AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

ARROWHEAD PROPERTIES

Focused on sustainable value

Arrowhead Properties Limited
(Incorporated in the Republic of South Africa)
(Registration number 2007/032604/06)
JSE share code: AHA ISIN: ZAE000275491
JSE share code: AHB ISIN: ZAE000275509
(Approved as a REIT by the JSE)
("**Arrowhead**" or "**the Company**" or "**the Group**")

Audited summarised consolidated financial statements for the year ended 30 September 2020

Highlights

- Property performance ahead of expectations in a tough economic environment.
- The Company's recent focus on strengthening its balance sheet has positioned it to navigate the challenges in South Africa during the COVID-19 pandemic and thereafter.
- 75 assets disposed of for R1.7 billion at a 11% forward yield and 7% discount to book value. R840 million already transferred in the 2020 financial year with the balance expected to transfer in the 2021 financial year.
- Consolidated gearing reduced from 41.2% at 31 March 2020 (pre-COVID-19) to 39.3% at year end.
- Tenant retention of 84%, increasing to 89% once reletting is taken into account.
- Successful renewal of bank debt of just under R700 million.
- R786 million of free cash available at the end of the year after R175 million of defensive capital expenditure on the property portfolio (includes Indluplace).
- Average collection rate during COVID-19 (April to September 2020) was 86% before rental relief and 96% post rental relief. Total amount of COVID-19 rental relief granted to tenants amounted to R77 million.
- Vacancies well managed down to 8.6% at year end.

Nature of the business

Arrowhead is a diversified South African Real Estate Investment Trust ("**REIT**") focused on creating long-term shareholder value.

Arrowhead holds a diverse portfolio of retail, office and industrial properties valued at R9.7 billion. As at 30 September 2020, Arrowhead also held a 60.0% interest (2019: 59.6 %) in its subsidiary, Indluplace Properties Limited ("**Indluplace**"), which owns a portfolio of residential properties.

The average value per direct property held as at 30 September 2020 was R68.0 million (R57.2 million as at 30 September 2019).

Arrowhead has a 15.0% (2019: 17.9%) interest in Rebosis Property Fund Limited ("**Rebosis**") and an 8.6% (2019: 8.6%) interest in Dipula Income Fund Limited ("**Dipula**") at 30 September 2020.

Distributable income analysis for the year ended 30 September 2020

R'000	2020	2019
Revenue (excluding straight line rental income)	2 189 241	2 419 947
Listed securities income	18 325	81 775
Property expenses	(954 869)	(967 079)
Administration and corporate costs	(104 052)	(89 424)
Finance charges	(574 350)	(627 848)
Finance income	46 014	73 891
Reduction in income due to Indluplace dividend payout ratio	(18 011)	-
Non-controlling interest share in distributable income	(68 238)	(104 458)
Distributable income	534 060	786 805
Accrued dividend on listed securities	-	20 998
Listed securities income recognised in the prior period	(18 325)	(55 902)
Total dividend	515 735	751 901
Dividend to Arrowhead Charitable Trust	8 424	17 360
Total amount available for distribution after the effects of Arrowhead Charitable Trust	**524 159**	**769 261**
Property expenses as a percentage of revenue - gross	44%	40%
Property expenses as a percentage of revenue - net	21%	19%
A share - distributable income for the 6 months ended 31 March	35 608	34 206
B share - distributable income for the 6 months ended 31 March	305 056	346 707
A share - distributable income for the 6 months ended 30 September	36 807	35 735
B share - distributable income for the 6 months ended 30 September	146 687	352 613
Total amount available for distribution	**524 159**	**769 261**
Distributable income per A share (cents) for the 6 months ended 31 March	56.77	54.53
Distributable income per B share (cents) for the 6 months ended 31 March	30.65	34.08
Distributable income per A share (cents) for the 6 months ended 30 September	58.69	56.98
Distributable income per B share (cents) for the 6 months ended 30 September	14.74	34.66
Distributable income per A share (cents) for the 12 months ended 30 September	115.46	111.51
Distributable income per B share (cents) for the 12 months ended 30 September	45.39	68.74

Reconciliation of loss before tax to distributable income

R'000	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2020	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2019
Loss attributable to shareholders	(733 284)	(843 294)
Adjustments:		
Changes in fair values of investment property	746 774	280 242
Changes in fair values of listed securities and financial instruments	492 266	1 072 517
Changes in fair values of loans in respect of the share option schemes	203 676	395 307
Loss on sale of investment properties	43 743	457
Straight line rental income accrual	14 519	4 536
Dividend to the Arrowhead Charitable Trust	8 424	17 360
Accrued distribution of financial assets	-	20 998
Accrued distribution on financial assets recognised in prior financial year	(18 325)	(55 902)
Taxation	(21 645)	-
Loss due to Indluplace's payout ratio	(18 012)	-
Non-controlling interest share in above adjustments	(193 977)	(122 960)
Distributable earnings attributable to shareholders	524 159	769 261

Distributable income per class of share

	ORIGINAL BUDGET FOR 2020		ACTUALS FOR 2020		VARIANCE
	R'000	CENTS	R'000	CENTS	CENTS
Total distributable income	**746 636**		**524 159**		
Reconciled as follows:					
Distributable income to A shareholder	73 438	117.09	72 415	115.46	(1.63)
Arrowhead's contribution to B shareholder dividend	436 878	42.83	413 724	41.57	(1.26)
COVID-19 relief	-	-	(76 873)	(7.73)	(7.73)
Arrowhead's operations - net	436 878	42.83	336 851	33.84	(8.99)
Add: Interest on loans	61 377	6.02	30 567	3.07	(2.95)
Add: Indluplace	138 008	13.53	84 326	8.48	(5.05)
Add: Dipula	36 935	3.62	-	-	(3.62)
Distribubtable income per B share	637 198	66.00	451 744	45.39	(20.61)

Commentary

Operating environment and strategic objectives

Despite a tumultuous year, Arrowhead has continued to deliver on its strategic objectives. The Company has remained focussed on selling properties that do not have strong letting demand and that it views as not being capable of rental growth over the long-term. Arrowhead sold 75 properties worth R1.7 billion over the year of which 45 properties valued at R840 million transferred before the end of the year. Over the last 2 years, Arrowhead has sold 105 properties that further strengthened its goal to build a portfolio capable of generating sustainable income returns and net asset value in the long-term. Arrowhead further recognised the need to strengthen its balance sheet ahead of the current crisis.

Our strategic sales program complemented the strengthening of our balance sheet, reducing our loan to value ratio. Despite declining valuations, our loan to value reduced from 40.5% at 30 September 2019 to 39.3%. All expiring facilities were renewed. Arrowhead's goal was to enhance the portfolio returns through a tenant centric approach which was implemented at the beginning of the financial year and proved to be invaluable in the COVID-19 crisis that we face. The recently established tenant relationship management team was increased by 1 person during the year. There was a drive to create greater tenant awareness and develop an improved thinking and behaviour towards tenants. Over the past few years, there has been a consistent move to further supplement our external property managers with internal resources to drive efficiencies and extract more value from the portfolio. Our in-house utilities, collections and letting team has added tremendous value which is evident in the results of the portfolio. Environmental, Social and Corporate Governance (ESG) factors have become an integral part of any business and we have taken steps to enhance our ESG performance. Our social initiative, An Arrow for Change, was successfully launched during the year and we were able to positively impact communities that are less fortunate and have been massively impacted by COVID-19. Arrowhead focuses these funds on the communities in and around their properties. Our solar capacity has increased dramatically, and further projects are underway. Arrowhead continues to strengthen these strategic areas of the business and looks forward to communicating its progress over the course of the 2021 financial year.

In our strategic update released on 9 June 2020, we advised that we were evaluating the cost benefit and other implications of merging Arrowhead and Indluplace. We will continue to evaluate the best way to unlock value in all of our investments, including Indluplace, but at this stage are no longer actively considering a merger between the two companies.

Market conditions

The South African economy was already experiencing an unpredictable and challenging environment prior to the COVID-19 pandemic, which was exacerbated by the effects of the pandemic. Notwithstanding the challenging environment and the pressure that our listed holdings have experienced, Arrowhead is pleased with the performance of its direct property portfolio for the period under review.

In expectation of an economic environment that is anticipated to remain difficult, we have implemented the following defensive measures:

- Innovative letting strategies.
- Invested in and implemented intensive tenant centric initiatives to improve relationships and tenant retention.
- Disposals of non-core assets with non-sustainable income streams.
- Strengthening the Company's balance sheet, by reducing debt.
- Investing in our portfolio through defensive capital and operational expenditure.

Commentary *continued*

COVID-19 pandemic

The COVID-19 pandemic had a significant impact on the global and local economy. On 26 March 2020 the South African Government announced an official lockdown as a result of the pandemic. Consequently, the financial effects of the pandemic had a significant impact on the Company for the last 6 months of the financial year and is expected to continue to have a negative impact beyond the reporting period. Some notable impacts to the business are reported below:

- The Company implemented a COVID-19 response strategy to ensure that all its properties were safe for the use by tenants and its clientele.
- The Company provided COVID-19 relief to the value of R77 million in the form of rental remissions and deferrals to assist tenants during the lockdown period imposed by the Government in its efforts to curb the effects of the pandemic.
- The Company's collections fell to a low of 86% for the period April to September 2020 before COVID-19 relief and 96% post relief provided.
- Tenant arrears spiked during the period of the pandemic but through our strong efforts, these arrears where brought back to acceptable levels by the end of the reporting period.
- The performance of our listed investments has been impacted by the effects of the pandemic. Consequently, the income expected from these investments is expected to be significantly lower than previously anticipated. The values of the underlying investments have also reduced, requiring the Company to make fair value adjustments in valuing such investments at the end of the reporting period.
- The Company's ability to transfer its pipeline of sales was negatively impacted by Council and deeds office closures during the period. Despite this, we are pleased with the fact that we still managed to transfer 25 assets with a sales value of R446 million during this COVID-19 impacted period.
- The effect of COVID-19 and the uncertainty of the future effects thereof have resulted in valuations declining more than had been previously anticipated. The Company's debt funding covenants have been under stress given the income pressure and the valuation outlook for properties. Certain banks have required the Company to make capital repayments to reduce the impact on these covenants.

Notwithstanding the negative effect of the above on our business, we are pleased that the Company has navigated through these challenges. We note the following positive aspects resulting from the COVID-19 pandemic:

- We have become much closer to our tenants and understand their businesses in greater detail.
- The divergent objectives between tenant and landlord have become more of a common goal towards sustainability.
- The tenant base that has survived the initial phase of COVID-19 is more solid and able to withstand adversity.
- Our Arrowhead management team showed the real value of our embedded capacity, ability to adapt to a fast-changing environment and make critical decisions in an unknown environment.
- Our diverse base of tenants spread across sectors has shown the strength and defensive nature of the portfolio during the pandemic.
- We believe the Arrowhead portfolio is perfectly positioned to offer tenants value post the pandemic via its portfolio of well-maintained and positioned assets.
- Our COVID-19 CSI programme helped us understand our assets' relevance within each node.
- Some national retailers saw the opportunity during the pandemic and looked to expand their businesses.
- We also strengthened our reporting systems to enable greater real time information, which enables the Company to improve the effectiveness of its decision making.

Changes to the business

Disposals (excluding disposals by Indluplace)

We have concluded 75 sales valued at R1.74 billion at a 11.0% forward yield and at a 7.2% discount to book value. The amount is slightly lower than the amount previously reported on SENS because certain sales failed to be implemented in accordance with their terms. By year-end we transferred sales of R840 million. We anticipate that the remaining sales of just over R900 million will transfer subsequent to year-end.

ASSET CLASS	NUMBER	SALES VALUE (RM)	BOOK VALUE (RM)	DISCOUNT TO BOOK VALUE	AVERAGE YIELD	AVERAGE PRICE PER ASSET (R')	VACANT GLA	VACANCY (%)
Retail	44	1 020	1 096	6.9%	11.5%	23 185 165	7 543	5.2%
Office	13	328	375	12.7%	9.9%	25 190 954	11 013	23.1%
Industrial	19	395	408	3.0%	10.5%	20 804 789	6 763	6.3%
Total	**76**	**1 743**	**1 879**	**7.2%**	**11.0%**	**22 933 166**	**25 319**	**8.4%**

Note: There were 76 sales consisting of a sale of 75 assets and 1 Erf of a property that is still within the property portfolio.

Acquisitions

The Group acquired the remaining 24.38% voting interest (and a 5% economic interest) in Moolgem Proprietary Limited on 30 June 2020 for the purchase consideration of R36.6 million.

Revenue

Revenue includes rental income and expenditure that is recoverable from tenants.

At 30 September 2020 Arrowhead owned 143 commercial properties directly and 147 residential properties indirectly through Indluplace. At 30 September 2019, Arrowhead owned 188 commercial properties directly and 167 residential properties indirectly through Indluplace.

As at 30 September 2020 Arrowhead's direct property portfolio comprised by revenue of 50% retail properties, 33% office properties and 17% industrial properties. The average gross and (net) monthly rental per m^2 per sector are R129 (2019: R127) for retail, R127 (2019: R126) for office and R45 (2019: R47) for industrial. Gross rental includes parking, operational cost recoveries and rates recoveries. Rental reversions were -11.5% overall, (-10.7% retail, -9.8% office and industrial -15.0%). The average weighted lease escalation across the portfolio was 7.3%, (with retail at 7.2%, office at 7.6% and industrial at 7.3%). Average lease length was 3.6 years. In the current financial year gross lettable area ("**GLA**") of 241 581 m^2 came up for renewal, of which 202 067 m^2 was renewed and a further 13 149 m^2 re-let. In aggregate, overall retention was 89% of the GLA.

In what has been a very challenging economic environment we have experienced positive letting activity and a strong performance from the direct portfolio. Vacancies have increased slightly from 7.5% at 30 September 2019 to 8.6% at 30 September 2020 (retail 7.0%, office 17.3% and industrial 3.2%).

We have provided total COVID-19 relief of R77 million, recorded against the Company's revenue, during the 2020 financial year, R10 million in the form of rental deferrals and R67 million in the form of rental discounts. Our collections since the start of the declaration of a state of disaster as a result of COVID-19 are summarised as follows:

	GROSS COLLECTIONS BEFORE RELIEF	NET COLLECTIONS AFTER RELIEF
April 2020	79%	98%
May 2020	76%	92%
June 2020	88%	96%
July 2020	90%	95%
August 2020	92%	96%
September 2020	93%	97%
	86%	**96%**

12 month letting report

	TOTAL GLA	LET GLA	VACANT GLA	LET (%)	VACANT (%)
As at 1 October 2019	**1 252 133**	**1 158 062**	**94 071**	**92.5**	**7.5**
Disposals	(116 765)	(103 864)	(12 901)	-	-
Net adjustments	(4 396)	(1 824)	(2 572)	-	-
Adjusted totals	**1 130 972**	**1 052 374**	**78 598**	**93.1**	**6.9**
Net (loss)/gain	-	(18 425)	18 425	-	-
As at 30 September 2020	**1 130 972**	**1 033 949**	**97 023**	**91.4**	**8.6**

Core direct portfolio

Net income growth on properties owned at 1 October 2018 and still owned on 30 September 2020 - after COVID-19 relief

	1 OCTOBER 2019 TO 30 SEPTEMBER 2020 R'000	1 OCTOBER 2018 TO 30 SEPTEMBER 2019 R'000	GROWTH (%)
Revenue	1 370 910	1 466 226	(6.5)
Property Expenses	(544 984)	(569 782)	(4.4)
Net Operating Income	**825 926**	**896 444**	**(7.9)**

Note: If we ignore the effects of COVID-19 relief granted to tenants, the net operating income would have reduced by 0.5%.

The core portfolio is in respect of the Arrowhead portfolio excluding Indluplace.

Listed securities income

During the current financial period, Dipula and Rebosis have not declared dividends and accordingly, we have not accrued dividends receivable from them.

Operating costs

R'000	30 SEPTEMBER 2020	% OF TOTAL	30 SEPTEMBER 2019	% OF TOTAL
Municipal expenses	584 029	61	624 964	65
Property management fees (including letting commission costs)	102 114	11	95 727	10
Repairs and maintenance	45 568	5	36 026	4
Security	38 221	4	36 209	4
Cleaning	24 585	3	25 865	3
Insurance	12 514	1	11 740	1
Other	147 838	15	136 548	13
Total	**954 869**	**100**	**967 079**	**100**

Operating costs have decreased overall due to intensive management of municipal expenses and the buildings sold during the year. Property management fees have also reduced due to a reduced number of properties but letting commission costs have increased as a result of aggressive letting activity during the year and higher costs incurred by Indluplace. The increase in the repairs and maintenance expense is expected to improve the letting potential of the assets in the portfolio. The increase in other operating costs is due to higher bad debts, legal costs and contractual expenses. The gross expense to income ratio has increased from 40% to 44% (the ratio excluding COVID-19 relief would be 42%), while the net expense to income ratio increased from 19% to 21% (the ratio excluding COVID-19 relief would be 20%).

Administration expenses and corporate costs

R'000	30 SEPTEMBER 2020	% OF TOTAL	30 SEPTEMBER 2019	% OF TOTAL
Salaries	79 327	76	65 755	73
Professional service fees	11 236	11	9 677	11
Other	13 489	13	13 992	16
Total	**104 052**	**100**	**89 424**	**100**

The salaries for the Group increased due to the annualised effect of staff employed during the 2019 year, and additional staff employed in the current year by both Arrowhead and Indluplace. Furthermore, the Group's long-term incentive scheme in the form of a conditional share plan ("**CSP**") implemented in the 2019 year had the effect of increasing salary costs as the Group accrued for share option allocations that will vest in future years, subject to performance targets being achieved. Professional fees have increased year on year due to various consultations held for purposes of the COVID-19 pandemic and other legal matters. Other costs relate to non-executive director fees, audit fees, travel costs and entertainment, and have remained fairly steady.

Finance income

R'000	30 SEPTEMBER 2020	(%) OF TOTAL	30 SEPTEMBER 2019	(%) OF TOTAL
Interest on Group share purchase and option schemes	32 609	71	65 923	89
Interest on cash balances and tenant arrears	13 405	29	7 968	11
Total as per analysis of distributable earnings	**46 014**	**100**	**73 891**	**100**

Increased interest earned on cash balances was primarily as a result of monies received in respect of assets disposed of and an increase in debtors' arrears. Interest on Group share purchase and option schemes is equal to the dividend declared by the Company in respect of such shares. As the dividend in the current year reduced so the interest income declined proportionately.

Finance charges

R'000	30 SEPTEMBER 2020	(%) OF TOTAL	30 SEPTEMBER 2019	(%) OF TOTAL
Interest paid - secured financial liabilities and swap facilities	567 828	99	621 586	99
Lease liability (adoption of IFRS 16)	2 345	0	-	-
Amortisation of structuring fee and other interest paid	4 176	1	6 262	1
Total	**574 349**	**100**	**627 848**	**100**

Finance charges decreased due to a reduction in interest bearing liabilities and the reduction in interest rates during the period. Lease liability charges related to the adoption of IFRS 16, were introduced in the current year. Reduction in the amortisation of the structuring fee is due to the facilities which expired during the year.

Investment properties

As at 30 September 2020 the portfolio comprised of 143 retail, industrial and office properties valued at R9.7 billion with an average property value of R68.0 million. In addition, the Group owned 147 residential properties through its subsidiary, Indluplace, valued at R3.8 billion with an average property value of R25.7 million.

Analysis of movement in investment property

	PROPERTY PORTFOLIO		RESIDENTIAL PORTFOLIO*		TOTAL	
	NO. OF BUILDINGS	R'000	NO. OF BUILDINGS	R'000	NO. OF BUILDINGS	R'000
Balance at the beginning of the year	188	10 759 299	167	4 175 006	355	14 934 305
Acquisitions, additions and fair value adjustments	-	(148 430)	-	(329 892)	-	(478 322)
Disposals	(45)	(879 335)	(20)	(37 190)	(65)	(916 525)
Balance at the end of the period#	**143**	**9 731 534**	**147**	**3 807 924**	**290**	**13 539 458**

* The residential portfolio is a separately listed fund on JSE. Arrowhead's shareholding in Indluplace was 60.0% at 30 September 2020 (2019: 59.6%).

The above includes non-current assets held for sale.

Investment property decreased from R14.9 billion at 30 September 2019 to R13.5 billion at 30 September 2020. The material movements were mainly attributable to disposals of R916 million; capital expenditure incurred of R230 million and fair value write-downs of R761 million, being (5.1%)

Loans to participants of Group share purchase and option schemes

The loans to the participants of the Group share schemes are held at fair value in accordance with IFRS 9 "Financial Instruments" and have been adjusted to fair value. The fair value was determined by calculating a future share price by considering forward looking parameters based on a dividend growth model. These loans all bear interest at a rate equal to the dividend declared for the period. The loans to the former Chief Financial Officer have been recategorised to current as the Company has currently embarked on steps to recover these loans.

Trade and other receivables

Trade and other receivables decreased from R532.9 million as at 30 September 2019 to R387.6 million as at 30 September 2020. The decrease was primarily driven by the following key considerations:

1. R71 million of asset sales at the end of the prior financial year reflected as trade receivables as the monies were only received subsequent to the 2019 year-end.
2. Adjustment account receivables reduced by virtue of a R23 million receipt from counterparties.
3. The allowance for credit losses increased by R13.5 million from R28.8 million as at 30 September 2019 to R42.3 million as at 30 September 2020.
4. Income accruals at the end of the current financial year were lower than previous financial year due to the decreased number of buildings in the portfolio.

Secured financial liabilities

Group loans of R5.6 billion (2019: R6.5 billion) were reduced by cash and cash equivalents. Measured against investment property and financial assets of R13.9 billion (2019: R15.6 billion) representing a Group loan to value ("**LTV**") of 39.3% (2019: 40.5%). The decrease in the LTV is mainly as a result of disposals to the value of R916 million and the corresponding decrease in the Group's borrowings by an amount of R909 million. The interest rate swaps of R5.15 billion equates to 91.5% (99.2% for Arrowhead and 69.2% for Indluplace) of the total loans hedged.

Excess funds are placed in access facilities to reduce the overall interest charge. The weighted average interest rate for the period ended 30 September 2020 was 9.15% (30 September 2019: 9.48%) for the Group. The Group has a loan facility of R264 million which expires in the next 12 months and has committed to repay these amounts in full. Indluplace has a R150 million facility which expires in the next 12 months which debt expiry has been renewed with a different funder. Post expiry of these facilities, the next expiry will only be in the 2022 financial year. As at 30 September 2020 the Group (excluding Indluplace) had free available cash of approximately R581 million. At its current LTV of 39.3% the Company is well within its LTV covenants on all of its facilities. The Group's interest cover ratio ("**ICR**") is 2.20. This remains within the ICR covenants of the Group's providers (which are at 2 times cover), other than Standard Bank, which has prescribed a minimum ICR of 2.25 ("**2.25 times cover ratio**") as long as the Group has in excess of R200 million undrawn unrestricted facilities and/or cash on hand. Arrowhead, excluding Indluplace, had unrestricted cash available of R581 million, well in excess of the R200 million prescribed by Standard Bank. As a result of the Standard Bank 2.25 times cover ratio, in terms of IFRS, Standard Bank loans amounting to R1.672 billion are classified as current liabilities as at 30 September 2020. It should be noted that subsequent to year-end, Standard Bank condoned the ICR breach. These loans therefore mature in accordance with their term.

MATURITY	3 MONTH JIBAR# MARGIN %	PRIME RATE MARGIN %	R'000
November 2020 (Indluplace)	-	Minus 1.30	150 000
November 2020	3.00	-	50 000
June 2021	2.00	-	214 378
October 2021	3.25	-	96 899
December 2021	1.85	-	300 000
April 2022	1.89	-	330 000
June 2022	2.10	-	31 095
July 2022	2.10	-	97 533
September 2022	-	Minus 1.08	45 195
October 2022	2.15	-	459 079
October 2022 (Indluplace)	2.20	-	302 143
October 2020 (Indluplace)	2.20	-	302 143
November 2022	2.20	-	373 950
November 2022	2.20	-	80 000
November 2022	2.05	-	280 000
November 2022	2.05	-	200 000
June 2023	2.05	-	335 624
July 2023	2.00	-	661 000
November 2023 (Indluplace)	2.40	-	171 429
November 2023 (Indluplace)	2.30	-	171 429
December 2023	2.25	-	106 000
December 2023	2.35	-	345 106
September 2024	2.25	-	96 500
September 2024	-	Minus 1.00	85 224
November 2024 (Indluplace)	2.55	-	85 714
November 2024 (Indluplace)	2.40	-	85 714
November 2025 (Indluplace)	2.70	-	85 714
November 2025 (Indluplace)	2.50	-	85 714
Total exposure			**5 627 583**

3 month JIBAR as at 30 September 2020 was 3.36%

Note: The loans highlighted in red above represent the Standard Bank loans classified as current liabilities as at 30 September 2020 due to the Group's interest cover ratio being 2.20 instead of 2.25 as per the Standard Bank covenant. Standard Bank has condoned this breach subsequent to year end. These loans therefore mature in accordance with their term per the table above.

MATURITY DATE	ARROWHEAD CAPITAL AMOUNT (R`000)	INDLUPLACE CAPITAL AMOUNT (R`000)	TOTAL CAPITAL AMOUNT (R`000)
Expiring in the next 12 months	264 206	150 000	414 206
Expiring in the next 24 months	886 518	-	886 518
Expiring in the next 36 months	2 404 030	604 286	3 008 316
Expiring in the next 48 months	632 829	342 857	975 686
Expiring in the next 60 months	-	342 857	342 857
	4 187 583	**1 440 000**	**5 627 583**

The Group has further entered into interest rate swaps to hedge its exposure to fluctuations in interest rates of its debt as follows:

Arrowhead

Notional Amount (R'000)	Maturity Date
200 000	2022/06/30
200 000	2022/07/04
525 000	2022/10/31
600 000	2022/11/15
200 000	2022/12/04
275 000	2023/04/28
65 729	2023/04/28
41 681	2023/04/28
51 772	2023/04/28
112 450	2023/04/28
300 000	2023/05/05
742 163	2023/05/05
595 000	2024/09/12
139 000	2024/10/03
106 000	2024/10/03
4 153 795	

Indluplace

Notional Amount (R'000)	Maturity Date
275 025	2024/10/07
28 485	2024/10/07
144 979	2024/10/07
275 025	2024/10/07
28 485	2024/10/07
144 979	2024/10/07
50 000	2025/01/07
50 000	2025/01/07
996 978	

Trade and other payables

Trade and other payables increased from R606.6 million at 30 September 2019 to R674.7 million at the end of 30 September 2020 due to an increase in capital expenditure accruals totalling R66 million. Furthermore, effective 30 June 2020, the minority stake in Moolgem Proprietary Limited was purchased for R36 million. R6 million of this was paid in cash before year end and the balance of R30 million was accrued and is payable post year-end.

Prospects

Given the uncertainty surrounding the current unpredictable environment in which we will be operating for the foreseeable future, we are not in a position to provide the market with guidance as to our distributable income per share for the year ending 30 September 2021. We are however pleased with the progress that we made during the current year in strengthening our balance sheet and the earnings generated, albeit at a lower level than originally budgeted. We believe that we are well positioned to face the challenges during these uncertain times.

Summary of financial performance	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2020	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2019
Number of Arrowhead ordinary shares in issue		
Arrowhead A shares	62 718 658	62 718 658
Arrowhead B shares*	969 807 177	1 017 278 238
Net asset value per share (Rand)		
Arrowhead A shares (cents)	7.91	9.90
Arrowhead B shares (cents)	6.31	7.05
Gearing ratio / loan to value (%)	39.3	40.5

* Excluding the shares issued to the Arrowhead Charitable Trust

Payment of dividend for the year ended 30 September 2020

On 20 April 2020 shareholders were advised that the Board had resolved to defer the decision on the payment on an interim dividend for the six months ended 31 March 2020 ("**interim dividend**") until the end of the financial year and that it would revise its dividend policy of paying out 100% of distributable income to a more sustainable payout ratio. Under the current uncertain circumstances, the Board has revised the Company's dividend payout ratio to 76.5%. The Board has resolved to declare an interim dividend (dividend number 10) of 56.77442 cents per A share and 17.54203 per B share and a final dividend for the six months ended 30 September 2020 ("**final dividend**") (dividend number 11) of 58.68576 cents per A share and 15.44616 per B share. Accordingly, a combined gross interim and final dividend of 115.46018 cents per A share and 32.98819 cents per B share will be paid to shareholders in accordance with the timetable set out below:

	2020
Last date to trade cum distribution	Monday, 21 December
Shares trade ex-distribution	Tuesday, 22 December
Record date	Thursday, 24 December
Payment date	Monday, 28 December

Share certificates may not be dematerialised or rematerialised between Tuesday, 22 December 2020 and Thursday, 24 December 2020, both days inclusive. Payment of the dividend will be made to shareholders on Monday, 28 December 2020. In respect of dematerialised shareholders, the dividend will be transferred to the Central Securities Depositary Participant ("**CSDP**") accounts/broker accounts on Monday, 28 December 2020. Certificated shareholders' dividend payments will be deposited on or about Monday, 28 December 2020 to certificated shareholders' bank accounts.

In accordance with Arrowhead's status as a REIT, shareholders are advised that the dividends meet the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("**Income Tax Act**"). The distributions on the shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because they are dividends distributed by a REIT. These dividends are, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

a) a declaration that the dividend is exempt from dividends tax; and

b) a written undertaking to inform the CSDP, broker or the Company should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the Company to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Dividends withholding tax is 20% and accordingly, any dividends received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("**DTA**") between South Africa and the country of residence of the shareholders.

Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders in respect of the interim dividend per A share is 45.41954 cents per A share and in respect of the final dividend is 46.94861 cents per A share. The net dividend amount due to non-resident shareholders in respect of the interim dividend per B share is 14.03362 cents per B share and in respect of the final dividend is 12.35693 cents per B share. A reduced dividend withholding rate in terms of the applicable DTA, may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker in respect of uncertificated shares, or the Company, in respect of certificated shares:

a) a declaration that the dividends are subject to a reduced rate as a result of the application of a DTA; and
b) a written undertaking to inform their CSDP, broker or the Company should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the Company to arrange for the above-mentioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted, if applicable.

Shareholders are encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.
A-shares in issue at the date of declaration of dividends: 62 718 658
B-shares in issue at the date of declaration of dividends: 995 341 876
Arrowhead's income tax reference number: 9068/723/17/1

SA REIT Association's Best Practice Recommendations ("BPR")
The SA REIT Association's has issued an updated Best Practice Recommendations ("**BPR**") which is effective for all members for reporting periods commencing on or after 1 January 2020. The updated BPR would only be mandatory for the Arrowhead Group for the financial year starting 1 October 2020 and as such these recommendations have not yet been adopted in this announcement.

An Arrow for Change relief initiative
The Group has implemented its own relief initiative to provide support to various relief organisations which assist impoverished communities during the COVID-19 pandemic. For every rand that was generated by stakeholders associated with the fund, the Company matched the contribution. One of the advantages of this fund was our ability to influence the use of this relief to favour communities within which our assets are located. The executive team accepted salary reductions equal to a month's salary, which amounts were contributed to this initiative. The non-executives also accepted fee reductions to support this initiative. At the date of this announcement the fund received contributions in excess of R3 million and has made donations to various worthy COVID-19 relief programs and supported communities where our assets are based.

Litigation statement
There are no legal or arbitration proceedings, including any proceedings that are pending or threatened, of which Arrowhead is aware, that may have or have had in the recent past, being the previous 12 months, a material effect on the Group's financial position.

Basis of preparation
The annual consolidated results for the year ended 30 September 2020 have been audited by the Groups' auditors, BDO South Africa Incorporated. The auditors have issued an unqualified opinion on the audited consolidated results for the year ended 30 September 2020 and a copy of the audit opinion, together with the underlying audited annual financial statements are available for inspection at the Company's registered office, and available on the Company's website at:
https://arrowheadproperties.co.za/cmsAdmin/uploads/interim-results/afs-2020.pdf

These summarised consolidated audited financial statements for the year ended 30 September 2020 ("**summarised results**") have been prepared in accordance with the requirements of International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, IAS 34: Interim Financial Reporting, the JSE Listings Requirements and the requirements of the Companies Act of South Africa 2008. The accounting policies are consistent with the previous period, except for the new treatment of leases in the current financial year. These results have been prepared under the supervision of J Limalia, CA (SA), Arrowhead's Chief Financial Officer.

These summarised results have been extracted from the audited consolidated results for the year ended 30 September 2020 but are not audited. The directors take full responsibility for the preparation of the summarised results and for ensuring that the financial information has been correctly extracted from the underlying audited consolidated results for the year ended 30 September 2020.

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 from the issuer's registered office.

New standards and interpretations adopted

IFRS 16 Leases

IFRS 16 supersedes the following Standards and Interpretations:

- IAS 17 Leases;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- SIC-15 Operating Leases—Incentives; and
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment or investment property) and lease liabilities similarly to other financial liabilities.

The Group has adopted IFRS 16 from 1 October 2019 and has adopted the modified retrospective method of application.

The Group has elected to use the "transition practical expedient" allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. On adoption, the Group has recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17.

These liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate of 9.46%. Subsequently, each lease payment is allocated between the liability and finance cost.

On transition date, the right-of-use assets was measured at the amount equal to the lease liability after taking into account any prepaid lease expenses. The right-of-use assets is subsequently remeasured at fair value in terms of IAS 40.

The right of use asset and lease liability recognised initially on 1 October 2019 was R25.8 million and R25.3 million respectively. As at 30 September 2020, the Group had R25.8 million right-of-use assets with a corresponding R24.6 million lease liability.

Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16	R'000
Operating lease commitment at 30 September 2019	48 157
Discounted using the incremental borrowing rate at 01 October 2019	25 839
Less prepaid operating lease rentals	(489)
Lease liabilities recognised at 1 October 2019	**25 350**

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 addresses uncertainty over how tax treatments should affect the accounting for income taxes. IFRIC 23 did not have any impact on the Group

Summarised consolidated statement of comprehensive income for the year ended 30 September 2020

R'000	AUDITED FOR THE YEAR ENDED SEPTEMBER 2020	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2019
Rental income	2 189 241	2 419 948
Straight line rental income accrual	14 520	4 536
Listed securities income	18 325	81 775
Total revenue	**2 222 086**	**2 506 259**
Operating costs	(954 869)	(967 079)
Administration and corporate costs	(104 053)	(89 424)
Net operating profit	**1 163 164**	**1 449 756**
Changes in fair values	(1 500 977)	(1 753 058)
Profit from operations	**(337 813)**	**(303 302)**
Finance charges	(574 350)	627 849
Finance income	46 014	73 891
Loss before taxation	**(866 149)**	**(857 260)**
Taxation	21 644	-
Total comprehensive loss	**(844 505)**	**(857 260)**
Loss for the year attributable to:		
Equity shareholders of Arrowhead	(733 284)	(843 294)
Non-controlling interest	(111 221)	(13 966)
Total comprehensive loss for the year	**(844 505)**	**(857 260)**

Condensed consolidated statement of financial position for the year ended 30 September 2020

R'000	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2020	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2019
Assets		
Non-current assets	**12 400 258**	**15 055 908**
Investment property	12 111 512	14 457 961
Fair value of property portfolio	11 946 285	14 323 464
Straight line rental income accrual	165 227	134 497
Property, plant and equipment	631	1 043
Loans to participants of Group share purchase and option schemes	132 183	384 122
Financial assets	97 832	210 069
Derivative tax	58 100	-
Derivative instruments	-	2 713
Current assets	**605 902**	**693 849**
Trade and other receivables	387 550	532 850
Loans to participants of Group share purchase and option schemes	48 263	-
Cash and cash equivalents	170 089	160 999
Non-current assets held for sale	**1 427 947**	**476 344**
Total assets	**14 434 107**	**16 226 101**
Equity and liabilities		
Shareholders' interest	**6 619 225**	**7 795 764**
Stated capital	7 206 556	7 295 523
Share-based payments reserve	3 059	
Reserves	(590 390)	500 241
Non-controlling interest	**992 364**	**1 210 368**
Other non-current liabilities	**4 012 920**	**5 941 399**
Secured financial liabilities	3 531 579	5 855 025
Deferred taxation	-	10 040
Derivative instruments	458 213	76 334
Finance lease liability	23 128	-
Current liabilities	**2 809 598**	**1 278 570**
Trade and other payables	674 713	606 550
Secured financial liabilities	2 086 920	672 020
Current tax payable	46 495	-
Finance lease liability	1 470	-
Total equity and liabilities	**14 434 107**	**16 226 101**

Summarised consolidated statement of changes in equity

R'000	STATED CAPITAL	SHARE-BASED PAYMENT RESERVES	RESERVES	NON-CONTROLLING INTEREST	TOTAL
Balance at 30 September 2018	**6 556 986**	**-**	**1 104 757**	**2 934 758**	**10 596 501**
Issue of shares	738 537	-	-	188 486	927 023
Acquisition of non-controlling interest as part of reverse take over	-	-	1 189 290	(1 913 450)	(724 160)
Transfers between equity holders	-	-	(306 632)	306 632	-
Dividends paid	-	-	(643 880)	(292 092)	(935 972)
Total comprehensive income for the period	-	-	(843 294)	(13 966)	(857 260)
Balance at 30 September 2019	**7 295 523**	**-**	**500 241**	**1 210 368**	**9 006 132**
Share buyback	(88 968)	-	5 680	(14 157)	(97 445)
Changes in ownership interest for Moolgem	-	-	3 807	(40 430)	(36 623)
Employee share scheme	-	3 059	-	321	3 380
Dividends paid	-	-	(366 834)	(52 518)	(419 352)
Total comprehensive income for the period	-	-	(733 284)	(111 220)	(844 504)
Balance at 30 September 2020	**7 206 555**	**3 059**	**(590 390)**	**992 364**	**7 611 588**

Summarised consolidated statement of cashflows

R'000	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2020	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2019
Net cash utilised from operating activities	**381 939**	**20 984**
Cash generated from operations	1 311 302	1 429 138
Finance charges paid	(574 350)	(627 848)
Interest received	46 014	73 891
Dividends received - listed securities	18 325	81 775
Dividends paid - non-controlling interest	(52 518)	(292 092)
Dividends paid	(366 834)	(643 880)
Net cash utilised in investing activities	**644 768**	**(290 257)**
Capital expenditure / acquisitions of investment property	(229 852)	(849 088)
Proceeds from disposal of investment property	872 903	559 804
Investment in financial assets	(5 799)	(600)
Sale of property, plant and equipment	47	-
Sale of financial assets	8 000	-
Acquisition of property, plant and equipment	(530)	(373)
Net cash generated from financing activities	**(1 017 617)**	**390 127**
Cost incurred in share buy back	(97 521)	(28 719)
Acquisition of additional interest in subsidiary	(6 623)	-
Repayment of lease liability	(750)	-
(Repayments of)/advances made from financial liabilities	(912 723)	418 846
Net movement in cash and cash equivalents	9 090	120 854
Cash and cash equivalents at the beginning of the year	**160 998**	**40 144**
Cash and cash equivalents at the end of the year	**170 088**	**160 998**

Reconciliation of earnings to headline earnings

R'000	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2020	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2019
Loss for the year attributable to Arrowhead shareholders	(733 284)	(843 293)
Loss	**(733 284)**	**(843 293)**
Change in fair value of investment property	761 293	284 778
Change in fair value of investment property - non-controlling interest	(144 402)	(66 023)
Loss on sale of investment property	43 743	457
Loss on sale of investment property - non-controlling interest	-	-
Headline (loss)/profit attributable to shareholders	**(72 650)**	**(624 081)**
Number of A shares in issue	62 718 658	62 718 658
Number of B shares in issue	969 807 177	1 017 278 238
Weighted average number of A shares in issue	62 718 658	61 101 741
Weighted average number of B shares in issue	975 150 972	435 907 602
Basic and diluted loss per combined shares in issue (cents)	(70.65)	(169.67)
Headline and diluted (loss)/earnings per combined shares in issue (cents)	(7.00)	(125.57)

Summarised consolidated segmental analysis

The Company has five reportable segments based on the geographic split of the country which are the Company's strategic business segments. The Company's executive directors review internal management reports on a monthly basis and all segments greater than 5% are considered strategic. All segments are located in South Africa. There are no single major tenants. The following summary describes the operations in each of the entity's reportable segments.

Geographical

30 SEPTEMBER 2020 - R'000	GAUTENG	WESTERN CAPE	KWAZULU -NATAL	EASTERN CAPE	LIMPOPO	OTHER	TOTAL
Contractual rental income	1 449 843	255 770	132 570	120 802	166 129	64 127	2 189 241
Straight line rental income	(33)	(625)	1 480	(1 338)	-	15 036	14 520
Listed securities income	-	-	-	-	-	18 325	18 325
Operating costs and administrative costs	(684 613)	(90 877)	(48 130)	(45 457)	(45 154)	(144 691)	(1 058 922)
Net operating income	**765 197**	**164 268**	**85 920**	**74 007**	**120 975**	**(47 203)**	**1 163 164**
Interest received	15 717	213	83	248	495	29 258	46 014
Finance charges	(2 141)	(307)	(1)	(7)	(10)	(571 884)	(574 350)
Net operating income	**778 773**	**164 174**	**86 002**	**74 248**	**121 460**	**(589 829)**	**634 828**
Changes in fair values	(664 355)	(557)	(24 174)	(17 749)	(47 172)	(746 970)	(1 500 97)
Profit/(loss) before taxation	**114 418**	**163 617**	**61 828**	**56 499**	**74 288**	**(1 336 799)**	**(866 149)**
Taxation	-	-	-	-	-	21 644	21 644
Reportable segment profit/(loss) after tax	**114 418**	**163 617**	**61 828**	**56 499**	**74 288**	**(1 315 155)**	**(844 505)**
Reportable segment assets	7 524 147	2 135 119	870 350	821 716	1 104 915	1 977 860	14 434 107
Reportable segment liabilities	(357 708)	(49 555)	(47 317)	(21 816)	(51 252)	(6 294 870)	(6 822 518)
	7 166 439	**2 085 564**	**823 033**	**799 900**	**1 053 663**	**(4 317 010)**	**7 611 589**

Sectoral

30 SEPTEMBER 2020 - R'000	COMMERCIAL	INDUSTRIAL	RETAIL	RESIDENTIAL	OVERHEADS	TOTAL
Contractual rental income	528 276	273 657	744 180	645 878	(2 750)	2 189 241
Straight line rental income	4 168	1 697	(3 514)	(2 866)	15 035	14 520
Listed securities income	-	-	-	-	18 325	18 325
Operating costs and administration costs	(223 101)	(116 761)	(268 379)	(357 724)	(92 957)	(1 058 922)
Net operating income	**309 343**	**158 593**	**472 287**	**285 288**	**(62 347)**	**1 163 164**
Interest received	807	890	15 319	16 147	12 851	46 014
Finance charges	(337)	(90)	(2 003)	(131 051)	(440 869)	(574 350)
Net operating income	**309 813**	**159 393**	**485 603**	**170 384**	**(490 365)**	**634 828**
Changes in fair values	(169 404)	(153 515)	(64 290)	(505 476)	(608 292)	(1 500 977)
Profit/(loss) before taxation	**140 409**	**5 878**	**421 313**	**(335 092)**	**(1 098 657)**	**(866 149)**
Taxation	-	-	-	-	21 644	21 644
Reportable segment profit/(loss) after tax	**140 409**	**5 878**	**421 313**	**(335 092)**	**(1 077 013)**	**(844 505)**
Reportable segment assets	3 243 919	1 659 751	5 134 578	3 878 564	517 295	14 434 107
Reportable segment liabilities	(159 336)	(78 157)	(227 626)	(93 370)	(6 264 029)	(6 822 518)
	3 084 583	**1 581 594**	**4 906 952**	**3 785 194**	**(5 746 734)**	**7 611 589**

Geographical

30 SEPTEMBER 2019 - R'000	GAUTENG	WESTERN CAPE	KWAZULU -NATAL	EASTERN CAPE	LIMPOPO	OTHER	TOTAL
Contractual rental income	1 211 876	268 920	175 274	150 520	153 105	460 252	2 419 947
Straight line rental income	7 396	(5 502)	1 018	460	316	848	4 536
Listed securities income	-	-	-	-	-	81 775	81 775
Operating costs and administration costs	(526 265)	(92 129)	(68 048)	(58 484)	(37 422)	(274 155)	(1 056 503)
Net operating income before interest received	**693 007**	**171 289**	**108 244**	**92 496**	**115 999**	**26 8 720**	**1 449 755**
Interest received	1 884	509	121	194	191	70 992	73 891
Finance charges	(367)	(6)	(7)	(17)	(6)	(627 445)	(627 848)
Net operating income/(loss)	**694 524**	**171 792**	**108 358**	**92 673**	**116 184**	**(287 733)**	**895 798**
Changes in fair values	(565 619)	90 820	(329 982)	(16 566)	100 440	(1 032 151)	(1 753 058)
Profit/(loss) before taxation	**128 905**	**262 612**	**(221 624)**	**76 107**	**216 624**	**(1 319 884)**	**(857 260)**
Taxation	-	-	-	-	-	-	-
Reportable segment profit/(loss) after tax	**128 905**	**262 612**	**(221 624)**	**76 107**	**216 624**	**(1 319 884)**	**(857 260)**
Reportable segment assets	8 321 948	2 128 768	977 157	917 649	1 427 510	2 453 069	16 226 101
Reportable segment liabilities	(227 973)	(40 788)	(49 138)	(25 163)	(22 583)	(6 854 324)	(7 219 969)
	8 093 975	**2 087 980**	**928 019**	**892 486**	**1 404 927**	**(4 401 255)**	**9 006 132**

Sectoral

30 SEPTEMBER 2019 - R'000	COMMERCIAL	INDUSTRIAL	RETAIL	RESIDENTIAL	OVERHEADS	TOTAL
Contractual rental income	648 031	301 218	783 914	655 717	31 067	2 419 947
Straight line rental income	(2 260)	526	4 080	(173)	2 363	4 536
Listed securities income	-	-	-	-	81 775	81 775
Operating costs and administration costs	(263 646)	(130 950)	(276 115)	(293 190)	(92 602)	(1 056 503)
Net operating income before interest	**382 125**	**170 794**	**511 879**	**362 354**	**22 603**	**1 449 755**
Interest received	937	779	1 375	22 642	48 158	73 891
Finance charges	(46)	(271)	(133)	(133 699)	(493 699)	(627 848)
Net operating income/(loss)	**383 016**	**171 302**	**513 121**	**251 297**	**(422 938)**	**895 798**
Changes in fair values	(227 034)	(34 926)	163 089	(306 929)	(1 347 258)	(1 753 058)
Profit/(loss) before taxation	**155 982**	**136 376**	**676 210**	**(55 632)**	**(1 770 196)**	**(857 260)**
Taxation	-	-	-	-	-	-
Reportable segment profit/(loss) after tax	**155 982**	**136 376**	**676 210**	**(55 632)**	**(1 770 196)**	**(857 260)**
Reportable segment assets	3 680 545	1 954 153	5 496 795	4 469 071	625 537	16 226 101
Reportable segment liabilities	(136 730)	(66 484)	(165 737)	(1 567 140)	(5 283 878)	(7 219 969)
	3 543 815	**1 887 669**	**5 331 058**	**2 901 931**	**(4 658 341)**	**9 006 132**

Fair value hierarchy

The different levels have been defined as:
- Level 1 - fair value is determined from quoted prices (unadjusted) in active markets for identical asset or liabilities;
- Level 2 - fair value is determined through the use of valuation techniques based on observable inputs, either directly or indirectly; and
- Level 3 - fair value is determined through the use of valuation techniques using significant inputs.

The investment in Dipula and Rebosis shares are valued using a level 1 model.
The loans to participants of Group share purchase option schemes are valued based on a level 3 model.
The derivative instruments are valued by the various financial institutions by discounting the future cashflows using the JIBAR swap curve and are based on a level 2 model.
Investment property is valued using a level 3 model.

Measurement of fair value for level 3
Investment property is measured using the expected nett income which includes assumptions on vacancies against which an appropriate capitalisation rate is applied.

The key inputs are as follows:
- Expected net operating income;
- Discount rate (14.50% - 21.50%)
- Exit CAP rate (8.25% - 12.95%);
- Growth rate (0% - 12.00%)

If the capitalisation rate increased or decreased by 0.25%, the value of investment property, measured using the discounted net cashflow method and income capitalisation rate method, would increase by R338 million and would decrease by R322 million in totality. Broken down per sector it would have the following impact:

SECTOR	CAPITALISATION RATE DECREASED BY 0.25%	CAPITALISATION RATE INCREASED BY 0.25%
Industrial	+ R78 million	- R74 million
Commercial	+ R38 million	- R36 million
Retail	+ R 130 million	- R123 million
Residential	+ R93 million	- R89 million

R'000 Group	Designated at fair value	Level 1	Level 2	Level 3
Year ended 30 September 2020				
Investment property (including non-current assets held for sale)	13 539 459	-	-	13 539 459
Financial assets	**265 089**	**84 643**	**-**	**180 446**
Listed securities	84 643	84 643	-	-
Loans to participants of Group share purchase option schemes	180 446	-	-	180 446
Total assets	**13 804 548**	**84 643**	**-**	**13 719 905**
	458 213	**-**	**458 213**	**-**
Interest rate swaps	458 213	-	458 213	-
Total liabilities	**458 213**	**-**	**458 213**	**-**

R'000 Group	Designated at fair value	Level 1	Level 2	Level 3
Year ended 30 September 2019				
Investment property (including non-current assets held for sale)	14 934 305	-	-	14 934 305
	596 904	**210 069**	**2 713**	**384 122**
Financial assets	210 069	210 069	-	-
Interest rate swaps	2 713	-	2 713	-
Loans to participants of Group share option scheme	384 122	-	-	384 122
Total assets	**15 531 209**	**210 069**	**2 713**	**15 318 427**
	76 334	**-**	**76 334**	**-**
Interest rate swaps	76 334	-	76 334	-
Total liabilities	**76 334**	**-**	**76 334**	**-**

By order of the Board

25 November 2020

DIRECTORS
M Nell* (Chairperson), M Kaplan (CEO), J Limalia (CFO), T Adler*, A Basserabie*, G Kinross*, N Makhoba*, S Mokorosi*, S Noik*
* Independent non-executive. All directors are South African.

REGISTERED OFFICE
3rd Floor Upper building, 1 Sturdee Avenue, Rosebank, Johannesburg, 2196
PO Box 685, Melrose Arch, 2076

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Link Market Services South Africa Proprietary Limited

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Java Capital Sponsors and Trustees Proprietary Limited

COMPANY SECRETARY
Vicki Turner

WEBSITE
www.arrowheadproperties.co.za

ARROWHEAD PROPERTIES

Focused on sustainable value