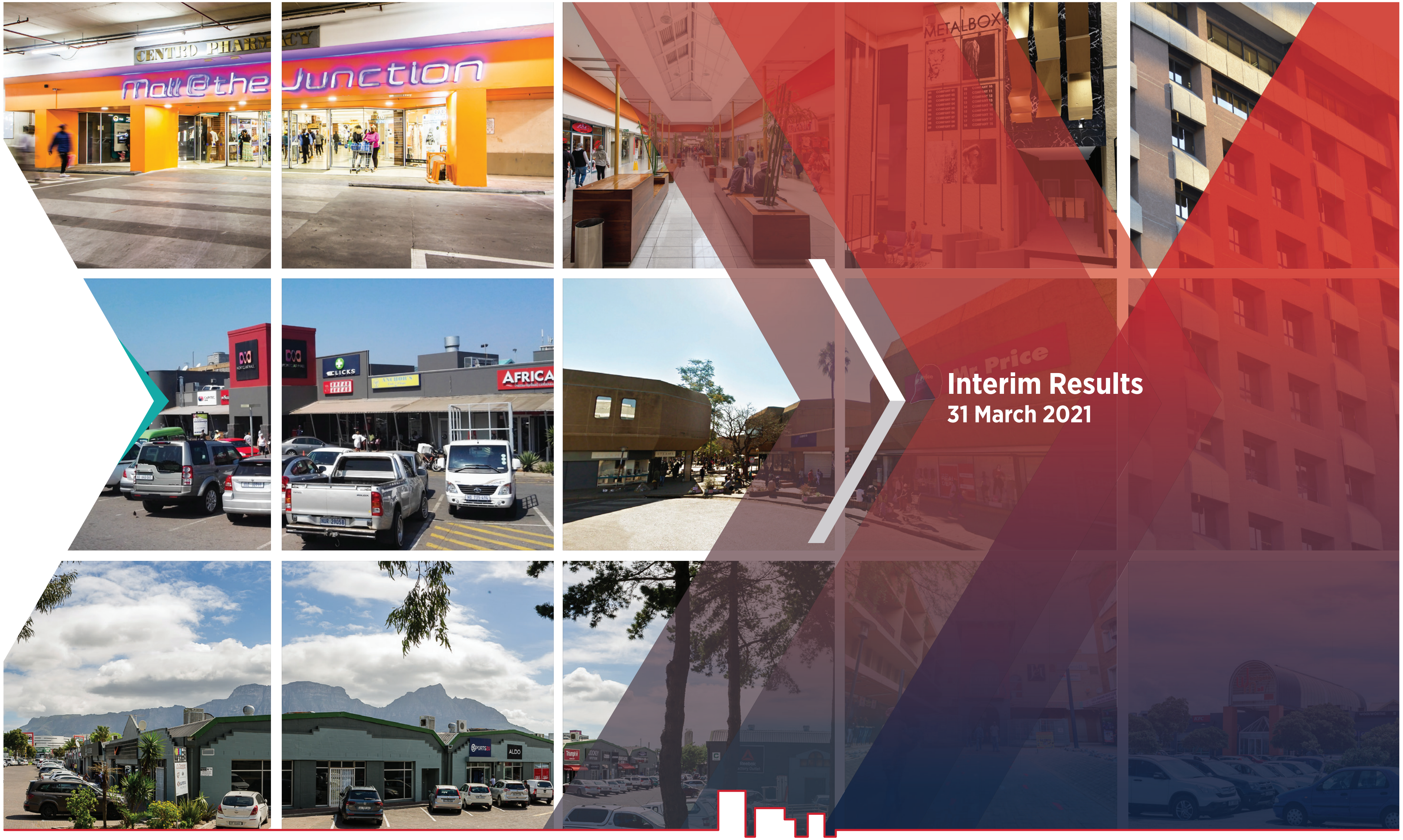

Interim Results
31 March 2021

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**")

Unaudited condensed consolidated interim results for the six months ended 31 March 2021

Highlights

- 57% increase in distributable earnings per B share for the 6-month period ended 31 March 2021 compared to the previous 6-month period ended 30 September 2020
- 20 assets disposed of and transferred during the six months at a book and sales value of R498 million. A further 20 properties of R647 million are held for sale, the majority of which are expected to transfer during the remainder of the 2021 financial year
- Active investment in solar power plants – 7.3 megawatt installed with a further 3.6 megawatt currently under construction. As at the end of March 2021, Arrowhead's energy generation stood at 4.7% of total energy consumption
- Overall tenant retention and re-letting of 85%
- Group Loan-to-Value of 39.8% (41.4% including derivatives)
- Rental collections stabilised to pre-COVID-19 levels. Rental relief reduced from R77 million in the 6-month period ending 30 September 2020 to R5 million for the 6-month period ending 31 March 2021
- Improved bank covenant terms
- B-share price increased by 108% from R1.30 at 30 September 2020 to R2.70 at 31 March 2021 after paying a full year 2020 dividend per B share of 32.99 cents in the same period

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 R9.3 billion. The average value per property held by the Group (excluding Indluplace) at 31 March 2021, was R75.9 million (R68.0 million at 30 September 2020).

At 31 March 2021, Arrowhead held a 60.0% interest (2020: 60.0%) in its subsidiary, Indluplace Properties Limited ("**Indluplace**"), which owns a portfolio of residential properties.

In addition, Arrowhead held an interest of 8.6% (2020: 8.6%) in Dipula Income Fund Limited ("**Dipula**") at 31 March 2021. During the current six-month period, the last of the Group's holding in Rebosis Property Fund Limited ("**Rebosis**") was disposed of.

Distributable income analysis
for the 6 months ended 31 March (Non IFRS disclosure)

R'000 Unaudited	2021	2020
Revenue (excluding straight line rental income)	989 091	1 173 524
Property expenses	(432 090)	(473 139)
Administration and corporate costs	(53 352)	(51 330)
Finance charges	(249 458)	(303 281)
Finance income*	2 740	9 212
Dividend receivable from Dipula	20 557	-
Non-controlling interest share in distributable income	(24 319)	(35 542)
Adjustment for income expected to be retained and not distributed by Indluplace	(7 112)	(11 403)
Distributable income	**246 057**	**308 041**
SA REIT cost-to-income ratio	49.0%	44.7%
SA REIT admin cost-to-income	5.4%	4.4%
Property cost-to-income ratio	43.7%	40.3%
SA REIT cost-to-income ratio (Arrowhead operations excl. Indluplace)	45.0%	42.4%
SA REIT admin cost-to-income (Arrowhead operations excl. Indluplace)	5.7%	4.4%
Property cost-to-income ratio (Arrowhead operations excl. Indluplace)	39.4%	38.0%
A share - distributable income for the 6 months ended 31 March	36 748	35 608
B share - distributable income or the 6 months ended 31 March	209 309	272 433
Total amount available for distribution	**246 057**	**308 041**
Distributable income per A share (cents) for the 6 months ended 31 March	58.59	56.77
Distributable income per B share (cents) for the 6 months ended 31 March*	23.19	30.65

* Please note that the shares owned by the Arrowhead Charitable Trust and the shares held under the Arrowhead and Indluplace share schemes have been excluded from the above calculation. Arrowhead earns interest income equal to the dividend paid on these shares. This interest income has not been included in the above finance income for both interim periods as no dividends has been declared and as such the shares have also been excluded from the total number of shares used to calculate the distributable income per B share.

Reconciliation of distributable income to profit (loss)

R'000	Unaudited for the 6 months ended 31 March 2021	Unaudited for the 6 months ended 31 March 2020
Distributable earnings attributable to shareholders	246 057	308 041
Adjustments:		
Changes in fair value of investment property	-	(44 163)
Changes in fair value of listed securities and financial instruments	181 607	(235 097)
Changes in fair value of loans of the share option scheme	77 271	(196 438)
Loss on sale of investment properties	(3 162)	(4 965)
Straight line rental income accrual	(13 030)	(39)
Accrued distribution on financial assets recognised in prior financial year	-	18 468
Accrued dividend receivable from Dipula	(20 557)	-
Taxation	(30 189)	-
Non-controlling interest share in above adjustments	(12 714)	29 164
Adjustment for income expected to be retained and not distributed by Indluplace	7 112	11 403
Profit / (loss) attributable to shareholders	432 395	(113 626)

Analysis of distributable income per B share

	31 March 2021 Cents per share	31 March 2020 Cents per share	Variance
Total distributable income			
Arrowhead's operations - Core portfolio	44.69	50.24	(11%)
Income from assets sold including finance cost savings	5.11	8.56	(40%)
Finance costs related to core portfolio only	(23.65)	(26.13)	(9%)
Head office and admin costs	(4.30)	(4.06)	6%
Income from Dipula	2.28	-	-
Income from Indluplace	3.13	5.98	(48%)
Total distributable income	**27.26**	**34.59**	**(21%)**
Minus distributable income to A shares	(4.07)	(3.94)	3%
Equals total distributable income to B shares	**23.19**	**30.65**	**(24%)**

Commentary

Strategic objectives

Arrowhead has continued to deliver on its strategic goals communicated to the market. The Company has remained focussed on selling properties that do not have strong letting demand and/or that it views as not being capable of acceptable rental growth over the long-term, with the disposal during the period of a further 20 properties worth R498 million. These sales take the total sales since the inception of Arrowhead's sale process in 2018 to in excess of R2 billion, with a further 20 properties valued at R647 million currently in process of being transferred. As a result of the success of its disposal programme Arrowhead has successfully strengthened its balance sheet in a very difficult environment, without needing to withhold dividends or embark on dilutionary capital raises. Even after paying a full year dividend, the loan to value has remained relatively stable at 41.4% (including derivatives) and 39.8% (excluding derivatives). Furthermore, Arrowhead's ICR has strengthened considerably as result of the cancellation of swaps in order to reduce the Company's over hedged position as a result of its successful sales program.

Arrowhead's strategic focus has shifted from an emphasis on sales to (i) strengthening its portfolio by retaining and enhancing those properties that meet its investment criteria; and (ii) enhancing the returns on those properties through our tenant centric approach that puts tenants at the heart of all property management decisions. The close proximity to, and communication with, our tenants that is central to this approach has seen our team unlocking various opportunities within our tenant base for additional space across the sectors and has resulted in Arrowhead's tenant retention and re-letting increase from 69% in 2018 to 85% in 2021 (as compared to 83% in the same period last year). We are constantly looking to develop and improve our approach and are confident that it will continue to pay dividends into the future.

The Arrowhead team has responded well to the most difficult of environments and adapted quickly to the current COVID-19 impacted environment. There is a constant drive to improve and build the Company culture. The implementation of the new property management system, MRI, is underway. This will further enhance the access and control of information. Surveys with the internal team and the property managers provide valuable insight, highlighting both strengths and weaknesses. Environmental, Social and Corporate Governance (ESG) factors are increasing in importance and we continue to take steps to enhance our ESG performance. Our social initiative, "An Arrow for Change", contributes to the less fortunate communities in and around our properties. The Gerald and Shirley Leissner Bursary program established in 2018 assists disadvantaged students. Solar projects are being rolled out a rapid rate. We have been actively investing in solar power plants with 7.3 megawatt already installed and a further 3.6 megawatt currently under construction. As of end March 2021, Arrowhead's energy generation stood at 4.7% of total energy consumption.

We look forward to continuing to deliver on the achievement of our strategic objectives to the benefit of our shareholders and tenants over the remainder of the 2021 financial year.

Commentary

Market conditions

The South African economy is reeling from the effects of the second wave of the COVID-19 pandemic as it is confronting the likelihood of a third wave. This has had a material impact in terms of letting operations predominantly in the form of higher vacancies and significant rental reversions upon lease renewal. Notwithstanding the challenging environment, Arrowhead continues to successfully navigate this uncertain and unpredictable environment and is pleased with the performance of its direct property portfolio for the period under review. Eighty percent of Arrowhead's income is attributable to its direct property portfolio. This percentage increases to 92% if its majority interest in Indluplace is included.

In anticipation 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.
- Disposal of non-core assets with non-sustainable income streams.
- Strengthening the Company's balance sheet, by reducing debt and renegotiating and cancelling 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.

Changes to the business

Disposals (excluding Indluplace disposals)

Asset class	Number	Sales value (R'000)	Average yield	Average price per asset (R'000)	GLA m²	Vacant GLA m²	Vacancy (%)
Retail	10	168 150	12.1%	16 815	20 629	300	1.5%
Office	2	42 700	10.8%	21 350	7 784	1 233	15.8%
Industrial	8	287 229	11.1%	35 904	77 917	400	0.5%
Total	**20**	**498 079**	**11.4%**	**24 904**	**106 330**	**1 933**	**1.8%**

Please note that the above properties were fair valued to sales value on 30 September 2020 and as such have been disposed of at book value. In addition to the above sales the Company has a pipeline of a further 20 assets with a sales value of R647 million. If all these sales were to transfer by year-end total sales would be R1 145 million at a 4.2% discount to book value.

As highlighted earlier the Group disposed of its entire minority interest in Rebosis.

Revenue

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

At 31 March 2021 Arrowhead owned 123 commercial properties directly and 145 residential properties indirectly through Indluplace. At 30 September 2020, Arrowhead owned 143 commercial properties directly and 147 residential properties indirectly through Indluplace.

At 31 March 2021 Arrowhead's direct property portfolio comprised by revenue of 52% retail properties, 33% office properties and 15% industrial properties. The average gross and (net) monthly rental per m^2 per sector are R131 (R123) for retail, R116 (R99) for office and R43 (R40) for industrial. Gross rental includes parking, operational cost recoveries and rates recoveries. Rental reversions were -10.3% overall, -7.4% retail, -13.8% office and -8.5% for industrial. The average weighted lease escalation across the portfolio was 7.2%, with retail at 7.1%, office at 7.5% and industrial at 7.3%. Average lease length was 3.5 years. In the first six months gross lettable area ("**GLA**") of 144 749m^2 came up for renewal, of which 109 970m^2 was renewed and a further 13 150 m^2 re-let. In aggregate, overall retention was 85% of the GLA.

In what has been a very challenging economic environment an increase in vacancy was expected, which culminated in an increase in vacancies from 8.6% at 30 September 2020 to 11.0% at 31 March 2021 (retail 7.1%, office 18.9% and industrial 7.8%). The increase in vacancy was successfully contained bearing in mind the impact of lease non-renewals, business failures and the fact that many fully let buildings were disposed of in the period. There are a significant number of new deals in the pipeline that are expected to be concluded in the next six months which we anticipate reducing this vacancy by year end.

We have provided total COVID-19 relief of R5.0 million, recorded against the Company's revenue, during the six-month period ended 31 March 2021, R0.5 million in the form of rental deferrals and R4.5 million in the form of rental discounts. As at the end of the six-month period our collections closely resemble those of pre-COVID-19 levels.

6 month letting report

	Total GLA m^2	Let GLA m^2	Vacant GLA m^2	Let (%)	Vacant (%)
As at 1 October 2020	**1 130 972**	**1 033 949**	**97 023**	**91.4**	**8.6**
Disposals	(106 333)	(104 400)	(1 933)		
Net adjustments	(542)	(31)	(511)		
Adjusted totals	**1 024 097**	**929 518**	**94 579**	**90.8**	**9.2**
Net loss / (gain)	-	(17 628)	17 628		
As at 31 March 2021	**1 024 097**	**911 890**	**112 207**	**89.0**	**11.0**

Core direct portfolio*

Net income change on properties owned at 1 October 2020 and still owned on 31 March 2021

	1 October 2020 to 31 March 2021 R'000	1 October 2019 to 31 March 2020 R'000	Variance (%)
Revenue	664 224	734 182	(9.5)
Property Expenses	(260 778)	(280 654)	(7.1)
Net Operating Income	**403 446**	**453 528**	**(11.0)**

*The core portfolio relates only to the Arrowhead portfolio (excluding Indluplace). It should be noted that the 1 October 2019 to 31 March 2020 period is pre-COVID-19 which is the key reason for the 11% negative variance, period on period.

Listed securities income

Dipula announced on 17 May 2021 that it has declared an interim dividend of 45.1 cents per B-share which is payable on 7 June 2021. We have accrued this income of R20.6 million for the period as part of Arrowhead's distributable income.

Operating costs

R'000	31 March 2021	Total (%)	31 March 2020	Total (%)
Municipal expenses	196 160	45	225 890	48
Property management	21 709	5	24 386	5
Security	17 498	4	18 890	4
Letting commission	9 660	2	9 356	2
Cleaning	9 167	2	9 535	2
Repairs and Maintenance	4 023	1	7 482	2
Insurance	3 664	1	4 180	1
Building salaries	4 382	1	3 568	1
Other	8 290	3	15 910	3
	274 553	64	319 197	67
Indluplace's operating costs	157 537	36	153 942	33
Total	**432 090**	**100**	**473 139**	**100**

Operating costs have decreased year on year on most expense line items primarily as a result of the disposal program. Municipal expenses have reduced as a result of council relief and successful rates objections that was accounted for in the current period. Other costs include bad debts, legal costs relating to property specific matters and contract costs other than the costs specifically mentioned above.

Administration expenses and corporate costs

R'000	31 March 2021	Total (%)	31 March 2020	Total (%)
Salaries	29 022	54	27 679	54
Professional service fees	4 716	9	4 353	8
Legal fees	1 155	2	101	0
Other	4 563	9	7 492	15
	39 456	74	39 625	77
Induplace's administrative costs	13 896	26	11 704	23
Total	**53 352**	**100**	**51 330**	**100**

The increase in salary cost is due to the 3.5% increase in salaries awarded to all staff of the Company apart from the executives and the increase in head count between the comparative periods. The increase in professional and legal fees is a function of the complex and uncertain environment that the Company is operating in which has warranted more frequent advice. Other costs relate to non-executive director fees, audit fees, travel costs and entertainment.

Finance income

R'000	31 March 2021	Total (%)	31 March 2020	TOTAL (%)
Interest on Group share purchase and option schemes	-	-	-	-
Interest on cash balances and tenants	2 740	100	9 212	100
Total as per analysis of distributable earnings	**2 740**	**100**	**9 212**	**100**

Decreased interest earned on cash balances was primarily due to excess funds being transferred to loan facilities to reduce the finance charges. Both Arrowhead and Induplace resolved to defer their interim dividend resulting in no interest earned on loans to participants of 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 and 2021 no interest income has been accounted for on these loans.

Finance charges

R'000	31 March 2021	Total (%)	31 March 2020	Total (%)
Interest paid - secured financial liabilities and swap facilities	246 104	99	299 390	99
Lease liability interest	1 156	0	1 188	0
Amortisation of structuring fee and other interest paid	2 198	1	2 703	1
Total	**249 458**	**100**	**303 281**	**100**

Finance charges decreased due to a reduction in interest bearing liabilities as well as the reduction in interest rates during the period. The transferring of excess funds to the loan facilities has contributed to keeping the interest charges as low as possible. Reduction in the amortisation of the structuring fee is due to the facilities which expired during the first six months.

Investment properties

As at 31 March 2021 the portfolio comprised of 123 retail, industrial and office properties valued at R9.3 billion with an average property value of R75.9 million. In addition, the Group had 145 residential properties held by its subsidiary, Indluplace, valued at R3.8 billion with an average property value of R26.2 million (collectively "**Investment Properties**").

Analysis of movement in investment property

	Direct 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	143	9 731 534	147	3 807 924	290	13 539 458
Acquisitions, additions and fair value adjustments	-	99 257	-	20 331	-	119 588
Disposals	(20)	(498 079)	(2)	(9 000)	(22)	(507 079)
Balance at the end of the period#	**123**	**9 332 712**	**145**	**3 819 255**	**268**	**13 151 967**

* The residential portfolio is a seperately listed fund on the JSE. Arrowhead's shareholding in Indluplace was 60.0% at 31 March 2021 (2020: 60.0%).

The above includes non-current assets held for sale.

The Group property portfolio (excluding Indluplace) decreased from R9.7 billion at 30 September 2020 to R9.3 billion at 31 March 2021. The movement was mainly attributable to disposals of R498 million, capital expenditure incurred of R114 million and a R13m reduction in the straight-line rental income accrual. Of the R114 million capital expenditure, R9 million relates to solar capital projects which commenced in the six-month period. This initiative will result in savings on council charges as well as improve the lettability of the properties.

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 loan to a former executive director of the Company has been reduced by R45 million pursuant to a buy-back of Arrowhead B shares pledged as security for the loan. The loan has been categorised as current as the Company has embarked on steps to recover the loan.

Trade and other receivables

Trade and other receivables decreased from R387.6 million as at 30 September 2020 to R315 million as at 31 March 2021. The decrease was primarily driven by the following key considerations:

1. Accrued interest receivable from participants of Group share purchase option schemes of R30.5 million was received post 30 September 2020. No amount was accrued at the end of March 2021.
2. As a result of the successful asset disposal program, and more specifically a smaller number of assets remaining in the portfolio and fewer assets currently held for sale, a reduction has been noted in municipal deposits and municipal clearances receivable from 30 September 2020 to 31 March 2021.

Secured financial liabilities

Group loans of R5.4 billion (September 2020: R5.6 billion) and reduced by cash and cash equivalents, measured against investment property and financial assets of R13.5 billion (September 2020: R13.9 billion) represents a Group loan to value ("**LTV**") of 39.8% (September 2020: 39.3%). Including the mark-to-market fair value liability for interest rate swaps, the Group LTV is 41.4% (September 2020 calculated on the same basis was 42.6%). The Group has complied with all LTV covenant requirements of our funders at the reporting period.

Excess funds are placed in access facilities to reduce the overall interest charge. The weighted average interest rate for the period ended 31 March 2021 was 9.0% (30 September 2020: 9.2%) for the Group. The Company's interest cover ratio for a rolling 12-month period ("**ICR**") was between 1,89 and 2,04 depending on the definitions applied of the various funders. This remains within the ICR covenants of our funders. It should be noted that two funders agreed to temporarily relax the ICR minimum from 2x to 1.8x for the 12-month rolling period ended 31 March 2021 due to the exceptional circumstances, brought about by the effects of the COVID-19 pandemic. The minimum ICR will revert to 2x for the measurement period ending 30 September 2021 at which point the Group ICR is expected to be well over 2 times.

Maturity	3 month Jibar# margin %	Prime rate margin %	2021 R'000
July 2021	1.70		98 187
October 2021	3.25		100 000
December 2021	1.85		300 000
April 2022	1.89		330 000
June 2022	2.10		31 095
July 2022	2.10		97 533
October 2022	2.15		372 229
October 2022 (Indluplace)	2.20		302 143
October 2022 (Indluplace)	2.20		302 143
November 2022	2.20		364 188
November 2022	2.20		80 000
November 2022	2.05		280 000
November 2022	2.05		200 000
December 2022		Minus 1.15	166 242
July 2023	2.05		661 000
July 2023	2.10		228 353
November 2023 (Indluplace)		Minus 1.00	17 484
November 2023 (Indluplace)	2.30		169 550
November 2023 (Indluplace)		Minus 0.90	24 969
November 2023 (Indluplace)	2.40		317 907
December 2023	2.25		126 000
December 2023	2.35		258 022
December 2023	2.35		110 000
September 2024	2.20		96 500
September 2024		Minus 1.00	58 296
November 2024 (Indluplace)	2.40		85 714
November 2024 (Indluplace)	2.55		85 714
November 2025 (Indluplace)	2.70		85 714
November 2025 (Indluplace)	2.50		85 714
Total exposure			**5 434 696**
Structuring fees capitalised			(10 421)
			5 424 275

3 month Jibar as at 31 March 2021 was 3.68%

Maturity Date	Arrowhead Capital Amount (R`000)	Indluplace Capital Amount (R`000)	Total Capital Amount (R`000)
Expiring in the next 12 months	498 187	-	498 187
Expiring in the next 24 months	1 921 283	604 286	2 525 569
Expiring in the next 36 months	1 383 374	529 911	1 913 285
Expiring in the next 48 months	154 797	171 429	326 226
Expiring in the next 60 months	-	171 429	171 429
	3 957 641	**1 477 055**	**5 434 696**

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

Arrowhead	
Notional Amount (R'000)	**Maturity Date**
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
2 428 795	

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	

Arrowhead cancelled swaps amounting to R1.7 billion during the 6 months period post a review of its hedging policy and was 63% hedged at the end of the current reporting period. This was done to align the hedging position with the reduction in debt as a consequence of the asset sales program resulting in transfers of R840 million in 2020, a further R498 million transferred to date and R697 million expected to transfer by the end of the 2021 year. Post these sales we anticipate the hedging position to be approximately 75% of debt. The mark-to-market of the derivatives has mostly reduced because the cancellation of the swaps and the forecast of higher interest rates in the short to medium term.

Trade and other payables

Trade and other payables decreased from R674.7 million at 30 September 2020 to R612.7 million at the end of 31 March 2021. The reduction is mainly due to an amount of R30 million accrued for the purchase of the full minority stake in Moolgem at 30 September 2020 which was settled in the current period. The balance of the reduction in creditors is linked to lower accruals due to the reduced size of the portfolio.

Current taxes

The Group accrued taxes of R46.5 million in relation to the prior year brought about by the implementation of a reduced dividend pay-out ratio and the consequence of a lower Section 25BB (of the Income Tax Act) deduction. This amount was paid in the current period. For the current period Indluplace has accrued R5.5 million in respect of income tax. Arrowhead has not accrued any amount as it estimates the low likelihood of having a tax liability at year end.

Prospects

Arrowhead is pleased with the progress it has made in the current period and is well on track to stabilising its core portfolio as it faces the challenges of a third wave of the COVID-19 pandemic. Given the uncertainty surrounding the unpredictable environment in which the Company will be operating for the foreseeable future, the Company is not in a position to provide the market with guidance as to its distributable income per share and dividend per share for the year ending 30 September 2021.

Analysis of net asset value

	Unaudited at 6 months ended 31 March 2021	Unaudited at 6 months ended 30 September 2020
A shares in issue	62 718 658	62 718 658
B shares in issue*	951 422 029	969 807 177
Net asset value per A share in reporting date (cents)	923	790
Net asset value per B share in reporting date (cents)	635	631

* Includes 25 534 700 B shares issued to the Arrowhead Charitable Trust which are eliminated upon consolidation in terms of IFRS.

Payment of dividend for the 6 months ended 31 March 2021

The board believes that, given the continued prevailing uncertainty brought about 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 declaration of an interim dividend, for the six month period ended 31 March 2021, until not later than the release of its financial results for the year ending 30 September 2021, expected to be on or about 25 November 2021.

Subsequent events

On 18 May 2021 Fairvest Property Holdings Limited ("**Fairvest**") announced that, *inter alia*, it had concluded agreements with various Arrowhead B ("**AHB**") shareholders to acquire their Fairvest shares in return for 1,85 AHB shares per Fairvest share, subject to various terms and conditions. Fairvest has advised Arrowhead that it wishes to engage on a scheme of arrangement between Arrowhead and its AHB shareholders, in order to facilitate a 'single-step merger'. Arrowhead is always open to considering proposals that may unlock value and has begun a process to more fully assess Fairvest's proposal. These results do not take into consideration the impact of the merger between the companies should it materialise in the future.

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 2021 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, Financial Pronouncements as issued by the Financial Reporting Standards Council 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

All amendments to standards that are applicable to Arrowhead for its financial year beginning 1 October 2020 have been considered. The accounting policies applied in these unaudited condensed consolidated interim results are the same as those applied in the Group's consolidated financial statements for the year ended 30 September 2020.

Going concern

The interim financial results have been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Summarised consolidated statement of comprehensive income

for the 6 months ended 31 March 2021

R'000	Unaudited for the 6 months ended 31 March 2021	Unaudited for the 6 months ended 31 March 2020	Audited for the year ended 30 September 2020
Rental income	989 091	1 173 524	2 189 241
Straight line rental income accrual	(13 030)	(39)	14 520
Listed securities income	-	18 325	18 325
Total revenue	**976 061**	**1 191 810**	**2 222 086**
Operating costs	(432 090)	(473 139)	(954 869)
Administrative and corporate costs	(53 352)	(51 330)	(104 053)
Net operating profit	**490 619**	**667 341**	**1 163 164**
Changes in fair values	255 715	(483 497)	(1 500 977)
Profit / (loss) from operations	**746 334**	**183 844**	**(337 813)**
Finance charges	(249 458)	(303 281)	(574 350)
Finance income	2 740	9 212	46 014
Profit / (loss) before taxation	**499 616**	**(110 225)**	**(866 149)**
Taxation	(30 190)	-	21 644
Total comprehensive Profit / (loss)	**469 426**	**(110 225)**	**(844 505)**
Profit / (loss) for the year attributable to:			
Equity shareholders of Arrowhead	432 395	(113 626)	(733 284)
Non-controlling interest	37 031	3 401	(111 221)
Total comprehensive Profit / (loss) for the period	**469 426**	**(110 225)**	**(844 505)**
Basic earnings (loss) per combined shares in issue (cents)	42.07	(10.89)	(70.65)
Basic diluted earnings (loss) per combined shares in issue (cents)	41.65	(10.89)	(70.65)

Summarised consolidated statement of financial position

for the 6 months 31 March 2021

R'000	Unaudited as at 31 March 2021	Unaudited as at 31 March 2020	Audited as at 30 September 2020
Assets			
Non-current assets	**12 737 004**	**14 411 289**	**12 400 258**
Investment property	12 413 572	14 166 888	12 111 512
Fair value of property portfolio	12 261 376	14 034 474	11 946 285
Straight line rental income accrual	152 196	132 414	165 227
Property, plant and equipment	3 677	1 008	631
Loans to participants of Group share purchase and option schemes	177 556	143 739	132 183
Financial assets	108 885	99 654	97 832
Deferred tax	33 314	-	58 100
Current assets	**391 070**	**592 818**	**605 902**
Trade and other receivables	314 967	413 905	387 550
Loans to participants of Group share purchase and option schemes	34 131	43 893	48 263
Cash and cash equivalents	41 972	135 020	170 089
Non-current assets held for sale	**738 394**	**485 251**	**1 427 947**
Total assets	**13 866 468**	**15 489 358**	**14 434 107**
Equity and liabilities			
Shareholders' interest	**6 616 693**	**7 218 619**	**6 619 225**
Stated capital	7 160 868	7 207 643	7 206 556
Share-based payments reserve	6 019	-	3 059
Reserves	(550 194)	10 976	(590 390)
Non-controlling interest	**974 406**	**1 147 322**	**992 364**
Non-current liabilities	**5 157 439**	**5 650 008**	**4 012 920**
Secured financial liabilities	4 926 088	5 423 694	3 531 579
Deferred taxation	-	10 040	-
Derivative instruments	208 889	192 504	458 213
Lease liability	22 462	23 770	23 128
Current liabilities	**1 117 930**	**1 473 409**	**2 809 598**
Trade and other payables	612 713	629 559	674 713
Secured financial liabilities	498 187	842 523	2 086 920
Current tax payable	5 404	-	46 495
Lease liability	1 626	1 327	1 470
Total equity and liabilities	**13 866 468**	**15 489 358**	**14 434 107**

Summarised consolidated statement of changes in equity

R'000	Stated capital	Share-based payment reserves	Reserves	Non-controlling interest	Total
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 loss 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**
Share buyback	(45 687)	-	-		(45 687)
Employee share scheme	-	2 960	-	1 251	4 211
Dividends paid	-	-	(392 199)	(56 241)	(448 440)
Total comprehensive income for the period	-	-	432 395	37 031	469 426
Balance at 31 March 2021	**7 160 868**	**6 019**	**(550 194)**	**974 406**	**7 591 098**

Summarised consolidated statement of cash flows

R'000	Unaudited for the 6 months ended 31 March 2021	Unaudited for the 6 months ended 31 March 2020	Audited for the year ended 30 September 2020
Net cash (utilised) generated from operating activities	**(187 273)**	**89 622**	**381 939**
Cash generated from operations	554 518	802 077	1 311 302
Finance charges paid	(249 458)	(303 281)	(574 350)
Interest received	2 740	9 212	46 014
Dividends received - listed securities	-	18 325	18 325
Tax paid	(46 495)	-	-
Dividends paid - non-controlling interest	(56 241)	(52 518)	(52 518)
Dividends paid	(392 337)	(384 193)	(366 834)
Net cash generated from investing activities	**377 356**	**244 289**	**644 769**
Capital expenditure / acquisitions of investment property	(142 110)	(155 922)	(229 852)
Proceeds from disposal of investment property	502 678	406 386	872 903
Investments in financial assets	-	(5 799)	(5 799)
Sale of property, plant and equipment	-	-	47
Sale of financial assets	21 131	-	8 000
Acquisition of property, plant and equipment	(4 343)	(376)	(530)
Net cash utilised from financing activities	**(318 200)**	**(359 889)**	**(1 017 617)**
Cost incurred in share buy back	(277)	(95 731)	(97 521)
Acquisition of additional interest in subsidiary	(30 000)	-	(6 623)
Settlement of interest rate derivatives	(99 927)	-	-
Repayment of lease liability	(511)	(1 439)	(750)
Repayment of borrowings	(187 485)	(262 719)	(912 723)
Net movement in cash and cash equivalents	(128 117)	(25 978)	9 091
Cash and cash equivalents at the beginning of the period	**170 089**	**160 998**	**160 998**
Cash and cash equivalents at the end of the year	**41 972**	**135 020**	**170 089**

Reconciliation of earnings to headline earnings

R'000	Unaudited for the 6 months ended 31 March 2021	Unaudited for the 6 months ended 31 March 2020	Audited for the year ended 30 September 2020
Profit (loss) for the period attributable to Arrowhead shareholders	432 395	(113 626)	(733 284)
Earnings	**432 395**	**(113 626)**	**(733 284)**
Changes in fair value of investment property	-	44 163	761 293
Changes in fair value of investment property - non-controlling interest	-	(14 074)	(144 402)
Loss on sale of property	3 162	4 965	43 743
Profit on sale of investment property - non-controlling interest	-	(70)	-
Headline Profit / (loss) attributable to shareholders	**432 557**	**(78 642)**	**(72 650)**
Number of A shares in issue	62 718 658	62 718 658	62 718 658
Number of B shares in issue#	951 422 029	969 807 176	969 807 177
Weighted average number of Arrowhead shares in issue:			
Weighted average number of A shares in issue	62 718 658	62 718 658	62 718 658
Weighted average number of B shares in issue#	965 059 363	980 432 962	975 150 972
Weighted average number of B shares in issue - dilutive#	975 370 226	980 432 962	975 150 972
Basic earnings (loss) per combined shares in issue (cents)	42.07	(10.89)	(70.65)
Basic diluted earnings (loss) per combined shares in issue (cents)	41.65	(10.89)	(70.65)
Headline earnings (loss) per combined shares in issue (cents)	42.38	(7.54)	(7.00)
Headline diluted earnings (loss) per combined shares in issue (cents)	41.96	(7.54)	(7.00)

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 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

31 March 2021 - R'000	Gauteng	Western Cape	Kwazulu Natal	Eastern Cape	Limpopo	Other	Total
Contractual rental income	657 445	111 533	64 407	61 485	65 877	28 344	989 091
Straight line rental income	(1 993)	(4 010)	(2 364)	(117)	(1 785)	(2 761)	(13 030)
Listed securities income	-	-	-	-	-	-	-
Operating and administration costs	(317 896)	(26 904)	(22 854)	(24 097)	(17 682)	(76 009)	(485 442)
Net operating profit / (loss)	**337 556**	**80 619**	**39 189**	**37 271**	**46 410**	**(50 426)**	**490 619**
Finance income	495	99	15	70	92	1 969	2 740
Finance charges	(1 283)	(113)	(2)	(16)	(16)	(248 028)	(249 458)
Net operating profit / (loss)	**336 768**	**80 605**	**39 202**	**37 325**	**46 486**	**(296 485)**	**243 901**
Changes in fair values	8 797	-	-	-	-	246 918	255 715
Reportable segment profit / (loss) before tax	**345 565**	**80 605**	**39 202**	**37 325**	**46 486**	**(49 567)**	**499 616**
Taxation	-	-	-	-	-	(30 190)	(30 190)
Reportable segment profit / (loss) after tax	**345 565**	**80 605**	**39 202**	**37 325**	**46 486**	**(79 757)**	**469 426**
Reportable segment assets	7 565 427	2 061 397	738 196	818 237	976 925	1 706 286	13 866 468
Reportable segment liabilities	(398 088)	(58 641)	(46 092)	(24 012)	(48 803)	(5 699 733)	(6 275 369)
	7 167 339	**2 002 756**	**692 104**	**794 225**	**928 122**	**(3 993 447)**	**7 591 098**

Sectoral

31 March 2021 - R'000	Commercial	Industrial	Retail	Residential	Overheads	Total
Contractual rental income	230 356	126 209	338 308	294 218	-	989 091
Straight line rental income	2 247	(9 976)	(5 301)	-	-	(13 030)
Listed securities income	-	-	-	-	-	-
Operating and administration costs	(96 496)	(60 833)	(107 895)	(171 433)	(48 785)	(485 442)
Net operating profit / (loss)	**136 107**	**55 400**	**225 112**	**122 785**	**(48 785)**	**490 619**
Finance income	276	246	295	804	1 119	2 740
Finance charges	(156)	(222)	(1 054)	(63 307)	(184 719)	(249 458)
Net operating profit / (loss)	**136 227**	**55 424**	**224 353**	**60 282**	**(232 385)**	**243 901**
Changes in fair values	-	-	-	45 132	210 583	255 715
Reportable segment profit / (loss) before tax	**136 227**	**55 424**	**224 353**	**105 414**	**(21 802)**	**499 616**
Taxation	-	-	-	(14 299)	(15 891)	(30 190)
Reportable segment profit / (loss) after tax	**136 227**	**55 424**	**224 353**	**91 115**	**(37 693)**	**469 426**
Reportable segment assets	3 218 555	1 358 658	4 970 468	4 070 546	248 241	13 866 468
Reportable segment liabilities	(172 413)	(79 096)	(243 079)	(115 744)	(5 665 038)	(6 275 369)
	3 046 142	**1 279 562**	**4 727 389**	**3 954 802**	**(5 416 797)**	**7 591 098**

Geographical

31 March 2020 - R'000	Gauteng	Western Cape	Kwazulu Natal	Eastern Cape	Limpopo	Other	Total
Contractual rental income	755 430	138 292	72 015	64 246	92 267	51 274	1 173 524
Straight line rental income	2 420	(1 737)	(3 134)	(105)	3 501	(984)	(39)
Listed securities income	-	-	-	-	-	18 325	18 325
Operating and administration costs	(333 614)	(47 843)	(29 928)	(23 777)	(22 896)	(66 411)	(524 469)
Net operating profit	**424 236**	**88 712**	**38 954**	**40 363**	**72 872**	**2 204**	**667 341**
Finance income	778	93	44	69	239	7 989	9 212
Finance charges	(130)	-	-	-	-	(303 151)	(303 281)
Net operating profit / (loss)	**424 884**	**88 805**	**38 998**	**40 432**	**73 111**	**(292 958)**	**373 272**
Changes in fair values	(45 347)	513	(2 786)	-	1 874	(437 751)	(483 497)
Reportable segment profit / (loss) before tax	**379 537**	**89 318**	**36 212**	**40 432**	**74 985**	**(730 709)**	**(110 225)**
Taxation	-	-	-	-	-	-	-
Reportable segment profit / (loss) after tax	**379 537**	**89 318**	**36 212**	**40 432**	**74 985**	**(730 709)**	**(110 225)**
Reportable segment assets	8 165 827	2 105 763	918 263	832 149	1 354 436	2 112 920	15 489 358
Reportable segment liabilities	(292 239)	(54 730)	(53 465)	(27 035)	(33 797)	(6 662 151)	(7 123 417)
	7 873 588	**2 051 033**	**864 798**	**805 114**	**1 320 639**	**(4 549 231)**	**8 365 941**

Sectoral

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

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 and administration costs	(684 613)	(90 877)	(48 130)	(45 457)	(45 154)	(144 691)	(1 058 922)
Net operating profit / (loss)	**765 197**	**164 268**	**85 920**	**74 007**	**120 975**	**(47 203)**	**1 163 164**
Finance income	15 717	213	83	248	495	29 258	46 014
Finance charges	(2 141)	(307)	(1)	(7)	(10)	(571 884)	(574 350)
Net operating profit / (loss)	**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)	(1 500 977)
Reportable segment profit / (loss) before tax	**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 and administration costs	(223 101)	(116 761)	(268 379)	(357 724)	(92 957)	(1 058 922)
Net operating profit / (loss)	**309 343**	**158 593**	**472 287**	**285 288**	**(62 347)**	**1 163 164**
Finance income	807	890	15 319	16 147	12 851	46 014
Finance charges	(337)	(90)	(2 003)	(131 051)	(440 869)	(574 350)
Net operating profit / (loss)	**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)
Reportable segment profit / (loss) before tax	**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**

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 (formerly) 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 based on a level 2 model.
Investment property is valued using a level 3 model.

Measurement of fair value for level 3

Investment property

Investment property is measured using the expected net income which includes assumptions on vacancies against which an appropriate capitalisation rate is applied. No revaluations were done in this period as it was not expected that the fair values changed materially from September 2020.

The key inputs are as follows:

- Expected net operating income;
- Discount rate (14.50% - 21.50%);
- Exit CAP rate (8.25% - 14.00%);
- Growth rate (0% - 10.00%)

Loans to participants of Group share purchase option schemes

To determine the fair value, a future share price assessment was carried out taking forward looking parameters such as expected dividend yield and dividend growth into account and applying these factors to a Dividend Growth Model based on a weighted scenario probability analysis, resulting in the fair market value of the future share price at the expiry of the loan discounted back to present value using a discount rate.

The key inputs are as follows:

- Dividend yield (2021: 12% - 15%; 2020: 18% - 20%);
- Growth in annual dividend (2021: 1% - 10%; 2020: 1% - 9%);
- Discount rate (2021: 5%; 2020: 5%)

Sensitivity analysis if key inputs change as follows:

R'000	Up 2%	Down 2%
Dividend yield	(17 390)	25 834
Growth rate	11 277	(8 857)
Discount rate	(11 028)	14 332

Reconciliation of loans to participants of Group share purchase option schemes

R'000	Unaudited for the 6 months ended 31 March 2021	Unaudited for the 6 months ended 31 March 2020
Opening balance at 30 September	180 446	384 122
Loans repaid	(46 030)	-
Fair value adjustments	77 271	(196 490)
Closing balance at 31 March	211 687	187 632

R'000 Group	Designated at fair value	Level 1	Level 2	Level 3
Six months ended 31 March 2021				
Investment property (including non-current assets held for sale)	13 151 967	-	-	13 151 967
Financial assets	**307 408**	**95 721**	**-**	**211 687**
Listed securities	95 721	95 721	-	-
Loans to participants of Group share purchase option schemes	211 687	-	-	211 687
Total assets	**13 459 375**	**95 721**	**-**	**13 363 654**
	208 889	**-**	**208 889**	**-**
Interest rate swaps	208 889	-	208 889	-
Total liabilities	**208 889**	**-**	**208 889**	**-**

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**	**00 654**	**-**	**14 839 771**
	192 504	**-**	**192 504**	**-**
Interest rate swaps	192 504	-	192 504	-
Total liabilities	**192 504**	**-**	**192 504**	**-**

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**	**-**

REIT Ratios (Non IFRS disclosure)

SA REIT Association's best practice recommendations

The second edition of the SA REIT Association's best practice recommendations was issued in November 2019 and is effective for reporting periods commencing on or after 1 January 2020. The comparative figures have been disclosed on the same basis.

SA REIT Funds From Operations (SA REIT FFO) per share

R'000	Unaudited 6 months 31 March 2021	Unaudited 6 months 31 March 2020	Unaudited 12 months 30 September 2020
Profit / (loss) per IFRS Statement of Comprehensive Income (SOCI) attributable to the parent	432 395	(113 626)	(733 284)
Adjusted for:			
Accounting / specific adjustments:	(45 703)	338 220	1 032 672
Fair value adjustments to:	(109 480)	356 649	1 058 123
Fair value (gain) / loss on investment property	-	44 163	746 774
Fair value (gain) / loss on listed securities	(32 209)	116 214	110 035
Fair value (gain) / loss on loans to participants of Group share purchase option schemes	(77 271)	196 272	203 676
Sundry adjustments	-	-	(2 362)
Non-distributable deferred tax movement recognised in profit / (loss)	24 786	-	(68 140)
Non-distributable income tax movement recognised in profit / (loss)	5 404	-	46 495
Straight-lining operating lease adjustment	13 030	39	14 519
Adjustments to dividends from equity interests held	20 557	(18 468)	(18 325)
Adjustments arising from investing activities:	3 162	4 965	43 743
Losses / (gains) on disposal of investment property and property, plant and equipment	3 612	4 965	43 743
Foreign exchange and hedging items:	(149 397)	118 883	384 592
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	(149 397)	118 883	384 592
Other adjustments:	5 600	(36 162)	(203 564)
Non-controlling interests in respect of the above adjustments	12 712	(28 998)	(194 230)
Interest earned from Arrowhead Charitable Trust	-	-	8 423
Adjustments relating to subsidiary Indluplace - adjusting for pay-out ratio and other sundry items	(7 112)	(7 164)	(17 757)
SA REIT FFO:	**246 057**	**312 280**	**524 159**
Allocated to the A shares:	36 748	35 608	72 415
Thus balance allocated to the B shares:	209 309	276 672	451 744
Number of shares outstanding at the end of period (net of treasury shares) - A shares	62 718 658	62 718 658	62 718 658
Number of shares outstanding at end of period (net of treasury shares) - B shares*	902 682 524*	902 682 524*	995 341 877
SA REIT FFO per share - A shares (cents)	**58.59**	**56.77**	**115.46**
SA REIT FFO per share - B shares (cents)	**23.19**	**30.65**	**45.39**

* Please note that the shares owned by the Arrowhead Charitable Trust and the shares held under the Arrowhead and Indluplace share schemes have been excluded from the above calculation. Arrowhead earns interest income equal to the dividend paid on these shares. This interest income has not been included in the above finance income for both interim periods as no dividend has been declared and as such the shares have also been excluded from the total number of shares used to calculate the distributable income per B share. The shares have been included for the 30 September 2020 period.

SA REIT Net Asset Value (SA REIT NAV)

R'000	Unaudited 6 months 31 March 2021	Unaudited 6 months 31 March 2020	Unaudited 12 months 30 September 2020
Reported NAV attributable to the parent	6 616 693	7 218 619	6 619 225
Adjustments:			
Dividend to be declared	-	-	(400 760)
Dividend to be received from Indluplace	-	-	84 326
Fair value of certain derivative financial instruments	208 889	192 504	458 213
Deferred tax	(33 314)	10 040	(58 100)
SA REIT NAV:	**6 792 268**	**7 421 163**	**6 702 904**
Allocated to the A shares:	578 709	629 068	495 781
Allocated to the B shares:	6 213 559	6 792 095	6 207 123
Number of shares outstanding at end of period (net of treasury shares) - A shares	62 718 658	62 718 658	62 718 658
Number of shares outstanding at end of period (net of treasury shares) - B shares*	951 422 029	969 807 177	969 807 177
Effect of dilutive instruments	10 310 863	4 252 016	4 252 016
Dilutive number of B shares in issue	961 732 892	974 059 193	974 059 193
SA REIT NAV per A share (cents)	**923**	**1 003**	**790**
SA REIT NAV per B share (cents)	**646**	**697**	**637**

* Excluding 25 534 700 B shares issued to the Arrowhead Charitable Trust which eliminate on consolidation.

SA REIT Cost-to-income ratio

R'000	Unaudited 6 months 31 March 2021	Unaudited 6 months 31 March 2020	Unaudited 12 months 30 September 2020
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	432 090	473 139	954 869
Administrative expenses per IFRS income statement	53 352	51 330	104 052
Exclude:			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of tangible assets	(360)	(410)	(894)
Operating costs	**485 082**	**524 059**	**1 058 027**
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	763 428	890 980	1 648 496
Utility and operating recoveries per IFRS income statement	225 663	282 544	540 745
Gross rental income	**989 091**	**1 173 524**	**2 189 241**
SA REIT cost-to-income ratio	**49.0%**	**44.7%**	**48.3%**

SA REIT administrative cost-to-income ratio

R'000	Unaudited 6 months 31 March 2021	Unaudited 6 months 31 March 2020	Unaudited 12 months 30 September 2020
Expenses			
Administrative expenses per IFRS income statement	53 352	51 330	104 052
Administrative costs	**53 352**	**51 330**	**104 052**
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	763 428	890 980	1 648 496
Utility and operating recoveries per IFRS income statement	225 663	282 544	540 745
Gross rental income	**989 091**	**1 173 524**	**2 189 241**
SA REIT administrative cost-to-income ratio	**5.4%**	**4.4%**	**4.8%**

SA REIT GLA vacancy rate

	Unaudited 6 months 31 March 2021	Unaudited 6 months 31 March 2020	Unaudited 12 months 30 September 2020
Gross lettable area of vacant space	112 207	84 621	97 023
Gross lettable area of total property portfolio	1 024 097	1 188 658	1 130 972
SA REIT GLA vacancy rate	**11.0%**	**7.1%**	**8.6%**

SA REIT loan-to-value

R'000	Unaudited 6 months 31 March 2021	Unaudited 6 months 31 March 2020	Unaudited 12 months 30 September 2020
Gross debt	5 448 363	6 291 314	5 643 096
Less:			
Cash and cash equivalents (incl. cash held by property managers included in trade receivables)	(68 499)	(150 401)	(190 234)
Add/less:			
Derivative financial instruments	208 889	192 504	458 213
Net debt	**5 588 753**	**6 333 417**	**5 911 075**
Total assets - per Statement of Financial Position	13 866 468	15 489 358	14 434 107
Less:			
Cash and cash equivalents	(68 499)	(150 401)	(190 234)
Deferred tax	(33 314)	-	(58 100)
Trade and other receivables	(249 446)	(359 022)	(316 965)
Trade and other receivables - gross	(314 966)	(413 905)	(387 550)
Trade and other receivables - property managers cash	26 528	15 381	20 145
Trade and other receivables - less property loan receivable	38 992	39 502	50 440
Cash amount of property related assets	**13 515 209**	**14 979 935**	**13 868 808**
SA REIT loan-to-value (SA REIT LTV)	**41.4%**	**42.3%**	**42.6%**

Cost of debt

	Unaudited 6 months 31 March 2021	Unaudited 6 months 31 March 2020	Unaudited 12 months 30 September 2020
Variable interest-rate borrowings			
Floating reference rate plus weighted average margin	5.9%	8.2%	5.5%
Fixed interest-rate borrowings			
Weighted average fixed rate	0.0%	0.0%	0.0%
Pre-adjusted weighted average cost of debt	**5.9%**	**8.2%**	**5.5%**
Adjustments:			
Impact of interest rate derivatives	**3.0%**	**1.3%**	**3.6%**
Amortised transaction costs imputed into the effective interest rate	0.1%	0.1%	0.1%
All-in weighted average cost of debt	**9.0%**	**9.6%**	**9.2%**

By order of the board
26 May 2021

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

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TRANSFER SECRETARIES JSE Investor Services Proprietary Limited

SPONSOR Nedbank Corporate and Investment Banking, a division of Nedbank Limited

COMPANY SECRETARY Vicki Turner

WEBSITE www.arrowheadproperties.co.za

ARROWHEAD PROPERTIES

Focused on sustainable value