ACSION

Summarised provisional consolidated financial **results**

for the year ended 29 February 2020

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Highlights

Acsion Limited

Incorporated in the Republic of South Africa
(Registration Number 2014/182931/06)
ISIN: ZAE000198289
Share code: ACS
("Acsion" or "the Company" or "the Group")

Highlights

REVENUE

5.1% increase from R653.4 million to **R687.0 million**

HEADLINE EARNINGS PER SHARE

8.5% decrease from 71.73 cents per share to **65.61 cents per share**

EARNINGS PER SHARE

47.2% decrease from 233.93 cents per share to **123.40 cents per share**

NET ASSET VALUE PER SHARE

7.4% increase from 1 733.56 cents per share to **1 861.09 cents per share**

The name **Acsion** derives from the greek word **"axia"** which means **"value"**.

"value"

Summarised provisional consolidated statement of financial position

as at 29 February 2020

	Audited 2020 R'000	Audited 2019 R'000
ASSETS		
Non-current assets		
Investment property	**7 854 029**	7 409 903
Property, plant and equipment	**747 674**	671 533
Operating lease asset	**132 470**	143 641
Goodwill	**625 464**	625 464
Intangible development project asset	**233 296**	233 296
Investments in associates	**–**	1 541
Other financial assets	**5 432**	5 432
Deferred tax	**46 622**	24 352
	9 644 987	9 115 162
Current assets		
Operating lease assets	**23 279**	13 144
Current tax receivable	**2 213**	2 504
Loans to group companies	**–**	1 699
Trade and other receivables	**26 219**	72 010
Loans to shareholders	**4 053**	4 053
Cash and cash equivalents	**223 080**	74 612
	278 844	168 022
Total assets	**9 923 831**	9 283 184
EQUITY AND LIABILITIES		
Equity		
Share capital	**3 967 615**	3 968 078
Reserves	**38 793**	22 567
Retained income	**3 314 304**	2 828 881
Equity attributable to equity holders of parent	**7 320 712**	6 819 526
Non-controlling interest	**61 045**	55 565
	7 381 757	6 875 091
Liabilities		
Non-current liabilities		
Deferred tax	**1 485 214**	1 405 014
Other financial liabilities	**48 928**	630 004
Right-of-use lease liability	**219 986**	209 588
	1 754 128	2 244 606
Current liabilities		
Loans from shareholders	**3 280**	3 151
Trade and other payables	**186 020**	128 270
Other financial liabilities	**583 732**	23 453
Right-of-use lease liability	**7 301**	–
Provisions	**4 529**	3 767
Current tax payable	**3 078**	4 747
Dividend payable	**6**	99
	787 946	163 487
Total liabilities	**2 542 074**	2 408 093
Total equity and liabilities	**9 923 831**	9 283 184

Summarised provisional consolidated statement of profit or loss and other comprehensive income

for the year ended 29 February 2020

	Audited 2020 R'000	Audited 2019 R'000
Revenue	**686 973**	653 351
Other operating income	**2 329**	9 345
Other operating expenses	**(298 124)**	(224 223)
Operating profit	**391 178**	438 473
Investment income	**14 171**	13 917
Finance costs	**(63 765)**	(61 654)
Profit from associate	**–**	70
Loss on sale of non-current assets held-for-sale	**–**	(68)
Foreign exchange gains	**7 429**	–
Fair value adjustments	**304 606**	837 877
Profit before taxation	**653 619**	1 228 615
Taxation	**(162 716)**	(293 439)
Profit for the year	**490 903**	935 176
Other comprehensive income:		
Items that may not be reclassified to profit or loss:		
(Losses)/gains on property revaluation	**(1 839)**	30 347
Income tax relating to items that may be reclassified	**412**	(6 798)
Total items that may not be reclassified to profit or loss	**(1 427)**	23 549
Other comprehensive income for the year net of taxation	**(1 427)**	23 549
Total comprehensive income for the year	**489 476**	958 725
Profit attributable to:		
Owners of the parent	**485 423**	920 734
Non-controlling interest	**5 480**	14 442
	490 903	935 176
Total comprehensive income attributable to:		
Owners of the parent	**483 996**	944 283
Non-controlling interest	**5 480**	14 442
	489 476	958 725
Basic and diluted earnings per share (cents)	**123.40**	233.93

Summarised provisional consolidated statement of changes in equity

for the year ended 29 February 2020

Audited	Share capital	Treasury shares	Total share capital	Foreign currency translation reserve	Revaluation reserve	Total reserves	Retained income	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance at 1 March 2018	3 979 956	(10 331)	3 969 625	–	–	–	2 006 548	5 976 173	41 122	6 017 295
Total comprehensive income for the year	–	–	–	–	23 549	23 549	920 734	944 283	14 442	958 725
Purchase of treasury shares	–	(1 547)	(1 547)	–	–	–		(1 547)	–	(1 547)
Foreign currency translation	–	–	–	(982)	–	(982)	–	(982)	–	(982)
Dividends paid	–	–	–	–	–	–	(98 401)	(98 401)	–	(98 401)
Balance at 28 February 2019	3 979 956	(11 878)	3 968 078	(982)	–	(982)	2 828 881	6 819 526	55 564	6 875 090
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(1 427)**	**(1 427)**	**485 423**	**483 996**	**5 480**	**489 476**
Treasury shares	**–**	**(463)**	**(463)**	**–**	**–**	**–**	**–**	**(463)**	**–**	**(463)**
Foreign currency translation	**–**	**–**	**–**	**17 653**	**–**	**17 653**	**–**	**17 653**	**–**	**17 653**
Balance at 29 February 2020	**3 979 956**	**(12 341)**	**3 967 615**	**16 671**	**(1 427)**	**15 244**	**3 314 304**	**7 320 712**	**61 045**	**7 381 757**

Summarised provisional consolidated statement of cash flows

for the year ended 29 February 2020

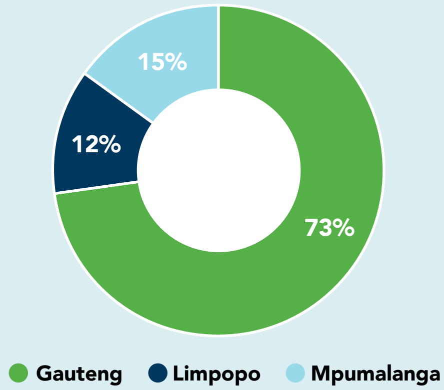
	Audited 2020 R'000	Audited 2019 R'000
Cash generated by operations	**533 304**	511 923
Investment income received	**12 974**	13 917
Finance costs paid	**(58 990)**	(61 283)
Dividends received	**1 199**	–
Taxation paid	**(106 034)**	(104 438)
Net cash from operating activities	**382 453**	360 118
Purchase of property, plant and equipment	**(13 502)**	(36 846)
Proceeds on sale of plant and equipment	**–**	–
Development costs relating to investment property	**(248 986)**	(353 161)
Proceeds from insurance guarantee	**55 857**	–
Decrease of financial assets	**–**	1 415
Proceeds on sale of non-current assets held-for-sale	**–**	3 265
Net cash used in investing activities	**(206 631)**	(386 327)
Purchase of treasury shares	**(180)**	(1 547)
Repayment of other financial liabilities	**(585 042)**	(13 688)
Proceeds from other financial liabilities	**564 245**	–
Proceeds of loans from shareholders	**–**	3 151
Finance lease payments	**–**	(286)
Finance cost	**(4 778)**	(372)
Dividends paid	**(93)**	(98 335)
Proceeds/(repayments) of loan to group companies	**1 699**	(800)
Net cash used in financing activities	**(24 149)**	(111 877)
Total cash movement for the year	**151 673**	(137 086)
Cash at the beginning of the year	**74 612**	212 680
Effect of exchange rate movement on cash balances	**(3 205)**	(982)
Total cash at the end of the year	**223 080**	74 612
Reconciliation of earnings per share to headline earnings per share:		
Basic earnings	**485 423**	920 734
Adjusted for:		
Fair valuation adjustment, net of taxation	**(236 374)**	(650 192)
Non-controlling interest relating to fair valuation adjustment	**7 500**	11 403
Loss on non-current assets held-for-sale	**–**	375
Impairment of associate investment	**1 541**	–
Headline earnings	**258 090**	282 320
Net asset value per share (cents)	**1 861.09**	1 733.56
Net asset value per share excluding deferred taxation (cents)	**2 226.81**	2 084.53

Geographic and tenant profiles
for the year ended 29 February 2020

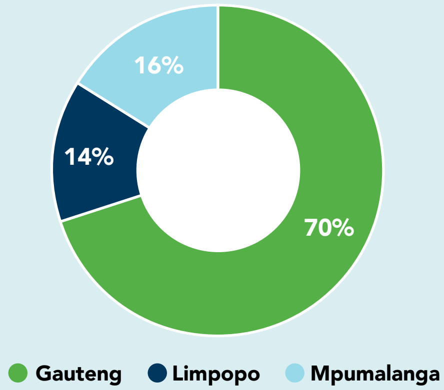
The existing income generating investment properties consist of nine predominantly retail developments strategically located in Gauteng, Mpumalanga and Limpopo with an aggregate gross lettable area ("GLA") of 257 321 m^2 (2019: 256 466 m^2). The tenant profile by GLA comprises 71% national tenants (2019: 71%), 16% semi-national (2019: 17%) and 13% line and other franchises (2019: 12%).

The tenant profile is separated into national and semi-national tenants to indicate the exposure Acsion has to direct head office leases and individual franchises. Exposure to national and semi-national tenants as a percentage of GLA is at 87% (2019: 88%). Line shops and other franchises are carefully vetted by Acsion's leasing division to promote maximum dwelling time and footfall in each centre, underpinning trading densities and the overall sustainability of tenants' lease terms.

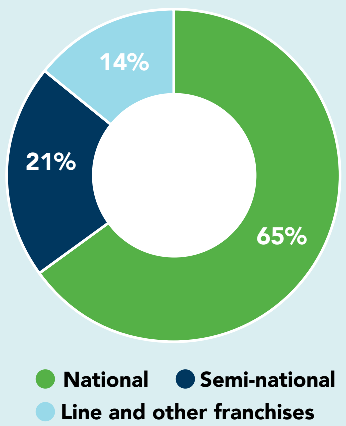
Geographic profile by revenue



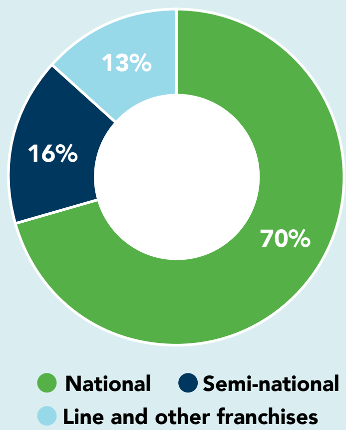
Geographic profile by GLA



Tenant profile by revenue



Tenant profile by GLA



Commentary

for the year ended 29 February 2020

About Acsion

Acsion ("the Group" or "the Company") is a property manager, real estate developer and owner which is listed on the Johannesburg Stock Exchange ("JSE"). Acsion is differentiated from Real Estate Investment Trusts ("REITs") in the listed property sector as it focuses on the delivery of superior net asset value ("NAV") growth. NAV growth drivers include enhancing existing properties, completing the identified development pipeline and obtaining additional future development opportunities.

The Group's development function and "value-engineering" approach to development, significantly enhances returns to shareholders. Value engineering focuses on optimising upfront feasibility studies, planning, designing and constructing in an innovative and more cost-effective way, resulting in lower construction costs, without compromising on quality.

Operational update

The Acsiopolis development (Benmore, Sandton) has been delayed in the current financial year due to ongoing litigation with the previous contractor on site. As at year-end, the development is at 80% completion stage.

Metropolis Mall@Larnaka (Larnaka, Cyprus) has reached 45% completion stage. Construction was interrupted by Covid-19, however construction works have re-commenced and are anticipated to be completed by beginning of 2021.

Financial results

Revenue for the Group increased from R653.4 million in 2019 to R687.0 million in 2020. The increase of 5.1% was mainly due to normal rent escalations. Other income supplemented rental revenue by R2.4 million (2019: R9.3 million).

Operating expenses increased by 33.0% (2019: 0.3% increase). Factors contributing to the increase included structural repairs and roadworks at retail centres, increases in municipal charges (especially electricity usage and rates increases) and a substantial increase in depreciation charges due to investment property building costs allocated to property, plant and equipment.

The increase in finance cost from R61.7 million in 2019 to R63.8 million in 2020 can mainly be attributed to an additional facility. The Group continues to aggressively manage its cash resources.

Headline earning per share decreased to 65.61 cents per share (2019: 71.73 cents per share) representing a 8.5% decrease.

The financial position of the Group remains very strong. Investment property (which includes elements of plant and equipment and the operating lease asset) is carried at R8.7 billion (2019: R8.3 billion). Total property under control of the Group therefore increased by 5.8% year-on-year.

The intangible asset consist of two developments acquired during the formation of the Group, known as Acsiopolis and Mall@Maputo. With the construction industry under pressure and litigation with the previous contractor, Acsiopolis has experienced significant delays. The Group is still delaying Mall@Maputo until feasible to commence. These delays are in management's opinion welcomed to some extent as the economy in Mozambique is not as strong as what management would have liked it to be. Management however, continues to work on this project to bring it to finalisation as it firmly believes that this development meets the investment criteria for the Group. Acsiopolis and the development in Larnaca will be the Group's main focus areas during the 2021 financial year.

Goodwill equates to R625.5 million (2019: R625.5 million) relating to the premium paid by shareholders to secure participation in the development pipeline as well as to receive the value attributable to internalising the property development and property management functions performed by Southern Palace Investments 108 Proprietary Limited within the Group upon listing. As at year-end no impairment was required.

The directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate Annual Financial Statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Group except for material changes resulting from Covid-19. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

The directors are satisfied that the Group have access to adequate resources to continue in operational existence for the next 12 months after a review of the Group's cash flow forecast for the 12 months ending 31 May 2021. For the year ending 29 February 2020, the current liabilities exceeds current assets for the Group due to the expiry of the main Group facility during February 2021. The facility is secured over the property held by Proc Corp 160 Proprietary Limited. The directors are comfortable that the facility will be renewed or replaced.

NAV per share increased from 1 733.56 cents to 1 861. 09 cents. NAV per share (excluding deferred taxation) for the year ended 29 February 2020 increased by 6.8% (2019: 14.8%) from 2 084.53 cents in 2019 to 2 226.81 cents in 2020.

Treasury share purchase

The Group repurchased 25 000 (2019: 239 143) shares at an average price of 725 cents per share during the 2020 financial year and currently holds these as treasury shares. The decision to repurchase shares was made as the share price was trading significantly below the reported NAV of the Group. These shares were purchased at approximately 61% below the reported NAV per share (including deferred tax) as at 29 February 2020.

Vacancy levels and lease expiry profile

Strategic vacancies are maintained in order to accommodate potential tenant relocations and to support lease optimisation. The weighted vacancy (by GLA) for the portfolio as at year-end was 4.82% (2019: 3.82%). The Group remains focused on reducing this percentage. The weighted average lease expiry profile by GLA for the portfolio decreased to 2.8 years (2019: 3.2 years).

Developed investment property portfolio (excluding residential property in Hyde Park valued at R54.6 million) consisted of the following nine properties at 29 February 2020:

	Directors/ independent valuation R'mil	GLA m²	Value/m² (excluding bulk, where applicable) %	Percentage of total portfolio by value %
Property name				
Mall@Carnival*	**2 800**	**90 615**	**30 514**	**43.7**
Mall@Reds	**1 414**	**54 740**	**25 833**	**22.0**
Mall@Emba	**614**	**24 668**	**24 899**	**9.6**
Mall@Lebo*	**516**	**23 534**	**21 926**	**8.0**
Mall@Mfula*	**310**	**17 930**	**17 289**	**4.8**
Mall@Moutsiya	**253**	**14 703**	**17 222**	**3.7**
Mall@55*	**325**	**15 685**	**19 242**	**5.2**
Moreleta Square*	**141**	**8 555**	**16 425**	**2.2**
Simarlo Rainbow*	**49**	**6 891**	**7 144**	**0.8**
Total	**6 422**	**257 321**	**183 494**	**100.0**

The above properties are trading at an average annualised net operating yield of approximately 6.7% (2019: 7.0%).

Developments under construction consisted of the following properties at 29 February 2020:

	Directors/ independent valuation R'mil	GLA m²	Value/m² R	Anticipated opening
Property name				
Acsiopolis*	**1 661**	**67 000**	**24 787**	**March 2021**
Trade@55*	**41**	**10 000**	**4 122**	**Negotiating**
Larnaca*	**550**	**39 000**	**14 124**	**March 2021**
Total	**2 252**	**116 000**	**17 095**	

** Independently valued.*

The group uses a discounted cash flow and income capitalisation methodology as a basis when determining the fair value of investment property. At least one third of the properties are valued externally and the balance of the properties are valued by the Directors. A property will be externally valued at least once every three years. All investment properties for the Group is Level 3 hierarchy investment properties. There were no transfers between Levels 1, 2 and 3 during the year.

	R'000
Reconciliation of investment property	
Opening balance	**7 409 903**
Additions	**248 986**
Proceeds from insurance guarantee	**(33 425)**
Transfer of fair value to property, plant and equipment	**(1 839)**
Investment property expensed	**(19 828)**
Transfer of investment property to property, plant and equipment	**(139 011)**
Transfer from investment property from insurance claim receivable	**45 951**
Fair value adjustments#	**304 606**
Foreign currency translation	**38 686**
Closing balance	**7 854 029**

 # Fair value adjustment recognised through profit or loss.

Unobservable inputs used in determining the fair value of investment property (excluding mixed used development) were based on the following:

	Ranges
Exit capitalisation rate	7.75% – 10.25%
Discount rate	12.75% – 14.75%
Revenue escalation rate	5.00% – 8.00%
Expense escalation rate	7.76% – 8.46%

The estimated impact of a change in the significant unobservable inputs would result in a change in the 2020 investment property fair value estimation:

	R'000
Properties excluding mixed use development	
An increase of 50 basis points in the discount rate	(100 344)
A decrease of 50 basis points in the discount rate	102 698
An increase of 50 basis points in the capitalisation rate	(287 985)
A decrease of 50 basis points in the capitalisation rate	323 362

Unobservable inputs used in determining the fair value of the mixed used development were based on the following:

	Ranges (if applicable)
Capitalisation rate (apartments and retail)	7.75% – 9.50%
Average room rate (apartments)	R3 658
Average occupancy rate (apartments)	75.00%
Net profit %	22.30%
Discount rate (retail)	12.75%
Revenue escalation (retail)	8.00%

The estimated impact of a change in the significant unobservable inputs would result in a change in the 2020 property (owner occupied hotel) fair value estimation:

	R'000
Mixed use development	
An increase of 100 basis points in capitalisation rate	(164 916)
A decrease of 100 basis points in the capitalisation rate	205 378
An increase of 100 basis points in the room rate	14 452
A decrease of 100 basis points in the room rate	(14 452)
An increase of 100 basis points in net profit %	14 452
A decrease of 100 basis points in net profit %	(14 452)
An increase of 100 basis points in the occupancy rate	20 177
A decrease of 100 basis points in the occupancy rate	(20 177)

Unobservable inputs used in determining the fair value of the owner occupied hotel disclosed as part of property, plant and equipment:

	Ranges (if applicable)
Capitalisation rate	10.00%
Average room rate	R1 938
Average occupancy rate	75.00%
Net profit %	22.3%

The estimated impact of a change in the significant unobservable inputs would result in a change in the 2020 property fair value estimation:

	R'000
Owner occupied hotel	
An increase of 100 basis points in capitalisation rate	**(92 290)**
A decrease of 100 basis points in the capitalisation rate	**112 799**
An increase of 100 basis points in the room rate	**9 354**
A decrease of 100 basis points in the room rate	**(9 354)**
An increase of 100 basis points in net profit %	**10 152**
A decrease of 100 basis points in net profit %	**(10 152)**
An increase of 100 basis points in the occupancy rate	**12 597**
A decrease of 100 basis points in the occupancy rate	**(12 597)**

Acsiopolis (Benmore) has been designed as a twenty storey mixed use development, situated in Sandton. Acsiopolis addresses the new micro-living trend, which is developing in the commercially dense Sandton node, allowing people to live and work in close proximity, whilst taking advantage of 5-star amenities, and making use of public transport. The site measures approximately one hectare and is well positioned on Benmore Drive upon which 67 000 m^2 is being developed. The majority of this has been earmarked for short-term residential letting which supports Acsion's strategy of sectoral diversification. Of this approximately 35 000 m^2 will be available as executive suites, 26 000 m^2 is earmarked for short term stay units, 5 000 m^2 will be utilised for retail purposes and 1 000 m^2 for office use. Acsiopolis will incorporate six levels of parking equating to approximately 1 400 parking bays which is expected to further enhance convenience for shoppers and residents alike. In addition to vehicular access, Acsiopolis has been designed to take into consideration the evolving public transport systems in Sandton to accommodate the integration of pedestrian accessibility. New innovations such as solar PV and electric car charging stations, will be incorporated to bring the building in line with international standards of design, and provide residents with technology to challenge the head winds of the fourth industrial revolution. Construction of the development has been effected by the construction slowdown in South Africa and delays have been experienced. The development team was making considerable progress in bringing the project back on time. With the lockdown in place and the effects Covid-19 has had on tourism, a new project plan is in the process of formulation, to ensure the opening of the development in a more robust economic environment. This development represents the largest single phase development the Group has undertaken to date within South Africa.

Metropolis Mall@Larnaka is the Group's first international retail development. The Group has signed a leasehold over land in Larnaka, Cyprus. The lease is a 33-year lease with two options to renew of 33 years each. The Group has started to develop a 39 000 m^2 retail centre. Final building approvals from the Ministry and all relevant bodies have been received during the 2019 financial year. The development construction has reached a 45% completion stage and should be completed by early 2021. At 39 000 m^2 of GLA, it will be the dominant and only formal retail mall in Larnaka, catering for approximately 150 000 people. Acsion is forecasting double-digit yields on this project, with a considerable uplift to our net asset value on completion, which is targeted for beginning 2021. The development will also enhance geographical and currency diversification for the Acsion portfolio.

Mall@55 is a 15 000 m^2 convenience shopping centre located in Monavoni, Gauteng. It is on an extremely busy arterial route accessible from the N14 freeway and the R55. This development caters for a value/convenience/lifestyle centre, which is underrepresented in the Monavoni area. The shopping centres started trading in September 2017 and has been well received by the market. Acsion has commenced the construction of an expansion of the Mall@55 with a second phase measuring 10 000 m^2, earthworks, surface beds and professional design work has been completed. Leasing was gaining positive momentum and commitment, until Covid-19 lockdown. The timing of opening the project will be dependent on the retail industry headwinds and the tenant's appetite and capital expenditure budgets, taking into account the effect of lockdown and the gradual opening of the economy.

Trade@55 Phase I, will comprise of a 10 000 m^2 large ("big box") retail centre with special commercial rights obtained in Monavoni, Gauteng. This development is located on an extremely busy arterial route accessible from the N14 freeway and R55 provincial route. Trade@55's value offering will be complementary to that of Mall@55 as it is located right across from the Mall@55 site. The site is also dependent on the effects of Covid-19 and the South African retail landscape. Once the new retail economy has been formulated and the Post Covid-19 demand assessed, Acsion is confident that suitable tenants will see the opportunity in this logistically well positioned development.

Hyde Park Terrace, a high end residential development consisting of land parcels and units ranging from 350 m^2 to 540 m^2 under roof, is situated in Hyde Park, Sandton, approximately 500 m from Hyde Park shopping centre. The development is nearly sold out with only six (2019: six) completed houses and seven (2019: nine) vacant stands still available for sale. Management has taken the decision to reclassify this property from held-for-sale to investment property as at 28 February 2019. Management is still committed to selling these assets, but due to economic circumstances the likelihood of selling within one year is low.

Future investment opportunities

Acsion continuously evaluates a consistent stream of new opportunities and is in advanced discussions on certain projects to further enhance capital growth in the coming five years. At the date of this report, the following future development opportunities, amongst others, were being considered by Acsion:

Mall@Emba, is another of Acsion's highly successful rural developments in Embalenhle and expansion to the centre (Phase 3) is being assessed. The centre is trading well after the fire in June 2018.

Mamahlodi Gardens is an affordable housing development in Walkraal, Limpopo with a total land size of 40 hectares. Acsion has formed a partnership with local residents and the local municipality to approach prospective buyers with access to housing subsidies from the Department of Human Settlements. Proclamation of the land is completed with all services (water, sewage and electricity) already secured. Plans to construct up to 515 residential units for sale are supported by a shortage of affordable housing in the Walkraal area. The market price will range between R300 000 and R350 000 per unit. The development will be demand driven and will be supplementary to the Mall@Moutsiya development. The Group commenced with pre-sells of the units prior to Covid-19 and a positive uptake of house purchases was experienced. The pre-sells will continue once the effects of lockdown and the easing of regulations by government are implemented.

The Mall@Maputo development will be located in northern Maputo and will be adjacent to the main Maputo ring road, with a total land size of 8.9 hectares. The Group has finalised the Memorandum of Understanding as is busy compiling their feasibility and demand analysis.

With Offices@Lusaka, Acsion aims to take advantage of Zambia's growing economy and limited available infrastructure for multinational companies. Negotiations with a local land owner to co-develop up to 20 000 m^2 of office or mixed-use space have slowed in the current year as a result of Zambia's economic pressures and Covid-19. The site is located in close proximity to Manda Hill Shopping Mall and alongside Stanbic's Lusaka offices.

Prospects

Acsion will continue to operate, utilising its development expertise, or "value engineering" approach established over the years, despite the challenging economic operating environment and challenges resulting from Covid-19. The Group remains focused on the completion of its secured development pipeline.

Acsion will reinvest in its existing portfolio where required and will continue to explore further development opportunities in high-growth markets across Africa and Europe.

Proposed dividend

The Company's policy as per the listing statement was not to declare any dividends for a period of five years but to reinvest all profits and return capital growth to shareholders. The board revisited this decision this year and considered the development funding requirements as well as the impact of the current liquidity position of the Company. It was decided not to propose any dividend for the year ended 29 February 2020.

Segmental reporting

Due to the current investment property portfolio exposure heavily weighted towards retail, the chief operating decision maker considers the operations to be a single operating segment and as such reviews financial information on that basis. Segment reporting as required in terms of IFRS 8: *Operating segments* is therefore not applicable to the Group at this stage.

Related party transactions

There were no significant related party transactions during the current year with the exception of construction costs amounting to approximately R70 million (2019: R24 million) relating mainly to construction work on Acsiopolis, revamping Mall@Emba and roadworks at Mall@55 (interest held by Director).

Events after reporting period

The recent outbreak of Covid-19 has significantly affected the South African economy and our industry.

In line with IAS 10: *Events after the reporting period*, non-adjusting events are those that are indicative of conditions that arose after the reporting period. Judgement was applied in assessing whether the Covid-19 pandemic arose for the Group after the reporting period.

The directors considered the following in their assessment:

- No confirmed Covid-19 cases were reported in South Africa as at 29 February 2020;
- A significant fall in the local and global equity markets was observed on 12 March 2020;
- A national state of disaster was declared by the President of the Republic of South Africa on 15 March 2020 leading to a country-wide lockdown commencing 26 March 2020.

Given the above considerations, the Covid-19 pandemic was treated as a non-adjusting event after the reporting date. The quantitative impacts of Covid-19 cannot yet be reliably determined due to the extent of the uncertainties caused by the pandemic. However, the directors consider that the outbreak and response to the Covid-19 pandemic to have a significant future impact on the Group's business, specifically in the following broad areas:

Valuations of properties

A decline in property values and rental revenue is likely due to the depressed state of the economy. Potential tenant failures, lower than normal rental escalations on renewal of leases and lesser demand for space in the retail sector will probably occur. These factors create a volatility in rental revenue received and ultimately leads to uncertainty regarding the valuation assumptions on which valuations are based. The potential impact of Covid-19 on the fair value determination of our investment property is quantified below:

Discount rates:
- Increased by 100 basis points for rural retail centres and 150 basis points for urban retail centres as a result of Covid-19;
- The depressed state of the economy and an appetite from banks to fund additional lending is factored in here.

Exit capitalisation rates:
- Increased by 50 basis points for rural retail centres and 100 basis points for urban retail centres as a result of Covid-19;
- The subdued investor demand for retail property in key areas also contributed to an increase in exit capitalisation rates;
- Low to no transactions recorded of material properties changing hands.

Expected market rental growth rates:
- Low or even negative growth for retail rental is expected as a result of Covid-19 for the next year;
- An increase on rental income of 2% on prior year results was assumed to factor in new vacancies, loss of tenant income due to lockdown restriction of trade and possible rental renegotiations;
- Other factors contributing to the decrease in expected market rental growth rates relates to the combined impact of falling medium-term inflation forecasts coupled with weaker occupier demand and an overall contraction of the economy between 10 to 16% forecasted by key economists.

An increase in the discount and exit capitalisation rates as well as a reduction in rental growth on the basis discussed above, resulted in a reduction of investment property value (as valued at 29 February 2020) of R993.9 million for the Group.

Rental collections, provision for credit losses and future liquidity

The uncertain economic outlook and the restrictions imposed to curb the spread of the Covid-19 virus resulted in ceased tenant operations, a decrease in mall traffic, reduced number of operation hours in shopping malls. This will have a material adverse effect on our tenants' operations, the viability of their business and their ability to meet their rental obligations. Potentially an increase in provision for credit losses would be required due to reduction in rental collection. Ultimately this will also impact on the future liquidity of the business.

Construction of properties under development

The restriction on operations and movement has had the effect that all construction projects have been ceased which will cause delays in completion of these projects. The financial impact of the delay is too uncertain to predict. This will impact on Acsiopolis and Mall@Larnaca.

Goodwill and Intangible asset

The impact of Covid-19 on the value of these items have been considered and did not indicate any impairment should assumptions be adjusted accordingly.

Credit rating

Subsequent to year-end, the rating agencies have also downgraded South Africa even further below investment status.

The Directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

Basis of preparation and accounting policies

The summarised provisional consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements and the requirements of the Companies Act 71 of 2008 of South Africa. The results have been prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, and also as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*.

The accounting policies and methods of computation applied in the preparation of the summarised provisional consolidated financial statements are in compliance with IFRS and are consistent with those applied in the 2019 consolidated financial statements.

These results have been prepared under the historical cost convention, except for investment properties and property, plant and equipment, which are measured at fair value, and certain financial instruments, which are measured at either fair value or amortised cost.

These summarised provisional consolidated financial statements were prepared under the supervision of Sandarie le Roux CA (SA) in her capacity as Financial Director.

Audit report

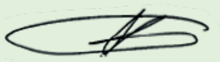
The auditor, Deloitte & Touche, has issued its opinion on Acsion's consolidated financial statements for the year ended 29 February 2020. The audit was conducted in accordance with International Standards on Auditing. Deloitte & Touche has issued an unmodified opinion. A copy of the auditor's report together with a copy of the audited consolidated and separate financial statements is available for inspection at the Company's registered office during normal business hours. The auditor’s report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the audited consolidated financial statements as at 29 February 2020 from the Company's registered office during normal business hours.

These summarised provisional consolidated financial statements have been derived from the audited consolidated Financial statements and are consistent in all material respects with the audited consolidated financial statements for the year ended 29 February 2020 but is not itself audited.

The Directors take full responsibility for the preparation of these summarised provisional consolidated financial results and confirm that the financial information has been correctly extracted from the underlying annual consolidated financial statements. Any reference to future financial information included in this announcement has not been reviewed or reported on by the auditor.

By order of the Board

D Green
(Chairman)



K Anastasiadis
(Chief Executive Officer)

Centurion, 28 May 2020

Notes

Administration

Directors
D Green (Chairman)*, K Anastasiadis (CEO), S le Roux (FD), M Hlobo*, PD Sekete*, T Jali*, HN Bila* (*Independent non-executive)

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2014/182931/06

Transfer secretaries
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Sponsor
Nedbank Corporate and Investment Banking

Company secretary
MWRK Accountants and Auditors Incorporated