

FAIRVEST PROPERTY HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1998/005011/06)

JSE share code: FVT ISIN: ZAE 000203808

(Approved as a REIT by the JSE Limited)

("Fairvest" or the "Company")

**UPDATED PRO FORMA FINANCIAL INFORMATION IN RESPECT OF THE SCHEME**

The definitions and interpretations contained in the scheme circular issued by Fairvest on 19 November 2021 (the "scheme circular") have reference in this announcement detailing the supplementary *pro forma* financial information in respect of the scheme.

In terms of Regulation 106(6)(d) of the Takeover Regulations, if the offer consideration consists wholly or partly of offeror securities, a combined offer circular must contain an auditor-reviewed *pro forma* consolidated statement of financial position and *pro forma* consolidated statement of comprehensive income, and *pro forma* earnings and assets per security as at the last financial year end, assuming a 100% successful offer result.

In compliance with paragraph 8.25(a) of the JSE Listings Requirements, the *pro forma* financial effects ("**pro forma effects**") of the scheme contained in the scheme circular were based on the most recent completed financial periods of Fairvest and Arrowhead, being the published audited financial results for the year ended 30 June 2021 in respect of Fairvest and the published unaudited interim results for the six months ended 31 March 2021 in respect of Arrowhead (the "**Arrowhead HY2021 results**").

According to paragraph 11.56 of the JSE Listings Requirements, the JSE must be advised immediately and a supplementary circular published if, at any time after a circular has been published and before the relevant shareholders meeting, the issuer becomes aware that a significant new matter has arisen which would have been required to be disclosed in the original circular had such information been known at that time. In the context of the publication of the *pro forma* financial effects, "significant" means a change of 10% or more from the *pro forma* financial effects included in the original circular.

On 24 November 2021, Arrowhead published its reviewed financial results for the year ended 30 September 2021 (the "**Arrowhead FY2021 results**"). If the Arrowhead FY2021 results had been published before the publication of the scheme circular, the *pro forma* effects contained in the scheme circular would have been based on the Arrowhead FY2021 results. Furthermore, due to a difference of more than 10% when comparing the *pro forma* effects based on the Arrowhead FY2021 results versus the Arrowhead HY2021 results, it is necessary for the Company to publish updated *pro forma* effects (the "**updated pro forma effects**"). Shareholders are advised that the JSE has agreed to allow the Company to publish the updated *pro forma* effects on SENS and on the Company's website rather than requiring the publication of a supplementary circular.

The table below sets out the updated *pro forma* effects of the scheme on a Fairvest shareholder based on Fairvest's results for the year ended 30 June 2021. The *pro forma* statement of financial position at 30 June 2021 gives effect to the transaction as if it had occurred on 30 June 2021. The *pro forma* statement of profit or loss and other comprehensive income for the year ended 30 June 2021 is presented as if the transaction had become operative at the beginning of the relevant period.

| Fairvest shareholder updated <i>pro forma</i> effects (cents): | Before the scheme¹ | <i>Pro forma</i> after the scheme² | % change |
|---|--------------------------------------|--|-----------------|
| Basic earnings per share (cents) | 15.23 | 74.34 | 388.2 |
| Diluted earnings per share (cents) | 15.23 | 73.85 | 385.0 |
| Headline earnings per share (cents) | 9.00 | 32.24 | 258.4 |
| Headline diluted earnings per share (cents) | 9.00 | 32.03 | 256.0 |
| Distributable earnings per share (cents) | 20.42 | 23.84 | 16.7 |
| NAV per share (R) | 2.17 | 2.80 | 29.5 |
| TNAV per share (R) | 2.17 | 2.79 | 28.8 |

Notes and assumptions

- The "Before the scheme" column has been extracted without adjustment from the audited results of Fairvest for the year ended 30 June 2021, as published on SENS and ANS on 13 September 2021, and includes the implementation of the Fairvest Manco internalisation.
- The "*Pro forma* after the scheme" column reflects the position after the scheme. The scheme is assumed to be implemented based on the terms and conditions as described in the scheme circular. In order to assess the direct impact of the scheme on a Fairvest shareholder, the values in this column have been

converted to a “per FVT share” equivalent based on the swap ratio of 0.54054 AHB shares for every FVT share. Detailed notes and assumptions regarding the *pro forma* financial information are set out below.

The supplementary consolidated *pro forma* statement of financial position and statement of comprehensive income (collectively, the “**Supplementary Consolidated Pro forma Financial Information**”) of Fairvest in respect of the scheme, based on Fairvest’s audited results for the period ended 30 June 2021, is set out below. The Supplementary Consolidated *Pro forma* Financial Information has been reported on by the independent reporting accountants, BDO, whose report on the Supplementary Consolidated *Pro forma* Financial Information is also contained below.

The Supplementary Consolidated *Pro forma* Financial Information, which is the responsibility of the directors of Fairvest, has been prepared for illustrative purposes only and for the purpose of this circular. The Supplementary Consolidated *Pro forma* Financial Information, because of its nature, may not fairly present Fairvest’s financial position, changes in equity, results of operations or cash flows.

The Supplementary Consolidated *Pro forma* Financial Information has been prepared in accordance with the accounting policies of Fairvest, which are in compliance with IFRS, the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants and were used in the preparation of its audited results for the year ended 30 June 2021.

SUPPLEMENTARY *PRO FORMA* FINANCIAL INFORMATION OF FAIRVEST

The definitions and interpretations contained in the scheme circular issued by Fairvest on 19 November 2021 have reference below. The *pro forma* financial information should be read in conjunction with the supplementary *pro forma* financial effects above.

Basis of preparation

The *pro forma* financial information has been prepared using the most recent financial period of Fairvest, in terms of the JSE Listings Requirements and guidelines issued by the South African Institute of Chartered Accountants.

The published numbers have been extracted, without adjustment, from Fairvest's audited annual results for the year ended 30 June 2021 as published on SENS on 13 September 2021, which can be accessed on Fairvest's website at www.fairvest.co.za, and will be available for inspection as set out in paragraph 23.9 of the scheme circular.

The Supplementary Consolidated *Pro forma* Financial Information, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the Board. The Supplementary Consolidated *Pro forma* Financial Information has been prepared in accordance with the JSE Listings Requirements, the Guide on *Pro forma* Financial Information issued by the South African Institute of Chartered Accountants and the accounting policies that comply with IFRS and that are consistent with those applied in the audited annual consolidated results of Fairvest for the year ended 30 June 2021.

The Supplementary Consolidated *Pro forma* Financial Information has been prepared for illustrative purposes only, based on current information available to management of Fairvest, in order to provide information about the financial results and position of Fairvest. Due to its nature, the Supplementary Consolidated *Pro forma* Financial Information may not fairly present Fairvest's financial position, changes in equity and results of operations or cash flows after the Fairvest Manco internalisation ("**New Star contract cancellation**" or "**New Star acquisition**"), the acquisition by Fairvest of 10 318 064 AHB shares pursuant to an AHB share swap agreement concluded with a committed AHB shareholder (the "**AHB share acquisition**") and the reverse takeover by Fairvest of Arrowhead ("**Arrowhead reverse takeover**"), the acquisition transaction fees and the consolidation adjustments, and are based on the assumptions that:

- i. the acquisition date of New Star, the date of the AHB share acquisition and the reverse takeover date of Arrowhead are assumed to be 1 July 2020 for the purposes of the statement of profit and loss and other comprehensive income and 30 June 2021 for the purposes of the statement of financial position;
- ii. for the purpose of calculating basic earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share, the New Star acquisition, AHB share acquisition and Arrowhead reverse takeover were implemented on 1 July 2020; and
- iii. for the purpose of calculating net asset value per share and net tangible asset value per share, the New Star acquisition, AHB share acquisition and Arrowhead reverse takeover were implemented on 30 June 2021.

The accounting policies of Fairvest that were applied in the audited annual consolidated results for the year ended 30 June 2021 have been used in calculating the *pro forma* financial effects.

The independent reporting accountant's assurance report on the Supplementary Consolidated *Pro forma* Financial Information is set out below.

Fairvest Property Holdings Limited
Pro forma Statement of Financial Position as at 30 June 2021

| <i>R '000</i> | Fairvest as at 30 June 2021 | New Star contract cancellation | Fairvest - AHB share acquisition | <i>Pro forma</i> after the New Star contract cancellation and acquisition of AHB shares | Arrowhead as at 30 September 2021 | Reverse takeover by Fairvest | Deemed disposal of existing investment in Arrowhead | Acquisition transaction fees and associated costs | Consolidation adjustment - gain on bargain purchase and minority movement | <i>Pro forma</i> position after Arrowhead consolidation |
|--|--------------------------------|--------------------------------------|--|---|--|------------------------------------|---|---|---|--|
| | <i>Note 1</i> | <i>Note 2</i> | <i>Note 3</i> | | <i>Note 4</i> | <i>Note 5</i> | <i>Note 5.7.2</i> | <i>Note 6</i> | <i>Note 7</i> | |
| ASSETS | | | | | | | | | | |
| Non-current assets | 3 612 219 | 109 | 41 788 | 3 654 116 | 11 914 978 | 4 436 699 | 1 032 | - | (4 479 519) | 15 527 306 |
| Investment property | 3 319 421 | - | - | 3 319 421 | 11 297 977 | - | - | - | - | 14 617 398 |
| Right-of-use asset | 3 794 | - | - | 3 794 | - | - | - | - | - | 3 794 |
| Loans receivable | 215 833 | - | - | 215 833 | - | - | - | - | - | 215 833 |
| Investments | 4 533 | - | 41 788 | 46 321 | 195 490 | - | (41 788) | - | - | 200 023 |
| Share scheme loans receivable | - | - | - | - | 236 504 | - | - | - | - | 236 504 |
| Property, plant and equipment | 161 | 109 | - | 270 | 5 060 | - | - | - | - | 5 330 |
| Deferred tax | - | - | - | - | 38 678 | - | - | - | - | 38 678 |
| Operating lease and other receivables | 2 137 | - | - | 2 137 | - | - | - | - | - | 2 137 |
| Investment in subsidiary | - | - | - | - | - | 4 436 699 | 42 820 | - | (4 479 519) | - |
| Operating lease asset | 66 340 | - | - | 66 340 | 141 269 | - | - | - | - | 207 609 |
| Current assets | 174 430 | 3 629 | - | 178 059 | 429 552 | - | - | - | - | 607 611 |
| Current tax receivable | - | - | - | - | 632 | - | - | - | - | 632 |
| Loans receivables | 69 245 | - | - | 69 245 | - | - | - | - | - | 69 245 |
| Amounts owing by non- controlling interests | 20 326 | - | - | 20 326 | - | - | - | - | - | 20 326 |
| Operating lease and other receivables | 69 597 | 1 008 | - | 70 605 | 246 967 | - | - | - | - | 317 572 |
| Cash and cash equivalents | 15 262 | 2 621 | - | 17 883 | 181 953 | - | - | - | - | 199 836 |
| Non-current assets held for sale | 36 200 | - | - | 36 200 | 387 261 | - | - | - | - | 423 461 |
| Total assets | 3 822 849 | 3 738 | 41 788 | 3 868 375 | 12 731 791 | 4 436 699 | 1 032 | - | (4 479 519) | 16 558 378 |

| <i>R '000</i> | Fairvest as at 30 June 2021 <i>Note 1</i> | New Star contract cancellation <i>Note 2</i> | Fairvest - AHB share acquisition <i>Note 3</i> | <i>Pro forma</i> after the New Star contract cancellation and acquisition of AHB shares | Arrowhead as at 30 September 2021 <i>Note 4</i> | Reverse takeover by Fairvest <i>Note 5</i> | Deemed disposal of existing investment in Arrowhead <i>Note 5.7.2</i> | Acquisition transaction fees and associated costs <i>Note 6</i> | Consolidation adjustment - gain on bargain purchase and minority movement <i>Note 7</i> | <i>Pro forma</i> position after Arrowhead consolidation |
|---|---|---|---|---|---|---|--|--|--|--|
| <i>EQUITY AND LIABILITIES</i> | | | | | | | | | | |
| Total equity | 2 441 524 | (132 076) | 41 788 | 2 351 236 | 7 246 671 | 4 436 699 | 1 032 | (79 165) | (4 479 519) | 9 476 955 |
| Stated capital | 750 474 | - | 41 788 | 792 262 | 7 160 453 | 4 436 699 | - | - | (7 160 453) | 5 228 962 |
| Retained earnings | 1 524 458 | (132 076) | - | 1 392 382 | (789 357) | - | 1 032 | (79 165) | 789 357 | 1 314 249 |
| Share based payments | - | - | - | - | 10 199 | - | - | - | - | 10 199 |
| Non-controlling interest | 166 592 | - | - | 166 592 | 865 376 | - | - | - | - | 1 031 968 |
| Gain on bargain purchase (Retained earnings) | - | - | - | - | - | - | - | - | 1 891 577 | 1 891 577 |
| Liabilities | | | | | | | | | | |
| Non-current liabilities | 689 557 | - | - | 689 557 | 3 976 133 | - | - | - | - | 4 665 690 |
| Interest-bearing borrowings | 491 650 | - | - | 491 650 | 3 775 728 | - | - | - | - | 4 267 378 |
| Amounts owing to non- controlling interests | 121 384 | - | - | 121 384 | - | - | - | - | - | 121 384 |
| Lease liability | 19 480 | - | - | 19 480 | 39 177 | - | - | - | - | 58 657 |
| Financial instrument liabilities | 39 715 | - | - | 39 715 | 161 228 | - | - | - | - | 200 943 |
| Deposits received | 15 870 | - | - | 15 870 | - | - | - | - | - | 15 870 |
| Deferred tax liability | 1 458 | - | - | 1 458 | - | - | - | - | - | 1 458 |
| Current liabilities | 691 768 | 135 814 | - | 827 582 | 1 508 987 | - | - | 79 165 | - | 2 415 733 |
| Interest-bearing borrowings | 592 172 | 133 663 | - | 725 835 | 858 628 | - | - | 79 165 | - | 1 663 627 |
| Amounts owing to non- controlling interests | 8 429 | - | - | 8 429 | - | - | - | - | - | 8 429 |
| Lease liabilities | 1 340 | - | - | 1 340 | 5 359 | - | - | - | - | 6 699 |
| Tax payable | - | - | - | - | - | - | - | - | - | - |
| Trade and other payables | 89 827 | 2 151 | - | 91 978 | 645 000 | - | - | - | - | 736 978 |
| Total equities and liabilities | 3 822 849 | 3 738 | 41 788 | 3 868 375 | 12 731 791 | 4 436 699 | 1 032 | - | (4 479 519) | 16 558 378 |

| <i>R'000</i> | Fairvest as at 30 June 2021 | New Star contract cancellation | Fairvest - AHB share acquisition | <i>Pro forma</i> after the New Star contract cancellation and acquisition of AHB shares | Arrowhead as at 30 September 2021 | Reverse takeover by Fairvest | Deemed disposal of existing investment in Arrowhead | Acquisition transaction fees and associated costs | Consolidation adjustment - gain on bargain purchase and minority movement | <i>Pro forma</i> position after Arrowhead consolidation |
|--|--------------------------------|--------------------------------------|--|---|--|------------------------------------|---|---|---|--|
| Number of AHA shares in issue | | | | | 62 718 658 | | | | | 62 718 658 |
| Number of AHB shares in issue (<i>Note 8</i>) | | | | | 951 422 029 | 545 045 125 | | | (10 318 064) | 1 486 149 090 |
| Number of FVT shares in issue | 989 246 076 | | 19 088 414 | 1 008 334 490 | | (1 008 334 490) | | | | |
| NAV attributable to AHA shares | | | | | 733 181 | | | | | 733 181 |
| NAV attributable to AHB shares (<i>Note 9</i>) | | | | | 5 648 114 | | | | | 7 711 805 |
| Net asset value per AHA share (R) | | | | | 11.69 | | | | | 11.69 |
| Net asset value per AHB share (R) | | | | | 5.94 | | | | | 5.19 |
| Net asset value per FVT share (R) | 2.30 | | | 2.17 | | | | | | |
| Tangible net asset value per AHA share (R) | | | | | 11.69 | | | | | 11.69 |
| Tangible net asset value per AHB share (R) | | | | | 5.90 | | | | | 5.16 |
| Tangible net asset value per FVT share (R) | 2.30 | | | 2.17 | | | | | | |

Notes and assumptions:

1. Presents the consolidated statement of financial position extracted, without adjustment, from Fairvest's audited published results for the year ended 30 June 2021.
2. Fairvest has acquired 100% of New Star shares in issue for a cash consideration of R133 million ("**Cancellation Price**"), of which R1.6 million is specifically for the acquisition of New Star's NAV and the remainder of R131.4 million is for the cancellation of the management contract. In assessing the accounting treatment of the acquisition, management have concluded that IFRS 3 should not be applied as the payment is in substance a payment for the cancellation of a contract, and even if IFRS 3 was to be applied this would only be an acquisition of a single asset being the management contract and not the acquisition of a business.

The Cancellation Price was calculated on the basis that the cancellation will be neutral to forecast forward distributable earnings. The Cancellation Price was fully funded with debt bearing interest at JIBAR plus 215 basis points, assumed to be 5.83% for the purpose of preparing the *pro forma*. The net *pro forma* results from the acquisition of New Star (in substance cancellation of contract) is accounted for as follows:

- 2.1. Net assets of New Star of R1.6 million, being the sum of New Star's assets of R3.7 million less New Star's liabilities of R2.1 million (before the assumption of R133.6 million interest bearing debt to fund the Cancellation Price and transaction costs of R662 500), are brought into Fairvest's statement of financial position at their carrying value as at 28 February 2021. The net assets have been extracted, without adjustment, from New Star's reviewed results for the year ended 28 February 2021.
 - 2.2. Retained earnings is adjusted for transaction costs of R662 500 and cancellation expense of R131.4 million being the difference between the Cancellation Price and the carrying value of New Star's net assets as at 28 February 2021.
 - 2.3. Short-term interest-bearing debt raised equal to the Cancellation Price and transaction costs expensed of R662 500.
3. On 13 October 2021, Fairvest issued 19 088 414 Fairvest shares to acquire 10 318 064 AHB shares. The investment was recognised at the fair value of the AHB shares on date of issue, which was R4.05 per Fairvest share.

In terms of paragraph 8.26 of the Listings Requirements no adjustment may be made to the *pro forma* financial information in respect of a post statement of financial position event unless it would be misleading not to make an adjustment. It is the Company's view that it would be misleading not to make the adjustment detailed in this note, given that:

- 3.1. the 19 088 414 shares that Fairvest issued to acquire the AHB shares will increase the number of AHB shares Arrowhead will need to issue to acquire Fairvest; and
 - 3.2. the consideration determined with reference to IFRS 3, as set out in Note 5 below, will be impacted by the 10 318 064 AHB shares and the deemed disposal of the investment in Arrowhead.
4. Presents the consolidated statement of financial position extracted, without adjustment, from Arrowhead's reviewed consolidated results for the year ended 30 September 2021.
5. Arrowhead will acquire 100% of the issued share capital of Fairvest by issuing AHB shares to Fairvest shareholders in the ratio of 0.54054 AHB shares for 1 Fairvest ordinary share, resulting in Arrowhead issuing 545 045 125 new AHB shares to acquire 1 008 334 490 Fairvest ordinary shares.

For accounting purposes under IFRS 3: Business Combinations, the transaction will be treated as the acquisition of Arrowhead even though, legally, Arrowhead is the acquirer and will be the entity which will issue the consideration shares to the shareholders of Fairvest. Applying the guidance contained in IFRS 3: B15-B17 the acquirer was identified as Fairvest. The following factors were considered in identifying the acquirer:

- 5.1. The acquirer is usually the combining entity whose owners as a group retain or receive the largest portion of the voting rights in the combined entity. Due to the commonality in shareholders across Arrowhead and Fairvest, there will be no change in the specific shareholders who will have the largest portion of voting rights in the combined entity.

- 5.2. After the implementation of the scheme, Fairvest’s Chief Executive Officer and Chief Financial Officer will continue in their respective roles in the combined entity. Furthermore, 5 of the 8 non-executives will be selected from the Fairvest Board.
- 5.3. Arrowhead’s net asset value, revenue and profit are significantly greater than Fairvest’s.
- 5.4. The transaction was initiated by Fairvest and the current scheme is an alternative to the implementation of the AHB share swap approved by Fairvest shareholders at the Fairvest general meeting held on 7 September 2021. The transaction is both led by Fairvest and controlled by Fairvest in that Fairvest can ultimately revert to the AHB share swap to obtain control of Arrowhead.

Irrespective of who the acquirer is, there would be a bargain purchase on acquisition due to both companies trading at a discount to their NAV. Therefore, neither entity would be paying a premium.

While Arrowhead is the legal acquirer and is larger than Fairvest in terms of NAV, revenue, and profit, Fairvest is of the view that these factors are overridden by the fact that the scheme implementation agreement provides that Fairvest controls the appointment of the board of the combined entity and the key executive roles in the merged entity will be populated with Fairvest’s incumbent CEO and CFO. Fairvest initiated the transaction and Fairvest can revert to the alternative AHB share swap approved by shareholders which would result in them obtaining control of Arrowhead.

The transaction is accounted for as follows:

- 5.5. On acquisition date, an investment in Arrowhead is recognised at the fair value of the consideration transferred by the accounting acquirer (Fairvest) and a corresponding increase in the stated capital by way of the issue of shares by Arrowhead.
- 5.6. In accordance with IFRS 3, the consideration is calculated as the number of equity interest the legal subsidiary (Fairvest) would have had to issue to give the owners of the legal parent (Arrowhead) the same percentage equity interest in the combined entity that results from the reverse acquisition (IFRS 3: B20).

The percentage equity interest that the legal parent (Arrowhead) will have in the combined entity was calculated based on the economic rights of the AHA shares and the AHB shares with reference to their spot price on the last practicable date of the Arrowhead category 1 acquisition circular and revised listings particulars (to be issued to Arrowhead shareholders on or about 10 December 2021), being 23 November 2021 (the “**Arrowhead last practicable date**”). As a result, Arrowhead existing shareholders will own 68% and the Fairvest shareholders will own 32% of the equity interest of the combined entity.

Therefore, Fairvest would have to issue 2 133 028 548 Fairvest shares for Arrowhead shareholders to own a 68% equity interest in the legal subsidiary (Fairvest).

However, as Fairvest issued 19 088 414 Fairvest shares to acquire 10 318 064 AHB shares, these AHB shares are deemed treasury shares for the purposes of calculating the deemed purchase price in Note 5.7 below.

- 5.7. The fair value of the consideration transferred was calculated as R4.47 billion (“**Consideration**”), being:

- 5.7.1. R4.43 billion being the deemed issue of 2 133 028 548 (2 152 116 962 total Fairvest shares less the 19 088 414 Fairvest shares deemed to be treasury) Fairvest shares multiplied by R2.08, the Fairvest closing share spot price on the Arrowhead last practicable date; plus
 - 5.7.2. R42.82 million, being the deemed disposal of the existing investment in AHB shares at their fair value of R42.82 million calculated at the spot price of R4.15 per AHB share at the Arrowhead last practicable date, with the difference between the original acquisition fair value of R41.78 million and the fair value of R42.82 million resulting in a fair value gain of R1.032 million.
6. Transaction and share issue costs of R58.8 million, as well as the exit payments totalling R20.3 million to be paid to the departing Arrowhead executives (as agreed between the Arrowhead board and the departing executives), all funded by short-term interest bearing debt, are treated as follows:
- 6.1. Transaction costs of R58.8 million directly attributable to the deemed acquisition of Arrowhead have been recognised as an expense in the statement of comprehensive income.
 - 6.2. These transaction costs are cumulative and include the transaction costs of R23.1 million referred to in the Fairvest category one acquisition circular.
 - 6.3. The Arrowhead board reached agreement with each of Mr Mark Kaplan and Mr Junaid Limalia on the terms on which they will resign as Arrowhead's chief executive officer and chief financial officer, respectively, should the scheme become operative. The agreed cash payments to the departing executives are:
 - 6.3.1. R11.7 million in respect of Mr Mark Kaplan; and
 - 6.3.2. R8.6 million in respect of Mr Junaid Limalia.

The terms of the executives' departure are in accordance with the principles set out in the scheme implementation agreement, which principles include that any termination payments will not exceed the amounts to which they would have been entitled in terms of their existing employment contracts, in the case of a change of control resulting in their removal or replacement.
7. The consolidated financial statements represent the continuation of the financial statements of the legal subsidiary (Fairvest) except for its capital structure. In accordance with IFRS 3: Business Combinations, the following consolidation adjustments are passed:
- 7.1. Elimination of the investment in subsidiary of R4.47 billion.
 - 7.2. No adjustment applied to bring the NAV of Arrowhead to fair value as the assets and liabilities already approximate fair value in the statement of financial position.
 - 7.3. Elimination of Fairvest's share of the remaining retained earnings and stated capital.
 - 7.4. Recognition of R1.89 billion gain on bargain purchase being the difference between the Consideration and Arrowhead's retained earnings and stated capital attributable to parent shareholders
8. The ordinary shares of the combined entity reflect the equity structure of Arrowhead, including the equity interest of Arrowhead issued to effect the combination.

9. Arrowhead ordinary B shares in issue of 951 422 029 plus 545 045 125 AHB shares issued in consideration for Fairvest ordinary shares, excluding treasury shares, minus 10 318 064 AHB shares already owned by Fairvest, resulting in total ordinary shares in issue of 1 486 149 090 used in calculating the NAV and tangible NAV per AHB share for the combined entity.
10. There are no material subsequent events that require adjustments to the *pro forma* financial information.
11. All adjustments, except for transaction costs, are expected to have a continuing effect.

Fairvest Property Holdings Limited*Pro forma* Statement of profit or loss and other comprehensive income for the year ended 30 June 2021

| <i>R'000</i> | Fairvest for the year ended 30 June 2021 | New Star contract cancellation | Fairvest - AHB share acquisition | <i>Pro forma</i> after the New Star contract cancellation | Arrowhead for the year ended 30 September 2021 | Consolidatio n adjustment | Deemed disposal of existing investment | Adjustments for transaction fees, associated costs and finance costs | <i>Pro forma</i> position after Arrowhead consolidation |
|--|---|--------------------------------------|--|--|--|------------------------------|---|--|--|
| | <i>Note 1</i> | <i>Note 2</i> | <i>Note 3</i> | | <i>Note 4</i> | <i>Note 5</i> | <i>Note 6</i> | <i>Note 7</i> | |
| Property revenue | 550 113 | - | - | 550 113 | 1 976 752 | - | - | - | 2 526 865 |
| Rental income - contractual and tenant recoveries/ revenue | 541 348 | - | - | 541 348 | 2 000 708 | - | - | - | 2 542 056 |
| Straight-line adjustment | 8 765 | - | - | 8 765 | (23 956) | - | - | - | (15 191) |
| Sundry income | 3 541 | 2 436 | - | 5 977 | 20 557 | - | - | - | 26 534 |
| Property expenses | (198 759) | 463 | - | (198 296) | (884 032) | - | - | - | (1 082 328) |
| Net property income | 354 895 | 2 899 | - | 357 794 | 1 113 277 | - | - | - | 1 471 071 |
| Corporate administrative expenses | (31 079) | (6 436) | - | (37 515) | (134 346) | - | - | (79 165) | (251 025) |
| Operating profit | 323 816 | (3 537) | - | 320 279 | 978 931 | - | - | (79 165) | 1 220 046 |
| Fair value adjustment to investment property | 72 882 | 3 008 | - | 75 890 | (818 246) | - | - | - | (742 356) |
| Fair value adjustment to derivative financial instruments | 27 863 | - | - | 27 863 | 197 058 | - | - | - | 224 921 |
| Fair value adjustment to investments | (285) | - | - | (285) | 118 644 | - | 1 032 | - | 119 391 |
| Fair value adjustments - other | - | - | - | - | 108 868 | - | - | - | 108 868 |
| Gain on bargain purchase | - | - | - | - | - | 1 891 577 | - | - | 1 891 577 |
| Finance costs | (99 485) | (7 797) | - | (107 282) | (458 888) | - | - | (4 618) | (570 787) |
| Contract cancellation fees | - | (131 413) | - | (131 413) | - | - | - | - | (131 413) |
| Finance and other investment income | 25 912 | 1 | - | 25 913 | 31 102 | - | - | - | 57 015 |
| Impairment of loan receivable | (15 765) | - | - | (15 765) | - | - | - | - | (15 765) |
| Profit before capital expenses | 334 938 | (139 737) | - | 195 201 | 157 469 | 1 891 577 | 1 032 | (83 782) | 2 161 496 |
| Capital expenses | (2 385) | - | - | (2 385) | - | - | - | - | (2 385) |
| Profit before taxation | 332 553 | (139 737) | - | 192 816 | 157 469 | 1 891 577 | 1 032 | (83 782) | 2 159 111 |
| Income tax expense | 107 | (38) | - | 69 | (18 791) | - | - | - | (18 722) |
| Total comprehensive profit / (loss) for the period | 332 660 | (139 775) | - | 192 885 | 138 678 | 1 891 577 | 1 032 | (83 782) | 2 140 389 |

| <i>R'000</i> | Fairvest for the year ended 30 June 2021 | New Star contract cancellation | Fairvest - AHB share acquisition | <i>Pro forma</i> after the New Star contract cancellation | Arrowhead for the year ended 30 September 2021 | Consolidation adjustment | Deemed disposal of existing investment | Adjustments for transaction fees, associated costs and finance costs | <i>Pro forma</i> position after Arrowhead consolidation |
|--|--|--------------------------------|----------------------------------|---|--|--------------------------|--|--|---|
| | <i>Note 1</i> | <i>Note 2</i> | <i>Note 3</i> | | <i>Note 4</i> | <i>Note 5</i> | <i>Note 6</i> | <i>Note 7</i> | |
| <i>Profit and total comprehensive income attributable to:</i> | | | | | | | | | |
| Owners of the parent | 289 342 | (139 775) | - | 149 576 | 181 197 | 1 891 577 | 1 032 | (83 782) | 2 139 590 |
| Non-controlling interests | 43 318 | - | - | 43 318 | (42 519) | - | - | - | 799 |
| Total comprehensive profit / (loss) for the period | 332 660 | (139 775) | - | 192 885 | 138 678 | 1 891 577 | 1 032 | (83 782) | 2 140 389 |
| Weighted average number of FVT shares (excluding treasury shares) | 982 143 422 | | 19 088 414 | 1 001 231 836 | | (1 001 231 836) | | | 1 555 667 734 |
| Weighted average number of Arrowhead shares (excluding treasury shares) | | | | | 1 020 940 673 | 545 045 125 | (10 318 064) | | |
| Basic earnings per share (cents) | 29.46 | | | 15.23 | 17.75 | | | | 137.54 |
| Diluted earnings per share (cents) | 29.46 | | | 15.23 | 17.57 | | | | 136.63 |
| Headline earnings per share (cents) (Notes 8) | 23.53 | | | 9.00 | 90.33 | | | | 59.64 |
| Diluted headline earnings per share (cents) | 23.53 | | | 9.00 | 89.43 | | | | 59.25 |
| Distribution per share (cents) (Note 9) | 22.06 | | | 20.42 | 47.72 | | | | 44.10 |

Notes and assumptions:

1. Presents the consolidated statement of profit and loss and other comprehensive income extracted, without adjustment, from Fairvest's published audited results for the year ended 30 June 2021.
2. Per note 2 in the *pro forma* statement of financial position, Fairvest management have accounted for the acquisition of New Star as a payment for the cancellation of the asset management agreement. The accounting to give effect to this in the statement of profit and loss and other comprehensive income is as follows:
 - 2.1. The income and expenses have been extracted, without adjustment, from New Star's reviewed results for the year ended 28 February 2021.
 - 2.2. Additional income of R2.4 million accruing to Fairvest in respect of third party fees earned by New Star.
 - 2.3. Reversal of R463 071 letting commission previously capitalized and amortized.
 - 2.4. Assumption of additional corporate administrative costs of R6.4 million calculated as follows:

- 2.4.1. New Star's total expenses of R20.7 million less corporate expense savings of R14.9 million attributable to Fairvest; and
- 2.4.2. recognition of transaction costs of R662 500 directly attributable to the acquisition of New Star.
- 2.5. Fair value adjustments of R3 million to investment property in respect of expenses capitalized.
- 2.6. Additional finance cost at an assumed interest rate of 5.83% (JIBAR plus 215 basis points) on debt of R133.7 million utilised to fund the New Star acquisition and associated transaction costs.
- 2.7. Cancellation cost of R131.4 million equal to the difference between the Cancellation Price and the carrying value of New Star's net assets as at 28 February 2021.
3. Refer to Note 3 in the notes to the *pro forma* statement of financial position. Other than the issue of new Fairvest shares, there are no adjustments to the *pro forma* income statement as the dividend income on the AHB shares that Fairvest would earn would eliminate in the merged entity.
4. Presents the consolidated statement of profit and loss and other comprehensive income extracted, without adjustment, from Arrowhead's reviewed results for the year ended 30 September 2021.
5. Recognition of bargain purchase on acquiring a controlling interest in Arrowhead. Details provided in note 7 to the *pro forma* statement of financial position.
6. Refer to Note 5.7.2 in the notes to the *pro forma* statement of financial position.
7. R58.8 million of transaction costs, the exit payments to be paid to Arrowhead executives totalling R20.3 million, and R4.6 million of finance costs on debt utilized to fund the transaction costs. The transaction costs are cumulative and include the transaction costs of R23.1 million referred to in the Fairvest category one acquisition circular.
8. Reconciliation between profit attributable to shareholders and headline earnings per share:

| | R'000 |
|--|----------------|
| Comprehensive income attributable to owners of the parent | 2 139 590 |
| Adjusted for: | |
| Fair value adjustments | 742 356 |
| Non-controlling interest portion of the fair value adjustments | (92 754) |
| Loss on sale of investment property | 30 246 |
| Gain on bargain purchase | (1 891 577) |
| Headline profit attributable to shareholders | 927 861 |
| Headline earnings per share (cents) | 59.64 |
| Diluted headline earnings per share (cents) | 59.25 |

9. Distributable earnings calculation:

| | R'000 |
|---|----------------|
| Net property income | 1 471 071 |
| Straight-line rental income adjustment | 15 191 |
| Corporate administrative expenses | (251 025) |
| Finance costs | (570 103) |
| Finance and other investment income | 57 015 |
| Dividend adjustments | 20 325 |
| IFRS 16 adjustments | (813) |
| Depreciation | 559 |
| Finance costs | 3 806 |
| Lease payments | (5 178) |
| Share issued cum distribution | 563 |
| Non-controlling interest share of distribution | (72 696) |
| Reduction in income due to Indluplace dividend payout ratio | (17 965) |
| Add back: Merger costs | 79 165 |
| Distribution to Arrowhead A shareholders | (75 395) |
| Distributable earnings | 655 332 |
| Weighted average number of AHB shares in issue | 1 486 149 090 |
| Distributable earnings per share | 44.10 |

10. All adjustments, except for transaction costs, are expected to have a continuing effect.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE SUPPLEMENTARY CONSOLIDATED *PRO FORMA* FINANCIAL INFORMATION

The Directors

Fairvest Property Holdings Limited
8th Floor, The Terraces,
34 Bree Street,
Cape Town
8001

7 December 2021

Dear Sirs/Mesdames

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE *PRO FORMA* FINANCIAL INFORMATION OF FAIRVEST PROPERTY HOLDINGS LIMITED ("FAIRVEST" OR "THE COMPANY")

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of Fairvest by the directors (the "**Directors**"). The supplementary *pro forma* financial information, as set out in the announcement containing such supplementary information to be issued on or about 10 December 2021 (the "**Announcement**"), consists of the *pro forma* statement of financial position, the *pro forma* statement of comprehensive income and related notes. The applicable criteria on the basis of which the directors have compiled the *pro forma* financial information are specified in the JSE Listing Requirements and described in the Announcement.

The supplementary *pro forma* financial information has been compiled by the Directors to illustrate the impact of the corporate actions or events, described in Part I of the circular issued to shareholders on 19 November 2021, on the Company's financial position and performance as at 30 June 2021, as if the corporate action or event had taken place at 30 June 2021 for statement of financial position and 1 July 2020 for statement of comprehensive income purposes. As part of this process, information about the Company's financial position and performance has been extracted by the Directors from the Company's published audited financial information for the period ended 30 June 2021.

Directors' responsibility for the *pro forma* financial information

The Directors are responsible for compiling the supplementary *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listing Requirements and described in the Announcement and as described in the notes to the consolidated *pro forma* statement of financial position and *pro forma* statement of comprehensive income.

Our independence and quality control

We have complied with the independence and other ethical requirements of Sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018) and parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the "**IRBA Codes**"), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Codes are consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibility

Our responsibility is to express an opinion about whether the supplementary *pro forma* financial information has been compiled, in all material respects, by the Directors on the basis specified in the JSE Listing Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information included in a Prospectus issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the supplementary *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the supplementary *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the supplementary *pro forma* financial information.

As the purpose of supplementary *pro forma* financial information included in the Announcement is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the supplementary *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the supplementary *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the supplementary *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the corporate action or event in respect of which the supplementary *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the supplementary *pro forma* financial information.

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

Opinion

In our opinion, the supplementary *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listing Requirements and described in the Announcement.

Consent

This report on the *pro forma* statement of financial position and *pro forma* statement of comprehensive income is included solely for the information of the shareholders of the Company. We consent to the inclusion of our report on the *pro forma* statement of financial position, *pro forma* statement of comprehensive income and the references thereto, in the form and context in which they appear.

Yours faithfully

BDO South Africa Incorporated
Chartered Accountants (SA)
Registered Auditors

per B van der Walt
Chartered Accountant (SA)
Registered Auditor
JSE Reporting Accountant Specialist