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

CONDENSED CONSOLIDATED FINANCIAL RESULTS
for the year ended 31 March 2018

HIGHLIGHTS
- PROPERTY PORTFOLIO VALUE OF R12,3 billion
- TOTAL PORTFOLIO GLA OF 623 988 m2
- NET ASSET VALUE GROWTH OF 6,9% (YEAR ON YEAR)

KEY INDICATORS

| Indicator | 2018 | 2017 |
|---|---|---|
| Distribution per share | 57,55 | 57,57 cents |
| Portfolio value | R12,3 billion | R11,6 billion |
| GLA | 623 988 m2 | 633 494 m2 |
| Number of properties | 67 | 69 |
| Net asset value | R7,8 billion | R7,4 billion |
| Cost-to-income ratio | 14,8% | 16,9% |
| Weighted average lease expiry | 5,5 years | 5,6 years |
| Lease escalations (excluding offshore)* | 7,7% | 7,8% |
| Vacancies | 10,04% | 6,91% |
| Listed/large national tenants (by revenue) | 65,7% | 65,1% |

* 7,1% including offshore.

KEY FOCUS AREAS FOR ACCELERATE

1. Creating value - the Fourways Development
In September 2017 Urban Studies (Dr Dirk Prinsloo) undertook a comparative analysis of the Fourways, Sandton and Waterfall nodes and concluded "The Fourways node is experiencing strong development growth which is dominated by the extension of Fourways Mall to >170 000 m2. The retail offering will further be strengthened by the flagship representation of Leroy Merlin at 17 000 m2. With the extension and additional retail supplied, the Fourways node will be the most dominant retail market in South Africa".

Construction work on the redevelopment and expansion of Fourways Mall to a super-regional centre of approximately 178 000 m2 (excluding Leroy Merlin), is nearing completion.

Key milestones achieved to date include:
- In accordance with the master development plan, focusing on, inter alia, optimal tenant mix, approximately 93% of the total gross lettable area (GLA) has been pre-let, with offers received on the remainder.
- 85 200 m2 of GLA is currently trading (including redeveloped food court).
- An additional 11 000 m2 (Taxi rank, Fourways View link, stores around Game and Pick n Pay) to be completed by December 2018
- KidZania opening in December 2018.
- National tenants 69%, international tenants 15% (pre-lets by revenue).
- The majority of the approximate R300 million roadworks are complete and the new dual carriageway on Cedar Road has recently opened, significantly improving traffic flow in the area.
- The direct flyover and slipway of and onto Witkoppen Road from Fourways Mall is almost complete and ready to link into one of the super-regional mall's multi-level covered parkades.
- An additional access to Fourways View in and out of Cedar Road.
- Over 3 000 new parking bays are already available (8 286 on completion), with additional bays opening on a regular basis.
- A unique family entertainment offering, which differentiates the mall, increases dwell time and expands the mall's catchment area. This offering includes the existing flagship Bounce trampoline concept of 4 500 m2 as well as the new 1 350 m2 Fun Company that opened in December 2017. The internationally renowned 8 500 m2 KidZania children's edutainment concept is also on track to open in December 2018.

2. Balance sheet optimisation
Strategically, the fund looks to acquire quality defensive, as opposed to high-yielding inferior, properties. Since listing (December 2013), this strategy has

resulted in a number of exceptional properties being acquired by the fund including: Portside (approximately 50%) P-grade office in Cape Town Foreshore, Eden Meander retail convenience centre (originally 28 240 m2, after extension 31 325 m2) in George, Citibank's A-grade office in Sandton, and an offshore retail portfolio backed by a leading DIY retailer, OBI, predominantly in Austria. While these properties, together with the existing portfolio, including: Fourways Mall, Cedar Square, the Charles Crescent node in Sandton and our A-grade Foreshore office properties, anchor the fund now and into the future, the acquisitions have contributed to the fund's loan to value (LTV) growing above the targeted 35% level.

Given this, the fund has prioritised the reduction of gearing levels while still protecting income and the overall defensive nature of the portfolio. To this end, the fund continues with the sale of non-core properties, reinvestment in the core portfolio to stimulate organic growth in property values and a potential BEE deal. The fund expects these initiatives to continue to reduce gearing during the 2019 financial year. The fund's, LTV is 39,9% (40,7% including offshore); (2017: 41,9%).

The fund continues to have a diversified funding base. We proactively manage our debt maturity profile, cost of debt and interest rate risk.

3. Enhancing return on our assets
The fund continues to strive to extract maximum value from its portfolio by developing and renovating its properties.
Examples of this include:
- the Woolworths expansion at Cedar Square and other capital spend has greatly enhanced the tenant mix with exciting new tenants such as Escondido, Tiger's Milk, Smoke Daddy's (a Papachinos group company) and Sofa Works opening during the course of the year;
- the 3 085 m2 Eden Meander (George) extension (anchored by @Home);
- the Fourways View renovation (including a slipway entrance from Cedar Road) which has contributed to several existing tenants renewing their leases and the introduction of new tenants including West Pack and PetWorld; and
- the commencement of renovations at Leaping Frog (Fourways) with a new Nando's drive-thru being built.

Smaller spends over the past year have also demonstrated how capital expenditure effectively deployed on the back of a defined leasing strategy can significantly enhance returns and materially add to the defensive nature of our portfolio.

FINANCIAL PERFORMANCE
The 2018 financial year was a year of consolidation, with the fund focusing on, inter alia, balance sheet optimisation, maximising rental income and tenant recoveries, minimising vacancies in a difficult economic period, efficiently managing costs, enhancing the quality of our property portfolio, as well as ensuring long-term sustainability. As per guidance provided distribution per share is comparable to the previous financial year, with the fund having prioritised, investment in long term quality, growth and sustainability.

During the year, the core portfolio performed well, with the offshore portfolio exceeding expectations.

The fund kept tight control over expenses with Accelerate reporting a 14,8% cost-to-income ratio (2017: 16,9%).

FINANCIAL POSITION
As at 31 March 2018, Accelerate's investment property portfolio was valued at R12,3 billion (2017: R11,6 billion), excluding the effects of straight-lining. Accelerate maintains a diversified funding base, funded 28,9% through the debt capital markets and 71,1% through bank debt with three major South African banks. During August 2017, Accelerate successfully accessed the debt capital markets through our domestic medium-term note (DMTN) programme to refinance R264 million of debt capital markets (DCM) debt maturing in September 2017. Favourable bids, of R761 million were received and, given attractive pricing, R525 million was issued to refinance bank debt maturing in December 2017.

The weighted average term of Accelerate's debt is 2,1 years. The weighted average cost of debt for the fund remains at 8,4%. We will continue to actively manage the cost and maturity profile of our debt.

To continue to manage interest rate risk and the maturity of the large swap in March 2019, the group took out further interest rate swaps, resulting in 97,4% (2017: 77,9%) of Accelerate's debt being hedged. The fund's weighted average swap term is 2,1 years.

The underlying fundamentals of Accelerate's core South African portfolio remain solid during difficult economic times with positive core net income growth and rental reversions. Strategic spend and investment in our core assets such as Fourways Mall continue to position the fund favourably for the future.

Largely as a result of the departure of ADT from Charles Crescent (Office) and Checkers from Montague Gardens (Industrial), vacancies have increased, although retail vacancies which represent the core of the fund have decreased.

The weighted average lease expiry of the portfolio remains extremely defensive at 5,5 years.

Long-term debt allocation

| Bank funding - South African portfolio | 31 March 2018 | | 31 March 2017 | |
|---|---|---|---|---|
| | Rm | % | Rm | % |
| Debt capital markets | 1 487 | 28,9 | 1 226 | 25,1 |

| | | | | |
|---|---|---|---|---|
| Bank funding | 3 663 | 71,1 | 3 654 | 74,9 |
| Total | 5 150 | 100,0 | 4 880 | 100,0 |
| Weighted average debt term (years) | 2,1 | | 2,3 | |
| Short-term portion of debt | 1 492 | 28,9 | 992,0 | 20,3 |
| Debt hedged | | 97,4 | | 77,9 |
| Weighted average swap term (years) | 2,1 | | 2,4 | |
| Blended interest rate | | 8,4 | | 8,4 |
| Interest cover ratio (x) | 2,4 | | 2,6 | |
| LTV ratio | | 40,7 | | 41,9 |

Consolidated Statement of financial position

| | Note(s) | 31 March 2018 R'000 | 31 March 2017 R'000 |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | 12 533 952 | 11 900 199 |
| Investment property | | 12 515 562 | 11 860 689 |
| Derivatives | 1 | 17 371 | 38 134 |
| Property, plant and equipment | | 1 019 | 1 376 |
| Current assets | | 649 579 | 483 688 |
| Current tax receivable | | 5 534 | 9 881 |
| Derivatives | | 1 887 | - |
| Trade and other receivables | 1 | 565 237 | 340 189 |
| Cash and cash equivalents | 1 | 76 921 | 133 618 |
| Investment property held for sale | | 27 000 | - |
| Non-current assets held for sale | | 27 000 | - |
| Total assets | | 13 210 531 | 12 383 887 |
| EQUITY AND LIABILITIES | | | |
| Equity | | 7 861 866 | 7 352 992 |
| Ordinary share capital | | 5 103 067 | 5 156 011 |
| Other reserves | | 25 923 | 52 944 |
| Non-controlling interest | | 14 519 | 12 421 |
| Retained income | | 2 718 357 | 2 131 616 |
| Total equity | | 7 861 866 | 7 352 992 |
| Non-current liabilities | | 3 682 224 | 3 887 257 |
| Borrowings | 1 | 3 654 607 | 3 887 257 |
| Derivatives | | 27 617 | - |
| Current liabilities | | 1 666 441 | 1 143 638 |
| Trade and other payables | 1 | 173 526 | 151 619 |
| Derivatives | | 385 | |
| Borrowings | 1 | 1 492 530 | 992 019 |
| Total equity and liabilities | | 13 210 531 | 12 383 887 |

Consolidated Statement of comprehensive income

| | Note(s) | 31 March 2018 R'000 | 31 March 2017 R'000 |
|---|---|---|---|
| Revenue, excluding straight-line rental revenue adjustment | | 1 160 620 | 1 062 999 |
| Straight-line rental revenue adjustment | | 45 819 | 36 958 |
| Revenue | | 1 206 439 | 1 099 957 |
| Property expenses | | (306 516) | (286 314) |
| Net property income | | 899 923 | 813 643 |
| Operating expenses | | (77 334) | (74 022) |
| Operating profit | | 822 589 | 739 621 |
| Fair value adjustments | 4 | 542 984 | 469 463 |
| Unrealised gains/(losses) | | 8 612 | (47 367) |
| Other income | | 6 552 | 5 529 |
| Finance income | | 37 228 | 34 094 |
| Profit before debt interest and taxation | | 1 417 965 | 1 201 340 |

| | | |
|---|---|---|
| Finance costs | (334 768) | (299 032) |
| Profit before taxation | 1 083 197 | 902 308 |
| Taxation | 4 549 | (423) |
| Profit for the year | 1 087 746 | 901 885 |
| Other comprehensive income that may be reclassified to profit and loss in subsequent periods | | |
| Exchange differences on translation of foreign operations | 6 127 | (1 439) |
| Total comprehensive income | 1 093 873 | 900 446 |
| Profit attributable to: | | |
| Shareholders of the parent | 1 085 816 | 898 372 |
| Non-controlling interest | 1 930 | 3 513 |
| | 1 087 746 | 901 885 |
| Total comprehensive income: | | |
| Shareholders of the parent | 1 091 775 | 900 446 |
| Non-controlling interest | 2 098 | - |
| | 1 093 873 | 900 446 |
| EARNINGS PER SHARE | | |
| Basic earnings per share (cents) | 110,81 | 101,47 |
| Diluted earnings per share (cents) | 109,13 | 99,96 |
| DISTRIBUTABLE EARNINGS | | |
| Profit after taxation attributable to equity holders | 1 085 816 | 898 372 |
| Straight-line rental revenue adjustment | (45 819) | (36 958) |
| Fair value adjustments (excluding non-controlling interest) | (542 316) | (466 398) |
| Unrealised losses | 28 532 | 55 804 |
| Year-end - distribution from reserves | - | 36 999 |
| Profit on sale of property | - | (1 107) |
| Amortisation of leases | 7 000 | - |
| Distributable earnings | 533 213 | 486 712 |

Consolidated Statement of changes in equity

| | 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 1 April 2016 | 20 045 | | 4 105 211 | 1 646 710 | | 5 771 966 |
| Profit for the year | - | - | - | 898 372 | 3 513 | 901 885 |
| Other comprehensive income | - | (1 439) | - | - | - | (1 439) |
| Total comprehensive income | - | (1 439) | - | 898 372 | 3 513 | 900 446 |
| Issue of shares | - | - | 1 050 800 | - | - | 1 050 800 |
| Distribution paid | (22 353) | - | - | (413 466) | - | (435 819) |
| Conditional share plan reserve | 11 264 | - | - | - | - | 11 264 |
| Antecedent distribution reserve* | 45 427 | - | - | - | - | 45 427 |
| Non-controlling interest | - | - | - | - | 8 908 | 8 908 |
| Total contributions by and distributions to owners of company recognised directly in equity | 34 338 | | 1 050 800 | (413 466) | 8 908 | 680 580 |
| Balance at 31 March 2017 | 54 383 | (1 439) | 5 156 011 | 2 131 616 | 12 421 | 7 352 992 |
| Profit for the year | - | - | - | 1 085 816 | 1 930 | 1 087 746 |
| Other comprehensive income | - | 5 959 | - | - | 168 | 6 127 |
| Total comprehensive income | - | 5 959 | - | 1 085 816 | 2 098 | 1 093 873 |
| Issue of shares | - | - | 2 850 | - | - | 2 850 |
| Repurchase of shares | - | - | (63 150) | - | - | (63 150) |
| Issue of treasury shares to directors (in terms of the conditional share plan) | - | - | 7 356 | - | - | 7 356 |
| Distribution paid | (36 999) | - | - | (499 075) | - | (536 074) |
| Conditional share plan reserve | 4 019 | - | - | - | - | 4 019 |
| Total contributions by and distributions to owners of company recognised directly in equity | (32 980) | - | (52 944) | (499 075) | | (584 999) |
| Balance at 31 March 2018 | 21 403 | 4 520 | 5 103 067 | 2 718 357 | 14 519 | 7 861 866 |

* This reserve relates to the antecedent distribution portion of the capital raised.

Statement of cash flows

| | 31 March 2018 R'000 | 31 March 2017 R'000 |
|---|---|---|
| Cash flows from operating activities | | |
| Cash generated from operations | 594 840 | 560 720 |
| Finance income | 37 228 | 34 094 |
| Distribution paid | (499 075) | (413 466) |
| Tax received/(paid) | 8 896 | (1 035) |
| Net cash from operating activities | 141 889 | 180 313 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (214) | (1 066) |
| Purchase of investment property | (267 844) | (2 951 540) |
| Contingent purchase | - | (27 276) |
| Proceeds from disposal of investment property | 253 337 | 144 902 |
| Proceeds of non-current assets held for sale | - | 55 000 |
| Net cash from investing activities | (14 721) | (2 779 980) |
| Cash flows from financing activities | | |
| Proceeds on share issue | - | 1 050 800 |
| Shares repurchased | (63 150) | - |
| Long-term borrowings raised | 1 332 925 | 2 414 371 |
| Long-term borrowings repaid | (1 078 910) | (527 356) |
| Finance cost | (334 768) | (299 032) |
| Antecedent distribution | (36 999) | 23 074 |
| Net cash from financing activities | (180 902) | 2 661 857 |
| Total cash movement for the year | (53 734) | 62 190 |
| Cash at the beginning of the year | 133 618 | 71 428 |
| Effect of exchange rate movements on cash balances | (2 963) | - |
| Total cash at the end of the year | 76 921 | 133 618 |

Distribution Analysis

| | Year ended 31 March 2018 R'000 | Year ended 31 March 2017 R'000 |
|---|---|---|
| Distributable earnings | 533 213 | 486 712 |
| Less: Interim distribution from profits (excludes interim distribution from reserves) | 266 037 | 217 301 |
| Final distribution | 267 176 | 269 411 |
| Shares qualifying for distribution | | |
| Number of shares at year-end | 989 364 344 | 986 372 706 |
| Less: Bulk ceded shares to Accelerate# | (51 070 184) | (51 070 184) |
| Less: Shares repurchased | (9 567 404) | - |
| Shares qualifying for distribution | 928 726 756 | 935 302 522 |
| Distribution per share | | |
| Final distribution per share (cents) | 28,76799 | 28,80469 |
| Interim distribution per share made (cents) | 28,77713 | 28,76627 |
| Total distribution per share for the year (cents) | 57,54512 | 57,57096 |

# The cession on these shares relates 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/sale of the bulk or December 2021.

Earnings per share

| | Year ended 31 March 2018 R'000 | Year ended 31 March 2017 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 | 1 085 816 | 898 372 |
| Fair value adjustment | (589 861) | (501 350) |

| | | |
|---|---|---|
| Capital gains on sale of non-current assets held for sale | (4 846) | (7 038) |
| Headline profit attributable to shareholders of the parent | 491 109 | 389 984 |
| Basic earnings per share (cents) | 110,81 | 101,47 |
| Diluted earnings per share (cents) | 109,13 | 99,96 |
| Headline earnings per share (cents) | 49,36 | 44,05 |
| Diluted headline earnings per share (cents) | 50,12 | 43,39 |
| Shares in issue at the end of the year | 979 796 940 | 986 372 706 |
| Weighted average number of shares | 979 876 156 | 885 350 951 |
| Shares subject to the conditional share plan | 15 115 467 | 13 377 341 |
| Weighted average number of deferred shares | 15 115 467 | 13 377 341 |
| Total diluted weighted average number of shares in issue | 994 991 623 | 898 728 292 |

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, disposes, develops and leases offices
- Industrial segment: acquires, disposes, develops and leases warehouses and factories
- Retail segment: acquires, disposes, develops and leases shopping malls, community centres as well as retail centres
- European single-tenant retail segment: acquires, disposes, 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.

There are no sales between segments.

For the year ended 31 March 2017

| | Office R'000 | Industrial R'000 | Retail R'000 | European single-tenant retail R'000 | Total R'000 |
|---|---|---|---|---|---|
| Statement of comprehensive income 2017 | | | | | |
| Revenue, excluding straight-line rental revenue adjustment | 280 523 | 65 124 | 688 509 | 28 843 | 1 062 999 |
| Straight-line rental adjustment | 21 685 | 3 043 | 12 230 | - | 36 958 |
| Property expenses | (70 333) | (6 761) | (206 417) | (2 803) | (286 314) |
| Segment operating profit | 231 875 | 61 406 | 494 322 | 26 040 | 813 643 |
| Fair value adjustments on investment property | 86 143 | 3 585 | 372 233 | 42 454 | 504 415 |
| Segment profit | 318 018 | 64 991 | 866 555 | 68 494 | 1 318 058 |
| Other operating expenses | | | | | (74 022) |
| Other income | | | | | 5 529 |
| Fair value loss on financial instruments | | | | | (34 952) |
| Unrealised losses | | | | | (47 367) |
| Finance income | | | | | 34 094 |
| Long-term debt interest | | | | | (299 032) |
| Profit before tax | | | | | 902 308 |

For the year ended 31 March 2018

| | Office R'000 | Industrial R'000 | Retail R'000 | European single-tenant retail R'000 | Total R'000 |
|---|---|---|---|---|---|
| Statement of comprehensive income 2018 | | | | | |
| Revenue, excluding straight-line rental revenue adjustment | 317 984 | 69 841 | 672 700 | 100 095 | 1 160 620 |
| Straight-line rental adjustment | 31 095 | 991 | 13 733 | - | 45 819 |
| Property expenses | (69 021) | (11 803) | (190 335) | (35 357) | (306 516) |
| Segment operating profit | 280 058 | 59 029 | 496 098 | 64 738 | 899 923 |
| Fair value adjustments on investment property | 158 497 | (116 567) | 529 375 | 18 544 | 589 861 |
| Segment profit | 438 555 | (57 538) | 1 025 485 | 83 282 | 1 489 784 |
| Other operating expenses | | | | | (77 334) |

| | |
|---|---|
| Other income | 6 552 |
| Fair value loss on financial instruments | (46 877) |
| Unrealised losses | 8 612 |
| Finance income | 37 228 |
| Long-term debt interest | (334 768) |
| Profit before tax | 1 083 197 |

For the year ended 31 March 2017

| | Office R'000 | Industrial R'000 | Retail R'000 | European single-tenant retail R'000 | Total R'000 |
|---|---|---|---|---|---|
| Statement of financial position extracts at 31 March 2017 | | | | | |
| Assets | | | | | |
| Investment property balance 1 April 2016 | 1 942 277 | 637 996 | 5 973 229 | | 8 553 502 |
| Acquisitions | 1 180 000 | | 365 000 | 1 166 560 | 2 711 560 |
| Capitalised costs | 46 445 | 5 917 | 144 922 | 42 696 | 239 980 |
| Disposals/classified as held for sale | | | (185 726) | | (185 726) |
| Investment property held for sale | | | | | - |
| Straight-line rental revenue adjustment | 21 685 | 3 043 | 12 230 | - | 36 958 |
| Fair value adjustments | 86 143 | 3 585 | 372 233 | 42 454 | 504 415 |
| Segment assets at 31 March 2017 | 3 276 550 | 650 541 | 6 681 888 | 1 251 710 | 11 860 689 |
| Other assets not managed on a segmental basis | | | | | |
| Derivative financial instruments | | | | | 38 134 |
| Equipment | | | | | 1 376 |
| Current assets | | | | | 483 688 |
| Total assets | | | | | 12 383 887 |

For the year ended 31 March 2018

| | Office R'000 | Industrial R'000 | Retail R'000 | European single-tenant retail R'000 | Total R'000 |
|---|---|---|---|---|---|
| Statement of financial position extracts at 31 March 2018 | | | | | |
| Assets | | | | | |
| Investment property balance 1 April 2017 | 3 276 550 | 650 541 | 6 681 888 | 1 251 710 | 11 860 689 |
| Acquisitions | 48 000 | - | - | - | 48 000 |
| Capitalised costs | 12 314 | 1 775 | 205 755 | | 219 844 |
| Disposals | (81 945) | - | (194 462) | - | (276 407) |
| Investment property held for sale | - | - | 27 000 | - | 27 000 |
| Straight-line rental revenue adjustment | 31 095 | 991 | 13 733 | - | 45 819 |
| Foreign exchange gains | - | - | - | 27 756 | 27 756 |
| Fair value adjustments | 158 497 | (116 567) | 529 387 | 18 544 | 589 861 |
| Segment assets at 31 March 2018 | 3 444 511 | 536 740 | 7 263 301 | 1 298 010 | 12 542 562 |
| Other assets not managed on a segmental basis | | | | | |
| Derivative financial instruments | | | | | 17 371 |
| Equipment | | | | | 1 019 |
| Current assets | | | | | 649 579 |
| Total assets | | | | | 13 210 531 |

For the year ended 31 March 2017

| | South Africa R'000 | Austria R'000 | Slovakia R'000 | Total R'000 |
|---|---|---|---|---|
| Statement of comprehensive income 2017 | | | | |
| Revenue, excluding straight-line rental revenue adjustment | 1 034 156 | 21 632 | 7 211 | 1 062 999 |
| Straight-line rental adjustment | 36 958 | | - | 36 958 |
| Property expenses | (283 511) | (2 102) | (701) | (286 314) |
| Segment operating profit | 787 603 | 19 530 | 6 510 | 813 643 |
| Fair value adjustments on investment property | 461 961 | 31 841 | 10 613 | 504 415 |
| Segment profit | 1 249 564 | 51 371 | 17 123 | 1 318 058 |
| Other operating expenses | | | | (74 022) |

| | | | | |
|---|---|---|---|---|
| Other income | | | | 5 529 |
| Fair value loss on financial instruments | | | | (34 952) |
| Unrealised losses | | | | (47 367) |
| Finance income | | | | 34 094 |
| Long-term debt interest | | | | (299 032) |
| Profit before tax | | | | 902 308 |

For the year ended 31 March 2018

| | South Africa R'000 | Austria R'000 | Slovakia R'000 | Total R'000 |
|---|---|---|---|---|
| Statement of comprehensive income 2018 | | | | |
| Revenue, excluding straight-line rental revenue adjustment | 1 060 525 | 75 071 | 25 024 | 1 160 620 |
| Straight-line rental adjustment | 45 819 | - | - | 45 819 |
| Property expenses | (271 159) | (26 517) | (8 840) | (306 516) |
| Segment operating profit | 835 185 | 48 554 | 16 184 | 899 923 |
| Fair value adjustments on investment property | 571 317 | 13 908 | 4 636 | 589 861 |
| Segment profit | 1 406 502 | 62 462 | 20 820 | 1 489 784 |
| Other operating expenses | | | | (77 334) |
| Other income | | | | 6 552 |
| Fair value loss on financial instruments | | | | (46 877) |
| Unrealised losses | | | | 8 612 |
| Finance income | | | | 37 228 |
| Long-term debt interest | | | | (334 768) |
| Profit before tax | | | | 1 083 197 |

For the year ended 31 March 2017

| | South Africa R'000 | Austria R'000 | Slovakia R'000 | Total R'000 |
|---|---|---|---|---|
| Statement of financial position extracts at 31 March 2017 | | | | |
| Investment property balance 1 April 2016 | 8 553 502 | - | | 8 553 502 |
| Acquisitions | 1 545 000 | 874 920 | 291 640 | 2 711 560 |
| Capitalised costs | 197 284 | 32 022 | 10 674 | 239 980 |
| Disposals/classified as held for sale | (185 726) | | | (185 726) |
| Investment property held for sale | - | | | - |
| Straight-line rental revenue adjustment | 36 958 | | - | 36 958 |
| Fair value adjustments | 461 961 | 31 840 | 10 614 | 504 415 |
| Investment property at 31 March 2017 | 10 608 979 | 938 782 | 312 928 | 11 860 689 |
| Other assets not managed on a segmental basis | | | | |
| Derivative financial instruments | | | | 38 134 |
| Equipment | | | | 1 376 |
| Current assets | | | | 483 688 |
| Total assets | | | | 12 383 887 |

For the year ended 31 March 2018

| | South Africa R'000 | Austria R'000 | Slovakia R'000 | Total R'000 |
|---|---|---|---|---|
| Statement of financial position extracts at 31 March 2018 | | | | |
| Investment property balance 1 April 2017 | 10 608 979 | 938 782 | 312 928 | 11 860 689 |
| Acquisitions | 48 000 | | - | 48 000 |
| Capitalised costs | 219 844 | - | - | 219 844 |
| Disposals/classified as held for sale | (276 407) | | - | (276 407) |
| Investment property held for sale | 27 000 | | - | 27 000 |
| Straight-line rental revenue adjustment | 45 819 | - | - | 45 819 |
| Foreign exchange gains/(losses) | - | 20 817 | 6 939 | 27 756 |
| Fair value adjustments | 571 317 | 13 908 | 4 636 | 589 861 |
| Investment property at 31 March 2018 | 11 244 552 | 973 507 | 324 503 | 12 542 562 |
| Other assets not managed on a segmental basis | | | | |
| Derivative financial instruments | | | | 17 371 |
| Equipment | | | | 1 019 |
| Current assets | | | | 649 579 |

| | |
|---|---|
| Total assets | 13 210 531 |

NOTES TO THE FINANCIAL STATEMENTS

Corporate information

The condensed consolidated financial statements of Accelerate for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors passed on 18 June 2018. Accelerate is a public company incorporated and domiciled in South Africa and its shares are publicly traded on the JSE. The registered office is located at Cedar Square Shopping Centre, corner Cedar Road and Willow Avenue. The principal activities of Accelerate are acquisition, disposal, 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 consolidated financial statements for the year ended 31 March 2018 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 IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by 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 consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous financial period, except for the new and amended IFRS that became effective during the 31 March 2018 reporting period, none of which had any material impact on Accelerate's financial results.

These condensed consolidated financial statements have been prepared under the historical cost convention except for investment properties 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 consolidated financial statements were prepared under the supervision of Mr Dimitri Kyriakides (CA)SA in his capacity as chief financial officer. 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 2018 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. Fair value of financial assets and liabilities

31 March 2018

| Financial assets | Carried at fair value R'000 | Amortised cost# R'000 | Total R'000 |
|---|---|---|---|
| Trade and other receivables | | 565 235 | 565 235 |
| Derivatives* | 19 258 | - | 19 258 |
| Cash and cash equivalents | | 76 921 | 76 921 |
| Total financial assets | 19 258 | 642 156 | 661 414 |
| Financial liabilities | | | |
| Derivatives* | (28 002) | | (28 002) |
| Long-term interest-bearing borrowings | | (3 654 607) | (3 654 607) |
| Trade and other payables | | (165 401) | (165 401) |
| Current portion of long-term debt | | (1 492 530) | (1 492 530) |
| Total financial liabilities | (28 002) | (5 312 538) | (5 340 540) |

31 March 2017

| Financial assets | Carried at fair value R'000 | Amortised cost# R'000 | Total R'000 |
|---|---|---|---|
| Derivatives* | 38 134 | | 38 134 |
| Trade and other receivables | | 340 187 | 340 187 |
| Cash and cash equivalents | | 133 618 | 133 618 |

| | | | |
|---|---|---|---|
| Total financial assets | 38 134 | 473 805 | 511 939 |
| Financial liabilities | | | |
| Long-term interest-bearing borrowings | | (3 887 257) | (3 887 257) |
| Trade and other payables | | (137 324) | (137 324) |
| Current portion of long-term debt | | (992 019) | (992 019) |
| Total financial liabilities | | (5 016 600) | (5 016 600) |

* 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. 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, current 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.

2. Directors' remuneration

| | Year ended 31 March 2018 R'000 | Year ended 31 March 2017 R'000 |
|---|---|---|
| Total guaranteed package | | |
| M Georgiou | Nil | Nil |
| A Costa | 3 993 | 3 534 |
| D Kyriakides | 2 815 | 2 206 |
| JRJ Paterson | 3 064 | 2 553 |
| Short-term incentive payment | | |
| M Georgiou | Nil | Nil |
| A Costa | Nil | 4 600 |
| D Kyriakides | Nil | 1 200 |
| JRJ Paterson | Nil | 3 000 |
| Non-executive directors' fees | | |
| TT Mboweni | 975 | 1 131 |
| GC Cruywagen | 412 | 439 |
| TJ Fearnhead | 424 | 400 |
| JRP Doidge | 388 | 350 |
| K Madikizela | 358 | 350 |
| F Viruly | 358 | 350 |

| Share options exercised (number of shares) | Year ended 31 March 2018 | Year ended 31 March 2017 |
|---|---|---|
| A Costa | 2 122 826 | 455 927 |
| D Kyriakides | 719 283 | 227 964 |
| JRJ Paterson | 1 410 928 | 607 903 |

3. Related-party transaction

Relationships

M Georgiou and A 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. M Georgiou owns 100% of Fourways Precinct (Pty) Ltd through The Michael Family Trust and also owns 100% of Accelerate Property Management Company.

| Related-party transactions and balances | Year ended 31 March 2018 R'000 | Year ended 31 March 2017 R'000 |
|---|---|---|
| Related-party balances | | |
| Loan accounts | | |
| Fourways Precinct (Pty) Ltd | 39 646 | 11 458 |
| The Michael Family Trust | 62 142 | 55 602 |
| Vacancy guarantee | | |
| Fourways Precinct (Pty) Ltd | 17 038 | 15 921 |
| Development guarantee | | |
| Fourways Precinct (Pty) Ltd | 105 629 | 39 288 |

Related-party transactions

| | | |
|---|---|---|
| Vacancy guarantee | | |
| Fourways Precinct (Pty) Ltd | - | 7 502 |
| Development guarantee | | |
| Fourways Precinct (Pty) Ltd | 58 972 | 28 101 |
| Interest charged | | |
| Interest charged on outstanding amounts: | | |
| Fourways Precinct (Pty) Ltd | 7 803 | 2 001 |
| The Michael Family trust | 4 073 | 3 472 |
| Accelerate Property Management costs | | |
| Fourways Precinct (Pty) Ltd | (3 745) | (4 396) |
| Accelerate Property Management Company (Pty) Ltd | (6 156) | (4 857) |
| Letting commission paid | | |
| Fourways Precinct (Pty) Ltd | (6 604) | (25 886) |
| Financial guarantees | (37 144) | (8 438) |

4. Fair value adjustments

| Fair value adjustments | Year ended 31 March 2018 R'000 | Year ended 31 March 2017 R'000 |
|---|---|---|
| Investment property (Fair value model) | 589 861 | 504 415 |
| Marked-to-market movement on swap | (46 877) | (34 952) |
| | 542 984 | 469 463 |

5. Capital commitments

In terms of Accelerate's budgeting process, R79,4 million (2017: R77,5 million) was allocated to Accelerate's planned capital expenditure. As such, Accelerate views this amount as authorised and not contracted.

6. 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 can acquire shares up to a maximum of R205 million in Accelerate at market-related share prices. The interest on bank debt in the SPVs will be serviced by the distributions received from APF. RMB will have cession over these shares and the 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 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 including additional collateral pledged by the directors.

At 31 March 2018, R189,5 million of the RMB facility has been drawn down. At 31 March 2018, a liability of R45,5 million was recognised for this guarantee provided.

7. Subsequent events

Highway Gardens was sold by Accelerate on 26 April 2018 for a price of R27 million.

DIRECTORS' RESPONSIBILITY STATEMENT

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

FINAL DISTRIBUTION

The board of Accelerate has declared a final cash distribution (number 9) (cash distribution) of 28,76799 cents per ordinary share for the year ended 31 March 2018 (2017: 28,80469).

Shareholders who have dematerialised their shares are required to notify their duly appointed Central Securities Depository Participant (CSDP) or broker of their election in the manner and time stipulated in the custody agreement governing the relationship between the shareholder and their CSDP or broker.

The source of the distribution comprises mainly net income from property rentals earned from the company's property investments as well as interest earned on excess cash on deposit. Please refer to the condensed statement of comprehensive income for further details.

A dividend withholding tax of 20% will be applicable on the dividend portion to all shareholders who are not exempt.

The issued share capital at the declaration date is 989 364 344 (2016: 986 372 706) ordinary shares. The company's income tax reference number is: 9868626145.

Tax implications for South African resident shareholders

Accelerate was granted REIT status by the JSE with effect from 12 December 2013 in line with the REIT structure as provided for in the Income Tax Act, 58 of 1962, as amended (the Income Tax Act) and section 13 of the JSE Listings Requirements.

The REIT structure is a tax regime that allows a REIT to deduct qualifying distributions paid to investors in determining its taxable income.

The cash distribution of 28,76799 (2017: 28,80469) cents per ordinary share meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act (a qualifying distribution). Accordingly, qualifying distributions received by local tax resident shareholders must be included in the gross income of such shareholders (as a non-exempt dividend in terms of section 10(1)(k)(aa) of the Income Tax Act), with the effect that the qualifying distribution is taxable as income in the hands of the Accelerate shareholder. These qualifying distributions are, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders have provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated ordinary shares, or the transfer secretaries, in respect of certificated ordinary shares:

- a declaration that the distribution is exempt from dividends tax; and
- a written undertaking to inform the CSDP, broker or transfer secretaries, as the case may be, should the circumstances affecting the exemption change or the beneficial owner ceases to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the transfer secretaries, as the case may be, to arrange for the above mentioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

Tax implications for non-resident shareholders

Qualifying distributions received by non-resident shareholders will not be taxable as income and instead will be treated as ordinary dividends, but are exempt in terms of the usual dividend exemptions per section 10(1)(k) of the Income Tax Act. It should be noted that until 31 December 2013, qualifying distributions received by non-residents were not subject to dividend withholding tax. From 1 January 2014, any qualifying distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the shareholder. Assuming dividend withholding tax will be withheld at a rate of 20%, the net amount due to non-resident shareholders will be 23,01439 (2016: 23,07752) cents per ordinary share.

A reduced dividend withholding tax rate in terms of the applicable DTA, may only be relied on if the non-resident shareholders have provided the following forms to their CSDP or broker, as the case may be, in respect of the uncertificated ordinary shares, or the transfer secretaries, in respect of certificated ordinary shares:

- a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
- a written undertaking to inform their CSDP, broker or the transfer secretaries, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner ceases to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the transfer secretaries, as the case may be, to arrange for the above mentioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

Summary of the salient dates relating to the cash distribution are as follows:

| | 2018 |
|---|---|
| Declaration date | Wednesday, 20 June |
| Last day to trade cum dividend | Tuesday, 24 July |
| Shares to trade ex-dividend | Wednesday, 25 July |
| Record date | Friday, 27 July |
| Payment date | Monday, 30 July |

Notes:
1. Share certificates may not be dematerialised or rematerialised between Wednesday, 25 July 2018 and Friday, 27 July 2018, both days inclusive.
2. The above dates and times are subject to change. Any changes will be released on SENS and published in the press.

The cash dividend may have tax implications for resident and non-resident shareholders. Shareholders are therefore encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

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 Wednesday, 25 July 2018 at 10:00. Further details on the company's AGM will be included in Accelerate's integrated report to be posted to shareholders on or before 22 June 2018. A PDF of the integrated report and notice of AGM will be available to download at www.acceleratepf.co.za on the same day of distribution.

On behalf of the board

| | | |
|---|---|---|
| Mr TT Mboweni | Mr M Georgiou | Mr D Kyriakides |
| Non-executive chairman | Chief financial officer | Chief executive officer |

20 June 2018

Corporate information

Directors

Mr TT Mboweni (non-executive chairman)
Mr A Costa (chief operating officer)
Dr GC Cruywagen (lead independent non-executive director)
Mr JRP Doidge (independent non-executive director)
Mr TJ Fearnhead (independent non-executive director)
Mr M Georgiou (chief executive officer)
Mr D Kyriakides (chief financial officer)
Ms K Madikizela (independent non-executive director)
Mr JRJ Paterson (executive director)
Ass Prof FM Viruly (independent non-executive director)

Registered office and business address

Cedar Square Shopping Centre, Management Office, 1st Floor, Cnr Willow Ave and Cedar Rd,
Fourways, Johannesburg, 2055
Tel: 010 001 0790
Web: www.acceleratepf.co.za

Investor relations

Instinctif Partners
The Firs, 302 3rd Floor,
Cnr Craddock and Biermann Road,
Rosebank, 2196
Tel: 011 447 3030
Email: accelerate@instinctif.com

Company secretary

TMF Corporate Services (South Africa) Proprietary Limited
Represented by:
Ms Joanne Matisonn
3rd Floor, 200 on Main, Cnr Main and Bowwood Roads, Claremont, Cape Town, 7708

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 PO Box 61051, Marshalltown, 2107, Johannesburg
Tel: 011 370 5000
Email: proxy@computershare.co.za
Fax: 011 688 2238

Sponsor

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30 Baker Street, Rosebank, 2196
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Tel: 011 721 6125

Auditors

Ernst & Young Inc.
102 Rivonia Road, Sandton, Johannesburg, 2149
Tel: 011 772 3000

Internal Auditors

LateganMashego Auditors (Pty) Ltd
(Registration number 2001/107847/07)
Registered address:  11 Boca Walk, Highveld, Centurion, 0157
Email: lindie@lateganmashego.co.za
Tel: 082 898 7644/083 609 1159

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