

ABRIDGED CONSOLIDATED AUDITED RESULTS  
year ended 30 September 2016**ARROWHEAD PROPERTIES LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 2011/000308/06)  
JSE share code: AWA ISIN: ZAE000203105  
(Approved as a REIT by the JSE)  
("Arrowhead" or "the company")

	30 September 2016	30 September 2015	% Increase/ (decrease)
Revenue (excluding straight line rental income) R'000	1 531 560	1 217 913	25,75
Basic and diluted earnings per share (cents)#	91,5	116,50	(21,46)
Headline and diluted headline earnings per share (cents)#	68,78	58,30	17,98
Net asset value per share (cents)	895,22	870,22	2,87
Dividend for the quarter ended	20,89000	19,00000	9,95
30 September 2016 – per share (cents)	82,55	75,15	9,85

# The main reason for the differential in the earnings, headline and diluted headline earnings per share compared to distribution per share is due to the change in fair value of investment property and the recognition of dividends earned on listed REIT's below the line.

**NATURE OF BUSINESS**

Arrowhead is a Real Estate Investment Trust ("REIT") holding a diverse portfolio of direct office, retail and industrial properties. In addition, as at 30 September 2016, Arrowhead held a 60,1% holding (2015: 70,2%) in its subsidiary, Indluplace Properties Limited ("Indluplace"), which owns a portfolio of residential properties, an interest of 19,0% in Rebohis Property Fund Limited as well as a 11,5% interest in Dipula Income Fund Limited. The total portfolio, located in all provinces of South Africa, is valued at R10,0 billion. The reduction in shareholding in Indluplace is as a result of Arrowhead not participating in the Indluplace capital raise in proportion to its shareholding in October 2015.

The company's main focus is on paying growing income returns to its investors. This is achieved through escalating rentals in terms of leases with tenants, satisfactory renewal of leases with existing tenants, letting of vacant space within the property portfolio, managing and reducing, where possible, costs associated with the property portfolio and by acquiring revenue enhancing properties and investments in other REITs.

**INVESTMENT PROPERTIES**

The company owns a property portfolio of 154 retail, industrial and office properties, and indirectly through Indluplace 116 residential properties, valued at R10,0 billion, and located in all nine provinces in South Africa. The average value per property as at 30 September 2016 was R49,2 million (2015: R44,5 million).

**PAYMENT OF DIVIDEND FOR THE QUARTER ENDED 30 SEPTEMBER 2016**

The board of directors ("Board") has approved a gross dividend (dividend number 20) of 20,89000 cents per share for the quarter ended 30 September 2016.

**PROSPECTS****Commercial property portfolio**

The company expects the net property income of its core portfolio to grow at a rate of approximately 6,0%. With gearing at the current level and interest rates fixed, the net property income of its core portfolio should grow by between 7,0% and 8,0% in the next financial year.

**Sasol Rosebank**

Sasol has indicated that it will vacate the Sasol Rosebank building on 31 December 2016. Arrowhead is in advanced discussions with a number of potential tenants around a possible tenancy to commence in the next financial year. One of the potential tenants has indicated the possibility of entering into an agreement to acquire the building. In light of the stage of these discussions we have accordingly not included assumptions on potential rental of the Sasol Rosebank building in forecast projections. The shortfall in income for the next financial year is in excess of R20 million.

**Corporate activity**

Subject to the fulfilment of certain conditions precedent, Arrowhead has disposed of its subsidiary, Cumulative Properties Limited, to Synergy Income Fund Limited (the name of which is to be changed to Gemgrow Properties Limited ("Gemgrow")). The purchase consideration is to be settled by the issue to the Arrowhead Group of 247 412 267 Gemgrow "B" shares. Gemgrow will position itself to acquire smaller, higher yielding properties that the rest of the listed property sector does not focus on and will seek to position itself to drive consolidation within the sector. Arrowhead's earnings will be negatively affected by the transaction by approximately R9 million being Gemgrow's estimated corporate costs for 2017. Income from the Gemgrow B shares should, from 2017/2018, significantly add to Arrowhead's income as Gemgrow executes its growth strategy.

After this transaction, Arrowhead (excluding its subsidiaries) will own 54 properties valued at R5,7 billion with a vacancy of 6,0% and an average property value of R107,0 million. The average length of leases will be just under 3,87 years. 2017 will be a transformative year for Arrowhead as it improves its quality and shape.

Gemgrow will have its own dedicated and incentivised management team, who will focus on growing the portfolio on an accretive basis with properties valued at under R50,0 million per property. There are significant opportunities in this market.

**PROJECTED 2017 DIVIDEND PER SHARE**

The forecast excludes the effects of any acquisitions that will be made during the year as well as the letting of any vacant space. It also assumes that all leases expiring during the year will be renewed other than when the company has information to the contrary. For the 2017 financial year the company is projected to produce dividend growth of between 6,0% and 8,0% per share. As set out above, this is after taking into account the shortfall of R9 million in setting up Gemgrow and the shortfall in rental at Sasol Rosebank. In the event that these items are added back, growth in dividends would normalise at between 8,0% and 9,0%. The projections have not been reviewed or reported on by Grant Thornton Johannesburg Partnership.

Given the nature of its business, Arrowhead uses dividend per share as its key performance measure as it is considered a more relevant performance measure than earnings or headline earnings per share.

**SHORT FORM ANNOUNCEMENT**

This short-form announcement is the responsibility of the Board. This short-form announcement is a summary of the full announcement released on SENS and published on Arrowhead's website ([www.arrowheadproperties.co.za](http://www.arrowheadproperties.co.za)) on 16 November 2016 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 (Office 206, 2nd Floor, 18 Melrose Boulevard, Johannesburg, 2196), on the company's website, [www.arrowheadproperties.co.za](http://www.arrowheadproperties.co.za) and the offices of the sponsor, Java Capital (2nd Floor, 6A Sandown Valley Crescent, Sandown, Sandton, 2196) at no charge during normal business hours from Wednesday, 16 November 2016 to Wednesday, 30 November 2016.

By order of the Board  
16 November 2016

<b>Directors:</b>	M Nell* (Chairperson), G Leissner (CEO), I Suleman (CFO), M Kaplan (COO), T Adler*, S Noik*, E Stroebel* * Independent non-executive All directors are South African. There were no changes to the board of directors during this period.
<b>Registered office</b>	2nd Floor, 18 Melrose Boulevard, Melrose Arch, Melrose, Johannesburg 2196 PO Box 685, Melrose Arch, 2076
<b>Transfer secretaries</b>	Computershare Investor Services Proprietary Limited
<b>Sponsor</b>	Java Capital
<b>Company secretary</b>	CIS Company Secretaries Proprietary Limited
<b>Website</b>	<a href="http://www.arrowheadproperties.co.za">www.arrowheadproperties.co.za</a>

