ACCELERATE PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration No 2005/015057/06)
JSE code: APF ISIN code: ZAE000185815
Bond company code: APFE
LEI: 378900D514788C447E45
(REIT status approved)
("Accelerate" or "the Company" or "the Fund" or "the Group")

SHORT-FORM ANNOUNCEMENT
AUDITED CONDENSED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

GROUP FINANCIAL SNAPSHOT

	2024	2023	Year-on-year movement	% change year-on-year
Rental income including recoveries (R'000)	873 615	880 426	(6 811)	(0,8%)
Net property income excl. straight-line (R'000)	539 699	544 578	(4 879)	(0,9%)
Fair value adjustments	(396 338)	(744 584)	348 246	(46,8%)
Loss after taxation	(624 738)	(594 263)	(30 475)	5,1%
SA REIT Funds from operations per share (cents)	(0,72)	10,72	(11,44)	(106,7%)
Investment property at fair value (including held for sale) (R'000)	8 655 377	9 201 811	(546 434)	(5,9%)
SA REIT Net Asset Value ("NAV") per share (R)	3,65	4,13	(0,5)	(11,6%)

THE YEAR IN REVIEW
The year has seen significant geopolitical and economic headwinds. The war in Ukraine has exerted upward pressure on energy and food prices worldwide spurring global inflation and abruptly interrupting an already lacklustre post-COVID financial recovery. Global growth forecasts continue to revert downward, more so for emerging markets. Continued loadshedding, high cost of energy, rising overall costs coupled with low economic growth, illiquid financial markets, and higher interest rates will continue to put the Fund under pressure. This environment forces us to rethink how we effectively allocate capital, while operating in an environment of higher operating costs and a very competitive rental market.

Despite this, the Group continues to focus on achieving its strategic objectives. Optimisation of our Balance Sheet through disposals is a key strategic focus to address the reduction of debt and the concomitant reduction of SA REIT Loan to value ("LTV"). We successfully disposed of two assets with a combined GLA of 17,917m² for a cumulative amount of R202,0 million (net of selling costs). After the reporting date we have transferred Eden

Meander,Brooklyn Place, 9 and 10 Charles Cresent with a combined GLA of 40,935m². The proceeds from the disposal of these assets of R563,0 million (net of commission) were used to settle debt. Sale agreements for a further 3 properties were concluded to the value of R176,0 million with a GLA of 44,153m² and a combined vacancy of 64,7%.

We are pleased to have achieved an average collection rate of 99% in a tough economic environment for our tenants. We thank our board and teams for their support, dedication and commitment during the year under review.

FINANCIAL RESULTS

Rental income decreased by R27,6 million from R674,1 million to R646,5 million, largely driven by a 17,3% average decrease in retail rental.

Property expenses decreased by R1,9 million from R335,8 million to R333,9 million. The main contributor to property operating expenses relates to utility costs (including rates and taxes), which increased by 7,9%. Other operating costs/administrative costs increased by 16,5%. This is largely due to the increased staff costs resulting from severance packages paid to exiting directors and increased professional fees to finalise the related party transaction, rights offer and disposal circulars.

Fair value adjustments relating to investment property reduced significantly from R809,2 million to R354,8 million due to the stability in the asset base whereas the derivative had a negative fair value adjustment of R41,5 million compared to the positive adjustment of R64,6 million in the prior year due to increased interest rates moving the swap curve. Expected credit losses increased significantly due to bad debt write-offs and increased provisions especially in Fourways Mall.

Finance costs are 42,2% higher than in the prior financial year ended 31 March 2023. The increase is due to a R37,5 million interest accrual that related to the prior year, a current year accrual of R47,2 million and R71,1 million as a result of the rebuilt claim to the related party. The impact of the increased interest rates is also felt however shielded by the effective swap book in place. During the year debt to the extent of R202,0 million was reduced following the disposal of Ford Fourways and the Leaping Frog Shopping Centre.

PROPERTY PORTFOLIO

At year-end the portfolio consisted of 27 properties with a total value of R8,7 billion (Investment property including non-current assets held-for-sale) and a gross lettable area of 361,364m². The Group embarked on a strategy to reduce debt which included the raising of R300,0 million capital through a fully underwritten rights offer combined with an increased number of assets moving to held-for-sale.

CAPITAL PROJECTS

Capital expenditure continues to be a strategic objective of the Group. During the year under review, R38,2 million (31 March 2023: R47,0 million) was spent on properties which includes Investment properties and non-current assets held-for-sale. This was funded from available funds from our facilities.

LETTING

Vacancies have increased during the year from 18,3% as at 31 March 2023 to 21,1% as at 31 March 2024. Disposals during the current year, reduced vacancies by 17,917m². There was however a negative result in overall vacancies due to lease terminations resulting in an additional 1,082m² of vacancy. The weighted average rental across the portfolio decreased to R203,9/m² from R207,8/m² in the prior financial year due to reversions which was marginally offset by contractual escalations.

FUNDING

The extension of the Group's debt facilities continues to be top of mind and a priority. Continuous engagement with the Group's funders allows us improvement in the term of the debt portfolio. After year-end Rand Merchant Bank (R1,1 billion) and Sanlam (Sanfin and SIM) (R302,0 million) agreed to extend their various facilities/debt notes to 31 March 2025 and 30 August 2024 respectively. A further R230,0 million was extended by RMB to 31 May 2025. We are continuously working on moving the term of the facilities to an even longer expiry term.

The increase in interest rates has significantly impacted the Group's weighted average cost of funding which increased from 10,45% as at 31 March 2023 to 11,48% as at 31 March 2024. The Group's interest cover ratio ("ICR") remained at 1,7 times as per the prior year. The impact of the increased finance costs was partially offset by the proceeds from disposals and a positive impact from the interest rate swaps.

Finance costs were R569,4 million for the year compared to R400,4 million in the prior year. The SA REIT LTV has increased from 48,2% as at 31 March 2023 to 50,3% as at 31 March 2024. This is mainly a function of the reduction in fair value of the portfolio by R354,8 million. This is expected to improve as the disposal programme continues to progress.

DIVIDEND

Accelerate's SA REIT Funds from Operations ("SA REIT FFO") per share amount to a loss of 0,72 cents for the year ended 31 March 2024. The SA REIT FFO was not calculated in the prior year. A recalculated SA REIT FFO for 2023 amounted to 10,72 cents per share. The reduction is mainly attributable to increased operating expense and significantly higher interest expense. In performing the Solvency and Liquidity test conducted in terms of section 46 of the Companies Act, which takes into consideration the working capital cash flow forecast, expected working capital requirements and capital expenditure requirements, the Board resolved not to declare a dividend for the year ended 31 March 2024 (31 March 2023: Nil).

GOING CONCERN

The board has carried out a thorough review of the going concern assessment of the Group and the Company, as disclosed in the going concern note in the financial statements. Having considered the solvency and liquidity, scenario analysis, the business plans and the key assumptions utilised, the board concluded that the Group is in a sound financial position to meet its foreseeable cash requirements and accordingly is able to continue trading as a going concern (refer note 36 of the consolidated and separate financial statements).

EVENTS AFTER THE REPORTING PERIOD

The Group’s funders continue to support the Fund with its strategy to improve the Balance Sheet and in particular Fourways Mall to achieve its full potential. After the reporting date, Accelerate extended R1,1 billion of its facilities with RMB to 31 March 2025 with a further R230,0 million extended to 31 May 2025. Sanlam (“SanFin and SIM”) extended R302,0 million to 30 August 2024. Management is continuously working on improving the terms of our debt to extend for even longer periods.

As a result, the Fund appointed Flanagan and Gerard together with the Moolman Group as the Asset and Property Managers of the Mall with effect from 1 February 2024. The impact of this positive change is already visible. Investec and RMB committed to provide Accelerate’s portion of R200,0 million of a total R400,0 million of capex that will be spent on the mall.

As part of the Group’s disposal strategy, Eden Meander Shopping Centre transferred on 18 June 2024 following a successful Competition Commission and shareholder approval. More assets have been identified as held for sale with significant progress being made on the assets earmarked for disposal.

On 15 August 2023, the board approved the rights offer to raise funds to reduce debt. A R200,0 million, fully underwritten, rights offer was undertaken and opened on 27 May 2024. The proceeds of the rights offer were used to reduce debt.

KEY FOCUS AREAS FOR FY2025

- Implementation of the fully underwritten rights offer of R300.0 million (R100,0 million is intended for later in the 2025 financial year).
- Disposing of identified assets to further reduce debt, improve ICR and reduce LTV.
- Executing related party settlement agreements.
- Ensuring the Group’s ongoing financial soundness and sustainability through cost containment and revenue enhancement amid economic challenges and market volatility.
- Managing liquidity and improving LTV and ICR levels, with a strong emphasis on Interest Cover Ratios due to rising interest rates and associated risks.
- Ensuring realistic and cautious property valuations in an oversupplied real estate market.
- Continuously monitoring the Group’s compliance with REIT requirements as per the JSE Limited Listings Requirements.

AUDITOR'S REVIEW

This short form announcement is extracted from audited information, but is not itself audited. The auditors, PricewaterhouseCoopers Incorporated ("PWC") have issued their unmodified opinion on the audited consolidated financial statements (including key audit matters) for the year ended 31 March 2024 and a copy of the audit opinion, together with the underlying audited consolidated and separate financial statements are available for inspection at the Company's registered address and on the Company's website at http://www.acceleratepf.co.za/investorcentre/#Financials

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, 2nd Floor, Cnr Willow Avenue and Cedar Road, Fourways, Johannesburg on 29 August 2024 at 10h00. Further details on the Company's AGM will be included in Accelerate's notice of AGM and integrated annual report to be posted to shareholders on or before 31 July 2024.

Copies of the PDF versions of the integrated annual report and notice of AGM will be available to download at www.acceleratepf.co.za on the same day of distribution.

GENERAL
This short-form announcement is the responsibility of the directors of Accelerate. It is a summary/extract of the information as set out on the full announcement.

Investors and shareholders should base their investment decisions on the Annual Financial Statements published on the Company's website at: http://www.acceleratepf.co.za/ investorcentre/#Financials and on SENS at https://senspdf.jse.co.za/documents/2024/jse/isse/apf/FY2024.pdf

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

Johannesburg
18 July 2024

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