategically direct the company into the future and I look forward to this journey. For further details on the board of directors, please refer to page 50 in the chief executive officer's report and to pages 68 to 75 for their résumés.

Transformation and sustainability

Accelerate embraces transformation and sustainability as part of its DNA. Our strategy of planned developments, upgrades and acquisitions will reinforce transformation in South Africa by creating jobs and providing business opportunities to entrepreneurs. This strategy also demonstrates Accelerate's commitment to the government's national development plan. The company, through its corporate social responsibility policy, also believes that investment into social development will uplift and empower individuals who have the potential and desire to make a difference in their own environment.

Stakeholder engagement

Creating and maintaining stakeholder relations is part of our culture and relationship building is considered critical at board level. The social and ethics committee ensures that the board is kept apprised of any key issues raised by the company's stakeholders and how the company responds to such issues.

Further detail on Accelerate's stakeholder engagement process is shown on pages 64 and 65 of this report.

Prospects

The board is confident in management's ability to take Accelerate to the next level and are optimistic about international retailers' appetite for lettable space in South Africa. Furthermore, with our development prospects, upgrades and refurbishments, we anticipate potential for job creation and transformation opportunities that will align to the South African government's national development plan.

Appreciation

In closing, I would like to extend my appreciation to my fellow board members, the executive management team and Accelerate's employees, who have all shown commitment and passion in a tough economic environment, and I look forward to taking Accelerate Property Fund forward in its property journey.

Mr Tito Titus Mboweni
Chairman
20 June 2014


101 HERTZOG BOULEVARD
AUTOMATIC DOORS
AUTOMATIC DOORS

CHIEF EXECUTIVE OFFICER'S REVIEW

Accelerate Property Fund's listing on 12 December 2013 marked a memorable occasion, as it was the realisation of a vision to build a stronger, more focused business, with the aim of consolidating our position in the growing Fourways area, and growing our asset base geographically, while maintaining a bias toward the defensive retail sector. Key factors that favoured the timing of our listing included the launch of the Real Estate Investment Trust (REIT) legislation, which provides an incentive for listed property companies to access capital gains tax and other benefits enjoyed by REITs. Furthermore, as a team we felt the timing was right for us to take this next logical step.

In determining the company's name, Accelerate, it was important to reflect the history and incorporate a vision of commitment to growth, energy and value creation.

The Fourways area has developed into a strong node over the last 10 years. It is characterised by a variety of retail centres, entertainment

"Listing on the JSE's main board on 12 December 2013 marks a major milestone for Accelerate, which has extremely strong fundamentals and an exciting future ahead. We have a dynamic and experienced management team that is focused on realising value for shareholders and delivering on our targets."

Michael Georgiou, chief executive officer,
Accelerate Property Fund

amenities, schools, hospitals and an established residential footprint, and it is located close to Lanseria airport. Fourways is one of Accelerate's strategic priorities and comprises approximately 63% of the property portfolio value. A recent demographic and socioeconomic profile indicated that there are currently more than 100 000 households in this primary trade area and the average age of its residents is 39 years, with a strong proportion of shoppers between the ages of 25 and 49, mainly in the full nest and young lifestyle stages.

Accelerate has the benefit of a natural pipeline of potential property investments from within the Georgiou stable and through management's relationships in the industry.

During the period under review, Accelerate purchased Bela-Bela Shopping Centre, which is based in Limpopo. This property has a gross lettable area of 9 719 m^2 and brings our total property portfolio as at 31 March 2014 to 450 240 m^2.

Operating environment

The listed property sector has seen a wave of new listings since 2011, as a result of various factors, including the demand for higher yielding investments in a low interest rate environment, the introduction of the REIT legislation, unlisted portfolios attempting to benefit from cheaper listed equity capital for expansion, and the ability to access debt capital markets, among others. In recent months, the sector has undergone a fair amount of consolidation, a trend I expect to continue as smaller funds, are acquired by more dominant funds, given the lack of quality stock available. Fortunately, Accelerate benefits from a natural pipeline and a stable investor base. The listed property sector continues to offer investors a stable cash flow and consistent capital returns, which provides investors with an attractive asset class. Accelerate's projected income yield of 9,71% for shareholders is a significantly higher return than the listed property sector's annual return.

Risks and challenges are inherent in any business and at Accelerate, we aim to manage key risks and challenges proactively through a robust risk management process. Details of Accelerate's key risks are detailed on page 56 of this report.

Financial performance

There has not been a sizeable change in the property market since the start of our operations on 12 December 2013 and the financial year-end of 31 March 2014, even though the market was subjected to a 0,5% increase in the prime rate of interest in January 2014. We traded well in this environment, and have managed to entice some good quality tenants to rent commercial space from us. The fund was largely unaffected by this interest rate increase as a result of the fund's hedging strategy, whereby interest rate swaps have been put in place with a weighted average maturity of 3,1 years. This swap fixes the interest rate payable by Accelerate at 7,1% on approximately 90% of our interest-bearing debt. The company is currently looking at various methods of minimising its exposure to interest rate risks over a longer period.

Accelerate earned a gross rental income of R205 million for the trading period, which comprises net rentals of R160,7 million (including R2,4 million for rental guarantees charged to the properties' vendors) and R44,2 million of operating expense recoveries. The company's major expenses, being utility charges (R49,8 million), security (R6,4 million) and cleaning costs (R2,7 million), were largely recovered in terms of its leases. The company spent R2,8 million on repairs and maintenance of its properties. The net property expenses of R21,5 million (being 13,4% of revenue before recoveries), in conjunction with R8,7 million other operating costs (being 5,4% of income), resulted in Accelerate reporting an 18,8% cost-to-income ratio.

The company's major assets consist of commercial properties, held for income-producing purposes, and are valued at R6,15 billion. The fund has valued its interest rate swaps at R131,7 million, as these swaps are expected to result in reduced costs of funding in the future. The company has entered into a sale agreement in respect of a property shown as held for resale to the value of R66,7 million, which is expected to transfer in the first half of the new financial year. Accelerate's current assets, consisting of trade receivables and cash equivalents of R176,7 million, are considered sufficient to repay the Fund's current liabilities consisting of trade and other

payables amounting to R101,8 million.
The current portion of long-term debt of R358 million, repayable on 11 December 2014, is to be financed via the capital markets through an issuance under the company's domestic medium-term note programme, to be rated by Global Credit Ratings (GCR). The fund's major liability consists of an interest-bearing long-term debt of approximately R2 billion.

The Fund generated its cash flow on listing by the issue of 638 million shares, resulting in an inflow of R3,1 billion, which, together with the long-term debt financing of R2,4 billion allowed the fund to purchase properties at a cost of R5,4 billion. The fund's operating activities resulted in cash inflows of R113 million, which was utilised towards paying net finance costs of R50,9 million. The above resulted in a net retention by the fund of R57,6 million of cash and cash equivalents at year-end.

Operating profits per sector as at 31 March 2014 were as follows:

- Retail: R521,4 million
- Office: R34,8 million
- Specialised retail: R17,8 million
- Industrial: R6,6 million

Board of directors

From a board selection process, tremendous effort and time was invested in selecting the right members. The shareholders' objective was to select a board with a balance of property and business experience, underpinned by integrity, honesty and a commitment to corporate governance. We are delighted that we achieved our objective. We believe the Accelerate board has the correct mix of experience to direct the company strategically into the future.

A brief overview of each of the board members' résumés are shown on pages 68 to 75 – I have highlighted key attributes of each of our independent non-executive directors below.

Tito Titus Mboweni – independent non-executive chairman

Mr Mboweni brings a wealth of socioeconomic, political and business experience. His most memorable position was that of governor of the South African Reserve Bank from 1999 to 2009. Mr Mboweni currently serves on several South African boards across various business sectors and is involved in the economic development and transformation of South Africa. He is also a member of the ANC's National Executive Committee and various subcommittees.

Gert Cruywagen – lead independent non-executive director

Dr Cruywagen's position as Accelerate's lead independent non-executive director, chairman of the investment committee, and member of the audit and risk committee is most fitting as he is a member of the King committee and has vast experience in corporate governance, risk management and general business.
Dr Cruywagen also serves on several South African boards across various business sectors.

Tim Fearnhead – independent non-executive director

Mr Fearnhead's audit and accounting experience, obtained while being a partner at Deloittes for 21 years, will stand Accelerate in good stead and he is ideally positioned as the chairman of our audit and risk committee. Mr Fearnhead holds a number of non-executive board and committee positions.

John Doidge – independent non-executive director

Mr Doidge, an admitted attorney, brings vast knowledge and experience in the law and practice of trusts, securitisation and structured finance and looking after the interests of stakeholders. Over the last decade, he has served on a number of boards, many of which have listed notes or investment products.
Mr Doidge chairs the remuneration committee.

François Viruly – independent non-executive director

Prof Viruly is a property economist with over 20 years' property consulting experience. He brings a wealth of property knowledge to the board and his extensive research into the South African property cycle, the drivers of the South African property market and the relationship between urban economics and property markets will be relevant as Accelerate embarks on its development plans. He is a valued member of the investment committee.

Kolosa Madikizela – independent non-executive director

Ms Madikizela brings valuable knowledge and insight into construction, project management, procurement and engineering design through her experience in a number of resource organisations, most notably Aveng and Shell.

Executive management

Not only does the Accelerate board come with vast experience, our executive management brings with it a dynamic, entrepreneurial flair with extensive corporate, legal, financial and property-related experience.

Employees

We value our employees and ensure that we select people who complement our management team's passion for the property industry, conduct business in an open, honest and transparent manner, and believe in our vision to establish rewarding partnerships.

Stakeholders

We acknowledge that without our stakeholders, Accelerate would not be a sustainable business. It is important for us to communicate with key stakeholders on a regular basis. One of the communication media we will use is our annual integrated report which, as we grow, will continue expanding on Accelerate's journey to becoming a main property fund contender within South Africa.

Outlook

With our experienced board and management team, quality property portfolio, robust corporate governance and value creation strategies, we believe we are well positioned for this stage in the life of Accelerate.

I am confident that as a team we are well positioned to create shareholder value going forward by:

- actively encouraging and monitoring the Fourways Development process;
- capitalising on opportunities to acquire property and expand our asset base;
- upgrading and refurbishing properties where necessary; and
- providing solid returns to shareholders through distributions.

Appreciation

There are a number of people to thank for their contribution to achieving Accelerate Property Fund's listing. Firstly, to our new shareholders and bankers, thank you for your commitment and support. To our advisors, you have all been an intrinsic part of the listing process and your counsel and hard work has been invaluable.

To our valued tenants, and the customers we serve, thank you for your continued commitment to the company.

In closing, I would like to thank our team at Accelerate for their hard work. It is because of our staff's dedication to the company that we have been successful in taking this important step, and in our future successes.

Michael Georgiou
Chief executive officer
20 June 2014

CHIEF OPERATING OFFICER'S REVIEW

Operational structures

Since listing as a new company we have been bedding down our property management structures and reporting lines to ensure correct reporting lines and decision-making structures. Although property management has been outsourced to two external entities, Accelerate Property Management Company and Fourways Precinct, the fund does have executive representation in both entities and has influence to ensure reporting that is efficient and seamless. With regards to Accelerate Property Management Company, responsibilities have been mandated to two managing directors with distinct areas of responsibility, namely (1) administration and (2) property management. Systems and controls are in place to ensure accurate and timely reporting to Accelerate Property Fund's executive management and board. Although certain of the property management functions have been outsourced by Fourways Precinct to JHI and by Accelerate Property Management Company to Baker Street Properties and Rennie

"We have bedded down our administrative and operational structures and have governance structures within Accelerate to ensure transparency and accountability, yet maintaining a good degree of entrepreneurial flair."

Andrew Costa, chief operating officer,
Accelerate Property Fund

Property Management, all reporting is centralised in Accelerate Property Management Company.

We place significant emphasis on our people and continuously train and upskill our staff in order to empower them to achieve the company's and their personal goals.

Please refer to page 5 of this report for a graphic depiction of Accelerate's operating structure.

Accelerate's asset management function is likewise fully bedded down. It consists of an asset management forum which is driven by the chief investment officer and the chief executive officer. The forum considers acquisitions, strategic disposals and possible redevelopments. The forum also guides and instructs the property management function.

It implements projects within its mandate and makes recommendations to the investment committee.

The investment committee in turn makes decisions on proposals put to it by the forum or makes recommendations to the board with respect to transactions beyond its mandate.

Governance

Accelerate has appointed a new company secretary, iThemba Governance and Statutory solutions. Together, good progress has been made in reviewing pre-listing policies and putting new, improved governance policies in place to ensure transparency and accountability.

Investing in Accelerate Property Fund

Current investors have invested in Accelerate Property Fund's vision to build a robust business, consolidating its dominant position in the Fourways area, expanding geographically while maintaining a bias towards the defensive retail sector. The company is well positioned, with its dynamic management team and access to the Georgiou Group's property portfolio, to achieve this vision.

With the company's retail portfolio concentrated (approximately 64%) in the Fourways area, key opportunities exist for Accelerate to dominate the Fourways node, arguably one of the premier retail nodes in the country. In addition, the company's head office is situated in the Fourways area, thereby enabling focused monitoring of its investments and management's time. Furthermore, the rezoning of land in Fourways and the support received from the local authorities culminated in the development of a plan to achieve approximately 1 000 000 m² of development rights in this fast-growing area. That said, the company is diversified geographically as shown on page 12 and has secured pre-emptive rights on iconic properties such as the Loch Logan shopping centre in Bloemfontein, Free State and the Parow Centre in the Western Cape.

Key challenges

Concentration in the Fourways area: Even with a high concentration in the Fourways area, each property serves a specific market and need, and is differentiated enough to avoid any competition with existing properties within the Fund.

Cost of funding: The cost of funding for property companies in emerging market economies has increased since the beginning of 2014. This is primarily due to the introduction of the US Federal Reserve Bank's policy of tapering their previously enacted quantitative easing strategies, in 2013. To mitigate any volatility in funding costs, Accelerate has recognised the need to diversify its sources of funding by accessing lower cost of funding in the capital markets through the establishment of a domestic medium-term note programme. It is further employing a robust hedging strategy to reduce interest rate volatility.

Chief operating officer's review (continued)

Traffic congestion: A key challenge in the Fourways area is the current traffic congestion. To address this challenge, Fourways Precinct has agreed to spend R270 million to improve infrastructure by widening key roads in the area and improving key intersections.

Related-party transactions

Conditional purchased consideration (agterskot): At listing, 23 properties with a total GLA of 140 446 m^2 were ring-fenced. These properties had vacant GLA of 32 902 m^2. A structural vacancy of 10% was assumed for office properties and 5% for retail properties. This resulted in 20 203 m^2 of vacant GLA (the agterskot GLA) that would only be paid for by Accelerate to the vendor if the vendor let the agterskot GLA with three years of listing and subject to certain letting criteria.

The onus is on the vendor to let this agterskot GLA within the agreed three years otherwise the deferred payment, through the issue of shares, will lapse.

Listing date: 12 December 2013

Specifications:

- Parameters of leases: Min three-year lease period, gross rental within market norms, escalations at CPI +2%, three-month deposit
- Vacant GLA subject to agterskot: 20 203 m^2
- Maximum agterskot payment: R209,8 million – settled by issue of shares to vendors at 30-day volume weighted average price are issued to vendors at listing date
- Yield at 31 March 2014: 9,71% (projected 12 months ending 30 November 2014)

In essence, all the risk in the agterskot GLA lies with the vendor. The position of the agterskot agreement is graphically depicted below.

Vacancies covered by guarantees: Fourways Precinct has undertaken to guarantee R10,7 million per annum (escalating at 8%) for the Fourways retail vacant space of 6 067 m^2 for a period of three years after the listing date (12 December 2013)[1]. This effectively results in the vacancy risk of the Fourways retail properties being transferred to Fourways Precinct for a three-year period.

As at 31 March 2014, approximately 1 551 m^2 of the vacant space subject to the vacancy guarantee had been let, at a weighted average gross rate of R151,72/m^2.

Andrew Costa
Chief operating officer
20 June 2014

[1] *Includes Fourways Mall; Fourways View; Cedar Square; the Buzz; and the Leaping Frog.*

RISK REVIEW

Risk management

Risk management is regarded as "the identification and evaluation of actual and potential risk areas as they pertain to the organisation as a total entity, followed by a process of either avoidance, termination, transfer, tolerance (acceptance), exploitation, or mitigation (treatment) of each risk, or a response that is a combination or integration of the aforementioned."

Accelerate recognises the importance of managing risk and is committed to best practice risk management. It has implemented a risk policy that provides a framework within which management can operate to reinforce a strong risk management culture throughout the company. This framework contains risk management standards and guidelines that are based on the requirements of King III – specifically, the governance of risk. The policy is reviewed annually and any changes are submitted to the audit and risk committee for consideration and approval. Accelerate's management is responsible for the implementation of the risk management functions and the policy in their respective areas. On a semi-annual basis, a risk register is presented to the audit and risk committee for review. The risk register sets out the risks identified within Accelerate and the mechanisms to mitigate such risks.

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

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

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

As part of Accelerate's risk management process, certain risks were identified and reviewed. Management has put in place mechanisms to mitigate these risks. Key risks that were identified as part of the risk review process include:

- concentration ratio of properties within the Fourways node;
- interest rate volatility; and
- increased rates and utility costs.

Mechanisms in place to mitigate these risks include:

- the implementation of effective insurance cover on the properties and ongoing capital expenditure and maintenance spend to protect Accelerate's dominance within the Fourways node;
- approximately 90% of the debt in Accelerate is fixed for a period of 3,1 years at a base rate of 5,35%; and
- the ongoing review of rates assessments and mechanisms to improve the efficiency of Accelerate's buildings.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REMUNERATION REVIEW

Dear shareholder

The remuneration committee of Accelerate Property Fund Limited is pleased to submit its remuneration report for the year ended 31 March 2014. During the year, the company has listed as a REIT on the JSE. Subsequent to the listing, PwC were engaged to undertake an in-depth benchmarking exercise for the executive directors, as a result of which appropriate short-term and long-term incentives were introduced.

The targets of the short- and long-term incentives were set with the dual purpose of being sufficiently stretching, so that superior performance is required for payout of any short-term incentive, and for vesting of long-term awards as well as driving the appropriate long-term behaviour in executives to align the executives with you, as stakeholders in the company.

The remuneration of executive directors has been designed to support an entrepreneurial spirit appropriate to a newly listed company, through the investment in a high calibre of employees who have the experience and ability to drive the performance of the company. Further, we have endeavoured to ensure that appropriate safeguards are built into the remuneration structures to ensure that behaviour which exposes you to unnecessary risk is not encouraged.

The company believes that its remuneration policy plays an essential role in realising business strategy and therefore should be competitive and appropriate for the market in which Accelerate operates.

John Doidge
Chairman of remuneration committee
20 June 2014

The remuneration committee

Membership

The remuneration committee (the committee) consists of three independent non-executive directors. At 31 March 2014, the committee comprised the following members:

- Mr JRP Doidge (chairman)
- Mr TJ Fearnhead, non-executive director
- Mr TT Mboweni, non-executive director

Terms of reference

The committee operates according to formal terms of reference that are delegated to it by the board of directors and represent the scope of its responsibilities. The committee confirms that it has discharged the functions and complied with its terms of reference for the year ended 31 March 2014. The terms of reference can be found on www.acceleratepf.co.za

Key activities and recommendations

During the year under review, the committee met on 26 March 2014.

Initially, the remuneration committee undertook the functions of a nominations committee as well. Subsequently a separate nominations committee has been established.

The key activities and recommendations of the committee during 2014 included the following:

- appointment of Prof F Viruly as a non-executive director;
- benchmarking of executive directors' total reward;
- benchmarking of non-executive directors' fees;
- approval of a remuneration policy and philosophy; and
- approval of a new short-term incentive and long-term incentive.

Remuneration policy and elements of pay

Elements of pay

The table below sets out an overview of the elements of pay applicable to Accelerate executives from 1 July 2014 onwards.

	Element	Detail
Fixed remuneration and benefits	Total guaranteed package (TGP)	Accelerate follows a TGP approach to structure remuneration for employees. The TGP is the total benefit to the individual, as well as the total cost to the organisation. Guaranteed remuneration reflects the employee's role and job worth within Accelerate and is payable for doing the expected day-to-day job requirements, and forms the basis of the company's ability to attract and retain the required skills.
	Benefits	At present, Accelerate's TGP approach is not structured to include any benefits to staff members.
Variable remuneration	Short-term incentive (STI)	Employees are eligible for an annual STI, which is calculated on an additive basis, and will be based on both personal and business scores, determined with reference to the financial performance of the company and the achievement of personal key performance indicators.
	Long-term incentives (LTI)	*Share incentive scheme (SIS)* No awards have been made, or will be made under the existing SIS, and the scheme will be dissolved and replaced with the CSP. *Conditional share plan (CSP)* Regular, annual awards of conditional shares will be made in terms of the CSP on a consistent basis to ensure long-term shareholder value creation. The CSP will provide executives and selected senior management of Accelerate Property Management Company (Pty) Ltd with the opportunity to receive shares in the company, thereby aligning their interests with those of shareholders. Vesting of the conditional shares will be subject to continued employment and appropriate stretching performance conditions. The performance conditions are measured over a three-year period, in line with the financial year-end of the company.

Remuneration review (continued)

Conditional share plan (CSP)

The purpose and features of the CSP are detailed as follows:

Terms	Details
1. Purpose	The primary intent is to provide an opportunity to executives and senior management to receive shares in the company, thereby aligning their interests with those of shareholders. This will be done through the award of conditional shares.
2. Operation	The vesting of the conditional shares will be subject to continued employment (employment condition) and appropriate stretching performance conditions (performance condition(s)). The performance conditions are measured over a three-year period, in line with the financial year-end of the company. Regular, annual awards of performance units will be made in terms of the CSP on a consistent basis to ensure long-term shareholder value creation.
3. Participants	Selected senior employees of the company and Accelerate Property Management Company (Pty) Ltd will be eligible to participate, at the discretion of the remuneration committee.
4. Performance period	The performance conditions are measured over a three-year period, in line with the financial year-end of the company.
5. Maximum value of award	The maximum annual face value of the LTI will be based on market benchmarks following a review of the appropriate comparator group.
6. Plan limits	The aggregate number of shares which may be allocated under the CSP will be subject to an overall limit of 5% of the issued share capital, and an individual limit of 1,5% of the issued share capital of the company.
7. Performance conditions	The initial performance condition is based on the cumulative distributions achieved over the performance period.

Non-executive directors' fees

The non-executive directors do not participate in any short-term or long-term incentives, and do not have contracts of employment with the company. Their fees are reviewed by the company annually, and submitted to shareholders for approval on an annual basis.

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

2015 fees

The resolution relating to non-executive directors' fees for the 2015 financial year can be found on page 5 of the notice of annual general meeting.

2014 fees

The non-executive directors' fees for the 2014 year were as follows. For the 2014 year, these fees were paid by Accelerate on a pro rata basis from the date of listing to 31 March 2014.

Non-executive director	Director's fee
TT Mboweni	1 520 000
GC Cruywagen	500 000
TJ Fearnhead	350 000
JRP Doidge	300 000
K Madikizela	300 000
Total	R2 970 000

Executive directors' remuneration

Regarding fixed pay, the annual review process is used to determine where an employee's pay is in relation to the market and to make necessary adjustments in line with the pay policy. The annual review will take place in March each year, with increases effective on 1 July. Based on the annual review, a recommendation is made to the committee for approval of the mandate for annual increases.

Regarding variable pay, the company is in the process of dissolving the share incentive scheme, under which no awards have been made. The conditional share plan as outlined on page 26 of the notice of annual general meeting is planned for implementation in 2014, and will replace the share incentive scheme.

A detailed benchmarking exercise was conducted by PwC which informed the executive directors' remuneration for 2014. As part of this process, a comparator group was selected, comprising companies on the JSE which were considered appropriate in terms of the roles which were being benchmarked. Due to the practice of a number of property companies outsourcing asset management roles, some companies from the financial services sector were included to ensure that the roles being benchmarked were able to be appropriately compared.

From 2014 onwards, the company will undertake an annual benchmarking exercise relating to the remuneration of employees.

2014 remuneration

The executive directors' fixed remuneration for the 2014 financial year is set out in the table below. During the period from listing to 31 March 2014, the executive directors received no variable pay. Thus, for the 2014 financial year, the remuneration reflected below was paid by the company on a pro rata basis from 1 January 2014 to 31 March 2014.

Executive director/ prescribed officer	Total remuneration (R)
M Georgiou	–
A Costa	2 000 000
D Kyriakides	1 800 000
JRJ Paterson	1 700 000

Remuneration review (continued)

Our employees

At Accelerate Property Fund we recognise that our employees are key to our success. We value them and take care to select the right kind of people to work with us, namely people who are passionate about the property industry. At Accelerate, our people drive the day-to-day success of our business, providing their professional expertise in the many facets of our business. Be it sourcing, developing, leasing or managing our property portfolio, or working with our tenants, suppliers and corporate partners, our people are at the forefront of everything we do. We seek to conduct our business in an open, honest and transparent way.

Having listed in December 2013, we acknowledge that we have yet to implement all our employee-related policies and procedures. However, our overall philosophy around our employees incorporates all the relevant elements of ensuring that our employees are empowered to carry out their duties and responsibilities, in an environment where they can excel and are rewarded appropriately according to their performance.

Upon joining Accelerate, each employee is provided with an employee handbook, which contains all the necessary information about remuneration and benefits, performance development, code of conduct, disciplinary procedures, health and safety and evacuation procedures.

High-performance culture

We encourage a high-performance culture at Accelerate. This culture filters through from management to each individual employee. To maintain this culture, we will provide our employees with the necessary tools to reach their goals, from a personal and professional perspective.

Annual performance review: Employees at Accelerate have set key performance indicators that they will be measured against on an annual basis. The aim of the annual performance review is to ensure that employees attain their goals, Accelerate's strategic objectives are met, and achievements are recognised. Employees are encouraged to discuss their training needs during their performance review meetings.

Equal employment opportunity

Accelerate aims to be an equal opportunity employer and is committed to promoting equal opportunities. This commitment applies to all areas of the work environment, all employment activities, resource allocation, and all employment terms and conditions. Selection criteria and procedures aim to ensure that all employees are selected, promoted and treated on the basis of their relevant merits and abilities.

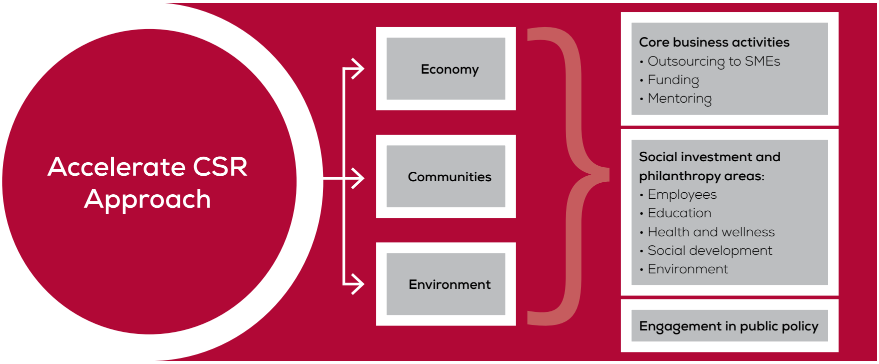
SOCIAL AND ETHICS REVIEW

Accelerate's approach to corporate social responsibility (CSR) supports the business effort of generating economic growth, improving the lives of people within its geographic footprint, while ensuring sustainability of the environment and creating prosperity for stakeholders.

This approach is founded on Accelerate's core values of integrity, honesty and trust. Therefore, Accelerate's strategy for community investment is designed to enhance the relationships between the company and the immediate communities in which it operates by enhancing the communities' livelihood through employment and area development. In this way, Accelerate will demonstrate its commitment to being a responsible and contributing corporate citizen.

The social and ethics committee's purpose is to monitor Accelerate's activities in line with its mandate including: social and economic development, corporate citizenship, consumer relationships, and labour and employment issues, while considering any legislative and regulatory requirements. Furthermore, the committee advises the board on all relevant aspects that affect Accelerate's long-term sustainability and it reports to shareholders at the annual general meeting.

Further information and membership of this committee is shown on pages 82 and 83 of the corporate governance report.



Accelerate's approach to CSR is depicted graphically above and the social and ethics committee's agenda will be aligned with its CSR approach. Accelerate aims to adopt one of the five social investment and philanthropic focus areas annually, as a theme for the year, and partnering with relevant local and national organisations, it aims to bring about upliftment in that specific area.

Social investment and philanthropic areas unpacked

Employees: To make a difference in the lives of our employees and their immediate families through continued income, skills development and education.

Education: Accelerate recognises that an investment into education is one that yields sustainable returns and has the potential to increase the opportunities available to children and youth. Its aim is to build sustainable relationships with education facilities in the areas in which it operates.

Health and wellness: To take a proactive approach to increasing health consciousness within communities in which it operates.

Social development: Accelerate believes that investment into social entrepreneurship, particularly among women and youth, has far-reaching benefits. Its aim is to uplift individuals who have the potential and the desire to make a difference in their own environment, through job creation, training programmes and skills development within local communities.

Environment: Accelerate recognises that its services could have harmful effects on the environment if not well planned and executed. As such, it aims to ensure that all aspects of its operations are exercised with the required environmental consideration.

STAKEHOLDER REVIEW

Accelerate is committed to creating and maintaining inclusive, honest and mutually beneficial relationships with its stakeholders. Responsible actions are an integral part of its strategy, values and the day-to-day management of business. Stakeholder engagement allows Accelerate to remain focused on the most pertinent issues, to provide the greatest benefit to its stakeholders and the company as a whole. Furthermore, stakeholder engagement allows the company to mitigate risks, identify new business opportunities and comply with best practice corporate governance guidelines.

Accelerate has a stakeholder engagement policy and it is committed to timely and effective communication with its stakeholders through media such as shareholder meetings, integrated annual reports, interim financial reports and presentations to institutional investors and industry analysts. Matters of a financial and non-financial nature will be communicated to stakeholders in a timely and transparent manner.

Certain stakeholders have a greater influence on an organisation and Accelerate identified its key stakeholders as employees, investors, shareholders, tenants, community groups, government, regulators and major suppliers. Engagement processes are tailored to each stakeholder group and described in the engagement table below.

Stakeholder group	Reason for engagement	Engagement method
Employees	To maintain a high-performance work culture.	Formal engagement: • Accelerate's performance review process, which is aimed at staff development, together with the various ongoing training initiatives. Informal engagement takes place on an ongoing basis and includes the use of: • newsletters; • corporate and one-on-one communication; • integrated annual report; • emails.
Tenants/customers	To build long-term relationships with tenants/customers for the mutual benefit of both parties.	A dedicated property management team, with direct access to top management, engages with customers on issues of service requirements and query resolution. Similarly, ongoing operational engagement is performed in meeting the unique needs of different customers or tenants.
Suppliers	To ensure provision of goods and services in a responsible manner.	Suppliers are directly engaged regarding service level agreements for the procurement of essential goods and services.

Stakeholder group	Reason for engagement	Engagement method
Investors and shareholders	To ensure timely and transparent communication.	Interim and final results are published in the media followed by analyst presentations. Accelerate engages with shareholders and investors in various ways regarding the safeguarding of their interests, including: • one-on-one meetings throughout the year; • circulars; and • press releases that provide relevant information related to material transactions. All information that shareholders are entitled to receive is released on SENS, in terms of the JSE Listings Requirements and Companies Act, within the required time frames and before the information is distributed to third parties.
Community groups	To ensure Accelerate has a positive impact on the community and environment in which it operates.	Engagement methods include: • funding social investment initiatives; • staff participation in community events.
Regulatory authorities	To ensure compliance with applicable laws and regulations.	The company engages with regulators and government on a wide range of issues relevant to the company's business. These include, but are not limited to: • South African Revenue Service (SARS) • Johannesburg Stock Exchange (JSE) • Applicable legislation Engagement methods include: • relevant submissions (e.g. tax returns, compliance certificates); and • one-on-one meetings as and when required.

Accelerate has and will continue to embrace the principles of King III and be accountable to its shareholders and other stakeholders.

CORPORATE OVERVIEW

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Mr Tito Titus Mboweni (55)
Chairman, Independent
non-executive director
BA, MA

Mr Mboweni served as the Minister of Labour in the first post-apartheid government led by President Nelson Mandela from 1994 until 1998. At the time he was a member of the ANC's national executive committee (NEC) and convenor of the NEC's subcommittee on economic transformation (the economic transformation committee or ETC). The ETC was responsible for developing the ANC's economic policy positions. Mr Mboweni became a member of the ANC's NEC again in January 2013, and sits on several subcommittees including the ETC, social transformation, finance and fundraising, and the Free State Province subcommittees.

Mr Mboweni was appointed as advisor to Mr Chris Stals, governor of the South African Reserve Bank, from 1998 to 1999. In August 1999, he was appointed as governor of the South African Reserve Bank and retired in November 2009.

Mr Mboweni is an international advisor to Goldman Sachs International and was non-executive chairman of AngloGold Ashanti Limited from 1 June 2011 to 17 February 2014. He is the non-executive chairman of Nampak Limited and SacOil Holdings Limited and a non-executive director of Discovery Limited. Mr Mboweni is a trustee of the Nelson Mandela Children's Hospital Trust and chairman of the trust's fundraising committee, He is also a trustee of the Thabo Mbeki Foundation and holds a number of honorary qualifications and academic positions.

Mr Mboweni was appointed as non-executive chairman to the board on 1 June 2013.

Dr Gert Cruywagen (58)
Lead independent director
MBSc, PMD, PhD, FIRM(SA)

Dr Cruywagen is a member of the King committee on corporate governance and the convenor of its risk work group. He is the director of risk for the Tsogo Sun Group and an independent non-executive director of Denel SOC Limited. He is the chairman of Denel Aerostructures SOC Limited and chairman of the City of Johannesburg's group risk governance committee.

Dr Cruywagen holds fellowships, memberships and honorary memberships of a number of local and international risk management institutes and was voted South Africa's "Risk Manager of the Year" for 2002 and 2009.

Dr Cruywagen was appointed to the board on 1 June 2013.

Mr John Doidge (65)
Independent non-executive director
B.Proc, attorney of the High Court of South Africa.

Mr Doidge is an admitted attorney who has specialised in the law and practice of trusts, and has 30 years' experience in this field. He is a former general manager of Syfrets Trust, where he spent 15 years. Mr Doidge was responsible for establishing Maitland Trust in South Africa in the late '90s and he started what is now GMG Trust Company (SA) (Pty) Ltd in 2003.

Mr Doidge has been involved in securitisation in South Africa since 2001 and has extensive experience in a wide variety of structured finance matters, and is a former chairman of the Association of Trust Companies in South Africa and founding member of the South African Securitisation Forum.

Over the last 10 years, Mr Doidge has served on a number of boards, many of which have listed notes or investment products. The listed notes pertain to securitisation and the listed investments to directorships of Satrix and DB X-Tracker Funds. He is currently the chairman of Alexander Forbes Preference Share Investments Limited, a company listed on the JSE.

Mr Doidge was appointed to the board on 1 June 2013.

Board of directors (continued)

NON-EXECUTIVE DIRECTORS

Mr Tim Fearnhead (65)

Independent non-executive director
CTA (Wits), CA(SA), Diploma in Adv.Banking

Mr Fearnhead is a chartered accountant and was a partner at Deloitte & Touche for 21 years. He joined Nedcor Bank Limited in 1997, where he held a number of senior financial management positions.

Mr Fearnhead retired from Nedbank in 2006 and is currently an independent consultant and financial trainer. He holds a number of non-executive board and committee positions and in addition is a trustee on numerous trusts. He consults regularly with clients on investment and estate planning.

Mr Fearnhead was appointed to the board on 1 June 2013.

Ms Kolosa Madikizela (34)

Independent non-executive director
Master of Technology Degree in Construction Management

Ms Madikizela is a construction manager with a Master of Technology Degree in Construction Management from the Cape Peninsula University of Technology.

Ms Madikizela was the general manager for engineering, projects and proposals at Aveng Water at the Aveng Group. Ms Madikizela worked for blue-chip companies such as Shell Energy SA and Life Healthcare in the facilities management, engineering and project management disciplines and was the chief executive officer of Nexus Facilities Management Company with Neotel as their major client line. Ms Madikizela is currently the Cape regional manager for Pragma.

Ms Madikizela was appointed to the board on 1 June 2013.

Prof François Viruly (53)

Independent non-executive director
MA in Development Economics, BA (Hons) in Economics, BA (Economics and Industrial Sociology).

Prof Viruly is a property economist with over 20 years' experience in the analysis of the South African property market. He lectures in urban economics, property development and portfolio management at the University of Cape Town's School of Construction Economics and Management.

Prof Viruly held the position of chief economist at the Chamber of Mines and was head of research at JHI Professional Services and more recently Head of School of the School of Construction Economics and Management at the University of Witwatersrand.

Among other positions held, he is a fellow of the Royal Institute of Chartered Surveyors ("RCIS") and chairs RCIS's education committee in South Africa. He also acts as an expert witness in property-related cases. Prof Viruly has undertaken extensive research into the South African property cycle, the drivers of the South African property market and the relationship between urban economics and property markets.

He is a non-executive director of the Orion Real Estate Group.

Prof Viruly was appointed to the board on 1 April 2014.

Board of directors (continued)

EXECUTIVE DIRECTORS

DIRECTORS

Mr Michael Georgiou (44)

Chief executive officer

Mr Georgiou owns one of the largest private property portfolios in South Africa.

In a property career spanning over 20 years, he has successfully acquired and/or developed over 100 properties including the following prominent properties: Fourways Mall Shopping Centre; Cedar Square, Fourways (award-nominated); Loch Logan Waterfront, Bloemfontein (award-nominated); Windmill Casino Hotel and Retail Complex; the Fort Drury Complex and the Sediba Building for Department of Public Works; College Acre Development for Liberty Life Group and First National Bank.

Mr Georgiou has a wealth of property knowledge and is respected as a market leader by his peers within the property industry.

Mr Georgiou was appointed to the board on 1 January 2013.

Mr Andrew Costa (43)

Chief operating officer
BCom, LLB

Before his appointment to the board, Mr Costa spent nine years at the corporate and investment banking division of Standard Bank Group Limited, where he was a director and head of debt capital markets.

Mr Costa has been involved in the issuing of vanilla bonds, high-yield bonds, convertible bonds, bank and insurance capital, preference shares and hybrid capital transactions, raising in excess of R100 billion. His clients have included among others, Anglo American, Barloworld, SAB Miller, Goldman Sachs, Standard Bank and Hyprop.

Mr Costa was a member of Standard Bank's focus team that advised on the Municipal Finance Management Act, 56 of 2003, the Public Finance Management Act, 1 of 1999, and the JSE Debt Listings Requirements. In addition, he was a member of the Debt Issuers Association and an approved JSE debt sponsor.

Prior to this, Mr Costa was a director in the corporate law department of attorneys Cliffe Dekker Inc. and specialised in mergers and acquisitions, corporate restructurings and competition law.

Mr Costa was appointed to the board on 1 April 2013.

Board of directors (continued)

EXECUTIVE DIRECTORS

Mr Dimitri Kyriakides (59)
Chief financial officer
CA(SA)

Mr Kyriakides qualified as a CA(SA) in 1981 after serving articles with Coopers & Lybrand, now known as PricewaterhouseCoopers. Mr Kyriakides then joined Pick n Pay Retailers as chief regional accountant for the Pretoria hypermarkets. In 1986, he joined a firm of chartered accountants in Pretoria as an audit partner.

In 1989, he moved to Johannesburg as an audit partner at Myers Tennier & Co and in 1995, he purchased an interest in a manufacturing concern, which he managed, and eventually disposed of in 2006.

In 2009, Mr Kyriakides joined the Georgiou Group to assist with the management and administration of the Johannesburg-based properties. During this time, he gained valuable experience and expertise in all facets of the commercial property industry, from property administration to maintenance, leasing, selling and buying of properties, and property development.

Mr Kyriakides was appointed to the board on 1 January 2013.

Mr John Paterson (40)
Executive director
BA, LLB, LLM (Tax)

Mr Paterson is an admitted attorney having served his articles at Webber Wentzel Bowens. Prior to joining the financial services industry, he was an associate director at Fitch Ratings and was responsible for rating over R25 billion of debt funding in the South African capital markets.

Mr Paterson joined Investec Bank Limited in 2005, where he was the head of debt capital markets and was a member of Investec's strategic asset liability committee. Mr Paterson was responsible for raising in excess of R10 billion of debt against Investec's various property portfolios and he oversaw a capital markets debt portfolio of approximately R20 billion. He was part of the team that was responsible for a number of securitisation, commercial paper and bond transactions for corporates including listed property counters.

Mr Paterson left Investec to establish an independent debt advisory business focusing on, inter alia, funding structures for the commercial property sector. He brings a wealth of banking, rating advisory and capital markets experience to Accelerate.

Mr Paterson was appointed to the board on 1 January 2013.

EXECUTIVE COMMITTEE

Mr Michael Georgiou (44)
Chief executive officer

Mr Andrew Costa (43)
Chief operating officer
BCom, LLB

Mr Dimitri Kyriakides (59)
Chief financial officer
CA(SA)

Mr John Paterson (40)
Executive director
BA, LLB, LLM (Tax)

Mr Rob Vallance (52)
Chief investment officer
National Diploma in Property Valuation, MIVSA

CORPORATE GOVERNANCE REPORT

Accelerate has taken the necessary steps to comply with all relevant provisions of the Companies Act, 71 of 2008 (the Act) as amended, as well as the JSE Listings Requirements and the recommendations of the King Report on Governance for South Africa 2009 (King III). A table outlining the company's compliance with the 27 principles contained in chapter 2 of King III is included at the end of this report. A full report of the company's compliance with each of the King III principles is available on the Accelerate website: www.acceleratepf.co.za.

Good governance

Having originated out of a well-established family-owned business, it was important for Accelerate to establish a corporate governance structure from board to management level, to demonstrate that Accelerate has and will continue to embrace the principles of King III and be accountable to its shareholders and other stakeholders.

The board of directors

The Accelerate board of directors is the custodian of corporate governance. The board endeavours to exercise leadership, integrity and judgement to achieve the company's strategic goals and objectives. Day-to-day responsibilities for corporate governance are overseen by management, which regularly reports to the board and board committees. The chairman of the board and the chairmen of the board committees play an active role in all corporate governance matters and regularly interact with executive directors and management.

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

At the date of issuing the integrated annual report (this report) the board comprised 10 directors. The majority (six) of the directors are independent and the ratio of executive to non-executive directors ensures that the board has a sufficient mix of informed independent perspectives. The formal process for nominating new directorial candidates is overseen by the nomination committee. Any directorial appointments are approved by the board as a whole and newly appointed directors are expected to step down at the first annual general meeting following their appointment, for election by shareholders. The board aspires to ensure that Accelerate is seen as a responsible corporate citizen by protecting, enhancing and investing in the wellbeing of all Accelerate stakeholders.

Information regarding involvement in stakeholder relationships is included on pages 64 and 65 of this report.

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

Integrity and ethical behaviour

The board is committed to providing effective leadership based on an ethical foundation and believes that responsible leadership is characterised by the ethical values of responsibility, accountability, fairness and transparency. The board accepts its responsibility for ensuring that management actively cultivates a culture of ethical conduct throughout the company.

Accelerate has a code of ethics that incorporates its values of integrity, trust and honesty, and its relationships with various stakeholders. Furthermore, Accelerate has established a social and ethics committee that is responsible for ensuring Accelerate's ethical conduct. The committee will meet twice a year to monitor and review Accelerate's social and ethics policies and procedures, against a comprehensive annual work plan.

Fiduciary duties

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

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

Board meetings

The board meets on a quarterly basis and additional meetings will be held when required. During the period under review (12 December 2013 – 31 March 2014), the board formally met once. The meetings are considered necessary for the board to properly apply itself to achieving its objectives and included meetings held to consider the company's strategy and operational business plans.

Summary attendance table of board meeting during the three months ended 31 March 2014

Date of meeting	2014/03/26
Mr TT Mboweni	✓
Mr A Costa	✓
Dr GC Cruywagen	A
Mr JRP Doidge	✓
Mr TJ Fearnhead	✓
Mr M Georgiou	✓
Mr D Kyriakides	✓
Ms K Madikizela	✓
Mr JRJ Paterson	✓
Prof F Viruly	N/A

Key: ✓ Present, N/A Not applicable, A Apologies

Chairman of the board

In accordance with King III and the JSE Listings Requirements, the roles of chairman and chief executive officer are separated and there is a clear division of responsibilities within the board and Accelerate, ensuring a balance of power and authority. The position of chairman is held by an independent non-executive director, Mr TT Mboweni.

As per King III the performance of the chairman will be assessed annually, commencing from 2015.

Lead independent director (LID)

The LID, Dr GC Cruywagen, provides guidance to the board in situations where the impartiality of the chairman is impaired or when conflict arises.

Details of the directors and brief résumés appear on pages 68 to 75 of this report.

Board composition

During the period under review there were no changes to the composition of the board. On 1 April 2014 Prof F Viruly was elected to the board. The chairman of the board will be elected

Corporate governance report (continued)

annually by the board. The composition of the board and its committees is considered by the nomination committee on an annual basis and it strives to ensure that the board consists of individuals with the appropriate skills, experience and diversity. The chairman of the board is the chairman of the nomination committee.

Non-executive directors may accept appointments to other boards, including industry-related organisations, government entities and charitable organisations, provided their other commitments do not affect their ability to discharge their duties to the company. Non-executive directors are not awarded share options or any benefits other than directors' fees, more fully set out in the directors' report found on pages 91 to 94 of this report.

Independence

The independence of non-executive directors will be evaluated annually by the nomination committee against criteria set out in the Act and King III. The strong independent component of the board ensures that no one individual has unfettered powers of decision-making and authority.

Strategy

Management is responsible for developing and presenting the company strategy to the board annually. The board has a duty to ensure that the strategy takes account of associated risks and is aligned with the company's code of business conduct. The board approves the financial, governance and risk objectives and monitors performance against objectives.

Access to information and resources

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

Company secretary

From 18 February 2014, iThemba Governance and Statutory Solutions Proprietary Limited was appointed as the company secretary, represented by Ms Claire Middlemiss (FCIS CSSA). The board is satisfied that she has the requisite skills, attributes and experience to effectively fulfil the duties of company secretary of a public, listed company Ms Middlemiss has nearly 14 years' experience as a company secretary and is actively involved in assisting the board in its governance initiatives.

During the period under review and on an annual basis, the board considers the skills and experience of the company secretary. The board was satisfied with the level of competence, qualifications and experience of Ms Middlemiss, as required in terms of paragraph 3.84(i) of the JSE Listings Requirements.

Ms Middlemiss is neither a director nor a shareholder of Accelerate and the board believes that on that basis she maintains an arm's length relationship with the board in accordance with paragraph 3.84(j) of the JSE Listings Requirements.

Retirement by rotation

In compliance with the provisions of Accelerate's memorandum of incorporation, one-third of the non-executive directors are expected to retire by rotation and, if eligible and willing to continue serving as directors, offer themselves for re-election by shareholders. There are no directors retiring by rotation as all directors were appointed by the board, effective from their respective dates of appointment. Therefore, all directors will be eligible for election by shareholders at the annual general meeting to be held on 29 July 2014.

Details of directors are set out in the notice of annual general meeting.

Share dealings by directors and officers

Accelerate implements a closed period commencing at year-end on 1 April until the year-end results are released. As required by the JSE, a closed period is also implemented at half-year until the release of the interim results.

During closed periods, directors and designated senior executives may not deal in the shares, or in any other instrument linked to the shares of Accelerate. In addition, directors and senior employees cannot trade in Accelerate's shares during any period where they have access to unpublished price sensitive information. To ensure effective compliance, no trade in

Accelerate securities may take place outside of the closed periods without prior approval.

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

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

Conflict of interest

Accelerate has a conflict of interest policy that provides guidance to directors and senior management on how conflicts can arise and how these should be declared. The aim of the policy is to protect the company and individual involved from any appearance of impropriety and to ensure compliance with statutory and best practice requirements. The policy covers the statutory provision in section 75(5) of the Companies Act and recommendations of King III, principle 2.14(25) and (26) in respect of directors' personal financial interests. In addition, the policy includes guidance on when to declare any gifts or hospitality a director or senior management may receive in connection with their role in the company.

Board committees

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

- audit and risk committee
- remuneration committee
- nomination committee
- social and ethics committee
- investment committee

Shareholders are advised that the remuneration committee deals specifically with remuneration-related matters of existing directors and is chaired by Mr JRP Doidge and other members include independent non-executive directors. The nomination committee, which is chaired by the chairman of the board, Mr TT Mboweni, deals specifically with the nomination of new directors and senior management. These two separate committees were re-formed since the listing, to ensure compliance with the JSE Listings Requirements in respect of sections 3,84 (a) and (d).

Each committee is governed by terms of reference, which are reviewed by the board on an annual basis. The chairman of each committee reports to the board on its activities at each board meeting. On an annual basis, the committees will assess whether they have complied with the terms of reference and report back on compliance to the board. As Accelerate only commenced its operations since its listing in December 2013, the committees have complied for the period 12 December 2013 to 31 March 2014. However, the first evaluation of the committees will take place annually going forward.

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

Individual reports and attendance registers of each committee are set out from below.

Accelerate's board charter can be viewed on its website at www.acceleratepf.co.za.

Audit and risk committee

At the time of publishing this report, the composition of the audit and risk committee was as follows:

- Mr TJ Fearnhead (chairman)
- Dr GC Cruywagen
- Ms K Madikizela

Corporate governance report (continued)

The board ensures that the audit and risk committee is effective and independent. The committee is constituted in terms of section 94 of the Act and the King III requirements. It consists of three independent non-executive directors, with the relevant skills and experience. The chairman of the audit and risk committee reports to the board quarterly, or more if required. The independence of the committee members will be evaluated through self-assessment on an annual basis and the findings will be presented to the board. For the period under review, the board deemed the members of the audit and risk committee to be independent. The committee is steered by terms of reference, which outline the roles, power, responsibilities and membership of the committee. The committee has monitored compliance with appropriate risk management policy and Accelerate has, in all material respects, complied with the policy during the year. In summary, the audit and risk committee's duties include:

- ensuring it adheres to its statutory duties in accordance with section 94(7) of the Act;
- approving independent auditors, reviewing the audit process, and reviewing and commenting on the annual financial statements;
- approving the structure and charter of internal audit, reviewing its function, and considering any major findings of internal investigations;
- risk management;
- any other such duties defined by the board; and
- giving due consideration to relevant provisions in the Act, the JSE Listings Requirements and King III.

The audit and risk committee has performed a formal assessment of the competency of the financial director from December 2013 to 31 March 2014, and given his qualifications and experience, the board is satisfied that Mr D Kyriakides has the requisite skills to fulfil his role.

The audit and risk committee has monitored compliance with the risk management policy and confirms that the company, in all material respects, has complied with the policy during the period under review.

The audit and risk committee mandate is available on the company website at www.acceleratepf.co.za.

The members' résumés appear on pages 68 to 75 of this report and all will stand for election at the upcoming annual general meeting on 29 July 2014.

Summary attendance table of members at the audit and risk committee meeting during the three months ended 31 March 2014

Date of meeting:	2014/03/19
Mr TJ Fearnhead	✓
Dr GC Cruywagen	✓
Ms K Madikizela	✓ ↄ

Key: ✓ Present, ↄ Via teleconference

Governance of risk

The board is responsible for the governance of risk, which is included on each board meeting agenda where it is discussed and monitored in depth. The audit and risk committee assists the board with the duty of governing risk throughout the company.

Information technology governance

The board is also responsible for information technology (IT) governance throughout the company. The audit and risk committee assists the board with the execution of their duties in this regard. The audit and risk committee receives an annual report on IT applications, development and infrastructure.

Legislative compliance

The board has noted its duty to ensure that Accelerate complies with applicable laws and considers adherence to non-binding rules, codes and standards as an important part of doing business. The board has also ensured that compliance is included on the strategic risk dashboard of the company and it remains a key component of the company's integral approach to governance, risk and compliance.

Internal audit

The board ensures that the internal audit function is risk-based. This is monitored and controlled by the audit and risk committee. LateganMashego Consulting (Pty) Ltd were appointed as Accelerate's internal auditors.

Relationships with stakeholders

The board realises and appreciates that stakeholders' perceptions affect Accelerate's reputation. A stakeholder engagement policy was adopted across the company, which requires that communication with shareholders should be timely and transparent.

Integrity of the integrated annual report

The contents and correctness of Accelerate's integrated annual report have been reviewed and unanimously approved by the board of directors.

Internal controls

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

Business rescue proceedings

The board is aware of the procedures regarding business rescue proceedings and the going concern statement will be presented to the board quarterly to assess the company's financial position. Monthly management reports are also submitted to the executive directors to closely monitor the solvency and liquidity of Accelerate. The board understands that should Accelerate become financially distressed, the business rescue or other turnaround mechanisms would be implemented.

Compliance, ethics and financial reporting

Competition law

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

Real Estate Investment Trust (REIT) legislation

The REIT legislation is unique to listed property companies and came into effect on 1 April 2013. This legislation brings South Africa in line with international best practice and will make South Africa's listed property sector much more attractive to foreign investors.

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

Because the distribution from a REIT is not considered to be a dividend, South African investors will receive distributions that are exempt from the 15% dividends tax. Investors will be taxed on the distributions received at their applicable marginal income tax rate.

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

Financial reporting and going concern

Based on the recommendation of the audit and risk committee, the board considers and confirms the going concern status of the company in preparation of the financial statements at the interim reporting period and at year-end. The assumptions underlying the going concern statement include profitability, budgets, profit forecasts, cash flow and liquidity.

The board is also responsible for monitoring the preparation, integrity and reliability of the financial statements, accounting policies and the information contained in the integrated annual report. A robust, integrated process exists to assist the board in identifying, evaluating and managing the significant risks posed to the company. This process has been in place for the year under review, and while management is responsible for this process, it is independently monitored by the audit and risk committee.

The financial statements of Accelerate are prepared on a going concern basis and no areas of concern were noted.

Corporate governance report (continued)

Financial indicators

The board is confident that there are no known events or conditions that may give rise to business risks that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern. Based on its knowledge of the company, key processes in operation and specific enquiries, the board is of the view that there are adequate resources to support it as a going concern for the foreseeable future.

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

Remuneration committee

At the time of publishing this report, the composition of the remuneration committee was as follows:

- Mr JRP Doidge (chairman)
- Mr TJ Fearnhead
- Mr TT Mboweni

The committee is primarily responsible for assisting the board in formulating remuneration and other employment policies, as well as the company's remuneration philosophy and to structure appropriate remuneration packages for directors, based on industry standards and the best interests of all parties concerned.

Summary attendance table of members at the remuneration committee meeting during the three months ended 31 March 2014

Date of meeting:	2014/03/26
Mr JRP Doidge	✓
Mr TJ Fearnhead	✓
Mr TT Mboweni	✓

Key: ✓ Present

Accelerate's remuneration review is discussed on pages 58 to 62.

Nomination committee

At the reporting date, the composition of the nomination committee was as follows:

- Mr TT Mboweni (chairman)
- Mr JRP Doidge
- Mr TJ Fearnhead

The committee assists the board in the nomination of new board candidates and in ensuring regular assessment of board performance.

Summary attendance table of members at the nomination committee meeting during the three months ended 31 March 2014

Date of meeting:	2014/03/26
Mr TT Mboweni	✓
Mr JRP Doidge	✓
Mr TJ Fearnhead	✓
Mr A Costa	*
Mr M Georgiou	*

Key: ✓ Present, * By invitation

Social and ethics committee

The social and ethics committee is a statutory committee according to section 72 of the Act. Its purpose is to monitor Accelerate's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice, regarding social and economic development, corporate citizenship (including the promotion of equality, prevention of unfair discrimination; the environment, health and public safety, including the impact of Accelerate's activities and of its products or services); consumer relationships; and labour and employment issues.

The committee is responsible for advising the board on all relevant aspects that may have a significant impact on the long-term sustainability of the company. The committee will also draw the board's attention to matters within its mandate as occasion requires and report to the shareholders at the annual general meeting.

During the reporting period, no meetings were held but a meeting timetable and mandate have been drafted for approval and implementation going forward.

At the time of publishing this report, the composition of the social and ethics committee was as follows:

- Ms K Madikizela (chairman)
- Mr JRP Doidge
- Mr TJ Fearnhead*
- Mr JRJ Paterson

* *Mr Fearnhead is only required to attend when management issues are discussed.*

It is the responsibility of this committee, to ensure, among others, that the company:

- discharges its statutory duties according to section 72 of the Act dealing with the structure and composition of board subcommittees;
- upholds the goals of the Organisation of Economic Co-operation and Development (OECD) recommendations regarding corruption;
- complies with the Employment Equity Act, 55 of 1998 as amended, and the Broad-based Black Economic Empowerment Act, 53 of 2003, as amended;
- directors and staff comply with the company's code of ethics;
- practices labour and employment policies that comply with the terms of the International Labour Organisation protocol on decent work and working conditions;
- ensures the continued training and skills development of its employees; and
- performs its responsibilities regarding social and ethics matters in line with relevant policies and that these policies are reviewed on an annual basis, or as required.

Investment committee

At the time of publishing this report, the composition of the investment committee was as follows:

- Dr GC Cruywagen (chairman)
- Mr A Costa
- Mr A du Toit
- Mr M Georgiou
- Mr TT Mboweni
- Mr JRJ Paterson
- Mr R Vallance
- Prof F Viruly

This committee is responsible for considering strategic acquisitions and disposals for the benefit of the company and all stakeholders. The investment committee meets on an ad hoc basis as and when required to approve strategic acquisitions, disposals, developments or redevelopments.

The member's resumes appear on pages 68 to 75 of this report.

Summary attendance table of members at the investment committee meetings during the three months ended 31 March 2014

Date of meeting:	2014/01/22	2014/02/28
Dr GC Cruywagen	✓	✓
Mr A Costa	✓	✓
Mr A Du Toit	✓	✓
Mr M Georgiou	Recused	✓
Mr TT Mboweni	A	✓
Mr JRJ Paterson	✓	✓
Mr R Vallance	✓	✓
Prof F Viruly (appointed 1 April 2014)	N/A	N/A

Key: ✓ Present, N/A Not applicable, A Apologies

KING III

The following table outlines Accelerate's application to chapter 2 of the King Code of Governance Principles for South Africa 2009 (King III). The full King III compliance assessment can be found on the company website.

Chapter 2 – Board and directors	
Principle	
Principle 2.1: The board should act as the focal point for and custodian of corporate governance.	Applied
Principle 2.2: The board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied
Principle 2.3: The board should provide effective leadership based on an ethical foundation.	Applied
Principle 2.4: The board should ensure that the company is and is seen to be a responsible corporate citizen.	Applied
Principle 2.5: The board should ensure that the company's ethics are managed effectively.	Applied
Principle 2.6: The board should ensure that the company has an effective and independent audit committee.	Applied
Principle 2.7: The board should be responsible for the governance of risk.	Applied
Principle 2.8: The board should be responsible for information technology (IT) governance.	Applied
Principle 2.9: The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied
Principle 2.10: The board should ensure that there is an effective risk-based internal audit.	Applied
Principle 2.11: The board should appreciate that stakeholders' perceptions affect the company's reputation.	Applied
Principle 2.12: The board should ensure the integrity of the company's integrated report.	Applied
Principle 2.13: The board should report on the effectiveness of the company's system of internal controls.	Applied
Principle 2.14: The board and its directors should act in the best interests of the company.	Applied
Principle 2.15: The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	NA*

Chapter 2 – Board and directors	
Principle 2.16: The board should elect a chairman of the board who is an independent non-executive director. The chief executive officer of the company should not also fulfil the role of chairman of the board.	Applied
Principle 2.17: The board should appoint the chief executive officer and establish a framework for the delegation of authority.	Applied
Principle 2.18: The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	Applied
Principle 2.19: Directors should be appointed through a formal process.	Applied
Principle 2.20: The induction of and ongoing training and development of directors should be conducted through formal processes.	Applied
Principle 2.21: The board should be assisted by a competent, suitably qualified and experienced company secretary.	Applied
Principle 2.22: The evaluation of the board, its committees and the individual directors should be performed every year.	Applied
Principle 2.23: The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	Applied
Principle 2.24: A governance framework should be agreed between the company and its subsidiary boards.	NA**
Principle 2.25: Companies should remunerate directors and executives fairly and responsibly.	Applied
Principle 2.26: Companies should disclose the remuneration of each individual director and certain senior executives.	Applied
Principle 2.27: The shareholders have approved the company's remuneration policy. To be presented at the AGM.	Applied

* *The company is not financially distressed.*

** *The company has no subsidiaries.*

Annual financial statements

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 valuators. 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	-
Revenue	221 302	-
Property expenses	(65 696)	-
Net property income	155 606	-
Other operating expenses	(8 354)	3
Operating profit	147 252	3
Fair value adjustments	455 391	-
Other income	48	-
Finance income	1 607	-
Profit before long-term debt interest and taxation	604 297	3
Long-term debt interest	(51 486)	-
Profit before taxation	552 811	3
Taxation	-	-
Total comprehensive income attributable to equity holders	552 811	n/a
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	

	2014 R'000	2013 R'000
Distributable earnings		
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)	-
Distributable earnings	80 963	-
		weighted
Diluted shares	651 872 371	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%

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

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.

Building a better working world

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Docex 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	–
Revenue		221 302	–
Property expenses	9	(65 696)	–
Net property income		155 606	–
Other operating expenses	10	(8 354)	(3)
Operating profit		147 252	(3)
Fair value adjustments	16	455 391	–
Other income		48	–
Finance income	12	1 607	–
Profit before long-term debt interest and taxation		604 297	(3)
Long-term debt interest	11	(51 486)	–
Profit before taxation		552 811	(3)
Taxation	13	–	–
Total comprehensive income attributable to equity holders		552 811	n/a
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
Distributable earnings			
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)	–
Distributable earnings		80 963	–

STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Notes	2014 R'000	2013 R'000
Assets			
Non-current assets		**6 228 589**	–
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	–
Current assets		**176 694**	–
Trade and other receivables	18	119 051	–
Cash and cash equivalents	19	57 643	–
Investment property held for sale	16.2	**66 866**	–
Straight-line rental revenue adjustment		306	–
Fair value of investment property assets		66 560	–
Total assets		**6 472 149**	–
Equity and liabilities			
Shareholders' interest		**3 771 962**	(12)
Stated capital	20	3 117 914	–
Retained earnings		654 048	(12)
Total equity		**3 771 962**	(12)
Non-current liabilities		**2 240 060**	–
Long-term borrowings	21	2 030 276	–
Contingent compensation to vendor	7	209 784	–
Current liabilities		**460 127**	12
Trade and other payables	22	89 541	12
Current portion of long-term debt	21	358 284	–
Taxation payable (VAT)		12 302	–
Total equity and liabilities		**6 472 149**	–
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
Balance at 1 March 2012	–	(9)	–	(9)
Issue of ordinary shares	–	–	–	–
Profit/(loss) for the year	–	(3)	–	(3)
Other comprehensive income	–	–	–	–
Balance at 31 March 2013	–	(12)	–	(12)
Issue of ordinary shares	3 117 914	–	–	3 117 914
Retained earnings on listing	–	101 249	–	101 249
Total comprehensive income attributable to equity holders	–	552 811	–	552 811
Profit/(loss) for the year	–	552 811	–	552 811
Balance at 31 March 2014	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
Cash flows from operating activities			
Cash generated from operations	24	113 628	(3)
Finance income received	12	1 607	–
Finance costs paid	11	(51 486)	–
Net cash inflow from operating activities		**63 749**	–
Cash flows from investing activities		–	–
Investment in investment property	16	(5 512 474)	–
Listing acquisition		(5 441 474)	–
Post-listing acquisitions		(71 000)	–
Equipment		(94)	–
Net cash outflow from investing activities		**(5 512 568)**	–
Cash flows from financing activities		–	–
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)	
Net cash inflow from financing activities		**5 506 462**	3
Net increase/(decrease) in cash and cash equivalents		57 643	–
Cash and cash equivalents at the beginning of the year		–	–
Cash and cash equivalents at the end of the year	19	**57 643**	–

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
Statement of comprehensive income 2014					
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)
Segment operating profit	24 324	4 346	122 131	4 805	155 606
Fair value adjustments on investment property	10 478	2 230	399 254	12 980	424 941
Segment profit	34 802	6 576	521 385	17 785	580 547
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)
Profit before tax					552 811
Statement of financial position extracts at 31 March 2014					
Assets					
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
Segment assets at 31 March 2014	798 290	112 012	4 572 624	254 470	6 163 657
Other assets not managed on a segmental basis					
Derivative financial instruments					131 709
Equipment					89
Current assets					176 695
Total assets					6 472 149

* *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
Statement of comprehensive income 2014					
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)
Segment operating profit	133 899	20 440	424	842	155 606
Fair value adjustments on investment property	406 346	15 229	2 866	500	424 941
Segment profit	540 245	35 669	3 290	1 342	580 547
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)
Profit before tax					552 811
Statement of financial position extracts at 31 March 2014					
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
Investment property at 31 March 2014	5 499 393	609 856	53 587	820	6 163 657
Other assets not managed on a segmental basis					
Derivative financial instruments					131 709
Equipment					89
Current assets					176 695
Total assets					6 472 149

* *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.

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 recoupments previously claimed.

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

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

Current 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.

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.

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**
Total identifiable net assets at fair value	**5 752 507**
Gain on bargain purchase from derivative financial instrument obtained for no consideration	**(101 249)**
Purchase consideration transferred	**5 651 258**

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	–
Closing balance as at 31 March 2014	**209 784**

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
8.	**Revenue**		
	Contracted rental	157 120	–
	Rental guarantee	2 383	–
	Casual parking	1 134	–
	Other income	40	–
	Revenue before recoveries	160 677	–
	Recoveries (including rates, municipal costs, operating costs)	44 168	–
	Revenue, excluding straight-line rental revenue adjustment	204 845	–
	Straight-line rental revenue adjustment	16 457	–
	Total revenue	221 302	–
9.	**Property expenses**		
	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	–
	Total property expenses	65 696	–
	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)	–
	Net property expense	21 529	–

* *Note: Other property costs relate to miscellaneous property costs, such as consumables.*

		2014 R'000	2013 R'000
10.	**Other operating expenses**		
	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	–
	Total fund expenses	8 354	3
11.	**Finance costs**		
	Interest on long-term debt	50 921	–
	Net payment on interest swap	565	–
	Total finance costs	51 486	–

Notes to the financial statements (continued)

for the year ended 31 March 2014

	2014 R'000	2013 R'000
12. Finance income		
Interest received from banks	92	–
Interest due on late payments from tenants	47	–
Interest due on late payments from vendors	1 468	–
Total finance income	**1 607**	–
13. Taxation		
The major components of income tax expense for the year ended 31 March 2014 are:		
Income tax expense reported in the income statement		
South African normal tax		
Normal tax	–	–
Capital gains tax	–	–
Deferred taxation charge	–	–
Income tax expense reported in other comprehensive income		
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)
Effective tax rate	–	–
14. Distribution per share		
Final distribution for the year ended 31 March 2014 (of which the trading period consists of three months and 20 days)		
Profit after taxation attributable to equity holders	552 811	–
Less: straight-line rental revenue adjustment	(16 457)	–
Less: fair value adjustment on investment property	(455 391)	
Distributable earnings	80 963	–
Reconciliation of shares qualifying for distribution		
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	–
Distribution per share (cents)	13,77	–

* *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
15. Earnings per share		
Basic earnings per share (EPS) amounts are calculated by dividing profit for the year attributable to ordinary equity holders of Accelerate by the weighted average number of ordinary shares outstanding during the year.		
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	–	
Headline profit attributable to shareholders	97 421	
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.

	2014 R'000	2013 R'000
16. Investment properties summary	Level 3*	
Investment properties	5 655 861	–
Investment properties held for sale (refer note 16.2)	66 395	–
Investment properties prior to adjustments	5 722 259	
Fair value gain/(loss) on investment properties (unrealised)	424 779	–
Fair value gain/(loss) on investment properties (unrealised) held for sale	162	–
Fair value on investment properties	6 147 200	
Straight-line rental revenue adjustment	16 457	
Carrying value	6 163 657	–

* *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
16.1 Investment properties	Level 3	Level 3	Level 3	Level 3	Level 3	
Investment property balance as at 31 April 2013						
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	–
Subtotal	785 676	109 488	4 572 623	254 470	5 722 258	–
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	–
Carrying value at the end of the year	798 290	112 011	4 917 871	268 618	6 096 790	–

* *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
16.2 Investment properties held for sale	**Level 3**	**Level 3**	**Level 3**	**Level 3**	**Level 3**	
Investment property balance as at 31 April 2013						
Acquisitions through listing	–	–	58 739	–	**58 739**	–
Conditional purchase price			7 659		**7 659**	
Acquisitions	–	–	–	–	**–**	–
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**	
Carrying value at the end of the year	–	–	66 866	–	**66 866**	–

* *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
Held for rental				
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%
Subtotal	**6 080 640**			
Held for sale				
Retail	**66 560**	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R55,84sm • 8% • 5%
Total	**6 147 200**			

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
18. Trade and other receivables*		
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#	**(1 002)**	
Total trade and other receivables	**119 051**	–

* *Carrying value approximates the fair value of trade and other receivables.*
\# *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.*

	2014 R'000	2013 R'000
19. Cash and cash equivalents		
Cash held on call account	**57 643**	–
20. Ordinary share capital (R'000)		
Authorised		
Ordinary shares with no par value	**5 000 000 000**	1 000
Issued		
On listing – 638 916 916 ordinary shares	**638 916 916**	–
In issue at year-end	**638 916 916**	1 000
Average listing price per share (cents)	**488**	
Share capital at 31 March 2014	**3 117 914**	

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.

	2014 R'000	2013 R'000
21. Borrowings		
Total value of loans secured by investment property		
RMB	**1 194 280**	
Investec	**1 194 280**	
Total nominal value of interest-bearing borrowings	**2 388 560**	–
Less: portion repayable within the next 12 months – at nominal value	**(358 284)**	–
Total non-current financial liabilities	**2 030 276**	–

* *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
Total long-term borrowings – secured	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
22. Trade and other payables		
Accrued expenses	31 422	–
Accrued interest	6 824	–
Client deposits	11 562	–
Debtors in credit	18 601	–
Trade creditors	21 132	11
Subtotal	89 541	11
Tax payable	12 302	–
Total trade and other payables	101 843	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
23. Deferred taxation *continued*		
23.1 Taxable temporary differences		
Deferred tax rates applied to temporary differences	–	–
Fair value adjustment - investment property assets	–	–
Fair value adjustment – interest rate swaps	–	–
IFRS adjustment – rental straight-lining	–	–
Deferred tax liability	–	–
23.2 Movement in deferred tax		
Balance at the beginning of the year	–	–
Movement in deferred tax liability	–	–
Movement in deferred tax asset	–	–
Balance at the end of the year	–	–
24. Cash generated from operations		
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)	
Cash generated from operations	113 628	–
25. Capital commitments		
Authorised and contracted	–	–
Authorised and not contracted	65 000	–
	65 000	

The capital expenditure will be financed from existing funding facilities and properties held for sale.

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.

	2014 R'000	2013 R'000
26. Minimum contracted rental		
Minimum contracted rental income		
Accelerate leases a number of retail, office and industrial properties under operating leases, which typically run for a period of one to five years.		
Contractual amounts due in terms of operating lease agreements		
Within one year	505 967	–
Between one and five years	1 203 814	–
More than five years	374 681	–
Total	2 084 462	–

	2014	2013
27. Related-party transactions		
Property acquisitions		
Fourways Precinct (Pty) Ltd	Retail	
Number of properties	11	–
Gross lettable area (GLA)/(m^2)	175 132	–
Cost of acquisition (R'000)	3 715 049	–
Contingent purchase consideration		
Fourways Precinct (Pty) Ltd	209 784	
Interest charged on outstanding amounts		
Interest owed from Fourways Precinct (Pty) Ltd (R'000)	861	–
Vacancy guarantee		
Fourways Precinct (Pty) Ltd		
Vacancy rental guarantee from seller (R'000)	2 716	–
Accelerate Property Management		
Fourways Precinct (Pty) Ltd		
Property management fee (including commission) (R'000)	1 158	–
Accelerate Property Management Company (Pty) Ltd (APMC)		
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

	2014	2013
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# R'000	Total R'000
Financial assets			
Derivative financial assets*	131 709	–	131 709
Trade and other receivables	–	119 051	119 051
Cash and cash equivalents	–	57 643	57 643
Total financial assets	131 709	176 694	308 403
Financial liabilities			
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)
Total liabilities	–	(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).*

\# *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**
Financial year	
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**
Total	**2 388 560**
Interest rate swap	
Financial year	
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**
Total	**2 147 000**
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
31 March 2014*					
Long-term borrowings	358 284	238 856	1 791 420	–	2 388 560
Trade and other payables	101 843		–		101 843
Total liabilities	460 127	238 856	1 791 420	–	2 490 403

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

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**	–
Loan-to-value ratio (%)	**38,86**	–

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%
Total	**485**	**100%**	**638 916 916**	**100%**
Type of shareholder				
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%
Total	**485**	**100%**	**638 916 916**	**100%**

		Shareholders in South Africa		Shareholders other than in South Africa		Total shareholders	
Shareholder spread	Number of share-holders	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%				
Total	**485**	**629 704 079**	**98,56%**	**9 212 837**	**1,44%**	**638 916 916**	**100%**

CORPORATE INFORMATION
as at 16 June 2014

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

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