

ACCELERATE PROPERTY FUND LIMITED  
(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 or the company)

## CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

Fourways super-regional mega mall opened on 22 August 2019  
Property portfolio value of R12,2 billion  
Total portfolio GLA of 547 508 m2  
Tenant retention 96,7%

### KEY INDICATORS

Indicator	30 September 2019	31 March 2019
Portfolio value	R12,2 billion	R12,7 billion
GLA	547 508 m2	601 506 m2
Number of properties	56	62
Net asset value	R7,8 billion	R8,0 billion
Loan to value (LTV)	38,3%	39,0%
Cost to income ratio*	22,2%	15,9%
Weighted average lease expiry	5,2 years	5,3 years
Lease escalations (excluding offshore)**	7,3%	7,4%
Vacancies***	8,54%	9,00%
Listed/large national tenants (by revenue)	65,1%	65,7%

\* The cost to income ratio has increased due to increased spend associated with the launch and completion of Fourways Mall. The ratio is expected to normalise to between 18% and 20%.

\*\* 6,6% including offshore.

\*\*\* Excludes properties held for redevelopment.

### FINANCIAL PERFORMANCE

In tough economic times, ensuring a sustainable future is of paramount importance in this industry. It is with this ethos that Accelerate manages its tenant relationships as efficiently as possible in view of retaining tenants and thereby protecting revenue streams for the future.

Accelerate maintained a tenant retention ratio of 96,7% for the period ended 30 September 2019. We have had to proactively manage these relationships with rental reductions, rent-free periods, tenant installation (TI) allowances, etc. This trend continues to put pressure on income; however, it positions the Fund well for the future.

The Fund has managed to reduce vacancies to 8,54% (31 March 2019: 9,00%).

The South African economic environment remains challenging. Unfavourable economic conditions continue to weigh heavily on property fundamentals and, in our view, the property sector will remain under pressure.

Despite a number of ongoing initiatives to reduce costs and fill vacant space, the Fund has experienced considerable income pressure on a number of fronts including:

- Higher than expected rental reversions on renewal of leases as well as additional assistance provided to tenants necessitated by the current trading environment
- The cost to income ratio has temporarily increased to 22,2% (31 March 2019: 15,9%) off the back of costs incurred in the finalisation of the Fourways Mall development and opening of the mall
- Additional spend on assets such as Cedar Square, The Buzz and Waterford centres in Fourways in order to improve asset quality and to attract exciting new tenants
- Cost of exiting an expiring cross-currency swap and entering into a new three-year swap at favourable market rates
- Increased rates and utility costs
- Delays in the commencement of the Foreshore retail and office development and
- Higher than expected funding cost for the funding of the Fourways equalisation.

As a result, revenue for the period is R564 million, down from R603 million in 2018.

## FINANCIAL POSITION

### Effects of the Fourways equalisation

As at 30 September 2019, Accelerate's investment property portfolio had a value of R12,2 billion prior to inclusion of the Fourways Mall asset.

The Fourways equalisation acquisition of R907,8 million was partially debt funded (R700 million) and partially funded through the offset of loan accounts receivable (R207,8 million).

A portion of Accelerate's debt funding requirements (R125 million) was facilitated through bridge loan facilities, which is expected to be settled with the net proceeds from the disposal of certain non-core properties as discussed below. Accelerate's LTV for security SPV 1 (housing Accelerate's 50% undivided share of the combined letting enterprise) is expected to reduce to 39%, and the company's overall LTV is expected to reduce to 41,5%, once the bridge loan facility has been fully settled.

### Balance sheet management and portfolio optimisation

Approximately R500 million of non-core properties have been sold by the Fund post 31 March 2019 in order to reduce leverage and create funding capacity for the Fourways equalisation. A further R599 million of non-core property sales are well advanced.

Proceeds from further sales will be utilised to reduce leverage and invest in the core portfolio. LTV is expected to

reduce to approximately 34% post-completion of the entire asset sale pipeline.

The Fund maintains a diversified funding base being funded 35,1% through the debt capital markets and 64,9% through bank debt.

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

All funds raised were utilised to refinance maturing debt.

The Fund is 87,4% hedged with a weighted average swap expiry profile of 2,1 years (2,5 years at 31 March 2019). The weighted average debt maturity profile has remained constant at 2,5 years with the short-term portion of long-term debt remaining at 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.

#### INTERIM DISTRIBUTION

The capital requirements relating to the equalisation of the Fourways Mall, the biggest mall in South Africa, in the current economic climate have necessitated that different cost-effective ways of financing this acquisition be considered.

It is not feasible for the Fund to finance this equalisation price with equity which is currently trading at a substantial discount to net asset value, as this cost is prohibitive, and not to the best interests of the company or shareholders.

The equalisation price of R908 million was partially debt funded for R700 million, the balance was paid against the vendor loan account. There is an adjustment mechanism, whereby the purchase price may increase by approximately R230 million, in which case the balance of the purchase price may be set-off against the remaining vendor loan balance, so no further debt will be incurred by APF. This adjustment mechanism will be calculated during the period ending 31 August 2020, with a substantial portion of this being payable immediately as and when certain criteria have been met.

In order to assist us in reducing the debt funded portion of the equalisation purchase price, we have embarked on a strategy of selling our non-core properties, as previously disclosed.

Taking into account the progress of the non-core asset disposal strategy and the additional payment commitments that could immediately arise on the equalisation purchase price, the board has decided to declare an interim distribution (number 12) (cash distribution) of 16.12934 cents per ordinary share for the period ended 30 September 2019 (2018: 27.26021 cents per share).

The distribution per share for the full year ending 31 March 2020 (excluding any capital retention) is still expected to be between 10% and 15% lower than prior year in line with guidance provided by Accelerate in the trading statement issued to the market on 30 September 2019.

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 mainly comprises 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 998 524 580 (2018: 993 689 874) 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 16,12934 (2018: 27,26021) cents per ordinary share meets the requirements of a 'qualifying distribution' for the purpose 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
- 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 cease 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 abovementioned 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 which 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 12,90347 (2018: 21,80817) 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
- 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 cease 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 abovementioned 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:

Declaration date	Wednesday, 4 December 2019
Last day to trade (LDT) cum dividend	Tuesday, 28 January 2020
Shares to trade ex-dividend	Wednesday, 29 January 2020
Record date	Friday, 31 January 2020
Payment date	Monday, 3 February 2020

#### Notes

Share certificates may not be dematerialised or rematerialised between Wednesday, 29 January 2020 and Friday, 31 January 2020, both days inclusive.

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.

#### GENERAL

This short form announcement is the responsibility of the directors of Accelerate. It is a summary of the information as set out in the full announcement.

Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement published on the company's website:

[http://acceleratepf.co.za/pdf/Accelerate\\_Interims\\_SENS\\_Leaflet\\_2019.pdf](http://acceleratepf.co.za/pdf/Accelerate_Interims_SENS_Leaflet_2019.pdf)

and published on the JSE's website:

[https://senspdf.jse.co.za/documents/2019/jse/isse/apf/HY\\_19.pdf](https://senspdf.jse.co.za/documents/2019/jse/isse/apf/HY_19.pdf)

Copies of the full announcement may also be requested from the registered office of Accelerate Property Fund Ltd and the company's sponsor at no charge during office hours.

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