ACCELERATE
PROPERTY FUND

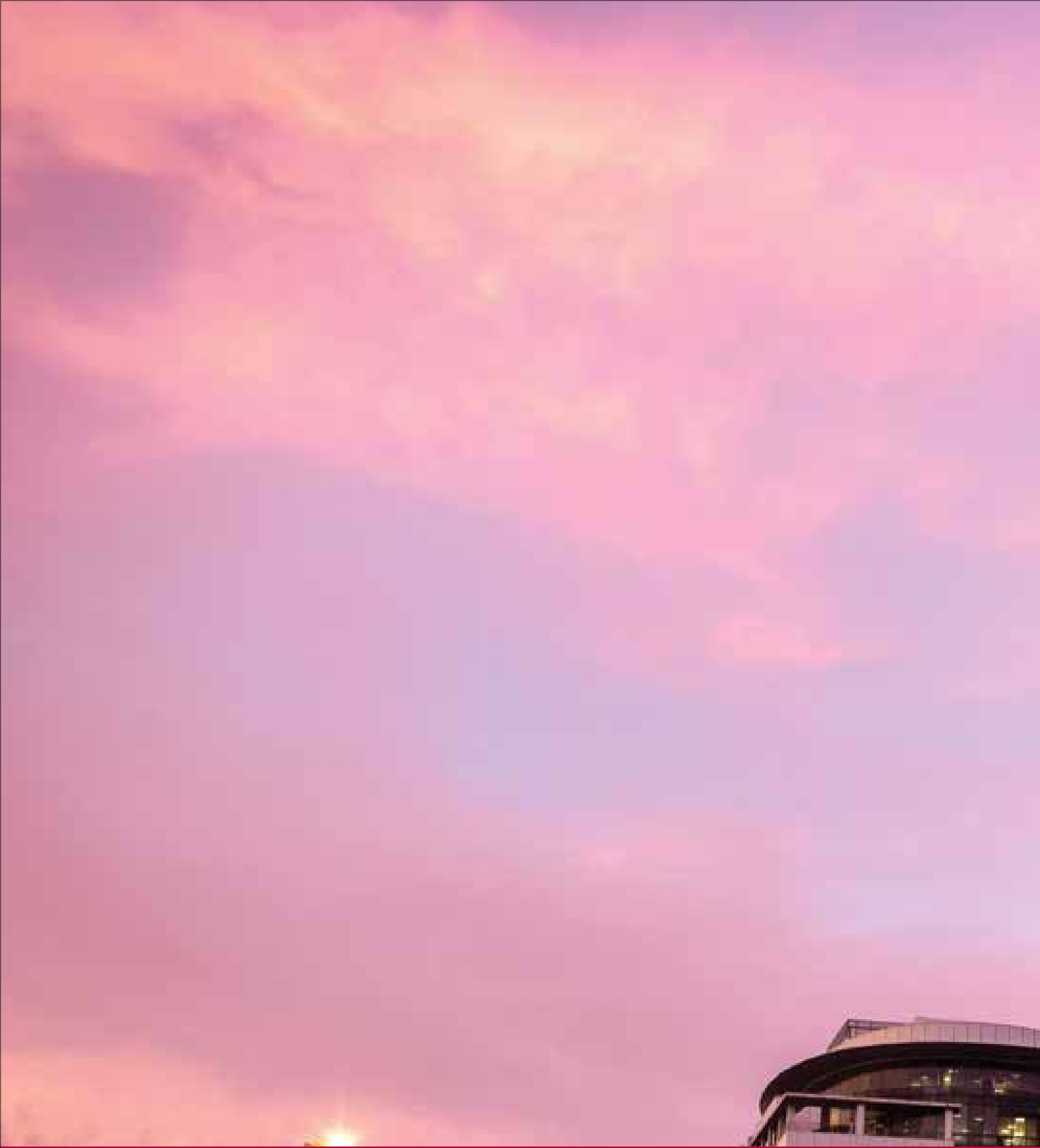
A LEADING PORTFOLIO





INTEGRATED REPORT
for the year ended 31 March

2015



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

Number of properties

52

Property portfolio value

R6,77 bn

Total gross lettable area (GLA)

467 208 m^2

GLOSSARY

A

AFS – Annual financial statements
AGM – Annual general meeting
ALBI – All Bond Index
ANC – African National Congress
APF – Accelerate Property Fund

B

BBBEE – Broad-Based Black Economic Empowerment

C

CBD – Central business district
CSP – Conditional Share Plan
CSR – Corporate social responsibility

D

DCF – Discounted cash flow
DMTN – Domestic medium-term note

E

EIR – Effective interest rate
EPS – Earnings per share
ERV – Estimated rental value
ETC – Economic transformation committee

F

FY – Financial year

G

GCR – Global Credit Ratings Company
GLA – Gross lettable area
GRI – Global Reporting Initiative

I

IAR – Integrated annual report
IAS – Investment Analysts Society
IASB – International Accounting Standards Board
IFRS – International Financial Reporting Standards
IIRC – International Integrated Reporting <IR> Council
IPD – Investment Property Databank
IT – Information Technology

J

Jibar – Johannesburg Interbank Average Rate
JRA – Johannesburg Roads Agency
JSE – Johannesburg Stock Exchange
JV – Joint venture

K

King III – King Report on Corporate Governance for South Africa 2009
KPA – Key performance area
KPI – Key performance indicator

L

LID – Lead independent director
LSM – Living standards measure
LTI – Long-term incentive
LTV – Loan-to-value ratio

N

NEC – National Executive Committee

O

OCI – Other comprehensive income
OECD – Organisation of Economic Co-operation and Development

R

RICS – Royal Institute of Chartered Surveyors
REIT – Real Estate Investment Trust
RSA – Republic of South Africa

S

SAPOA – South African Property Owners Association
SARB – South African Reserve Bank
SA REIT – South African Real Estate Investment Trust
SARS – South African Revenue Service
SENS – Stock Exchange News Service
STI – Short-term incentive

T

TGP – Total guaranteed package
THE ACT – Companies Act, 71 of 2008 as amended

Z

ZAR – South African Rand

ACCELERATE
PROPERTY FUND

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ABOUT OUR REPORT

This is Accelerate Property Fund's second integrated annual report (the report) since our listing on the Johannesburg Stock Exchange's (JSE) main board on 12 December 2013. This report covers the period from 1 April 2014 to 31 March 2015, with comparatives shown where applicable. The 2014 results reflect the period from listing date (12 December 2013) to 31 March 2014.

Scope and boundary

This report focuses on Accelerate's material issues. Accelerate is a South African company, 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).

Fourways Precinct manages nine Fourways properties and has subcontracted its property management services to JHI Properties (Pty) Ltd (JHI). Post the period under review, Fourways Precinct has taken the decision to manage the nine properties, previously outsourced to JHI internally. The Accelerate Property Management Company manages the remainder of the property portfolio. The Cape Town properties have been subcontracted to Baker Street Properties.

Accelerate's operational structure can be found on page 5.

Accelerate has executive representation on the boards of both Fourways Precinct and Accelerate Property Management Company.

Unless indicated otherwise, this report covers Accelerate Property Fund's activities.

In the report, *Accelerate*, *the company*, *us*, *our*, or *we*, *the fund* refer to the Accelerate Property Fund and/or its management.

Reporting frameworks

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

- International Integrated Reporting Council's (IIRC) Integrated Reporting ‹IR› Framework
- International Financial Reporting Standards (IFRS)
- The SAICA Financial reporting guide as issued by the Accounting Practices Committee
- 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; and
- JSE Listings Requirements

This report is a further step in our ongoing reporting journey, which we embrace, and we aim to continue producing a report that presents a balanced and informative overview of Accelerate for all our stakeholders. We strive to continue improving the contents of this report, taking our stakeholders' views into consideration. This year we have included a business model to assist readers in better understanding the core aspects of our business.

Our integrated report is our primary report for communicating with our stakeholders and includes the annual financial statements. The following information is supplementary to our integrated report and is available online at www.acceleratepf.co.za:

Information	Purpose
Latest financial results, including our interim and annual financial results presentations	Detailed financial communications to stakeholders
King Code of Governance for South Africa (King III) checklist	Accelerate has disclosed our compliance and application of the King III principles as required
Board and board committee charters and terms of reference	Detailed information of the board and board committees' terms of reference
Shareholder-related information	Detailed shareholder information is available online, including: • SENS announcements; • the pre-listing statement; • AGM-related information; and • circulars
Capital market information	Details of the domestic medium-term note programme
Portfolio information	Updated information on our portfolio, including a summary of our property portfolio as well as tenant, sectoral and geographic profiles

Assurance

All information contained within this report is subject to internal controls and strong management oversight. The annual financial statements have been prepared in accordance with IFRS and have been externally audited by Ernst and Young Incorporated (EY). The three lines of defence, which incorporates management oversight, management of risk and independent assurance, form the basis of the combined assurance approach required under the King Code, which aims to provide a coordinated approach to all assurance activities. We continue to make progress with the integration and alignment of assurance processes to optimise governance oversight, risk management and control.

The independent audit report can be found on page 91.

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, 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.

About our report (continued)

Stakeholder feedback

We welcome feedback from all our stakeholders on our second integrated annual report, including our approach to integrating our financial and non-financial information, and how we address our strategic priorities. You can contact us either directly or addressed to Instinctif whom we have appointed to coordinate our investor relations.

Feedback on reporting content or requests for copies of this report can be sent to:

Instinctif Partners
Attention: Morné Reinders and Louise Fortuin
Tel: 011 447 3030
Email: accelerate@instinctif.com

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 2015 integrated annual report for publication.

Mr Tito Mboweni
Chairman
19 June 2015

Mr Michael Georgiou
Chief executive officer
19 June 2015

Navigation

Website
This icon indicates further information available on the group's website www.acceleratepf.co.za.

Page reference
This icon indicates further information available elsewhere in this report.

OPERATIONAL STRUCTURE

Accelerate Property Fund
52 properties
GLA 467 208 m²
Property value R6,77 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	Office	Industrial	Specialised retail
Retail 63,0%	**Office 20,9%**	**Industrial 12,4%**	**Specialised retail 3,7%**
30 properties	**15** properties	**4** properties	**3** properties
GLA **294 152 m²**	GLA **97 825 m²**	GLA **57 856 m²**	GLA **17 375 m²**
Property value **R5,27 billion**	Property value **R0,91 billion**	Property value **R0,28 billion**	Property value **R0,3 billion**

Outsourced property management functions

Fourways Precinct (Pty) Ltd
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)

JHI*

Accelerate Property Management Company (Pty) Ltd
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

Baker Street Properties (11 properties)

* *As at 31 March 2015.*

** *All leasing is centrally managed and overseen by Accelerate Property Fund.*

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WHO WE ARE

COMPANY PROFILE

HIGHLIGHTS

52
Number of properties

R6,77 bn
Property value

467 208 m²
Gross lettable area (GLA)

1 599
Number of tenants

Listing date	12 December 2013
Property portfolio	R6,77 billion
Strategic nodes	• Fourways • Charles Crescent – Kramerville • Foreshore – Cape Town • Other strategically located properties
Weighted average lease expiry	2,87 years
Geographic spread based on (GLA)	• Gauteng – 80,2% • Western Cape – 14,9% • KwaZulu-Natal – 2,7% • Limpopo – 2,2%
Gross lettable area (GLA)	467 208 m²
Occupancy (net of structural vacancies)	92,48%
Number of tenants	1 599
Tenant profile by revenue: A B C	A – 51,8% B – 20,1% C – 28,1%
Portfolio spread	• 30 retail properties • 3 specialised retail properties • 15 office properties • 4 industrial properties
Yield (based on a share price of R6,75)	7,3% (annualised)
Escalations	Average of 8,46%
Market capitalisation	R4,67 billion

INVESTMENT CASE

Return on investment	• An attractive yield (7,3% annualised*) • Share price of R6,75 per share (2014: R4,90 per share), with year-on-year growth of 37,7% • Distribution of 49,21 cents per share (2014: 13,8 cents per share for 110 days), with year-on-year growth of 7,7 % • Total return of 234,21 cents per share (2014: 15,8 cents per share), with year-on-year growth of 45,4% * *Based on a share price of R6,75.*
Experienced management and board	• Managed by a professional and committed management team with proven corporate, finance and property-related experience • Board members have a wealth of property, business and governance experience
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 in a super-regional shopping centre upon completion of Fourways Development
Significant exposure to defensive retail sector	• Retail sector comprises 78,5% of property portfolio by revenue • A further 3% of property portfolio by revenue comprises specialised retail • Opportunities to grow Fourways' retail asset base by an additional 90 000 m2 once the Fourways Development is completed • Access to significant retail property pipeline
High-quality tenants	• Anchor retail tenants include: Dis-Chem, MassMart, Pick n Pay, Shoprite, Checkers, Virgin, Mr Price and Woolworths. Office and industrial tenants include Oceana, Mustek, Bytes and Cape Metropolitan Police • Predictable cash flows • Minimal arrears • Long leases • Strong anchor tenants • 60,1% (by GLA) of tenants are national tenants
Geographic diversification	• Current property exposure in Gauteng, Western Cape, Limpopo and KwaZulu-Natal • Growth opportunities in Western Cape and KwaZulu-Natal
Robust governance structure	• Well-balanced board with a mix of governance, risk management, law, economics, banking, construction, finance and property experience • Independent non-executive chairman • Lead independent non-executive director, who also chairs the investment committee • Transparent reporting

OUR VALUES

Integrity

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

Honesty

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

Trust

To be trustworthy in our dealings and interactions with all stakeholders

These core values are supported by:

Competence

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

Cooperation

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

Commitment

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

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.

CTIVE
ALTH CLUB

PROPERTY PORTFOLIO – TOP 6 (BY VALUE)

Fourways Mall Shopping Centre

Fair value 31 March 2015

R2 273,78m

GLA

61 480 m²

Cedar Square

Fair value 31 March 2015

R883,39m

GLA

46 025 m²

Fourways View

Fair value 31 March 2015

R318,97m

GLA

12 962 m²

The Buzz Shopping Centre

Fair value 31 March 2015
R273,95m

GLA
14 291 m^2

Fourways Game

Fair value 31 March 2015
R156,74m

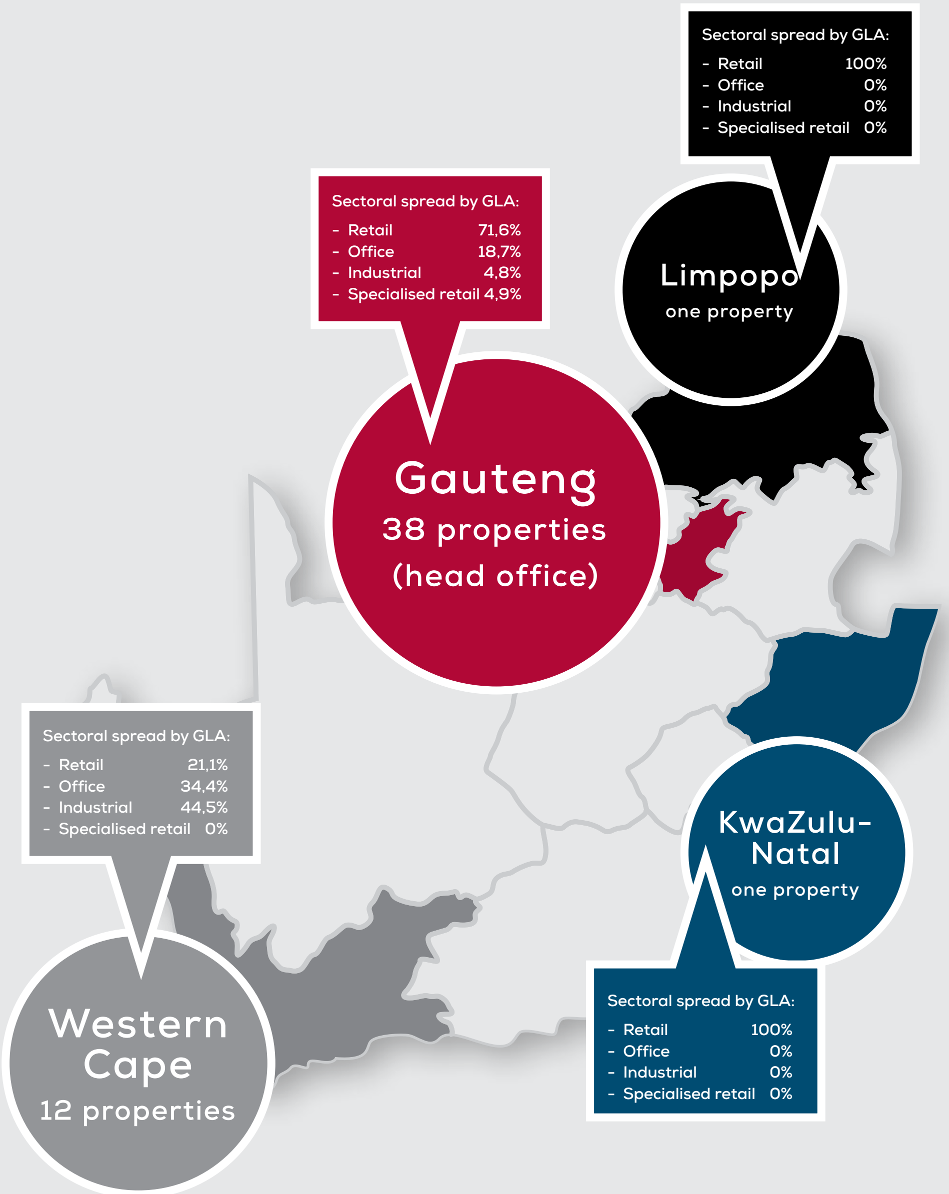
GLA
8 763 m^2

BMW Fourways (Cedar)

Fair value 31 March 2015
R181,14m

GLA
13 098 m^2

GEOGRAPHIC SUMMARY

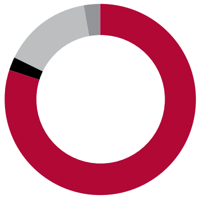


Gauteng	Western Cape
Key nodes: Fourways, Kramerville	Key nodes: Foreshore, Somerset West
Anchor tenants **Retail** • Absa • Capitec • Checkers • Dis-Chem • Edgars • First National Bank • Foschini • Jet stores • Massmart • Pick n Pay • Standard Bank • Woolworths • Nedbank **Office and industrial** • ADT • FLSmidth • Primedia Group • Scottish Knitware	**Anchor tenants** • Bytes Technology • Cape Metropolitan Police • Mustek • Oceana • Mr Price

Limpopo	KwaZulu-Natal
Anchor tenants • Pick n Pay • Woolworths • Absa • Nedbank	**Anchor tenants** • Pick n Pay • Cashbuild

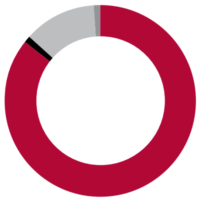
The Fourways retail properties comprise 64,1% of Accelerate's property portfolio by revenue. Future development will transform Fourways Mall into a super-regional shopping centre.

Geographic region (GLA)



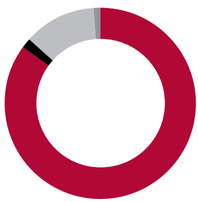
Gauteng	80,2%	(2014: 80,6%)
Limpopo	2,2%	(2014: 2,2%)
Western Cape	14,9%	(2014: 14,6%)
KwaZulu-Natal	2,7%	(2014: 2,6%)

Geographic region (revenue)



Gauteng	85,6%	(2014: 86,8%)
Limpopo	1,3%	(2014: 0,6%)
Western Cape	12,0%	(2014: 11,0%)
KwaZulu-Natal	1,1%	(2014: 1,6%)

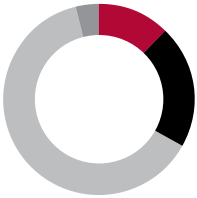
Geographic region (fair value)



Gauteng	85%	(2014: 88%)
Limpopo	1,7%	(2014: 1,2%)
Western Cape	12,3%	(2014: 9,9%)
KwaZulu-Natal	1,0%	(2014: 0,9%)

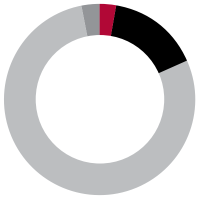
SECTOR SUMMARY

Sectoral type (GLA)



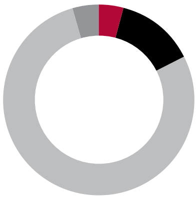
Industrial	12,4%	(2014: 7,0%)
Office	20,9%	(2014: 21,7%)
Retail	63,0%	(2014: 67,4%)
Specialised retail	3,7%	(2014: 3,9%)

Sectoral type (gross revenue)



Industrial	2,9%	(2014: 2,2%)
Office	15,6%	(2014: 15,7%)
Retail	78,5%	(2014: 79,3%)
Specialised retail	3,0%	(2014: 2,8%)

Sectoral type (fair value)



Industrial	4,2%	(2014: 1,8%)
Office	13,4%	(2014: 13,0%)
Retail	78,0%	(2014: 80,9%)
Specialised retail	4,4%	(2014: 4,3%)

TENANT PROFILE

Tenant profile (GLA)

A	60,1%
B	15,8%
C	24,1%

Tenant profile (revenue)

A	51,8%
B	20,1%
C	28,1%

Single vs. multi-let

Single tenanted	24,0%
Multi-tenanted	76,0%

A: Large national tenants, large listed tenants and major franchises, including inter alia Absa, ADT, Capitec, Dis-Chem, Edgars, FNB, Foschini, Jet Stores, Makro, Massmart, Medscheme. Nedbank, OK Furnishers. Pepkor, Pick n Pay, Shoprite, Standard Bank, Woolworths

B: National tenants, listed tenants, franchises and medium to large professional firms, including, inter alia, Fishmonger, KFC, Mugg & Bean, Nando's, Spur, Steers, Wimpy

C: Other

Strategic overview

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STRATEGIC OVERVIEW

STRATEGY

Unpacking our strategy

Our vision → To be the most valuable property company on the JSE

Our strategy → To optimise income and capital growth for our shareholders through strategically growing our asset base while maintaining our strong retail bias

Our long-term portfolio goal

Retail	70%
Industrial	15%
Office	15%

Our strategic objectives: How will we strategically grow our asset base?

We will grow our assets in line with our long-term portfolio goals by:

Investing in well-priced income-producing properties

Redeveloping and **upgrading** properties to enhance their value

Investing in **strategic nodes** in order to maximise returns

Diversifying our funding while proactively managing our interest rate risk

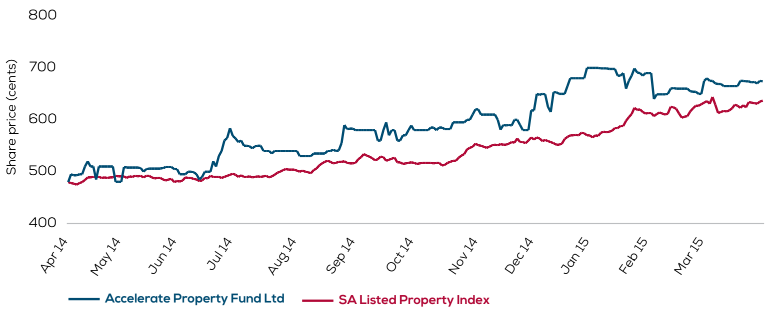
Growing our **distributions** to shareholders

Delivering on our tenants' expectations

Underpinning all our ambitions is the drive to ensure we contribute meaningfully to our society by:

- Seeking opportunities to create wealth for all sectors of South African society
- Seeking to create meaningful employment opportunities

Accelerate Property Fund Ltd vs SA Listed Property Index



Strategic objective	Key performance indicators and initiatives during 2015	Further information
Investing in well-priced income-producing properties	Accelerate has access to a strong pipeline of existing assets that it can acquire, as demonstrated by the option it has to purchase over 50% of the iconic Loch Logan Waterfront Shopping Centre in Bloemfontein, Free State, and various pre-emptive rights, including the Parow Shopping Centre in the Western Cape. We have a team of seasoned dealmakers, who are able to source, negotiate and execute deals. This was demonstrated in May 2015 when Accelerate entered into an agreement to acquire the property holding companies for six properties currently tenanted by KPMG Inc. and KPMG Services across various centres in South Africa.	Pages 39 to 58 Page 35
Redeveloping and **upgrading** properties to enhance their value	Among other ongoing projects, Accelerate has recently invested R86,6 million into the refurbishments of the Thomas Patullo office property in Foreshore, Cape Town and the Bosveld Mall in Bela Bela.	Page 58
Investing in **strategic nodes** in order to maximise returns	Accelerate is in the process of investing further in the Charles Crescent node through the strategic purchase of two additional properties.	Pages 52 to 58
Delivering on our tenants expectations	Accelerate continues to engage with tenants to understand and meet their needs, including ongoing investigation into how to limit interruption to tenants and patrons as a result of water and/or power disruptions through innovative solutions.	Pages 22, 25, 30 and 48
Diversifying our funding while proactively managing our interest rate risk	During the year, Accelerate accessed the capital markets and open funding lines with additional financial institutions. The Domestic Medium Term Note Programme was launched in September 2014, and the inaugural issuance was oversubscribed. Accelerate employs a conservative interest rate hedging strategy in accordance with its Treasury Guideline. As at 31 March 2015, 87,7% of debt was hedged. After the period under review, existing swap maturities were extended to 31 March 2019.	Pages 35 to 36
Growing our **distributions** to shareholders	Accelerate continues to optimise and enhance revenue streams and streamline operational costs. During the year, the following returns were achieved: • Share price of R6,75 per share (2014: R4,90 per share), with year-on-year growth of 37,7% • Distribution of 49,21 cents per share (2014: 13,8 cents per share for 110 days), with year-on-year growth of 7,7% • Total return of 234,21 cents per share (2014: 15,8 cents per share), with year-on-year growth of 45,4 %	Page 93

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 our strategy, values and the day-to-day management of our business. Stakeholder engagement allows Accelerate to remain focused on the most pertinent issues, namely 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 the media, 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.

Accelerate has 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	Method of engagement
Employees	To maintain a high-performance work culture and to create a favourable work environment	Formal and informal engagement takes place on an ongoing basis.
Tenants/ customers	To build long-term relationships with tenants/customers for the mutual benefit of both parties	A head of leasing, employed by the fund, manages and coordinates all leasing activities. In addition, a dedicated property management team, with direct access to top management, also engages with customers in an open and professional manner.
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.
Investors and shareholders	To ensure timely and transparent communication	Interim and final results are published in the media, followed by analyst and shareholder presentations. Accelerate engages with shareholders and investors in various ways, 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 the Companies Act, within the required timeframes and before the information is distributed to third parties.

Stakeholder group	Reason for engagement	Method of engagement
Community groups	To ensure Accelerate has a positive impact on the community and the environment in which it operates	Engagement methods include: • funding social investment initiatives; and • 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 Limited (JSE); and • applicable legislation. Engagement methods include: • relevant submissions (e.g. tax returns, compliance certificates, SENS announcements); and • one-on-one meetings as and when required.

MATERIAL MATTERS

When compiling this report, it was important to establish Accelerate Property Fund's material matters to provide stakeholders with the most relevant information. Accelerate defines a material matter as an element 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 over the short, medium and long term. An externally facilitated materiality workshop was held with key management to determine these matters. Management reviewed the material issues from 2014 and updated the list to reflect the priority areas that could have a positive and or negative impact on Accelerate's value creation into the future.

This process resulted in the identification of the following material matters:

- Fourways Development
- Tenant issues
- Shareholder interaction
- Corporate governance
- Pipeline
- Interest rates and hedging
- Degradation of municipal services

The heat map below reflects the impact and effect of these issues on the company while the table on pages 25 to 27 unpacks and links these issues to Accelerate's strategic objectives.

The impact rating refers to the level of impact the material matter could have on Accelerate's ability to create value, ranging from low (no meaningful impact) to high (absolute ability to have a material impact on the group). The effect rating refers to the ability of the company to have an effect on the outcome/impact that the issue has on Accelerate.

Accelerate Property Fund material issue priority map

Material matter	Context and impact of material matter on Accelerate Property Fund	How Accelerate Property Fund is addressing the material matter	Link to strategic objectives
Fourways Development	The Fourways Development forms part of Accelerate's strategic objectives. A company owned by Michael Georgiou, namely Fourways Precinct, will undertake the development. Once the Fourways Development is complete, approximately 90 000 m^2 of additional retail space will be added to the existing centre, providing further opportunities to positively impact Accelerate's revenue streams. Accelerate will be entitled to up to 50% undivided ownership of the completed super-regional centre.	Accelerate continues to actively engage with Fourways Precinct and other relevant stakeholders so as to ensure the development commences as soon as possible.	• Investing in well-priced income-producing properties • Redeveloping and upgrading properties to enhance their value • Investing in strategic nodes in order to maximise returns • Delivering on our tenants expectations • Growing our distributions to shareholders • Enhancing our retail footprint
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 inter alia enhanced and centralised tenant interaction, upgrades and maintenance of properties as and when required.	Accelerate seeks to attract and retain quality tenants by focusing on providing the right tenant mix, by redeveloping and upgrading its properties as necessary and partnering with property management companies that adhere to our vision.	• Delivering on our tenants expectations
Shareholder interaction	Shareholders need to be comfortable that the strategies Accelerate follows will be achieved in order to sustain long-term distributions and capital growth.	Accelerate undertakes regular one-on-one interactions with shareholders, keeping them informed of its progress. Partnering with Instinctif, an external market leader in investor relations, facilitates this process.	• Growing our distributions to shareholders

Material matters (continued)

Material matter	Context and impact of material matter on Accelerate Property Fund	How Accelerate Property Fund is addressing the material matter	Link to strategic objectives
Corporate governance	As a recently listed company, it is critical for Accelerate to demonstrate that it embraces principles of good corporate governance as set out in King III, namely transparency, ethical leadership and accountability.	Accelerate strives to maintain a well-balanced board with a mix of governance, risk management, law, economics, banking, construction, finance and property experience, with an independent non-executive chairman and a lead independent non-executive director. We also, at all times, pursue transparent reporting through this, our annual integrated report. The corporate governance report can be found on page 70.	• Growing our distributions to shareholders
Pipeline – both acquisitive and organic	With the current shortage of quality property stock in the South African market, Accelerate is in the fortunate position to have access to a large pipeline of predominantly retail assets that it can acquire and that will have a positive impact on its asset base, rental income, retail bias and overall quality of the portfolio.	Accelerate has acquired an option to purchase 50% of the Loch Logan Waterfront Shopping Centre in Bloemfontein. Accelerate's management, through years of experience in the property sector, has access to a network of individuals that own private unlisted property portfolios. This provides Accelerate with the opportunity to access property portfolios that are not immediately available on the market. Following the year under review, Accelerate entered into a share purchase agreement to acquire the property holding companies for six properties currently tenanted by KPMG Inc. and KPMG Services across various centres in South Africa, demonstrating the executive management team's ability to source and execute large-scale transactions despite competitive market conditions. For more information, refer to the chief executive officer's review on page 34.	• Investing in well-priced income-producing properties • Investing in strategic nodes in order to maximise returns • Growing our distributions to shareholders

Material matter	Context and impact of material matter on Accelerate Property Fund	How Accelerate Property Fund is addressing the material matter	Link to strategic objectives
Interest rates and hedging	South Africa's interest rates have remained low over the past years. However, with the South African Reserve Bank (SARB) raising rates at the beginning of 2014, the market is anticipating further increases going forward.	Accelerate has implemented a robust hedging strategy to protect against interest rate increases in the medium term with a weighted average swap term of 2,36 years and 87,7% of debt hedged. Following the year under review, the swap maturity profile has been extended to 31 March 2019, with the swap nominal amount reducing on a stepped profile from R2 billion to R1,6 billion over the term of the swap.	• Diversifying our funding while proactively managing our interest rate risk
Degradation of municipal services	Disruptions in water and electricity supply and the increase in municipal charges are ongoing challenges that affect our tenants.	We are consistently investigating ways of being more efficient with regard to water and electricity supply and intend to continue introducing green technology into our buildings to reduce energy and water consumption.	• Delivering on our tenants' expectations

BUSINESS MODEL – HOW WE CREATE VALUE

External environment

We are a South African property company and, as such, are impacted by our external operating environment within the South African context. Factors affecting us include:

Despite these factors, the retail sector has remained defensive, especially in key nodes across the country.

For more information on the impact of the external environment on Accelerate, refer to page 42.

Inputs

Financial capital	Manufactured capital	Human capital
This is the pool of funds that is available to us for use in the business and includes debt and equity funding.	In our industry, manufactured capital refers to the physical objects used in the provision of our services in managing and acquiring property. As such it consists of the property portfolio through which we generate revenue. Our property portfolio by GLA consists of: • 63,0% retail; • 20,9% office; • 12,4% industrial; and • 3,7% specialised retail.	The competency, capability and experience of our staff, and their motivations to innovate make up the human capital we rely on to achieve our strategy.

Business activities

Asset management of our property portfolio, including pursuing appropriate acquisitions, disposals and enhancing our existing asset base

Outcomes

Through the careful and deliberate use of the capitals in our business, we create value for stakeholders, including shareholders, employees, tenants, funders and the community at large

Increased financial capital through the delivery of our strategy enables us to provide income and capital growth for our shareholders	Continued enhancement of our portfolio in line with our strategy, through refurbishments, acquisitions and developments	Given the scarcity of top-quality human capital in the property sector, we focus on the development of our human capital through the recruitment, retention, and training of our high-quality staff

- low economic growth and high levels of unemployment;
- disruptions in power supply;
- relatively low interest rate environment;
- limited availability of quality stock;
- increasing water constraints;
- labour instability in certain sectors;
- high levels of competition; and
- continued strain on consumers' disposable income.

Inputs

Intellectual capital	Natural capital	Social and relationship capital
Our organisational, knowledge-based intangibles include the balanced and diverse experience of both our management team and our board of directors, as well as the continual enhancement of our robust governance structures and staff development.	We are significantly reliant on natural capital, as we require water, electricity and a healthy external environment to operate our business and support the current and future prosperity of our business.	The relationships we have with our stakeholders ensures the continued success of our business. It is a strategic imperative for the group that we contribute meaningfully to our society.

Outputs

Delivery of enhanced distributions and capital growth for our shareholders

Outcomes

Through the careful and deliberate use of the capitals in our business, we create value for stakeholders, including shareholders, employees, tenants, funders and the community at large

Increased intellectual capital through experience and development	Reduced environmental natural capital reliance through refurbishments and new developments using green technology to reduce the consumption of natural resources	The continued development and creation of our social and relationship capital through effective stakeholder engagement and the implementation of our social and ethics policy

CHAIRMAN'S REVIEW

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

Overview

It gives me pleasure to present Accelerate Property Fund's integrated annual report for the year ended 31 March 2015. In this, our second integrated report, we continue to pursue growing maturity in our reporting in order to present a holistic view of our business to all our stakeholders.

Amidst a challenging economic backdrop, we are pleased to report that during the period under review, Accelerate achieved a net profit of R741 million, driven primarily by consistent returns on our portfolio of properties and improved operational efficiencies. In addition, our distribution per share for the year of 49,21 cents per share was in line with our forecast of 49,19 cents per share.

Understanding our operating environment

During 2014, global economic growth was once again lower than anticipated. While activity in the United States and the United Kingdom showed some improvement, the recovery has not exhibited the same strength in the euro area and Japan. China is also showing decreased growth as a result of a carefully managed slowdown. Likewise, other developing countries saw lacklustre growth during 2014 due to various factors, including weak external demand, domestic policy tightening, political uncertainties and supply-side constraints.

Locally, high levels of unemployment, declining credit growth, as well as disappointing economic growth, continue to place strain on consumers' disposable income. As a retail-focused fund, we take these factors into consideration, trying to bring cost savings to our tenants through actively managing expenses and investigating ways of increasing operational efficiencies. Retailers are then in turn able to deliver savings to consumers.

“Despite the challenging macroeconomic environment, 2015 saw a strong delivery on strategy as Accelerate grew its asset base, optimised its capital and delivered strong returns to its shareholders.”

Despite these factors, the retail sector remained defensive and continued to perform well during the period under review. Even in tough economic conditions, Accelerate continues to enjoy support from our national tenants and has seen interest for space from international retail brands, especially with regard to the Fourways Development, which is encouraging for future revenue streams.

A further challenge is the increased competition in the property sector due to the limited stock available in the market. With its significant natural pipeline, however, Accelerate is in a strong position to access quality stock.

Disruptions in electricity supply and the increase in municipal charges remain challenging. As such, Accelerate is actively exploring ways to improve green technology in our buildings to reduce energy and water use.

Reviewing our performance

As we continue to build a sustainable business, our vision and strategy provide the roadmap, guiding the company’s decisions and informing our stakeholders of our intentions.

Accelerate’s strategic objectives are to grow our asset base by investing in well-priced properties to optimise capital and income return for shareholders, as well as to redevelop existing properties in order to enhance value and support longer-term income and capital growth. In so doing, the fund seeks to secure a quality portfolio with a strong retail bias that provides growth opportunities.

Our focus for the 2014 financial year was on embedding the right systems, governance and processes throughout every level of the company. During 2015, we continued to focus on cementing our foundations and started to leverage these as a platform to capture opportunities. We remain committed to seeking out value-accretive deals that enhance our portfolio as evidenced by the acquisition of the property holding companies of six properties currently tenanted by KPMG Inc. and KPMG Services. While the financial effects of this transaction will only be seen in the 2016 financial year, we believe this acquisition demonstrates management’s commitment to growing our asset base through investing in well-priced properties as well as its entrepreneurial flair in closing the deal despite fierce competition.

Adhering to the highest standards

Accelerate is committed to conducting our business in an open, honest, fair and transparent manner. We believe that in doing so we are able to uphold our reputation as a responsible and ethical corporate citizen and thereby secure the ongoing support and participation of all our stakeholders. In our endeavour to adhere to the highest standards of corporate behaviour and

Chairman's review (continued)

accountability, the board has embraced the principles of King III and implemented a robust governance framework that will assist in directing the company in a responsible manner, taking cognisance of the community and environment in which we operate.

Our code of ethics guides our actions. The code has been approved by the board and encapsulates our values. It is our guide to doing the right thing in our everyday business interactions and helps us safeguard our brand and therefore our reputation among all our stakeholders.

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. Our risks are also considered when reviewing our strategy. Working alongside such an experienced board, who display depth of insight into property, business, finance, risk and governance, enables us to effectively guide the company and apply the highest standards in corporate governance. I believe that the board provides the correct mix of knowledge and experience from various spheres of business to strategically direct the company into the future.

Contributing meaningfully to South Africa

We seek to embody the change we wish to see in our country. We remain committed to ensuring that the decisions we make today facilitate value creation for the company and the country into the future. Underpinning all our ambitions is the drive to ensure we contribute meaningfully to our society by creating employment and opportunities to generate wealth for all sectors of the South African society. The company, through its corporate social responsibility initiatives, also believes that investment into social development will uplift and empower individuals to make a lasting difference within their communities.

Sustaining meaningful stakeholder relationships

The board acknowledges that stakeholder engagement is a business imperative, helping to minimise risks, identify opportunities, and understand and respond to the issues that matter to our stakeholders. We endeavour to conduct our business with openness and integrity, understanding that building relationships based on trust with our stakeholders maintains and improves our capacity to generate value into the long term.

The social and ethics committee ensures that the board is kept apprised of any key issues raised by our stakeholders and endeavours to respond to these in a timely and responsible manner. We communicate with our stakeholders on a regular basis through formal feedback sessions, informal dialogue and our various publications and communications tools, including this report.

Prospects

The board believes that Accelerate is well positioned to create shareholder value well into the future, achieving continued growth and offering competitive performance.

Appreciation

I would like to extend my appreciation to my fellow board members, the executive management team and all Accelerate's employees for the commitment and hard-working spirit they have demonstrated throughout the year.

Mr Tito Titus Mboweni
Chairman
19 June 2015

CHIEF EXECUTIVE OFFICER'S REVIEW

Michael Georgiou, *chief executive officer,*
Accelerate Property Fund

The 2013 listing was the realisation of a vision to build a stronger, more focused business, with the principal aim of consolidating our position in the growing Fourways area, which has developed into a leading node over the last 10 years. Fourways remains one of Accelerate's strategic priorities and comprises approximately 64% of the property portfolio by value. Key opportunities exist for Accelerate to extract value from this node, arguably one of the premier retail nodes in the country.

The rezoning of land in Fourways and the support received from the local authorities culminated in the development of a long-term plan to achieve approximately 1 000 000 m^2 of development rights in this area. In addition, the company's head office is situated in the Fourways area, thereby enabling focused management of its investments.

While the Fourways area will remain a prominent component of the fund, we also intend to extend our asset base geographically, while maintaining our bias toward the defensive retail sector. The company has secured a 50% option on the Loch Logan Waterfront Shopping Centre in Bloemfontein and pre-emptive rights over various leading properties, including the Parow Shopping Centre in the Western Cape.

Operating environment

The global and local economic outlook remains weak, and South Africa is still feeling the effects of slow economic growth. The impact of the second interest rate hike in July 2014 has served to increase pressure on consumers to service debt, and all indications point to further interest rate hikes in the near future. This has resulted in greater pressure on consumer spending, which in turn has placed the retail and commercial property sectors under pressure.

Despite these factors, the listed property sector continues to grow. The sector continues to offer investors a stable cash flow and consistent capital returns, which provide investors with an attractive asset class. In addition to these factors, Accelerate benefits from a natural pipeline and a stable investor base, which serve as a key differentiator. As a new fund, we are pleased to have capitalised on the opportunities afforded during the year, having outperformed the capital return of the South African Property Index by 4,7% (SAPY 33%/APF 37,7%) for the period under review.

“Accelerate is extremely well positioned to create shareholder value by being a co-owner in the development of a super-regional centre in the Fourways area combined with its existing strong holding in this dynamic node.”

Growing and enhancing our asset base

We remain committed to growing our asset base with strategic assets, carefully selected to enhance our portfolio. During the year, Accelerate acquired the Checkers distribution centre in Montague Gardens at an accretive yield of 13%. Accelerate also entered into an agreement to acquire the property holding companies for six properties currently tenanted by KPMG Inc. and KPMG Services across various centres in South Africa. This deal was executed after the year under review. The assets include the iconic KPMG Crescent and Sky Bridge off Jan Smuts Avenue, as well as Wanooka Place in Parktown. The acquisition, with a combined GLA of 46 941 m^2, will significantly increase Accelerate’s total portfolio value to approximately R8 billion.

As a retail-biased fund, our aim is to have an asset base that is 70% retail, 15% office and 15% industrial. While the above-mentioned transaction has temporarily bolstered our stake in office property, this will be corrected by the Fourways Development and other dominant retail assets that we have line of sight to. The development, when completed, will make the mall arguably the biggest in Africa at approximately 175 000 m^2 and will bring the fund’s retail bias back into balance.

During the period, Accelerate invested R42 million into the refurbishment of the Thomas Patullo office property in Foreshore, Cape Town. This investment was made off the back of a long-term lease with a blue-chip tenant. A further R43 million was spent on the refurbishment and extension of the Bela Bela centre. In line with our strategic objective to optimise our portfolio, a decision was taken during the year to dispose of the Willows Centre in Pretoria East, a neighbourhood centre, for R71 million at an attractive capitalisation rate of 9,5%.

Raising capital to finance our growth remains a key focus. To mitigate any volatility in funding costs, Accelerate has recognised the need to diversify our sources of funding by accessing lower cost of funding in the capital markets through the establishment of a domestic medium-term note programme. During the year, we received approval from the JSE for a R5 billion programme. A senior secured rating of AA-(za) and senior unsecured rating of BBB+(za) from Global Credit Ratings Company (GCR) was also achieved. The fund’s inaugural issuance was in September 2014 and was oversubscribed by investors.

As we continue to raise capital, we will concurrently manage costs. The fund was largely unaffected by the interest rate increase in July 2014 as a result of our hedging strategy. Interest rate swaps have been put in place with a weighted average maturity of 2,36 years. For the period under review the swaps fixed the interest rate payable by Accelerate at 7,35% on approximately 87,7% of our interest-bearing debt. Following the year under review, the swap maturity profile has been extended to 31 March 2019, with the swap nominal amount reducing on a stepped profile from R2 billion to R1,6 billion over the term of the swap.

Delivering results

Accelerate earned a gross rental income of R699 million for the year. This comprises net rentals of R528 million and also includes R171 million of operating expense recoveries.

Income and expenses were well managed and this, combined with the effect of fixing debt interest rates on 87,7% of Accelerate's debt, had a positive effect on profitability, which would otherwise have been detrimentally affected by the interest rate increase.

The company's major expenses were largely recovered in terms of its leases and consisted of:
- Utility charges of R140 million
- Security costs of R23 million
- Cleaning costs of R10 million

The net property expenses of R35 million, in conjunction with R36 million in other operating costs, resulted in Accelerate reporting a 13,44% cost-to-income ratio. The company's operating activities resulted in cash inflows of R236,6 million, after paying net finance costs of R172 million.

The company's major assets consist of commercial properties held for investment purposes and are valued at R6,77 billion (2014: R6,16 million). The company has entered into a sale agreement in respect of a property shown as held for resale to the value of R29 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 R229 million, are considered sufficient to repay the fund's current liabilities consisting of trade and other payables amounting to R88 million. The current portion of long-term debt of R238,8 million is repayable on 12 December 2015. Having diversified our funding base we are comfortable that this debt will be refinanced either by way of the debt capital markets or by one of our funding partners. The fund's major liability consists of an interest-bearing long-term debt of approximately R2,39 billion.

Operating profits per sector as at 31 March 2015 were as follows:
- Retail: R424,1 million
- Office: R79,7 million
- Specialised retail: R22,7 million
- Industrial: R16,4 million

Growing a sustainable business

We understand that as an organisation, our brand is not only dependent on the financial viability of our business but also on the way we conduct ourselves in our various interactions with our stakeholders and the degree to which we show ourselves to be a responsible corporate citizen. We therefore strive to integrate sustainable business practices into our everyday operations.

Outlook

Our core strategy is clear. We will continue to focus on the Fourways Development. We will also strategically expand our asset base and upgrade and refurbish properties where necessary. We are confident that we are in a position to continue to deliver strong returns to our stakeholders.

Appreciation

I would like to extend my heartfelt appreciation to the board for their sound advice and guidance over the past year. I would also like to thank our shareholders for their support. To our valued tenants, and the customers we serve, thank you for your continued commitment to the company. Our people persist in going above and beyond in delivering value to all the company's stakeholders and for that I am exceptionally grateful. It is because of their dedication and effort that Accelerate continues to grow from strength to strength.

Michael Georgiou
Chief executive officer
19 June 2015


ALTECH
BYTES

Investment overview

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INVESTMENT OVERVIEW

CHIEF OPERATING OFFICER'S REVIEW

Andrew Costa, *chief operating officer,*
Accelerate Property Fund

Reinforcing our strong foundations

A key focus for the year under review was consolidating our existing structures. We have worked to cement our foundations, that is, to bed down our property management structures and operational framework. By focusing on creating and entrenching scalable solutions, as well as making certain that the right people occupy key positions, we have ensured that going forward the addition of more properties to the fund will be done using the structures already in place, thus streamlining the organisation for growth and efficiency.

Accelerate's asset management function is housed within the company and consists of an asset management forum and the investment committee. 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 comprises three executives and three independent non-executives and is chaired by lead independent non-executive director, Dr Gert Cruywagen. It takes decisions on proposals put to it by the forum or makes recommendations to the board with respect to transactions beyond its mandate.

Building the right team

At Accelerate, we recognise that our people are the key to our success. Not only does the Accelerate board come with vast experience, our executive management team also brings with it an entrepreneurial flair with intricate knowledge of the property market, as well as corporate, legal and financial experience that guides our organisation.

As a dynamic business with a passion for strategic growth, we understand that attracting and retaining high-quality staff is imperative. We value our employees and ensure that we select people who complement our management team's passion for the property industry. From developing, leasing or managing our property portfolio, to working with our tenants, suppliers and other stakeholders, our people are at the forefront of everything we do. It is therefore essential to us that our direct staff and the staff of our property management functions carry our ideals of conducting business in an open, honest and transparent manner, into all these facets of our business.

During the year, additional employees were hired in order to cater for an ever-growing organisation and to cement the scalable framework we have put in place. By way of example, we have employed a national leasing

"Our long-term vision is to become the most valuable property fund on the JSE."

manager to coordinate and drive our leasing. We remain focused on training and developing our people in order to empower them to achieve the company's and their personal goals.

Protecting our natural capital

Natural capital provides the foundation for our economic activity. At Accelerate, we are actively exploring ways to reduce our consumption of natural capital and introduce technology to minimise our reliance thereon in order to ensure the long-term sustainability of our business.

In the South African context, there are also near-term incentives for monitoring and reducing our environmental impact due to stricter regulations and rising utility costs and constraints, with the supply of electricity a particular concern. In light of these challenges, green design and innovative methods of reducing our consumption of natural resources has become an area of increasing importance.

Related-party transactions

Conditional purchase consideration (agterskot)

At listing, a conditional purchase agreement, called the agterskot agreement, was set up between Accelerate and the Michael Family Trust (a vendor). In this agreement, 23 properties with a total GLA of 140 446 m^2 were ringfenced. 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 within 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 and in accordance with pre-defined parameters otherwise the deferred payment, through the issue of shares, will lapse. In essence, all the risk in the agterskot GLA lies with the vendor. For the year under review, a significant portion of the agterskot GLA has been let at a forward yield of 10,44%, resulting in only 6 448 m^2 of the original agterskot GLA remaining.

Vacancies covered by guarantees

Fourways Precinct has guaranteed 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). This effectively results in the vacancy risk of the Fourways retail properties being transferred to Fourways Precinct for a three-year period.

Deal execution

Deal execution is core to the growth and sustainability of any property fund. As a newly listed, mid-sized fund it was important for the executive team to translate its experience into sourcing and executing quality, yield enhancing deal flow. Recent transactions, in particular the KPMG and Checkers acquisitions, have demonstrated the executives' ability to do this despite an extremely competitive market environment. This proven ability, together with the continued support of our strategic funding partners, scalable operating structures and deal pipeline has positioned the fund to carry forward this impetus into the future.

Appreciation

I would like to thank our executive team, staff and property management teams for their support, commitment and dedication throughout the year.

Looking ahead

We have bedded down the administrative, operational and governance structures within our organisation. We are confident that this, together with our access to quality assets, has positioned us to effectively implement our defined strategy. We look forward to an exciting year ahead.

Andrew Costa
Chief operating officer
19 June 2015

OPERATING ENVIRONMENT

"The property clock for the South African commercial property market suggests that the retail and industrial sectors will continue to outperform the market, with the office sector consolidating as vacancy rates decline."

The South African property market continues to show a strong performance in a domestic economy characterised by lacklustre economic growth. The performance of the South African economy has been affected by uncertain growth in the global economy, weak levels of aggregate demand, as well as structural impediments such as power outages. On an average annualised basis economic growth has slowed to 2,4% in the period 2010 – 2014, compared to an average of 3,6% in the ten years to 2010. In 2014 the economy was primarily driven by the tertiary sector, with the mining sector experiencing a contraction of -1,6%.

During 2015 to 2016, the property market is predicted to face a relatively stable macro-economic environment, with interest rates expected to remain steady during much of the year. The inflation rate is expected to remain within the 3% – 6% range set by the South African Reserve Bank, with forecasts suggesting that the economy could grow by 2,4% in 2015.

Reflecting the performance of the South African economy, the commercial property market is recording mixed returns. In 2014, the South African commercial property sector recorded total returns of 12,9%, reflecting a yield of 8,7% and a capital growth of 4%. In 2014, capital growth declined somewhat from the 6,8% recorded in 2013.

The industrial property market outperformed the market with a return of 14,1%, followed by the retail sector with a return of 13,3% and the office sector with a return of 12,1%.

Total returns IPD in retail, office and industrial sectors

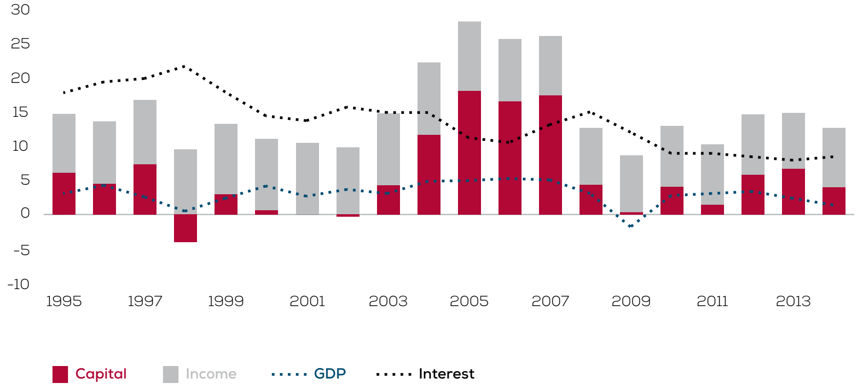
Sector	Total returns (capital and yield) 2014
Retail	13,3%
Office	12,1%
Industrial	14,1%
Total	12,9%

Source: Investment Property Databank (IPD), SARB

A disaggregate of returns suggests that retail warehousing performed particularly well with a return of 20,1%, followed by small single standing retail shops (17,7%) and small regional shopping centres (16,2%).

The overall performance of the South African commercial property market is illustrated in the graph that follows, which illustrates that, since 2008, the commercial property market has provided stable total returns of between 10% and 15%.

South African returns, GDP and interest rates

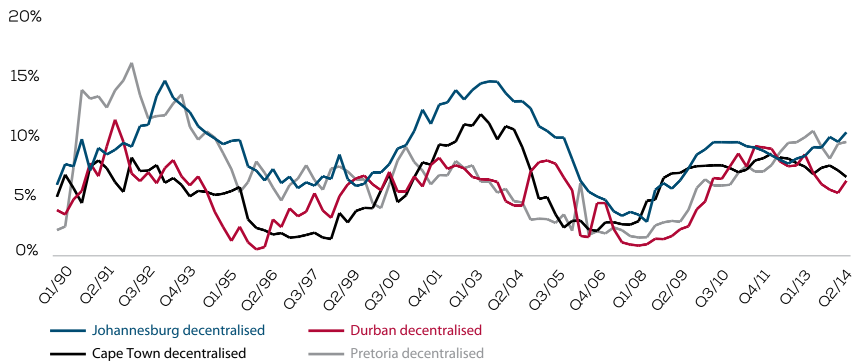


Source: IPD, SARB

The level of investments and developments in the retail sector is responding to structural changes in existing catchment areas, as well as the continued growth of South Africa's middle class. Yet, there is concern that some 60% of credit active consumers continue to struggle to service their debt. The strong performance in the industrial sector is to a significant degree driven by a modernisation of the logistics sector.

The office sector continues to experience relatively high vacancy rates, with investors focusing on the letting of space at rentals that provide acceptable returns. While there is some evidence that vacancies are declining, the performance varies considerably from one geographic area to the next. The escalation rates also remain under pressure. A slowdown in building activity in the office market suggests that the vacancy rate should, during the course of the year, trend to the natural vacancy rate of approximately 8%.

Decentralised A and B office vacancies



Source: SAPOA-Viruly

Operating environment (continued)

Of particular concern to the property sector has been the significant rise in administered prices, which increased by approximately 8% in 2014, and municipal rates and electricity prices, which are rising above this figure. As illustrated in the graph above, the rise in administered prices implies that a growing proportion of gross rentals are being absorbed by operating costs. Increases in municipal and electricity charges therefore remain material matters.

In 2014, the average ratio of operating costs to gross income was 40,2%, with the ratios in the retail, office and industrial sectors being 44%, 38% and 37,4% respectively. Some 50% of operating costs, namely electricity, water, rates and taxes and utilities, are affected by administered prices.

Forecasts for the South African commercial property market will be influenced by the trajectory of the global and local economy, interest rates and in particular, the performance of the retail sector. The property clock for the South African commercial property market suggests that the retail and, industrial sectors will continue to outperform the market, with the office sector consolidating as vacancy rates decline.

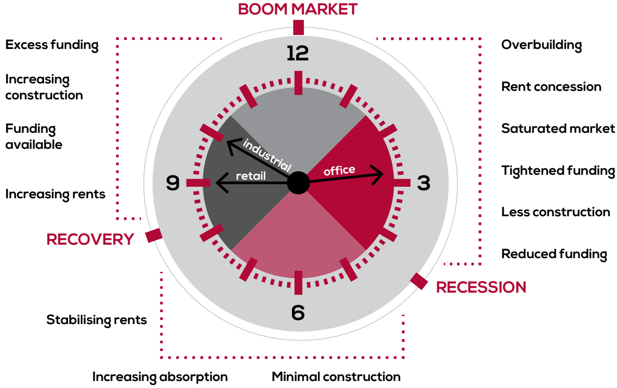
Operating costs – offices

Building management	5%	Municipal charges	5%
Cleaning	4%	Rates and taxes	19%
Electricity	28%	R&M office	5%
Insurance	2%	Security	7%
Letting fees	3%	IT	7%
Management fees	9%	Other	6%

Source: IPD, SARB

In the longer term, the property sector should see the benefits from a rapidly growing middle-income class, national government's focus on the effectiveness of local government structures, and the focus on improving the urban public transport system.

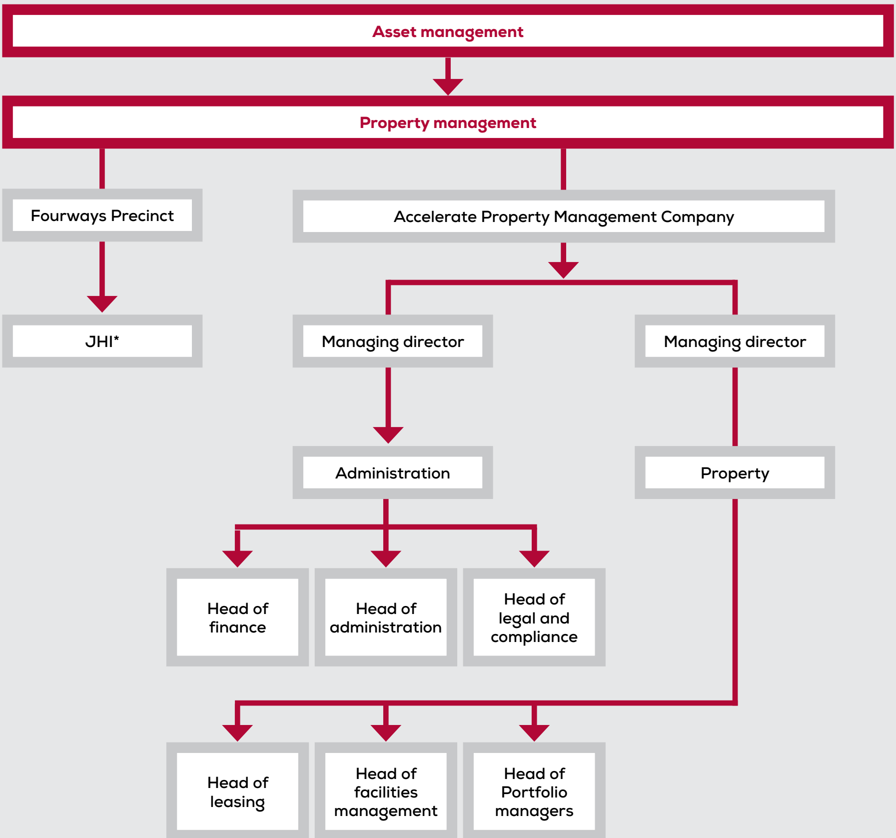
The property clock as at April 2015



Prof F Viruly
Independent non-executive director
19 June 2015

OPERATIONAL REVIEW

Management and operational structure



* *As at 31 March 2015.*

Operational review (continued)

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

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 independent 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 the lead independent non-executive director.

Property management

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

- 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 fund;
- liaising with tenants and attending to their requirements;
- collecting rental deposits, rental security and other contributions pursuant to any lease agreements;
- appointing and managing maintenance contractors where required;
- arranging security 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 and supervising the cleaning of properties; and
- 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 40 to 41.

Tenants and leasing

Profile: Tenants are critical to the sustainability of Accelerate's income streams and portfolio managers take great care when sourcing tenants and negotiating lease agreements. Accelerate has approximately 1 599 tenants that are categorised as follows:

- **A** tenants (approximately 343): large national tenants and large listed tenants
- **B** tenants (approximately 188): national tenants, listed tenants, franchises and medium to large professional firms
- **C** tenants (approximately 1 068): other

As part of our ongoing review of operational structures to ensure maximum value is extracted from our portfolio, Accelerate has created a head of leasing position, who will oversee all leasing activities in the company's portfolio.

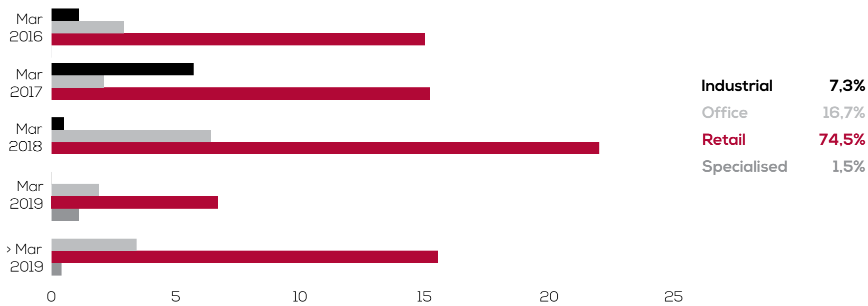
The tenant profile by revenue and by GLA is shown on page 17.

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.

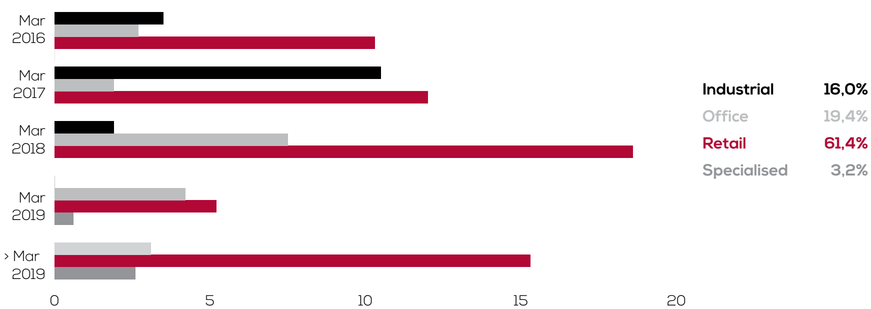
Tenant attraction and retention: When placing tenants in a shopping centre, the portfolio manager ensures that the tenant profile complements the shopping centre's market, what competitor shopping centres are located nearby and that the anchor tenant is correctly placed to maximise foot traffic.

Leasing: The weighted average lease expiry of Accelerate's property portfolio by gross rental is approximately 2,87 years as depicted in the graph below. Furthermore, the weighted average annual escalation across the fund's property portfolio is approximately 8,46%. 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 categorises vacancies as either being actual vacancies or strategic vacancies. Strategic vacancies arise when an area is intentionally not let to cater for future development, refurbishment or the like. As at the 31 March 2015, Accelerate's vacancy rate net of structural vacancies was 7,52%, with our strategic vacancies being 1,29% 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.

The portfolio managers and the head of leasing continually monitor tenant placements 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 the most suitable strategy or solution to be implemented.

Actual vacancy profile per sector

as at 31 March 2015

	Total		Retail		Office		Industrial		Specialised retail	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Number of properties	**52**	52	**30**	31	**15**	15	**4**	3	**3**	3
GLA (m²)	**467 208**	450 240	**294 152**	303 319	**97 825**	97 825	**57 856**	31 721	**17 375**	17 375
Vacancy including structural vacancies (%)	**8,8**	10,01	**10,1**	9,04	**11,7**	18,06	**–**	–	**–**	–
Vacancy net of structural (%)	**7,5**	–	**8,1**	–	**11,7**	–	**–**	–	**–**	–
Vacancy in GLA (m²)	**41 149**	45 090	**29 685**	27 427	**11 464**	17 663		–		–

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 taxes and water, is forecast to continue to increase. This increase places a material burden on Accelerate's tenants across all its sectors, as these costs are recovered from the tenants in their monthly rentals. Accordingly, Accelerate, as part of an ongoing process, continues to explore energy-efficient and water-efficient alternatives across our portfolio.

More information on the company's operations can be found in the chief operating officer's review on pages 40 to 41.

SECTORAL REVIEWS

Indicator	Accelerate's property portfolio (total)		Retail	
	2015	2014	**2015**	2014
Number of properties	**52**	52	**30**	31
Asset value (R'000)	**6 766 284**	6 147 200	**5 276 572**	4 971 877
Value per sector (%)	**100,00**	100,00	**78,00**	80,88
Average property value (R'000)	**130 121**	118 215	**175 886**	160 383
Total GLA (m^2)	**467 208**	450 240	**294 152**	303 319
GLA as percentage of portfolio (%)	**100,00**	100,00	**63,00**	67,37
Net property income (excluding straight-lining) (R'000)	**493 946**	139 149	**387 249**	109 272
Average escalation (%)	**8,46**	8,35	**8,58**	8,46
Expense to income ratio (%)		13,44		–
Weighted average lease period (years)	**2,87**	3,08	**2,9**	3,0

Ten largest letting properties by market value

Property	Fair value (R'm)	
	2015	2014
Fourways Mall Shopping Centre	**2 273,77**	2 145,08
Cedar Square	**883,39**	774,16
Fourways View	**318,97**	319,30
The Buzz Shopping Centre	**273,95**	286,17
Fourways Game	**156,73**	166,60
BMW Fourways Building	**181,10**	165,56
Leaping Frog	**157,20**	148,00
Kyalami Downs Shopping Centre	**139,90**	132,00
Oceana House	**131,10**	115,51
Checkers Montague	**149,38**	n/a
Total for 10 largest properties by value	**4 665,49**	4 252,38
Total property portfolio	**6 766,28**	6 147,19

Specialised retail		Office		Industrial	
2015	2014	**2015**	2014	**2015**	2014
3	3	**15**	15	**4**	3
296 290	267 450	**911 814**	796 154	**281 608**	111 718
4,38	4,35	**13,47**	12,95	**4,16**	1,82
98 763	89 150	**60 787**	53 077	**70 402**	37 239
17 375	17 375	**97 825**	97 825	**57 856**	31 721
3,7	3,86	**20,9**	21,73	**12,4**	7,05
18 935	3 636	**71 928**	22 188	**15 834**	4 053
8,06	8,59	**7,78**	8,06	**8,93**	6,82
	–		–		–
4,26	4,8	**3,05**	3,08	**1,93**	2,8

GLA (m²)	Value/m² (R'000)	
2015	**2015**	2014
61 480	**36,98**	34,89
46 025	**19,19**	16,82
12 962	**24,61**	24,63
14 291	**19,17**	20,02
8 763	**17,89**	19,01
13 098	**13,83**	12,64
11 139	**14,11**	13,29
14 096	**9,92**	9,36
7 226	**18,14**	15,99
26 135	**5,72**	n/a
215 215	**21,68**	19,76
467 208	**14,48**	13,16

Sectoral reviews (continued)

Retail

We pride ourselves on being a predominantly retail-biased fund with a strategic objective to maintain a minimum of 70% exposure to the retail sector.

Fourways retail properties

The Fourways retail properties consist of nine letting enterprises, most of which are retail centres within Fourways. These comprise approximately 64,1% 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 approximately 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 are shown below.

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 the creation of a super-regional shopping centre.
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.	Opportunity to acquire up to 50% undivided ownership in a super-regional shopping centre, and improved infrastructure once the development is complete.
Occupancy rate in Fourways Mall is high at 97,3% net of structural vacancies.	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, Game, Shoprite and Woolworths.		
Good weighted average lease expiry 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. They comprise a workshop, showroom, parking, and offices; and
- Sasol Delta, which comprises a Sasol garage, workshop and showroom.

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.
Excellent positioning in a well-accessed area with good exposure.	Tough economic climate affecting consumers' disposable income.	

Other retail properties

The other retail properties consist of 21 letting enterprises, comprising typical neighbourhood or convenience-type shopping centres, mainly anchored by large national and listed supermarket chains such as Shoprite Checkers, Spar and Pick n Pay.

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.	A number of centres have been identified for capital expenditure to extract value. Certain non-core centres have been earmarked to be sold given, among other factors, the life cycle of the asset but always dependent upon achieving a favourable return.
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 re-developments.
Geographically well located.	New competition on the increase.	
Competitive rentals charged.		
Most properties have easy access via main arterial routes.		

Sectoral reviews (continued)

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 focus on strategic property nodes, and others are linked to retail centres.

The focus is on the following key areas:
- Cape Town Foreshore, chosen for its strategic position and the potential expansion of the Cape Town CBD and foreshore; and
- Charles Crescent, which is situated approximately 3 km from the Sandton CBD with motorway access and exposure, is close to the Gautrain and the Rea Vaya Bus Rapid Transport System, and is undergoing improvements as an area.

Highlights	Challenges	Looking ahead
Various locations around South Africa, predominantly in Gauteng and Cape Town.	Tough economic pressure on B-grade office space as companies and small enterprises downsize.	Opportunities exist to upgrade B-grade offices to A-grade offices.
Located close to large retail hubs.	Higher market vacancy rate due to companies centralising and relocating to owner-occupied 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.	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 nodes.

Industrial

Industrial properties

The industrial component comprises four letting enterprises, namely 10 Charles Crescent, Edcon, Meshcape, Edenvale, and Shoprite Checkers, Montague Gardens. In this asset class, it is our intention to identify and acquire multi-purpose, single-tenant properties in prime locations.

Highlights	Challenges	Looking ahead
Charles Crescent, Sandton Located within an industrial/commercial node with easy access to the N1 highway, very close to Sandton.	Large capex spend required to transform this node to take full advantage of the opportunity.	Increase the industrial portfolio per strategy above.
Blue-chip national tenants, including: Checkers, Meshcape and Pringle		

DETAILED PROPERTY LIST

Buildings	Type	Region	Fair value 31 March 2015 (R)	GLA m²	Net rental per m²
Retail portfolio					
Sandton Fourways Mall Shops	Retail	Gauteng	2 273 779 706	61 480	211,22
Cedar Square Shopping Centre	Retail	Gauteng	883 390 000	46 025	100,44
Fourways View	Retail	Gauteng	318 970 000	12 962	146,41
The Buzz Shopping Centre	Retail	Gauteng	273 950 000	14 291	98,70
The Leaping Frog S&G Centre	Retail	Gauteng	157 198 656	11 139	105,36
Fourways Game	Retail	Gauteng	156 737 754	8 763	96,88
Kyalami Downs	Retail	Gauteng	139 995 805	14 096	78,62
Bela Bela	Retail	Limpopo	113 742 448	9 719	97,48
Cherry Lane	Retail	Gauteng	110 714 885	11 672	75,10
Rock Cottage	Retail	Gauteng	81 475 984	6 274	106,08
Wilrogate Centre	Retail	Gauteng	78 035 998	10 255	65,84
The Pines (Heartland Properties)	Retail	Western Cape	77 174 783	7 621	79,59
Venter Centre	Retail	Gauteng	64 040 958	7 470	67,63
Mr Price	Retail	Western Cape	62 600 000	8 080	83,18
Eshowe Mall	Retail	KwaZulu-Natal	60 000 000	11 775	42,96
Tyger Manor	Retail	Western Cape	55 791 619	3 747	111,73
Centurion Highveld Park Investments	Retail	Gauteng	49 290 000	4 777	81,68
East Lynn Shopping Centre	Retail	Gauteng	46 000 000	7 633	54,92
Eden Terrace Shopping Centre	Retail	Gauteng	40 317 984	4 661	72,48
Waterford	Retail	Gauteng	38 673 065	6 597	50,73
9 & 11 Main Road Melville	Retail	Gauteng	33 957 551	3 213	87,98
Corporate Park Corner Shopping Centre	Retail	Gauteng	32 020 475	5 200	48,79
Rietfontein Pavilion	Retail	Gauteng	30 392 316	3 781	66,25
Beacon Isle	Retail	Gauteng	23 118 696	2 090	87,84
Valleyview Centre	Retail	Gauteng	20 100 000	1 991	78,14
7 Main Rd Melville	Retail	Gauteng	16 846 525	1 973	71,33
Cascades Shopping Centre	Retail	Gauteng	16 433 842	3 441	43,30
Wilropark	Retail	Gauteng	13 025 283	2 332	56,21
14 Main Rd Melville	Retail	Gauteng	8 797 836	1 138	70,98
			5 276 572 168	**294 152**	

Detailed property list (continued)

Buildings	Type	Region	Fair value 31 March 2015 (R)	GLA m²	Net rental per m²
Office portfolio					
1 Charles Crescent	Office	Gauteng	126 421 628	13 273	84,66
9 Charles Crescent	Office	Gauteng	37 230 595	4 298	82,49
99 – 101 Hertzog Boulevard	Office	Western Cape	52 969 471	3 620	109,80
Absa Brakpan	Office	Gauteng	12 288 000	2 797	47,00
Exact Mobile	Office	Gauteng	15 990 000	1 106	112,83
Flora Park	Office	Gauteng	79 237 117	14 673	54,31
Glen Gables	Office	Gauteng	65 700 000	6 646	83,82
Highway Gardens Office Park	Office	Gauteng	31 477 764	5 787	51,21
Keerom Street Chambers	Office	Western Cape	76 400 000	4 507	142,86
Mill House	Office	Western Cape	28 420 000	3 225	67,83
Mustek (89 Hertzog Boulevard)	Office	Western Cape	33 400 000	4 500	68,16
Oceana House (Zamori/Erf 230)	Office	Western Cape	131 100 000	7 227	118,94
Primovie Park	Office	Gauteng	106 595 823	17 364	53,00
Thomas Patullo Building	Office	Western Cape	78 983 605	4 965	112,68
Triangle House	Office	Western Cape	35 600 000	3 562	80,71
			911 814 003	**97 825**	
Industrial portfolio					
10 Charles Crescent	Industrial	Gauteng	16 818 773	3 445	56,80
Checkers Montague	Industrial	Western Cape	149 388 750	26 135	65,16
Edcon Warehouse	Industrial	Western Cape	66 900 000	14 775	40,30
Meshcape Edenvale	Industrial	Gauteng	48 500 000	13 501	32,96
			281 607 523	**57 856**	
Specialised retail					
BMW Fourways (Cedar)	Specialised retail	Gauteng	181 140 000	13 098	63,71
Ford/Mazda (Buzz vacant land)	Specialised retail	Gauteng	54 800 000	2 557	174,05
Sasol Delta	Specialised retail	Gauteng	60 350 466	1 875	196,31
			296 290 466	**17 375**	

EXECUTING OUR STRATEGY

To continue to deliver distribution growth and increase our asset base, the fund has a very clear strategy. In the short to medium term, the launch and smooth implementation of the Fourways Development together with the refurbishment of the existing Fourways Mall is front of mind. Of the back of our settled operational structure, we will look to enhance certain properties and potentially dispose of non-core properties to unlock value. With the support of our funding partners we will take advantage of our deal pipeline to deliver superior returns to our stakeholders.

Fourways development

Fourways Precinct, the previous owner of the Fourways properties and the holder of the development rights, will implement the Fourways Development and introduce approximately 90 000 m^2 of additional 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, surrounding Accelerate properties and the community at large.

Fourways Precinct has a highly experienced and skilled development team. 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 to complete from the commencement of construction.

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

Executing our strategy (continued)

INVESTMENT CASE FOR THE FOURWAYS DEVELOPMENT

- The local municipality has approved a GLA of approximately 400 000 m^2 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 m^2 under one roof.
- There are plans to achieve around 1 000 000 m^2 of rights in the future.
- 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 flyways directly into the Fourways Mall Shopping Centre from the existing road network, has 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 have 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.

Property re-development

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

Bela Bela – The centre has undergone a major re-development, and is anchored by a Pick n Pay, Woolworths Clothing, Absa and Nedbank.

Thomas Patullo – Off the back of a five-year lease with Bytes Technology, the office has been upgraded to an A-grade office space. See photos on page 37.

Pipeline

Accelerate Property Fund has access to a significant pipeline of properties with an option to acquire 50% of Loch Logan Waterfront Shopping Centre (the dominant shopping centre in central South Africa) in Bloemfontein, Free State. The fund also enjoys pre-emptive rights over a number of leading properties, for example the Parow Shopping Centre in the Western Cape.


ACCELERATE

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CORPORATE OVERVIEW

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Mr Tito Titus Mboweni (56)
Chairman
Independent non-executive director
BA, MA

Dr Gert Cruywagen (59)
Lead independent director
PhD, MSc, PMD, FIRM(SA)

Mr John Doidge (66)
Independent non-executive director
BProc, attorney of the High Court of South Africa.

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 Ltd and SacOil Holdings Ltd and a non-executive director of Discovery Ltd. 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 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 Ltd. He is the chairman of Denel Aerostructures SOC Ltd 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 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 1990s and he started what is now TMF Corporate Services (South Africa) (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. He 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 12 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 the former chairman of Alexander Forbes Preference Share Investments Ltd, a company that was 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 (66)
Independent non-executive director
CTA (Wits), CA(SA), Diploma in Advance Banking (UJ)

Ms Kolosa Madikizela (35)
Independent non-executive director
Master of Technology Degree in Construction Management

Prof Francois Viruly (54)
Independent non-executive director
MA in Development Economics, BA (Hons) in Economics, BA (Economics and Industrial Sociology)

Mr Fearnhead is a chartered accountant and was a partner at Deloitte for 21 years. He joined Nedbank Ltd 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 Madikizela was the general manager for engineering, projects and proposals at Aveng Water, part of the Aveng Group. Ms Madikizela worked for blue-chip companies such as Shell South Africa and Life Healthcare Group in the facilities management, engineering and project management disciplines and was the chief executive officer of Nexus Facilities Management Company (Pty) Ltd, with Neotel as their major client. Ms Madikizela is currently the Cape regional manager for Pragma.

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

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 Wits University. He is presently an associate professor at the University of Cape Town (UCT).

He is a fellow of the Royal Institute of Chartered Surveyors (RICS) and chairs the University of Cape Town senate ethics in research committee. 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.

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

Board of directors (continued)

EXECUTIVE DIRECTORS

Mr Michael Georgiou (45)
Chief executive officer

Mr Andrew Costa (44)
Chief operating officer
BCom, LLB

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 Shopping Centre, 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 Holdings Ltd and First National Bank, a division of the First Rand Group.

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.

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

Mr Costa has been involved in local and international transactions issuing vanilla bonds, high-yield bonds, convertible bonds, bank and insurance capital, preference shares and hybrid capital transactions. His clients have included, among others, the Republic of South Africa, Anglo American plc, Barloworld Ltd, SABMiller plc, the Goldman Sachs Group, Inc., Standard Bank Ltd and Hyprop Investments Ltd.

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 (60)
Chief financial officer
CA(SA)

Mr John Paterson (41)
Executive director
BA, LLB, LLM

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 Stores Ltd 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, Mr Kyriakides 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 Family to assist with the management and administration of their 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 Paterson is an admitted attorney having served his articles at Webber Wentzel Bowens. Prior to joining the banking sector, 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 Ltd (Investec) 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, among others, funding structures for the commercial property sector. He brings a wealth of legal, 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
Chief executive officer

Mr Andrew Costa
Chief operating officer
BCom, LLB

Mr Dimitri Kyriakides
Chief financial officer
CA(SA)

Mr John Paterson
Executive director
BA, LLB, LLM

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 application of the 27 principles contained in chapter 2 of King III for the year ended 31 March 2015, is included at the end of this report. A full report of the company's application of each of the King III principles for the year ended 31 March 2015 is available on the Accelerate website: www.acceleratepf.co.za.

Good governance

Accelerate has established a board structure and adopted the appropriate policies and procedures to demonstrate that it embraces the principles of King III and is accountable to 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, who regularly reports to the board and board committees. The chairman of the board and the chairmen of the board committees play active roles in all corporate governance matters and regularly interact with executive directors and management.

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

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 nomination committee oversees the formal process for nominating new directorial candidates.

Any directorial appointments are approved by the board as a whole and newly appointed directors are required to step down at the first annual general meeting following their appointment, for election by shareholders and, if eligible and available, may be re-elected. The nomination committee reviewed the competence and skills of the retiring directors, Ms K Madikizela and Mr TJ Fearnhead, and recommended that the board recommend their re-election to 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's stakeholders.

Information regarding involvement in stakeholder relationships is included on pages 22 to 23 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, the lead independent director, the chief executive officer, the chief operating officer and the chief financial officer, as well as the focus on stakeholder relationships, the implementation of a proper delegation of authority and the composition and evaluation of the board and its various committees. The charter also contains the requirements for the composition of the board, meeting procedures and the annual work plan. The board charter was reviewed and updated during the period under review and the board is satisfied that 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. The social and ethics committee is responsible for monitoring Accelerate's ethical conduct. The committee meets at least twice a year to monitor and review Accelerate's social and ethics plan, policies and procedures against a comprehensive annual work plan.

Fiduciary and statutory 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 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 are held when required. During the period under review, the board had four scheduled meetings and one additional meeting. 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 meetings during the year ended 31 March 2015.

	18 June 2014	18 September 2014	18 November 2014	28 January 2015#	24 March 2015
Mr TT Mboweni	P	P	P	P	P
Mr A Costa	P	P	P	P	P
Dr GC Cruywagen	P	P	P	P	P
Mr JRP Doidge	P	P	P	A	P
Mr TJ Fearnhead	P	P	P	A	P
Mr M Georgiou	P	P	P	P	A
Mr D Kyriakides	P	P	P	P	P
Ms K Madikizela	P	P	P	P	P
Mr JRJ Paterson	P	P	P	P	P
Prof F Viruly	P	P	P	P	P

Key: P – Present A – Apologies # Special board meeting

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. An independent non-executive director, Mr TT Mboweni, holds the position of chairman.

As per King III, the lead independent director assessed the performance of the chairman.

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 62 to 69 of this report.

Board composition

The board elects the chairman of the board annually. The nomination committee considers the composition of the board and its committees 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 on pages 84 and 129 of this report.

Independence

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

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

The company secretary is iThemba Governance and Statutory Solutions (Pty) Ltd, represented by Ms Joanne Matisonn (FCIS; H Dip Co Law (Wits)). 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 Matisonn has over 20 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 considered the skills and experience of the company secretary. The board was satisfied with the level of competence, qualifications and experience of Ms Matisonn, as required in terms of paragraph 3.84(i) of the JSE Listings Requirements.

Ms Matisonn is neither a director nor a shareholder of Accelerate and the board is comfortable 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. The retiring directors are Ms K Madikizela and Mr TJ Fearnhead, both of whom are eligible and have indicated that they are available for re-election by shareholders at the annual general meeting to be held on 27 July 2015.

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. A policy for trading in company shares is in place.

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

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

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

The board has established a remuneration committee and a nomination committee, and the composition of both committees is in line with King III recommendations.

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 assess whether they have complied with their terms of reference and report back on compliance to the board. The committees have complied with this requirement for the year ended 31 March 2015.

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 below.

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

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 following each committee meeting, or more often if required. The independence of the committee members was evaluated through a self-assessment questionnaire and the findings were presented to the board. For the period under review, the board deemed the members of the audit and risk committee to be independent.

Corporate governance report (continued)

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;
- recommending independent auditors for appointment, 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;
- overseeing the risk management process;
- 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 competence of the chief financial officer for the period under review, and given his qualifications and experience, the board is satisfied that Mr D Kyriakides has the requisite capacity and competence 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 members' résumés appear on pages 62 to 69 of this report and all will stand for re-election at the upcoming annual general meeting on 27 July 2015.

Summary attendance table of members at the audit and risk committee meetings for the year ended 31 March 2015

	15 September 2014	18 November 2014	**12 February 2015**
Mr TJ Fearnhead	P	P	**P**
Dr GC Cruywagen	P	P	**P**
Ms K Madikizela	P	P	**A**
Mr A Costa*	P	P	**P**
Mr D Kyriakides*	P	P	**P**
Mr JRJ Paterson*	P	P	**P**

Key: P – Present A – Apologies * By invitation

Governance of risk

The board, assisted by the audit and risk committee, is responsible for the governance of risk throughout the company. There is an ongoing process for identifying, assessing and monitoring key risks, which is encapsulated in a risk management policy and risk register. The audit and risk committee thoroughly reviews and interrogates the risk register and highlights to the board any key issues that require attention.

Information technology governance

The board, assisted by the audit and risk committee, 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. An IT policy was approved during the year to strengthen governance processes.

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. In addition, the sponsor made a presentation to the board on the amended JSE Listings Requirements which became effective on 30 September 2014 and the board is comfortable that it understand the new requirements.

Internal audit

The board ensures that the internal audit function is risk-based. This is monitored and controlled by the audit and risk committee. LateganMashego Consulting (Pty) Ltd is Accelerate's internal auditor. The audit and risk committee approved an internal audit activity charter during the period under review. The internal auditor submits an annual assessment on the effectiveness of the risk management process in Accelerate to the audit and risk committee for consideration.

Relationships with stakeholders

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

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 on recommendation from the audit and risk committee.

Internal controls

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

Business rescue proceedings

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

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

Compliance, ethics and financial reporting

Competition law

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

Real Estate Investment Trust (REIT) legislation and regulation

Members of the board attended the SA REIT Conference 2014 on Wednesday, 22 October 2014. The Board is aware of the REIT requirements as set out in the JSE Listings Requirements and Income Tax Act and continues to conduct business operations in such a manner that ensures compliance with REIT legislation and regulation.

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

Furthermore, shareholders do not pay securities transfer tax on buying or selling South African REIT shares.

Because the distribution from a REIT is not considered to be a dividend, South African investors receive distributions that are exempt from the 15% dividends tax.

Investors are taxed on the distributions received at their applicable marginal income tax rate.

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

Corporate governance report (continued)

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, the audit and risk committee independently monitors it.

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

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 the company's remuneration philosophy and other employment policies, 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 meetings during the year ended 31 March 2015

	15 May 2014	18 November 2014	**24 March 2015**
Mr JRP Doidge	P	P	**P**
Mr TJ Fearnhead	P	P	**P**
Mr TT Mboweni	P	P	**P**
Mr A Costa*	P	P	**P**

Key: P – Present * By invitation

Accelerate's remuneration review is discussed on pages 82 to 86.

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.

Meetings are held on an ad hoc basis as and when required. No meetings were held during the year under review.

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.

The composition of the social and ethics committee was as follows:

- Ms K Madikizela (chairman)
- Mr JRP Doidge
- Prof F Viruly
- Mr JRJ Paterson

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 committees;
- upholds the objectives 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;
- ensures compliance by directors and staff with the company's code of ethics;
- practises 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.

Summary attendance table of members at the social and ethics committee meeting during the year ended 31 March 2015

	15 May 2014	18 November 2014	24 March 2015
Ms K Madikizela	P	P	**P**
Mr JRP Doidge	P	P	**P**
Prof F Viruly	N/A	P	**P**
Mr JRJ Paterson	P	P	**P**

Key: P – Present N/A – Not applicable

Corporate governance report (continued)

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 M Georgiou
- Mr TT Mboweni
- Mr JRJ Paterson
- Prof F Viruly
- Mr A du Toit (by Invitation)
- Mr R Vallance (by invitation)

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 re-developments.

Summary attendance table of members at the investment committee meetings during the year ended 31 March 2015

	19 August 2014	21 October 2014	28 January 2015	13 February 2015
Dr GC Cruywagen	P	P	P	P
Mr A Costa	P	P	P	P
Mr M Georgiou	P	P	P	A
Mr TT Mboweni	P	P	P	A
Mr JRJ Paterson	P	P	P	P
Mr A du Toit*	P	P	P	P
Mr R Vallance*	P	P	A	P

Key: P – Present N/A – Not applicable A – Apologies * By invitation

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.	n/a*

King III (continued)

Chapter 2 – Board and directors	
Principle	
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.	n/a**
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.*
*** *There are no senior executives who are not directors whose remuneration is required to be disclosed.*

RISK MANAGEMENT REVIEW

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, the risks to the business were identified and reviewed. Management has put in place mechanisms to mitigate these risks. Key risks identified as part of the risk review process include:

- concentration of properties within the Fourways node;
- interest rate volatility;
- increased rates and utility costs; and
- delays in the implementation of the Fourways Development.

Mechanisms in place to mitigate these risks include the following:

- The implementation of effective insurance cover on the properties and ongoing capital expenditure and maintenance spend to protect Accelerate's positioning within the Fourways node.
- Accelerate has implemented a robust hedging management strategy to protect against interest rate increases in the medium term, with a weighted average swap term, of 2,36 years and 87,7% of debt hedged. Following the year under review, the swap maturity profile has been extended to 31 March 2019, with the swap nominal amount reducing on a stepped profile from R2 billion to R1,6 billion over the term of the swap.
- The ongoing review of rates assessments and mechanisms to improve the efficiency of Accelerate's buildings.
- Ongoing interaction and discussions with Fourways Precinct as developer, its financiers and agents appointed to expedite the pre-letting of the development.

REMUNERATION REVIEW

Dear shareholder

The board of Accelerate Property Fund Ltd and the remuneration committee and pleased to submit its remuneration report for the year ended 31 March 2015. Subsequent to the listing, PwC was engaged as an independent advisor 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-term 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 stakeholders in the company.

Accelerate finds itself in one of the biggest sectors, by number of competitors, on the JSE. As a result, there is a need to attract and retain high-quality professionals from a limited pool.

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 in a limited resource environment.

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
19 June 2015

The remuneration committee

Membership

The remuneration committee (the committee) consists of three independent non-executive directors. At 31 March 2015, 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 2015. 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 15 June 2014 and 24 March 2015.

The key activities and recommendations of the committee during 2015 included inter alia the following:

- Benchmarking of executive directors' remuneration
- Approval of a remuneration philosophy

Remuneration philosophy and elements of pay

Elements of pay

The table below sets out an overview of the elements of pay applicable to Accelerate executives.

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.

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.

Indicator	Weighting
Business/Financial indicator* • Achievement of financial metrics, including: – Loan-to-value ratio – Debt expiry profile – Interest rate hedging – Hedging expiry profile – Debt rating • Achievement of operational metrics, including: – Property cost-to-income ratio – Vacancies – Operating expense ratio – Arrears (as percentage of collectibles) * *Subject to adjustments approved by the committee. Such adjustments would be for instances such as acquisitions, disposals and re-developments, during the performance period.*	70%
Personal indicator Achievement of personal KPIs, including: • Key executive responsibilities • Compliance with industry best standards • Development of people/culture/values • Industry perception For the business/financial indicators the vesting levels for threshold, target and stretch levels of performance are as follows:	30%

Performance level	Achievement level (% of target distributions)	% of on-target STI
Threshold	< 95%	0%
Target	100%	100%
Stretch	105%	200%

Long-term incentives (LTI)

A conditional share plan (CSP) was concluded in the year under review.

Regular, annual awards of conditional shares are made in terms of the CSP on a consistent basis to ensure long-term shareholder value creation. The CSP provides 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 is subject to continued employment and appropriate stretching performance conditions. The performance conditions are measured over a three-year period, in line with the financial year-end of the company.

Remuneration review (continued)

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

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 is done through award of conditional shares.
2. **Operation**
   The vesting of the conditional shares is 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 are 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 are 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 is 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 is subject to an overall limit of 5% of the issued share capital, and an individual limit of 1,5% of the issued share capital of the company.
7. **Performance conditions**
   The performance conditions are objective and include one or more of the following:
   - Growth in dividend per share (internal benchmark, and peer group comparison if possible)
   - Outperformance relative to SA All Bond Index (ALBI)
   - Outperformance relative to Listed Property Index (SAPI)

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.

The committee recommends the non-executive director fee structure to the board for approval. The non-executive directors' base fees were agreed pre-listing and the company is committed to ensuring they come into line with market norm in the medium term. In this regard, the committee relies on benchmark studies by its independent advisers. The company currently uses the small-cap financial services sector as a guideline in this regard.

These fees are payable by Accelerate Property Fund.

2016 fees

The resolutions relating to non-executive directors' fees for the 2015 financial year can be found on page 4 of the notice of annual general meeting.

2014 and 2015 fees

The non-executive directors' fees for the 2014 and 2015 were as follows:

	2015	2014
TT Mboweni	**R1 580 800**	R506 667
GC Cruywagen	**R520 000**	R166 667
TJ Fearnhead	**R364 000**	R116 667
JRP Doidge	**R316 500**	R100 000
K Madikizela	**R312 000**	R100 000
F Viruly	**R312 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 philosophy. 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.

2014 and 2015 remuneration

The executive directors' TGP and STI remuneration for the 2014 and 2015 financial year is set out in the table to the right.

	2015	2014
Total guaranteed package		
M Georgiou	**Nil**	Nil
A Costa	**R2 333 333**	500 000
D Kyriakides	**R1 866 667**	450 000
JRJ Paterson	**R1 833 333**	450 000
Short-term incentive payment		
M Georgiou	**Nil**	Nil
A Costa	**R780 154**	Nil
D Kyriakides	**R469 718**	Nil
JRJ Paterson	**R650 128**	Nil

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

Director	Performance shares	Retention shares	Vesting date	
	Number of shares	Number of shares	Number of shares vesting 11 Aug 2017	Number of shares vesting 11 Aug 2018
A Costa	1 710 199		1 243 781	466 418
		530 574	252 118	278 456
D Kyriakides	462 531		404 229	58 302
		66 322	31 515	34 807
J Paterson	855 100		621 891	233 209
		265 258	126 029	139 229
	3 027 830	862 154	2 679 563	1 210 421

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

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

Remuneration review (continued)

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.

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.

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.

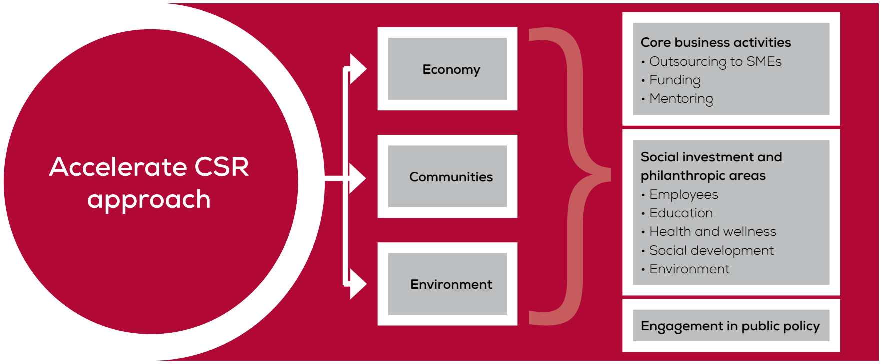
SOCIAL AND ETHICS REVIEW

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 supporting the 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 page 77 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. The company aims 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 the communities in which the company 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.

Financial statements

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

Annual financial statements

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Published
19 June 2015

FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 company's cash flow forecast for the year to 31 March 2016 and in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 91.

The financial statements set out on pages 94 to 130, which have been prepared on the going-concern basis, were approved by the board on 19 June 2015 and were signed on its behalf by:

TT Mboweni
Director
19 June 2015

COMPANY SECRETARY'S CERTIFICATION

Declaration by the Company secretary in respect of Section 88(2)(e) of the Companies Act
In terms of Section 88(2)(e) of the Companies Act, 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

J Matisonn
iThemba Governance and Statutory Solutions (Pty) Ltd
19 June 2015

EY
Building a better working world

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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 2015, 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 at 31 March 2015, 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)
19 June 2015
102 Rivonia Road
Sandton
Johannesburg
2196

DIRECTORS' REPORT

The directors take pleasure in submitting their report on the audited annual financial statements of Accelerate Property Fund Limited for the year ended 31 March 2015.

1. Review of financial results and activities

The audited annual financial statements have been prepared in accordance with IFRS and the requirements of the Companies Act, 71 of 2008 as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies have been applied consistently compared to the prior year except for new standards and amendments effective in the current year.

The company recorded a net profit after tax for the year ended 31 March 2015 of R741 million. This represented an increase of 34% from the net profit after tax of the prior 110 days period ended 31 March 2014 of R552 million.

Company rental revenue increased by 238% from R221 million in the prior period to R748 million for the period ended 31 March 2015.

Company cash flows from operating activities increased by 261% from R62 million in the prior period to R224 million for the year ended 31 March 2015.

2. Share capital

	2015 Number of shares	2014 Number of shares
Authorised		
Ordinary shares	**5 000 000 000**	5 000 000 000

	2015 R'000	2014 R'000	2015 Number of shares	2014 Number of shares
Issued				
Ordinary shares	**3 422 723**	**3 117 914**	**691 423 255**	638 916 916

Shares issued during the year under review consisted of two issuances:

- The first issuance of 29 890 954 shares issued at a price of R5,42 to the Michael Family Trust (Michael Georgiou) in terms of the contingent purchase agreement.
- The second issuance of 22 615 385 shares issued at a price of R6,50 made specifically for the acquisition of the Shoprite Checkers Montague Gardens Distribution Centre.

Of the 691 423 255 Accelerate shares in issue at 31 March 2015, 435 359 483 shares are publicly held and 256 063 772 shares are held by Fourways Precinct (Pty) Ltd and The Michael Family Trust.

As at 31 March 2015 Michael Georgiou is the only director who indirectly holds shares in Accelerate, the directors' interest in Accelerate have not changed from 31 March 2015 to the date of approval of these financial statements.

Major shareholders	Number of shares	% Holding
Fourways Precinct (Pty) Ltd	**215 138 989**	**31,12**
Michael Family Trust	**40 924 783**	**5,92**
Coronation Fund Managers	**122 639 150**	**17,74**
Government Employees Pension Fund	**55 107 188**	**7,97**
STANLIB	**42 727 513**	**6,18**
	476 537 623	

Refer to note 15 of the audited annual financial statements for detail of the movement in authorised and issued share capital.

Directors' indirect interest in the shares of the company 31 March 2014		
38 378 658 shares	6,00%	Michael Family Trust
215 138 989 shares	33,67%	Fourways Precinct (Pty) Ltd
253 517 647	**39,67%**	

Michael Family Trust is the 100% shareholder of Fourways Precinct (Pty) Ltd Mr M Georgiou is a beneficiary of the Michael Family Trust

3. Directorate

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

Directors	Office	Designation
Mr Tito Titus Mboweni	Chairperson	Non-executive independent
Dr Gert Cruywagen	Other	Non-executive independent
Mr John Doidge	Other	Non-executive independent
Mr Tim Fearnhead	Other	Non-executive independent
Ms Kolosa Madikizela	Other	Non-executive independent
Prof Francois Viruly	Other	Non-executive independent*
Mr Michael Georgiou	Chief executive officer	Executive
Mr Andrew Costa	Chief operating officer	Executive
Mr Dimitri Kyriakides	Chief financial officer	Executive
Mr John Paterson	Other	Executive

** Appointed 1 April 2015.*

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

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

4. Events after the reporting period

On 14 May 2015, the company acquired a portfolio of six A grade office properties occupied by KPMG through the purchase of the entire issued ordinary share capital of Parktown Crescent Properties Proprietary Limited (PCP) and 30% of the issued ordinary share capital of Wanooka Properties Proprietary Limited (Wanooka), representing the remaining shares in Wanooka not already owned by PCP from current and retired KPMG partners.

The shareholding was acquired for a purchase consideration of R850 000 000. The portfolio will yield a total net rental of R64 500 000 per year in terms of a 15-year triple net lease with KPMG, escalating at 8% per annum for the first 12 years of the lease. In year 13 the rentals will revert to market related rentals less 10% and will continue to escalate at 8% for year 14 and 15.

The acquisition was fully debt funded at a weighted average cost of funding of Jibar plus 164 basis points.

5. Distribution

The board has declared a final cash distribution (No. 3) for the year ended 31 March 2015 of 25,21 cents per ordinary share (2014: 13,77 cents per ordinary share), which together with the interim cash distribution (No. 2) of 23,99 cents per ordinary share (2014: 0,00 cents per ordinary share), produces a total cash distribution declared for the year of 49,21 cents per ordinary share (2014: 13,77 cents per ordinary share). The group has distributed 100% of its distributable income.

Final cash distribution

The board has declared a final cash distribution of 25,21 cents per ordinary share (2014: 13,77 cents per ordinary share) for the year ended 31 March 2015, to all ordinary shareholders recorded in the books of Accelerate at the close of business on Friday, 17 July 2015 and will be paid on Monday, 20 July 2015.

The final cash distribution timetable is structured as follows:

- Declaration date is Monday, 22 June 2015
- The last day to trade cum distribution in order to participate in the distribution is Friday, 10 July 2015
- The shares commence trading ex-distribution from the commencement of business on Monday, 13 July 2015
- The record date is Friday, 17 July 2015
- The distribution is to be paid on Monday, 20 July 2015

Share certificates will not able to be rematerialised or dematerialised between Monday, 13 July 2015 and Friday, 17 July 2015, both days inclusive.

6. Auditors

Ernst & Young Inc. continued in office as auditors for the company for the year ending 31 March 2015.

At the AGM, the shareholders will be requested to reappoint Ernst & Young Inc. as the independent external auditors of the company and to confirm Mrs Rosanne de Lange as the designated lead audit partner for the 2016 financial year.

7. Secretary

The company secretary is Ms Joanne Matisonn - iThemba Governance and Statutory Solutions (Pty) Ltd.

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Business address
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STATEMENT OF FINANCIAL POSITION
as at 31 March 2015

	Notes	2015 R'000	2014 R'000
Assets			
Non-current assets			
Investment property	10	**6 803 437**	6 096 790
Property, plant and equipment	11	**234**	89
Derivative financial assets	25	**71 153**	131 709
		6 874 824	6 228 588
Current assets			
Current tax receivable		**15**	–
Trade and other receivables	13	**170 644**	119 051
Cash and cash equivalents	14	**58 817**	57 643
		229 476	176 694
Non-current assets held for sale	28	**28 420**	66 866
Total assets		**7 132 720**	6 472 148
Equity and liabilities			
Equity			
Ordinary share capital	15	**3 422 723**	3 117 914
Retained income		**1 174 197**	654 047
Other reserves		**7 223**	–
		4 604 143	3 771 961
Liabilities			
Non-current liabilities			
Contingent compensation to vendor	1.12	**46 236**	209 784
Long-term borrowings	16	**2 155 158**	2 030 276
		2 201 394	2 240 060
Current liabilities			
Trade and other payables	17	**88 327**	101 843
Current portion of long-term debt	16	**238 856**	358 284
		327 183	460 127
Total liabilities		**2 528 577**	2 700 187
Total equity and liabilities		**7 132 720**	6 472 148

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2015

	Notes	2015 R'000	2014 R'000
Revenue excluding straight-line rental revenue adjustment	2	**699 696**	204 844
Straight-line rental revenue adjustment	2	**49 116**	16 457
Revenue		**748 812**	221 301
Other income		**465**	48
Operating expenses	4	**(36 317)**	(8 354)
Property expenses	3	**(205 750)**	(65 697)
Operating profit (loss)		**507 210**	147 298
Finance income	6	**12 743**	1 607
Fair value adjustments	29	**381 008**	455 391
Gain on non-current assets held for sale or disposal groups	28	**12 104**	–
Finance costs	5	**(172 016)**	(51 485)
Profit (loss) before taxation and other comprehensive income		**741 049**	552 811
Taxation	7	**–**	–
Profit after tax			
Other comprehensive income		**–**	–
Total comprehensive income attributable to equity holders		**741 049**	552 811
Earnings per share			
Per share information			
Basic earnings per share (including bulk ceded shares) (cents)	9	**112,49**	287,10
Diluted earnings per share (including bulk ceded shares) (cents)	9	**111,25**	269,00

	Notes	2015 R'000	2014 R'000
Distributable earnings			
Profit after taxation attributable to equity holders		**741 049**	552 811
Less: straight-line rental revenue adjustment	2	**(49 116)**	(16 457)
Less: fair value adjustments on investment property	10	**(381 008)**	(455 391)
Less: capital profit sale of Willows shopping centre		**(12 104)**	–
Plus: antecedent distribution Checkers acquisition		**4 200**	–
Distributable earnings	8	**303 021**	80 963

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2015

	Notes	Other reserves R'000	Share capital R'000	Retained income R'000	Total equity R'000
Balance at 01 April 2013		–	–	(12)	(12)
Total comprehensive income attributable to equity holders		–	–	552 811	552 811
Issue of shares		–	3 117 914	–	3 117 914
Retained earnings on listing	1.12	–	–	101 248	101 248
Total contributions by and distributions to owners of company recognised directly in equity		–	3 117 914	101 248	3 219 162
Balance at 01 April 2014		–	3 117 914	654 047	3 771 961
Total comprehensive income attributable to equity holders		–	–	741 049	741 049
Issue of shares		**–**	**304 809**	**–**	**304 809**
Distribution paid		**–**	**–**	**(220 899)**	**(220 899)**
Other reserves	32	**3 023**	**–**	**–**	**3 023**
Distribution reserve*		**4 200**	**–**	**–**	**4 200**
Total contributions by and distributions to owners of company recognised directly in equity		**7 223**	**304 809**	**(220 889)**	**91 133**
Balance at 31 March 2015	9	**7 223**	**3 422 723**	**1 174 197**	**4 604 143**

Notes 15

* *This reserve relates to the portion of the capital raised through the shares issuance made for the acquisition of the Checkers distribution centre, relating to the profits at the share issue date accruing to the participants in the share issuance.*

STATEMENT OF CASH FLOWS

for the year ended 31 March 2015

	Notes	2015 R'000	2014 R'000
Cash flows from operating activities			
Cash generated from operations	18	**395 970**	113 626
Finance income		**12 743**	1 607
Tax paid	28	**(15)**	–
Net cash from operating activities		**408 698**	115 233
Cash flows from investing activities			
Purchase of property, plant and equipment		**(184)**	(94)
Purchase of investment property	10	**(244 080)**	(5 512 474)
Contingent purchase		**(163 548)**	–
Proceeds from disposal of investment property		**78 740**	–
Net cash from investing activities		**(329 072)**	(5 512 568)
Cash flows from financing activities			
Proceeds on share issue	14	**304 809**	3 117 914
Long-term borrowings raised		**740 998**	2 388 560
Long-term borrowings repaid		**(735 544)**	–
Finance costs		**(172 016)**	(51 485)
Adjustment: opening retained earnings		**–**	(11)
Distribution paid		**(220 899)**	–
Antecedent distribution arising on new share issuance		**4 200**	–
Net cash from financing activities		**(78 452)**	5 454 978
Total cash movement for the year		**1 174**	57 643
Cash at the beginning of the year		**57 643**	–
Total cash at end of the year	13	**58 817**	57 643

DISTRIBUTABLE EARNINGS RECONCILIATION

	2015 R'000	2014 R'000
Distributable earnings	**303 021**	80 963
Less: Interim distribution	**141 555**	–
Final distribution	**161 466**	80 963
Shares qualifying for distribution		
Number of shares at year end	**691 423 255**	638 916 916
Less: Bulk ceded shares to Accelerate	**(51 070 184)**	(51 070 184)
Shares qualifying for distribution	**640 353 071**	587 846 732
Distribution per share		
Final distribution per share (cents)	**25,21490**	13,77259
Interim distribution per share made (cents)	**23,99368**	–
Total distribution per share for the year (cents)	**49,20858**	13,77259

SEGMENTAL ANALYSIS

For investment property, discrete financial information is provided on a property-by-property basis to members of executive management, which collectively comprise the chief operating decision maker. The individual properties are aggregated into segments with similar economic characteristics such as nature of the property and the occupier market it serves. Management considers that this is best achieved by aggregating properties into office, industrial, retail and 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, community centres as well as retail centres; and
- Specialised segment: acquires, develops and leases specialised buildings not within the previous segments.

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

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	32 069	4 524	162 400	5 852	204 845
Straight-line rental adjustment	2 137	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	424 942
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 instruments					30 449
Finance income					1 607
Long-term debt interest					(51 486)
Profit before tax					552 811
For the year ended 31 March 2015					
Statement of comprehensive income 2015					
Revenue, excluding straight-line rental revenue adjustment	**109 308**	**19 962**	**549 534**	**20 892**	**699 696**
Straight-line rental adjustment	**7 864**	**586**	**36 872**	**3 794**	**49 116**
Property expenses	**(37 380)**	**(4 128)**	**(162 285)**	**(1 957)**	**(205 750)**
Segment operating profit	**79 792**	**16 420**	**424 121**	**22 729**	**543 062**
Fair value adjustments on investment property	**64 698**	**20 889**	**327 137**	**28 841**	**441 565**
Segment profit	**144 490**	**37 309**	**751 258**	**51 570**	**984 627**
Other operating expenses					**(36 317)**
Other income					**12 569**
Fair value gain on financial instruments					**(60 557)**
Finance income					**12 743**
Long-term debt interest					**(172 016)**
Profit before tax					**741 049**

Segmental analysis (continued)

For the year ended 31 March 2014	Office R'000	Industrial R'000	Retail R'000	Specialised R'000	Total R'000
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	5 441 473
Conditional purchase price	108 013	–	101 771	–	209 784
Acquisitions	–	–	71 000	–	71 000
Disposals/classified as held for sale	–	–	(66 866)	–	(66 866)
Investment property held for sale	–	–	66 866	–	66 866
Straight-line rental revenue adjustment	2 137	293	12 859	1 168	16 457
Fair value adjustments	10 478	2 230	399 254	12 980	424 942
Segment assets at 31 March 2014	798 291	112 011	4 984 736	268 618	6 163 656
Other assets not managed on a segmental basis					
Derivative financial instruments					131 709
Equipment					89
Current assets					176 694
Total assets					6 472 148
For the year ended 31 March 2015					
Statement of financial position extracts at 31 March 2015					
Assets					
Investment property balance 1 April 2014	**798 291**	**112 011**	**4 984 736**	**268 618**	**6 163 656**
Acquisitions	**–**	**149 388**	**–**	**–**	**149 388**
Capitalised costs	**50 475**	**–**	**44 217**	**–**	**94 692**
Disposals/classified as held for sale	**(28 420)**	**–**	**(66 560)**	**–**	**(94 980)**
Investment property held for sale	**28 420**	**–**	**–**	**–**	**28 420**
Straight-line rental revenue adjustment	**7 864**	**586**	**36 873**	**3 793**	**49 116**
Fair value adjustments	**64 698**	**20 889**	**327 137**	**28 841**	**441 565**
Segment assets at 31 March 2015	**921 328**	**282 874**	**5 326 403**	**301 252**	**6 831 857**
Other assets not managed on a segmental basis					
Derivative financial instruments					**71 153**
Equipment					**234**
Current assets					**229 476**
Total assets					**7 132 720**

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	177 818	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	133 901	20 439	424	842	155 606
Fair value adjustments on investment property	406 346	15 229	2 866	500	424 941
Segment profit	540 247	35 668	3 290	1 342	580 547
Other operating expenses					(8 354)
Other income					48
Fair value gain on financial instruments					30 449
Finance income					1 607
Long-term debt interest					(51 486)
Profit before tax					552 811
For the year ended 31 March 2015					
Statement of comprehensive income 2015					
Revenue, excluding straight-line rental revenue adjustment	**599 320**	**83 863**	**7 599**	**8 914**	**699 696**
Straight-line rental adjustment	**42 339**	**5 241**	**359**	**1 177**	**49 116**
Property expenses	**(180 686)**	**(22 434)**	**(1 559)**	**(1 071)**	**(205 750)**
Segment operating profit	**460 973**	**66 670**	**6 399**	**9 020**	**543 062**
Fair value adjustments on investment property	**391 100**	**45 393**	**6 547**	**(1 475)**	**441 565**
Segment profit	**852 073**	**112 063**	**12 946**	**7 545**	**984 627**
Other operating expenses					**(36 317)**
Other income					**12 569**
Fair value gain on financial instruments					**(60 557)**
Finance income					**12 743**
Long-term debt interest					**(172 016)**
Profit before tax					**741 049**

Segmental analysis (continued)

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 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	188 171	18 285	3 328	–	209 784
Acquisitions	–	–	–	71 000	71 000
Disposals/classified as held for sale	(66 866)	–	–	–	(66 866)
Investment property held for sale	66 866	–	–	–	66 866
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	5 428 394	609 856	53 586	71 820	6 163 656
Other assets not managed on a segmental basis					
Derivative financial instruments					131 709
Equipment					89
Current assets					176 694
Total assets					6 472 148
For the year ended 31 March 2015					
Statement of financial position extracts at 31 March 2015					
Investment property balance 1 April 2014	**5 499 394**	**609 856**	**53 586**	**820**	**6 163 656**
Acquisitions	**–**	**149 388**	**–**	**–**	**149 388**
Capitalised costs	**5 251**	**45 224**	**–**	**44 217**	**94 692**
Disposals/classified as held for sale	**(66 560)**	**(28 420)**	**–**	**–**	**(94 980)**
Investment property held for sale	**–**	**28 420**	**–**	**–**	**28 420**
Straight-line rental revenue adjustment	**42 340**	**5 241**	**359**	**1 176**	**49 116**
Fair value adjustments	**391 100**	**45 393**	**6 547**	**(1 475)**	**441 565**
Investment property at 31 March 2015	**5 871 524**	**855 102**	**60 492**	**44 739**	**6 831 857**
Other assets not managed on a segmental basis					
Derivative financial instruments					**71 153**
Equipment					**234**
Current assets					**229 476**
Total assets					**7 132 720**

ACCOUNTING POLICIES

1. Presentation of audited annual financial statements

The audited annual financial statements have been prepared in accordance with IFRS, and the Companies Act 71, of 2008 as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The audited annual financial statements have been prepared on the historical cost basis, except where otherwise noted, and incorporate the principal accounting policies set out below. They are presented in South African Rand. All figures are rounded off to R'000 except where otherwise stated.

These accounting policies are consistent with the previous period, except for the adoption of new standards amendments and interpretations that became effective during the 31 March 2015 reporting period.

1.1 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the new standards, amendments and interpretations that became effective during the 31 March 2015 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 2015. However, they do not impact the annual financial statements of Accelerate.

IFRS 2 (definition 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 condition must be met while a counterparty is rendering a 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; and
- 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.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Judgements and other estimates

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

Valuation of property

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in the investment property note 10 and 11.

Accruals

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

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

Accounting policies (continued)

1.3 Borrowing costs

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

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

The capitalisation of borrowing costs commences when:

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

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

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

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

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

1.4 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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

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

Fair value

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

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

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

1.5 Non-current assets held for sale

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

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 held for sale are measured at fair value.

A non-current asset is not depreciated while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. 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.

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

1.6 Leases

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

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

Accelerate as lessor – operating leases

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

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

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

1.7 Revenue

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

Accelerate has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in most of the revenue arrangements, it has pricing latitude, and is also exposed to inventory and credit risks. Recoveries of costs from lessees where Accelerate is merely acting as an agent and makes payments of these costs on behalf of lessees are offset against the relevant costs.

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

Rental income

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

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

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

Service charges, management charges and other expenses recoverable from tenants

Income arising from expenses 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.

1.8 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:

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

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

Initial recognition and measurement

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

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

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

Accounting policies (continued)

1.8 Financial instruments *continued*

Subsequent measurement

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

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

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

Derecognition

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

When Accelerate has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Accelerate's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Accelerate could be required to repay.

Impairment of financial assets

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

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

Impairment losses are recognised in profit or loss.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate (EIR) method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the EIR 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.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and 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, and are subsequently measured at amortised cost, using the EIR method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

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.

1.8 Financial instruments *continued*

Share capital

Ordinary shares are classified as equity.

1.9 Employee benefits

Short-term employee benefits

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

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

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

1.10 Accounting policies

Property acquisitions and business combinations

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of the judgement is set out in note 10. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

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

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 other comprehensive income (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.

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.

Accounting policies (continued)

1.10 Accounting policies *continued*

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 EIR method.

Tenant deposits

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

Sale of completed property

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

Finance income

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

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 applies to qualifying REIT income and expenses. The legislation provides that capital gains on sale of investment properties are disregarded. The legislation provides for the flow through principle with qualifying distributions being deductable against income. Should the entities' assets be sold or the entity wound up, there could be a tax liability to the value of the recoupments previously claimed.

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

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

Current taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

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

Current tax is charged or credited to OCI if the tax relates to items that are credited or charged, in the same or a different period, to OCI.

Current tax is 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.

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 OCI, while any ineffective portion is recognised immediately in the statement of comprehensive income. 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 statement of comprehensive income. 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.

Accounting policies (continued)

1.10 Accounting policies *continued*

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

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

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

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

1.11 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 2016. 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.

IFRS 15: Revenue for contract customers (effective 1 January 2015)
IFRS 15 will be effective for annual periods beginning on or after 1 January 2017. IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchanges for transferring goods or services to a customer.

Accelerate is in the process of assessing the impact of the adoption of IFRS 15.

1.12 Business combinations

Acquisitions in 2014
On 12 December 2013, Accelerate acquired a property portfolio consisting of 51 properties during the listing on the JSE. 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	2015	2014
Investment property	–	5 651 258 000
Derivative financial instruments	–	101 249 000
Gain on bargain purchase from derivative financial instrument obtained for no consideration	–	(101 249 000)
Purchase consideration transferred	–	5 651 258 000

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 (Pty) Ltd 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. During the year ending 31 March 2015 a portion of the vacant lettable space has been let in compliance with the conditions laid down in the agreement. As a result of this an amount R163 548 205 in shares was issued in terms of the contingent purchase consideration. The remaining contingent purchase consideration at 31 March 2015 is R46 235 795. This is a level 3 measurement in the fair value measurement hierarchy as at 31 March 2015.

Accounting policies (continued)

1.12 Business combinations *continued*

Contingent purchase consideration continued

The fair value was determined using a discounted cash-flow (DCF) analysis using the significant unobservable valuation inputs, as provided below:

Inputs	Range
Estimated rental value (ERV) per square metre	**R45,36 – R133,38**
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.

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

Contingent purchase consideration	2015 R	2014 R
Opening balance	**209 784 000**	–
Liability arising on business combination	**–**	209 784 000
Reduction due to vacancies filled	**(163 548 205)**	–
	46 235 795	209 784 000

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.

1.13 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation

Office furniture is depreciated over five years.

Computer equipment is depreciated over three years.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

		2015 R'000	2014 R'000
2.	**Revenue**		
	Contracted rental	**502 502**	157 120
	Casual parking	**16 362**	1 134
	Rental guarantee	**9 525**	2 383
	Other income	**273**	40
	Revenue before recoveries	**528 662**	160 677
	Recoveries (incl. rates, municipal costs, operations cost)	**171 034**	44 167
	Revenue, excluding straight-line rental revenue adjustment	**699 696**	204 844
	Straight-line rental revenue adjustment	**49 116**	16 457
	Total revenue	**748 812**	221 301
3.	**Property expenses**		
	Cleaning	**9 465**	2 722
	Insurance	**2 935**	1 501
	Security	**23 461**	6 453
	Repairs and maintenance	**16 469**	2 759
	Electricity	**65 838**	26 007
	Rates and taxes	**54 736**	17 916
	Sewerage	**5 852**	1 409
	Water	**9 852**	3 845
	Other municipal expenses	**3 312**	625
	Professional fees	**502**	–
	Other property costs*	**13 328**	2 460
	Property expenses	**205 750**	65 697
	Property expenses from investment property that generated rental income	**(205 750)**	(65 570)
	Property expenses from investment property that did not generate rental income	**–**	(126)
	Less: recovered expenses	**(171 034)**	(44 167)
	Net property expenses	**34 716**	21 531

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

		2015 R'000	2014 R'000
4.	**Other operating expenses**		
	Management fees	**7 242**	2 128
	Employee costs	**13 615**	4 244
	Auditors' remuneration	**1 312**	230
	Licences	**270**	2
	Bank charges	**225**	50
	Telephone and fax	**75**	23
	Printing and stationery	**87**	13
	Subscriptions	**811**	125
	Professional fees	**4 496**	313
	Bad debts	**5 590**	1 002
	Tenant installation	**2 529**	224
	Donations – S18A	**50**	–
	Other expenses	**15**	–
	Total other operating expenses	**36 317**	8 354
5.	**Finance costs**		
	Non-current borrowings	**182 457**	50 920
	Net payment on interest rate swap	**(10 558)**	565
	Other interest paid	**117**	–
	Net finance cost	**172 016**	51 485

Notes to the financial statements (continued)

for the year ended 31 March 2015

	2015 R'000	2014 R'000
6. Finance income		
Interest revenue		
Cash deposits	**6 780**	–
Interest received from banks	**1 395**	92
Interest due on late payments from tenants	**1 296**	47
Interest due on late payments from vendors	**3 272**	1 468
	12 743	1 607
7. Taxation		
Major components of the tax expense		
Current		
Local income tax – current period	**–**	–
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate (%)	**28,00**	28,00
Straight-line rental revenue adjustment (%)	**(1,85)**	(0,84)
Fair value adjustment (%)	**(14,40)**	(23,07)
Capital profits not taxable (%)	**(0,45)**	–
Deductable distribution expense (%)	**(11,30)**	(4,09)
	–	–
8. Distribution per share		
Final distribution for the year ended 31 March 2015 (2014 – trading period consisted of 110 days)		
Profit after taxation attributable to equity holders	**741 049**	552 811
Less: straight-line rental revenue adjustment	**(49 116)**	(16 457)
Less: fair value adjustment on investment property and derivative financial instruments	**(381 008)**	(455 390)
Less: Capital profits sale of Willows shopping centre	**(12 104)**	–
Plus: Antecedent distribution	**4 200**	–
Less: Interim distribution	**(141 555)**	–
Final distribution	**161 466**	80 964
Reconciliation of shares qualifying for distribution		
Shares in issue at 31 March 2015	**691 423 255**	638 916 916
Shares ceded on purchase of bulk*	**51 070 184**	51 070 184
Shares qualifying for distribution	**640 353 071**	587 846 732
Final distribution per share (cents)	**25,21**	13,77

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

	2015 R'000	2014 R'000
9. Earnings per share		
Basic earnings per share (EPS) amounts are calculated by dividing profit for the year attributable to ordinary equity holders of Accelerate by the weighted average number of ordinary shares outstanding during the year.		
Reconciliation of basic/diluted earnings to headline earnings		
Profit after tax attributable to equity holders	**741 049**	552 811
Fair value adjustment excluding straight-lining	**(381 008)**	(455 390)
Applicable taxation	**–**	–
Headline profit attributable to shareholders	**360 041**	97 421
Basic earnings per share (cents)*	**112,49**	287,50
Diluted earnings per share (cents)*	**111,25**	269,00
Headline earnings per share (cents)	**54,65**	50,59
Diluted headline earnings per share (cents)	**54,05**	47,41
Shares in issue at the end of the year	**691 423 255**	638 916 916
Weighted average number of shares in issue	**658 789 533**	192 550 303
Shares subject to the deferred acquisition costs	**6 849 747**	42 988 555
Shares subject to conditional share plan	**447 872**	–
Weighted average number of deferred shares	**7 297 619**	12 955 455
Total diluted weighted average number of shares in issue	**666 087 152**	205 505 758

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

	2015 Cost/ valuation	2015 Carrying value	2014 Cost/ valuation	2014 Carrying value
10. Investment property				
Investment property*	**6 803 437**	**6 803 437**	6 096 790	6 096 790

Reconciliation of investment property – 2015

	Opening balance	Additions	Additions resulting from capitalised subsequent expenditure	Classified as held for sale	Straight-line rental revenue adjustment	Fair value adjustments	Total
Investment property	**6 096 790**	**149 388**	**94 692**	**(28 420)**	**49 422**	**441 565**	**6 803 437**

Reconciliation of investment property – 2014

	Opening balance	Additions	Classified as held for sale	Conditional purchase price	Straight-line rental revenue adjustment	Fair value adjustments	Total
Investment property*	–	5 512 474	(66 398)	209 784	16 151	424 779	6 096 790

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

Notes to the financial statements (continued)

for the year ended 31 March 2015

	2015 R'000	2014 R'000
10. Investment property *continued*		
Investment property summary		
Investment property	**6 312 450**	5 655 861
Investment property held for sale (refer note 28)	**28 420**	66 395
Fair value gain on investment property (unrealised)	**438 438**	424 779
Fair value gain on investment property (unrealised) held for sale	**3 127**	162
Straight-line rental revenue adjustment	**49 422**	16 457
	6 831 857	6 163 654

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

Investment properties	Office R'000	Industrial R'000	Retail R'000	Specialised R'000	Total R'000
Balance as at 31 March 2014	**798 290**	**112 011**	**4 917 872**	**268 618**	**6 096 791**
Acquisitions/improvements	**50 475**	**149 388**	**44 217**	**–**	**244 080**
Subtotal	**848 765**	**261 399**	**4 962 089**	**268 618**	**6 340 871**
Disposals/classified as held for sale	**(28 420)**	**–**	**–**	**–**	**(28 420)**
Straight-line rental revenue adjustment	**7 864**	**586**	**37 178**	**3 793**	**49 421**
Fair value gain on investment properties	**64 698**	**20 889**	**327 137**	**28 841**	**441 565**
Balance at 31 March 2015	**892 907**	**282 874**	**5 326 404**	**301 252**	**6 803 437**
Acquisitions through listing	677 663	109 488	4 399 853	254 470	5 441 474
Conditional purchase price	108 013	–	101 771	–	209 784
Acquisitions	–	–	71 000	–	71 000
Subtotal	785 676	109 488	4 572 624	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	339 091	12 980	424 779
Balance at 31 March 2014	798 290	112 011	4 917 871	268 618	6 096 790

11. Property, plant and equipment

	2015			2014		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	**92**	**(19)**	**73**	94	(5)	89
IT equipment	**184**	**(23)**	**161**	–	–	–
Total	**276**	**(42)**	**234**	94	(5)	89

12. Fair value measurement of investment properties

Levels of fair value measurements

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 DCF method or income capitalisation method.

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.

Income capitalisation method

Under the income capitalisation 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 income capitalisation method, over and under-rent situations are separately capitalised/(discounted).

The external valuations were performed by Mills Fitchet & David Hoffman and Partners CC, 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 2015, the portfolio had the following vacancy rates, calculated based on vacant area to total gross lettable area (GLA) along with the following estimates of when actual vacancy will equal the long-term rate:

Class of property	Fair value as at 31 March 2015 R'000	Current vacancies	Long-term vacancies	Estimated period of convergence
Office	**911 814**	0% – 52,45%	2,5% – 15%	2,5 years
Industrial	**281 607**	0%	1,7% – 5%	n/a
Retail	**5 276 572**	0%– 52,88%	1,3% – 12%	2,5 years
Specialised	**296 290**	0%	0,8% – 1,3%	n/a
	6 766 283			

12. Fair value measurement of investment properties *continued*

Changes in valuation techniques
There were no changes in valuation techniques during the year.

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

Valuation techniques and inputs 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; and
- quantitative information about the significant unobservable inputs used in the fair value measurement.

Class of property	Fair value as at 31 March 2015 R'000	Valuation technique	Key unobservable inputs	Ranges
Office	**883 394** – –	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R42,54sm -R122,96sm • 8% • 2,5% – 15%
Industrial	**281 607** – –	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R27,24sm - R57,09sm • 8% – 8.5% • 1,7% – 5%
Retail	**5 276 572** – –	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R41,58sm - R210,17sm • 8% – 12% • 1,3% – 12%
Specialised Retail	**296 290** – –	Income capitalised	• ERV • Rental growth p.a. • Long-term vacancy rate	• R52,69sm - R195,33sm • 8% • 0,8% – 1,3%
Retail (held for sale)	**28 420** – –	Income capitalisation	• ERV • Rental growth p.a. • Long-term vacancy rate	• R64,20sm • 8% • 5%
	6 766 283			

Descriptions and definitions
The table above 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.

12. Fair value measurement of investment properties *continued*

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

- a similar change in the rent growth p.a. and discount rate (and exit yield); and
- an opposite change in the long-term vacancy rate.

Across the portfolio of properties held, it was determined that if the equivalent yield applied per property increases/(decreases) by 50 basis points, the overall value of the portfolio will decrease by 6% if the equivalent yield is increased, and increase by 6,84% if the equivalent yield is decreased.

	2015 R'000	2014 R'000
13. Trade and other receivables		
Debtors#	**22 809**	20 037
Selling entity debtors	**90 401**	49 914
Prepaid expenses	**1 894**	21 986
Municipal	**9 184**	1 620
Accrued recoveries	**47 356**	26 496
Less: provision for bad debts* (Refer note 4)	**(1 000)**	(1 002)
	170 644	119 051

* *Carrying value approximates the fair value of trade and other receivables due to the short term nature of receivables.*
\# *Of the R22,8 million balance R3,1 million is past due but not yet impaired.*

14. Cash and cash equivalents

	2015 R'000	2014 R'000
Cash held	**58 817**	57 643

Surplus cash is placed on call account at an interest rate of 5,55%

15. Ordinary share capital

	2015	2014
Authorised		
Ordinary shares of no par value	**5 000 000 000**	5 000 000 000
Reconciliation of number of shares issued:		
Reported as at 01 April 2014	**638 916 916**	–
Issue of shares – ordinary shares at an average of R5,80 per share	**52 506 339**	638 916 916
Total number of shares in issue	**691 423 255**	638 916 916
Issued		
Ordinary shares of no par value (R'000)	**3 422 723**	3 117 914

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

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

16. Borrowings

	2015 R'000	2014 R'000
Total value of loans secured by investment property		
Rand Merchant Bank (RMB)	**1 055 138**	1 194 280
Domestic medium-term note programme	**701 000**	–
Investec Bank (Investec)	**637 876**	1 194 280
Less: portion repayable within the next 12 months	**(238 856)**	(358 284)
Total non-current financial liabilities	**2 155 158**	2 030 276

16. Borrowings *continued*

Carrying value approximates the fair value of borrowings as interest payments are made as they fall due and capital repayments are only made as per the maturity dates below.

16.1 Details of secured loans at 31 March 2015

	Tranche	Weighting	Debt amount R'000
RMB	B – current	11%	119 428
	C	11%	119 428
	D	34%	358 284
	E	39%	417 998
	K	5%	40 034
Investec	B – current	19%	119 428
	C	19%	119 428
	D	13%	87 500
	E	49%	311 522
DMTN Programme	A	59%	416 000
	B	41%	285 000
Total long-term borrowings – secured*	**Total/weighted average**	**100%**	**2 394 050**

Details of swap impact on long-term debt

	Swap	National amount R'000
RMB	1,2,3,4	2 000 000

16.2 Details of secured loans at 31 March 2014

	Tranche	Weighting	Debt amount R'000
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.

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

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.

Debt maturity date	Rate
December 2015	**Jibar + 153 bps**
December 2016	**Jibar + 165 bps**
December 2017	**Jibar + 185 bps**
December 2018	**Jibar + 195 bps**
September 2017	**Jibar + 190 bps**
December 2015	**Jibar + 158 bps**
December 2016	**Jibar + 166 bps**
December 2017	**Jibar + 166 bps**
December 2018	**Jibar + 175 bps**
September 2017	**Jibar + 170 bps**
September 2019	**Jibar + 230 bps**

Maturity	Base rate	Spread	Net swap payment for the year
2019	**5,50%**	**n/a**	**10 558**

Debt maturity date	Rate
December 2014	Jibar + 145 bps
December 2015	Jibar + 153 bps
December 2016	Jibar + 165 bps
December 2017	Jibar + 185 bps
December 2018	Jibar + 195 bps
December 2014	Jibar + 158 bps
December 2015	Jibar + 158 bps
December 2016	Jibar + 166 bps
December 2017	Jibar + 166 bps
December 2018	Jibar + 175 bps
3,1 years	

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

	2015 R'000	2014 R'000
17. Trade and other payables		
Trade payables	**10 690**	21 132
Debtors in credit	**22 301**	18 601
VAT	**2 670**	12 302
Tenant deposits	**15 633**	11 562
Accrued expenses	**29 428**	31 422
Accrued interest	**7 605**	6 824
	88 327	101 843

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

18. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Accelerate converted to a 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 disregarded. The legislation provides for the flow through principle with qualifying distributions being deductable against income. 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. It is the intention of Accelerate to distribute 100% of its distributable profits for the year ending 31 March 2015.

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.

	2015 R'000	2014 R'000
19. Cash generated from operations		
Profit before taxation	**741 049**	552 811
Adjustments for:		
Profit on sale of non-current assets and disposal groups	**(12 104)**	–
Interest received – investment	**(12 743)**	(1 607)
Finance costs	**172 016**	51 485
Fair value adjustments	**(381 008)**	(455 391)
Share incentive expense	**3 023**	–
Straight-line rental revenue adjustment	**(49 116)**	(16 457)
Other non-cash items	**(38)**	5
Changes in working capital:		
Trade and other receivables	**(51 593)**	(119 051)
Trade and other payables	**(13 516)**	101 831
	395 970	113 626

	2015 R'000	2014 R'000
20. Capital commitments authorised		
Capital expenditure		
Not yet contracted for and authorised by directors	**60 503**	65 000
This committed expenditure relates to property and will be financed by available bank facilities, retained profits, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.		
21. Minimum contracted rental income		
Minimum contracted rental income		
Accelerate leases a number of retail, office and industrial properties under operating leases, which typically run for a period of one to five years.		
Contractual amounts due in terms of operating lease agreements	**–**	–
Within one year	**529 550**	505 967
Between one and five years	**1 469 840**	1 203 814
More than five years	**314 606**	374 681
	2 313 996	2 084 462
22. Related parties		
Relationships		
M Georgiou (100% shareholder of Fourways Precinct (Pty) Ltd and Accelerate Property Management Company (Pty) Ltd) and A Costa are directors of both Accelerate Property Fund Ltd and Accelerate Property Management Company (Pty) Ltd, both directors' full remuneration is paid by Accelerate. Please refer to the executive directors' remuneration report for further details.		
Related party balances*		
Property acquisitions		
Fourways Precinct (Pty) Ltd (included in Investment property)	**–**	3 715 049
Number of properties	**–**	11
GLA/(sqm)	**–**	175 132
* *No related party balances were impaired or provided for in either 2015 or 2014.*		
Contingent purchase (note 1.12)		
Fourways Precinct (Pty) Ltd	**46 236**	209 784
Vacancy guarantee		
Fourways Precinct (Pty) Ltd (included in Trade receivables)	**11 549**	2 716
Related-party transactions		
Interest charged on outstanding amounts		
Interest owed by Fourways Precinct (Pty) Ltd	**1 967**	861
Accelerate Property Management		
Fourways Precinct (Pty) Ltd	**3 885**	1 158
Accelerate Property Management Company (Pty) Ltd (APMC)	**2 648**	1 148
23. Net asset value		
Shares in issue at the end of the year	**691 423 255**	638 916 916
Net asset value per share (R)	**6,65**	5,90

24. Finance risk management

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 2015.

31 March 2015	Carried at fair value R'000	Amortised cost# R'000	Total R'000
Financial assets			
Derivative financial assets*	71 153	–	71 153
Trade and other receivables	–	170 644	170 644
Cash and cash equivalents	–	58 817	58 817
	71 153	229 461	300 614
Financial liabilities			
Long-term interest-bearing borrowings	–	(2 155 158)	(2 155 158)
Trade and other payables	–	(88 327)	(88 327)
Current portion of long-term debt	–	(238 856)	(238 856)
	–	(2 482 341)	(2 482 341)

* *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 25 for further details). The fair value is determined as the net discounted cash flows to be received from the swaps in place at 31 March 2015.*

\# *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.*

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
	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)
	–	(2 490 403)	(2 490 403)

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.

24. Finance risk management *continued*

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 or that the fair values of financial instruments will fluctuate because of changes in market interest rates. Accelerate's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations as well as derivative financial instruments with floating interest rates.

To manage its interest rate risk, Accelerate enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 March 2015, after taking into account the effect of interest rate swaps, 83% 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 statement of comprehensive income is the effect of the assumed changes in interest rates on finance income less finance expense for one year, based on the floating rate financial liabilities held at the reporting date, including the effect of hedging instruments.

2015	**Increase/ (decrease) in basis points**	**Effect on profit before tax (R'000)**
Jibar (one month)	**100**	**3 940**
Jibar (one month)	**(100)**	**(3 940)**
2014		
Jibar (one month)	100	(7 198)
Jibar (one month)	(100)	7 198

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Accelerate is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions and derivatives as well as trade receivables. Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. Exposure to credit risk relating to financial assets that are not passed due nor impaired is limited.

24. Finance risk management *continued*

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 DMTN bond issue.

83% of interest-bearing borrowings were fixed at 31 March 2015, for a weighted average period of four years.

	R'000
31 March 2015	
Total borrowings – refer to note 16	
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 September 2017	**456 034**
Interest-bearing borrowings maturing on 11 December 2017	**445 784**
Interest-bearing borrowings maturing on 11 December 2018	**729 520**
Interest-bearing borrowings maturing on 11 December 2019	**285 000**
	2 394 050
As an indication of future Jibar for the valuation of the derivatives, current Jibar was used.	
Interest rate swap – effective 1 April 2015	
Swap maturing 31 March 2016	**200 000**
Swap maturing 31 March 2017	**100 000**
Swap maturing 31 March 2018	**100 000**
Swap maturing 31 March 2019	**1 600 000**
	2 000 000
Percentage of total debt hedged	**83,54%**
31 March 2014	
Long-term debt	
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%

24. Finance risk management *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 2015*					
Total borrowings	**238 856**	**238 856**	**1 916 338**	**–**	**2 394 050**
Trade and other payables (excl. VAT)	**70 429**	**–**	**–**	**–**	**70 429**
	309 285	**238 856**	**1 916 338**	**–**	**2 464 479**

* *Cash flows are monitored on a monthly basis to ensure that cash resources are adequate to meet the requirements of Accelerate. In terms of covenants with its lenders, the nominal value of interest-bearing borrowings over secured properties may not exceed 45% of the value of investment property. Total interest-bearing borrowings may not exceed 50%.*

25. Hedging activities and derivatives

Economic hedges

Accelerate has acquired interest rate swap contracts with notional amounts of R2,0 billion (2014: R2,147 billion) in the current reporting period, whereby it pays a fixed rate of interest of 5,5% 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 March 2019 and will be recognised through profit or loss as and when incurred.

The aggregate fair value of the interest rate swaps at the end of the reporting period was R71,153 million (2014: R131,709 million).

The valuation techniques applied to fair value the derivatives which include the swap models, use present value calculations. The model incorporates various inputs including the credit quality of counterparties and forward rates.

All derivative contracts are fully cash-collateralised, thereby eliminating both counterparty and Accelerate's own non-performance risk. As at 31 March 2015, 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.

A flat increase/(decrease) of 100 basis points across the zero rate swap curve leads to an overall increase/(decrease) of the swaps' value of approximately 67%.

	2015 R'000	2014 R'000
Reconciliation of the swap derivatives		
Opening balance value	**131 709**	–
Swap obtained during business combination	**–**	101 260
Net changes in fair value through profit and loss	**(60 557)**	30 449
	71 153	131 709

Notes to the financial statements (continued)

for the year ended 31 March 2015

26. 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 2015 and 31 March 2014. 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.

	2015 R'000	2014 R'000
Carrying amount of interest-bearing loans and borrowings	**2 394 050**	2 394 016
Investment property at fair value (excluding straight-lining adjustment)	**6 782 741**	6 147 200
	35,30%	38,94%

27. Subsequent events

Non-adjusting events after year-end

On 14 May 2015 Accelerate acquired a portfolio of six A grade office properties occupied by KPMG through the purchase of the entire issued ordinary share capital of Parktown Crescent Properties Proprietary Limited (PCP) and 30% of the issued ordinary share capital of Wanooka Properties Proprietary Limited (Wanooka), representing the remaining shares in Wanooka not already owned by PCP from current and retired KPMG partners.

The shareholding was acquired for a purchase consideration of R850 million which is the net value of the properties acquired at acquisition date. Thus no goodwill or gain and bargain purchase resulted from this transaction. The portfolio will yield a total net rental of R64,5 million per year in terms of a 15 year triple net lease with KPMG, escalating at 8% per annum for the first 12 years of the lease. In year 13 the rentals will revert to market related rentals less 10% and will continue to escalate at 8% for year 14 and 15.

The acquisition was fully debt funded at a weighted average cost of funding of Jibar plus 164 basis points.

28. Non-current assets held for sale

The company has decided to sell one of Accelerate's properties in Cape Town, namely Millhouse. The property was sold during the first quarter of the 2016 financial year at a sales price of R28,42 million.

The property held for sale at 31 March 2014 (Willows shopping centre) was sold during the year ended 31 March 2015 at a profit of R12,104 million.

	Notes	2015 R'000	2014 R'000
Non-current assets held for sale			
Investment property		**28 420**	66 866
		28 420	66 866

29. Fair value adjustments

	Notes	2015 R'000	2014 R'000
Investment property (Fair value model)	10	**441 565**	424 942
Mark to market movement on swap	25	**(60 557)**	30 449
		381 008	455 391

	2015 R'000	2014 R'000
30. Tax paid		
Balance at end of the year	**(15)**	–

	Year ended 31 March 2015 R'000	Year ended 31 March 2014 (110 days) R'000
31. Directors' remuneration		
Total guaranteed package		
M Georgiou	**Nil**	Nil
A Costa	**2 333**	500
D Kyriakides	**1 866**	450
JRJ Paterson	**1 833**	425
Short-term incentive payment		
M Georgiou	**Nil**	Nil
A Costa	**780**	Nil
D Kyriakides	**469**	Nil
JRJ Paterson	**650**	Nil
Non-executive directors		
TT Mboweni	**1 580**	506
GC Cruywagen	**520**	166
TJ Fearnhead	**364**	116
JRP Doidge	**316**	100
K Madikizela	**312**	100
Prof F Viruly	**312**	–

32. Accelerate Property Fund Conditional Share Plan

The executive directors have been awarded share options in line with Accelerate Property Fund's Conditional Share Plan which came into effect during the year ended 31 March 2015. 3 889 984 shares were granted during the period, no shares were forfeited, exercised, or expired during the year and hence there are 3 889 984 shares outstanding as at 31 March 2015. None of the shares are exercisable as at 31 March 2015, due to the vesting periods being 2017 and 2018. No shares options were awarded during the year ending 31 March 2014.

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

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

Notes to the financial statements (continued)

for the year ended 31 March 2015

32. Accelerate Property Fund Conditional Share Plan *continued*

Share options awarded during the year ended 31 March 2015, which only vest on the below dates once the vesting conditions have been met, are as follows:

		Performance shares		Retention shares		Vesting date	
Director	Holding (direct/ indirect)	Number of shares	Reserve ('R) at 31 March 2015	Number of shares	Reserve ('R) at 31 March 2015	Number of shares vesting 11 August 2017	Number of shares vesting 11 August 2018
A Costa	Indirect	1 710 199	1 179 446			1 243 781	466 418
A Costa	Indirect			530 574	567 454	252 118	278 456
D Kyriakides	Direct	462 531	331 890			404 229	58 302
D Kyriakides	Direct			66 322	70 932	31 515	34 807
J Paterson	Direct	855 100	589 723			621 891	233 209
J Paterson	Direct			265 258	283 691	126 029	139 229
		3 027 830	2 101 059	862 154	922 077	2 679 563	1 210 421

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

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

The maximum number of shares which may be allocated to an individual in respect of all unvested awards may not exceed 9 583 754 (nine million, five hundred and eighty three thousand seven hundred and fifty four) shares, which represents approximately 1,5% of the number of issued shares as at date of approval of the CSP by shareholders.

The weighted average price of R5,89 per share was used on the date of the conditional awards being made.

The share price on 31 March 2015 was R6,75.

The reserve at 31 March 2015 was calculated by applying the share prices indicated above, pro rata over the vesting period of the shares.

Notes

CORPORATE INFORMATION

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