

CONDENSED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 MARCH 2020

ACCELERATE PROPERTY FUND LTD
(Incorporated in the Republic of South Africa)
(Registration No 2005/015057/06)
JSE code: APF ISIN code: ZAE000185815
Bond code: APFE
(REIT status approved)
(Accelerate, the company, or the fund)

2020



KEY INDICATORS

Indicator	2020	2019
Portfolio value	R12,6 billion	R12,7 billion
Gross lettable area (GLA)	529 363 m²	601 506 m²
Number of properties	51	62
Cost to income ratio*	26,2%	15,9%
Weighted average lease expiry (WALE)	5,6 years	5,3 years
Lease escalations (excluding offshore)**	7,6%	7,4%
Vacancies***	10,8%	9,00%
Listed/large national tenants (by revenue)	56,8%	65,7%

* This increase is off the back of:

- Increased costs incurred with the opening and launch of Fourways Mall
- Conservative provisions put in place regarding the recoverability of arrears impacted by COVID-19

** 6,6% including offshore.

*** Excludes properties held for redevelopment.

COVID-19

The COVID-19 pandemic is having a devastating impact all around the world and on all industries. The situation is rapidly evolving on a day-to-day basis with uncertainty around the extent and duration of the lockdown and any further future lockdowns, making it virtually impossible to measure the short, medium and long-term effects it will have on individuals, businesses, society and the economy as a whole. Some of the financial statement effects and potential effects on the fund as well as Accelerate's responses are as follows:

Balance sheet management and liquidity

Liquidity is key during this time not only to ensure Accelerate meets all its obligations as they fall due but also to ensure we can provide the maximum assistance possible to our tenants. The following steps have and are being taken to maximise liquidity:

- Securing liquidity facilities with our major funders to utilise if required during this time
- Optimising and restructuring our funding and derivative structures in place to ensure maximum benefit and security for the company as well as funders
- Engagement with government and the South African Revenue Service to seek relief regarding utility, VAT and property rates charges during this time as a company as well as part of the PI Group.
- Understanding how we as a company, our tenants and funders can benefit employees from measures taken by government during this time and how this benefit can assist all parties involved during this time
- Negotiation of mutually beneficial payment terms with tenants
- Interaction and engagement with regulators on the possible impact of the pandemic on the short and medium-term regulatory compliance of Real Estate Investment Trusts (REITs)

To further enhance the strength of our balance sheet during this time the company is continuing with the sale of our non-core assets. Proceeds are to be used to enhance our liquidity and reduce gearing. Property sales to the value of approximately R595 million are at various stages of completion. The completion of these sales will result in a reduction of loan to value ratio (LTV) of approximately 3%.

Revenue and recoverability of tenant arrears

With the situation rapidly evolving and the duration and extent of the lockdown still uncertain it is impossible to accurately measure the full financial impact of COVID-19 on Accelerate and our tenants.

Similar to the negotiation regarding COVID-19 being done with tenants on an individual basis, so was the assessment of the debtors book, creating an expected credit loss provision on a tenant-by-tenant basis. The expected credit loss provision was thus increased in line with the expected impact of COVID-19 on our tenants based on interaction and negotiation with each tenant.

The impact on revenue and the recoverability of arrears for the year ending 31 March 2021 will be ascertained with more certainty as the COVID-19 situation unfolds.

Valuation of investment property

Investment properties are valued based on future cash flows at market-related discount rates. At 31 March 2020 the impact of COVID-19 on the valuation of investment properties cannot be determined with any measure of certainty. Management will keep the valuation of investment property under frequent review.

FINANCIAL PERFORMANCE

While income remains under pressure, Accelerate continues to focus on managing costs more efficiently. Property costs (rates, water, sewerage, etc) have steadily increased at rates well above inflation, which paired with negative rental reversions, have resulted in significant pressure on the bottom line.

The cost to income ratio temporarily increased to 26,2% as compared to 15,9% (March 2019) due to additional once-off expenses being incurred with the completion of the Fourways Mall Development, as well as conservative provisions put in place regarding the recoverability of arrears impacted by COVID-19.

The portfolio's WALE remains strong, in excess of five years. Average lease escalations amount to approximately 7,6% (excluding offshore).

The decrease in distributable earnings from 31 March 2019 to 31 March 2020 was predominantly driven by:

- Prudent additional expected credit loss provision made at 31 March 2020 in anticipation of the impact of COVID-19
- The full COVID-19 rental reduction on the European portfolio has been accounted for in the 31 March 2020 financial year (all OBI stores in Austria and Slovakia are fully trading and have been paying 100% of rentals since mid-April 2020)
- An increase in B-grade office vacancies caused by the economic contraction
- The impact of the structural vacancies in buildings held for redevelopment
- Additional professional and marketing fees incurred for the Fourways Mall equalisation and relaunch

The COVID-19 situation is highly volatile and continually evolving and the fund is working with our tenants to secure long-term income streams, limit vacancies and ensure long-term sustainability for all parties involved. The fund does not, however, expect a significant reduction in long-term rental streams at our larger retail centres, as rentals currently charged to tenants are at or appreciably below market-related rentals. Due to the effects of COVID-19 on tenants and cash receivable from tenants, Accelerate will not be paying a final distribution.

FINANCIAL POSITION

As at 31 March 2020, Accelerate's investment property portfolio had a value of R12,6 billion (2019: R12,7 billion), excluding the effects of straight-lining. The movement in the value of the portfolio is mainly due to an increase in the external valuation of our offshore assets, the Fourways equalisation completed to the value of R907 million counteracted by sales concluded by the fund of R730 million as well as conservative downward fair value adjustments of R1 billion.

The fund maintains a diversified funding base being funded 29,6% through the debt capital markets (DCMs) and 70,4% through bank debt with 13 DCM investors and three banks.

Accelerate successfully accessed the DCMs in November 2019 through our domestic medium-term note (DMTN) programme raising a total of R285 million to refinance expiring DCM debt.

The fund is 72,6% hedged with a weighted average swap expiry profile of 1,8 years (2,5 years at 31 March 2019). The weighted average debt maturity profile has remained stable at over two years with the short-term portion of long-term debt also remaining stable at R1,1 billion (2019: R1,1 billion).

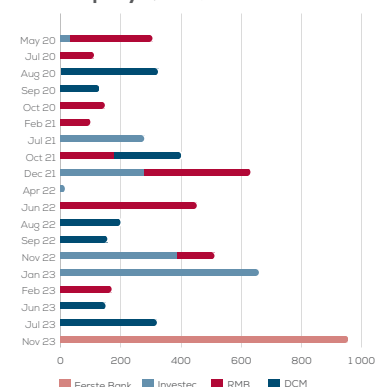
The fund continues to monitor interest rates and the swap curve to ensure swaps are executed at optimal rates when the opportunity presents itself.

The fund will benefit from out of the money swaps with a nominal of R600 million rolling off in August and September 2020.

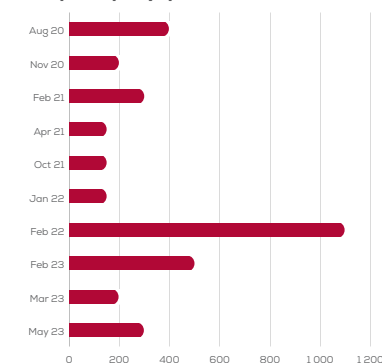
Long-term debt allocation

Debt funding	31 March 2020 (Rm)	%	31 March 2019 (Rm)	%
DCMs	1 785	29,6	1 785	33,2
Bank funding	4 239	70,4	3 590	66,8
Total	6 024	100,0	5 375	100,0
Weighted average debt term (years)	2,2		2,5	
Short-term portion of debt	1 118	18,6	1 111	20,7
Debt hedged		72,6		82,8
Weighted average swap term (years)	1,8		2,5	
Blended interest rate		7,8		8,4
Interest cover ratio (x)	2,1		2,3	
Loan to value		45,5		39,0

Debt expiry (Rm)



Swap expiry profile (Rm)



* Post-year-end May and July expiries have been refinanced/repaid.

PORTFOLIO OPTIMISATION AND REDUCTION OF LTV

Since inception of the balance sheet optimisation initiative assets to the value of R845 million have been sold in order to reduce LTV. The LTV has temporarily increased due to the Fourways Mall equalisation (fully debt funded in November 2019) as well as due to the deterioration of the rand:euro exchange rate (euro-denominated debt).

The fund is continuing with the initiative with property sales to the value of R595 million at various stages of completion. These sales will result in a reduction of LTV of approximately 3%.

The sale of a larger portfolio of assets remains as a viable option for the fund. Such a sale will result in a further reduction of LTV of approximately 6%.

By selling non-core assets, the remaining portfolio is underpinned by quality assets, including:

- 50% Fourways Mall (super-regional retail)
- Cedar Square (regional retail)
- Eden Meander (regional retail)
- Significant other convenience retail presence in the Fourways node
- KPMG's South African head office (A-grade office)
- Citibank's South African head office (A-grade office)
- Portside (P-grade office)
- Offshore portfolio (75% Austria by revenue)
- Charles Crescent (development opportunity)
- Foreshore office (development opportunity)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2020

	Note(s)	31 March 2020 (R'000)	31 March 2019 (R'000)
ASSETS			
Non-current assets		12 373 281	12 205 878
Investment property	2	12 231 279	12 203 592
Derivatives	3	-	1 598
Right-of-use asset		141 676	-
Property, plant and equipment		326	688
Current assets		564 671	679 224
Current tax receivable		-	5 534
Trade and other receivables	3	531 133	589 559
Cash and cash equivalents	3	33 538	84 131
Investment property held for sale		595 897	789 707
Non-current assets held for sale		595 897	789 707
Total assets		13 533 849	13 674 809
EQUITY AND LIABILITIES			
Equity		6 794 292	7 965 297
Ordinary share capital		5 125 105	5 115 671
Other reserves		165 946	77 887
Non-controlling interest		23 075	19 032
Retained income		1 480 166	2 752 707
Total equity		6 794 292	7 965 297
Non-current liabilities		5 209 358	4 278 103
Borrowings	3	4 904 762	4 259 323
Lease hold liability		136 173	-
Derivatives		168 423	18 780
Current liabilities		1 530 199	1 431 409
Trade and other payables	3	393 774	297 231
Derivatives		10 912	23 128
Lease hold liability		6 745	-
Borrowings	3	1 118 768	1 111 050
Total equity and liabilities		13 533 849	13 674 809

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Note(s)	31 March 2020 (R'000)	31 March 2019 (R'000)
Revenue, excluding straight-line rental revenue adjustment		1 054 228	1 190 524
Straight-line rental revenue adjustment		31 393	43 802
Revenue		1 085 621	1 234 326
Property expenses		(360 963)	(374 658)
Net property income		724 658	859 668
Operating expenses		(54 154)	(46 677)
Operating profit		670 504	812 991
Fair value adjustments	6	(1 179 930)	73 405
Unrealised losses	7	(19 422)	(21 909)
Expected credit loss provision		(60 268)	(7 686)
Other (expenses)/income		(303)	12 933
Finance income		42 321	37 880
Profit before long-term debt interest and taxation		(547 098)	907 614
Finance costs		(350 396)	(341 781)
Profit before taxation		(897 494)	565 833
Taxation		(399)	-
Profit/(loss) for the year		(897 893)	565 833
Other comprehensive income that may be reclassified to profit and loss in subsequent periods			
Exchange differences on translation of foreign operations		89 396	52 031
Total comprehensive (loss)/income		(808 497)	617 864
Profit attributable to:			
Shareholders of the parent		(899 865)	563 356
Non-controlling interest		1 972	2 477
		(897 893)	565 833
Total comprehensive income:			
Shareholders of the parent		(812 540)	613 351
Non-controlling interest		4 043	4 513
		(808 497)	617 864
EARNINGS PER SHARE			
Basic earnings per share (cents)		(90,21)	56,77
Diluted earnings per share (cents)		(88,30)	55,79

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Other reserves (R'000)	Foreign currency translation reserve (R'000)	Share capital (R'000)	Retained income (R'000)	Non- controlling interest (R'000)	Total equity (R'000)
Balance at 31 March 2018	21 403	4 520	5 103 067	2 711 275	14 519	7 854 784
Profit for the year	-	-	-	563 356	2 477	565 833
Other comprehensive income	-	49 995	-	-	2 036	52 031
Total comprehensive income	-	49 995	-	563 356	4 513	617 864
Issue of shares	(12 604)	-	12 604	-	-	-
Distribution paid	-	-	-	(521 924)	-	(521 924)
Conditional share plan reserve	14 573	-	-	-	-	14 573
Total contributions by and distributions to owners of company recognised directly in equity	1 969	-	12 604	(521 924)	-	(507 351)
Balance at 31 March 2019	23 372	54 515	5 115 671	2 752 707	19 032	7 965 297
Loss for the year	-	-	-	(899 865)	1 972	(897 893)
Other comprehensive income	-	87 325	-	-	2 071	89 396
Total comprehensive income	-	87 325	-	(899 865)	4 043	(808 497)
Shares repurchased	-	-	(2 000)	-	-	(2 000)
Issue of shares	(11 434)	-	11 434	-	-	-
Distribution paid	-	-	-	(372 676)	-	(372 676)
Conditional share plan reserve	12 168	-	-	-	-	12 168
Total contributions by and distributions to owners of company recognised directly in equity	734	-	9 434	(372 676)	-	(362 508)
Balance at 31 March 2020	24 106	141 840	5 125 105	1 480 166	23 075	6 794 292

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	31 March 2020 (R'000)	31 March 2019 (R'000)
Cash flows from operating activities		
Cash generated from operations	681 317	836 836
Finance income	42 321	37 880
Distribution paid	(372 676)	(521 924)
Tax received/(paid)	5 135	-
Net cash from operating activities	356 097	352 792
Cash flows from investing activities		
Purchase of property, plant and equipment	(31)	(51)
Sale of property, plant and equipment	-	46
Purchase of investment property	(1 100 817)	(380 589)
Recognition of equity investment	(6 330)	-
Proceeds from disposal of investment property	597 568	230 132
Net cash from investing activities	(509 610)	(150 462)
Cash flows from financing activities		
Shares repurchased	(2 000)	-
Borrowings raised	2 330 958	1 785 380
Borrowings repaid	(1 842 190)	(1 643 623)
Derivative settlement	(34 113)	-
Reduction of lease liabilities	(2 894)	-
Finance cost	(350 396)	(341 781)
Net cash from financing activities	99 365	(200 024)
Total cash movement for the year	(54 148)	2 306
Cash at the beginning of the year	84 131	76 921
Effect of exchange rate movements on cash balances	3 555	4 904
Total cash at end of the year	33 538	84 131

DISTRIBUTION ANALYSIS

	31 March 2020 (R'000)	31 March 2019 (R'000)
DISTRIBUTABLE EARNINGS		
Profit after taxation attributable to equity holders	(899 865)	563 356
Straight-line rental revenue adjustment	(31 393)	(43 802)
Fair value adjustments (excluding non-controlling interest)	1 180 615	(72 244)
Unrealised losses	19 422	21 909
Amortisation and depreciation	16 718	12 515
Less: Gain on sale of investment property	-	(6 000)
Distributable earnings	285 497	475 734
	Year ended 31 March 2020 (R'000)	Year ended 31 March 2019 (R'000)
Distributable earnings	285 497	475 734
Less: Interim distribution from profits	151 275	254 352
Less: Capital retention	134 222	-
Final distribution	-	221 382
Shares qualifying for distribution		
Number of shares at year-end	998 524 580	994 310 123
Less: Bulk ceded shares to Accelerate [#]	(51 070 184)	(51 070 184)
Add: Shares repurchased	(10 108 038)	(9 567 404)
Shares qualifying for distribution	937 346 358	933 672 535
Distribution per share		
Final distribution per share (cents)	-	23,71088
Interim distribution per share made (cents)	16,12934	27,26021
Total distribution per share for the year (cents)	16,12934	50,97109

[#] The cession on these shares relate to bulk in the Fourways area acquired by Accelerate at listing. These shares will only be eligible for distributions at the earlier of the development of the bulk or December 2021.

EARNINGS PER SHARE

	Year ended 31 March 2020 (R'000)	Year ended 31 March 2019 (R'000)
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 attributable to shareholders of the parent	(899 865)	563 356
Fair value adjustment	(1 001 146)	(103 811)
Capital gains on sale of non-current assets held for sale	-	(10 460)
Headline profit attributable to shareholders of the parent	101 281	449 085
Basic EPS (cents)	(90,21)	56,77
Diluted EPS (cents)	(88,30)	55,79
Headline EPS (HEPS) (cents)	10,15	45,26
Diluted HEPS (cents)	9,94	44,47
Shares in issue at the end of the year	998 524 580	994 310 123
Weighted average number of shares	997 543 131	992 285 018
Shares subject to the deferred acquisition costs		
Shares subject to the conditional share plan	21 585 499	17 480 830
Weighted average number of deferred shares	21 585 499	17 480 830
Total diluted weighted average number of shares in issue	1 019 128 630	1 009 765 848

SEGMENTAL ANALYSIS

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 and retail, and European retail.

Consequently, the company is considered to have four reportable operating segments, as follows:

- Office segment: acquires, develops and leases offices
- Industrial segment: acquires, develops and leases warehouses and factories
- Retail segment: acquires, develops and leases shopping malls, community centres as well as retail centres
- European single-tenant segment: acquires, develops and leases single-tenant space backed by long-term leases

Group administrative costs, profit/loss on disposal of investment property, finance revenue, finance costs, income taxes and segment liabilities are reported on a total basis as it is considered that the segmental split would add no value to reporting.

There are no sales between segments.

SEGMENTAL ANALYSIS CONTINUED

For the year ended 31 March 2019

(R'000)	Office	Industrial	Retail	European – single tenant	Total
Statement of comprehensive income 2019					
Revenue, excluding straight-line rental revenue adjustment	297 411	76 660	710 132	106 321	1 190 524
Straight-line rental adjustment	29 867	1 797	12 138	-	43 802
Property expenses	(76 377)	(17 551)	(251 751)	(36 665)	(382 344)
Segment operating profit	250 901	60 906	470 519	69 656	851 982
Fair value adjustments on investment property	(62 172)	47 001	87 893	32 250	104 972
Segment profit	188 729	107 907	558 412	101 906	956 954
Other operating expenses					(46 677)
Other income					12 933
Fair value loss on financial instruments					(31 567)
Unrealised losses					(21 909)
Finance income					37 880
Long-term debt interest					(341 781)
Profit before tax					565 833

For the year ended 31 March 2020

(R'000)	Office	Industrial	Retail	European – single tenant	Total
Statement of comprehensive income 2020					
Revenue, excluding straight-line rental revenue adjustment	231 282	61 032	656 321	105 593	1 054 228
Straight-line rental adjustment	(7 726)	2 470	36 649	-	31 393
Property expenses	(73 213)	(22 219)	(289 067)	(36 732)	(421 231)
Segment operating profit	150 343	41 283	403 903	68 861	664 390
Fair value adjustments on investment property	(323 864)	(76 807)	(618 804)	19 013	(1 000 462)
Segment profit	(173 521)	(35 524)	(214 901)	87 874	(336 072)
Other operating expenses					(54 154)
Other income					(303)
Fair value loss on financial instruments					(173 138)
Fair value loss on equity investments					(6 330)
Unrealised gains					(19 422)
Finance income					42 321
Long-term debt interest					(350 396)
Loss before tax					(897 494)

For the year ended 31 March 2019

(R'000)	Office	Industrial	Retail	European – single tenant	Total
Statement of financial position extracts at 31 March 2019					
Assets					
Investment property balance 1 April 2018	3 444 511	536 740	7 263 301	1 298 010	12 542 562
Acquisitions	-	-	74 995	-	74 995
Capitalised costs	62 180	727	238 126	4 561	305 594
Disposals/classified as held for sale	(701 486)	-	(331 948)	-	(1 033 434)
Investment property held for sale	628 307		161 400	-	789 707
Straight-line rental revenue adjustment	29 867	1 797	12 138	-	43 802
Foreign exchange gains/(losses)	-	-	-	165 101	165 101
Fair value adjustments	(62 172)	47 001	87 893	32 250	104 972
Segment assets at 31 March 2019	3 401 207	586 265	7 505 905	1 499 922	12 993 299
Other assets not managed on a segmental basis					
Derivative financial instruments					1 598
Equipment					688
Current assets					679 224
Total assets					13 674 809

For the year ended 31 March 2020

(R'000)	Office	Industrial	Retail	European – single tenant	Total
Statement of financial position extracts at 31 March 2020					
Assets					
Investment property balance 1 April 2019	3 401 207	586 265	7 505 905	1 499 922	12 993 299
Acquisitions	-	-	919 800	-	919 800
Capitalised costs	83 173	1 726	96 118		181 017
Disposals/classified as held for sale	(583 307)	(166 772)	(457 318)	-	(1 207 397)
Investment property held for sale	265 307	166 772	163 818	-	595 897
Straight-line rental revenue adjustment	(7 726)	2 470	36 649	-	31 393
Foreign exchange gains/(losses)	-	-	-	313 629	313 629
Fair value adjustments	(323 864)	(76 807)	(618 804)	19 013	(1 000 462)
Segment assets at 31 March 2020	2 834 790	513 654	7 646 168	1 832 564	12 827 176
Other assets not managed on a segmental basis					
Derivative financial instruments					-
Equipment					326
Lease hold assets					141 676
Current assets					564 671
Total assets					13 533 849

SEGMENTAL ANALYSIS CONTINUED

For the year ended 31 March 2019

(R'000)	South Africa	Austria	Slovakia	Total
Statement of comprehensive income 2019				
Revenue, excluding straight-line rental revenue adjustment	1 084 203	79 741	26 580	1 190 524
Straight-line rental adjustment	43 802			43 802
Property expenses	(345 679)	(27 499)	(9 166)	(382 344)
Segment operating profit	782 326	52 242	17 414	851 982
Fair value adjustments on investment property	72 722	24 188	8 062	104 972
Segment profit	855 048	76 430	25 476	956 954
Other operating expenses				(46 677)
Other income				12 933
Fair value loss on financial instruments				(31 567)
Unrealised losses				(21 909)
Finance income				37 880
Long-term debt interest				(341 781)
Profit before tax				565 833

For the year ended 31 March 2020

(R'000)	South Africa	Austria	Slovakia	Total
Statement of comprehensive income 2020				
Revenue, excluding straight-line rental revenue adjustment	948 635	79 741	25 852	1 054 228
Straight-line rental adjustment	31 393	-	-	31 393
Property expenses	(384 499)	(27 499)	(9 233)	(421 231)
Segment operating profit	595 529	52 242	16 619	664 390
Fair value adjustments on investment property	(1 019 475)	14 552	4 461	(1 000 462)
Segment profit	(423 946)	66 794	21 080	(336 072)
Other operating expenses				(54 154)
Other income				(303)
Fair value loss on financial instruments				(173 138)
Fair value loss on equity investments				(6 330)
Unrealised losses				(19 422)
Finance income				42 321
Long-term debt interest				(350 396)
Loss before tax				(897 494)

For the year ended 31 March 2019

(R'000)	South Africa	Austria	Slovakia	Total
Statement of financial position extracts at 31 March 2019				
Investment property balance 1 April 2018	11 244 552	973 507	324 503	12 542 562
Acquisitions	74 995			74 995
Capitalised costs	305 594			305 594
Disposals/classified as held for sale	(1 033 434)			(1 033 434)
Investment property held for sale	789 707			789 707
Straight-line rental revenue adjustment	43 802			43 802
Foreign exchange gains/(losses)		123 826	41 275	165 101
Fair value adjustments	72 722	24 188	8 062	104 972
Investment property at 31 March 2019	11 497 938	1 121 521	373 840	12 993 299
Other assets not managed on a segmental basis				
Derivative financial instruments				1 598
Equipment				688
Current assets				679 224
Total assets				13 674 809

For the year ended 31 March 2020

(R'000)	South Africa	Austria	Slovakia	Total
Statement of financial position extracts at 31 March 2020				
Investment property balance 1 April 2019	11 497 938	1 121 521	373 840	12 993 299
Acquisitions	919 800	-	-	919 800
Capitalised costs	181 017			181 017
Disposals/classified as held for sale	(1 207 397)	-	-	(1 207 397)
Investment property held for sale	595 897	-	-	595 897
Straight-line rental revenue adjustment	31 393	-	-	31 393
Foreign exchange gains/(losses)	-	240 042	73 587	313 629
Fair value adjustments	(1 019 475)	14 552	4 461	(1 000 462)
Investment property at 31 March 2020	10 999 173	1 376 115	451 888	12 827 176
Other assets not managed on a segmental basis				
Derivative financial instruments				-
Equipment				326
Lease hold assets				141 676
Current assets				564 671
Total assets				13 533 849

NOTES TO THE FINANCIAL STATEMENTS

Corporate information

The condensed consolidated financial statements of Accelerate for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors passed on 27 July 2020. Accelerate is a public company incorporated and domiciled in South Africa and its shares are publicly traded on the JSE Limited (JSE). The registered office is located at Cedar Square Shopping Centre, corner Cedar Road and Willow Avenue. The principal activities of Accelerate are acquisition, development and leasing of properties. The functional and presentation currency of Accelerate is South African rand. All figures are rounded off to R'000 except where otherwise stated.

Basis of preparation

These condensed financial statements for the year ended 31 March 2020 are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), contain the minimum information required by International Accounting Standard 34 Interim Financial Reporting, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008, as amended and the JSE Listings Requirements.

The accounting policies applied in the preparation of these condensed financial statements are in terms of IFRS and are consistent with those applied in the annual financial statements, including the new and amended IFRS that became effective during the 31 March 2020 reporting period, none of which had a material impact on Accelerate's financial results except for IFRS 16.

These condensed financial statements have been prepared under the historical cost convention except for investment properties, financial guarantees and derivatives which are measured at fair value.

The fair value of investment properties is determined by directors with reference to market-related information while other financial liabilities are valued with reference to market-related information and valuations as appropriate. All investment properties are valued by independent external valuers on a three-year rolling cycle.

These condensed financial statements were prepared under the supervision of Mr Dimitri Kyriakides (CA)SA in his capacity as Chief Financial Officer (CFO).

This abridged report is extracted from audited information, but is not itself audited. The auditors, Ernst & Young Inc have issued their unmodified opinion on the audited consolidated financial statements for the year ended 31 March 2020 and a copy of the audit opinion, together with the underlying audited consolidated financial statements are available for inspection at the company's registered address.

1. IFRS 16 Leases (effective 1 April 2020)

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The policy is applied to contracts entered into, or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component, on the basis of their relative standalone prices.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost (which is equal to the lease liability adjusted for upfront deposits) and increased with initial direct costs incurred and the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset. The group applies the cost model subsequent to the initial measurement of the right-of-use asset. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the remaining lease payments on the commencement date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be determined, the lessee uses the lessee's incremental borrowing rate. The lease liabilities were discounted at the incremental borrowing rate as at 1 April 2019. The discount rate was 2,23%. In order to calculate the incremental borrowing rate, reference interest rates were derived based on Accelerate Europe's cost of debt. The lease liability is subsequently increased by interest cost on the lease liability and decreased by lease payments made.

Lease payments included in the measurement of the lease liability comprise the following: fixed payments; variable lease payments that depend on an index or a rate; amounts payable under a residual value guarantee; and the exercise price under a purchase option that the group is certain to exercise.

Impact on the financial statements at 1 April 2020

On transition to IFRS 16, the group recognised right-of-use assets and lease liabilities. The group elected, as permitted by IFRS 16, not to restate comparative financial statements and to use the modified retrospective approach. Under this approach, comparative information is not restated and the right-of-use asset at the date of initial application (for leases previously classified as operating leases (IAS 17)) is equal to the lease liability. The impact on transition was recognised as follows as at 1 April 2019.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. IFRS 16 Leases (effective 1 April 2020) continued

Impact on the financial statements at 1 April 2020 continued

	R'000
Right-of-use asset	146 399
Lease liability	(146 399)

There was no retained income impact as a result of the adoption of IFRS 16.

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitment as at 31 March 2019, as follows:

	R'000
Asset	
Operating lease commitments as at 1 April 2019	168 437
Weighted incremental borrowing rate	2,23%
Discounted operating lease commitments as at 1 April 2019	146 399
Lease liability	-
	146 399

2. Fair value measurement of investment property

It is Accelerate's policy to have every property valued by an external valuer on a three-year rotational basis as required by the JSE Listings Requirements. This means that each property Accelerate holds is externally valued at least every three years. The remaining investment properties held at the end of each reporting period are valued by Accelerate's directors.

Each year the directors appoint an external valuer who is responsible for the external valuations of property for the annual financial statements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. In addition, the directors are responsible for Accelerate's internal property valuations. 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. Each property is considered a separate asset class based on the unique nature, characteristics and risks of the property. The directors compare each property's change in fair value with relevant external sources (such as the investment property database or other relevant benchmarks) to determine whether the change is reasonable.

Valuation techniques

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

2. Fair value measurement of investment property continued

COVID-19

Investment properties are valued based on future cash flows at market-related discount rates. At 31 March 2020 the impact of COVID-19 on the valuation of investment properties cannot be determined with any measure of certainty. Management will keep the valuation of investment property under frequent review.

DCF method

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

Income capitalisation method

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

The external valuations were performed by Mills Fitchet and Coldwell Banker Richard Ellis (offshore valuations) who are 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 2020, the portfolio had the following vacancy rates, calculated based on vacant area to total GLA along with the following estimates of when actual vacancy will equal the long-term rate:

Class of property	Fair value at 31 March 2020 R'000	Current vacancies %	Long-term vacancies %	Estimated period of convergence
Office	2 834 790	25	0 – 10	2 years
Industrial	513 654	8,6	0 – 15	2 years
Retail	7 646 168	10	2,5 – 10	3 years
Europe	1 832 564	0	0	n/a
	12 827 176			

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Fair value measurement of investment property continued

Income capitalisation method continued

Included in the total are properties held for resale of R595 897 000, R11 914 674 111 of investment properties and R316 604 889 of straight-line revenue adjustment.

Changes in valuation techniques

There were no changes in valuation techniques during the year.

Highest and best use

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

Valuation techniques and inputs derive level 3 fair values

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

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

2. Fair value measurement of investment property continued

Valuation techniques and inputs derive level 3 fair values continued

Class of property	Fair value as at 31 March 2020 (R'000)	Valuation technique	Key unobservable inputs	Ranges	Weighted average discount rate (%)
Office	2 834 790	Income capitalisation/DCF method	ERV	R16,00 – R280,00	8,00
			Rental growth pa	7,7%	
			Long-term vacancy rate	0% - 10%	
Industrial	513 654	Income capitalisation/DCF method	ERV	R22,00 – R172,00	9,60
			Rental growth pa	7,3%	
			Long-term vacancy rate	0% - 15%	
Retail	7 646 168	Income capitalisation/DCF method	ERV	R35,00 – R298,00	7,10
			Rental growth pa	7,6%	
			Long-term vacancy rate	2,5% - 10%	
Europe	1 832 564	Income capitalisation/DCF method	ERV	R64,00 – R193,00	6,2
			Rental growth pa	0%	
			Long-term vacancy rate	0%	
	12 827 176				

Descriptions and definitions

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

Estimated rental value (ERV)

The rent per square metre 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Fair value measurement of investment property continued

Descriptions and definitions continued

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 15 years).

COVID-19

The long-term impact of COVID-19 on the above inputs is yet to be determined with certainty. Short-term assistance given to tenants will not materially impact the valuation of investment property. The long-term impact on rental levels, vacancies and discount rates cannot yet be determined with any degree of certainty.

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
- Long-term vacancy rate
- Discount rate/yield

ERV

An increase or decrease in ERV is directly correlated to an increase in the estimated fair value. A 5% increase or decrease in the ERV would result in a 5% increase or decrease in the estimated fair value.

Long-term vacancy rate

Increases/decreases in the long-term vacancy rate would result in decreases/increases in the estimated fair value. The South African portfolio is currently 12,1% vacant. There are currently no vacancies on the European portfolio.

Equivalent yield

South African portfolio	50 bps increase	50 bps decrease
Equivalent yield – Impact on fair value		
Retail	(7,1%)	8,2%
Office	(6,0%)	6,8%
Industrial	(4,6%)	5,0%

2. Fair value measurement of investment property continued

Equivalent yield continued

European retail	25 bps increase	25 bps decrease
Equivalent yield – Impact on fair value		
European retail	(3,9%)	4,2%

3. Fair value of financial assets and liabilities

31 March 2020

	Carried at fair value (R'000)	Amortised cost [#] (R'000)	Total (R'000)
Financial assets			
Derivatives*	–	–	–
Trade and other receivables	–	528 485	528 485
Cash and cash equivalents	–	33 538	33 538
Total financial assets	–	562 023	562 023
Financial liabilities			
Derivatives*	(179 335)	–	(179 335)
Long-term interest-bearing borrowings	–	(4 904 762)	(4 904 762)
Long-term lease liability	–	(136 173)	(136 173)
Trade and other payables	(179 572)	(147 742)	(327 314)
Current portion of long-term debt	–	(1 118 768)	(1 118 768)
Current portion of lease liability	–	(6 745)	(6 745)
Total financial liabilities	(358 907)	(6 314 190)	(6 673 097)

31 March 2019

Derivatives*	1 598	–	1 598
Trade and other receivables	–	564 823	564 823
Cash and cash equivalents	–	84 131	84 131
Total financial assets	1 598	648 954	650 552
Financial liabilities			
Derivatives*	(41 908)	–	(41 908)
Long-term interest-bearing borrowings	–	(4 259 323)	(4 259 323)
Trade and other payables	(98 492)	(129 506)	(227 998)
Current portion of long-term debt	–	(1 111 050)	(1 111 050)
Total financial liabilities	(140 400)	(5 499 879)	(5 640 279)

* 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 (ie as prices) or indirectly (ie derived from prices) – level 2. The value of the swaps is determined as the discounted value of the future cash flows to be received from the swap assets. For the valuation the current Johannesburg Interbank Average Rate (JIBAR) was used as an indication of future JIBAR.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. Directors' remuneration

	Year ended 31 March 2020 (R'000)	Year ended 31 March 2019 (R'000)
Total package		
M Georgiou	Nil	Nil
A Costa	4 795	4 325
D Kyriakides	3 551	3 150
JRJ Paterson	1 546	3 387
Short-term incentive payment		
M Georgiou	Nil	Nil
A Costa	3 240	1 850
D Kyriakides	1 500	1 050
JRJ Paterson	Nil	1 350
Non-executive directors' fees		
TT Mboweni	-	634
GC Cruywagen	498	414
TJ Fearnhead	630	430
JRP Doidge	-	400
K Madikizela	420	360
F Viruly	420	360
G Cavaleros	426	-
A Mawela	403	-
D Wandrag	394	-
Share options exercised (number of shares)		
	Year ended 31 March 2020	Year ended 31 March 2019
M Georgiou	1 341 114	1 012 514
A Costa	1 341 114	2 068 158
D Kyriakides	398 710	440 084
JRJ Paterson	833 665	1 313 453

5. Related party transaction

Relationships

Mr Michael Georgiou and Mr Andrew Costa are directors of both Accelerate Property Fund Ltd and Accelerate Property Management Company (Pty) Ltd. Both directors' total remuneration is paid by Accelerate Property Fund. Mr Michael Georgiou owns 100% of Fourways Precinct (Pty) Ltd through The Michael Family Trust and also owns 100% of Accelerate Property Management Company.

	Year ended 31 March 2020 (R'000)	Year ended 31 March 2019 (R'000)
Related party transactions and balances		
Related party balances		
Loan accounts		
Fourways Precinct (Pty) Ltd	9 435	-
The Michael Family Trust	89 590	68 180
Vacancy guarantee		
Fourways Precinct (Pty) Ltd	10 238	9 339
Development guarantee		
Fourways Precinct (Pty) Ltd	139 487	248 364
Related party transactions		
Vacancy guarantee		
Fourways Precinct (Pty) Ltd	-	-
Development guarantee		
Fourways Precinct (Pty) Ltd	76 473	113 163
Interest charged		
Interest charged on outstanding amounts:		
Fourways Precinct (Pty) Ltd	23 254	17 544
The Michael Family Trust	7 017	5 172
Accelerate property management costs		
Fourways Precinct (Pty) Ltd	(993)	(2 121)
Accelerate Property Management Company (Pty) Ltd	(8 598)	(7 912)
Letting commission paid		
Fourways Precinct (Pty) Ltd	(4 550)	(21 020)
Financial guarantees	(81 080)	(52 911)

Interest is charged on all related party balances due at market-related interest rates.

The following factors are taken into account when assessing the recoverability of related party balances due to the fund:

- Historical receipts and reduction of the related party balances outstanding
- The nature and timing of current and potential future related party transactions
- The financial ability of the related parties to settle their obligations in the future taking into account their cash flow and net asset value

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. Fair value adjustments

	Year ended 31 March 2020 (R'000)	Year ended 31 March 2019 (R'000)
Fair value adjustments		
Investment property (fair value model)	(1 000 462)	104 972
Losses on derivatives at fair value through profit and loss	(173 138)	(31 567)
Fair value adjustment on equity investment	(6 330)	-
	(1 179 930)	73 405

7. Unrealised losses

	Year ended 31 March 2020 (R'000)	Year ended 31 March 2019 (R'000)
Foreign exchange gains	61 658	31 001
Financial guarantee liability	(81 080)	(52 910)
	(19 422)	(21 909)

8. Capital commitments

In terms of Accelerate's budgeting process, R101 million (2019: R140 million) was allocated to Accelerate's planned capital expenditure. As such, Accelerate views this amount as authorised and not contracted.

9. Financial guarantee

During December 2016 an executive buy-in structure was initiated in order to ensure that the Executive Directors of Accelerate are adequately incentivised and aligned with interests of the company and its shareholders in the long term. Special purpose vehicles (SPVs) funded through bank debt from RMB. The interest on bank debt in the SPVs will be serviced by the distributions received from Accelerate. RMB will have cession over these shares and the directors will only have an unconditional right to the shares in the SPVs once the bank debt has been settled. Accelerate guarantees to RMB the performance of each SPV of its obligation. The maximum liability Accelerate may have under the guarantees is the equivalent of 100% (2019: 63,5%) of the total drawn commitment to the extent that losses incurred by RMB are not settled by the sale of the shares RMB has cession over. At 31 March 2020 the total RMB facility balance is R219,8 million.

10. Contingent liabilities

- 10.1** Azrapart (the developer of Fourways Mall) contends that it has a claim against Accelerate arising from capital expenditure spent by Azrapart on the existing letting enterprise (the Azrapart claim). The board of directors (board) has been advised by Azrapart that it has not decided whether to pursue its claim nor to what extent. However, Azrapart has advised the Accelerate board that should it pursue the Azrapart claim, it will not exceed R300 million. Accelerate will evaluate the validity and quantum of the Azrapart claim.
- 10.2** A former Executive Director has instituted legal action against the company of approximately R90 million (plus interest and costs) for constructive dismissal. Management and its external legal advisors are confident of the group's position in this matter and do not consider an economic outflow of the claimed amount to be probable when the matter is evaluated in a court of law.
- 10.3** There is a 12-month adjustment account in place for the Fourways Mall equalisation transaction concluded on 28 November 2019 (this transaction had an effective date of 30 September 2019). This adjustment mechanism caters for certain income not yet in place at the date of equalisation as well as expenses that were estimated due to the new mall not having a trading history. The potential purchase price adjustment ranges from a reduction of R74,1 million to an increase of R221,6 million.

11. Subsequent events

11.1 Property sales post year-end

None of the investment properties held for sale at 31 March 2020 have been transferred post year-end. The main cause of this delay is the closure of the deeds office due to COVID-19.

11.2 COVID-19

The effects of COVID-19 are far reaching and have affected all economies and all sectors. The situation and the effects of the pandemic are still evolving and ever changing, and develop rapidly on a day-to-day basis. From year-end to the reporting date the fund has been impacted as follows:

11.2.1 Rental income and recovery of arrears

The fund is in ongoing negotiations with tenants in order to not only assist our tenants during this difficult time but also to ensure the long-term sustainability of the fund as well as our tenants. To date the following terms have been agreed/are under negotiation with tenants in the South African portfolio:

Month	Rentals to be paid	Rental deferment
April 2020	44,5%	6,1%
May 2020	54,3%	7,7%
June 2020	78,4%	7,4%

For the European retail portfolio OBI paid 50% of rental during the lockdown period (16 March to 13 April 2020 for Austria and 16 March to 5 May 2020 for Slovakia). All stores are now open, fully trading and OBI is paying rental in full.

Post year-end a R120 million short-term liquidity facility was negotiated with the company's main funders.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Subsequent events continued

11.2 COVID-19 continued

11.2.2 Valuation of investment property

Our Investment properties are valued based on future cash flows at market-related discount rates. The short-term impact of COVID-19 on cash flows is not expected to have a material effect on the valuation of our properties. The long-term impact of the pandemic on rental levels, occupancy rates and escalation rates is expected to have a more material impact which the market will only be able to ascertain with more certainty in the next 12 to 18 months.

In the valuation of our investment properties for the year ended 31 March 2020 management applied conservatism and considered COVID-19 in determining the long-term vacancy assumptions, market-related rental levels and discount rates applied per property.

11.2.3 Debt refinances post year-end

The following debt facilities at 31 March 2020 have been refinanced post year-end:

Funder	Nominal amount (R'000)	Term	Margin – linked to 3-month JIBAR
RMB Facility P	129 328	1 year	235 bps
RMB Facility R	48 000	1 year	235 bps
RMB Facility X	32 500	6 months	230 bps
RMB Facility F	70 000	2 years	260 bps
RMB Facility H	63 625	2 years	260 bps
RMB Facility K	41 375	6 months	250 bps
Investec Facility Z	32 500	6 months	255 bps

OUTLOOK

Based on the current market conditions and the impact they have on the business, it may be unlikely that the company will be able to pay distributions during 2021. The board will, however, continue to assess the impact COVID-19 has and will keep shareholders informed in this regard, to the extent required.

Post the potential retention of distributions as contemplated above, the fund has amended its capital retention policy to cater for a retention of up to 25% of distributable profits depending on the company's capital requirements, growth projects and balance sheet requirements.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of Accelerate assume full responsibility for the preparation of the condensed financial statements and have been correctly extracted from the underlying annual financial statements.

ANNUAL GENERAL MEETING

The company's annual general meeting (AGM) will be held at Accelerate's registered office, in the main boardroom, Cedar Square Shopping Centre, Management Office, 1st Floor, Cnr Willow Avenue and Cedar Road, Fourways, Johannesburg on Friday, 18 September 2020 at 10h00. Further details on the company's AGM will be included in Accelerate's integrated annual report to be provided to shareholders on or before 29 July 2020. A PDF of the integrated annual report will be available to download at www.acceleratepf.co.za on the same day of distribution. Shareholders will be advised via SENS when the notice of AGM is available on the company's website.

On behalf of the board

Mr Timothy Fearnhead
(Non-Executive Chairman)

Mr Michael Georgiou
(CEO)

Mr Dimitri Kyriakides
(CFO)

29 July 2020

CORPORATE INFORMATION

Directors

Mr Timothy Fearnhead (Independent Non-Executive Chairman)
 Mr Andrew Costa (Chief Operating Officer)
 Dr Gert Cruywagen (Lead Independent Non-Executive Director)
 Mr Michael Georgiou (Chief Executive Officer)
 Mr Dimitri Kyriakides (Chief Financial Officer)
 Mr Dawid Wandrag (Executive Director)
 Ms Kolosa Madikizela (Independent Non-Executive Director)
 Prof François Viruly (Independent Non-Executive Director)
 Mr George Cavaleros (Independent Non-Executive Director)
 Mr Abel Mawela (Independent Non-Executive Director)

Registered office and business address

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Auditor

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