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ACSION

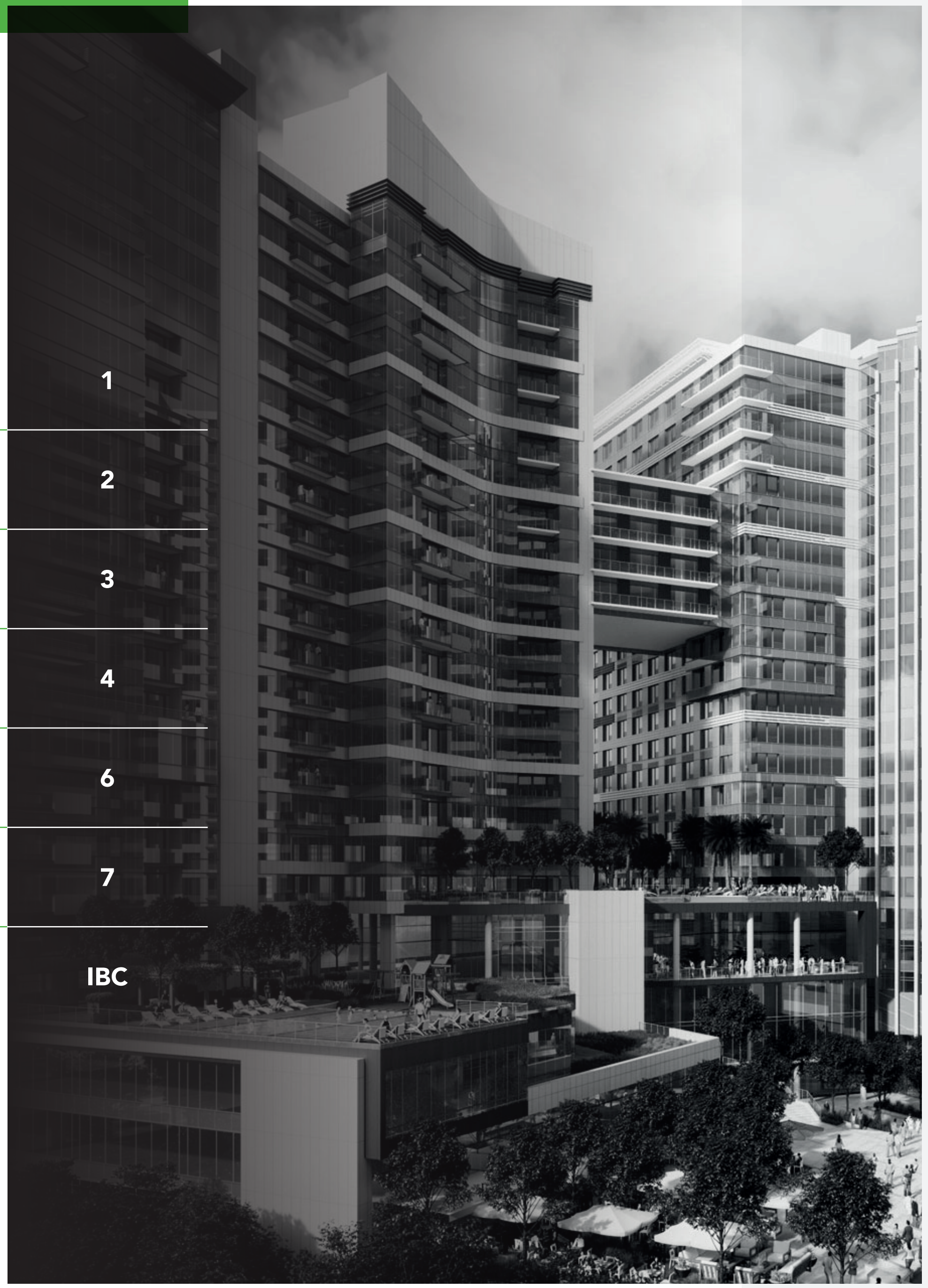
SUMMARISED AUDITED CONSOLIDATED

Annual Financial Results

for the year ended 28 February 2022

Acsion Booklet_Proof 4 – 10 June 2022

Contents



Highlights

REVENUE

29% increase from R705 million to R910 million

HEADLINE EARNINGS PER SHARE

47.91 increase from 71.32 cents per share to 105.49 cents per share

DIVIDEND DECLARED

18 cents per share

NET ASSET VALUE PER SHARE

18.71% increase from 1 795.40 cents per share to 2 131.38 cents per share

LOAN-TO-VALUE RATIO OF

7.4% and interest cover ratio 16.7 times

TOTAL GROSS LETTABLE AREA

296 232 m^2

Excludes developments under construction.

SOUTH AFRICAN RETAIL

251 072 m^2

SOUTH AFRICAN LIGHT INDUSTRIAL

6 000 m^2

INTERNATIONAL RETAIL

39 160 m^2

Statement of financial position

as at 28 February 2022

	Group 2022 R'000	2021 R'000
Assets		
Non-current assets		
Investment property	9 951 519	8 242 773
Operating lease asset	135 695	144 020
Property, plant and equipment	736 755	645 639
Goodwill	625 464	625 464
Intangible development project assets	165	165
Investments in subsidiaries	–	–
Other financial assets	699	539
Deferred tax	73 996	60 084
	11 524 293	9 718 684
Current assets		
Current tax receivable	6 062	1 124
Group company loans	–	–
Inventories	39 592	39 592
Trade and other receivables	46 606	60 814
	286 388	65 623
	378 648	167 153
Total assets	11 902 941	9 885 837
Equity and liabilities		
Equity		
Equity attributable to equity holders of parent		
Share capital	3 934 224	3 967 218
Reserves	27 127	18 461
Retained income/(accumulated loss)	4 245 301	3 074 942
	8 206 652	7 060 621
Non-controlling interest	153 746	105 099
	8 360 398	7 165 720
Liabilities		
Non-current liabilities		
Deferred tax	1 648 813	1 461 669
Other financial liabilities	708 258	28 969
Lease liability	497 707	232 667
	2 854 778	1 723 305
Current liabilities		
Group company loans	–	–
Shareholder loans	3 966	4 142
Other financial liabilities	371 459	689 147
Lease liability	4 263	4 077
Provisions	7 532	6 564
Trade and other payables	284 583	264 669
Current tax payable	15 956	28 207
Dividend payable	6	6
	687 765	996 812
Total liabilities	3 542 543	2 720 117
Total equity and liabilities	11 902 941	9 885 837

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Statement of profit or loss and other comprehensive income

for the year ended 28 February 2022

	Group 2022 R'000	2021 R'000
Contractual rental revenue and recoveries	918 274	716 638
Straight-lining of rental revenue adjustment	(8 331)	(11 730)
Revenue from direct property operations	909 943	704 908
Revenue from investments	–	–
Management fee income	399	192
Total revenue	910 342	705 100
Other income	2 363	723
Fair value changes	1 016 287	(181 259)
Impairment losses on trade receivables	(41 535)	(71 952)
Operating expenses	(301 183)	(327 653)
Operating profit/(loss)	1 586 274	124 959
Investment income	4 983	5 508
Finance costs	(62 910)	(42 966)
Foreign exchange (losses)/gains	(14 838)	14 641
Profit/(Loss) before taxation	1 513 509	102 142
Taxation	(294 502)	(34 457)
Profit/(Loss) for the year	1 219 007	67 685
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Losses attributable to owner occupied hotel property revaluations	–	(28 508)
Taxation attributable to revaluation changes	–	25 240
Total items that will not be reclassified to profit or loss	–	(3 268)
Items that maybe reclassified to profit or loss:		
Foreign exchange gains from translation differences attributable to foreign	8 666	1 790
Other comprehensive income for the year net of taxation	8 666	(1 478)
Total comprehensive income/(loss) for the year	1 227 673	66 207
Profit/(Loss) attributable to:		
Owners of the parent	1 170 359	236 31
Non-controlling interest	48 648	44 054
	1 219 007	67 685
Total comprehensive income/(loss) attributable to:		
Owners of the parent	1 179 025	22 153
Non-controlling interest	48 648	44 054
	1 227 673	66 207

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Statement of changes in equity

for the year ended 28 February 2022

	Stated capital R'000	Treasury shares R'000	Total share capital R'000	Foreign currency translation reserve R'000	Revaluation reserve R'000	Retained income/ (accumulated loss) R'000	Total attributable to equity holders of the Group/ Company R'000	Non-controlling interest R'000	Total equity R'000
Group									
Balance at 29 February 2020	3 979 954	(12 341)	3 967 613	16 671	3 268	3 051 311	7 038 863	61 045	7 099 908
Profit for the year	–	–	–	–	(3 268)	23 631	20 363	44 054	64 417
Treasury share purchased	–	(397)	(397)	–	–	–	(397)	–	(397)
Foreign currency translation	–	–	–	1 790	–	–	1 790	–	1 790
Balance at 28 February 2021	3 979 954	(12 738)	3 967 216	18 461	–	3 074 932	7 060 621	105 099	7 165 720
Profit for the year	**–**	**–**		**–**	**–**	**1 170 359**	**1 170 359**	**48 647**	**1 219 006**
Treasury share purchased	**–**	**(32 994)**	**(32 994)**	**–**	**–**	**–**	**(32 994)**	**–**	**(32 994)**
Foreign currency translation	**–**	**–**		**8 666**	**–**	**–**	**8 666**	**–**	**8 666**
Balance at 28 February 2022	**3 979 954**	**(45 732)**	**3 934 222**	**27 127**	**–**	**4 245 301**	**8 206 650**	**153 746**	**8 360 396**

Note 1: This reserve relates to the translation difference recognised in OCI for the translation of foreign operations into the presentation currency.
Note 2: The revaluation reserve represents the annual revaluation of the hotel less deferred tax at the use rate.

Statement of cash flows

for the year ended 28 February 2022

	Group	
	2022 R'000	2022 R'000
Cash flows from operating activities		
Cash generated by/(used in) operations	**663 447**	504 722
Investment income received	**4 983**	14 753
Dividend received	**–**	–
Finance costs paid	**(62 910)**	(40 912)
Taxation paid	**(125 202)**	(71 776)
Net cash generated from/(used in) operating activities	**480 318**	406 787
Cash flows from investing activities		
Purchase of property, plant and equipment	**(146 470)**	(52 367)
Sale of property, plant and equipment	**5 188**	–
Investment property development costs	**(446 470)**	(596 022)
Investment property sales	**–**	6 946
Loans advanced to group companies	**–**	–
Receipts from other financial assets	**(160)**	–
Net cash used in investing activities	**(587 912)**	(641 443)
Cash flows from financing activities		
Treasury shares purchased	**(32 994)**	(397)
Financial liabilities raised	**1 049 329**	103 738
Financial liabilities repaid	**(687 728)**	(18 281)
Lease liabilities repaid	**(8 914)**	(6 824)
Net cash (used in)/from financing activities	**319 693**	78 236
Total cash movement for the year	**212 099**	(156 420)
Cash at the beginning of the year	**65 623**	223 080
Effect of translation of foreign entities	**8 666**	(1 037)
Total cash at the end of the year	**286 388**	65 623

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Commentary

About Acsion

Acsion Limited ("the Group") is a property manager and real estate developer which is listed on the securities exchange operated by the JSE Limited.

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.

The Group is excited to report that it has achieved its targeted growth rate over the last five years to achieve an NAV of R21.31 per share.

The focus on value engineering, operational performance and prudent financial stewardship has ensured exceptional returns and growth since the listing of the Group.

The Group has also begun to successfully implement its strategy where it investigates applying a portfolio tilt approach towards other sectors, with a focus on optimising gearing and return on investment ("ROI").

The Group has diversified its sector asset developments with the Acsiopolis mixed-use development and geographically with its development in Cyprus.

This strategy allows the Group to diversify its revenue and to mitigate the risks of portfolio concentration, as well as provides avenues for further growth and expansion. The Group is continuing its investment in renewable sources of energy to mitigate against energy shortages and to allow for operational cost efficiencies.

Operational update

The Acsiopolis development in Benmore, Sandton is progressing well and the delays previously experienced have been addressed. The goal is to be fully operational by the end of September 2022.

The development was open for business in early 2022 using a phased approach for the hotel and residential components of the business. In this first phase the occupancy rates for the hotel are currently at 41.24% and 33% for the residential apartments which are particularly encouraging in the current economic climate and as the world recovers from the COVID pandemic.

The building 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, while taking advantage of premium amenities, and making Acsiopolis a city within a city, where individuals will gain value from a stress-free lifestyle.

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, 1 000 m^2 for medical suites and 2 200 m^2 for shared office space.

The beauty spa has been fully operational since April 2022 and the co-working space and creche are to open in July 2022, adding to the lifestyle offering of Acsiopolis.

The much-awaited deli and liquor store will be open by the end of July 2022 and will activate the retail component of the development.

The uptick in the banqueting demand is illustrative of the return of corporate activities in the Sandton node, particularly by multinational corporations, pushing a high conversion rate for these services.

Acsiopolis incorporates 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 to the retail and common area component of the building.

The 39 000 m^2 Metropolis Mall@Larnaca in Larnaca, Cyprus has been completed and commenced trading at an occupancy level of 85% during September 2021.

It is the Group's first international retail development. Occupancy is currently at 87% and we are in discussions with a number of interested retailers for the balance of the space, so anticipate to have it fully let by February 2023. The Group has signed a 33-year lease over land in Larnaca, with two options to renew of 33 years each.

Mall@Larnaca is the dominant and only formal retail mall in Larnaca, catering for approximately 150 000 people.

With a full retail offering, including a supermarket, major fashion retailers, branded and independent shops, services, entertainment, modern restaurants and cafes, kids play areas and free Wi-Fi, it is Larnaca's ultimate lifestyle and shopping metropolis. This project has given us the foundation and impetus for further developments in Europe, and we are currently assessing various opportunities. Acsion is forecasting double-digit yields on this project, the effect having already provided a considerable uplift to our net asset value based on lease agreements signed to date. This development also enhances geographical and currency diversification for the Acsion portfolio.

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Commentary continued

Basis of preparation

These summarised audited consolidated results for the financial year ended 28 February 2022 ("the results") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and the and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa, No 71 of 2008. The accounting policies applied in the preparation of the results are in accordance with IFRS and are consistent with those applied in the prior year.

These results were prepared under the supervision of CR J van Rensburg, the chief financial officer of the Company.

The information contained herein has been extracted from the Group's consolidated annual financial statements which have been audited by the Company's independent auditors, PKF Octagon Inc, however this results announcement has not been audited itself. The directors take full responsibility for the preparation of this results announcement and that the financial information has been correctly extracted from the underlying annual financial statements.

The independent auditors have expressed an unmodified opinion on the Group's audited consolidated annual financial statements. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information contained within the Group annual financial statements from the Company's registered office.

The directors are not aware of any matters or circumstances arising subsequent to 28 February 2022 that would require any disclosure or adjustment to the results, other than as disclosed in this announcement.

Total revenue

Revenue for the Group increased 29% (2022: R910 million; 2021: R705 million). In the first half of the year revenue was below expectation as a result of rental rate decreases and the continuous effects of COVID-19 on tenant operations.

	2022 R'000	2021 R'000
Rental income on investment property	**709 105**	548 830
Tenant recoveries	**209 169**	167 808
Operating lease straight-line rental (note 5)	**(8 331)**	(11 730)
Management fee income	**399**	192
	910 342	705 100

Vacancies

Strategic vacancies are maintained in order to accommodate potential tenant relocations and to support lease optimisation.

South African retail portfolio's vacancies improved to

3.81%

(2021: 5.09%)

Light industrial property declined

23.57%

(2021: 17.23%)

International portfolio (Mall@Larnaca, Cyprus) experienced

13%

vacancy rate after six months of trading

Lease renewals and escalations

Lease expiry profile, based on existing leases, by rentable area per sector is:

	2023 %	2024 %	2025 %	2026 %	After 2027 %
Metropolitan retail	31	26	12	5	25
Rural retail	40	12	30	1	17
Light industrial	39	29	31	–	–
Cyprus	0.3	1.2	10.2	5.4	82.9

Cost-to-income analysis

	2022 R'000	2021 R'000
Total revenue	**910 342**	705 100
Other income	**2 363**	723
	912 705	705 823
Estimated credit losses	**41 535**	71 952
Operating expenses	**301 183**	327 653
	342 718	399 605
Cost-to-income ratio (%)	**37.5**	57
Operating cost-to-income ratio (%)	**33**	46

Operating expenses was well contained with an 8.1% decrease from the 2021 financial year (2022: R301 million; 2021: R328 million).

Mindful management of expenses was exercised. However, some expenses are not within management control, for example, rates and taxes and utility charges, which impacted negatively on cost containment.

Finance facilities and finance costs

	2022 R'000	2021 R'000
Golden Falls 125 Proprietary Limited		
R300 million revolving credit facility with Standard Bank repayable 26 May 2024, bearing quarterly interest at the 3-month JIBAR rate plus 2.02%. The loan is secured over Mall@Carnival (refer note 2)	**295 576**	–
R300 million term loan facility with Standard Bank repayable 26 May 2024, bearing quarterly interest at the 3-month JIBAR rate plus 2.15%. The loan is secured over Mall@Carnival (refer note 2)	**300 000**	–
R300 million term loan facility with Standard Bank repayable 24 February 2025, bearing quarterly interest at the 3-month JIBAR rate plus 1.96%. The loan is secured over Mall@Carnival (refer note 2)	**100 017**	–
€20 million term loan facility with Standard Bank repayable 26 May 2022, bearing quarterly interest at the 3-month EURIBOR rate plus 1.70%. The loan is secured over Mall@Carnival (refer note 2)	**347 324**	–
Nungu Trading 517 Proprietary Limited		
Nedbank loan repayable by 1 July 2024, bearing interest at prime minus 1.4%. The loan is repaid in monthly instalments of capital and interest The loan is secured over Mall@Lebo property (refer note 2)	**28 983**	48 826
Proc Corp 160 Proprietary Limited		
R700 million loan facility with Standard Bank, bearing monthly interest at prime minus 1.80%. The loan facility was settled during the financial year and was secured over Mall@Reds (refer note 2)	**–**	449 553
€12 002 220, part of the R700 million loan facility with Standard Bank, bearing monthly interest at the EURIBOR rate plus 2.02% The loan facility was settled during the financial year and was secured over Mall@Reds (refer note 2)	**–**	218 332
K Anastasi Proprietary Limited		
The loan bears interest at prime minus approximately 280 basis points, being the Group investment rate, and has no fixed terms of repayment	**7 817**	1 405
Non-current	**708 258**	28 969
Current	**371 459**	689 147

Loan-to-value

	2022 R'000	2021 R'000
Financial liabilities	**1 079 717**	718 116
Cash and cash equivalents	**(286 388)**	(65 623)
	793 329	652 493
Carrying amount of property-related assets	**10 754 771**	9 029 219
Loan-to-value ratio (%)	**7.4**	7.2

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Commentary continued

The increase in debt to finance the completion of Mall@Larnaca and continued development of Acsiopolis contributed to the uptick in the LTV ratio. Management is of the opinion that the current low gearing provides an opportunity to debt fund future developments or acquisitions.

Net asset value, earnings and headline earning per share

The net asset value per share increased significantly to due to the increased in fair value of the property portfolio and improved operational performance during the year.

	2022 R'000	2021 R'000
Net asset value	8 206 652	7 060 621
Net deferred tax liability	1 574 817	1 401 585
	9 781 469	8 462 206
Shares issued (number)	385 040	393 262
Net asset value per share (cents)	2 129.73	1 795.40
Net asset value per share excluding deferred taxation (cents)	2 540.38	2 151.80
EPS/DEPS/Headline earnings		
Average shares (number of)	387 743	393 343
Basic earnings (excluding minority share)	1 170 359	23 631
Basic and diluted earnings per share (cents per share):	301.84	6.01
Reconciliation to basic earnings		
Profit for the year	1 219 007	67 685
Non-controlling profit for basic earnings per share	(48 648)	(44 054)
	1 170 359	23 631
Basic earnings		
Adjusted for:		
Fair value property changes	(1 016 287)	181 259
Taxation attributable to fair value changes	208 278	(53 016)
Impairment loss on owner-occupied hotel	5 298	93 576
Taxation attributable to impairment loss on owner-occupied hotel	(1 483)	(8 944)
Loss on sale of investment property	–	1 430
Taxation on asset disposal losses	–	(320)
Non-controlling interest relating to fair value changes	42 855	42 913
Headline profit for the purpose of basic and diluted headline earnings per share	409 020	280 529
Headline earnings per share (cents)	105.49	71.32

Solvency and liquidity

For the year ended 28 February 2022, the current liabilities exceed the current assets for the Group due to the expiry of the €20 million loan facility (R342 million) at the end of May 2022. At the reporting date, the Group had R200 million available facilities and R9.2 billion of unbonded property which can be utilised to obtain secured property financing. In March 2022, the Group converted the Euro loan to Rand at an exchange rate of R16.83 and refinanced the facility, bearing quarterly interest at JIBAR plus 1.96% repayable on 7 March 2025.

	R'000
Solvency	
Net asset value at reporting date	8 360 398
Group liquidity	
Group liquidity information over next 12 months	
Net current liabilities at year end	(309 117)
Additional loan facility available	200 000
Refinanced Euro loan in March 2022	336 809
Property development cost commitments	(195 000)
Liquidity buffer before profit generated cash flows	32 692

Debt covenant requirements at 28 February 2022

Covenants as at 28 February 2022 for bank borrowings secured over Mall@Carnival were as follows:

Covenant description (Trigger)	Covenant	Achieved 2022
Acsion Limited Group		
Corporate loan to value (maximum) (%)		
Maximum ratio of total group indebtedness to the most recent property value	45	10
Corporate interest cover ratio (minimum)		
Minimum ratio of net rental income to net interest incurred	2	16.71
Golden Falls Trading Proprietary Limited		
Maximum corporate loan to property value (%)	65	48
Minimum corporate interest cover ratio	1.6	2.25

None of the covenants were breached or were within close proximity of being breached.

There are no specific covenants relating to the facility which Nungu Trading 517 Proprietary Limited has with Nedbank Limited.

Investment property

Completed developments

The developed investment properties as at 28 February 2022 consisted of the following 10 (2021: nine) properties:

		Square metres	2022 R'000	2021 R'000
Mall@Carnival	Retail South Africa	90 579	2 640 911	2 444 665
Mall@Larnaca	Retail Cyprus	39 160	2 542 446	1 446 292
Mall@Reds	Retail South Africa	55 143	1 435 969	1 357 052
Mall@Emba	Retail South Africa	24 602	660 817	619 866
Mall@Moutsiya	Retail South Africa	14 703	245 796	233 739
Mall@Lebo	Retail South Africa	23 548	568 849	516 014
Mall@Mfula	Retail South Africa	17 955	375 968	336 447
Mall@55	Retail South Africa	15 969	372 591	316 002
Moreleta Square	Retail South Africa	8 566	169 514	162 407
Simarlo Rainbow	Light industrial South Africa	6 007	46 213	41 826
		296 232	9 059 074	7 474 310

Commentary continued

Developments under construction

	2022 R'000	2021 R'000
Acsiopolis mixed use	892 445	768 463
Investment property at fair value	9 951 519	8 242 773
Operating lease asset	135 695	144 020
	10 087 214	8 386 793

There is a substantial increase in the value of the investment property portfolio during the year of R1 700 million of which R1 060 million is attributable to the completion of the Mall@Larnaca, Cyprus.

R1 016 million relates to fair value adjustments and the balance to an increase in the capital cost incurred mainly at Mall@Larnaca and Acsiopolis.

Conclusion

As the acute phase of the COVID-19 pandemic recedes and life returns to an adjusted normal, disturbing developments in the volatile international order and the prospect of rising inflation pose new challenges. The strong results reported are extremely positive and position the Group well to face the headwinds, and we are confident that we have the means to face the oncoming challenges. The Group has a strong base from which to fund further expansion, to consider further opportunities for diversification and to maintain its strong operational performance.

The Group continues to evaluate offshore development opportunities and property acquisitions where the required ROI is available.

The strategic consideration of new uses of property, an expanded property portfolio of property categories to be able to keep up with changes in business and consumer behaviour, and optimal use of gearing within the Group are key areas of focus.

Dividends

The board of directors has declared a final cash gross dividend (No. 1) of 18 cents per ordinary share, payable out of income reserves to all shareholders of Acsion Limited.

The dividend per share is calculated based on 394 959 976 shares in issue as at the date of the dividend declaration and therefore amounts to R71 092 795.68 in aggregate.

The net dividend amount, excluding South African dividend tax of 20%, which equates to 3.6 cents, is 14.4 cents per share for those shareholders that are not exempt from dividend tax.

Acsion's income tax reference number is 9794017161.

In compliance with the requirements of Strate, the company has determined the following salient dates for the payment of the final dividend:

Last day to trade cum dividend	Tuesday, 12 July 2022
Shares commence trading ex dividend	Wednesday, 13 July 2022
Record date	Friday, 15 July 2022
Payment date	Monday, 18 July 2022

Shares may not be rematerialised or dematerialised between Wednesday, 13 July 2022 and Friday, 15 July 2022, both days inclusive.

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Corporate information

Registered office
Acsion Limited
Mall@Reds
1st Floor
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Rooihuiskraal Ext 15
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0157

Transfer secretaries
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Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196

Sponsor
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Illovo, Sandton, 2196
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Auditor
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21 Scott Street
Waverley, Johannesburg, 2090

Corporate advisor
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Country of incorporation and domicile
South Africa

Nature of business and principal activities
Property holding and development

Directors
K Anastasiadis
D Sekete
C Jansen van Rensburg
M Kok
T Jali (resigned 22 May 2022)