UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2017

ACSION
action today prosper tomorrow

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

	Unaudited Six months 31 August 2017 R'000	Unaudited Six months 31 August 2016 R'000	Audited Year ended 29 February 2017 R'000
Assets			
Non-current assets			
Investment property	5 722 995	4 461 505	5 508 737
Plant and equipment	64 150	161 576	75 915
Operating lease asset	124 675	121 692	137 894
Goodwill	625 464	625 464	625 464
Prepayments	350 744	362 536	350 744
Investment in associate	1 150	917	1 150
Other financial assets	11 786	13 134	12 855
Deferred taxation	10 210	–	10 210
	6 911 174	**5 746 824**	**6 722 969**
Current assets			
Operating lease asset	1 997	8 463	2 128
Loans to group companies	1 068	1 401	963
Current taxation receivables	325	1 106	331
Trade and other receivables	37 006	20 731	24 814
Cash and cash equivalents	44 972	47 487	16 527
	85 368	**79 188**	**44 763**
Non-current assets held for sale	52 001	76 382	66 639
Total assets	**7 048 543**	**5 902 394**	**6 834 371**
Equity and liabilities			
Equity			
Share capital	3 969 670	3 974 979	3 973 725
Retained income	1 449 878	718 344	1 386 711
Equity attributable to owners of the company	**5 419 548**	**4 693 323**	**5 360 436**
Non-controlling interest	37 510	10 438	36 015
Total equity	**5 457 058**	**4 703 761**	**5 396 451**
Liabilities			
Non-current liabilities			
Deferred tax	1 038 329	793 256	1 038 331
Other financial liabilities	459 012	266 523	287 599
	1 497 341	**1 059 779**	**1 325 930**
Current liabilities			
Operating lease liability	–	–	13
Current taxation payable	11 194	4 110	11 193
Loans from shareholders	506	506	506
Other financial liabilities	8 532	65 325	13 451
Provisions	2 363	3 930	3 218
Trade and other payables	71 037	64 983	83 609
Dividends payable	512	–	–
	94 144	**138 854**	**111 990**
Total liabilities	**1 591 485**	**1 198 633**	**1 437 922**
Total equity and liabilities	**7 048 543**	**5 902 394**	**6 834 371**

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six months 31 August 2017 R'000	Unaudited Six months 31 August 2016 R'000	Audited Year ended 29 February 2017 R'000
Revenue	266 964	247 365	524 792
Other operating income	5 356	2 343	7 410
Other operating expenses	(112 098)	(98 292)	(204 995)
Operating profit	**160 222**	**151 416**	**327 207**
Investment income	11 225	541	2 729
Finance costs	(25 298)	(9 785)	(23 026)
Profit from associate	–	–	232
Profit on sale of non-current assets held for sale	667	2 473	1 180
Fair value adjustments	–	–	804 224
Amortisation	–	(4 074)	–
Profit before taxation	**146 816**	**140 571**	**1 112 546**
Taxation	(32 784)	(22 140)	(300 171)
Profit for the period	**114 032**	**118 431**	**812 375**
Other comprehensive income	–	–	–
Total comprehensive income for the period	**114 032**	**118 431**	**812 375**
Profit (loss) attributable to:			
Owners of the parent	112 537	118 439	786 806
Non-controlling interest	1 495	(8)	25 569
	114 032	**118 431**	**812 375**
Total comprehensive income (loss) attributable to:			
Owners of the parent	112 537	118 439	786 806
Non-controlling interest	1 495	(8)	25 569
	114 032	**118 431**	**812 375**
Reconciliation between earnings and headline earnings			
Basic earnings	112 533	118 439	786 806
Adjusted for:	(517)	(1 244)	(601 430)
Fair valuation adjustment	–	–	(625 143)
Amortisation	–	(4 074)	–
Non-controlling interest relating to fair value adjustment	–	–	24 541
Impairment of investment property	–	–	84
Gain on non-current assets held for sale	–	–	(916)
Profit on sale of plant and equipment	(667)	2 473	4
Taxation effect	150	357	–
Headline earnings	**112 016**	**117 195**	**185 376**
Earnings per share			
Per share information			
Basic and diluted earnings per share (cents)	28.6	30.0	199.5
Headline earnings per share (cents)	28.4	29.7	47.0
Net asset value per share (excluding deferred taxation) (cents)	1 637.9	1 391.1	1 620.5
Dividend per share (cents)	12.5	–	–
Proposed dividend per share (cents)	–	–	12.5
Weighted number of shares	394 219 306	394 447 019	394 373 156

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months 31 August 2017 R'000	Unaudited Six months 31 August 2016 R'000	Audited Year ended 29 February 2017 R'000
Cash flows from operating activities			
Cash generated from operations	159 919	157 344	346 000
Investment income received	11 225	541	2 729
Finance costs paid	(25 298)	(9 785)	(23 026)
Taxation paid	(32 775)	(23 003)	(57 868)
Net cash from operating activities	**113 071**	**125 097**	**267 835**
Cash flows from investing activities			
Purchase of plant and equipment	(203)	(83 359)	(11 294)
Proceeds on sale of plant and equipment	–	–	4
Development costs of investment property	(214 259)	(149 531)	(378 644)
Repayment of loans to group associate companies	1 069	260	–
Decrease in financial assets	–	203	482
Proceeds on sale of non-current assets held for sale	15 305	–	30 324
Additions to non-current assets held for sale	–	–	(1 656)
Net cash flow from non-current assets held for sale	–	13 986	–
Net cash used in investing activities	**(198 088)**	**(218 441)**	**(360 784)**
Cash flows from financing activities			
Purchase of treasury shares	(4 055)	(503)	(1 757)
Increase in other financial liabilities	166 493	125 046	94 248
Proceeds of loans to group associate company	(118)	–	697
Dividends paid	(48 858)	–	–
Net cash from financing activities	**113 462**	**124 543**	**93 188**
Total cash movement for the period	28 445	31 199	239
Cash at the beginning of the period	16 527	16 288	16 288
Total cash at end of the period	**44 972**	**47 487**	**16 527**

COMMENTARY

ABOUT ACSION

Acsion ("the Group" or "the Company") is a property manager, 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 communicated development pipeline and obtaining additional future development opportunities. To a lesser extent, the Group derives capital growth from selling completed developments and purchasing existing properties.

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

Acsion was in the process of constructing the Acsiopolis (Benmore, Sandton) and Mall@55 (Monavoni, Gauteng) developments during the six months under review. The development and leasing of Mall@55 progressed well and was successfully opened in September 2017. The Acsiopolis development is progressing on schedule and as at August 2017, six parking levels and two commercial levels have been completed. Development planning on the extension of Mall@Lebo (Lebowakgomo, Limpopo) as well as a small extension at Mall@Carnival (Brakpan, Gauteng) to incorporate Planet Fitness is underway. The re-letting of phase III of Mall@Carnival has been concluded and the necessary alterations are underway. Trading is anticipated to commence before the festive season.

FINANCIAL RESULTS

Revenue for the Group for the six months ended 31 August 2017 was R267.0 million (2017H1: R247.4 million). The reported increase was 7.9%. Other income supplemented rental revenue by R5.4 million (2017H1: R2.4 million).

Operating expenses increased by 14.0% year on year. The increase results to a large extent from additional operational costs associated with the opening of Mall@Moutsiya (Walkraal, Limpopo) in August 2016 and Mall@Mfula (Piet Retief, Mpumalanga) in November 2016. The installed solar plants at Mall@Reds, Mall@Carnival, Mall@Mfula and Mall@Emba continues to perform well and support the group in enhancing its cost recovery margin.

The increase in net finance costs from R9.2 million in the first half of the 2017 financial year to R14.0 million during the first half of the 2018 financial year, can mainly be attributed to the continued development of Acsiopolis and the completion of Mall@55. The dividend paid in July 2017 also contributed to the increase in gearing. Gearing for the group remains low at 7.1% (2017H1: 5.9%). Despite the continuous development undertaken and the dividend distribution in July 2017, the gearing remained relatively low which is testament to the strong cash flow generating ability of the group. The Group continues to aggressively manage its cash resources.

Headline earning per share decreased marginally to 28.4 cents (2017H1: 29.7 cents).

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 R5.896 billion (2017H1: R4.753 billion). Non-current assets held for sale is carried at fair value of R52.0 million (2017H1: R76.4 million). Total property under control of the Group therefore increased by a respectable 23.1% year on year.

Prepayments consist of two developments acquired during the formation of Acsion, Acsiopolis and Mall@Maputo. The construction of Acsiopolis is continuing well and the opening is set for 2019. The development of Mall@Maputo is currently on hold due to the weak economy in Mozambique. This delay is welcomed as it is management's opinion that the Mozambican economy will improve in line with the strengthening of the resources market and yield more acceptable returns to the Group.

Goodwill equates to R625.5 million and considering the robustness and extent of the development pipeline, no impairment was required.

Group liquidity is considered to be adequate. Due to the Group's cash management policy, mortgage bonds are prepaid and these funds are available on demand to the group.

NAV per share (excluding deferred taxation) for the six months ended 31 August 2017 increased by 17.7% from 1 391.1c in August 2016 to 1 637.9c.

TREASURY SHARE PURCHASE

The Group repurchased 580 581 (2017H1: 65 142) shares during the six months ended August 2017 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 Company. These shares were purchased at approximately 57.3% below the reported NAV per share (excluding deferred taxation) as at 31 August 2017.

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 2017 was 7.3% (2017H1: 6.6%) and the Group is focused on reducing this percentage to more acceptable levels. As at the time of this report, the weighted vacancy (by GLA) was reduced to 5.4%. The weighted average lease expiry profile by GLA for the portfolio decreased to 3.0 years (2017H1: 3.7 years). The decline is mainly attributable to the lease renewal dates of Mall@Carnival phase 2 that are not evenly spread over the average lease term. The Group is, however, not concerned about this decline and the Group is confident that tenants will be retained on lease renewal.

DEVELOPED INVESTMENT PROPERTY PORTFOLIO

The developed investment properties as at 31 August 2017 consisted of the eight properties (valued as at 28 February 2017) detailed below:

Property name	Directors/independent valuation (R'mil) February 2017	GLA (m²)	Value/m² (excluding bulk, where applicable)	Percentage of total portfolio by value (%)
Mall@Carnival	2 375	87 750	27 066	46.5
Mall@Reds(*)	1 180	54 350	21 711	23.1
Mall@Emba	521	24 500	21 265	10.2
Mall@Lebo(*)	421	23 500	17 915	8.3
Mall@Mfula	244	18 700	13 048	4.8
Mall@Moutsiya	164	14 500	11 310	3.2
Moreleta Square(*)	163	8 500	19 176	3.2
Simarlo Rainbow(*)	37	6 000	6 200	0.7
Total developed investment portfolio	**5 105**	**237 800**	**21 468**	**100.0**

The above properties are trading at an average annualised net operating yield of approximately 7.4% (2017H1: 8.1%). As at February 2017 the net operating yield was reported as 7.2%.

Properties under construction

Developments nearing completion	Directors/ independent valuation R'mil	GLA m²	Value/m² (excluding bulk, where applicable) R	Anticipated opening
Acsiopolis	388	67 000	5 794	Jan 2019
Mall@55(*) (%)	108	15 000	7 180	Sep 2017
Trade55	123	10 000	12 325	Negotiating
Total developments under construction	619	92 000	6 730	

* *Independently valued*
% *Completed in September 2017*

Acsiopolis, Benmore, has been designed as a twenty storey mixed use development, situated in the heart of Sandton. The land footprint measures approximately one hectare and is located and accessed via Benmore road. Mixed use development rights totalling 70 000 m² have been obtained. The current design however allows for a total development of 67 000 m² of which the majority of the rights have been earmarked for residential use which supports Acsion's strategy of sectoral diversification. Approximately 35 000 m² will be available as executive apartments, 26 000 m² is earmarked for short term residential rental units, 5 000 m² will be utilised for retail purposes and 1 000 m² for office use. Acsiopolis will also offer six levels of parking equating to approximately 1 400 basement parking bays, some of which will be on-grade parking for the retail units 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 and bus rapid transit (BRT) routes.

Construction of the development is progressing as scheduled and as at August 2017, six levels of parking and two levels of commercial space had been completed. This development is the largest single phase development the Group has undertaken. All the residential units are to be owned and operated in-house by Anaprop Property Management.

Mall@55 Phase I, consists of a 15 000 m² convenience shopping centre in Monavoni, Gauteng. It is located on an extremely busy arterial route accessible from the N14 freeway and the R55 provincial route. This development is ideal for a value/convenience/lifestyle centre, which is underrepresented in the Monavoni area. After initial delays in obtaining the required road infrastructure development approvals, the construction progressed well and the completion date of September 2017 was achieved.

Trade 55 Phase I, will comprise of a 10 000 m² large ("big box") retail centre. Special commercial rights were obtained for this development. This development has been delayed in order to obtain better rentals for this prime development site. This development is located on an extremely busy arterial route accessible from the N14 freeway and the R55 provincial route and across from the Mall@55 site. Trade 55's value offering will be complementary to that of Mall@55. It is anticipated that construction of this development will only commence in 2018.

PROPERTIES HELD FOR SALE

Hyde Park Terrace, a high end residential development of units ranging from 350 m² to 540 m² under roof, is situated in Hyde Park, Sandton, approximately 500 m from Hyde Park shopping centre. The development is nearly sold out with six (2017H1: nine) completed houses and eight (2017H1: Nil) vacant stands still available for sale.

FUTURE DEVELOPMENTS AND DEVELOPMENT 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 these interim results, the following future development opportunities, amongst others, were being considered by Acsion:

Mall@Lebo, our highly successful development in Lebowakgomo, Limpopo is to be extended by approximately 5 000 m². The Group is in the process of finalising certain applications whilst the leasing of the proposed extension is finalised.

Mall@55 has approximately 20 000 m² of bulk available. The successful opening of the development in September 2017 further justified an extension of up to 15 000 m² which will include fast food outlets in the near future. Planning regarding this extension is underway.

Mall@Carnival's extension of approximately 2 500 m² is planned for this super regional shopping centre in Brakpan, Gauteng and should commence shortly.

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 is currently in negotiations with various parties to bring this aspect of the development to fruition. The Group is also considering alternative uses for the basket of rights to complement the mall and residential node.

Mall@Frankfort was intended to comprise an 8 000 m² shopping centre in Frankfort, Free State. Interest from a potential anchor tenant has not been secured to date and the Group has impaired the insignificant carrying value of this potential development until sufficient interest has been secured.

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. A memorandum of understanding was originally signed with the Mozambican Ministry of Sport to develop a 50 000 m² shopping centre. Subsequently, the Group decided to acquire an alternative land parcel adjacent to the existing land parcels which now requires an additional agreement with the Ministry of Interior to be concluded. The Group have been in constant negotiations with the Ministry of Interior and a final draft contract has been negotiated.

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 m² of office space are currently underway. The site is located in close proximity to Manda Hill Shopping Mall and alongside to Stanbic's Lusaka offices.

Metropolis ***Mall@Larnaka*** is the Group's first exciting international retail development. The Group has signed a leasehold agreement over land in Larnaka, Cyprus. The lease is a 33 year lease with two options to renew of 33 years each. The Group intends to develop a 40 000 m² retail centre. Local authorities are in the process of evaluating the traffic and environmental impact prior to the necessary approvals being granted. The Group trusts that all approvals would have been obtained by the end of 2017 after which the construction will commence. The Group is very excited about its first development project in Europe and this development promises to yield returns that meet or exceed the Group's investment criteria.

NEW INITIATIVES

Acsion's first solar installation was installed at Mall@Emba and generates 1 MW of electricity. The plant was commissioned in October 2015. As a result of the success with this plant the Group has also successfully installed solar plants at Mall@Reds, Mall@Carnival and Mall@Mfula. Total generating capacity is now at 9 MW for these developments. The Group is pleased with the profit generated by these installations. The Group has decided that, subject to appropriate pricing of import items and ESKOM or council electricity tariff structures, that each sizeable development will deploy a solar plant to aid in lowering the operating costs of the development. To this extent several other plants are planned for the remaining developments.

PROSPECTS

Acsion's Board remain confident that the Group's growth objectives can be achieved despite the challenging economic environment. The Group remains focused on the completion of its secured development pipeline over the next three years.

DIVIDEND

It has always been the Groups' policy not to declare any dividends. The Board of Directors decided, however, to propose a dividend of 12.5 cents per share for the 2017 financial year pursuant to an intention to increase trade in the shares and taking account of the Group's low gearing. The proposed dividend was approved after year end and was paid to shareholders in July 2017. The board is currently considering another dividend for the financial year end 2018.

SEGMENTAL REPORTING

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

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 the unaudited condensed consolidated interim results are consistent with those applied in the 2017 unaudited condensed consolidated interim results.

These results have been prepared using the historical cost convention, 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 Pieter Scholtz CA(SA), M.Com (Tax) in his capacity as Chief Financial Officer.

By order of the Board

Centurion, 17 October 2017

D Green
(Chairman)

K Anastasiadis
(Chief Executive Officer)

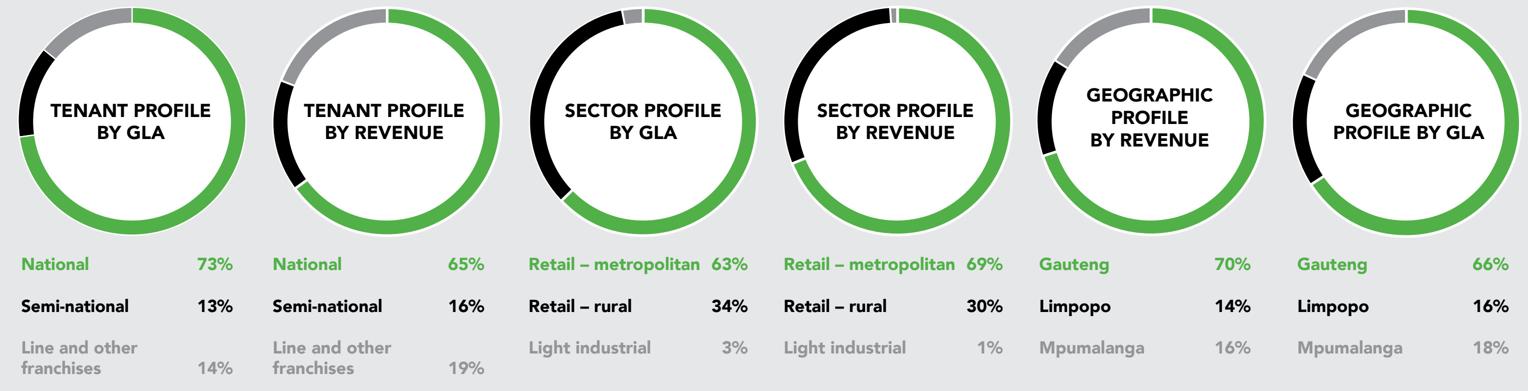
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Treasury shares R'000	Total share capital R'000	Retained income R'000	Total equity attributable to owners of the company R'000	Non-controlling interest R'000	Total equity R'000
Group							
Balance at 1 March 2016	**3 979 956**	**(4 474)**	**3 975 482**	**599 905**	**4 575 387**	**10 446**	**4 585 833**
Profit for the period	–	–	–	118 439	118 439	(8)	118 431
Purchase of treasury shares	–	(503)	(503)	–	(503)	–	(503)
Balance at 31 August 2016	**3 979 956**	**(4 977)**	**3 974 979**	**718 344**	**4 693 323**	**10 438**	**4 703 761**
Profit for the period	–	–	–	668 367	668 367	25 577	693 944
Purchase of treasury shares	–	(1 254)	(1 254)	–	(1 254)	–	(1 254)
Balance at 28 February 2017	**3 979 956**	**(6 231)**	**3 973 725**	**1 386 711**	**5 360 436**	**36 015**	**5 396 451**
Profit for the period	–	–	–	112 537	112 537	1 495	114 032
Dividends paid	–	–	–	(49 370)	(49 370)	–	(49 370)
Purchase of treasury shares	–	(4 055)	(4 055)	–	(4 055)	–	(4 055)
Balance at 31 August 2017	**3 979 956**	**(10 286)**	**3 969 670**	**1 449 878**	**5 419 548**	**37 510**	**5 457 058**

GEOGRAPHIC AND TENANT PROFILES

The existing income generating investment properties consist of eight predominantly retail developments strategically located in Gauteng, Mpumalanga and Limpopo with an aggregate gross lettable area ("GLA") of 237 800 m² (2017H1: 219 000 m²). The tenant profile by GLA comprises 73% national tenants (2017H1: 71%), 13% semi-national (2017H1: 13%) and 14% line and other franchises (2017H1: 16%).

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 86% (2017H1: 84%). 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.



Directors: D Green (Chairman)*, K Anastasiadis (CEO), P Scholtz (CFO), S Griesel*, PD Sekete*, T Jali* (*Independent non-executive) | **Registered office:** Mall@Reds, 1st Floor, Corner of Rooihuiskraal and Hendrik Verwoerd Drives, Rooihuiskraal, Ext 15, Centurion
Postal address: PO Box 569, Wierda Park, 0149 | **Registration number:** 2014/182931/06 | **Transfer secretaries:** Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2192, Johannesburg 2001
Sponsor: Nedbank Corporate and Investment Banking Limited | **JSE share code:** ACS | **ISIN code:** ZAE000198289 | **Company secretary:** CMA Incorporated

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