



# Condensed consolidated financial results

for the six months ended 31 August 2020

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## Highlights

- ↓ REVENUE  
**21.4% decrease** from R336.4 million to **R264.5 million**
- ↓ HEADLINE EARNINGS PER SHARE  
**26.5% decrease** from 32.4 cents per share to **23.8 cents per share**
- ↓ EARNINGS PER SHARE  
**27.7% decrease** from 32.9 cents per share to **23.8 cents per share**
- ↑ NET ASSET VALUE PER SHARE  
**7.3% increase** from 1 768.3 cents per share to **1 898.1 cents per share**

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

# "value"

### 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")

## Condensed consolidated statement of financial position

as at 31 August 2020

|  | Unaudited<br>six months<br>31 August<br>2020<br>R'000 | Unaudited<br>six months<br>31 August<br>2019<br>R'000 | Audited<br>year ended<br>29 February<br>2020<br>R'000 |
|--|---|---|---|
| <b>ASSETS</b>                                |   |   |   |
| <b>Non-current assets</b>                    |   |   |   |
| Investment property                          | 8 213 406   | 7 521 076   | 7 854 029   |
| Property, plant and equipment                | 730 478   | 662 328   | 747 674   |
| Operating lease asset                        | 132 470   | 140 352   | 132 470   |
| Goodwill                                     | 625 464   | 625 464   | 625 464   |
| Prepayments                                  | 233 296   | 233 296   | 233 296   |
| Investment in associate                      | –   | 1 541   | –   |
| Other financial assets                       | 5 432   | 5 432   | 5 432   |
| Deferred tax                                 | 40 845  | –   | 46 622  |
|  | <b>9 981 391</b>                                      | 9 189 489   | 9 644 987   |
| <b>Current assets</b>                        |   |   |   |
| Operating lease asset                        | 23 279  | 17 396  | 23 279  |
| Loans to related companies                   | 86  | 1 699   | –   |
| Current tax receivable                       | 1 031   | 2 504   | 2 213   |
| Trade and other receivables                  | 9 939   | 25 795  | 26 219  |
| Loans to shareholders                        | 4 053   | 4 053   | 4 053   |
| Cash and cash equivalents                    | 110 869   | 151 844   | 223 080   |
|  | <b>149 257</b>  | 203 291   | 278 844   |
| <b>Total assets</b>                          | <b>10 130 648</b>                                     | 9 392 780   | 9 923 831   |
| <b>EQUITY AND LIABILITIES</b>                |   |   |   |
| <b>Equity</b>                                |   |   |   |
| Share capital                                | 3 967 615   | 3 967 615   | 3 967 615   |
| Reserves                                     | 90 284  | 30 508  | 38 793  |
| Retained income                              | 3 408 052   | 2 958 123   | 3 314 304   |
| Equity attributable to owners of the company | 7 465 951   | 6 956 246   | 7 320 712   |
| Non-controlling interest                     | 62 243  | 59 595  | 61 045  |
| Total equity                                 | 7 528 194   | 7 015 841   | 7 381 757   |
| <b>LIABILITIES</b>                           |   |   |   |
| <b>Non-current liabilities</b>               |   |   |   |
| Deferred tax                                 | 1 494 499   | 1 392 623   | 1 485 214   |
| Other financial liabilities                  | 78 346  | 618 051   | 48 928  |
| Finance lease liabilities                    | 259 658   | 220 543   | 219 986   |
|  | <b>1 832 503</b>                                      | 2 231 217   | 1 754 128   |
| <b>Current liabilities</b>                   |   |   |   |
| Current tax payable                          | 9 363   | 3 633   | 3 078   |
| Loans from shareholders                      | 3 280   | 3 234   | 3 280   |
| Other financial liabilities                  | 553 780   | 26 693  | 583 732   |
| Finance lease liabilities                    | 4 380   | –   | 7 301   |
| Provisions                                   | 6 529   | 4 490   | 4 529   |
| Trade and other payables                     | 192 613   | 107 666   | 186 020   |
| Dividends payable                            | 6   | 6   | 6   |
|  | <b>769 951</b>  | 145 722   | 787 946   |
| <b>Total liabilities</b>                     | <b>2 602 454</b>                                      | 2 376 939   | 2 542 074   |
| <b>Total equity and liabilities</b>          | <b>10 130 648</b>                                     | 9 392 780   | 9 923 831   |

## Condensed consolidated statement of profit or loss and other comprehensive income

for the six months ended 31 August 2020

|  | Unaudited<br>six months<br>31 August<br>2020<br>R'000 | Unaudited<br>six months<br>31 August<br>2019<br>R'000 | Audited<br>year ended<br>29 February<br>2020<br>R'000 |
|--|---|---|---|
| Revenue  | 264 522   | 336 396   | 686 973   |
| Other operating income   | 879   | 1 859   | 2 329   |
| Other operating gains  | –   | 1 717   | –   |
| Other operating expenses                                       | (120 192)   | (120 362)   | (298 124)   |
| <b>Operating profit</b>  | <b>145 209</b>  | 219 610   | 391 178   |
| Investment income  | 5 010   | 5 731   | 14 171  |
| Finance costs  | (22 736)  | (32 666)  | (63 765)  |
| Foreign exchange gains   | 7 925   | –   | 7 429   |
| Fair value adjustments   | –   | –   | 304 606   |
| <b>Profit before taxation</b>                                  | <b>135 408</b>  | 192 675   | 653 619   |
| Taxation   | (40 462)  | (59 402)  | (162 716)   |
| <b>Profit for the period</b>                                   | <b>94 946</b>   | 133 273   | 490 903   |
| <b>Other comprehensive income:</b>                             |   |   |   |
| Items that may not be reclassified to profit or loss:          |   |   |   |
| Losses on property revaluation                                 | –   | –   | (1 839)   |
| Income tax relating to items that may not be reclassified      | –   | –   | 412   |
| <b>Other comprehensive income for the year net of taxation</b> | <b>–</b>  | –   | (1 427)   |
| <b>Items that may be reclassified to profit or loss:</b>       |   |   |   |
| Exchange differences on translating foreign operations         | 51 491  | 7 941   | –   |
| <b>Total comprehensive income for the period</b>               | <b>146 437</b>  | 141 214   | 489 476   |
| <b>Profit attributable to:</b>                                 |   |   |   |
| Owners of the parent   | 93 748  | 129 242   | 485 423   |
| Non-controlling interest                                       | 1 198   | 4 031   | 5 480   |
|  | <b>94 946</b>   | 133 273   | 490 903   |
| <b>Total comprehensive income attributable to:</b>             |   |   |   |
| Owners of the parent   | 145 239   | 137 183   | 483 996   |
| Non-controlling interest                                       | 1 198   | 4 031   | 5 480   |
|  | <b>146 437</b>  | 141 214   | 489 476   |
| Basic and diluted earnings per share (cents)                   | 23.8  | 32.9  | 123.4   |
| <b>Reconciliation between earnings and headline earnings</b>   |   |   |   |
| Basic earnings   | 93 748  | 129 242   | 485 423   |
| <b>Adjusted for:</b>   |   |   |   |
| Fair valuation adjustment, net of taxation                     | –   | –   | (236 374)   |
| Non-controlling interest relating to fair value adjustment     | –   | –   | 7 500   |
| Impairment of associate investment                             | –   | –   | 1 541   |
| Gain on sale of investment property                            | (36)  | –   | –   |
| Foreign exchange gain  | –   | (1 717)   | –   |
| <b>Headline earnings</b>                                       | <b>93 712</b>   | 127 525   | 258 090   |
| Net asset value per share (cents)                              | 1 898.01  | 1 768.33  | 1 861.09  |
| Net asset value per share excluding deferred taxation (cents)  | 2 267.56  | 2 122.35  | 2 226.81  |

## Condensed consolidated statement of changes in equity

for the six months ended 31 August 2020

|  | Share capital<br>R'000 | Treasury shares<br>R'000 | Total share capital<br>R'000 | Foreign currency translation reserve<br>R'000 | Revaluation reserve<br>R'000 | Total reserves<br>R'000 | Retained income<br>R'000 | Total equity attributable to owners of the parent<br>R'000 | Non-controlling interest<br>R'000 | Total equity<br>R'000 |
|--|------------------------|--------------------------|------------------------------|---|------------------------------|-------------------------|--------------------------|--|-----------------------------------|-----------------------|
| <b>GROUP</b>                               |                        |                          |                              |   |                              |                         |                          |  |                                   |                       |
| <b>Balance at 1 March 2019</b>             | 3 979 956              | (11 878)                 | 3 968 078                    | (982)   | 23 549                       | 22 567                  | 2 828 881                | 6 819 526  | 55 565                            | 6 875 091             |
| Total comprehensive income for period      | -                      | -                        | -                            | -   | -                            | -                       | 129 242                  | 129 242  | 4 031                             | 133 273               |
| Purchase and adjustment of treasury shares | -                      | (463)                    | (463)                        | -   | -                            | -                       | -                        | (463)  | -                                 | (463)                 |
| Foreign currency translation reserve       | -                      | -                        | -                            | 7 941   | -                            | 7 941                   | -                        | 7 941  | -                                 | 7 941                 |
| <b>Balance at 31 August 2019</b>           | 3 979 956              | (12 341)                 | 3 967 615                    | 6 959   | 23 549                       | 30 508                  | 2 958 123                | 6 956 246  | 59 596                            | 7 015 842             |
| Total comprehensive profit for period      | -                      | -                        | -                            | -   | (1 427)                      | (1 427)                 | 356 181                  | 354 754  | 1 449                             | 356 203               |
| Foreign currency translation reserve       | -                      | -                        | -                            | 9 712   | -                            | 9 712                   | -                        | 9 712  | -                                 | 9 712                 |
| <b>Balance at 28 February 2020</b>         | 3 979 956              | (12 341)                 | 3 967 615                    | 16 671  | 22 122                       | 38 793                  | 3 314 304                | 7 320 712  | 61 045                            | 7 381 757             |
| Total comprehensive profit for period      | -                      | -                        | -                            | -   | -                            | -                       | 93 748                   | 93 748   | 1 198                             | 94 946                |
| Foreign currency translation reserve       | -                      | -                        | -                            | 51 491  | -                            | 51 491                  | -                        | 51 491   | -                                 | 51 491                |
| <b>Balance at 31 August 2020</b>           | 3 979 956              | (12 341)                 | 3 967 615                    | 68 162  | 22 122                       | 90 284                  | 3 408 052                | 7 465 951  | 62 243                            | 7 528 194             |

## Condensed consolidated statement of cash flows

for the six months ended 31 August 2020

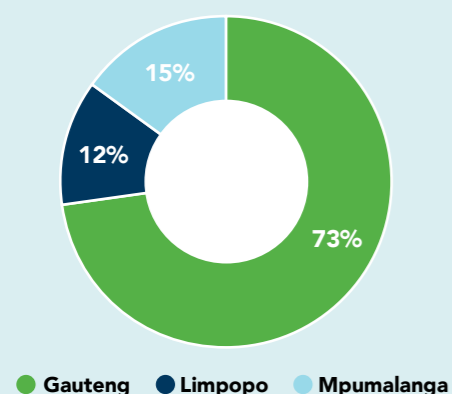
|  | Unaudited six months<br>31 August 2020<br>R'000 | Unaudited six months<br>31 August 2019<br>R'000 | Audited year ended<br>29 February 2020<br>R'000 |
|--|---|---|---|
| <b>Cash flows from operating activities</b>          |   |   |   |
| Cash generated from operations                       | 183 560   | 253 591   | 533 304   |
| Investment income received                           | 5 010   | 5 731   | 12 974  |
| Dividends received                                   | -   | -   | 1 199   |
| Finance costs paid                                   | (22 736)  | (32 666)  | (58 990)  |
| Taxation paid  | (19 331)  | (48 837)  | (106 034)                                       |
| <b>Net cash from operating activities</b>            | <b>146 503</b>                                  | 177 819   | 382 453   |
| <b>Cash flows from investing activities</b>          |   |   |   |
| Purchase of plant and equipment                      | (635)   | (1 121)   | (13 502)  |
| Development costs of investment property             | (263 425)                                       | (111 173)                                       | (248 986)                                       |
| Proceeds from insurance guarantee                    | -   | -   | 55 857  |
| Loans advanced to group associate companies          | (86)  | -   | -   |
| Proceeds on sale of non-current assets held-for-sale | 1 470   | -   | -   |
| <b>Net cash used in investing activities</b>         | <b>(262 676)</b>                                | (112 294)                                       | (206 631)                                       |
| <b>Cash flows from financing activities</b>          |   |   |   |
| Purchase of treasury shares                          | -   | (181)   | (180)   |
| Repayment of other financial liabilities             | (534)   | (8 713)   | (585 042)                                       |
| Proceeds from other financial liabilities            | -   | 83  | 564 245   |
| Proceeds of loans from shareholders                  | -   | 10 955  | -   |
| Repayment of finance lease liabilities               | (3 835)   | -   | -   |
| Finance cost   | 3 381   | -   | (4 778)   |
| Dividends paid                                       | -   | -   | (93)  |
| Proceeds/(repayments) of loans to group companies    | -   | (93)  | 1 699   |
| <b>Net cash (used in)/from financing activities</b>  | <b>(988)</b>                                    | 2 051   | (24 149)  |
| <b>Total cash movement for the period</b>            | <b>(117 161)</b>                                | 67 576  | 151 673   |
| Cash at the beginning of the period                  | 223 080   | 74 612  | 74 612  |
| Effect of exchange rate movement on cash balances    | 4 950   | 9 656   | (3 205)   |
| <b>Total cash at the end of the period</b>           | <b>110 869</b>                                  | 151 844   | 223 080   |

## Geographic and tenant profiles

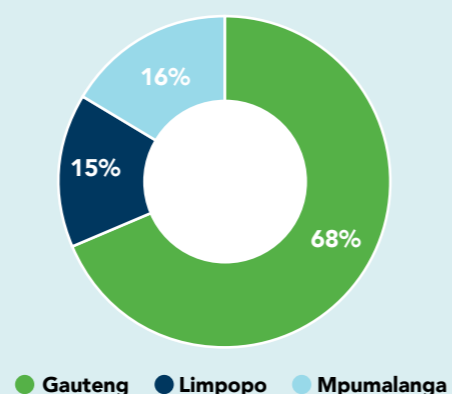
for the six months ended 31 August 2020

The existing income generating investment properties consist of nine well established, strategically located retail properties in Gauteng, Mpumalanga and Limpopo with an aggregate gross lettable area ("GLA") of 257 566 m<sup>2</sup> (2020H1: 257 081 m<sup>2</sup>). The tenant profile by GLA comprises 71% national tenants (2020H1: 70%), 16% semi-national (2020H1: 17%) and 13% line and other franchises (2020H1: 13%). The tenant profile is separated into national and semi-national tenants to indicate the exposure Acision has to direct head office leases and individual franchises. Exposure to national and semi-national tenants as a percentage of GLA is at 87% (2020H1: 87%). Line shops and other franchises are carefully vetted by Acision's leasing division to promote maximum dwelling time and footfall in each centre, underpinning trading densities and the overall sustainability of tenants' lease terms.

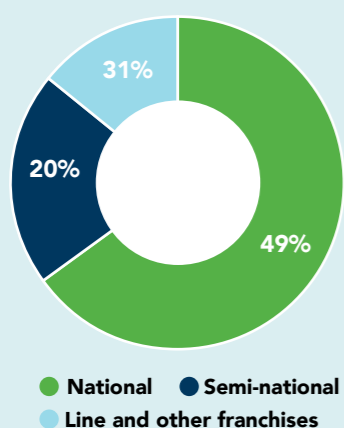
Geographic profile by revenue



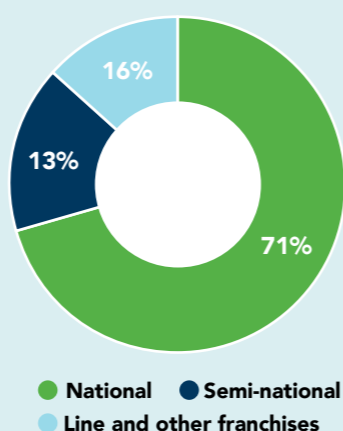
Geographic profile by GLA



Tenant profile by revenue



Tenant profile by GLA



## Commentary

for the six months ended 31 August 2020

### About Acision

Acision Limited ("the Group" or "the Company") is a property manager, real estate developer and owner which is listed on the Johannesburg Stock Exchange ("JSE"). Acision 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 construction in an innovative and more cost-effective way, resulting in lower construction costs, without compromising on quality.

### Operational and development update

#### Developments

##### Acsiopolis

Acsiopolis (Benmore) has been designed as a twenty storey, mixed-use development, situated in the heart of 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 five-star amenities, and reducing their carbon foot print with state-of-the-art public transport. The land site measures approximately one hectare and is well positioned on Benmore Drive upon which 141 000 m<sup>2</sup> of gross build area is being developed. The majority of the build area has been earmarked for short-term residential letting which is still owned by Acision. The remaining portions of the building will provide complimentary services to enhance the service offering of the short-term accommodation of the occupants, these include: 35 000 m<sup>2</sup> of executive suites, 26 000 m<sup>2</sup> longer stay apartments and 1 000 m<sup>2</sup> for office use. Carefully selected tenants, comprising of convenience food, coffee, services and fine dining restaurants make up a retail podium of approximately 5 000 m<sup>2</sup>, on top of which the residential and offices are situated. 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 design standards, and to provide residents with technology to challenge the headwinds of the fourth industrial revolution. The development has been impacted by the construction slowdown as well as COVID-19 pandemic in South Africa resulting in delays.

The development team is expecting to deliver the final Acsiopolis offering to the market by Q4 of FY2021. This development represents the largest single-phase developments the Group has undertaken to date within South Africa.

##### Metropolis Mall@Larnaca

Metropolis Mall@Larnaca is the Group's first international retail development. The Group has signed a leasehold over land in Larnaca, Cyprus. The lease is a 33-year lease with two options to renew of 33 years each. The main contractor for the retail portion of the development has the intention to complete the development in Q4 of FY2021. At 39 000 m<sup>2</sup> of GLA, it will be the dominant and only formal retail mall in Larnaca, catering for approximately 150 000 people. Acision is forecasting a considerable uplift to net asset value on completion. The development will also entail geographical and currency diversification for the Acision portfolio. From a currency perspective the group sees the development as a natural hedge once operational, and is managing the foreign currency risk during construction with their lenders by taking advantage of the low interest rates available in Europe.

##### Existing property development and expansions:

At present the extension to Mall@55 (Monavoni, Gauteng) consists of the bulk earthworks platforms having been completed as well as further enhancements such as the widening of the access roads to the centre. Having secured various lease commitments from national and regional retailers prior to the advent of lockdown, the project's time frames have been moved out until more economic clarity can be ascertained.

The development of the drive-thru restaurants have started, and are anticipated to be operational in Q2 FY2021.

### Financial results

Revenue for the Group for the six months ended 31 August 2020 was R264.5 million (2020H1: R336.4 million). The decrease of 21% was greatly due to provisions made for the potential impact of COVID-19. Negotiations with tenants on COVID-19 related arrears are ongoing and have not been finalised by the date of publishing this announcement.

Other operating income supplemented rental revenue by R0.8 million (2020H1: R1.9 million). The decrease is mostly due to less early lease termination penalties and less ad hoc tenant recoverable charges in the current period. Operating expenses have remained constant with the comparative period at R120.1 million (2020H1 R120.4 million). Although an inflationary increase is generally expected, several supplier services were suspended during the lockdown period and discounts or refunds were received.

Taxation has decreased from R59.4 million to R40.4 million in the current financial period due to lower taxable income in comparison with the same prior period.

## Commentary (continued)

for the six months ended 31 August 2020

The decrease in net finance costs from R32.6 million in the first half of the 2020 financial year to R22.7 million during the first half of the 2021 financial year, can mainly be attributed to the restructuring and refinancing of group financing at a more favourable interest rate. Gearing for the group remains low at 6.0% (2020H1: 6.0%) in comparison with the rest of the property sector.

Headline earning per share decreased to 23.82 cents for the period under review (2020H1: 32.42 cents). The decrease can mostly be attributed to the impact of COVID-19 provisions on rental income.

The investment property portfolio (which includes elements of property, plant and equipment as well as operating lease asset) is carried at R9.097 billion (2020H1: R8.268 billion). The hotel portion of Acsiopolis is considered to be owner occupied on a Group level, and have therefore been reclassified to property, plant and equipment, effective from November 2018. Total investment property under control of the Group has increased in value by 4% year on year. This movement however only relates to additional development cost capitalised in the current period.

Investment properties were last revalued at 29 February 2020. Caution needs to be exercised by the user of this announcement, bearing in mind that the valuations were performed without COVID-19 impact. The impact of COVID-19 was treated as a subsequent event in the audited Annual Financial Statements issued for the year ended 29 February 2020. (Refer to the Audited Annual Financial Statements included in the Integrated Report for 2020 which is available on the Company's website, [https://www.acsionsa.co.za/integrated\\_reports.htm](https://www.acsionsa.co.za/integrated_reports.htm) for subsequent event disclosures)

Current liabilities exceed current assets of the Group due to the expiry of the main group facility during May 2021. This facility is secured over property held by one of the subsidiaries within the Group. However, Group liquidity is considered to be adequate based on the fact that the directors are comfortable that the facility will be renewed or replaced before expiry.

NAV per share was 1 898.1 cents as at 31 August 2020 (2020H1: 1 768.3 cents). NAV per share (excluding deferred taxation) for the six months ended 31 August 2020 increased by 6.84% to 2 267.6 cents in comparison with the NAV per share of 2 122.4 cents as at 31 August 2019.

### Treasury share purchase

No treasury share purchases were made during the period under review.

### 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 August 2020 was 5.07% (2020H1: 3.66%) which increase partly resulted from lockdown. We do expect that there would be more vacancies resulting from lockdown within the next few months. The Group remains focused on reducing the vacancy rate and retaining existing tenants in the retail portfolio. The weighted average lease expiry profile by GLA for the portfolio remains at 3.0 years (2020H1: 3.0 years).

### Developed investment property portfolio

The developed investment properties as at 31 August 2020 consisted of the following nine properties (valued at 29 February 2020):

| Property name     | Directors/<br>independent<br>valuation<br>R'mil<br>February<br>2020 | GLA<br>m <sup>2</sup> | Value/m <sup>2</sup><br>(excluding<br>bulk, where<br>applicable)<br>% | Percentage<br>of total<br>portfolio<br>by value<br>% |
|-------------------|---|-----------------------|---|--|
| Mall@Reds         | 1 414   | 54 740                | 25 833  | 22.0   |
| Mall@Emba         | 614   | 24 668                | 24 899  | 9.6  |
| Mall@Moutsiya     | 253   | 14 703                | 17 222  | 3.7  |
| Mall@Carnival*    | 2 800   | 90 615                | 30 514  | 43.7   |
| Mall@Lebo*        | 516   | 23 534                | 21 925  | 8.0  |
| Mall@Mfula*       | 310   | 17 930                | 17 289  | 4.8  |
| Mall@55*          | 325   | 15 685                | 19 242  | 5.2  |
| Moreleta Square*  | 141   | 8 555                 | 16 425  | 2.2  |
| Simarilo Rainbow* | 49  | 6 891                 | 7 144   | 0.8  |
|                   | <b>6 422</b>  | <b>257 321</b>        | <b>180 494</b>  | <b>100.0</b>   |

The above properties are trading at an average annualised net operating yield of approximately 6.7% (2020H1: 7.6%).

Developments under construction as at 31 August 2020 (valued as at 29 February 2020) consisted of the following properties:

|             | Directors/<br>independent<br>valuation<br>R'mil<br>February<br>2020 | GLA<br>m <sup>2</sup> | Value/m <sup>2</sup><br>(excluding<br>bulk, where<br>applicable) | Anticipated<br>opening |
|-------------|---|-----------------------|--|------------------------|
| Acsiopolis* | 1 661   | 67 000                | 24 787   | During 2021            |
| Larnaca*    | 550   | 39 000                | 14 124   | February 2021          |
| Trade@55*   | 41  | 10 000                | 4 122  | Negotiating            |
|             | <b>2 252</b>  | <b>116 000</b>        | <b>43 033</b>  |                        |

\* 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 are Level 3 hierarchy investment properties.

|   | R'000            |
|---|------------------|
| <b>Reconciliation of investment property for current period</b> |                  |
| <b>Opening balance at 1 March 2020</b>                          | <b>7 854 029</b> |
| Additions   | 263 425          |
| Disposal  | (1 434)          |
| Foreign currency translation                                    | 97 386           |
| <b>Closing balance</b>  | <b>8 213 406</b> |

Unobservable inputs used in determining the fair value of investment property at 29 February 2020 (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 29 February 2020 investment property fair value estimation:

|   | R'000     |
|---|-----------|
| <b>Properties excluding mixed use development</b>         |           |
| 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 at 29 February 2020 were based on the following:

|   | Ranges        |
|---|---------------|
| 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%         |

## Commentary (continued)

for the six months ended 31 August 2020

The estimated impact of a change in the significant unobservable inputs would result in a change in the 29 February 2020 property ("PPE") fair value estimation:

|   | R'000     |
|---|-----------|
| <b>Mixed use development</b>                              |           |
| 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 at 29 February 2020 relating to the owner-occupied hotel disclosed as part of property, plant and equipment:

|                        | Ranges |
|------------------------|--------|
| Capitalisation rate    | 10.00% |
| Average room rate      | R1 938 |
| Average occupancy rate | 75.00% |
| Net profit %           | 22.30% |

The estimated impact of a change in the significant unobservable inputs would result in a change in the 29 February 2020 property fair value estimation:

|   | R'000    |
|---|----------|
| <b>Owner occupied hotel</b>                               |          |
| 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) |

For more disclosure on the properties and the 29 February 2020 valuation thereof, please refer to the Audited Annual Financial Statements included in the Integrated Report for 2020 which is available on the Company's website, [https://www.acsionsa.co.za/integrated\\_reports.htm](https://www.acsionsa.co.za/integrated_reports.htm)

### Prospects

The Group will continue to face the challenges brought on by the current economic operating environment, and the impact of the COVID-19 pandemic. The Group remains focused on unlocking development profits and generating annuity income to further capital growth, both locally and internationally. Despite the challenging economic climate in South Africa, the Group will complete its existing developments and continue to seek local and international property acquisition and development opportunities with yield potential in line with Group investment strategy.

### Dividend

It was decided not to propose any dividend for the six months ended 31 August 2020 (2020H1: Nil).

### Segmental reporting

Due to the current investment property portfolio exposure being heavily weighted towards retail, financial reviews by the chief decision maker are based on a single operating segment. Segment reporting as required in terms of IFRS 8: *Operating Segments* are, therefore, not applicable to the Group.

### Basis of preparation and accounting policies

The reviewed provisional Condensed 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 unaudited interim results have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), at a minimum, IAS 34: *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

The accounting policies applied in the preparation of these unaudited condensed consolidated interim results are consistent with those applied in the 2020 unaudited condensed consolidated interim results.

These results have been prepared using the historical cost basis, except for investment properties, which are measured at fair value, and certain financial instruments, which are measured at either fair value or amortised cost.

These unaudited condensed consolidated interim results were prepared under the supervision of Ms S le Roux CA(SA), in her capacity as Chief Financial Officer.

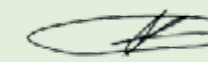
### Change in directors

D Green (previous Chairman) and HN Bila retired as directors at the last Annual General Meeting held on 6 August 2020.

By order of the board



**T Jali**  
(Chairman)



**K Anastasiadis**  
(Chief Executive Officer)

Centurion, 26 November 2020

