

**ARROWHEAD PROPERTIES LIMITED**  
(formerly 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")



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## UPDATE ON SALES AND DISPOSAL OF VARIOUS PROPERTY LETTING ENTERPRISES BY ARROWHEAD

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### UPDATE ON SALES

In our September 2020 Pre-close update, we reported overall sales of just under R1.26 billion at a 10.8% forward income yield at an overall discount to book value of just over 5%. We also reported that we had transferred R560 million of sales at that time.

We are pleased to advise that the sales pipeline has grown by a further R170 million to R1.43 billion at an overall sales discount of 5.4% and a combined forward income yield of 10.7%. This pipeline excludes 3 sales (Jane Furse, Durban Receiver of Revenue and Durban Valley View) valued at R528 million which remain subject to due diligence and Competition Commission approval.

If all of the concluded transactions proceed, total sales will increase to just under R2 billion, significantly strengthening the Company's balance sheet and reducing Arrowhead's loan to value ratio.

We are also pleased to advise that since our last update we have transferred a further 11 sales valued at R280 million taking the total number of sales transferred for the year to R840 million.

### DISPOSAL OF VARIOUS PROPERTY LETTING ENTERPRISES BY ARROWHEAD

#### 1. INTRODUCTION

Shareholders are advised that Arrowhead, through various subsidiaries, has entered into the following sale agreements to dispose of certain immovable properties:

- the sale by Arrowhead of the rental enterprise comprising Parow Industrial Park to Lemil Property Holdings Close Corporation ("**Lemil**"), for an aggregate disposal consideration of R95 million on 3 September 2020 (the "**Parow Industrial Park Transaction**");
- the sale by Vividend Income Fund Limited, a subsidiary of Arrowhead ("**Vividend**"), of the rental enterprise comprising Durban Receiver of Revenue to Vtech Properties Proprietary Limited ("**Vtech**") for an aggregate disposal consideration of R235 million on 22 September 2020 (the "**Durban Receiver of Revenue Transaction**");
- the sale by Arrowhead of the property comprising Durban Valley View Industrial Park and assignment of the lease agreement in respect of Durban Valley View Industrial Park to Colkru Investments Proprietary Limited ("**Colkru**") for an aggregate disposal consideration of R119 million on 30 August 2020 (the "**Durban Valley View Transaction**");
- the sale by Cumulative Properties Limited, a wholly-owned subsidiary of Arrowhead ("**Cumulative**"), of the rental enterprise comprising Thohoyandou Shopping Centre for a disposal consideration of R39 million, together with the rental enterprise comprising Thohoyandou Centre for a disposal consideration of R32.5 million to Madiba Property Investments Proprietary Limited ("**Madiba Investments**") on 6 October 2020; and
- the sale by Arrowgem Limited, a wholly owned subsidiary of Arrowhead ("**Arrowgem**"), of the rental enterprise comprising Sibasa Shopping Centre to Madiba Investments for an aggregate disposal consideration of R37 million on 6 October 2020 (collectively, the "**Thohoyandou Transactions**").

The immovable properties disposed of comprise rental enterprises including the immovable properties and the respective rights and obligations in terms of existing lease agreements between Arrowhead (or its subsidiaries) and the existing tenants occupying the immovable properties used in the operation of the rental enterprises.

#### 2. RATIONALE

The various disposals are in line with Arrowhead's previously announced disposal programme aimed at repositioning the Company's property portfolio through strategic disposals. The proceeds of the various disposals will be used to reduce debt in line with Arrowhead's intention to improve gearing and strengthen the Company's balance sheet.

#### A. THE PAROW INDUSTRIAL PARK TRANSACTION

##### 1. TERMS OF THE PAROW INDUSTRIAL PARK TRANSACTION

- Lemil will acquire Parow Industrial Park as a going concern with effect from the transfer date, being the date of registration of transfer of ownership of the property known as Parow Industrial Park to Lemil with such date expected to occur by no later than 31 January 2021. Should transfer not occur by 31 January 2021, Arrowhead has the right to cancel the sale agreement by notice and any party who has performed in terms thereof will be restored to its position *quo ante*.
- On the transfer date, delivery of Parow Industrial Park will take place, and all risks and benefits of ownership shall pass to Lemil.
- The assets of Parow Industrial Park comprise the property and all rights, title and interests of Arrowhead in and to the existing rental agreements between Arrowhead and the tenants occupying the property as at 30 September 2020.
- Lemil shall be entitled to conduct a due diligence investigation in respect of Parow Industrial Park, including all matters relating to the property as Lemil may reasonably deem relevant (the "**Due Diligence Investigation**").

- The disposal consideration (which includes value-added tax levied at a rate of 0%) will be payable in cash on the transfer date. To the extent that the property has not been transferred to Lemil on or before 30 December 2020, the disposal consideration shall escalate on a *pro rata* basis by 0.66% per month compounded monthly in arrears calculated with effect from 1 January 2021 up to and including the transfer date, provided that the delay in transferring the property is not as a result of any event or circumstance beyond either Arrowhead's or Lemil's control.
- The sale agreement provides for undertakings, warranties and indemnities which are normal for transactions of this nature.

## 2. CONDITIONS PRECEDENT

The Parow Industrial Park Transaction is subject to the fulfilment or waiver, as the case may be, of the condition precedent that by no later than 45 business days for the date of signature, Lemil furnishes Arrowhead with a written guarantee for the payment of the disposal consideration which shall be payable to Arrowhead on the transfer date.

## 3. PROPERTY SPECIFIC INFORMATION

Property name	Geographical location	Sector	GLA (m <sup>2</sup> )	Weighted average rental per m <sup>2</sup> (R/m <sup>2</sup> )	Net operating profit <sup>1</sup> (R'000)	Valuation <sup>2</sup> (R000)
Parow Industrial Park, Erven 18006, 18005 and 23181 Parow, Cape Town	Western Cape	Industrial	19 834	49,15	8 547	90 037

Notes:

1. Extracted from Arrowhead's unaudited condensed consolidated interim results for the six months ended 31 March 2020 and management accounts for the financial year ended 30 September 2020 which were prepared in terms of International Financial Reporting Standards. Arrowhead is satisfied with the quality of the management accounts.
2. The Parow Industrial Park was valued as at 30 September 2019 by the board of directors of Arrowhead. The board of directors of Arrowhead is not independent, and its members are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No 47 of 2000. The disposal consideration is considered to be its fair market value, as determined by the board of directors of Arrowhead.

## B. THE DURBAN RECEIVER OF REVENUE TRANSACTION

### 1. TERMS OF THE DURBAN RECEIVER OF REVENUE TRANSACTION

- Vtech will acquire Durban Receiver of Revenue as a going concern with effect from the transfer date, being the date of registration of transfer of ownership of the property known as Durban Receiver of Revenue to Vtech with such date expected to occur by no later than 29 January 2021. Should transfer not occur by 29 January 2021, Vividend has the right to cancel the sale agreement by notice and any party who has performed in terms thereof will be restored to its position *quo ante*.
- On the transfer date, delivery of the property and rental enterprise known as Durban Receiver of Revenue will take place, and all risks and benefits of ownership shall pass to Vtech.
- Vtech shall be entitled to conduct a due diligence investigation in respect of Durban Receiver of Revenue, including all matters relating to the property as Vtech may reasonably deem relevant (the "**Due Diligence Investigation**"). The Due Diligence Investigation is currently in the preliminary stages.
- The disposal consideration (which includes value-added tax levied at a rate of 0%) will be payable in cash on the transfer date. To the extent that the property has not been transferred to Vtech on or before 29 January 2021, the disposal consideration shall escalate on a *pro rata* basis by 0.66% per month compounded monthly in arrears calculated with effect from 1 February 2021 up to and including the transfer date, provided that the delay in transferring the property is not as a result of any event or circumstance beyond either Vividend's or Vtech's control.
- The sale agreement provides for undertakings, warranties and indemnities which are normal for transactions of this nature.

### 2. CONDITIONS PRECEDENT

The Durban Receiver of Revenue Transaction is subject to the fulfilment or waiver, as the case may be, of the following conditions precedent:

- by no later than 30 business days from the date of signature, Vtech delivers a written confirmation to Vividend that it has conducted the Due Diligence Investigation to its satisfaction ("**Due Diligence Investigation Condition**");
- by no later than 1 business day from the fulfilment of the Due Diligence Investigation Condition, Vtech pays a refundable deposit of R2 million into the conveyancer's trust account;
- by no later than 90 business days from fulfilment of the Due Diligence Investigation Condition, the Competition Authorities unconditionally approve the Durban Receiver of Revenue Transaction, provided that the period for the fulfilment of this condition precedent shall be extended by agreement in writing between the parties for such period as it reasonable in the circumstances (which will not exceed another 75 business days) if there is a delay in obtaining the approval of the Competition Authorities, with such delay caused by the Competition Authorities ("**Durban Receiver of Revenue Competition Commission Condition**"); and
- on or before the date of fulfilment of the Durban Receiver of Revenue Competition Commission Condition, Vtech furnishes Vividend with a written guarantee for the payment of the disposal consideration which shall be payable to Vividend on the transfer date.

### 3. PROPERTY SPECIFIC INFORMATION

Property name	Geographical location	Sector	GLA (m <sup>2</sup> )	Weighted average rental per m <sup>2</sup> (R/m <sup>2</sup> )	Net operating profit <sup>1</sup> (R'000)	Valuation <sup>2</sup> (R'000)
Durban Receiver of Revenue, Erf 11102, Durban	Kwa-Zulu Natal	Office	23 105	116,28	28 289	235 800

Notes:

1. Extracted from Arrowhead's unaudited condensed consolidated interim results for the six months ended 31 March 2020 and management accounts for the financial year ended 30 September 2020 which were prepared in terms of International Financial Reporting Standards. Arrowhead is satisfied with the quality of the management accounts.
2. Durban Receiver of Revenue was valued as at 30 September 2019 by the board of directors of Arrowhead. The board of directors of Arrowhead is not independent, and its members are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No 47 of 2000. The disposal consideration is considered to be its fair market value, as determined by the board of directors of Arrowhead.

## C. THE DURBAN VALLEY VIEW TRANSACTION

### 1. TERMS OF THE DURBAN VALLEY VIEW TRANSACTION

- Colkru will acquire the property known as Durban Valley View Industrial Park, together with the assignment of Arrowhead's rights and obligations under the existing lease agreement conducted at Durban Valley View Industrial Park ("**Assignment Agreement**"), as an indivisible transaction with effect from the transfer date, being the date of registration of transfer of ownership of the property to Colkru with such date expected to occur on or before 31 January 2021.
- On the transfer date, delivery of Durban Valley View Industrial Park will take place, and all risks and benefits of ownership shall pass to Colkru.
- Colkru shall be entitled to conduct a due diligence investigation in respect of Durban Valley View Industrial Park, including all matters relating to the property as Colkru may reasonably deem relevant (the "**Due Diligence Investigation**").
- The disposal consideration in respect of the property known as Durban Valley View Industrial Park (which includes value-added tax levied at a rate of 0%) amounting to R90 million and the consideration in respect of the assignment of the existing lease agreement pursuant to the Assignment Agreement amounting to R29 million will be payable in cash on the date of transfer of the property.
- The sale agreement provides for undertakings, warranties and indemnities which are normal for transactions of this nature.

### 2. CONDITIONS PRECEDENT

The Durban Valley View Industrial Park Transaction is subject to the fulfilment or waiver, as the case may be, of certain conditions precedent all of which have been fulfilled save for the condition precedent that, by no later than 60 business days from the date of delivery of written confirmation of funding by Colkru to Arrowhead, the Competition Authorities unconditionally approve the Durban Valley View Industrial Park Transaction.

### 3. PROPERTY SPECIFIC INFORMATION

Property name	Geographical location	Sector	GLA (m <sup>2</sup> )	Weighted average rental per m <sup>2</sup> (R/m <sup>2</sup> )	Net operating profit <sup>1</sup> (R'000)	Valuation <sup>2</sup> (R'000)
Durban Valley View Industrial Park, Erf 1227 New Germany, Pietermaritzburg	Kwa-Zulu Natal	Industrial	30 790	46,00	12 700	131 600

Notes:

1. Extracted from Arrowhead's unaudited condensed consolidated interim results for the six months ended 31 March 2020 and management accounts for the financial year ended 30 September 2020 which were prepared in terms of International Financial Reporting Standards. Arrowhead is satisfied with the quality of the management accounts.
2. Durban Valley View Industrial Park was valued as at 30 September 2019 by the board of directors of Arrowhead. The board of directors of Arrowhead is not independent, and its members are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No 47 of 2000. The disposal consideration is considered to be its fair market value, as determined by the board of directors of Arrowhead.

## D. THE THOHOYANDOU TRANSACTIONS

### 1. TERMS OF THE THOHOYANDOU TRANSACTIONS

- Madiba Investments will acquire the properties known as Thohoyandou Shopping Centre, Thohoyandou Centre and Sibasa Shopping Centre ("**Thohoyandou Properties**") each as a going concern for an aggregate disposal consideration of R108.5 million.
- Madiba Investments will acquire the Thohoyandou Properties with effect from the transfer date, being the date of registration of transfer of ownership of the Thohoyandou Properties to Madiba Investments with such date expected to occur on or before 15 December 2020.
- With effect from the transfer date, delivery of the Thohoyandou Properties will take place, and all risks and benefits of ownership shall pass to Madiba Investments.
- The sale agreements in respect of the Thohoyandou Properties have all been concluded on the same terms, save for the purchase price, and there is only one condition precedent in each of those sale agreements namely that the seller in each case obtain the written approval of Arrowhead's investment committee prior for the entry into and implementation of each sale agreement in accordance with its terms.
- The sale agreements provide for undertakings, warranties and indemnities which are normal for transactions of this nature.

## 2. PROPERTY SPECIFIC INFORMATION

	Property name	Geographical location	Sector	GLA (m <sup>2</sup> )	Weighted average rental per m <sup>2</sup> (R/m <sup>2</sup> )	Net operating profit <sup>1</sup> (R'000)	Valuation <sup>2</sup> (R'000)
1	Thohoyandou Shopping Centre, Erf 72 Thohoyandou-BA	Limpopo	Industrial	6 569	70,46	4 387	44 300
2	Thohoyandou Centre, Portion 3 of Erf 29 Thohoyandou-BA	Limpopo	Retail	4720	72,29	3 482	34 400
3	Sibasa Shopping Centre, Portion 2 of Erf 11 Miluwani, Thohoyandou	Limpopo	Retail	8 502	44,51	4 361	38 500

Notes:

1. Extracted from Arrowhead's unaudited condensed consolidated interim results for the six months ended 31 March 2020 and management accounts for the financial year ended 30 September 2020 which were prepared in terms of International Financial Reporting Standards. Arrowhead is satisfied with the quality of the management accounts.
2. The Thohoyandou Properties were valued as at 30 September 2019 by the board of directors of Arrowhead. The board of directors of Arrowhead is not independent, and its members are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No 47 of 2000. The disposal consideration is considered to be its fair market value, as determined by the board of directors of Arrowhead.

### CATEGORISATION OF THE TRANSACTIONS

The Parow Industrial Park Transaction, the Durban Receiver of Revenue Transaction and the Durban Valley View Transaction each constitute a category 2 transaction in terms of the JSE Listings Requirements. Accordingly, the Parow Industrial Park Transaction, the Durban Receiver of Revenue Transaction and the Durban Valley View Transaction are not subject to approval by shareholders.

In respect of the Thohoyandou Transactions, Arrowhead has, during the last 12 months, disposed of assets to Madiba Investments ("previous disposals") which at the time of conclusion of those respective agreements were not categorisable in terms of the JSE Listings Requirements. In terms of section 9.11 read with section 9.13 of the JSE Listings Requirements, transactions concluded during the 12 months prior to the date of the latest transaction with the same party must be aggregated. The aggregate of the disposal consideration receivable from the Thohoyandou Transactions and the previous disposals represents 10.6% of Arrowhead's market capitalisation and accordingly the Thohoyandou Transactions are classified as a category 2 transaction in terms of the JSE Listings Requirements. Shareholder approval is not required for the Thohoyandou Transactions.

8 October 2020

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