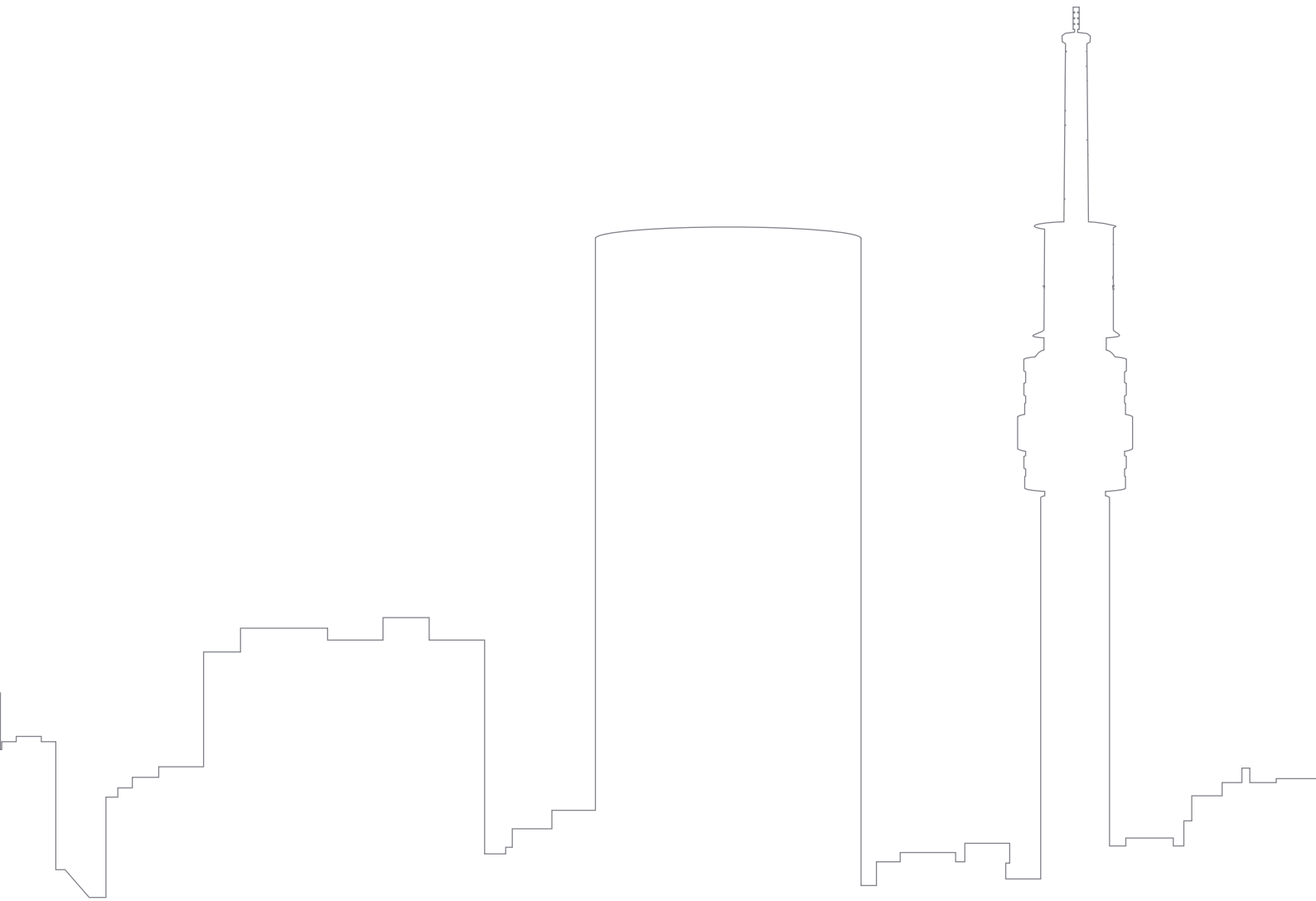
2012

integrated annual report

ARROWHEAD PROPERTIES

Focused on distributable income



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definitions

A	A grade	*Large national tenants, large listed tenants, government and major franchisees*
	A unit or AWA	*An Arrowhead linked unit comprising one Arrowhead A ordinary share indivisibly linked to one Arrowhead A debenture*
	ALBI	*All bond index*
	Altx	*Alternative exchange on the JSE*
	ALSI	*All share index*
	ApexHi	*ApexHi Properties Limited*
	Arrowhead	*Arrowhead Properties Limited, a PLS company listed on the JSE*
B	B grade	*National tenants, listed tenants, franchisees, medium to large professional firms*
	B unit or AWB	*An Arrowhead linked unit comprising one Arrowhead B ordinary share indivisibly linked to one Arrowhead B debenture*
	BEE	*Black economic empowerment*
	Board	*Board of directors*
C	C grade	*Tenants other than A grade and B grade*
	CEO	*Chief executive officer*
	CFO	*Chief financial officer*
	CGT	*Capital Gains Tax*
	CIPC	*Companies and Intellectual Property Commission*
	Companies Act	*Companies Act, 2008 of South Africa, as amended*
	Company	*Arrowhead*
	Computershare	*Computershare Investor Services (Pty) Ltd*
	COO	*Chief operating officer*
	CSDP	*Central Securities Depository Participant*
E	Executive	*CEO, CFO and COO*
G	Gearing	*Loans from Standard Bank*
	GLA	*Gross lettable area*
	Growthpoint	*Growthpoint Properties Limited, a PLS company listed on the JSE*

I	IFRS	*International Financial Reporting Standards*
	IT	*Information technology*
J	Java	*Java Capital (Pty) Ltd*
	JHI	*Topeka Trading 4 (Pty) Ltd, trading as JHI*
	JSE	*JSE Limited*
M	m^2	*Square metre*
P	PLS	*Property Loan Stock*
	PKF	*PKF (Jhb) Inc.*
	Probity	*Probity Business Services (Pty) Ltd*
R	Redefine	*Redefine Properties Limited, a PLS company listed on the JSE*
S	SENS	*Stock Exchange News Service of the JSE*
	Standard Bank	*Standard Bank of South Africa Limited*
	Strate	*Strate Ltd is a licensed Central Securities Depository for the electronic settlement of financial instruments in South Africa*
U	UK	*United Kingdom*

introducing arrowhead

Arrowhead is a listed PLS company holding a diverse portfolio of properties in "secondary" locations throughout South Africa. Its main focus is to pay growing income returns to its investors.

Arrowhead pays its annual net income to its unitholders in the form of quarterly distributions.

The Arrowhead A and B unit structure caters for investors with different risk and reward appetites, with the A unit for risk averse investors, earning distributions of 15 cents or 50% of the distributable income per quarter, whichever is the greater and the B units, for investors with a greater appetite for risk, earning the balance.

Once the distribution per A unit is equal to or greater than 30 cents for the fourth consecutive quarter the B units will convert to A units.

Growing income returns are achieved through:

- Escalating rentals
- Satisfactory renewal of leases
- Renting of vacant space
- Managing and reducing, where possible, costs and
- Acquiring revenue enhancing properties.

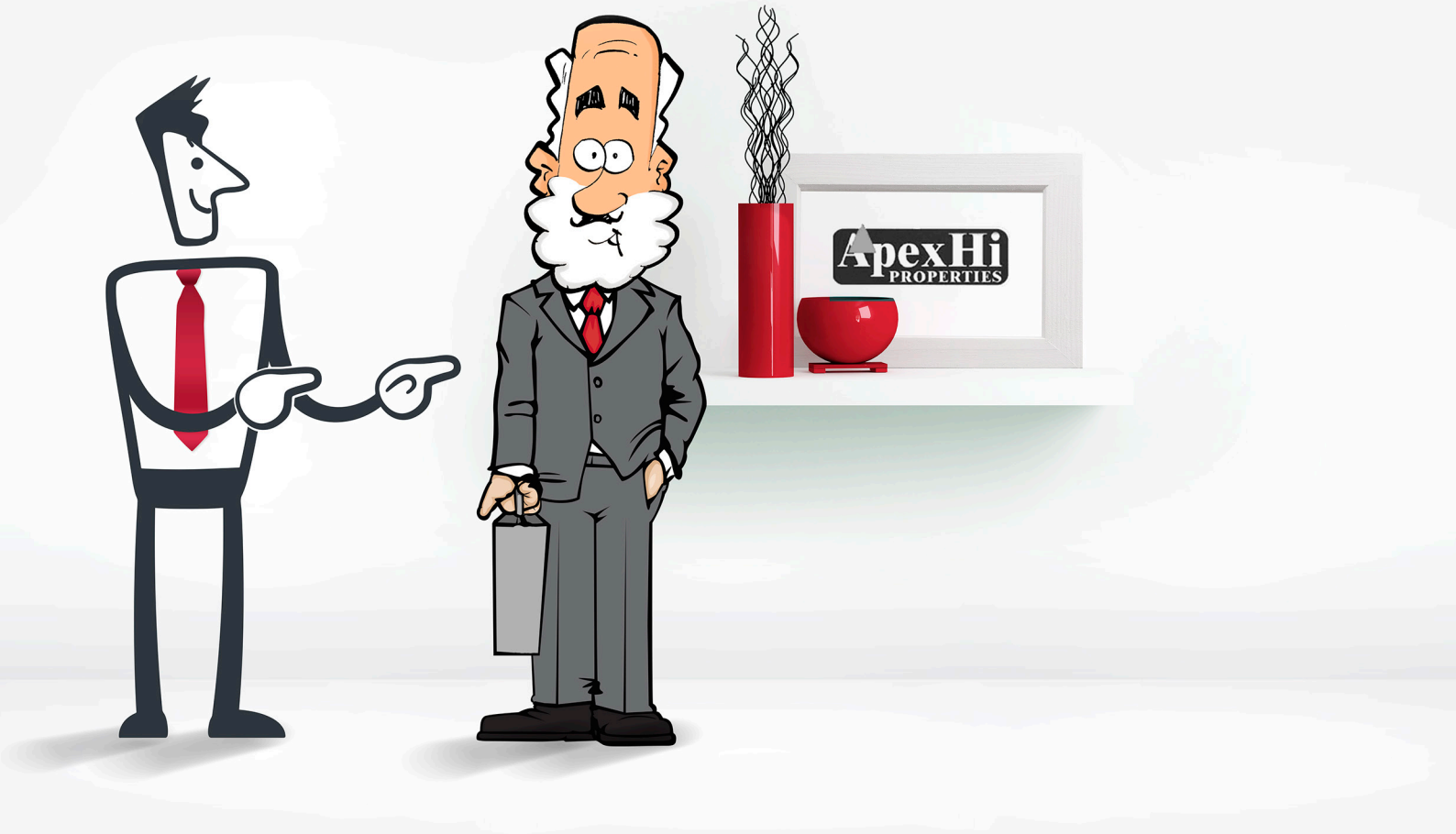
Secondary properties bring with them additional business risk and this is managed by having a growing portfolio, as diversified as possible in terms of number of properties, spread of tenants, spread of locations throughout South Africa and a spread of retail, office and industrial properties.

Interest rates are fixed for five years on the majority of Arrowhead's debt.

Arrowhead is committed to an active investor relations programme and best practice corporate governance. Assets are managed internally by the executive, with property management provided by JHI.

Objectives for Arrowhead's first year after listing

OBJECTIVES	RESULTS
Distribution of 98,38 cents as set out in the Arrowhead pre-listing statement	Distribution target exceeded: annualised distribution of 100,58 cents paid
Grow asset base by 30% in year after listing	Purchased assets in excess of R750m – growth of more than 50%
Double the market capitalisation of R800m, at the time of listing, by purchasing assets with equity capital	Market capitalisation grew from R800m to over R2b
Reduce LTV to below 40%	LTV reduced to 28%
Total return for A and B units better than the market average	Market achieved 33% and A and B unit combined 41% from listing until 30 September 2012



play it again, gerald

Arrowhead's business model is similar to the highly successful model employed by ApexHi prior to its absorption into Redefine. Gerald Leissner was CEO of ApexHi.

the arrowhead timeline

ARROWHEAD UNBUNDLING
approved by Redefine unitholders on 28 October 2011

ARROWHEAD LISTS
DEC 9

THE BUSINESS CENTRE ACQUIRED
R28,7m

8 PROPERTIES ACQUIRED FROM GROWTHPOINT
R167,6m

DISTRIBUTION PAID
(for month ended Dec 31 2011)
AWA 5c & AWB 3,09c

INTERIM RESULTS
in line with market expectations.
Distribution paid
AWA 15c & AWB 9,68c

OCT NOV DEC JAN 2012 FEB MAR APR MAY

R178M

MIDTOWN MALL ACQUIRED

DISTRIBUTION PAID

(for 3 months ended 30 Sep 2012)
AWA 15c & AWB 11,02c

DISTRIBUTION PAID

(for 3 months ended 30 Jun 2012)
AWA 15c & AWB 10,03c

R163,7m

DUNROSE & THE DISTRICT ACQUIRED

R112m

TSOLO, BLACKHEATH AND STERKSRPUIT ACQUIRED

R109m

BRIDGE-ON-BOND ACQUIRED

Asset base grown by over R750 million, Market capitalisation in excess of R2 billion, LTV around 28%, Distribution 2% higher than market expectations, Total return for both A & B units of 41%

JUN JUL AUG SEP OCT NOV DEC JAN 2013

who does what?

Arrowhead unitholders

Board of directors

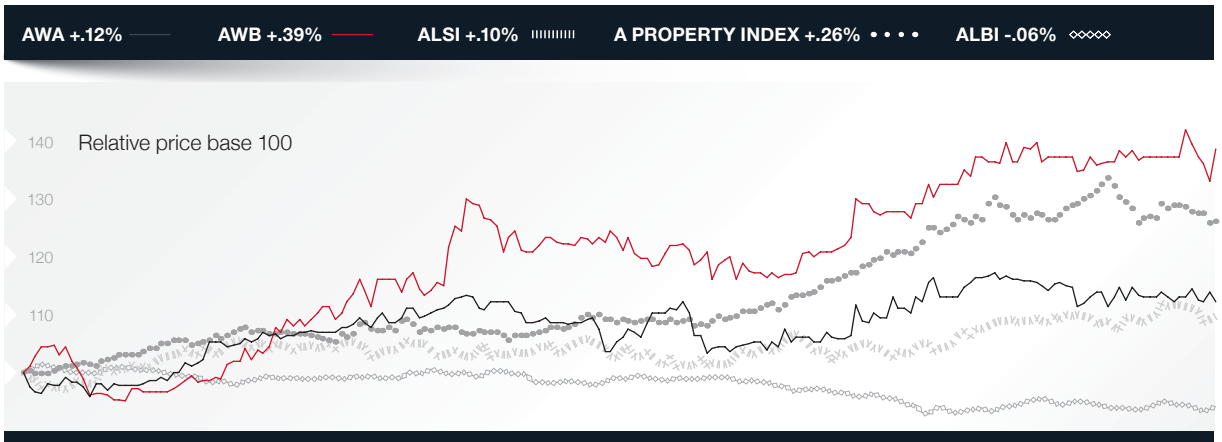
Executive

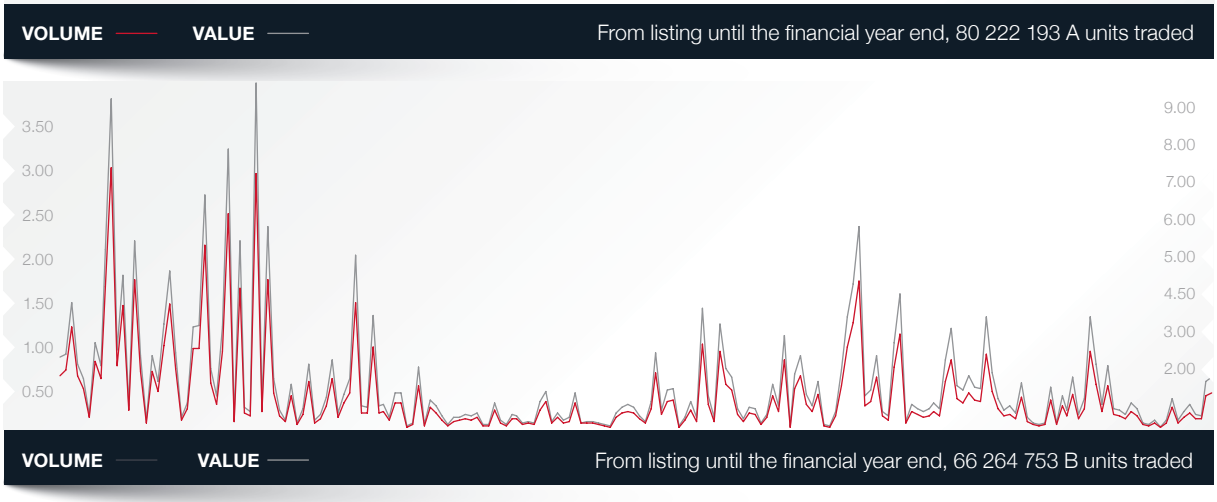
Asset managers

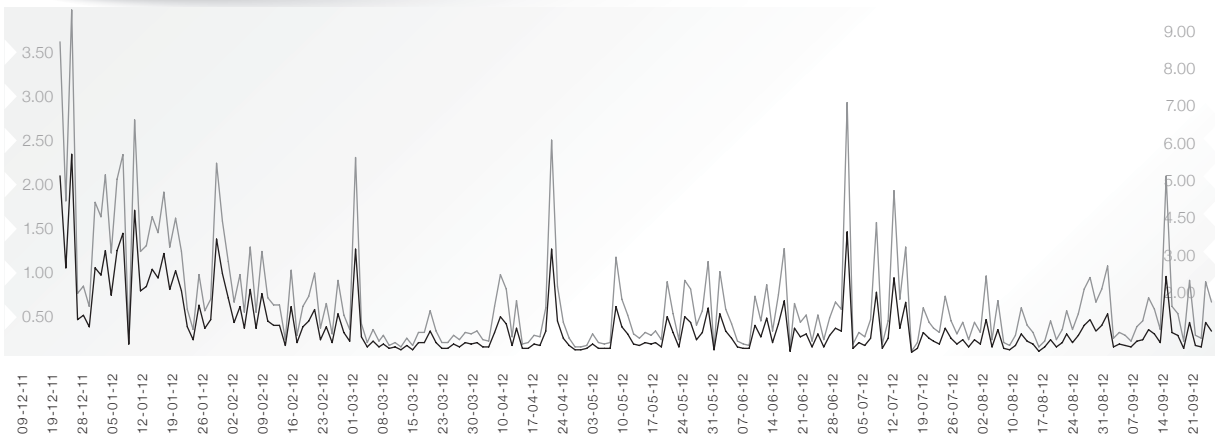
Service providers

Arrowhead unitholders

Arrowhead is listed under the "Real Estate – Real Estate Holdings and Development" sector on the JSE as a PLS company.







A UNITS

Beneficial unitholders with a holding greater than 5% of the linked units in issue	Total unitholding	% of units in issue
Investec	14 642 064	8,6
Dunrose Investments 82	10 929 842	6,4
Nedbank Group	10 873 813	6,4
Total	**36 445 719**	**21,4**
Fund managers with a holding greater than 5% of the units in issue	**Total unitholding**	**% of units in issue**
Investec Asset Management	26 215 652	15,4
Allan Gray	10 393 513	6,1
Foord	8 702 143	5,1
Stanlib Asset Management	8 542 486	5,0
Total	**53 853 794**	**31,6**

A UNITS NON-PUBLIC BREAKDOWN

Non-public unitholders	Count	Unitholding
Directors and associates (indirect holding)	3	2 104
Directors and associates (direct holding)	2	1 732 064

B UNITS

Beneficial unitholders with a holding greater than 5% of the units in issue	Total unitholding	% of units in issue
Investec	17 417 787	10,2
Dunrose Investments 82	10 929 842	6,4
Nedbank Group	11 410 353	6,7
Old Mutual Group	8 553 677	5,0
Total	**48 311 659**	**28,3**
Fund managers with a holding greater than 5% of the units in issue	**Total unitholding**	**% of units in issue**
Investec Asset Management	31 806 565	18,7
Coronation Fund Managers	10 625 884	6,2
Old Mutual	9 117 268	5,4
Total	**51 549 717**	**30,3**

B UNITS NON-PUBLIC BREAKDOWN

Non-public unitholders	Count	Unitholding
Directors and associates (direct holding)	3	1 802 064
Directors and associates (indirect holding)	3	2 104

A UNITS - ANALYSIS OF LINKED UNITHOLDINGS AS AT 30 SEPTEMBER 2012

Size of holdings	Number of unitholders	% of total units	Number of units	% of units in issue
1 - 1000 units	11 255	77,5	2 079 304	1,2
1001 - 10 000 units	2 271	15,6	8 395 758	4,9
10 001 - 100 000 units	817	5,6	25 707 879	15,2
100 001 - 1 000 000 units	145	1,0	47 212 310	27,7
1 000 001 units and over	29	0,3	867 090	51,0
Total	**14 517**	**100**	**170 262 341**	**100**

Unitholder type	Number of unitholdings	% of total unitholdings	Number of units	% of total unitholdings
Non-public unitholders	4	0,03	1 735 064	1,02
Directors and associates (Direct holding)	1		1 732 064	1,02
Directors and associates (Indirect holding)	3		3 000	0,00
Public unitholders	14 513	99,97	168 527 277	98,98
Total	**14 517**	**100,00**	**170 262 341**	**100,00**

B UNITS - ANALYSIS OF LINKED UNITHOLDERS AS AT 30 SEPTEMBER 2012

Size of holdings	Number of unitholders	% of total units	Number of units	% of units in issue
1 - 1000 units	11 187	75,3	4 583 454	2,7
1001 - 10 000 units	2 653	17,9	10 587 157	6,2
10 001 - 100 000 units	864	5,8	25 225 917	14,8
100 001 - 1 000 000 units	115	0,8	33 186 421	19,5
1 000 001 units and over	31	0,2	96 679 392	56,8
Total	**14 850**	**100**	**170 262 341**	**100**

Unitholder type	Number of unitholdings	% of total unitholdings	Number of units	% of total unitholdings
Non-public unitholders	5	0,03	1 805 064	1,06
Directors and associates (Direct holding)	2		1 802 064	1,06
Directors and associates (Indirect holding)	3		3 000	0,00
Public unitholders	14 845	99,97	168 457 277	98,94
Total	**14 850**	**100,00**	**170 262 341**	**100,00**

Arrowhead board of directors

Leroy Arrowman (35)

Arrowhead's spokesperson

Leroy is Arrowhead's spokesperson.

Taffy Adler (62)

Independent non-executive chairman. BA, BPhil in African Studies, MSC in Building Science

Taffy is CEO of the Housing Development Agency, and was previously CEO of the Johannesburg Housing Company.

Mark Kaplan (32)

COO. BBusSc, Finance (Hons)

Mark was previously managing director of Aengus Property Holdings, which controlled a portfolio of assets valued in excess of R300m. Mark was involved in various entrepreneurial ventures before joining Aengus in 2007.

Matthew Nell (62)

Independent non-executive. BSc (Building Science), MSC (Town and Regional Planning)

Matthew has over 30 years' experience in urban and housing development and manages a development consultancy, Shisaka Development Management Services.

Gerald Leissner (70)

CEO. CA (SA)

Gerald is a Chartered Accountant. He was previously CEO of ApexHi and has 48 years' experience in real estate. He serves as a director of the Johannesburg Housing Company and until recently the Housing Development Agency and helped found the Central Johannesburg Partnership in the 1980s.

Selwyn Noik (65)

Independent non-executive. CA (SA)

Selwyn was an executive director of Reichmans Limited and after its acquisition by Investec Limited, he assumed the position of group secretary of Investec, a position he held for thirteen years until his retirement in 2007.

Elize Stroebel (44)

Independent non-executive. B.Proc, Masters in Business Management

Elize, a lawyer, is CEO of the Johannesburg Housing Company. She has served as the country director for International Housing Solutions and before that was one of the founding trustees and CEO of the Gauteng Partnership Fund.

Imraan Suleman (40)

CFO. CA (SA), BCom, (Hons) Acc

Imraan is a Chartered Accountant. He joined Java Capital in 2005 from one of the big four audit firms for whom he had worked in both South Africa and the UK. Imraan has advised clients on a wide range of transactions including listings, mergers and acquisitions, capital raisings and empowerment transactions.

Arrowhead asset managers

MAX MACHANIK

National asset manager

Max has been tasked with reducing vacancies and building brand awareness through the development and implementation of internal and external leasing strategies. This position demands use of networking skills whilst identifying tenants to occupy Arrowhead's vacant space, working nationally with brokers and property managers alike.

DAVID MAYERS

National asset manager

Having left university majoring in Finance and Law, David joined Arrowhead in February 2012. David's responsibility is to maximise the performance of the portfolio through ensuring efficiencies at national level, ranging from debt management to lease negotiations to ensure income optimisation. David streamlines work and information flows between Arrowhead and its contractors.

IRSHAD MOHAMAD

Financial manager

Irshad is an Honours graduate in Management Accounting and Finance. He was previously exposed to diverse industries, including investment banking in the UK, as a financial analyst as well as a reporting analyst and financial controller at Panorama Investments in Mozambique (construction, hospitality and tourism industries). At Arrowhead, he ensures financial reporting, which is outsourced to JHI, adheres to Arrowhead's financial policies and IFRS.

Service providers

JAVA CAPITAL

Java Capital provides a complete range of financial, commercial and legal advisory and transaction execution services. It is licensed as a sponsor of companies listed on the JSE and as a designated advisor to the JSE's AltX Exchange.

JHI

JHI is an independent property services company delivering comprehensive service offerings to a wide client base.

PKF JHB INCORPORATED

PKF is one of the largest mid-tier accounting firms in South Africa, providing multi-disciplinary auditing, accounting and business advisory services.

STANDARD BANK

Standard Bank has a 150-year history in South Africa and started building a franchise in the rest of Africa in the early 1990s. The bank currently operates in 18 countries on the African continent, including South Africa, as well as in other selected emerging markets.

COMPUTERSHARE

Computershare manages over two million shareholder accounts, providing share registry and custodial services, employee share plan management and investor relations for over 80% of the companies listed on the JSE. Computershare is a CSDP licensed under Strate and provides custodial services for private and institutional investors.

PROBITY

Probity, a company secretarial practice, provides the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interest of the company. The company secretary provides a central source of guidance and advice to the board and within the company, on matters of ethics and good corporate governance.

Arrowhead is committed to an active investor relations programme and best practice corporate governance.

Assets are managed internally by the executive, with property management provided by JHI.

surprisingly more

"Arrowhead's executive management is a wonderful mix of experience and youthful enthusiasm." – Taffy Adler

chairman's statement

This is Arrowhead's maiden annual report following its listing on the JSE on 9 December 2011. It is an integrated report in terms of the recommendations set out in King III.

This report reflects the strategy under which the company operates and I am pleased to report that the board and the executive have operated strictly within this strategy to achieve the goals set at the time of listing.

The annualised earnings and distributions met the projections in the listing statement. The company has more than doubled its market capitalisation since listing and has acquired properties, over and above the portfolio at the date of listing, in excess of R750 million.

Considerable emphasis has been placed on corporate governance. Independent, non-executive directors constitute a majority of the board, board committees operate efficiently and effectively and the audit and risk committee, and the social and ethics committee, have been constituted in terms of the Companies Act, 2008. The remuneration committee, investment committee and executive committee have been constituted to best achieve the needs of these committees, with non-executive directors participating where appropriate.

I wish to express my appreciation to my fellow board members for their time, commitment and dedication to both board and committee meetings.

It is with sadness and regret that we noted the passing of Leonard Brehm during the year. He made a meaningful contribution to our board and company and his presence and advice will be sorely missed.

I would also like to welcome Selwyn Noik to the board. He brings a wealth of experience and will add to the skills already present.

Arrowhead's executive management is a wonderful mix of experience and youthful enthusiasm, and it has been a pleasure to see how this has worked so well for the company. I express my thanks to the management team for their insight, efficiency and skill and the manner in which they have played their roles to achieve the very satisfactory results reflected in this report. To have achieved this in a year is commendable.

Arrowhead is well positioned to meet its main objective, which is to provide its unitholders with growing distributions in the coming year.

Taffy Adler
26 November 2012

executive directors' report

Nature of business

Arrowhead is an internally managed PLS company holding a diverse portfolio of properties in secondary locations throughout South Africa. Its main focus is to pay growing income returns to its investors. This will be achieved through escalating rentals in terms of leases with tenants, satisfactory renewal of leases with existing tenants, renting of vacant space within the property portfolio, managing and reducing, where possible, costs associated with the property portfolio and by acquiring revenue enhancing properties.

The listing and the initial property acquisitions

Arrowhead listed on the JSE on 9 December 2011 and has a September year end. Arrowhead is currently the only listed property fund to pay quarterly distributions.

As set out in its pre-listing statement dated 30 September 2011 Arrowhead initially acquired a portfolio of 89 properties from Redefine, with effect from 1 September 2011, and further agreed to purchase five additional properties over which there were pre-emptive rights (the pre-emptive properties) and a further four properties which were subject to leasehold obligations (the leasehold properties).

Arrowhead has implemented the acquisition of three of the pre-emptive properties and two of the leasehold properties.

The approval to take transfer of the leasehold rights in respect of the remaining two leasehold properties has not been obtained and the agreement to purchase these has lapsed.

The purchase consideration in respect of the properties acquired from Redefine was settled by a combination of cash and A and B units issued to Redefine and then the units in Arrowhead were unbundled to Redefine's unitholders.

Redefine, being the sole unitholder in Arrowhead until the listing and unbundling in December 2011, was entitled to all of Arrowhead's distributable income until 30 November 2011. Thereafter, Arrowhead's distributions were paid to Arrowhead unitholders as reflected in the unitholder register, the first distribution of which was in respect of the one month period ended 31 December 2011.

During the year under review Arrowhead has acquired an additional twelve buildings for an aggregate purchase consideration of R444 million.

Two further properties acquired for an aggregate consideration of R153 million have been implemented during the month of October 2012, whilst the acquisition of two more properties for R160 million is in progress.

To date, all acquisitions have been financed by the issue of additional Arrowhead units. Going forward it is Arrowhead's intention to pay for acquisitions with gearing or a combination of Arrowhead units and gearing.

Financial performance for the year ended 30 September 2012

	Actual for the year	Forecast per the prelisting statement
	R	**R**
Revenue (excluding straight lined rental income)	259 735 041	222 328 000
Property expenses	(92 567 562)	(62 141 000)
Net property income	167 167 479	160 187 000
Administration and corporate costs	(14 310 632)	(13 515 000)
Net finance expenses	(50 109 414)	(62 625 000)
Finance income	25 784 181	1 128 000
Distributable income	128 531 614	85 175 000
Property expenses as a percentage of revenue	36%	28%

	R000
Distributable earnings paid to Redefine for the months of October and November 2011	21 220
Distribution paid to unitholders pursuant to the unbundling for the month of December 2011	7 085
Distribution for the quarter ended 31 March 2012	21 614
Distribution for the quarter ended 30 June 2012	34 229
Distribution for the quarter ended 30 September 2012	44 382

Summary of financial performance

	Year ended 30 September 2012
Distribution per A unit (cents) for the month ended 31 December 2011	5,00
Distribution per B unit (cents) for the quarter ended 31 December 2011	3,09
A units in issue	87 561 123
B units in issue	87 561 123
Distribution per A unit (cents) for the quarter ended 31 March 2012	15,00
Distribution per B unit (cents) for the quarter ended 31 March 2012	9,68
A units in issue	87 561 123
B units in issue	87 561 123
Distribution per A unit (cents) for the quarter ended 30 June 2012	15,00
Distribution per B unit (cents) for the quarter ended 30 June 2012	10,03
A units in issue	136 757 285
B units in issue	136 757 285
Distribution per A unit (cents) for the quarter ended 30 September 2012	15,00
Distribution per B unit (cents) for the quarter ended 30 September 2012	11,02
A units in issue	170 562 166
B units in issue	170 562 166
Distribution per A unit (cents) for the ten months ended 30 September 2012	50,00
Distribution per B unit (cents) for the ten months ended 30 September 2012	33,82
Annualised distribution per A unit (cents)	60,00
Annualised distribution per B unit (cents)	40,58
Net asset value per A and B unit (cents)	484
Net asset value per A and B unit excluding deferred taxation (cents)	511
Gearing ratio at 30 September 2012	28%

Arrowhead's units in issue comprise A and B units, with A units earning the greater of 50% of the distributable income or 15 cents per quarter, whilst the B units receive the balance of the earnings.

Revenue

Revenue is inclusive of rentals and utility recoveries and is ahead of the forecast in the prelisting statement mainly due to a change in the administration of electricity during the year.

A third party had administered Arrowhead's electricity management and collection, for its own account, since the acquisition of the property portfolio until the end of February 2012. From 1 March 2012 Arrowhead's property managers, JHI, assumed the electricity administration for Arrowhead's account.

Included within revenue is an increased electricity recovery due to the change in March to the internal electricity administration, in terms of which Arrowhead, through JHI, now recovers electricity usage directly from its tenants. This has also resulted in higher property expenditure.

Excluding the effects of the electricity recoveries, revenue would be only just ahead of forecast notwithstanding the inclusion of rental income arising from acquisitions for a portion of the year. This is largely due to two underperforming buildings in the Western Cape, de Goede Hoop and Parc du Bel.

The de Goede Hoop building is currently unoccupied and the Parc du Bel building was tenanted by two government departments and a Spur franchisee. One government department has subsequently vacated its premises.

The occupancy level across the portolio is approximately 87%, an increase from 82% at the time of listing. The improvement is largely a function of the acquisition of properties with better occupancy levels, although there has been success in letting vacant space. Refer to letting table below.

	Total m²	Let m²	Vacant m²	Let %	Vacant %
01/10/2011	358 078	295 704	62 374	83	18
New	71 466	69 274	2 192	97	3
	429 544	**364 977**	**64 566**	**85**	**15**
Expired	0	-92 328	92 328		
Renewed	0	74 329	-74 329		
Vacant let	0	28 124	-28 124		
30/09/2012	429 544	375 102	54 442	87	13

The ratio of actual property expenses to income at 36% (inclusive of recoveries) is considered satisfactory when compared to forecast after taking into consideration the change in the process of electricity administration as set out under the revenue above.

If the additional electricity recovery and expenditure were excluded the actual expense ratio would compare favourably with forecast.

Management is satisfied with administration and corporate costs, which amount is 5% higher than forecast.

Finance charges are lower than originally forecast since the drawdown on loan facilities took place in the latter part of November whereas the forecast assumed the drawdown in September. This resulted in higher distributable income accruing to Redefine for the months of October and November 2011.

Finance income includes an amount of R24 million in respect of antecedent interest, resulting from the issuing of new Arrowhead units to fund acquisitions during the financial period.

Gearing

At year end Arrowhead had gearing of R615 million against investment properties of R2,2 billion resulting in a gearing ratio of 28%, which is in line with the objectives set out at the beginning of the period. The interest rate on the senior facility of R387 million has been fixed until the facility expires in September 2016.

Property acquisitions

The following acquisitions were concluded:

Property name	Sector	Location	GLA (m^2)	Purchase price	Effective date
The Business Centre	Commercial	Gauteng	2 926	28 715 140	03/04/2012
Emerson Network Power Building	Commercial	Gauteng	1 884	14 800 000	20/08/2012
Galileo House	Commercial	Gauteng	1 637	14 000 000	20/08/2012
Oakhill Building	Commercial	Gauteng	1 361	13 132 500	20/08/2012
115 Paul Kruger Street	Commercial	Gauteng	4 080	40 184 415	20/08/2012
Absa Goodwood	Commercial	Western Cape	1 134	11 800 000	20/08/2012
Itas House	Commercial	Gauteng	1 408	15 366 914	20/08/2012
Absa Cash Centre	Commercial	KZN	2 359	30 120 000	20/08/2012
La Rocca	Commercial	Gauteng	2 938	28 245 000	20/08/2012
Midtown Mall	Retail	North West	16 903	178 000 000	01/09/2012
Tsolo Shopping Centre	Retail	Eastern Cape	4 099	24 500 000	07/09/2012
Sterkspruit Boxer Shopping Centre	Retail	Eastern Cape	7 418	46 500 000	13/09/2012
				445 364 969	
Blackheath	Industrial	Western Cape	36 008	41 000 000	04/10/2012
Dunrose	Retail	Gauteng	16 346	112 298 441	04/10/2012
				153 298 441	
Bridge on Bond	Retail	Gauteng	11 319	109 600 000	still in process
The District	Commercial	Gauteng	4 990	51 450 000	still in process
				161 050 000	
Total				**759 713 410**	

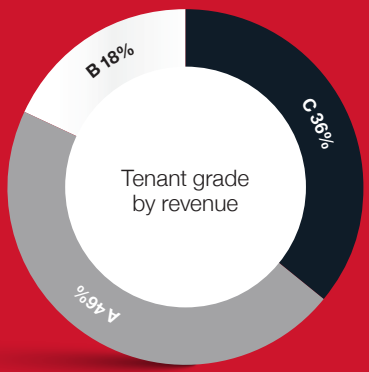
Disposals

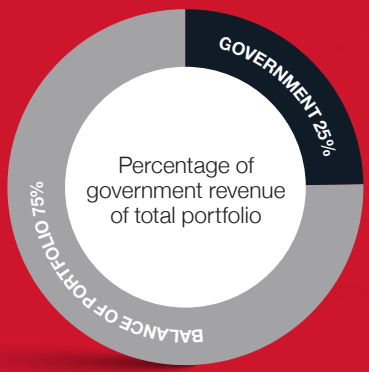
There have been no disposals during the year.

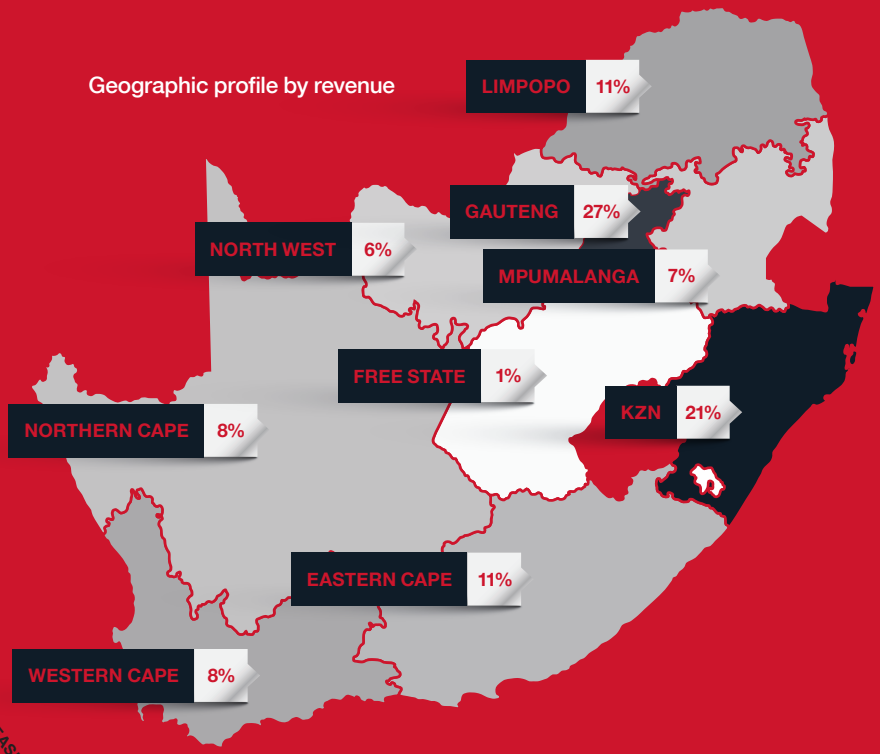
Borrowings

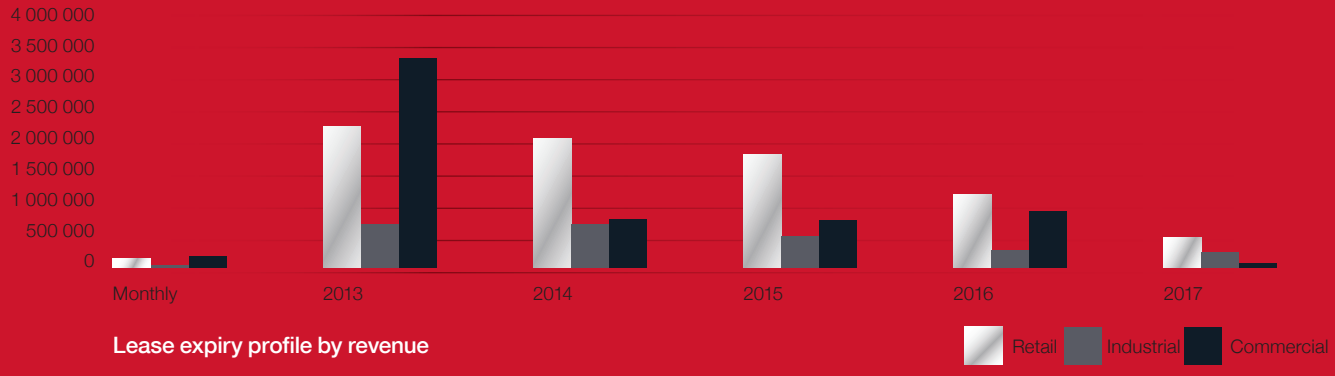
Arrowhead's total borrowings at 30 September 2012 amounted to R615 245 648, made up as follows:

Maturity	**Interest rate**	**R000**
September 2013	8,60% - variable	167 495
September 2016	9,37% - fixed	387 284
September 2016	7,20% - variable	38 698
September 2016	7,90% - variable	21 768









Lease expiry profile by revenue

Property schedule

COMMERCIAL PROPERTIES

Property name	Address	Province	GLA m²
Dept Of Forestry & Water	2 Hargreaves Avenue	E.Cape	3 790
Education Building	3 Buffalo Street	E.Cape	1 444
Edufin PE	3 Sommers Road	E.Cape	3 500
Fidelity Centre	190 - 192 Govan Mbeki Avenue	E.Cape	7 456
North-End	653 Govan Mbeki Avenue	E.Cape	7 018
The Arches	7 Taylor Street	E.Cape	2 707
115 Paul Kruger	115 Paul Kruger Street cnr Proes Street	Gauteng	4 080
ABSA Randburg	308 Oak Avenue	Gauteng	1 533
Business Centre	8 Gemsbok Road	Gauteng	2 926
Emerson	4 Kikuyu Road	Gauteng	1 884
Galileo	33 Ernest Oppenheimer Avenue	Gauteng	1 637
La Rocca	14 Petunia Street cnr Main Road	Gauteng	2 935
Motswedi House	495 Summit Road	Gauteng	1 630
Nu - Payment	8 Kingfisher Avenue	Gauteng	1 408
Oakhill	Fourways Golf Park, Roos Street	Gauteng	1 361
Pentagraph Building	19 Tamback Street	Gauteng	2 895
Rivonia Boulevard	354 Rivonia Boulevard	Gauteng	3 811
Standard Bank Blackheath	288 Weltevreden Road	Gauteng	2 880
135 Pietermaritz Street	135 Pietermaritz Street	KZN	2 198
151/155 Juniper Road	151 - 155 Juniper Road	KZN	1 561
ABSA Cash Centre	Westbury Office Park, The Terrace	KZN	2 359
Lakeview Terrace	7 Metica Moon Street	KZN	13 958
Longmarket Street Branch	188 Longmarket Street	KZN	3 890
Perm - Smith Street	343 Smith Street	KZN	9 219
Perm Building Pietermartizburg	234 Church Street	KZN	2 726
101 Dorp Sreet GVT	101 Dorp Street	Limpopo	5 093
106 Mark Street	106 Mark Street	Limpopo	
Berolina	107 Shcoeman Street	Limpopo	1 647
Empire Place	106 Hans van Rensburg Street	Limpopo	1 066
F B Motors	105 & 107 Hans Van Rensburg Street	Limpopo	2 570
Mae West Building	92 Bok Street	Limpopo	2 922
Middelburg SAP	37 SADC Vos Street	Mpumalanga	3 400
Kimberley Building	41 de Toitspan Way	N.Cape	1 989
Kimberley Printing	13 Woodley Street	N.Cape	1 193
Nedbank Kimberley	37 Chapel Street	N.Cape	1 281
Perm Kimberley	33 du Toitspan Way	N.Cape	4 967
127 Bethlehem Street	127 Bethlehem Street	North West	6 997
ABSA Goodwood	1 Birmingham Street, N1 City	W.Cape	1 134
De Goede Hoop Park	17 Strand Street	W.Cape	2 278
Grotto Mews	Grotto Road	W.Cape	320
Parc du Bel	19 Strand Street	W.Cape	2 299
Philippi Court	Cnr New Eisleben & Lansdown Roads	W.Cape	1 357
SAPS Mitchell's Plain	Alpha Street	W.Cape	3 416
SAPS Worcester	Fairbairn Street	W.Cape	3 848
			134 792

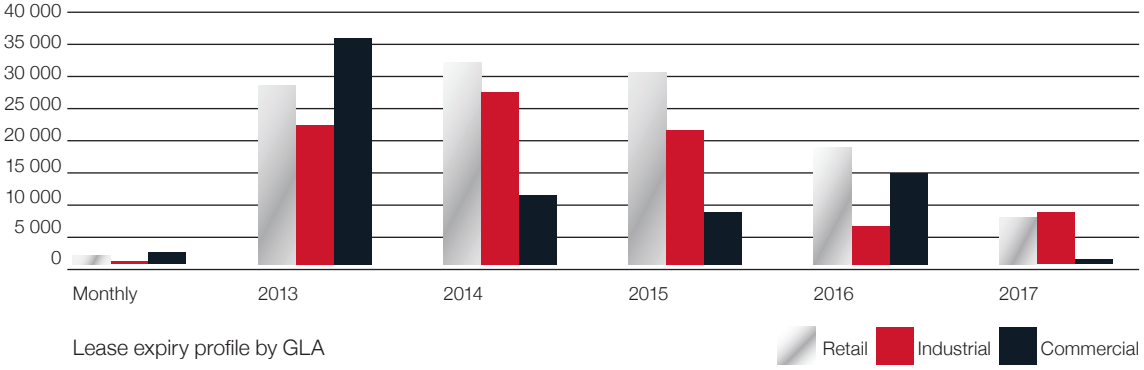
Date of acquisition	Cost plus improvements R	Market value as at 30 Sep 2012 R	Vacancies m²	% Vacant	Rental rate p/m² R
1 September 2011	10 515 549	29 030 000	0	0	77
1 September 2011	2 415 549	2 680 000	1 444	100	0
1 September 2011	7 816 303	26 768 000	0	0	75
1 September 2011	32 823 361	43 950 000	961	13	70
1 September 2011	16 413 861	70 963 000	0	0	105
1 September 2011	17 048 050	16 085 000	2 329	86	17
1 September 2012	40 184 415	40 184 415	0	0	57
1 September 2011	21 113 861	8 806 000	1 533	100	0
1 April 2012	28 715 140	29 783 000	0	0	73
1 September 2012	14 800 000	14 800 000	1 884	100	0
1 September 2012	14 000 000	14 000 000	0	0	61
1 September 2012	28 245 000	28 245 000	308	11	66
1 September 2011	7 985 480	12 163 000	808	50	36
1 September 2012	15 366 914	15 366 914	0	0	95
1 September 2012	13 132 500	13 132 500	0	0	64
1 September 2011	33 813 550	24 587 000	0	0	95
1 September 2011	20 847 050	20 605 000	218	6	55
1 September 2011	28 957 550	22 446 000	2 570	89	12
1 September 2011	7 116 296	18 201 000	0	0	89
1 September 2011	12 236 361	13 774 000	322	21	64
1 September 2012	30 120 000	30 120 000	0	0	110
1 September 2011	73 782 928	65 977 000	4 762	34	52
1 September 2011	20 878 049	27 946 000	523	13	71
1 September 2011	36 506 948	37 993 000	2 122	23	52
1 September 2011	10 946 050	10 973 000	1 767	65	15
1 September 2011	25 557 409	32 808 000	909	18	66
1 September 2011		1 500 000	0		0
1 September 2011	9 518 572	8 933 000	0	0	40
1 September 2011	7 627 050	8 208 000	0	0	73
1 September 2011	5 802 339	12 269 000	0	0	43
1 September 2011	16 714 311	29 840 000	0	0	101
1 September 2011	14 513 550	10 542 000	2 591	76	13
1 September 2011	2 516 861	3 012 000	1 540	77	4
1 September 2011	1 167 949	1 173 000	0	0	0
1 September 2011	6 451 050	10 011 000	98	8	83
1 September 2011	13 071 050	14 751 000	912	18	49
1 September 2011	33 074 350	36 600 000	30	0	67
1 September 2012	11 800 000	11 800 000	0	0	91
1 September 2011	15 445 050	7 831 000	2 278	100	0
1 September 2011	2 209 050	2 500 000	221	69	18
1 September 2011	18 044 225	18 280 000	1 063	46	44
1 September 2011	8 215 861	12 006 000	0	0	83
1 September 2011	15 437 361	16 062 000	0	0	47
1 September 2011	20 754 124	25 565 000	0	0	62
	773 700 926	**902 269 829**	**31 193**		

Property schedule

INDUSTRIAL PROPERTIES

Property name	Address	Province	GLA m²
Cadbury	Mundt Road	E.Cape	14 510
Corpgro Welkom	Cnr 2nd & 3rd Streets	F.State	3 856
Metcash Welkom	4th 11th Street	F.State	6 812
16 & 18 Forge Road	16 & Forge Road	Gauteng	3 166
21 Dartfield (Omlap)	21 Dartfield Field	Gauteng	1 021
38 Derrick Road	38 Derrick Road	Gauteng	3 846
46 Steel Road	46 Steel Road	Gauteng	3 790
CMH Spartan	60 Steel Road	Gauteng	2 467
Creston	49 - 51 Forge Road	Gauteng	6 546
Diesel Road	12 - 14 Diesel Road	Gauteng	7 923
Fabriek & Sterling Road BLD	Cnr Fabriek & Sterling Roads	Gauteng	4 586
Hi Tech Mini Factories	14 - 16 Gerhardus	Gauteng	2 719
Jet Industrial Park	7 Harold Flight Street	Gauteng	11 786
JM Investments	1321 Spyker Crescent	Gauteng	2 700
Kimberly Clark	Bevan Road	Gauteng	6 817
McCarthy Centre - Turffontein	3 End Street	Gauteng	5 935
Plantation Road 18	18 Plantation Road	Gauteng	3 954
Plantation Road 20	20 Plantation Road	Gauteng	4 209
Tarry's Head Office	Cnr La Rochelle & Crystal Roads	Gauteng	10 824
Transwire	28 Main Street	Gauteng	6 500
Virgin Active Benoni	Cnr Woburn Avenue & Pioneer Drive	Gauteng	3 154
Premier Milling - Pinetown	8 Warcing Street	KZN	5 850
Star Foods	2 Cardiff Road	KZN	3 114
Herfred Pietersburg	52 Bok Street	Limpopo	2 250
Federal Mogul	41 Anderson Street	Mpumalanga	900
9 Montague Drive	9 Montague Drive	W.Cape	2 649
			131 884

Date of acquisition	Cost plus improvements R	Market value as at 30 Sep 2012 R	Vacancies m²	% Vacant	Rental rate p/m² R
1 September 2011	14 208 485	9 952 000	4 378	30	9
1 September 2011	2 124 620	2 213 000	1 256	33	2
1 September 2011	6 416 452	10 880 000	0	0	17
1 September 2011	8 450 550	9 155 000	0	0	30
1 September 2011	5 626 549	5 118 000	274	27	48
1 September 2011	9 633 550	11 373 000	0	0	31
1 September 2011	9 813 861	12 286 000	0	0	31
1 September 2011	6 820 550	7 239 000	0	0	34
1 September 2011	17 559 550	21 342 000	0	0	34
1 September 2011	16 162 091	17 410 000	0	0	25
1 September 2011	13 024 550	9 823 000	0	0	22
1 September 2011	13 079 597	13 140 000	0	0	52
1 September 2011	28 536 049	26 921 000	1 155	10	23
1 September 2011	7 813 860	8 758 000	0	0	28
1 September 2011	11 525 114	12 687 000	0	0	24
1 September 2011	18 313 861	20 727 000	0	0	32
1 September 2011	13 448 550	14 501 000	1 318	33	24
1 September 2011	15 948 550	15 034 000	1 490	35	24
1 September 2011	6 743 452	14 806 000	419	4	14
1 September 2011	12 344 388	13 416 000	0	0	22
1 September 2011	22 713 550	22 980 000	0	0	54
1 September 2011	28 216 799	20 920 000	0	0	30
1 September 2011	5 320 007	11 834 000	0	0	38
1 September 2011	6 420 484	7 295 000	0	0	32
1 September 2011	1 916 282	2 682 000	0	0	30
1 September 2011	9 151 151	10 781 000	1 104	42	46
	311 332 503	**333 273 000**	**11 394**		



Lease expiry profile by GLA

Property schedule

RETAIL PROPERTIES

Property name	Address	Province	GLA m²
Sterkspruit	Main Street, Sterkspruit	E.Cape	6 733
Tsolo	Main Road, Tsolo	E.Cape	4 097
Melville Properties	Cnr 7th Street & 2nd Avenue	Gauteng	1 094
Shoprite Boksburg	262 Commissioner Street	Gauteng	3 034
The Pond Shopping Centre	561 James Crescent Cnr Old Pretoria Road	Gauteng	5 501
Town Centre Boksburg	95 Leeupoort Street	Gauteng	6 883
38 Prospecton Road	38 Prospection Road	KZN	1 528
4 Weightman Avenue	4 Weightman Avenue	KZN	4 171
Ellerines Dundee	Cnr Wilson, King Edward & Victoria Streets	KZN	3 518
Greytown Shopping Centre	Cnr Sergeant & Oakes Streets	KZN	5 373
Mkuze Plaza	Main Road	KZN	8 535
Royal Palm	Umgeni Road	KZN	893
105 Landdros Mare Street	105 Landdros Mare Street	Limpopo	571
106 Landdros Mare Street	106 Landdros Mare Street	Limpopo	1 200
Ellerines Thohoyandou	Thohoyandou Shopping Centre	Limpopo	829
Sibasa Centre	Sibasa Shopping Centre	Limpopo	4 102
Thohoyandou Centre	Thohoyandou Centre	Limpopo	4 006
Thohoyandou Shopping Centre	Thohoyandou Shopping Centre	Limpopo	4 359
Dikai Shopping Centre	R40 National Highway Cnr R536	Mpumalanga	2 923
Groblersdal Fruit & Veg City	2 van Riebeeck Street	Mpumalanga	3 980
Lowveld Lifestyle Centre	Waterval Avenue	Mpumalanga	11 170
Nelspruit Centre	Cnr Hensdall & Anderson Streets	Mpumalanga	1 060
Nelspruit Ellerines 1	20 Bester Street	Mpumalanga	1 147
Simunye Shopping Centre	R40 National Highway	Mpumalanga	6 538
Town Talk Nelspruit	17 Andrew Street	Mpumalanga	1 082
Citizens Building Kimberley	8 - 14 Jones Road	N.Cape	840
Kathu Shopping Centre	Ben Alberts Road	N.Cape	5 088
Klein Brothers	52 - 62 George Street	N.Cape	915
Taung Forum	Station Road	N.Cape	10 231
Midtown Mall	44 Loop Street	North West	17 140
OK Klerksdorp	Cnr Delver, Laesk & Oliver Tambo Streets	North West	7 931
Sanlam Centre Vryburg	70 Market Street	North West	1 853
Terminus Shopping Centre	Golf Street next to N12-freeway	North West	11 377
Citizens Cape Town	177 Main Road	W.Cape	1 467
Oudehuis Centre	122 Main Road	W.Cape	4 182
Ronsyn Building	26 Devonshire Hill Road	W.Cape	2 391
Truworths Corner	Cnr Symphony Way & Minuet Lane	W.Cape	520
			158 263
Total property portfolio			**424 939**

The Annualised Property Yield Is 10%

Date of Acquisition	Cost plus improvements R	Market Value as at 30 Sep 2012 R	Vacancies m²	% Vacant	Rental rate p/m² R
1 September 2012	46 500 000	46 500 000	0	0	66
1 September 2012	24 500 000	24 500 000	0	0	65
1 September 2011	9 856 550	11 494 000	357	33	110
1 September 2011	15 916 049	24 342 000	0	0	57
1 September 2011	25 186 189	25 192 000	559	10	46
1 September 2011	18 321 050	21 026 000	0	0	29
1 September 2011	9 636 159	13 776 000	50	3	94
1 September 2011	19 843 231	27 646 000	0	0	65
1 September 2011	12 550 907	14 446 000	0	0	46
1 September 2011	19 539 770	25 264 000	0	0	46
1 September 2011	39 957 050	44 754 000	827	10	54
1 July 2012	12 600 000	11 763 000	0	0	113
1 September 2011	3 929 551	4 048 000	0	0	94
1 September 2011	6 711 409	8 680 000	0	0	69
1 September 2011	3 213 550	3 713 000	174	21	47
1 September 2011	30 844 861	31 247 000	0	0	72
1 September 2011	22 237 550	24 039 000	0	0	58
1 September 2011	18 861 597	17 903 000	0	0	30
1 September 2011	15 682 550	17 202 000	0	0	62
1 September 2011	13 823 409	14 168 000	2 187	55	24
1 September 2011	40 800 050	47 394 000	3 460	31	27
1 September 2011	7 622 550	11 351 000	0	0	114
1 September 2011	8 723 909	10 411 000	0	0	88
1 September 2011	28 725 971	31 826 000	1 374	21	40
1 September 2011	5 821 409	6 563 000	0	0	58
1 September 2011	4 019 050	4 123 000	0	0	55
1 September 2011	30 102 984	33 984 000	109	2	65
1 September 2011	4 363 861	3 349 000	0	0	47
1 September 2011	67 423 822	74 570 000	580	6	74
1 September 2012	178 000 000	185 885 000	0	0	86
1 September 2011	17 675 050	18 111 000	222	3	22
1 September 2011	14 359 550	14 461 000	0	0	83
1 July 2012	57 600 000	68 485 000	546	5	59
1 September 2011	14 740 984	13 441 000	53	4	89
1 September 2011	25 693 361	32 700 000	0	0	58
1 September 2011	21 668 754	23 714 000	541	23	92
1 September 2011	5 314 296	8 548 000	0	0	153
	902 367 031	**1 000 619 000**	**11 039**		
	1 987 400 460	**2 236 161 829**	**53 626**	**13**	

prospects for the coming year

Arrowhead's focus is to grow distributions for unitholders. The following issues will impact on distributions during the next twelve months.

Property income

Arrowhead's key driver for continued success is growing income from its properties. Based on current lease escalation rates, which range from 6% to 12% per annum, it is expected that growth from existing leases will average 7%. The portfolio is not considered to be over-rented and it is expected that renewals will reflect ongoing increases in rent levels on average by 7%. Some tenants are not expected to renew leases and some tenants will fail, but taking into account the letting of space, vacancy rates are not expected to increase.

It is important to note that Arrowhead has 51 leases in respect of premises measuring 53 556m^2, with various levels of government and parastatals. Given Arrowhead's recent formation it does not have a BEE rating and it anticipates that renewing leases with government may in some instances be difficult to conclude.

Rentals are being collected from government but in many cases after substantial delays. Arrowhead does not expect any losses in this area of its business, sees opportunities in being a landlord to government and is in the process of setting up structures to better facilitate its dealing with government.

Arrowhead expects property income on the existing portfolio to grow by not less than 6% in 2013.

Property expenses

Expenditure items such as cleaning and security will increase with inflation, and expenditure on repairs is expected at levels that are necessary to maintain existing rental income streams. Arrowhead's net electricity cost after recovering consumption from tenants will reduce from 2012 following the introduction of the new system of measuring and collecting from tenants.

On average, costs are expected to increase at the same rate as revenue. Other administration expenses will increase as additional asset and financial managers are employed as the company acquires additional assets. The effect on earnings per unit will be minimal.

Interest paid

As a result of both fixing interest rates on the majority of Arrowhead's debt of R387 million and a reduction of interest rates on Arrowhead's floating debt of R234 million, interest payable should reduce marginally over that paid in 2012.

The effect of acquiring revenue-enhancing assets

The effect of the property acquisitions made in 2012 will enhance the 2013 earnings. Acquisitions made in the 2013 financial year will have a limited effect in that year but will enhance earnings in the 2014 financial year.

Projected 2013 earnings per combined unit

It is expected that Arrowhead will achieve total distributions for the 2013 financial year of R1,11 for one A plus one B unit, an increase of 10 cents (10%) on the annualised 2012 distributable income. All the growth will be attributable to the B units whose income will increase by 25% whereas the A unit sees no growth. The forecast upon which the distribution is based has not been reported on by PKF.

It is expected that Arrowhead will achieve total distributions for the 2013 financial year of R1,11 for one A plus one B unit, an increase of 10 cents (10%) on the annualised 2012 distributable income.

reliable income reliable growth

Arrowhead's main focus is to pay growing income returns to its investors.

corporate governance

Arrowhead's board considers sound corporate governance practices to be a critical element in delivering sustainable growth for the benefit of all stakeholders. The board, in conducting the affairs of the company, endorses the principles of fairness, responsibility, transparency and accountability advocated by King III.

In regularly reviewing the company's governance structures, the board exercises and ensures effective and ethical leadership, at the same time as concerning itself with the sustainability of its business operation.

The board

The board is responsible for the strategic direction and control of the company. It exercises control through a governance framework that includes the review and implementation of detailed reporting presented to it and its subcommittees and the implementation of a continuously updated risk management programme.

The role of the chairman and the CEO are separate and the CEO is fully responsible and accountable for the operations of the company.

The chairman leads the board and facilitates constructive relations between the executive and the board. The chairman holds no other listed company chairman positions.

The board comprises seven directors of whom four are independent non- executive directors. The executive directors are Gerald Leissner, the CEO, Mark Kaplan, the COO and Imraan Suleman, the CFO.

The board has adopted a charter that sets out the practices and processes it follows to discharge its responsibilities. The charter specifically sets a description of roles, functions, responsibilities and powers of the board, the shareholders, the chairman, individual directors, company secretary, and other prescribed officers and executives of the company.

The terms of reference of the board and its committees deal with such matters as corporate governance, directors' dealings in securities, declarations of conflicts of interest, board meeting documentation and procedures for the nomination, appointment, induction, training and evaluation of the directors.

There is an appropriate balance of power and authority on the board so that no individual has unfettered powers of decision-making and no individual dominates the board's deliberations and decisions. The board regularly reviews the decision-making authority given to management as well as those matters reserved for decision-making by the board.

Any director appointed during the year is required to have the appointment confirmed by unitholders at the next annual general meeting. One third of all directors retire on a rotation basis and may also make themselves available for re-election.

For details of a director making herself available for re-election and the appointment of a director, at the forthcoming annual general meeting, see pages 79 and 80 of this report.

The board has delegated certain specific responsibilities to the following committees:

- Executive committee
- Remuneration committee
- Audit and risk committee
- Investment committee
- Social and ethics committee

The committees assist the board in discharging its responsibilities and duties under King III, whilst overall responsibility remains with the board. Full transparency and disclosure of committee deliberations is encouraged and the minutes of all committee meetings are available to all directors.

Directors are encouraged to take independent advice at the cost of the company for the proper execution of their duties and responsibilities. During the year no director sought such advice. The board has unrestricted access to the external auditors, professional advisors, the services of the company secretary, the executives and the staff of the company at any given time.

A detailed assessment of all board members, including the chairman, has been undertaken.

Directors and committee members are supplied with comprehensive information that allows them to properly discharge their responsibilities. The members of the board bring a mix of skills, experience and technical expertise. The board meets at least four times a year. To facilitate the decision-making process, board papers are circulated well in advance of meetings.

Board meetings and attendance

Board	20.12.11	02.02.12	09.05.12	08.08.12
T. Adler (chairman)	✓	✓	apology	✓
E. Stroebel	✓	✓	✓	✓
M. Nell	✓	✓	✓	✓
G. Leissner	✓	✓	✓	✓
M. Kaplan	✓	✓	✓	✓
I. Suleman	✓	✓	✓	✓
L. Brehm *	n/a	n/a	✓	n/a
S. Noik **	n/a	n/a	n/a	n/a

* Appointed 8 March 2012. Deceased 4 July 2012.

** Appointed 1 September 2012.

Board committees

THE EXECUTIVE COMMITTEE

The executive committee consists of the executive directors, is chaired by the CEO and is responsible for implementing the strategies approved by the board.

The role of the committee is to:

- Act on all matters affecting company strategy and operations;
- Manage risk;
- Define, configure and arrange finance for the company's portfolio of assets;
- Agree operating plans and budgets;
- Measure and monitor performance.

THE INVESTMENT COMMITTEE

The committee comprises the executive committee plus two independent non-executive directors and meets when decisions are required to acquire or dispose of property assets. Given the role played by the committee, the board acknowledges it does not fully comply with King III in that the committee does not have a majority of independent non-executive directors. A full due diligence is undertaken before any property is considered for acquisition, and is circulated to all members of the committee and board of directors in advance of meetings. Decisions of the committee require consensus.

The investment committee, comprising of a quorum, has met prior to the conclusion of each acquisition undertaken by Arrowhead.

THE REMUNERATION AND NOMINATIONS COMMITTEE

The committee is made up of two independent non-executive directors whose primary responsibility is to monitor the remuneration policy of the company and more specifically the executive directors. The committee considers the mix of regular salary remuneration, annual bonuses and incentive elements that meet the company's needs. Incentives are based on targets that are stretching, verifiable and relevant.

The procedure for appointments to the board is formal and transparent and a matter for the board as a whole, assisted by the nomination committee.

Where necessary, the committee will assess, recruit and nominate new non-executive directors. Remuneration of non-executive directors, who do not receive incentive awards, is reviewed and set by the committee. The CEO and CFO attend meetings by invitation.

Meetings and attendance:

Remuneration Committee	28.08.2012
T. Adler	✓
M. Nell (chairman)	✓

THE AUDIT AND RISK COMMITTEE

The Companies Act 2008 has transformed the audit committee from being a committee of the board to a separate statutory committee that is appointed by the unitholders. However, the audit committee still forms part of the board even though it has specific statutory responsibilities over and above responsibilities assigned to it by the board.

Arrowhead's audit and risk committee is integral to the company's risk management process. It reports to unitholders on the extent to which it carried out its statutory oversight duties in respect of the external auditors, the appropriateness of the financial statements and the accounting practices, as well as the internal financial controls. The audit report can be found on page 40.

The committee consists of three independent non-executive directors. The CEO, COO and CFO as well as representatives of the external auditors attend meetings by invitation. The committee members have the requisite financial and commercial skills to contribute to the committee's deliberations.

The auditors have unrestricted access to the audit committee.

Well in advance of meetings, the committee receives reports on the financial performance, internal controls, adherence to accounting policies, compliance and area of significant risk as well as written reports from the auditors.

The committee has unrestricted access to independent expert advice should the need arise.

All non-audit services by the external auditors are required to be approved in advance by the audit committee.

One of the responsibilities of the committee is to monitor the adequacy and effectiveness of internal controls and risk management processes generally.

The company has an effective ongoing process for identifying risk, measuring its potential impact and initiating and implementing measures to reduce exposure to an acceptable level.

External specialist consultants will be utilised, where required, to assist the committee with risk management measures.

Having regard to the size and life-stage of the company, a dedicated internal audit function is not warranted at this stage and the IT governance policy is appropriate. Use is made of external specialists (including resources of the external property managers) in respect of internal audit and IT functions. The situation and needs in this regard will be reassessed by the committee on an ongoing basis.

Nothing has come to the attention of the committee to indicate there has been any material breakdown of controls during the year.

As required by the JSE the audit committee and the board are satisfied that the CFO, Imraan Suleman, has the necessary skills and qualifications to fulfill his responsibilities.

Meetings and attendance:

Audit & risk committee	08.05.12	07.08.12
L. Brehm	✓	n/a
E. Stroebel	✓	✓
M. Nell	✓	✓
S. Noik (chairman appointed 01.09.12)	n/a	n/a

THE SOCIAL AND ETHICS COMMITTEE

A formally appointed social and ethics committee of the board, comprising executive director Mark Kaplan and non-executive directors Taffy Adler and Elize Stroebel, has been constituted to assist the board with social and ethics related matters, as provided for in the Companies Act, 2008.

The committee works on behalf of the board and is responsible for evaluating social and ethics responsibilities and making recommendations to the board. The committee has all the functions and responsibilities provided for in the Companies Act, 2008. The CEO and CFO attend all meetings by invitation.

Meetings and attendance:

Social & ethics committee	07.08.2012
T. Adler (chairman)	✓
M. Kaplan	✓
E. Stroebel	✓

Corporate governance - King III review

✓ **Compliant**

◈ **Under review**

× **Non-compliant**

❖ **Partially compliant**

	1. Ethical leadership and corporate citizenship	
1.1	The board should provide effective leadership based on an ethical foundation	✓
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	✓
1.3	The board should ensure that the company's ethics are managed effectively	✓

	2. Boards and directors	
2.1	The board should act as the focal point for and custodian of corporate governance	✓
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	✓
2.3	The board should provide effective leadership based on an ethical foundation	✓
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	✓
2.5	The board should ensure that the company's ethics are managed effectively	✓
2.6	The board should ensure that the company has an effective and independent audit committee	✓
2.7	The board should be responsible for the governance of risk	✓
2.8	The board should be responsible for information technology (IT) governance	✓
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓
2.10	The board should ensure that there is an effective risk-based internal audit	◈
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	✓
2.12	The board should ensure the integrity of the company's integrated report	✓
2.13	The board should report on the effectiveness of the company's system of internal controls	✓
2.14	The board and its directors should act in the best interests of the company	✓
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	n/a
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.	✓
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	✓
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	✓
2.19	Directors should be appointed through a formal process	✓
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	✓
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	✓
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	✓
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	✓
2.24	A governance framework should be agreed between the group and its subsidiary boards (Note 2)	n/a
2.25	Companies should remunerate directors and executives fairly and responsibly	✓
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	✓
2.27	Shareholders should approve the company's remuneration policy	✓

	3. Audit committees	
3.1	The board should ensure that the company has an effective and independent audit committee	✓
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	✓
3.3	The audit committee should be chaired by an independent non-executive director	✓
3.4	The audit committee should oversee integrated reporting	✓
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	✓
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	✓
3.7	The audit committee should be responsible for overseeing of internal audit	◈
3.8	The audit committee should be an integral component of the risk management process	✓
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	✓
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	✓

	4. The governance of risk	
4.1	The board should be responsible for the governance of risk	✓
4.2	The board should determine the levels of risk tolerance	✓

4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	✓
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓
4.5	The board should ensure that risk assessments are performed on a continual basis	✓
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓
4.7	The board should ensure that management considers and implements appropriate risk responses	✓
4.8	The board should ensure continual risk monitoring by management	✓
4.9	The board should receive assurance regarding the effectiveness of the risk management process	✓
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	✓

5. The governance of information technology

5.1	The board should be responsible for information technology (IT) governance	◈
5.2	IT should be aligned with the performance and sustainability objectives of the company	◈
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	◈
5.4	The board should monitor and evaluate significant IT investments and expenditure	◈
5.5	IT should form an integral part of the company's risk management	◈
5.6	The board should ensure that information assets are managed effectively	◈
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	◈

6. Compliance with laws, rules, codes and standards

6.1	The board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules, codes and standards	✓
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	✓
6.3	Compliance risk should form an integral part of the company's risk management process	✓
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	✓

7. Internal audit

7.1	The board should ensure that there is an effective risk based internal audit	◈
7.2	Internal audit should follow a risk based approach to its plan	◈
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	◈
7.4	The audit committee should be responsible for overseeing internal audit	◈
7.5	Internal audit should be strategically positioned to achieve its objectives	◈

8. Governing stakeholder relationships

8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	✓
8.2	The board should delegate to management to proactively deal with stakeholder relationships stakeholders and the outcomes of these dealings.	✓
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	✓
8.4	Companies should ensure the equitable treatment of shareholders	✓
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	✓

9. Integrated reporting and disclosure

9.1	The board should ensure the integrity of the company's integrated report	✓
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	✓
9.3	Sustainability reporting and disclosure should be independently assured	◈

sustainability environment, community

The directors of the company have accountability to unitholders and an obligation to all stakeholders (including unitholders) to ensure that the company's resources are utilised to ensure its continuing viability. Arrowhead's major risks are identified as follows:

	Risk	Level	Mitigating factor
01	Property assets acquired and owned are correctly registered in the name of the company.	Low	Need to be inspected at least since registration. Investigate insurance requirements.
02	Claims against the company relating to the use by 3rd parties of any property owned by the company.	Low	Insurance.
03	Company and directors correctly recorded at CIPC – company can be hijacked.	Low	Company secretary to check at least once a year.
04	Properties acquired are not suitably priced or do not fit investment criteria.	Low	The investment committee approves all properties acquired.
05	Insurance claims in respect of destroyed assets insufficient.	Low	All properties insured at replacement value.
06	Newly acquired properties not covered by insurance.	Low	Internal controls to be tested regularly. Insurance policy caters for additions for an adequate time frame.
07	Property assets destroyed or rendered unlettable by fire or any other cause.	Moderate	All properties insured at replacement value.
08	Bank loans properly recorded and upward fluctuation in interest rates protected.	Moderate	Interest rates fixed. Internal controls to be tested regularly.
09	Information relating to tenant leases correctly recorded, protected and actioned.	Moderate	Internal controls to be tested regularly.
10	Cash resources protected.	High	Internal controls to be tested regularly. Schedule of payments regularly reviewed.
11	Managing of receipts and payments by JHI – fraud, negligence or "plain" errors.	High	Internal controls to be tested regularly. Schedule of payments regularly reviewed. Cash balances regularly reviewed.
12	Tenants not paying rentals.	High	New tenants are credit vetted. Existing tenant's arrears are regularly pursued.

social & investment property charter

In terms of environmental sustainability, Arrowhead has commenced a process of resource management with an eye on future needs.

In all new buildings acquired, equipment is to be installed to ensure that electricity, water, refuse and domestic effluent are managed to provide cost effective as well as customer friendly solutions. This process is to commence in January 2013 on the initial portfolio of 89 properties.

Arrowhead recognises the positive impact social responsibility programmes will have on the communities in which the company operates, and intends to create a charitable trust which will distribute funds to welfare and educational institutions in communities where Arrowhead has a presence.

Unitholders will be asked to agree to the establishing of a trust.

Arrowhead is cognizant of the Property Charter which has recently between concluded between the South African property industry and Department of Trade and Industry.

Arrowhead will comply with the scorecard to the best of its ability and will apply for a rating in terms of the Charter as soon as practical.

Arrowhead's prime focus is on sustaining and growing the income distributions per unit payable to unitholders.

The model applied to achieve this, is that all property acquisitions must be revenue enhancing in that the yield at which property is acquired must exceed the cost of capital.

The key focus is to drive the net income of each property by renewing leases that have expired, letting vacant space, controlling and where possible reducing property operating costs and most importantly, keeping borrowing costs at the lowest level possible while at the same time fixing interest rates to avoid additional costs of borrowing should interest rates rise.

Effective financial controls are in place both at Arrowhead and its external partners to ensure the correct recording as well as the integrity of all income and expenditure generated by the portfolio of properties.

The mechanism to manage risk of any property or major tenant negatively effecting the payment of unitholder returns is the size of and the spread of the portfolio of properties in terms of number of properties and of tenants across all sectors throughout the country.

There will always be a strong focus on the highest standards of corporate governance.

The model provides for effective investor relations by way of regular communications with unitholders. That includes interim and year- end financial reviews and the issuing of a timeous annual report and regular updates on progress being made in growing the company.

Arrowhead is conscious of the excellent reputation it needs to build with all its stakeholders and all its actions, including its branding, will ensure this is achieved and maintained. The company has as one of its core values the respect for human rights.

report of the audit committee

The audit committee considers that it has adequately performed its functions in terms of its mandate, the King Code of Governance Principles and the Companies Act 2008, as amended. The committee carried out its duties by reviewing, on a quarterly basis,

- Financial management reports
- External audit reports, if any.

The committee is satisfied

- with the independence of the external auditor, including the provision of non-audit services and compliance with the company policy in this regard. The external auditor attends all meetings of the committee by invitation
- with the terms, nature, scope and proposed fee of the external auditor for the year ended 30 September 2012
- with the financial statements and the accounting practices utilised in the preparation thereof
- with the company's continuing viability as a going concern
- that the CFO has the necessary expertise and experience to carry out his duties.

Refer to page 35 in the section corporate governance, for additional details regarding the operations of the audit committee.

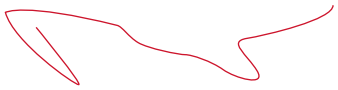
SELWYN NOIK

Audit committee chairman

26 November 2012

report of the social & ethics committee

The committee has been formed as provided for in the Companies Act 2008, as amended. Refer to page 35 in the corporate governance section for details relating to the operation of the committee.



TAFFY ADLER
Social and ethics committee chairman
26 November 2012

investment for all seasons

Growing income returns are achieved through escalating rentals, satisfactory renewal of leases, renting of vacant space, managing and reducing costs and acquiring revenue enhancing properties.

audited financial statements

for the year ended 30 september 2012

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These financial statements have been audited as required by the Companies Act, 2008.

directors' responsibility statement

For the year ended 30 September 2012

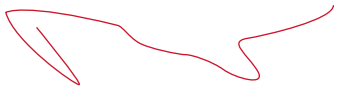
The directors are responsible for the preparation and fair presentation of the annual financial statements of Arrowhead Properties Limited, comprising the statement of financial position at 30 September 2012 and statements of comprehensive income, changes in equity and cash flows for the year then ended. To achieve the highest standards of financial reporting, these financial statements have been drawn up to comply with International Financial Reporting Standards and the requirements of the Companies Act 2008, as amended.

The directors' responsibility includes the design, implementation and maintenance of internal controls that will ensure the preparation, integrity and fair presentation of the financial statements and other financial information included in this report, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors have reviewed the appropriateness of the accounting policies and conclude that estimates and judgements are reasonable. They are of the opinion that the annual financial statements fairly present the financial position of the business at 30 September 2012 and of its financial performance and cash flows for the year to 30 September 2012. The external auditors, who have unrestricted access to all records and information, as well as to the audit committee, concur with this statement. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The unqualified audit report of PKF (Jhb) Inc. is presented on pages 46 and 47.

In addition, the directors have also reviewed the cash flow forecast for the year to 30 September 2013 and believe that the company has adequate resources to continue in operation for the foreseeable future. Accordingly, the annual financial statements have been prepared on a going- concern basis. These financial statements support the viability of the company.

The annual financial statements were approved by the board of directors on 26 November 2012 and are signed on its behalf by:



T. Adler

CHAIRMAN

G. Leissner

CEO

certification by the company secretary

In terms of section 88(2)(e) of the Companies Act 2008 as amended, we declare that to the best of our knowledge, for the year ended 30 September 2012, Arrowhead has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.

Probity Business Services (Pty) Limited
COMPANY SECRETARY
26 November 2012

independent auditor's report

Report on the financial statements

We have audited the financial statements of Arrowhead Properties Limited set out on pages 48 to 73, which comprise the statement of financial position as at 30 September 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and the requirements of the Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Arrowhead Properties Limited as at 30 September 2012 and its financial performance and its cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 September 2012, we have read the Directors' Report, report of the audit committee and the certification by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not

identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PKF (Jhb) Inc.

PKF (Jhb) Inc.
Registered Auditors
Chartered Accountants (SA)

Registration number: 1994/001166/21
Director: Paul Badrick
Sandton
Date: 26 November 2012

directors' report

Nature of business

Arrowhead is a PLS company which is listed on the JSE Limited under the Financial – Real Estate sector.

The company listed on the JSE on 9 December 2011. Its primary business is long-term investment in quality rental generating properties. At the date of this report the company owned a portfolio of 107 retail, industrial and commercial properties valued at R2,2 billion located in each of the provinces across South Africa.

Financial results

The results of the company for the year ended 30 September 2012 are set out in the annual financial statements and accompanying notes on pages 48 - 73.

Authorised and issued shares and debentures

The company's authorised share capital comprises of 2 000 000 000 ordinary shares of no par value. Each ordinary share is linked to one variable rate A debenture or one variable rate B debenture of R1,0176 each. The company's ordinary shares and debentures trade as linked units on the JSE.

During the year 168 830 102 linked units were issued to fund the acquisition of investment properties and 1 732 064 were issued to the executive directors. Included in the 170 562 166 linked units in issue at 30 September 2012 was the 8 528 000 units issued pursuant to the general issue of units for cash on 28 September 2012 at an effective price of R10.60 per combined A and B linked unit.

Interest distributions

The company distributes all distributable earnings as interest on the debentures and accordingly no dividend has been declared or paid during the year under review.

The following distributions were declared during the year:

- Distribution number 1 of 8.09 cents per linked unit for the one month ended 31 December 2011, in the ratio of 5c per A linked unit and 3,09c per B linked unit.
- Distribution number 2 of 24.68 cents per linked unit for the three months ended 31 March 2012, in the ratio of 15c per A linked unit and 9,68c per B linked unit.
- Distribution number 3 of 25.03 cents per linked unit for the three months ended 30 June 2012, in the ratio of 15c per A linked unit and 10,03c per B linked unit.
- Distribution number 4 of 26.02 cents per linked unit for the three months ended 30 September 2012, in the ratio of 15c per A linked unit and 11,02c per B linked unit.

Directorate

The directors of the company at the date of this report were:

Executive directors:

- Gerald Leissner (CEO) (Appointed 1 September 2011)
- Mark Kaplan (COO) (Appointed 1 September 2011)
- Imraan Suleman (CFO) (Appointed 1 September 2011)

Independent non–executive directors:

- Elize Stroebel (Appointed 1 September 2011)
- Matthew Nell (Appointed 1 September 2011)
- Taffy Adler (Appointed 1 September 2011)
- Selwyn Noik (Appointed 1 September 2012)

Leonard Brehm (Appointed 9 March 2012, deceased 4 July 2012)

The number of board and committee meetings attended by each of the directors during the year is tabled in the governance report on pages 33 to 36. Elize Stroebel retires by rotation at the forthcoming AGM in terms of the Memorandum of Incorporation and offers herself for re-election.

Directors' interests

The interests of the directors in the linked units of the company at 30 September 2012 were as follows:

	Direct	Beneficial Indirect	Total
Executive directors			
Gerald Leissner			
- A Linked units	730 000	1 104	731 104
- B Linked units	730 000	1 104	731 104
Mark Kaplan			
- A Linked units	730 000		730 000
- B Linked units	730 000		730 000
Imraan Suleman			
- A Linked units	272 064		272 064
- B Linked units	272 064		272 064
Non-executive directors			
Selwyn Noik			
- A Linked units		1 000	1 000
- B Linked units	70 000	1 000	71 000
A Linked units	1 732 064	2 104	1 734 168
B Linked units	1 802 064	2 104	1 804 168
	3 534 128	**4 204**	**3 538 336**

There have been no changes in these holdings between the year end and the date of this report.

Directors' interests in contracts

The company has not entered into any contracts, in which a director has a material interest, during the year under review.

With reference to the transaction concluded between Arrowhead and Africast (Proprietary) Limited ("Africast") in terms of which Arrowhead acquired the property letting business and related immovable property known as the District from Africast, unitholders are advised that Matthew Nell, non-executive director of the company, owns 19.26% of Inframax Holdings (Proprietary) Limited, the holding company of Africast. The transaction did not however constitute a related party transaction under the provisions of the JSE Listings Requirements and the company has ensured compliance with all governance requirements of the Companies Act, 2008 in this regard.

Going concern

The directors are of the opinion that the company has adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the company's financial statements.

The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

Major linked unitholders

Beneficial unitholders holding in excess of 5% of the units in issue detailed on page 10 of the annual report.

Unit Purchase Trust

Arrowhead has adopted a unit purchase trust, as set out in the pre listing statement dated 30 September 2012, which is intended as an incentive to employees to promote the continued growth of the company by giving them an opportunity to acquire linked units therein and align the interests of employees with that of the company and the investors.

Executive directors' service contracts

In terms of the service contracts agreed between the executive directors and the company, the CEO is contracted until 30 September 2014 whilst the CFO and COO are both contracted until 30 September 2016.

Directors' remuneration

FEES EARNED BY NON-EXECUTIVE DIRECTORS

	2012	2011
	R	R
Elize Stroebel	185 000	-
Matthew Nell	190 000	-
Taffy Adler	-	-
Selwyn Noik	12 916	-
Leonard Brehm	77 084	-
Total non-executive fee	**465 000**	**-**

REMUNERATION EARNED BY EXECUTIVE DIRECTORS

	2012	2011
	R	R
Gerald Leissner		-
- Annual salary	2 500 000	-
- Performance bonus	1 250 000	-
- Sign on bonus	5 708 965	
Mark Kaplan		
- Annual salary	2 000 000	-
- Sign on bonus	5 708 965	-
Imraan Suleman		
- Annual salary	1 750 000	-
- Sign on bonus	2 127 677	-
Total executive remuneration	**21 045 607**	**-**

Company secretary

The company secretary for the year and at the date of this report was Probity Business Services (Proprietry) Limited.

The business and postal addresses of the company secretary are set out on page 87.

Probity Business Services (Pty) Limited

COMPANY SECRETARY

26 November 2012

statement of financial position

	Notes	30 September 2012	30 September 2011
		R	R
ASSETS			
Non-current assets		2 228 916 047	1 440 629 848
Investment properties		2 222 209 828	1 440 591 100
Fair value of property portfolio	2	2 211 719 041	1 440 591 100
Straight line rental income accrual	3	10 490 787	-
Property, plant and equipment	5	833 207	38 748
Loans to directors	6	5 873 012	-
Current assets		216 695 754	21 233 540
Trade and other receivables	7	26 559 158	19 427 090
Cash and cash equivalents	8	190 136 596	1 806 450
Non current assets held for sale	4	13 952 000	-
Total assets		2 459 563 801	1 461 863 388
EQUITY AND LIABILITIES			
Shareholders interest		190 268 772	1 765 578
Stated capital	9	100	100
Reserves		190 268 672	1 765 478
Linked units to be issued		-	623 518 347
Non-current liabilities - debentures	10	1 460 144 871	-
Linked unitholders interest		1 650 413 643	625 283 925
Other non-current liabilities		539 419 827	-
Secured financial liabilities	11	445 697 663	-
Deferred taxation	13	93 722 164	-
Current liabilities		269 730 331	836 579 463
Trade and other payables	14	57 853 455	23 135 287
Finance lease liability	12	-	813 444 176
Secured financial liabilities	11	167 494 522	-
Unitholders for distribution		44 382 354	-
Total equity and liabilities		2 459 563 801	1 461 863 388
Number of A linked units in issue		170 562 166	-
Number of B linked units in issue		170 562 166	-
Net asset value per A and B linked units (excluding deferred taxation) (cents)		484	-
Net asset value per A and B linked units (cents)		511	-

statement of comprehensive income

	Notes	Year ended 30 September 2012	Period ended 30 September 2011
		R	R
Property portfolio revenue			
Contractual rental income		259 735 041	17 015 663
Straight line rental income accrual		10 490 787	-
Total revenue		270 225 828	17 015 663
Operating costs		(92 567 562)	(4 207 788)
Administration costs		(14 310 632)	(1 987 358)
Sign on bonuses		(13 545 607)	-
Net operating profit	15	149 802 027	10 820 517
Changes in fair values	17	231 377 266	7 258 762
Profit from operations		381 179 293	18 079 279
Net finance charges	18	(6 121 922)	(16 313 801)
Finance charges		(53 746 891)	(16 356 379)
Amortisation of debenture premium		21 840 788	-
Net interest received		25 784 181	42 578
Profit before debenture interest and taxation		375 057 371	1 765 478
Debenture interest		(128 531 615)	-
Profit before taxation		246 525 756	1 765 478
Taxation	19	(58 022 562)	-
Total comprehensive income for the year		188 503 194	1 765 478
Basic and diluted earnings per A linked unit (cents)	20	182,49	-
Basic and diluted earnings per B linked unit (cents)	20	160,93	-
Headline and diluted headline earnings per A linked unit (cents)	20	156,87	-
Headline and diluted headline earnings per B linked unit (cents)	20	135,31	-

statement of changes in equity

	Stated capital	Reserves	Total
	R	R	R
Balance at 5 January 2011	-	-	-
Issue of shares	100	-	100
Total comprehensive income for the period	-	1 765 478	1 765 478
Balance at 30 September 2011	100	1 765 478	1 765 578
Total comprehensive income for the year	-	188 503 194	188 503 194
Balance at 30 September 2012	100	190 268 672	190 268 772

statement of cash flows

	Notes	Year ended 30 September 2012	Period ended 30 September 2011
		R	R
Net cash generated by/(utilised in) operating activities		65 927 972	(2 158 898)
Cash generated from/(absorbed by) operations	21.2	156 878 429	(2 155 913)
Net finance charges		(6 801 196)	(2 985)
Debenture interest paid		(84 149 261)	-
Net cash utilised in investing activities		(307 550 814)	(38 748)
Acquisition of investment property		(289 087 403)	-
Capital expenditure, tenant installations and lease commissions		(18 479 928)	-
Acquisition of property, plant and equipment		(984 599)	(38 748)
Repayment of loans to directors		1 001 116	-
Net cash generated from financing activities		429 952 988	4 004 096
Proceeds from issue of linked units		457 993 105	100
Net movement in financial liabilities		(28 040 117)	4 003 996
Net movement in cash and cash equivalents		188 330 146	1 806 450
Cash and cash equivalents at the beginning of the year		1 806 450	-
Cash and cash equivalents at the end of the year	8	190 136 596	1 806 450

The principle non-cash transactions are the issue of linked units for the acquisition of investment properties amounting to R247 million.

notes to the financial statements

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with IFRS, the AC 500 series issued by the Accounting Practices Board, the JSE Listing requirements and the requirements of the South African Companies Act, No 71 of 2008 as amended.

The financial statements are prepared on the historic cost basis, except for investment properties which are carried at fair value, and incorporate the principal accounting policies set out below. These accounting policies have been applied consistently with the previous year.

1.1 FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised on the statement of financial position when the company becomes party to the contractual provisions of the instrument. The company initially recognises a financial instrument as a financial asset, a financial liability or as an equity instrument in accordance with the substance of the contractual arrangement.

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the entity is recognised as a separate asset or liability.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are initially measured at fair value. Subsequent to initial recognition, these instruments are measured as follows:

Financial assets

- Trade and other receivables

  Trade and other receivables are initially recognised at fair value including transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables are presented net of an allowance for impairment.

  The allowance for impairment is raised based on the difference between the carrying value of the receivables and the present value of expected future cash flows using the discount rate calculated at initial recognition. Movements in the provision are recognised in profit or loss. Unrecoverable amounts are written off against the allowance account. Subsequent recoveries of previously written off amounts are credited to profit or loss.

- Cash and cash equivalents

  Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents are highly liquid, short term investments that are readily convertible to known amounts of cash. These investments are subject to insignificant risk in change in value. Cash and cash equivalents are measured at amortised cost that approximates fair value.

Financial liabilities

- Debentures

  Debentures are recognised at amortised cost using the effective interest rate method.

- Interest bearing borrowings

  Interest bearing borrowings are recognised at amortised cost using the effective interest rate method. Any raising costs that are incurred on interest bearing borrowings are offset against the debt balance and recognised as additional interest using the effective interest rate method over the term of the loan.

- Trade and other payables

  Trade and other payables are initially recognised at cost and subsequently measured at amortised cost.

Offset

- Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Where the carrying amounts of short term financial instruments carried at amortised cost approximate their amortised cost value and the impact of discounting is not considered to be material, no discounting is applied.

1.2 INVESTMENT PROPERTIES

Investment properties are properties held for the purpose of earning rental income and for capital appreciation. Investment properties are initially recorded at cost and include transaction costs on acquisition. Subsequent expenditure to add to or replace a part of the property is capitalised at cost.

Investment properties are valued annually and adjusted to fair value as at statement of financial position date.

Any gain or loss arising from a change in the fair value of the investment property is included in net profit for the period to which it relates.

Gains and losses on the disposal of investment properties are recognised in net profit and are calculated as the difference between the sale price and the carrying value of the property.

1.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment.

Property, plant and equipment are depreciated on a straight line basis over the current useful lives of the assets. The estimated useful lives of the assets are:

Computer equipment	3 years
Furniture, fittings and equipment	3 years

The useful lives and residual values are reassessed at the end of each reporting period and adjusted if necessary.

1.4 REVENUE RECOGNITION

a. Property portfolio revenue

Property portfolio revenue comprises operating lease income and operating cost recoveries from the letting of investment properties. Operating lease income is recognised on a straight-line basis over the term of the lease. Contingent rents (turnover rentals) are included in revenue when the amount can be reliably measured.

b. Interest income

Interest income is recognised as it accrues, using the effective interest rate method.

Where linked units (ie. debentures and stated capital) are issued between distribution dates, the resulting antecedent interest inherent in the issue price of the linked units is recognised as interest income on receipt.

1.5 TAXATION

Taxation comprises current and deferred taxation.

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantially enacted at reporting date.

Deferred income tax is provided using the comprehensive liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arose as a result of a transaction, other than a business combination, that does not impact accounting or taxable profit or loss.

Deferred taxation is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred taxation on the fair value adjustment on investment properties has been provided at the capital gains tax rate.

Taxation is recognised in profit or loss unless it relates to a transaction that is recognised in equity or other comprehensive income, in which case the taxation is recognised in equity or other comprehensive income.

1.6 IMPAIRMENT

The carrying value of assets is reviewed for impairment at each reporting date. Assets are impaired when events or changes in circumstances indicate that their carrying value may not be recoverable.

If such indication exists and where carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts.

Recoverable amounts are determined as the higher of fair value less costs to sell or value in use. Impairment losses and the reversal of impairment losses are recognised in the statement of comprehensive income.

1.7 LETTING COSTS

Installations and lease commissions are carried at cost less accumulated depreciation. Depreciation is provided to write down the cost, less residual value, by equal instalments over the period of the lease.

1.8 OPERATING SEGMENTS

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses. The operating results are reviewed regularly by executive management to make decisions about and to assess the performance of the segment.

On a primary basis the operations are organised into geographical major business segments.

1.9 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. Investment properties classified as held for sale are measured in terms of IAS 40 – 'Investment Properties' at fair value with gains and losses on subsequent measurement being recognised in profit or loss.

1.10 STATED CAPITAL

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares as shown as a deduction in equity from the proceeds.

1.11 KEY ESTIMATES AND ASSUMPTIONS

Estimates and assumptions, an integral part of financial reporting, have an impact on the amounts reported for the company's assets, liabilities income and expenses. Judgment in these areas is based on historical experience and reasonable expectations relating to future events. Actual results may differ from these estimates. Information on the key estimations and uncertainties that have the most significant effect on amounts recognised are set out in the following notes to the financial statements:

- Accounting policies – notes 1.2, 1.5 and 1.6
- Investment property valuation – note 2
- Impairment of receivables – note 7
- Deferred taxation – note 13

Further matters that required key judgments in the preparation of these annual financial statements were:

Payment for the acquisition of investment properties

In the current year, the acquisitions of investment properties were treated as property acquisitions in terms of IAS 40 – 'Investment Properties'. In the opinion of the directors these properties did not constitute a business as defined in terms of IFRS 3, as there were not adequate processes identified with these properties to warrant classification as businesses.

Allocation of linked units between stated capital and debentures

At the date of listing the directors considered the fair value of the debentures to be R 9.38. The fair value was determined based on the expected forward distributions. The debentures are recognised as liabilities as there is a contractual obligation on the company to deliver cash to the holders in the form of distributions. The excess of the fair value above the face value of the debentures are recognised as debenture premium and will be recognised in profit or loss on a straight line basis over the term of the debentures.

Standards and interpretations applicable to the company not yet effective

There are new or revised accounting standards and interpretations in issue that are not yet effective. These include the following standards and interpretations that are material to the business and may have an impact on future financial statements, or those for which the impact has not yet been assessed. These standards were not early adopted.

Standard	Details of amendment	Annual periods beginning on or after
IFRS 7: Financial Instruments: Disclosures	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.	1 January 2013
IFRS 9: Financial Instruments	New standard that forms the first part of a three part project to replace IAS 39 Financial Instruments: Recognition and Measurement	1 January 2015
IFRS 13 Fair Value Measurement	New guidance on fair value measurement and disclosure requirements	1 January 2013
IAS 1: Presentation of Financial Statements	New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity.	1 July 2012
	Annual Improvements 2009-2011 Cycle amendments clarifying the requirements for comparative information including minimum and additional comparative information required.	1 January 2013
IAS 16: Property, Plant and Equipment	Annual Improvements 2009-2011 Cycle amendments to the recognition and classification of servicing equipment.	1 January 2013
IAS 19: Employee Benefits	Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans	1 January 2013
IAS 32: Financial Instruments: Presentation	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the net related credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.	1 January 2013
	Annual Improvements 2009-2011 Cycle amendments to clarify the tax effect of distribution to holders of equity instruments.	1 January 2013

The directors have not yet determined what the impact of these new standards and interpretation on the company will be.

2

	Year ended 2012	Period ended 2011
	R	R
Investment property		
Net carrying value		
Cost	1 973 083 013	1 433 332 338
Fair value surplus	238 636 028	7 258 762
	2 211 719 041	1 440 591 100
Movement for the year		
Investment properties at the beginning of year	1 440 591 100	-
(Derecognition)/arising on right to use asset	(1 440 591 100)	1 433 332 338
Acquisitions	1 972 963 969	-
Improvements to buildings	14 177 135	-
Transfer to held for sale (note 4)	(13 952 000)	-
Change in fair value	231 377 266	7 258 762
Capital expenditure, tenant installations and lease commissions	7 152 671	-
Capitalised	8 269 817	-
Amortised	(1 117 146)	-
Balance at the end of the year	2 211 719 041	1 440 591 100
Reconciliation to valuations		
Investment properties carrying amount	2 211 719 041	1 440 591 100
Straight line lease accrual	10 490 787	-
Investment properties held for sale	13 952 000	-
Investment properties per valuations	2 236 161 828	1 440 591 100

Full details of investment properties owned by the company are contained in the register of investment properties which is open for inspection by members at the registered office of the company (see page 87). In terms of the accounting policy, the portfolio is valued annually. The properties were valued by JHI, a registered valuer in terms of Section 19 of the Property Valuers Professional Act (Act No 47 of 2000). One third was valued externally and the remaining properties were valued by the directors.

The valuations were performed using the discounted cash flow methodology. This method is based on an open market basis with consideration given to the future earnings potential and applying an appropriate capitalisation rate to the property.

Discount and exit capitalisation rates are determined by reference to comparable sales and appropriate surveys and benchmarked against other comparable valuations. The discount and capitalisation rates are dependent on a number of factors such as location, the condition of the property, current market conditions, the lease covenant and the risk inherent in the property.

Investment properties are encumbered as set out in note 11.

3 Straight line rental income accrual

Balance at the beginning of the year	-	-
Movement for the year	10 490 787	-
Balance at the end of the year	10 490 787	-

4 Non current assets held for sale

These consist of investment property that will be recovered through sale in the next financial year.
The buildings comprise of the following:

Cadbury building	9 952 000	-
Grotto Mews building	2 500 000	-
106 Mark Street	1 500 000	-
	13 952 000	-

5 Property, plant and equipment

Computer equipment	315 169	38 748
Cost	386 660	38 748
Accumulated depreciation	(71 491)	-
Furniture, fittings and equipment	518 038	-
Cost	636 687	-
Accumulated depreciation	(118 649)	-
	833 207	38 748

Movement for the year

Balance at beginning of year	38 748	-
Acquisitions	984 599	38 748
Computer equipment	347 912	38 748
Furniture, fittings and equipment	636 687	-
Depreciation	(190 140)	-
Computer equipment	(71 491)	-
Furniture, fittings and equipment	(118 649)	-
	833 207	38 748

6 Loans to directors

Balance at the beginning of the year	-	-
Advances	8 127 364	-
Interest charged on loans	679 274	-
Repayments	(1 001 116)	-
Balance at the end of the year	7 805 522	-
Total amount owing	7 805 522	-
Less: Repayable in the next year - transferred to trade and other receivables	(1 932 510)	-
Long term portion	5 873 012	-

Owing by the following directors :

Gerald Leissner	3 289 734	-
Mark Kaplan	3 289 734	-
Imraan Suleman	1 226 054	-
	7 805 522	-

The loans were granted to the executive directors for the purpose of subscribing for linked units in the Company.

The loans bear interest at 10 % pa and are repayable by 30 September 2014.

7. Trade and other receivables

Trade receivables	22 230 156	19 427 090
Impairments	(1 619 139)	-
	20 611 017	19 427 090
Short term portion of loans receivable	1 932 510	-
Municipal deposits	3 120 157	-
Prepayments	895 474	-
	26 559 158	19 427 090

Ageing of receivables past due but not impaired

As at 30 September 2012 trade receivables of R356,763 (2011:R:0) were passed due but not impaired.

60 days	291 733	-
90 days	13 890	-
120+ days	51 140	-
	356 763	-

Ageing of impaired receivables

Current	428 108	-
30 days	369 327	-
60 days	221 543	-
90 days	113 135	-
120+ days	487 026	-
	1 619 139	-

Movement on the impairment of trade receivables

Balance at the beginning of the year	-	-
Impairment losses recognised on receivables	1 619 139	-
Balance at the end of the year	1 619 139	-

The allowance for doubtful debts has been determined on a tenant by tenant basis.

8 Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents comprise:

Bank balances	190 136 596	1 806 450

Cash is invested with Standard Bank and First National Bank.

9 Stated capital

Authorised

2 000 000 000 ordinary no par value shares

Issued

341 124 332 (2011: 100) ordinary shares of no par value	100	100
	100	100

Movement for the year

Balance at the beginning of the year	100	-
Shares issued during the year	-	100
Balance at the end of the year	100	100

The unissued shares are under the control of the directors. This authority remains in force until the first annual general meeting of the company.

Each share is irrevocably linked to one A debenture, comprising one A linked unit, or one B debenture, comprising one B linked unit.

10 Debentures

Issued		
170 562 166 (2011: nil) A debentures at R1,0176	173 564 060	-
170 562 166 (2011: nil) B debentures at R1,0176	173 564 060	-
Debenture premium	1 125 967 842	-
on debentures issued	1 147 808 630	-
amortisation	(21 840 788)	-
Debenture issue expenses	(12 951 091)	-
	1 460 144 871	-
Movement for the year		
Balance at the beginning of the year	-	-
Debentures issued during the year	1 494 936 750	-
Amortisation of debenture premium	(21 840 788)	-
Debenture issue expense	(12 951 091)	-
Balance at the end of the year	1 460 144 871	-

The debentures are unsecured and subordinated in favour of the unsubordinated creditors of the company.

As the company is obligated to pay interest on the debentures, which interest is calculated in terms of a distributable earnings formula and accrues to the debenture holder every three months, the instrument has been classified as a liability.

The debentures are redeemable at the instance of the debenture holder by special resolution after 31 August 2041 or the 10th anniversary following 31 August 2041 or every 10th anniversary following 31 August 2051.

11 Secured financial liabilities

Standard Bank

Facility 1	387 284 437	-
Secured by a mortgage bond over investment properties bears interest at a fixed rate of 9.57% and is repayable on 30 September 2016.		
Facility 1	21 768 027	-
Secured by a mortgage bond over investment properties bears interest at a variable rate linked to 3 months JIBAR plus 2,54% and is repayable on 30 September 2016.		
Facility 2	38 698 482	-
Secured by a mortgage bond over investment properties bears interest at a variable rate linked to prime less 1,1 % and is repayable on 30 September 2016.		
Facility 3	167 494 522	-
Secured by a mortgage bond over investment properties bears interest at a variable rate linked to 3 months JIBAR plus 3,2 % and is repayable on 30 September 2013.		
Total debt	615 245 468	-
Less: deferred finance costs	(2 053 283)	-
Finance costs incurred during the year	(2 508 000)	-
Amortisation for the year	454 717	-
	613 192 185	-
Long term portion	445 697 663	-
Short term portion	167 494 522	-
	613 192 185	-

The above are secured over investment properties valued at R1,7 billion.

At year end, the company's unutilised loan facilities amounted to R67 million, the gearing ratio was 28% and the average all inclusive rate of interest is 8,13%.

12 Finance lease liability

Minimum lease payment due within one year	-	817 081 653
Less: Finance charges	-	(3 637 477)
Present value of minimum lease payments	-	813 444 176

The finance lease obligation arose from the purchase of 89 investment properties from Redefine Properties Limited. The properties were transferred between 31 October 2011 and 6 June 2012.

13 Deferred taxation

Arising on the revaluation of:		
Investment property	94 181 260	-
Other timing differences	(459 096)	-
	93 722 164	-

Movement for the year

Balance at beginning of year	-	-
Arising on acquisition of investment property	35 699 601	-
Per income statement	58 022 563	-
Adjustment to rate of CGT	12 137 864	-
Change in fair value of investment property	43 406 375	-
Straight line rental income accrual	2 937 420	-
Other timing differences	(459 096)	-
	93 722 164	-

The Company acquired certain investment properties prior to its listing from its holding company, Redefine, in terms of an asset for share transaction in terms of Section 42 of the Income Tax Act to settle its obligation to Redefine, the company issued linked units, which comprise part shares and part debentures, which resulted in only part of the base cost being rolled over from Redefine. Accordingly, a deferred tax liability of R35,7 million was recognised on acquisition of these properties.

14 Trade and other payables

Rental income received in advance	2 291 667	-
Value added taxation	2 721 713	2 212 389
Tenant deposits	12 531 726	26 447
Accrued expenses	40 305 883	4 211 824
Other payables	2 466	16 684 627
	57 853 455	23 135 287

Included in other payables for 2011 was an amount owing to Redefine of R16 680 632. The loan was repaid 5 days after the listing of Arrowhead and bore interest at prime + 0,5 %.

15 Net operating profit

Net operating profit includes the following items:

Charges

Audit fees	452 500	-
Corporate service fee	720 000	-
Consultation fees paid to a director	-	450 000
Depreciation	190 140	-
Professional services fee	2 366 462	1 422 000
Property management fees	8 735 859	-

16 Directors' emoluments

Fees paid to executive directors

Annual salaries	6 250 000	-
Gerald Leissner	2 500 000	-
Mark Kaplan	2 000 000	-
Imraan Suleman	1 750 000	-
Annual performance bonus	1 250 000	-
Gerald Leissner	1 250 000	-
Mark Kaplan	-	-
Imraan Suleman	-	-
Sign on bonus	13 545 607	-
Gerald Leissner	5 708 965	-
Mark Kaplan	5 708 965	-
Imraan Suleman	2 127 677	-
Total salaries and bonuses	21 045 607	-

Fees paid to non-executive directors

Directors fees	465 000	-
Elizabeth Stroebel	185 000	-
Leonard Brehm	77 084	-
Matthew Nell	190 000	-
Selwyn Noik	12 916	-
Taffy Adler	-	-
Total fees	465 000	-
Total remuneration	21 510 607	-

17 Changes in fair values

Unrealised gain on revaluation of investment property	241 868 053	7 258 762
Straight line rental income accrual on investment property	(10 490 787)	-
	231 377 266	7 258 762

18 Net finance charges

Interest paid - secured financial liabilities	49 449 772	-
Interest paid - finance lease obligation	3 637 478	3 621 284
Interest paid - loan account from holding company	-	12 689 532
Interest paid - other	204 924	45 563
Amortisation of structuring fee (note 11)	454 717	-
Amortisation of debenture premium	(21 840 788)	-
Interest received - bank	(1 520 345)	(42 578)
Antecedent interest received on issue of linked units	(23 584 562)	-
Interest received from loans to directors	(679 274)	-
	6 121 922	16 313 801

19 Taxation

Deferred	58 022 562	-
Reconciliation of taxation charge		
Profit before tax at 28%	69 027 212	494 334
Taxation effect of:		
Fair value adjustment to investment property at 18.76% (2011: 14%)	(21 379 259)	(1 016 227)
Change in CGT rate	12 137 864	-
Unprovided timing differences in the prior year	1 058 010	-
Non-taxable income	(6 115 421)	-
Permanent differences	3 294 156	521 893
	58 022 562	-

No provision for normal taxation has been made as the company has an estimated loss for tax purposes of R5.5 million. No deferred taxation asset has been raised on this assessable loss as the company does not expect to have taxable income in the foreseeable future as all profits are distributed to linked unitholders.

20 Earnings, headline earnings and distributable earnings

Number of A and B linked units in issue at year end	341 124 332	-
Weighted average number of linked units in issue used for the calculation of earnings and headline earnings per linked unit	184 634 111	-
Reconciliation of earnings, headline earnings and distributable earnings		
Profit for the year attributable to equity holders	188 503 194	1 765 478
Debenture interest	128 531 615	-
Debenture interest - Redefine	21 220 503	-
Debenture interest - A linked units	63 610 142	-
Debenture interest - B linked units	43 700 970	-
Earnings	317 034 809	1 765 478
Change in fair value of properties (net of deferred taxation)	(187 970 891)	(7 258 762)
Change in fair value of properties	(231 377 266)	(7 258 762)
Deferred taxation	43 406 375	-
Deferred taxation - CGT rate adjustment	12 137 864	-
Headline profit/(loss) attributable to linked unitholders	141 201 782	(5 493 284)
Straight line rental income accrual (net of deferred taxation)	(7 553 367)	-
Straight line rental income accrual	(10 490 787)	-
Deferred taxation	2 937 420	-
Deferred taxation - other adjustments	(459 096)	-
Sign on bonus for directors	13 545 607	-
Finance lease interest	3 637 478	3 621 284
Amortisation of debenture premium	(21 840 788)	-
Professional services and consulting fees	-	1 872 000
Distributable earnings attributable to linked unitholders	128 531 615	-
Basic and diluted earnings per A linked unit (cents)	182,49	-
Basic and diluted earnings per B linked unit (cents)	160,93	-
Headline and diluted headline earnings per A linked unit (cents)	156,87	-
Headline and diluted headline earnings per B linked unit (cents)	135,131	-

21 Notes to the cash flow statement

21.1 The following convention applies to figures other than adjustments

Outflows of cash are represented by figures in brackets. Inflows of cash are represented by figures without brackets.

21.2 Cash generated from/(absorbed by) operation

Profit before taxation	246 525 756	1 765 478
Adjusted for		
Non cash items:	(253 819 474)	(7 258 762)
Changes in fair values	(231 377 266)	(7 258 762)
Straight line rental income accrual	(10 490 787)	-
Depreciation	190 140	-
Amortisation of tenant installations and lease commissions	1 117 146	-
Sign on bonus, net of PAYE	8 127 364	-
Amortisation of structuring fee and debenture premium	(21 386 071)	-
Net finance charges	6 121 922	16 313 801
Debenture interest	128 531 615	-
Operating profit before working capital changes	127 359 819	10 820 517
Working capital changes	29 518 610	(12 976 430)
Trade and other receivables	(5 199 558)	(19 427 090)
Trade and other payables	34 718 168	6 450 660
Cash generated from/(absorbed by) operations	156 878 429	(2 155 913)

22 Capital commitments

Acquisition of investment properties and improvements to existing properties		
- approved and committed	161 050 000	-
- approved not yet committed	1 600 000	-
	162 650 000	-

The acquisitions are to be funded from the proceeds of the capital raising exercise undertaken during the year and the issue of linked units.

23 Minimum lease payments receivable

Minimum lease payments comprises contractual rental income from investment properties and operating lease recoveries due in terms of signed lease agreements

- Receivable in one year	192 247 259	139 893 367
- Receivable between two and five years	334 024 896	203 006 932
- Receivable beyond five years	19 508 931	42 009 301
	545 781 086	384 909 600

24 Related parties and related party transactions

Parties are considered related if one party has the ability to exercise control or significant influence over the other party in making financial or operational decisions. The company was wholly owned by Redefine prior to its listing on the JSE.

Related parties with whom the company transacted during the periods under review were:

Redefine

Amount owing to holding company - refer to note 14	-	16 680 632
Finance lease obligation - owing to holding company - refer to note 12	-	813 444 176
Finance lease interest	3 637 478	3 621 284
Interest paid to holding company - refer to note 20 and 18	21 220 503	12 689 532
Acquisition of investment properties/right to use assets	87 000 000	1 440 591 100

Directors' emoluments

Executive directors - refer to note 16	21 045 607	-
Non-executive directors - refer to note 16	495 833	-
Loans to directors - refer to note 6	7 805 522	-

25 Financial risk management

The company's financial instruments consist mainly of deposits with banks, interest bearing liabilities, derivative instruments, trade and other receivables, trade and other payables, debentures and linked unitholders for distribution. Book value approximates fair value in respect of these financial instruments. Exposure to market, credit and liquidity risks arises in the normal course of business.

The table below sets out the classification of each class of financial asset and liability and their fair values:

	FINANCIAL ASSETS		FINANCIAL LIABILITES		
	At amortised cost	At fair value through profit or loss	At amortised cost	At fair value through profit or loss	Total
As at 30 September 2012	**R**	**R**	**R**	**R**	**R**
Financial assets					
Trade and other receivables	26 559 158	-	-	-	26 559 158
Loans to directors	5 873 012	-	-	-	5 873 012
Cash and cash equivalents	190 136 596	-	-	-	190 136 596
Total financial assets	222 568 766	-	-	-	222 568 766
Financial liabilities					
Debentures	-	-	1 460 144 871	-	1 460 144 871
Secured financial liabilities	-	-	613 192 185	-	613 192 185
Trade and other payables	-	-	57 853 455	-	57 853 455
Unitholders for distribution	-	-	44 382 354	-	44 382 354
Total financial liabilities	-	-	2 175 572 865	-	2 175 572 865
As at 31 September 2011					
Financial assets					
Trade and other receivables	19 427 090	-	-	-	19 427 090
Cash and cash equivalents	1 806 450	-	-	-	1 806 450
Total financial assets	21 233 540	-	-	-	21 233 540
Financial liabilities					
Finance lease liability	-	-	813 444 176	-	813 444 176
Trade and other payables	-	-	23 135 287	-	23 135 287
Total financial liabilities	-	-	836 579 463	-	836 579 463

Interest rate risk

The company manages its exposure to changes in interest rates by fixing interest rates in respect of borrowings. At year end, interest rates in respect of 63% of borrowings were fixed.

The average rate of interest for the year was 8.13%.

An increase of 1% in the prime interest rate will result in an increase of R2,3 million per annum in respect of the floating portion of the debt.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial commitments as and when they fall due. This risk is managed by holding cash balances and a revolving loan facility and by regularly monitoring cash flows.

The company will utilise undrawn facilities and cash on hand to meet its short term funding requirements.

A maturity analysis of the company's financial assets and liabilities and its exposure to interest rate risk at year end are set out in the table below:

	Weighted average effective interest rate	Less than one year	One to five years	More than five years	Total
As at 30 September 2012	**%**	**R**	**R**	**R**	**R**
Financial assets					
Trade and other receivables		26 559 158	-	-	26 559 158
Loans to directors	10	-	5 873 012	-	5 873 012
Cash and cash equivalents	4,5	190 136 596	-	-	190 136 596
Total financial assets		216 695 754	5 873 012	-	222 568 766
Financial liabilities					
Debentures	Variable	-	-	1 460 144 871	1 460 144 871
Secured financial liabilities (including interest)	8,13	221 697 308	568 222 392	-	789 919 700
Trade and other payables		57 853 455	-	-	57 853 455
Unitholders for distribution	Variable	44 382 354	-	-	44 382 354
Total financial liabilities		323 933 117	568 222 392	1 460 144 871	2 352 300 380
As at 30 September 2011					
Financial assets					
Trade and other receivables		19 427 090	-	-	19 427 090
Cash and cash equivalents	4,5	1 806 450	-	-	1 806 450
Total financial assets		21 233 540	-	-	21 233 540
Financial liabilities					
Finance lease liability	9	813 444 176	-	-	813 444 176
Trade and other payables		23 135 287	-	-	23 135 287
Total financial liabilities		836 579 463	-	-	836 579 463

Credit risk

Credit risk arises from the risk that a tenant may default or not meet its obligations timeously. The financial position of tenants is monitored on an ongoing basis. The risk is minimised as receivables are spread over a wide customer base. Allowance is made for specific doubtful debts and credit risk is therefore limited to the carrying amount of the financial asset at year end.

The impairment allowance at 31 September 2012 of R1,6 million (2011: R nil), net of tenant deposits and guarantees, relates to tenants who have either vacated the premises or who have been handed over for non payment.

Management does not consider there to be any credit risk exposure that is not already covered in the impairment. The carrying value of receivables is considered to reasonably approximate fair value.

26 Capital management

The company's borrowings, excluding debentures, are limited to 50% of the valuation of the investment property portfolio in terms of the existing debt covenants and unlimited in terms of the memorandum of incorporation of the company.

As at 30 September 2012, the unutilised borrowing capacity of the company was as follows:

Investment properties at valuation	2 236 161 828	1 440 591 100
50% thereof	1 118 080 914	720 295 550
Total borrowings	615 245 468	-
Unutilised borrowing capacity	502 835 446	720 295 550

Management is committed to a gearing level of a maximum of 40%.

27 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
Level 3	fair value is determined through the use of valuation techniques using significant inputs.

There are no financial instruments carried at fair value.

28 Subsequent events

Subsequent to the year end the company has taken transfer of the Dunrose and Blackheath properties. Transfers arising from the sale agreements entered into during the year in respect of the District and Bridge on Bond are in process. These properties were acquired for R161 050 000.

29 Segment report

The entity has five reportable segments based on the geographic split of the country which are the entity's strategic business segments. For each strategic business segments, the entity's executive directors review internal management reports on a monthly basis. All segments are located in South Africa. There are no single major customers.

The following summary describes the operations in each of the entity's reportable segments.

	Gauteng	Kwazulu Natal	Eastern Cape	Other	Total
	R	R	R	R	R
Revenue - Property income	136 801 800	52 561 865	26 991 935	43 103 347	259 458 947
Straight-line effect of lease	5 880 234	1 575 001	266 475	2 769 077	10 490 787
Other income	3 086	4 745	9 685	258 578	276 094
Property expenses	(51 043 942)	(17 862 384)	(8 524 702)	(42 992 773)	(120 423 801)
Operating income	91 641 178	36 279 228	18 743 393	3 138 229	149 802 027
Finance income	285 173	144 900	20 494	25 333 614	25 784 181
Amortisation of debenture premium	-	-	-	21 840 789	21 840 789
Finance cost	(16 524)	(5 332)	(8 408)	(53 716 627)	(53 746 891)
Net operating income	91 909 826	36 418 795	18 755 479	(3 403 995)	143 680 106
Fair value adjustment	66 189 845	33 741 578	97 582 633	33 863 211	231 377 266
Reportable segment (loss)/ profit before debenture interest and tax	158 099 671	70 160 373	116 338 112	30 459 216	375 057 372
Debenture interest	-	-	-	(128 531 615)	(128 531 615)
Taxation	-	-	-	(58 022 563)	(58 022 563)
Reportable segment (loss)/ profit after debenture interest and tax	158 099 671	70 160 373	116 338 112	(156 094 962)	188 503 194
Reportable segment assets	1 352 283 571	407 781 489	295 072 863	404 425 878	2 459 563 801
Reportable segment liabilities	(21 369 337)	(9 988 106)	(4 597 567)	(2 233 340 020)	(2 269 295 029)
	1 330 914 235	397 793 383	290 475 297	(1 828 914 142)	190 268 772

unitholders' diary

Annual general meeting 30 January 2013

Distribution timetable for the 2013 financial year

Distribution Number	**5**	**6**	**7**	**8**
Three months ended	31-12-2012	31-03-2013	30 -06-2013	30-09-2013
Declaration date	13-02-2013	08-05-2013	14-08-2013	13-11-2013
Payment date	04-03-2013	03-06-2013	02-09-2013	02-12-2013

notice of agm

Arrowhead Properties Limited
(formerly Nervada Trading 13 (Proprietary) Ltd)
(Incorporated in the Republic of South Africa)
(Registration number 2011/000308/06)

JSE Code: AWA ISIN: ZAE000158101 & JSE Code: AWB ISIN: ZAE000158119 ("Arrowhead" or "the company")

Notice of annual general meeting of shareholders and debenture holders

Notice is hereby given that the annual general meeting of shareholders of Arrowhead ("shareholders") and the holders of Arrowhead "A" and "B" debentures ("debenture holders") will be held at the offices of Arrowhead, 2nd Floor, 18 Melrose Boulevard, Melrose Arch, Johannesburg on Wednesday, 30 January, 2013 at 10:00 (the "annual general meeting") for the purposes of:

A. Considering and adopting the directors' report, the annual financial statements and the audit committee and social and ethics committee reports of the company for the year ended 30 September 2012 contained in the integrated annual report to which this notice of annual general meeting is attached;

B. transacting any other business as may be transacted at an annual general meeting of shareholders of a company including the re-appointment of the auditors and re-election of retiring directors;

C. considering and, if deemed fit, adopting with or without modification, the shareholder special and ordinary resolutions set out below.

Important dates to note:

EVENT	DATE
Record date for receipt of notice purposes	Friday, 16 November 2012
Integrated annual report posted on	Monday, 26 November 2012
Last day to trade in order to be eligible to participate in and vote at the annual general meeting	Friday, 18 January 2013
Record date for voting purposes ("voting record date")	Friday, 25 January 2013
Last day to lodge forms of proxy for the annual general meeting	Monday, 25 January 2013
Annual general meeting (at 10:00)	Wednesday, 30 January 2013
Results of annual general meeting released on SENS	Wednesday, 30 January 2013

Due to the expanded meaning of "shareholder" in section 57(1) of the Companies Act, 71 of 2008, as amended (the "Companies Act" or "Act") the company has expanded its notice to shareholders and debenture holders for a "combined" general meeting. Due to Arrowhead's linked unit structure, its shareholders are also its debenture holders and the matters to be voted on at the general meeting are matters on which shareholders, and not debenture holders, are entitled to vote. As a result, a proxy form has only been included for shareholders.

For clarity, as each Arrowhead "A" linked unit comprises one ordinary share of no par value indivisibly linked to one "A" debenture issued in terms of the Arrowhead Debenture Trust Deed and each Arrowhead "B" linked unit comprises one ordinary share of no par value indivisibly linked to one "B" debenture issued in terms of the Arrowhead

Debenture Trust Deed, the holder of either an Arrowhead "A" linked unit or an Arrowhead "B" linked unit is a shareholder of the company entitled to exercise voting rights at the annual general meeting of the company in accordance with the company's Memorandum of Incorporation. In terms of section 62(3)(e) of the Companies Act:

- a shareholder who is entitled to attend and vote at the general meeting is entitled to appoint a proxy or two or more proxies to attend, participate in and vote at the meeting in the place of the shareholder;
- a debenture holder who is entitled to attend the general meeting is entitled to appoint a proxy or two or more proxies to attend and participate (but not vote) in the meeting in the place of the debenture holder;
- a proxy need not be a shareholder of the company.

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a meeting. In this regard, all Arrowhead shareholders and debenture holders recorded in the registers of the company on the voting record will be required to provide identification satisfactory to the chairman of the general meeting. Forms of identification include valid identity documents, driver's licences and passports.

Special resolution 1: Linked unit repurchases

"Resolved that the company or any of its subsidiaries be and are hereby authorized by way of a general approval to acquire ordinary shares and debentures issued as linked units by the company, in terms of sections 46 and 48 of the Companies Act, and in terms of the Listings Requirements (the "Listings Requirements") of the JSE Limited (the "JSE") being that:

a. any acquisition of linked units shall be implemented through the order book of the JSE and without prior arrangement;
b. this general authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing this special resolution;
c. the company (or any subsidiary) is duly authorised by its Memorandum of Incorporation ("MOI") to do so;
d. acquisitions of linked units in the aggregate in any one financial year may not exceed 20% (or 10% where the acquisitions are effected by a subsidiary) of the company's issued ordinary share capital as at the date of passing this special resolution;
e. in determining the price at which linked units issued by the company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such linked units may be acquired will be 10% of the weighted average of the market value on the JSE over the five business days immediately preceding the repurchase of such linked units;
f. at any point in time the company (or any subsidiary) may appoint only one agent to effect repurchases on its behalf;
g. repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the Listings Requirements) unless a repurchase programme is in place(where the dates and quantities of linked units to be repurchased during the prohibited period are fixed) and full details thereof announced on SENS prior to commencement of the prohibited period;
h. an announcement will be published as soon as the company or any of its subsidiaries have acquired linked units constituting on a cumulative basis, 3% of the number of linked units in issue prior to the acquisition pursuant to which the aforesaid threshold is reached and for each 3% in aggregate acquired thereafter, containing full details of such acquisitions; and
i. the board of directors of the company must resolve that the repurchase is authorised, the company and its subsidiaries have passed the solvency and liquidity test, as set out in section 4 of the Companies Act, and since that test was performed, there have been no material changes to the financial position of the group."

In accordance with the Listings Requirements the directors record that although there is no immediate intention to effect a repurchase of the linked units of the company, the directors will utilise this general authority to repurchase linked units as and when suitable opportunities present themselves, which may require expeditious and immediate action.

The directors undertake that, after considering the maximum number of linked units that may be repurchased and the price at which the repurchases may take place pursuant to the buy-back general authority, for a period of 12 months after the date of notice of this annual general meeting:

- the company and the group will, in the ordinary course of business, be able to pay its debts;
- the consolidated assets of the company and the group fairly valued in accordance with International Financial Reporting Standards, will exceed the consolidated liabilities of the company and the group fairly valued in accordance with International Financial Reporting Standards; and
- the company's and the group's share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, some of which may appear elsewhere in the integrated annual report of which this notice forms part, is provided in terms of paragraph 11.26 of the Listings Requirements for purposes of this general authority:

- Directors and management – pages 12 to 13;
- Major beneficial unit holders – pages 10 to 11;
- Directors' interests in linked units – page 49 and
- Capital structure of the company – pages 63 to 64 (notes 9 & 10).

LITIGATION STATEMENT

In terms of section 11.26 of the Listings Requirements, the directors, whose names appear on pages 12 to 13 of the integrated annual report of which this notice forms part, are not aware of any legal or arbitration proceedings including proceedings that are pending or threatened, that may have or have had in the recent past (being at least the previous 12 months) a material effect on Arrowhead's financial position.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors whose names appear on pages 12 to 13 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the Companies Act and the Listings Requirements.

MATERIAL CHANGES

Other than the facts and developments reported on in the integrated annual report of which this notice forms part, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for the financial year ended 30 September 2012 and up to the date of this notice.

In order for special resolution 1 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

REASON FOR AND EFFECT OF SPECIAL RESOLUTION 1

The reason for special resolution 1 is to afford the directors of the company (or a subsidiary of the company) general authority to effect a buy-back of the company's linked units on the JSE.

The effect of the resolution will be that the directors will have the authority, subject to the Listings Requirements and the Companies Act to effect acquisitions of the company's linked units on the JSE.

Special resolution 2: Financial assistance to related and inter-related parties

"Resolved that to the extent required by the Companies Act, the board of directors of the company may, subject to compliance with the requirements of the company's Memorandum of Incorporation, the Companies Act and the Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance, as contemplated in section 45 of the Companies Act by

way of loans, guarantees, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related (as defined in the Companies Act) to the company for any purpose or in connection with any matter, such authority to endure until the next annual general meeting provided that such authority shall not extend beyond 2 years, and further provided that inasmuch as the company's provision of financial assistance to its subsidiaries will at any and all times be in excess of 1% of the company's net worth, the company hereby provides notice to its shareholders of that fact."

In order for special resolution 2 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

REASONS FOR AND EFFECT OF SPECIAL RESOLUTION 2

The company would like the ability to provide financial assistance, in appropriate circumstances and if the need arises, in accordance with section 45 of the Companies Act. This authority is necessary for the company to provide financial assistance in appropriate circumstances. Under the Companies Act, the company will, however, require the special resolution referred to above to be adopted, provided that the board of directors of the company are satisfied that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company and, immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test contemplated in the Companies Act. In the circumstances and in order to, inter alia, ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution 2. Therefore, the reason for, and effect of, special resolution 2 is to permit the company to provide direct or indirect financial assistance (within the meaning attributed to that term in section 45 of the Companies Act) to the entities referred to in special resolution 2 above.

NOTICE IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT IN RESPECT OF SPECIAL RESOLUTION 2

Notice is hereby given to shareholders of the Company in terms of section 45(5) of the Companies Act of a resolution adopted by the board authorising the Company to provide such direct or indirect financial assistance as specified in the special resolution above -

a. by the time that this notice of annual general meeting is delivered to shareholders of the company, the board will have adopted a resolution ("section 45 board resolution") authorising the company to provide, at any time and from time to time during the period of 2 (two) years commencing on the date on which the special resolution is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any 1 (one) or more related or inter-related companies or corporations of the company and/or to any 1 (one) or more members of any such related or inter-related company or corporation and/or to any 1 (one) or more persons related to any such company or corporation;
b. the section 45 board resolution will be effective only if and to the extent that the special resolution under the heading "special resolution number 2" is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the company, pursuant to such resolution, will always be subject to the board being satisfied that (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act; and
c. in as much as the section 45 board resolution contemplates that such financial assistance will in the aggregate exceed one–tenth of one percent of the company's net worth at the date of adoption of such resolution, the company hereby provides notice of the section 45 board resolution to shareholders of the company.

Special resolution 3: Approval of fees payable to non-executive directors

To consider and if deemed fit, to pass with or without modification, the following special resolutions by way of separate resolutions:

3.1 "Resolved, as a special resolution, that the fees payable by the company to non-executive directors for their services as directors (in terms of section 66 of the Companies Act) for the year ending 30 September 2013 be and are hereby approved for a period of two years from the passing of this resolution or until its renewal, whichever is the earliest, as follows:

Chairman	R82 000 per annum
Non-executive director	R137 500 per annum
Audit committee	R33 000 per annum
Investment committee	R33 000 per annum
Remuneration committee	R5 500 per annum

3.2 "Resolved, as a special resolution, that an annual increase not exceeding 15% of the fees payable by the company to the non-executive directors for their services as non-executive directors be and is hereby approved for a period of two years from the passing of this resolution or until its renewal, whichever is the earliest."

In order for special resolutions 3.1 and 3.2 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass those resolutions.

REASON FOR SPECIAL RESOLUTION 3.1

The reason for special resolution 3.1 is to obtain shareholder approval by way of special resolution in accordance with section 66(9) of the Companies Act for the payment by the company of remuneration to each of the non-executive directors of the company for each non-executive director's services as a non-executive director for the ensuing financial year in the amounts set out under special resolution 3.1. For purposes of comparative analysis the remuneration of each of the non-executive directors for the preceding financial year (2011/2012) follows:

Taffy Adler	0
Matthew Nell	R190 000 per annum
Selwyn Noik	R12 916 per annum
Elize Stroebel	R185 000 per annum

REASON FOR SPECIAL RESOLUTION 3.2

As the fees payable to non-executive directors are, from time to time, benchmarked to other companies with a similar market capitalisation taking into account the estimated time and the other requirements of directors, an annual increase not exceeding 15% is proposed for approval for the subsequent year.

Ordinary resolution 1: Adoption of annual financial statements

"Resolved that the annual financial statements of the company for the year ended 30 September 2012, including the directors' report and the report of the audit committee and social and ethic committee, be and are received and adopted."

In order for ordinary resolution 1 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution 2: Confirmation of appointment of S Noik as director

"Resolved that the appointment of S Noik as a director of the company be confirmed." A brief curriculum vitae is set out on page 13 of the integrated annual report of which this notice forms part.

In order for ordinary resolution 2 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution 3: Re-election of E Stroebel as director

"Resolved that E Stroebel who retires in terms of the company's Memorandum of Incorporation and who, being eligible, offers herself for re-election, be re-elected as a director of the company."

A brief curriculum vitae is set out on page 13 of the integrated annual report of which this notice forms part.

In order for ordinary resolution 3 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution 4: Re-appointment of members of the audit and risk committee

"Resolved that the members of the company's audit and risk committee set out below be and are hereby re-appointed with effect from the end of this annual general meeting in terms of section 94(2) of the Companies Act. The membership as proposed by the nominations and remuneration committee is S Noik (Chairman), E Stroebel and M Nell, all of whom are independent non-executive directors."

A brief curriculum vitae of each of the above audit and risk committee members is set out on pages 12 to 13 of the integrated annual report of which this notice forms part.

In order for ordinary resolution 4 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution 5: Re-appointment of auditors

"Resolved that PKF (JHB) Inc be and are hereby re-appointed as the auditors of the company from the conclusion of this annual general meeting until the conclusion of the next annual general meeting."

The audit committee has nominated for appointment as auditors of the company under section 90 of the Companies Act, PKF (JHB) Inc.

In order for ordinary resolution 5 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution 6: Unissued linked units

"Resolved that the authorised but unissued linked units of the company be and are hereby placed under the control of the directors of the company until the next annual general meeting, with the authority to allot and issue all or part thereof in their discretion, subject to the Companies Act and the Listings Requirements."

In order for ordinary resolution 6 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution 7: General authority to issue linked units for cash

"Resolved that, subject to the restrictions set out below and subject to the provisions of the Companies Act and the Listings Requirements, the directors of the company be and are hereby authorised until this authority lapses at the next annual general meeting of the company, provided that this authority shall not extend beyond 15 months, to allot and issue linked units of the company for cash on the following bases:

a. the shares indivisibly linked to either "A" or "B" debentures as "A" or "B" linked units which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such shares or rights as are convertible into a class already in issue;
b. the allotment and issue of shares indivisibly linked to either "A" or "B" debentures as "A" or "B" linked units for cash shall be made only to persons qualifying as "public shareholders", as defined in the Listings Requirements, and not to "related parties";
c. shares indivisibly linked to either "A" or "B" debentures as "A" or "B" linked units which are the subject of general issues for cash:

    i. in aggregate in any one financial year may not exceed 15% of the company's shares indivisibly linked to either "A" or "B" debentures as "A" or "B" linked units in issue of that class (for

purposes of determining the shares comprising the 15% number in any one year, account must be taken of the dilution effect, in the year of issue of options or convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities);

ii. of a particular class will be aggregated with any securities that are compulsorily convertible into securities of that class and, in the case of the issue of compulsorily convertible securities, by including the number of equity securities which may be issued in future arising out of the issue of such options/convertible securities);

iii. as regards the number of shares indivisibly linked to either "A" or "B" debenture as "A" or "B" linked units which may be issued (the 15% number), same shall be based on the number of shares of that class in issue added to those that may be issued in future (arising from the conversion of options/convertible securities), at the date of such application:

- less any shares of the class issued, or to be issued in future arising from options/convertible securities issued, during the current financial year (which commenced 1 October 2012);
- plus any shares of that class to be issued pursuant to:
  - » a rights issue which has been announced, is irrevocable and is fully underwritten; or
  - » an acquisition (in respect of which final terms have been announced) which acquisition issue securities may be included as though they were securities in issue at the date of application;

a. the maximum discount at which shares indivisibly linked to either "A" or "B" debentures as "A" or "B" linked units may be issued is 10% of the weighted average traded of such shares measured over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares;

b. after the company has issued shares in terms of this general authority to issue shares for cash representing on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of that issue, including:

   i. the number of shares issued;
   ii. the average discount to the weighted average traded price of the shares over the 30 business days prior to the date that the issue is agreed in writing between the company and the party/ies subscribing for the shares; and
   iii. the effects of the issue on the net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share, and if applicable diluted earnings and diluted headline earnings per share."

In terms of the Listings Requirements, in order for ordinary resolution 7 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Ordinary resolution 8: Signature of documentation

"Resolved that any director of the company or the company secretary be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of ordinary resolution numbers 1, 2, 3, 4, 5, 6 and 7 and special resolution numbers 1, 2 and 3 which are passed by the shareholders with and subject to the terms thereof."

In order for ordinary resolution 8 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Quorum

A quorum for the purposes of considering the resolutions above shall consist of three shareholders of the company personally present (and if the shareholder is a body corporate, it must be represented) and entitled to vote at

the annual general meeting. In addition, a quorum shall comprise 25% of all the voting rights that are entitled to be exercised by Arrowhead shareholders in respect of each matter to be decided at the annual general meeting.

The date on which Arrowhead shareholders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107), for the purposes of being entitled to attend, participate in and vote at the annual general meeting is Friday, 25 January 2013.

The date on which Arrowhead debenture holders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107), for the purposes of being entitled to attend and participate in the annual general meeting is Friday, 25 January 2013.

Shareholders

GENERAL INSTRUCTIONS

Shareholders are encouraged to attend, speak and vote at the annual general meeting.

ELECTRONIC PARTICIPATION

The company has made provision for Arrowhead shareholders or their proxies to participate electronically in the annual general meeting by way of telephone conferencing. Should you wish to participate in the annual general meeting by telephone conference call as aforesaid, you, or your proxy, will be required to advise the company thereof by no later than 10:00 on Monday, 28 January 2013, by submitting by e-mail to the company secretary at pbs@probitysecretaries.co.za or by fax to be faxed to +2711 327 7149, for the attention of Neville Toerien, relevant contact details, including an e-mail address, cellular number and landline as well as full details of the Arrowhead shareholder's title to securities issued by the company and proof of identity, in the form of copies of identity documents and share certificates (in the case of materialised Arrowhead shares) and (in the case of dematerialised Arrowhead shares) written confirmation from the Arrowhead shareholder's CSDP confirming the Arrowhead shareholder's title to the dematerialised Arrowhead shares. Upon receipt of the required information, the Arrowhead shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the annual general meeting. Arrowhead shareholders must note that access to the electronic communication will be at the expense of the Arrowhead shareholders who wish to utilise the facility.

Arrowhead shareholders and their appointed proxies attending by conference call will not be able to cast their votes at the annual general meeting through this medium.

PROXIES AND AUTHORITY FOR REPRESENTATIVES TO ACT

A form of proxy is attached for the convenience of any Arrowhead shareholder holding certificated shares, who cannot attend the annual general meeting but wishes to be represented thereat.

The attached form of proxy is only to be completed by those shareholders who are:

- holding shares in certificated form; or
- recorded on the company's sub-register in dematerialised electronic form with "own name" registration.

All other beneficial owners who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the necessary letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These shareholders must not use a form of proxy.

Forms of proxy must be deposited at the Transfer Secretaries, Computershare Investor Services (Pty) Ltd at 70 Marshall Street, Johannesburg or by fax on +27 11 688 6238 to be received no later than 10:00 on Monday, 28 January 2013. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, speak and vote in person at the annual general meeting should the shareholder decide to do so.

A company that is a shareholder, wishing to attend and participate at the annual general meeting should ensure that a resolution authorising a representative to so attend and participate at the annual general meeting on its behalf is passed by its directors. Resolutions authorising representatives in terms of section 57(5) of the Companies Act must be lodged with the company's transfer secretaries prior to the annual general meeting.

Arrowhead does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of a dematerialised shareholder to notify such shareholder of the annual general meeting or any business to be conducted thereat.

"A" and "B" debenture holders

GENERAL INSTRUCTIONS

Debenture holders are encouraged to attend and speak at the annual general meeting.

ELECTRONIC PARTICIPATION

The company has made provision for its debenture holders or their proxies to participate electronically in the annual general meeting by way of telephone conferencing. Should you wish to participate in the annual general meeting by telephone conference call as aforesaid, you, or your proxy, will be required to advise the company thereof by no later than 10:00 on Monday, 28 January 2013 by submitting by e-mail to the company secretary at pbs@probitysecretaries.co.za or by fax to be faxed to +27 11 327 7149, for the attention of Neville Toerien, relevant contact details, including an e-mail address, cellular number and landline as well as full details of the debenture holder's title to securities issued by the company and proof of identity, in the form of copies of identity documents and debenture certificates (in the case of materialised debentures) and (in the case of dematerialised debentures) written confirmation from the debenture holder's CSDP confirming the debenture holder's title to the dematerialised debentures.

Upon receipt of the required information, the debenture holder concerned will be provided with a secure code and instructions to access the electronic communication during the annual general meeting. Debenture holders must note that access to the electronic communication will be at the expense of the debenture holder who wishes to utilise the facility.

PROXIES AND AUTHORITY FOR REPRESENTATIVES TO ACT

Due to Arrowhead's linked unit structure, its shareholders are also its debenture holders and the matters to be voted on at the annual general meeting are matters on which shareholders and not debenture holders are entitled to vote. As a result, a proxy form has only been included for shareholders.

Debenture holders wishing to appoint a proxy or two or more proxies to attend and participate (but not vote) in the annual general meeting, may contact the company secretary pbs@probitysecretaries.co.za or by fax on +27 11 327 7149, to obtain such form of proxy.

Arrowhead does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of a dematerialised debenture holder to notify such debenture holder of the annual general meeting or any business to be conducted thereat.

By order of the board.

ARROWHEAD PROPERTIES LIMITED

The attached proxy form must be deposited at the Transfer Secretaries, Computershare Investor Services (Pty) Ltd at 70 Marshall Street, Johannesburg or by fax on +27 11 688 6238 to be received no later than 10:00 on Monday, 28 January 2013

form of proxy for arrowhead shareholders

ARROWHEAD PROPERTIES LIMITED (FORMERLY NERVADA TRADING 13 (PTY) LTD)
REGISTRATION NUMBER 2011/000308/06 ("ARROWHEAD" OR "THE COMPANY")
JSE SHARE CODE: AWA (A-LINKED UNITS); AWB (B-LINKED UNITS)
ISIN CODE: ZAE 000158101 (A-LINKED UNITS); ZAE 000158119 (B-LINKED UNITS)

This form of proxy is only for use by:

- registered shareholders who have not yet dematerialised their Arrowhead linked units;
- registered shareholders who have already dematerialised their Arrowhead linked units and which units are registered in their own names in the company's sub-register.

For completion by the aforesaid registered shareholders of Arrowhead who are unable to attend the annual general meeting of the company to be held at the offices of the company at 2nd Floor, 18 Melrose Boulevard, Melrose Arch, Johannesburg, at 10:00 on Wednesday, 30 January 2013 (the "annual general meeting").

If you are a dematerialised shareholder, other than with "own name" registration, do not use this form. Dematerialised shareholders, other than with "own name" registration, should provide instructions to their appointed Central Securities Depository Participant ("CSDP") or broker in the form as stipulated in the agreement entered into between the shareholder and the CSDP or broker.

I/We (block letters please) _____ of (address) _____

being the holder/s of _____ Arrowhead Shares hereby appoint:

1. _____ or failing him/her,

2. _____ of failing him/her,

3. the chairman of the general meeting,

as my/our proxy to attend and speak and to vote for me/us and on my/our behalf at the annual general meeting and at any adjournment or postponement thereof, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed at the annual general meeting, and to vote on the resolutions in respect of the ordinary shares registered in my/our name(s):

Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast. Unless this is done the proxy will vote as he/she thinks fit.

	IN FAVOUR OF	AGAINST	ABSTAIN
Special Resolution 1: Linked unit repurchases			
Special Resolution 2: Financial assistance to related and inter-related parties			
Special Resolution 3: Approval of fees payable to non-executive directors			
Special Resolution 3.1: Directors fees for 2013			
Special Resolution 3.2: Increase to fees			
Ordinary Resolution 1: Adoption of annual financial statements			
Ordinary Resolution 2: Confirmation of appointment of S Noik			
Ordinary Resolution 3: Re-election of E Stroebel as director			
Ordinary Resolution 4: Re-appointment of members of the audit and risk committee			
Ordinary Resolution 5: Re-appointment of auditors			
Ordinary Resolution 6: Unissued linked units			
Ordinary Resolution 7: General authority to issue linked units for cash			
Ordinary Resolution 8: Signature of documentation			

* One vote per share held by Arrowhead shareholders recorded in the register on the voting record date.

Unless otherwise instructed, my/our proxy may vote or abstain from voting as he/she thinks fit.

Signed this _____ day of _____ 20 _____

Signature _____ Assisted by me (where applicable) _____

(State capacity and full name) _____

A Shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a member of the company. Each shareholder is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in place of that shareholder at the annual general meeting. Forms of proxy must be deposited at Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, or posted to PO Box 61051, Marshalltown, 2107 so as to arrive by no later than 10:00 on Monday, 28 January 2013. **Please read the notes on the reverse side hereof.**

NOTES TO THE FORM OF PROXY

1. Only shareholders who are registered in the register of the company under their own name on the date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services (Proprietary) Limited, being Friday, 25 January 2013 (the "voting record date"), may complete a form of proxy or attend the annual general meeting. This includes shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. A proxy need not be a shareholder of the company.
2. Certificated shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the company (being Computershare Investor Services (Proprietary) Limited) that their shares are registered in their own name.
3. Beneficial shareholders whose shares are not registered in their "own name", but in the name of another, for example, a nominee, may not complete a proxy form, unless a form of proxy is issued to them by a registered shareholder and they should contact the registered shareholder for assistance in issuing instruction on voting their shares, or obtaining a proxy to attend, speak and, on a poll, vote at the annual general meeting.
4. Dematerialised shareholders who have not elected "own name" registration in the register of the company through a Central Securities Depository Participant ("CSDP") and who wish to attend the annual general meeting, must instruct the CSDP or broker to provide them with the necessary authority to attend.
5. Dematerialised shareholders who have not elected "own name" registration in the register of the company through a CSDP and who are unable to attend, but wish to vote at the annual general meeting, must timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that shareholder and the CSDP or broker.
6. A shareholder may insert the name of a proxy or the names of two or more alternative proxies of the shareholder's choice in the space, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
7. The completion and lodging of this form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed, should such shareholder wish to do so. In addition to the aforegoing, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the company.
8. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date –
   8.1 stated in the revocation instrument, if any; or
   8.2 upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act, 71 of 2008, as amended ("the Companies Act").
9. Should the instrument appointing a proxy or proxies have been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to –
   9.1 the shareholder, or
   9.2 the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.
10. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the Memorandum of Incorporation of the company or the instrument appointing the proxy provide otherwise.
11. If the company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy –
    11.1 such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
    11.2 the company must not require that the proxy appointment be made irrevocable; and
    11.3 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.
12. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies. A deletion of any printed matter and the completion of any blank space(s) need not be signed or initialed.
13. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries of the company or waived by the chairman of the annual general meeting.
14. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
15. A company holding shares in the company that wishes to attend and participate at the annual general meeting should ensure that a resolution authorising a representative to act is passed by its directors. Resolutions authorising representatives in terms of section 57(5) of the Companies Act must be lodged with the company's transfer secretaries prior to the annual general meeting.
16. Where there are joint holders of shares any one of such persons may vote at any meeting in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present or represented at the meeting, that one of the said persons whose name appears first in the register of shareholders of such shares or his proxy, as the case may be shall alone be, shall be entitled to vote in respect thereof.
17. On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll a shareholder who is present in person or represented by a proxy shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by him bears to the aggregate amount of the nominal value of all the shares of the relevant class issued by the company.
18. The chairman of the annual general meeting may reject or accept any proxy which is completed and/or received other than in accordance with the instructions, provided that he shall not accept a proxy unless he is satisfied as to the matter in which a shareholder wishes to vote.
19. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.
20. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate space provided. Failure to comply with the above will be deemed to authorise the chairperson of the annual general meeting, if the chairperson is the authorised proxy, to vote in favour of the resolutions at the annual general meeting or other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of the shares concerned. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or the proxy, but the total of votes cast in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
21. It is requested that this form of proxy be lodged or posted or faxed to the Transfer Secretaries, Computershare Investor Services (Pty) Ltd at 70 Marshall Street, Johannesburg or by fax on +27 11 688 6238, to be received by the company no later than 10:00 on Monday, 28 January 2013. A quorum for the purposes of considering the ordinary resolutions shall comprise 25% of all the voting rights that are entitled to be exercised by shareholders in respect of each matter to be decided at the annual general meeting. In addition, a quorum shall consist of three shareholders of the company personally present or represented by proxy (and if the shareholder is a body corporate, it must be represented) and entitled to vote at the annual general meeting.
22. This form of proxy may be used at any adjournment or postponement of the annual general meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.
23. The aforegoing notes contain a summary of the relevant provisions of section 58 of the Companies Act, as required in terms of that section.

administration

Arrowhead Propertes Limited
(formerly Nervada Trading 13 (Pty Ltd)
(Incorporated in the Republic of South Africa)

Company registration number: 2011/000308/06
JSE share code: AWA
ISIN code: ZAE000158101
JSE share code: AWB
ISIN bond code: ZAE000158119

Registered office & business address

REGISTERED ADDRESS
42 Wierda Road West, Wierda Valley, 2196

PHYSICAL ADDRESS
Office 206, Building H3, 2nd Floor, Melrose Arch

POSTAL ADDRESS
PO Box 685, Melrose Arch, 2076

Website and email address

www.arrowheadproperties.co.za
email@arrowheadproperties.co.za

Commercial bankers

The Standard Bank of South Africa Limited

Independent auditors

PKF (Jhb) Incorporated
42 Wierda Road West, Wierda Valley, 2196
Telephone: +27 11 384 8000

Company secretary

Probity Business Services (Pty) Ltd
11 Cradock Avenue, Rosebank, 2196
Telephone: +27 11 327 7146

Transfer secretaries

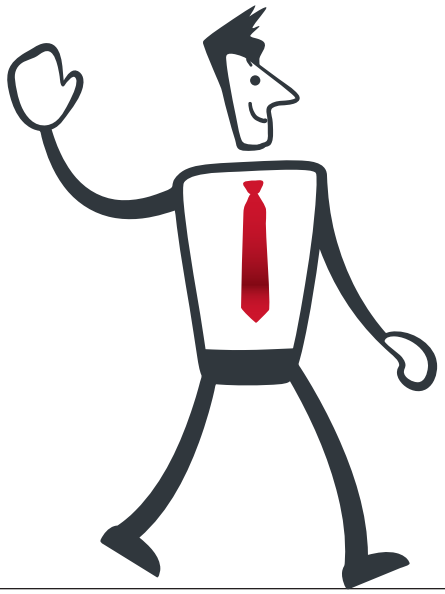
Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg, 2001
Telephone: +27 11 370 5000

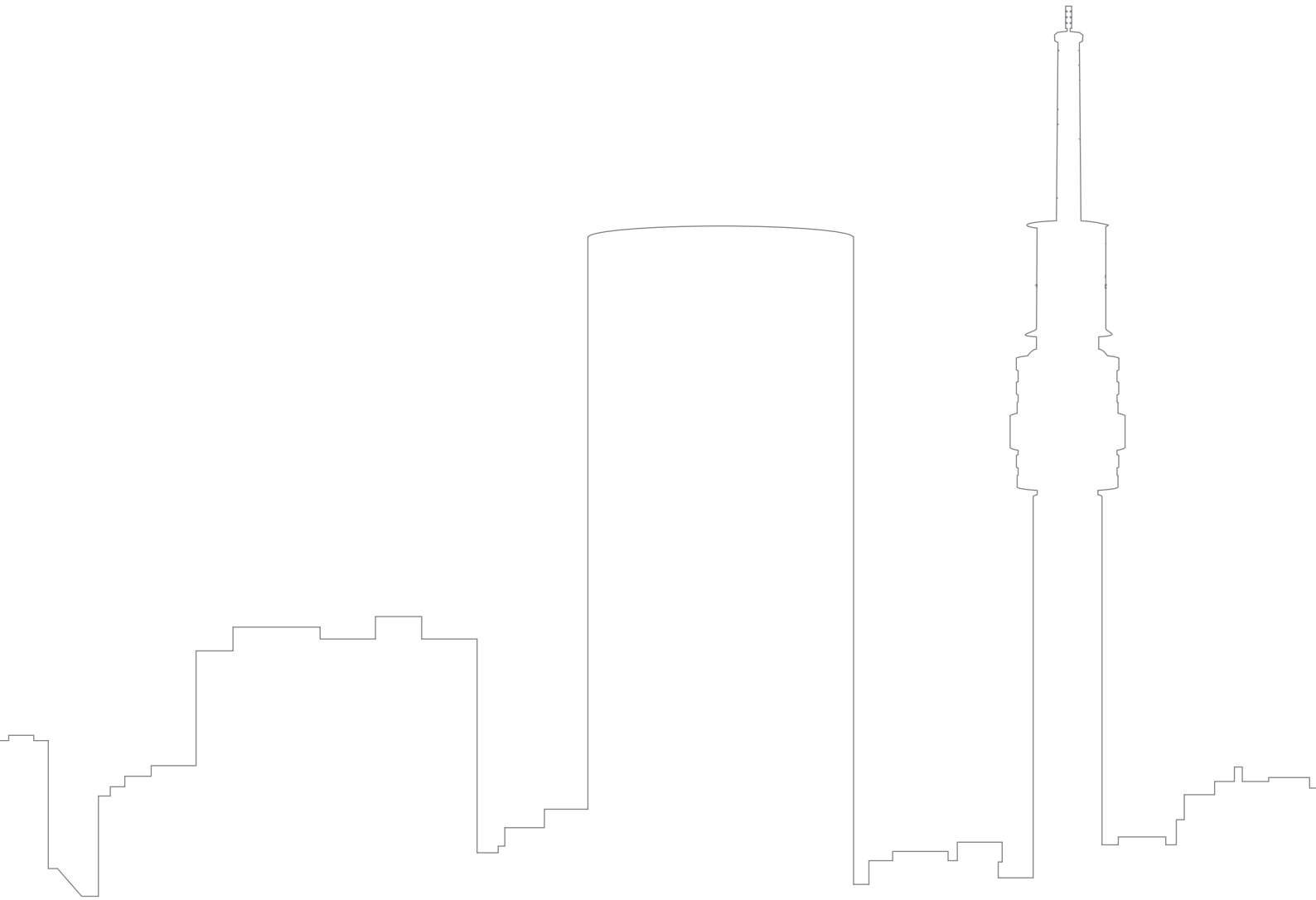
Corporate advisor, legal advisor & sponsor

Java Capital (Pty) Ltd
2 Arnold Road, Rosebank, 2196
Telephone: +27 11 283 0042

Property manager & independent valuer

JHI
2 Norwich Close, Sandton





DESIGN BY icandi co

ARROWHEAD PROPERTIES

Focused on distributable income