

AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 September 2020

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")

Highlights

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

Financial indicators

R'000	30 September 2020	30 September 2019	% Increase / (decrease)
Revenue (excluding straight line rental income)	2 189 241	2 419 947	(9.5)
Basic and diluted loss per combined shares in issue (cents)	(70.65)	(169.67)	58.4
Headline and diluted loss per combined shares in issue (cents)	(7.00)	(125.57)	94.4
Net asset value per A share at reporting date (cents)	791.0	990.0	(20.1)
Net asset value per B share at reporting date (cents)	631.0	705.0	(10.5)
Distributable income per A share (cents) for the year ended	115.46	111.51	3.5
Distributable income per B share (cents) for the year ended	45.39	68.74	(34.0)
Dividend per A share (cents) for the year ended	115.46	111.51	3.5
Dividend per B share (cents) for the year ended - Note	32.99	68.74	(52.0)

Note: The dividends for the 2020 year are based on 76.5% payout ratio.

Nature of business

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

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

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

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

Payment of dividends for the year ended 30 September 2020

On 20 April 2020 shareholders were advised that the Board had resolved to defer the decision on the payment on an interim dividend for the six months ended 31 March 2020 ("interim dividend") until the end of the financial year and that it would revise its dividend policy of paying out 100% of distributable income to a more sustainable payout ratio. Under the current uncertain circumstances the Board has revised the Company's dividend payout ratio to 76.5%. The Board has resolved

to declare an interim dividend (dividend number 10) of 56.77442 cents per A share and 17.54203 per B share and a final dividend for the six months ended 30 September 2020 ("final dividend") (dividend number 11) of 58.68576 cents per A share and 15.44616 per B share. Accordingly, a combined gross interim and final dividend of 115.46018 cents per A share and 32.98819 cents per B share will be paid to shareholders in accordance with the timetable set out below:

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

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

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

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

- a declaration that the dividend is exempt from dividends tax; and
- a written undertaking to inform their CSDP, broker or the Company should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the Company to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Dividends withholding tax is 20% and accordingly, any dividends received by a non-resident from

a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholders.

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

- a declaration that the dividends are subject to a reduced rate as a result of the application of a DTA; and
- a written undertaking to inform their CSDP, broker or the Company should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the Company to arrange for the above-mentioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted, if applicable.

Shareholders are encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

A-shares in issue at the date of declaration of dividends: 62 718 658
B-shares in issue at the date of declaration of dividends: 995 341 876
Arrowhead's income tax reference number: 9068/723/17/1

Prospects

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

Audited consolidated annual financial statements

The audited consolidated annual financial statements for the period ended 30 September 2020 have been audited by the Company's auditors, BDO Incorporated who expressed an unmodified audit opinion thereon (the Audit Report). The Audit Report includes the communication of a

key audit matter in relation to valuation of investment property which is disclosed on pages 8 to 10 of the consolidated annual financial statements available on the Company's website at:

<https://arrowheadproperties.co.za/cmsAdmin/uploads/interim-results/annual-results-2020.pdf>

Short form announcement

This short-form announcement is the responsibility of the board of directors of the company. This short-form announcement is a summary of the full announcement released on SENS and published on Arrowhead's website (www.arrowheadproperties.co.za) on 25 November 2020 and <https://senspdf.jse.co.za/documents/2020/jse/isse/AHAE/FY2020.pdf> and does not contain the complete or full announcement details. Any investment decision by investors and shareholders should be based on consideration of the full announcement. The full announcement is available for inspection at the registered offices of the company

(3rd Floor, Upper building, 1 Sturdee Avenue, Rosebank, Johannesburg, 2196), on the company's website, www.arrowheadproperties.co.za and the offices of the sponsor, Java Capital - 6th Floor, 1 Park Lane, Wierda Valley, Sandton, 2196 (entrance at 39 Wierda Road West) at no charge during normal business hours from Wednesday, 25 November 2020 to Wednesday, 2 December 2020. A copy of the full announcement may be requested from info@arrowheadproperties.co.za or the sponsor, Java Capital at sponsor@javacapital.co.za.

By order of the Board
25 November 2020

Directors: M Nell* (Chairperson), M Kaplan (CEO), J Limalia (CFO), T Adler*, A Basserabie*, G Kinross*, S Noik*, S Mkorosi*, N Makhoba*
* 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
Company secretary Vicki Turner
Website www.arrowheadproperties.co.za