INTERIM RESULTS
31 March 2020

ARROWHEAD PROPERTIES

Focused on sustainable value

Arrowhead Properties Limited (formerly known as Gemgrow 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**")

Unaudited condensed consolidated interim results for the six months ended 31 March 2020

Highlights

- Solid property performance ahead of expectations in a tough economic environment.
- The company's recent focus on strengthening its balance sheet means it is now better positioned to navigate the challenges as South Africa deals with the impact of the COVID-19 pandemic.
- Vacancies reduced from 7.5% at 30 September 2019 to 7.1% at 31 March 2020.
- 41 assets disposed of at R840 million at a 10.3% forward yield and 1.5% discount to book value. R395 million has transferred as at 31 March 2020.
- Overall tenant retention of 88%.
- Intense management focus to minimise impact of COVID-19 on the group.
- Liquidity strengthened by deferring decision on interim dividend.

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 (collectively "**commercial**") properties valued at R10.5 billion (held directly and through subsidiaries). As at 31 March 2020, Arrowhead held a 59.9% 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 31 March 2020 was R62.6 million (R57.2 million as at 30 September 2019).

In addition, Arrowhead held an interest of 16.4% (2019: 16.4%) in Rebosis Property Fund Limited ("**Rebosis**") as well as an 8.6% interest (2019: 8.6%) in Dipula Income Fund Limited ("**Dipula**") at 31 March 2020.

Distributable income analysis

for the six months ended 31 March

R'000 UNAUDITED	2020	2019
Revenue (excluding straight line rental income)	1 173 524	1 182 597
Listed securities income	-	16 702
Property expenses	(473 139)	(471 511)
Administration and corporate costs	(51 330)	(35 525)
Finance charges	(303 281)	(316 941)
Finance income[@]	39 835	40 158
Non-controlling interest share in distributable income	(44 945)	(45 705)
Distributable income	340 664	369 775
Dividend to the Arrowhead Charitable Trust	-	11 138
Total amount available for distribution after the effects of Arrowhead Charitable Trust	**340 664**	**380 913**
Property expenses as a percentage of revenue – gross	40%	40%
Property expenses as a percentage of revenue – net	19%	18%
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
Total amount available for distribution	**340 664**	**380 913**

Distributable income per A share (cents) for the 6 months ended 31 March 2020[#]	56.77*	54.53
Distributable income per B share (cents) for the 6 months ended 31 March 2020[#]	31.46*	34.08

[#] In September 2019, Gemgrow Properties Limited ("**Gemgrow**") acquired old Arrowhead (now known as Arrowgem) by way of a reverse takeover. Following the merger, Gemgrow was renamed "Arrowhead". Arrowhead has a dual share structure comprising of A and B ordinary shares. The figures as at 31 March 2019 have been restated based on the assumption that the merger had taken place as at 31 March 2019. These numbers therefore do not correlate with those contained in the company's interim results for the period ended 31 March 2019.

* The company has resolved to defer the declaration of the dividend for the period hence no dividend has been reported.

[@] This finance income includes interest recieved on loans advanced to participants of group share purchase and option schemes which would have been earned had the interim dividend not been deferred.

Reconciliation of loss before tax to distributable income

R'000	UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2020	UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2019
Loss before tax attributable to shareholders	(113 626)	(299 146)
Changes in fair values of investment property	44 163	(36 494)
Changes in fair values of listed securities and finacial instruments	235 097	653 523
Changes in fair values of loans of the share option scheme	196 438	-
Loss on sale of investment properties	4 965	4 544
Straight line rental income accrual	39	(4 901)
Finance income on loans by the purchase and options schemes	30 623	-
Dividend to the Arrowhead Charitable Trust	-	11 138
Accrued distribution on financial assets	-	16 702
Accrued distribution on financial assets recognised in prior financial year	(18 468)	(62 402)
Pre-effective date distribution	-	6 090
Non-controlling interest share in above adjustments	(38 567)	91 859
Distributable earnings attributable to shareholders	340 664	380 913

Distributable income per share analysis

	ACTUAL 6 MONTHS ENDING 31 MARCH 2020 (CENTS)	REVISED FORECAST (CENTS)	VARIANCE
Distributable income per A share	**56.77**	**57.27**	**-0.9%**
Distributable income per B share	**33.27**	**32.96**	**0.9%**
Split as follows:			
Arrowhead contribution (excluding listed investments)	22.40	21.91	2.2%
Indluplace	6.24	6.37	-2.1%
Interest on loans to directors (including Indluplace)	2.82	2.78	1.2%
Per distributable income analysis above	31.46	31.06	1.3%
Dipula (not accrued for in the 6 months actuals)	1.81	1.90	-4.7%
Actual versus forecast	**33.27**	**32.96**	**0.9%**

Notes:
The forecast for Indluplace was estimated at the upper end of the guidance and it has deferred its decision to declare an interim dividend to its year end.
The Dipula dividend forecast was based on the dividend payment for the prior year as well as the previous dividend guidance provided.
The dividend contribution from Dipula has not been recognised as it has deferred its decision to declare a dividend to its year end.

Commentary

Market conditions

The South African economy was already experiencing an unpredictable and challenging environment prior to the COVID-19 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. 85% of Arrowhead's income is attributable to its direct property portfolio. This percentage increases to 97% if its majority interest in Indluplace is taken into account. The remaining revenue contribution is from Dipula which has not declared a dividend for the six months ended March 2020.

In expectation of an economic environment that is expected 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 and renegotiating interest rate swaps.
- Investing in our portfolio through increased defensive capital and operational expenditure.

We are well under way to implementing our strategy that defensively repositions our portfolio to yield sustainable income over the medium to long-term and are focussed on managing the portfolio in a way that minimises the impact of COVID-19 in the near and long-term.

Changes to the business

Disposals (excluding Indluplace)

We have concluded 41 sales valued at R840 million at a 10.3% forward yield and at a 1.5% discount to book value. At 31 March 2020, 20 assets valued at R395 million have transferred with the remaining 21 assets valued at R445 million scheduled to transfer by the 2020 calendar year.

ASSET CLASS	NUMBER	SALES VALUE (R')	BOOK VALUE (R')	DISCOUNT TO BOOK VALUE	AVERAGE YIELD	AVERAGE PRICE PER ASSET (R')	GLA	VACANT GLA	VACANCY (%)
Retail	22	426 596 000	429 021 751	0.6%	10.9%	19 390 727	50 830	3 740	7%
Office	9	255 682 400	256 492 584	0.3%	9.4%	28 409 157	33 215	8 108	24%
Industrial	10	157 362 000	166 984 992	5.8%	9.9%	15 736 200	43 401	6 665	15%
Total	**41**	**839 640 400**	**852 499 327**	**1.5%**	**10.3%**	**20 479 034**	**127 446**	**18 513**	**15%**

Revenue

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

At 31 March 2020 Arrowhead owned 168 commercial properties directly and 159 residential properties indirectly through Indluplace. At 30 September 2019, Arrowhead owned 188 commercial properties directly and 167 residential properties indirectly through Indluplace.

As at 31 March 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 was R129 (R120) for retail, R124 (R103) for office and R47 (R45) for industrial. Gross rental includes parking, operational cost recoveries and rates recoveries. Rental reversions were -5.3% overall, -7.2% retail, -2.8% office and -5.4% industrial. The average weighted lease escalation across the portfolio was 7.4%, with retail at 7.2%, office at 7.6% and industrial at 7.4%. Average lease length was 3.7 years. In the first six months gross lettable area ("GLA") of 100 703m^2 came up for renewal, of which 84 070m^2 was renewed and a further 4 560m^2 re-let. In aggregate, overall retention was 88% 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 decreased from 7.5% at 30 September 2019 to 7.1% at 31 March 2020 (retail 6.0%, office 13.0% and industrial 3.7%), which has exceeded expectations.

As at 31 March 2020 Arrowhead's revenue and GLA exposure to Edcon was 0.97% and 1.21% respectively. We have a successful track record of recycling Edgars space and re-letting to national tenants. Generally, Edcon commanded prime retail space which is attractive to competing national tenants. Post 31 March 2020, we have further reduced our exposure by one Edgars store and relet the space to a national tenant at a higher rental rate. We are currently formulating a new strategy on all remaining Edcon leases (Edgars and Jet) to mitigate any potential future loss, which will entail marketing the space to new tenants, exiting existing Edcon leases where possible and repositioning old Edcon pockets for optimal usage. Currently, Edcon is in Business Rescue and we are constantly monitoring our position with a view to achieving a favourable outcome.

6 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	(59 685)	(52 130)	(7 554)	-	-
Net adjustments	(3 790)	(1 910)	(1 879)	-	-
Adjusted totals	**1 188 658**	**1 104 022**	**84 638**	**92.9**	**7.1**
Net gain / (loss)	-	17	(17)	-	-
As at 31 March 2020	**1 188 658**	**1 104 039**	**84 621**	**92.9**	**7.1**

Core direct portfolio

Net income growth on properties owned at 1 October 2018 and still owned on 31 March 2020

	1 OCTOBER 2019 TO 31 MARCH 2020 R'000	1 OCTOBER 2018 TO 30 SEPTEMBER 2019 R'000	GROWTH (%)
Revenue	724 901	718 826	0.8
Property Expenses	(282 965)	(283 456)	(0.2)
Net Operating Income	**441 936**	**435 370**	**1.5**

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

Listed securities income

During the financial period under review, Dipula and Rebosis have not declared dividends and as such we have not accrued dividends receivable from them.

Operating expenses

R'000	31 MARCH 2020	TOTAL (%)	31 MARCH 2019	TOTAL (%)
Municipal expenses	297 812	63	308 919	65
Property management	41 470	9	35 936	8
Repairs and maintenance	21 545	5	18 016	4
Security	18 890	4	18 563	4
Cleaning	12 796	3	12 991	3
Letting commission	10 421	2	12 543	3
Insurance	6 355	1	6 010	1
Other	63 850	13	58 533	12
Total	**473 139**	**100**	**471 511**	**100**

Operating expenses have increased marginally because of higher property management fees and an increase in repairs and maintenance. We also experienced a reduction in utility expenses as a result of a number of properties having been sold since last year. The management fee increase is because of the Moolgem portfolio acquisition for a full 6-month period and a property management staff incentive introduced at the end of last year. The increase in the repairs and maintenance expense is projected to improve the lettability of the assets in the portfolio. Other expenses include bad debts, legal expenses and contract expenses other than the expenses specifically mentioned above. The gross expense to income ratio has remained at 40%, while net expense to income ratio increased from 18% to 19%.

Administration expenses and corporate costs

R'000	31 MARCH 2020	TOTAL (%)	31 MARCH 2019	TOTAL (%)
Salaries	39 699	77	20 374	57
Professional service fees	5 161	10	7 863	22
Other	6 470	13	7 288	21
Total	**51 330**	**100**	**35 525**	**100**

The salaries for the group increased due to an increase in the headcount from 20 at March 2019 to 34 at the end of March 2020. The increased headcount and associated cost has led to efficiencies and cost savings which has, to a great extent offset the amount for increased salaries. Furthermore, the group implemented the new long-term incentive scheme in the form of a long-term incentive ("**LTI**") which accounted for a further R4 million that has been accrued during the period. This amount will only be incurred subject to specific long-term incentive key performance indicators being achieved as per the LTI. Professional fees have reduced as the 2019 comparative figure included significant once-off consulting fees relating to the merger that was concluded during the 2019 financial year. Other costs relate to non-executive director fees, audit fees, travel costs and entertainment.

Finance income

R'000	31 MARCH 2020	(%) OF TOTAL	31 MARCH 2019	(%) OF TOTAL
Interest on group share purchase and option schemes	-	-	36 475	91
Interest on cash balances and tenants	9 212	23	3 683	9
Total as per statement of comprehensive income (IFRS)	**9 212**	**23**	**40 158**	**100**
Interest on group share purchase and option schemes	30 623	77	-	-
Total as per analysis of distributable earnings	**39 835**	**100**	**40 158**	**100**

Increased interest earned on cash balances was primarily as a result of monies received in respect of assets disposed and an increase in debtors arrears.

Both Arrowhead and Indluplace have resolved to defer their interim dividend resulting in a reduction of interest earned on loans to participants of the group share purchase option schemes. These loans earn interest to the extent that dividends are declared, thus as the decision to declare a dividend has been deferred for the 6-month period ending 31 March 2020 this income has not been reported for IFRS purposes but has been accounted for in determining distributable income.

Finance charges

R'000	31 MARCH 2020	(%) OF TOTAL	31 MARCH 2019	(%) OF TOTAL
Interest paid - secured financial liabilities and swap facilities	299 390	99	315 178	99
Finance lease	1 188	0	-	-
Amortisation of structuring fee and other interest paid	2 703	1	1 763	1
Total	**303 281**	**100**	**316 941**	**100**

Finance charges decreased due to a reduction in interest bearing liabilities and the reduction in interest rates during the period.

Investment properties

As at 31 March 2020 the portfolio comprised 168 retail, industrial and office properties valued at R10.5 billion with an average property value of R62.5 million. In addition, the group had 159 residential properties held by its subsidiary, Indluplace, valued at R4.1 billion with an average property value of R26.0 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	-	145 178	-	(20 958)	-	124 220
Disposals	(20)	(389 393)	(8)	(16 993)	(28)	(406 386)
Balance at the end of the period#	**168**	**10 515 084**	**159**	**4 137 055**	**327**	**14 652 139**

* The residential portfolio is a seperately listed fund on JSE. Arrowhead's shareholding in Indluplace was 59.9% at 31 March 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 R14.6 billion at 31 March 2020. The movement was mainly attributable to disposals of R406 million; capital expenditure incurred of R147 million and fair value write-downs of certain assets held for sale within the group.

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 which approximates the company's share price at 31 March 2020 for the shares held as security for the loans. These loans all bear interest at a rate equal to the dividend declared for the period.

Trade and other receivables

Trade and other receivables decreased from R532.9 million as at 30 September 2019 to R413.9 million as at 31 March 2020. The decrease was primarily driven by a reversal of an accrual of R71 million in respect of certain assets disposed of, the proceeds of which were held in the attorney's trust account on behalf of the group as at year-end. A further reduction of R10 million is noted for income accruals. The allowance for credit losses decreased by R1.3 million from R28.8 million as at 30 September 2019 to R27.5 million as at 31 March 2020, as a result of a larger amount of bad debts actually written off during the period.

Secured financial liabilities

Group loans of R6.3 billion (2019: R7.0 billion) reduced by cash and cash equivalents, measured against investment property and financial assets of R14.9 billion (2019: R16.2 billion) represents a group loan to value ("**LTV**") of 41.21% (September 2019: 40.5%). The increase in the LTV is mainly as a result of downward fair value adjustments in respect of the company's listed holdings, Rebosis and Dipula, and loans to participants of group share purchase option schemes to the value of R116 million and R196 million respectively. The interest rate swaps of R5.15 billion result in 82% (87% for Arrowhead and 67% for Indluplace) of the total loans being hedged. The LTV is expected to reduce due to the sale of R485.3 million non-core investment properties scheduled to transfer before year end.

Excess funds are placed in access facilities to reduce the overall interest charge. The weighted average interest rate for the period ended 31 March 2020 was 9.30% (30 September 2019: 9.48%) for the group. The group has a loan facility of R535 million which expires on 31 July 2020 and Indluplace has a R160 million facility which expires in September 2020. The group has one further facility of R147 million that expires in October 2020. Arrowhead has been in discussions with the funders and is confident that it will be able to renew these facilities. Post expiry of these facilities, the next expiry will only be in the 2022 financial year. As at 31 March 2020 the group (excluding Indluplace) had free available cash and unrestricted access to cash in access facilities of approximately R283 million. At its current LTV covenant of 41.21% the company is within its LTV covenants on all of its facilities. The company's interest cover ratio ("**ICR**") is 2.41, but would have been 2.54 had the company and Indluplace not decided to defer their interim dividends. This remains within the ICR covenants of all our facility providers (which are at 2x cover), other than Standard Bank, who apply an ICR cover ratio of 2.5x. Management are currently in discussions with Standard Bank on the ICR breach and are comfortable that a workable solution will be arrived at, given the exceptional circumstances.

MATURITY	3 MONTH JIBAR MARGIN %	PRIME RATE MARGIN %	R'000
July 2020	-	Minus 1.30	55 623
July 2020	2.08	-	480 000
September 2020 (Indluplace)	-	Minus 1.30	160 000
November 2020	-	Minus 0.50	146 898
April 2021 (Indluplace)	-	Minus 1.35	46 736
April 2021 (Indluplace)	2.05	-	275 025
April 2021 (Indluplace)	2.05	-	67 832
April 2021 (Indluplace)	2.05	-	275 025
April 2021 (Indluplace)	2.05	-	67 832
December 2021	1.85	-	300 000
April 2022	1.89	-	330 000
June 2022	2.10	-	31 095
July 2022	2.10	-	157 533
September 2022	-	Minus 1.60	40 000
October 2022	2.15	-	482 100
October 2022 (Indluplace)	2.20	-	302 143
October 2022 (Indluplace)	2.20	-	302 143
November 2022	2.20	-	450 000
November 2022	2.20	-	80 000
November 2022	2.05	-	280 000
November 2022	2.05	-	200 000
December 2022	-	Minus 1.15	272 527
July 2023	2.05	-	661 000
December 2023	2.25	-	128 000
December 2023	2.35	-	416 562
December 2023	-	Minus 0.85	72 009
September 2024	2.25	-	96 500
September 2024	-	Minus 1.00	100 418
Total exposure			**6 277 001**
Structuring fees capitalised			(10 785)
Total utilised facilities			**6 266 216**

3 month Jibar as at 31 March 2020 was 5.61%

MATURITY DATE	ARROWHEAD CAPITAL AMOUNT (R`000)	INDLUPLACE CAPITAL AMOUNT (R`000)	TOTAL CAPITAL AMOUNT (R`000)
Expiring in the next 12 months	682 523	160 000	842 523
Expiring in the next 24 months	630 000	732 450	1 362 450
Expiring in the next 36 months	1 993 254	604 286	2 597 540
Expiring in the next 48 months	1 277 570	-	1 277 570
Expiring in the next 60 months	196 918	-	196 918
	4 780 265	**1 496 736**	**6 277 001**

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
275 000	2021/08/25
65 729	2021/10/19
41 681	2021/10/25
51 772	2021/10/27
300 000	2021/11/09
112 450	2021/12/15
742 163	2021/12/31
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
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	

Subsequent to 31 March 2020 Arrowhead interest rate swaps to the value of R1.58 billion have been blended and extended for a 3 year period extending the maturity period from November and December 2021 to April and May 2023.

Trade and other payables

Trade and other payables increased from R606.6 million at 30 September 2019 to R629.6 million at the end of 31 March 2020 mainly as a result of an increase in capital expenditure accruals totalling R48 million not accrued in previous periods.

Prospects

Given the uncertain environment in which we will be operating for the forseeable future, we are not in a position to provide the market with guidance regarding our distributable income per share for the year ending 30 September 2020 as per the SENS announcement released on 20 April 2020.

We are pleased with the progress we made in the first half of the year in strengthening our balance sheet and delivering solid earnings. Our focus during the balance of the year will be on managing our response to the impact of COVID-19 on our operations. We are dedicating all our resources to addressing these challenges.

Analysis of net asset value	UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2020	UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2019
Arrowhead ordinary shares in issue	-	1 047 678 485
A shares in issue	62 718 658	-
B shares in issue*	995 341 876	-
Net asset value per share at reporting date (cents)	N/A	690
Net asset calue per A share in reporting date (cents)	1 003	N/A
Net asset calue per B share in reporting date (cents)	679	N/A

* Includes 25 534 700 B shares issued to the Arrowhead Charitable Trust, excluded for the purposes of the above calculations.

Dividend for the 6 months ended 31 March 2020

The board believes that, given the current unprecedented circumstances and prevailing uncertainty brought on by the COVID-19 pandemic, it is important that Arrowhead retain as much capital as possible to protect its balance sheet and bolster liquidity. Accordingly, the board has resolved to defer the decision on the payment of an interim dividend, for the six month period ended 31 March 2020, until the release of its financial results for the year ending 30 September 2020, expected to be on or about 25 November 2020.

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.

Events after reporting period

The company repaid R60 million of debt in May 2020.

COVID-19 pandemic

The COVID-19 pandemic is expected to have a significant impact on the global and local economy. The South African Government announced an official lockdown because of the pandemic on 26 March 2020, a few days before the end of the company's interim period. Consequently, the financial effects of the pandemic are expected to have a material impact on the company in the subsequent 6 months of the year and possibly beyond. The quantitative impact of the pandemic cannot yet be reliably determined due to the extent of the many uncertainties caused by it. However, the directors considered the following to be the likely future impact on the group:

Valuations of properties and revenue

The group anticipates a decline in revenue and property valuations due inter alia to the Government's imposition of restrictive measures to curb the spread of the pandemic. We are already responding to requests to grant tenants rental concessions to assist them through this uncertain period. The company's collections were 74% and 59% for April 2020 and as at 25th of the month respectively. Furthermore, we have entered into deferred payment arrangements with many tenants which will result in the above-mentioned collections increasing. Indluplace achieved collections of 87% and 72% for April 2020 and May 2020 (as at 18 May 2020) respectively. We also anticipate several potential tenant failures, lower than normal rental escalations and/or rent reversions on renewed leases and changes in demand for space across the portfolio.

Impairment of investments and other assets

The company has certain listed investments, which are held at fair value in its accounts. The uncertainty of this pandemic will negatively impact stock markets and these fair values are expected to remain subdued for a protracted period because of the pandemic. Entities in which the group are invested may also be negatively impacted due to Government responses to curb the pandemic. Consequently, dividend declarations and/or payments by these entities may be deferred or not paid in its entirety.

The group had historically issued loans to directors in accordance with its discontinued share purchase and option scheme. This asset is fair valued in accordance with IFRS 9, which value closely approximates the share price of the company. Accordingly, for so long as the share price of the company remains depressed, so will the value of this asset.

Allowance for credit losses

Tenants may fail to meet their obligations and accordingly the allowance for credit losses could increase. Further actual bad debts may also increase as a result of tenant failures.

Liquidity

The directors have assessed the group's liquidity and at 31 March 2020, the group had a substantial positive net asset value and sufficient liquidity of approximately R400 million (R283 mllion at company level) in cash and undrawn credit facilities. Furthermore, as a precautionary measure to provide the group with additional financial flexibility and bolster its liquidity in these unprecedented market conditions, the board of directors resolved to defer its decision on a dividend payment for the six months ended 31 March 2020 until the release of its results for the year ending 30 September 2020, which is expected to be on or about 25 November 2020.

Provided that no further material deterioration in financial conditions occur, the following constraints and risks which create significant uncertainty may materialise because of the pandemic:

1. Cashflow – Cashflow will be negatively impacted due to lower rental income derived from tenants whose businesses will be constrained because of the restrictions imposed to curb the pandemic. In this time, the company will still be expected to incur the necessary operational costs and defensive capital expenditure to maintain the property portfolio and administration costs to manage the group. There is also a risk that the sale of certain properties may fall through and negatively impact cash which is expected to be generated by the sales and hence cashflow.
2. Access to liquidity - Stressed market conditions and tight covenants may impact debt funders' risk appetite and limit access to additional liquidity, and/or increase refinancing risk on facilities that are expiring.
3. Breach of covenants - There is increased risk to LTV and interest cover ratio covenants due to pressure on property valuations, rental income declines because of the expected economic downturn related to the pandemic, lower or no dividends received from the group's listed investments and a downward fair valuation of the listed investments and its loans to directors.

Risks and constraints mentioned above are being closely monitored by the board.

The group's response to the pandemic

The company has implemented a co-ordinated response to the pandemic across its property portfolio and has undertaken intensive, hands on asset and property management so as to minimise the disruption to its business. This includes the establishment of a COVID-19 process and task team to manage all operational and financial matters arising from COVID-19.

The current operating environment is everchanging with operating procedures having to be adopted for different levels of lockdown. The Arrowhead process has evolved and adapted to address all aspects of the pandemic and relevant Government responses. Whilst reviewing the COVID-19 requests, the company has ensured that its tenant centric approach is core to the process so as to ensure that any agreement reached is sustainable for both the tenant and the landlord.

The properties within the portfolio as well as all employees on site have been adequately prepared to comply with current health and safety regulations specifically to address COVID-19 during all levels of lockdown and thereafter. Management has established communication channels with the relevant local authorities/city officials to ensure that all sites are compliant.

Following the outbreak of the pandemic, the company curtailed discretionary expenditure so as to provide for the anticipated costs associated with combating the spread of the virus at its properties. There is continuous monitoring of the group's liquidity position and engagement with debt funding providers regarding the group's financial covenants as well as addressing any liquidity concerns that they may have.

As previously advised, the decision on the declaration of a dividend has been deferred until the release of the company's results for the year ending 30 September 2020.

Arrow for change relief initiative

The group has implemented its own relief initiative to support various relief organisations who are assisting impoverished communities during the COVID-19 pandemic. For every rand that is generated from stakeholders associated with the fund, the company will match this contribution up to an approved cap. The benefit of this fund is 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 has generated contributions in excess of R3 million and have 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 interim consolidated results for the six months ended 31 March 2020 have not been reviewed or reported on by the groups' auditors, BDO South Africa Incorporated.

The financial statements 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. These results have been prepared under the supervision of J Limalia, CA (SA), Arrowhead's Chief Financial Officer.

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.

IFRS 16 Leases (continued)

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 9.48%. Subsequently, each lease payment is allocated between the liability and finance cost.

On transition date, the right-of-use assets were measured at the amount equal to the lease liability after taking into account any prepaid lease expenses. The right-of-use assets are 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 31 March 2020, the group had R25.8 million right-of-use assets with a corresponding R25.1 million lease liability.

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 6 months ended 31 March 2020

R'000	UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2020	UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2019	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2019
Rental income	1 173 524	1 182 597	2 419 947
Straight line rental income accrual	(39)	4 901	4 536
Listed securities income	18 325	62 402	81 775
Total revenue	**1 191 810**	**1 249 900**	**2 506 258**
Operating costs	(473 139)	(471 511)	(967 079)
Administrative and corporate costs	(51 330)	(35 525)	(89 424)
Net operating profit	**667 341**	**742 864**	**1 449 755**
Changes in fair values	(483 497)	(621 573)	(1 753 058)
Profit from operations	**183 844**	**121 291**	**(303 303)**
Finance charges	(303 281)	(316 941)	(627 848)
Finance income	9 212	40 158	73 891
Loss before taxation	**(110 225)**	**(155 492)**	**(857 260)**
Taxation	-	-	-
Total comprehensive loss	**(110 225)**	**(155 492)**	**(857 260)**
Loss for the year attributable to:			
Equity shareholders of Arrowhead	(113 626)	(299 146)	(843 294)
Non-controlling interest	3 401	143 654	(13 966)
Total comprehensive loss for the year	**(110 225)**	**(155 492)**	**(857 260)**

Condensed consolidated statement of financial position

for the 6 months 31 March 2020

R'000	UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2020	UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2019	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2019
Assets			
Non-current assets	**14 411 289**	**16 577 829**	**15 055 908**
Investment property	14 166 888	15 207 306	14 457 961
Fair value of property portfolio	14 034 474	15 072 410	14 323 464
Straight line rental income accrual	132 414	134 896	134 497
Property, plant and equipment	1 008	1 129	1 043
Loans to participants of group share purchase and option schemes	143 739	778 261	384 122
Financial assets	99 654	585 655	210 069
Derivative instruments	-	5 478	2 713
Current assets	**592 818**	**576 689**	**693 849**
Trade and other receivables	413 905	317 464	532 850
Loans to participants of group share purchase and option schemes	43 893	-	-
Cash and cash equivalents	135 020	259 225	160 999
Non-current assets held for sale	**485 251**	**380 360**	**476 344**
Total assets	**15 489 358**	**17 534 878**	**16 226 101**
Equity and liabilities			
Shareholders' interest	**7 218 619**	**7 019 573**	**7 795 764**
Stated capital	7 207 643	6 558 758	7 295 523
Reserves	10 976	460 815	500 241
Non-controlling interest	**1 147 322**	**3 156 311**	**1 210 368**
Other non-current liabilities	**5 650 008**	**6 289 567**	**5 941 399**
Secured financial liabilities	5 423 694	6 258 674	5 855 025
Deferred tax liability	10 040	-	10 040
Derivative instruments	192 504	30 893	76 334
Lease liability	23 770	-	-
Current liabilities	**1 473 409**	**1 069 427**	**1 278 570**
Trade and other payables	629 559	370 006	606 550
Secured financial liabilities	842 523	697 000	672 020
Derivative instruments	-	2 421	-
Lease liability	1 327	-	-
Total equity and liabilities	**15 489 358**	**17 534 878**	**16 226 101**

Summarised consolidated statement of changes in equity

R'000	STATED CAPITAL	RESERVES	NON-CONTROLLING INTEREST	TOTAL
Balance at 30 September 2018	**6 556 986**	**1 104 756**	**2 934 759**	**10 596 501**
Issue of shares	738 537	-	188 486	927 023
Acquisition of non-controlling interest as part of reverse take over	-	1 189 291	(1 913 451)	(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	(87 880)	8 554	(13 929)	(93 255)
Dividends paid	-	(384 193)	(52 518)	(436 711)
Total comprehensive income for the period	-	(113 626)	3 401	(110 225)
Balance at 31 March 2020	**7 207 643**	**10 976**	**1 147 322**	**8 365 941**

Summarised consolidated statement of cash flows

R'000	UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2020	UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2019	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2019
Net cash utilised from operating activities	**89 622**	**27 866**	**20 984**
Cash generated from operations	802 077	738 310	1 429 138
Finance charges paid	(303 281)	(316 941)	(627 848)
Finance income received	9 212	40 158	73 891
Dividends received - listed securities	18 325	62 402	81 775
Dividends paid - non-controlling interest	(52 518)	(152 055)	(292 092)
Dividends paid	(384 193)	(344 008)	(643 880)
Net cash utilised in investing activities	**244 289**	**(693 805)**	**(290 256)**
Capital expenditure / acquisitions of investment property	(155 922)	(791 755)	(849 087)
Proceeds from disposal of investment property	406 386	98 029	559 804
Investments in financial assets	(5 799)	-	(600)
Acquisition of property, plant and equipment	(376)	(79)	(373)
Net cash generated from financing activities	**(359 890)**	**885 020**	**390 127**
Cost incurred in share buy back	(95 731)	(706)	(28 719)
Proceeds from issue of shares - non-controlling interest	-	33 642	-
Repayment of leases	(1 440)	-	-
Movement in financial liabilities	(262 719)	852 084	418 846
Net movement in cash and cash equivalents	(25 979)	219 081	120 855
Cash and cash equivalents at the beginning of the period	**160 999**	**40 144**	**40 144**
Cash and cash equivalents at the end of the period	**135 020**	**259 225**	**160 999**

Reconciliation of earnings to headline earnings

R'000	UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2020	UNAUDITED FOR THE 6 MONTHS ENDED 31 MARCH 2019	AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2019
Loss for the period attributable to Arrowhead shareholders	(113 626)	(299 146)	(843 294)
Earnings	**(113 626)**	**(299 146)**	**(843 294)**
Changes in fair value of investment property	44 163	(38 430)	284 778
Changes in fair value of investment property - non-controlling interest	(14 074)	1 936	(66 022)
Loss on sale of investment property	4 965	4 544	457
Loss on sale of investment property - non-controlling interest	(70)	-	-
Headline earnings attributable to shareholders	**(78 642)**	**(331 096)**	**(624 081)**

Number of A shares in issue	62 718 658	62 718 658	62 718 658
Number of B shares in issue#	969 807 176	408 184 961	1 017 278 238
Weighted average number of Arrowhead shares in issue			
Weighted average number of A shares in issue	62 718 658	59 109 187	61 101 741
Weighted average number of B shares in issue#	980 432 962	407 079 781	435 907 602
Basic and diluted earnings per combined shares in issue (cents)	-10.89	-64.17	-169.67
Headline and diluted earnings per combined shares in issue (cents)	-7.54	-71.02	-125.57

Excluding 25 534 700 B shares issued to the Arrowhead Charitable Trust

Summary 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 10% 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

31 MARCH 2020 - R'000	GAUTENG	WESTERN CAPE	LIMPOPO	KWAZULU NATAL	EASTERN CAPE	OTHER	TOTAL
Contractual rental income	755 430	138 292	92 267	72 015	64 246	51 274	1 173 524
Straight line rental income	2 420	(1 737)	3 501	(3 134)	(105)	(984)	(39)
Listed securities income	-	-	-	-	-	18 325	18 325
Operating and administration costs	(333 614)	(47 843)	(22 896)	(29 928)	(23 777)	(66 411)	(524 469)
Net operating profit	**424 236**	**88 712**	**72 872**	**38 953**	**40 364**	**2 204**	**667 341**
Finance income	778	93	239	44	69	7 989	9 212
Finance charges	(130)	-	-	-	-	(303 151)	(303 281)
Net operating income	**424 884**	**88 805**	**73 111**	**38 997**	**40 433**	**(292 958)**	**373 272**
Changes in fair values	(45 347)	513	1 874	(2 786)	-	(437 751)	(483 497)
Reportable segment profit before tax	**379 537**	**89 318**	**74 985**	**36 211**	**40 433**	**(730 709)**	**(110 225)**
Taxation	-	-	-	-	-	-	-
Reportable segment profit after tax	**379 537**	**89 318**	**74 985**	**36 211**	**40 433**	**(730 709)**	**(110 225)**
Reportable segment assets	8 165 827	2 105 763	1 354 436	918 263	832 149	2 112 920	15 489 358
Reportable segment liabilities	(292 239)	(54 730)	(33 797)	(53 465)	(27 035)	(6 662 151)	(7 123 417)
	7 873 588	**2 051 033**	**1 320 639**	**864 798**	**805 114**	**(4 549 231)**	**8 365 941**

Sectoral

31 MARCH 2020 - R'000	RESIDENTIAL	RETAIL	OFFICE	INDUSTRIAL	OVERHEADS	TOTAL
Contractual rental income	334 414	409 158	281 989	147 590	373	1 173 524
Straight line rental income	-	(2 194)	(1 451)	953	2 653	(39)
Listed securities income	-	-	-	-	18 325	18 325
Operating and administration costs	(166 995)	(143 441)	(118 027)	(59 052)	(36 954)	(524 469)
Net operating profit	**167 419**	**263 523**	**162 511**	**89 491**	**(15 603)**	**667 341**
Finance income	4 232	638	390	305	3 647	9 212
Finance charges	(70 636)	-	(7)	(82)	(232 556)	(303 281)
Net operating income	**101 015**	**264 161**	**162 894**	**89 714**	**(244 512)**	**373 272**
Changes in fair values	(97 186)	(1 109)	1 209	(7 942)	(378 469)	(483 497)
Reportable segment profit before tax	**3 829**	**263 052**	**164 103**	**81 772**	**(622 981)**	**(110 225)**
Taxation	-	-	-	-	-	-
Reportable segment profit after tax	**3 829**	**263 052**	**164 103**	**81 772**	**(622 981)**	**(110 225)**
Reportable segment assets	4 369 786	5 432 711	3 456 819	1 857 580	372 462	15 489 358
Reportable segment liabilities	(1 603 574)	(204 592)	(157 032)	(67 331)	(5 090 888)	(7 123 417)
	2 766 212	**5 228 119**	**3 299 787**	**1 790 249**	**(4 718 426)**	**8 365 941**

Geographical

31 MARCH 2019 - R'000	GAUTENG	WESTERN CAPE	KWAZULU-NATAL	EASTERN CAPE	OTHER	TOTAL
Contractual rental income	753 991	133 562	95 538	74 681	124 825	1 182 597
Straight line rental income	3 408	(3 106)	(57)	(301)	4 957	4 901
Listed securities income	-	-	-	-	62 402	62 402
Operating and administration costs	(324 567)	(45 340)	(39 895)	(28 454)	(68 780)	(507 036)
Net operating profit	**432 832**	**85 116**	**55 586**	**45 926**	**123 404**	**742 864**
Finance income	1 026	156	81	59	38 836	40 158
Finance charges	(266)	-	(5)	(31)	(316 639)	(316 941)
Net operating income	**433 592**	**85 272**	**55 662**	**45 954**	**(154 399)**	**466 081**
Changes in fair values	-	-	-	-	(621 573)	(621 573)
Reportable segment profit before tax	**433 592**	**85 272**	**55 662**	**45 954**	**(775 972)**	**(155 492)**
Taxation	-	-	-	-	-	-
Reportable segment profit after tax	**433 592**	**85 272**	**55 662**	**45 954**	**(775 972)**	**(155 492)**
Reportable segment assets	11 033 630	2 276 250	1 692 095	1 417 305	1 115 598	17 534 878
Reportable segment liabilities	(194 558)	(35 340)	(50 038)	(24 114)	(7 054 944)	(7 358 994)
	10 839 072	**2 240 910**	**1 642 057**	**1 393 191**	**(5 939 346)**	**10 175 884**

Sectoral

31 MARCH 2019 - R'000	RESIDENTIAL	RETAIL	OFFICE	INDUSTRIAL	OVERHEADS	TOTAL
Contractual rental income	318 333	402 638	333 720	149 904	(21 998)	1 182 597
Straight line rental income	-	6 156	(1 539)	257	27	4 901
Listed securities income	-	-	-	-	62 402	62 402
Operating and administration costs	(148 730)	(142 541)	(134 679)	(61 044)	(20 042)	(507 036)
Net operating profit	**169 603**	**266 253**	**197 502**	**89 117**	**20 389**	**742 864**
Finance income	9 840	567	491	433	28 827	40 158
Finance charges	(58 965)	(80)	(9)	(215)	(257 672)	(316 941)
Net operating income	**120 478**	**266 740**	**197 984**	**89 335**	**(208 456)**	**466 081**
Changes in fair values	(8 219)	27 514	7 865	3 343	(652 076)	(621 573)
Reportable segment profit before tax	**112 259**	**294 254**	**205 849**	**92 678**	**(860 532)**	**(155 492)**
Taxation	-	-	-	-	-	-
Reportable segment profit after tax	**112 259**	**294 254**	**205 849**	**92 678**	**(860 532)**	**(155 492)**
Reportable segment assets	4 689 627	5 452 491	4 207 994	1 977 982	1 206 784	17 534 878
Reportable segment liabilities	(1 499 549)	(135 348)	(130 088)	(49 356)	(5 544 653)	(7 358 994)
	3 190 078	**5 317 143**	**4 077 906**	**1 928 626**	**(4 337 869)**	**10 175 884**

Geographical

30 SEPTEMBER 2019 - R'000	GAUTENG	WESTERN CAPE	LIMPOPO	KWAZULU-NATAL	EASTERN CAPE	OTHER	TOTAL
Contractual rental income	1 211 876	268 920	153 105	175 274	150 520	460 252	2 419 947
Straight line rental income	7 396	(5 502)	316	1 018	461	847	4 536
Listed securities income	-	-	-	-	-	81 775	81 775
Operating and administration costs	(526 265)	(92 129)	(37 422)	(68 048)	(58 484)	(274 155)	(1 056 503)
Net operating profit	**693 007**	**171 289**	**115 999**	**108 244**	**92 497**	**268 719**	**1 449 755**
Finance income	1 884	509	191	121	194	70 992	73 891
Finance charges	(367)	(6)	(6)	(7)	(17)	(627 445)	(627 848)
Net operating income / (loss)	**694 524**	**171 792**	**116 184**	**108 358**	**92 674**	**(287 734)**	**895 798**
Changes in fair values	(565 619)	90 820	100 440	(329 982)	(16 566)	(1 032 151)	(1 753 058)
Profit / (loss) before capital items and tax	**128 905**	**262 612**	**216 624**	**(221 624)**	**76 108**	**(1 319 885)**	**(857 260)**
Impairments	-	-	-	-	-	-	-
Reportable segment profit / (loss) before tax	**128 905**	**262 612**	**216 624**	**(221 624)**	**76 108**	**(1 319 885)**	**(857 260)**
Taxation	-	-	-	-	-	-	-
Reportable segment profit / (loss) after tax	**128 905**	**262 612**	**216 624**	**(221 624)**	**76 108**	**(1 319 885)**	**(857 260)**
Reportable segment assets	8 321 948	2 128 768	1 427 510	977 157	917 649	2 453 069	16 226 101
Reportable segment liabilities	(227 973)	(40 788)	(22 583)	(49 138)	(25 163)	(6 854 324)	(7 219 969)
	8 093 975	**2 087 980**	**1 404 927**	**928 019**	**892 486**	**(4 401 255)**	**9 006 132**

Sectoral

30 SEPTEMBER 2019 - R'000	RESIDENTIAL	RETAIL	OFFICE	INDUSTRIAL	OVERHEADS	TOTAL
Contractual rental income	655 717	783 914	648 031	301 218	31 067	2 419 947
Straight line rental income	(173)	4 081	(2 260)	526	2 362	4 536
Listed securities income	-	-	-	-	81 775	81 775
Operating and administration costs	(293 190)	(276 115)	(263 646)	(130 950)	(92 602)	(1 056 503)
Net operating profit	**362 354**	**511 880**	**382 125**	**170 794**	**22 602**	**1 449 755**
Finance income	22 642	1 375	937	779	48 158	73 891
Finance charges	(133 699)	(133)	(46)	(271)	(493 699)	(627 848)
Net operating income / (loss)	**251 297**	**513 122**	**383 016**	**171 302**	**(422 939)**	**895 798**
Changes in fair values	(306 929)	163 089	(227 034)	(34 925)	(1 347 259)	(1 753 058)
Profit / (loss) before capital items and tax	**(55 632)**	**676 211**	**155 982**	**136 377**	**(1 770 198)**	**(857 260)**
Impairments	-	-	-	-	-	-
Reportable segment profit / (loss) before tax	**(55 632)**	**676 211**	**155 982**	**136 377**	**(1 770 198)**	**(857 260)**
Taxation	-	-	-	-	-	-
Reportable segment profit / (loss) after tax	**(55 632)**	**676 211**	**155 982**	**136 377**	**(1 779 198)**	**(857 260)**
Reportable segment assets	4 469 071	5 496 795	3 680 545	1 954 153	625 537	16 226 101
Reportable segment liabilities	(1 567 140)	(165 737)	(136 730)	(66 484)	(5 283 878)	(7 219 969)
	2 901 931	**5 331 058**	**3 543 815**	**1 887 669**	**(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 2 model.
The derivative instruments are valued by the various financial institutions by discounting the future cashflows using the JIBAR swap curve 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 discounted net cashflow method. Using the expected net income an appropriate capitalisation rate is applied.

The key inputs are as follows:
• Expected net operating income;
• Discount rate (16.71% - 20.00%);
• Exit CAP rate (8.25% - 12.95%);
• Growth rate (0% - 12.00%) and
• Vacancy

R'000 Group	Designated at fair value	Level 1	Level 2	Level 3
Six months ended 31 March 2020				
Investment property (including non-current assets held for sale)	14 652 139	-	-	14 652 139
Financial assets	**287 286**	**99 654**	**187 632**	**-**
Listed securities	99 654	99 654	-	-
Loans to participants of group share purchase option schemes	187 632	-	187 632	-
Total assets	**14 939 425**	**99 654**	**187 632**	**14 652 139**
	192 504	**-**	**192 504**	**-**
Derivative instruments	192 504	-	192 504	-
Total liabilities	**192 504**	**-**	**192 504**	**-**

R'000 Group	Designated at fair value	Level 1	Level 2	Level 3
Six months ended 31 March 2019				
Investment property (including non-current assets held for sale)	15 587 666	-	-	15 587 666
Financial assets	**1 369 394**	**585 655**	**783 739**	**-**
Listed securities	585 655	585 655	-	-
Interest rate swaps	5 478	-	5 478	-
Loans to participants of group share purchase option schemes	778 261	-	778 261	-
Total assets	**16 957 060**	**585 655**	**783 739**	**15 587 666**
	33 314	**-**	**33 314**	**-**
Derivative instruments	33 314	-	33 314	-
Total liabilities	**33 314**	**-**	**33 314**	**-**

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
Financial assets	**596 904**	**210 069**	**386 835**	**-**
Listed securities	210 069	210 069	-	-
Interest rate swaps	2 713	-	2 713	-
Loans to participants of group share option schemes	384 122	-	384 122	-
Total assets	**15 531 209**	**210 069**	**386 835**	**14 934 305**
	76 334	**-**	**76 334**	**-**
Derivative instruments	76 334	-	76 334	-
Total liabilities	**76 334**	**-**	**76 334**	**-**

By order of the Board
27 May 2020

DIRECTORS:	M Nell* (Chairperson), M Kaplan (CEO), J Limalia (CFO), R Kader (COO), A Kirkel (CIO), 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
TRANSFER SECRETARIES	Link Market Services South Africa Proprietary Limited
SPONSOR	Java Capital Sponsors and Trustees Proprietary Limited
COMPANY SECRETARY	Vicki Turner
WEBSITE	www.arrowheadproperties.co.za

ARROWHEAD PROPERTIES
Focused on sustainable value