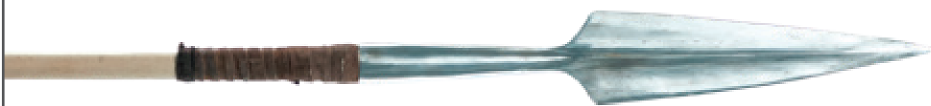
UNAUDITED CONSOLIDATED INTERIM RESULTS

for the six months ended 31 August 2020



SPEAR REIT LIMITED

SALIENT DETAILS

R4.46bn
PROPERTY VALUE

29.34
CENTS PER SHARE
INTERIM DISTRIBUTION

80%
PAY-OUT RATIO

96.90%
INTERIM COLLECTION

94.03%
YTD COLLECTION

91.2%
OCCUPANCY RATE

45.36%
LOAN TO VALUE ("LTV")

R11.75
TNAV

NATURE OF THE BUSINESS

Spear REIT Limited listed as a Real Estate Investment Trust ("REIT") on the main board of the Johannesburg Stock Exchange ("JSE") and is the only regionally-focused listed REIT in South Africa. Spear only invests in high-quality income-generating assets in the Western Cape.

Spear obtains its diversification through asset type rather than geographical investment.

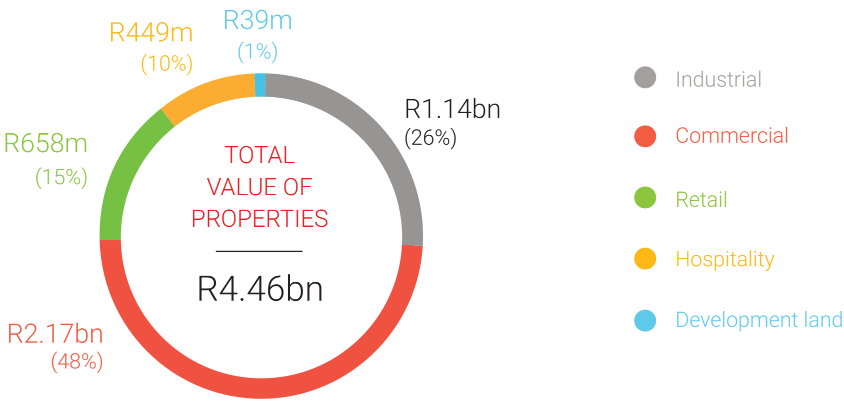
The company conducts its business directly and through a number of subsidiaries, collectively referred to as the "group".

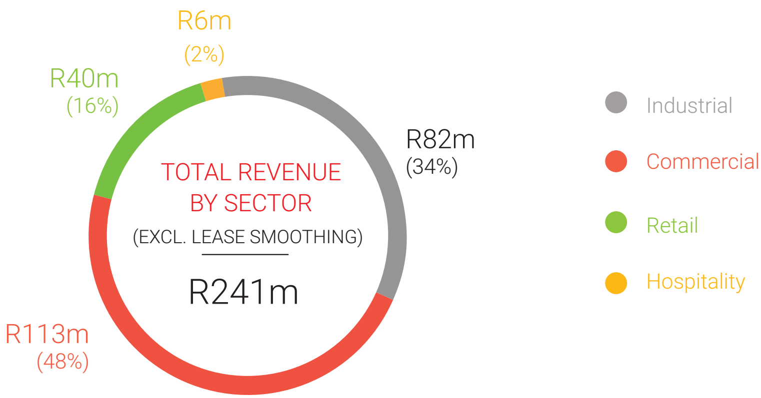
The group's property and asset management functions are conducted internally and directly managed by the Spear executive management team.

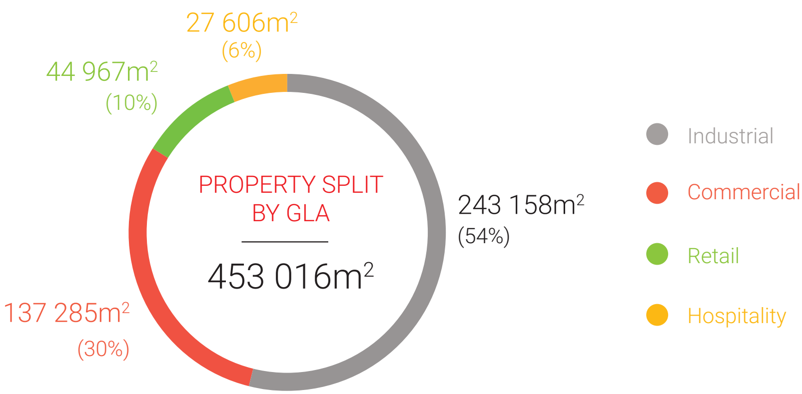

Liberty Life, Century City

SPEAR REIT LIMITED
Incorporated in the Republic of South Africa
Registration number 2015/407237/06
JSE share code: SEA
ISIN: ZAE000228995
LEI: 378900F76170CCB33C50
(Approved as a REIT by the JSE)
("Spear" or "the group" or "the company")

SECTORAL SPLIT BY VALUE, REVENUE AND GLA







CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Group		
		Unaudited Six months ended 31 August 2020 R'000	Unaudited Six months ended 31 August 2019 R'000	Audited Year ended 29 February 2020 R'000
ASSETS				
Non-current assets				
Investment property (including straight-line accrual)		**4 457 815**	3 918 711	4 183 995
Property, plant and equipment		**2 550**	3 151	2 844
Financial assets		**58 307**	59 938	60 033
Deferred taxation		**6 942**	6 780	6 942
		4 525 614	3 988 580	4 253 814
Current assets				
Financial assets		**15 067**	9 693	10 122
Loans to related parties		**1 457**	3 665	110
Trade and other receivables		**18 313**	11 319	13 626
Cash and cash equivalents		**32 589**	24 481	24 181
		67 426	49 158	48 039
TOTAL ASSETS		**4 593 040**	4 037 738	4 301 853
EQUITY AND LIABILITIES				
Shareholders' interest				
Share capital		**1 906 155**	1 945 886	1 910 787
Share-based payment reserve		**20 303**	14 861	14 121
Accumulated income		**426 964**	440 468	522 295
Total attributable to owners		**2 353 422**	2 401 215	2 447 203
Non-controlling interest		**73 197**	54 155	73 197
		2 426 619	2 455 370	2 520 400
Liabilities				
Non-current liabilities				
Financial liabilities		**1 661 713**	1 335 105	1 545 445
		1 661 713	1 335 105	1 545 445
Current liabilities				
Financial liabilities		**428 049**	195 218	165 977
Finance lease		**1 785**	–	–
Trade and other payables		**74 874**	52 045	70 031
		504 708	247 263	236 008
TOTAL LIABILITIES		**2 166 421**	1 582 368	1 781 453
TOTAL EQUITY AND LIABILITIES		**4 593 040**	4 037 738	4 301 853
Number of ordinary shares in issue		**205 776 521**	205 776 521	205 776 521
Treasury shares		**(6 156 664)**	(1 243 205)	(5 342 595)
Net ordinary shares in issue		**199 619 857**	204 533 316	200 433 926
Gearing ratio	(%)	**45.36**	38.43	39.63
Net asset value per share*	(Rands)	**11.79**	11.67	12.21
Tangible net asset value per share	(Rands)	**11.75**	11.64	12.17

** This calculation is compliant with and disclosed in terms of IFRS. Please refer to Appendix 1 for SA REIT calculations and metrics.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Group	
	Unaudited Six months ended 31 August 2020 R'000	Unaudited Six months ended 31 August 2019 R'000	Audited Year ended 29 February 2020 R'000
– Contractual rental income	**182 533**	185 465	381 836
– Tenant recoveries	**57 833**	53 595	114 462
– Straight-line rental income accrual	**13 619**	11 506	23 412
Property revenue	**253 985**	250 566	519 710
Other income	**113**	546	7 496
Total revenue	**254 099**	251 112	527 206
Property operating and management expenses	**(75 785)**	(75 688)	(156 889)
Net property-related income	**178 313**	175 424	370 317
Administrative expenses	**(13 264)**	(12 107)	(28 883)
Net property operating profit	**165 050**	163 317	341 434
Fair value adjustment – Investment properties	**(81 862)**	(60 497)	9 326
Impairment of investments	**–**	(6 647)	(750)
Depreciation and amortisation	**(5 394)**	(2 543)	(7 297)
Listing cost	**–**	–	(289)
Share-based payment expense	**(6 182)**	(4 011)	(6 938)
Profit from operations	**71 611**	89 619	335 486
Net interest	**(69 921)**	(58 750)	(122 969)
– Finance costs	**(73 629)**	(64 148)	(133 181)
– Finance income	**3 708**	5 398	10 212
Profit before taxation	**1 691**	30 869	212 517
Taxation	**–**	83	74
Profit for the period	**1 691**	30 952	212 590
Other comprehensive income	**–**	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 691**	30 952	212 590
Attributable to:			
Equity owners of the parent	**(1 203)**	28 342	207 305
Non-controlling interest	**2 894**	2 610	5 285
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 691**	30 952	212 590
Basic earnings per share (cents)	**(0.58)**	14.51	103.37
Diluted earnings per share (cents)	**(0.58)**	14.51	103.37
Distribution per share* (cents)	**29.34**	44.64	91.66
Interest cover ratio (times)	**2.17**	2.58	2.59

** Refer to Appendix 1.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group		
	Unaudited Six months ended 31 August 2020 R'000	Unaudited Six months ended 31 August 2019 R'000	Audited Year ended 29 February 2020 R'000
Cash generated from operations			
Profit before tax	**1 691**	30 869	212 517
Adjustments for:			
Straight-line revenue accrual	**(13 619)**	(11 506)	(23 412)
Fair value adjustments – Investment property	**81 862**	60 497	(9 326)
Impairment of investments	**–**	5 896	750
Depreciation and amortisation	**5 394**	2 543	7 297
Finance income	**(3 708)**	(5 398)	(10 212)
Finance cost	**73 629**	64 148	133 181
Share-based payment reserve	**6 182**	4 011	6 938
Taxation accrual	**–**	–	(9)
Changes in working capital			
Trade and other receivables	**(4 687)**	(792)	(3 099)
Trade and other payables	**4 843**	7 330	25 316
Cash generated from operating activities	**151 586**	157 598	339 940
Finance income	**2 164**	3 180	4 572
Finance cost	**(73 629)**	(65 105)	(134 139)
Distribution paid	**(94 128)**	(84 389)	(175 628)
Taxation received	**–**	83	83
Net cash generated from operation activities	**(14 007)**	11 367	34 828
Cash flows from investing activities			
Acquisition of investment property	**(380 267)**	(166 905)	(255 775)
Cost incurred on developments	**(14 224)**	(62 663)	(81 225)
Cost capitalised to investment property	**(7 393)**	–	(48 544)
Proceeds on sale of investment property	**56 535**	70 986	70 986
Acquisition of property, plant and equipment	**(29)**	(109)	(109)
Acquisition of subsidiary	**–**	–	(13 145)
Net cash used in investing activities	**(345 378)**	(158 691)	(327 812)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Group		
	Unaudited Six months ended 31 August 2020 R'000	Unaudited Six months ended 31 August 2019 R'000	Audited Year ended 29 February 2020 R'000
Cash flow from financing activities			
Proceeds from share issue	**–**	163 293	162 550
Proceeds from financial liabilities	**378 341**	8 968	190 064
Loan advanced to tenant	**(4 945)**	–	–
Proceeds from tenant loan	**376**	784	1 006
Loan advanced to related party	**(1 347)**	(3 556)	(2)
Purchase of treasury shares	**(4 632)**	(13 648)	(52 414)
Proceeds from sale of treasury shares	**–**	2 174	2 170
Net cash generated from financing activities	**367 793**	158 015	303 374
Total cash movement for the period	**8 408**	10 691	10 389
Cash at the beginning of the period	**24 181**	13 792	13 792
Cash at the end of the period	**32 590**	24 483	24 181

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Group					
	Share capital R'000	Accu-mulated profit R'000	Equity reserve R'000	Total attributable to parent R'000	Non-controlling interest R'000	Total equity R'000
Balance as at 1 March 2019	**1 794 067**	**490 614**	**10 850**	**2 295 531**	**54 155**	**2 349 686**
Changes in equity:						
Profit for the period	–	28 342	–	28 342	2 610	30 952
Distribution to minority shareholder	–	–	–	–	(2 610)	(2 610)
Issue of shares	163 297	–	–	163 297	–	163 297
Disposal of subsidiary	–	5 901	–	5 901	–	5 901
Acquisition of treasury shares	(13 648)	–	–	(13 648)	–	(13 648)
Disposal of treasury shares	2 170	–	–	2 170	–	2 170
Distributions to shareholders	–	(84 389)	–	(84 389)	–	(84 389)
Share-based payment expense	–	–	4 011	4 011	–	4 011
Balance as at 31 August 2019	**1 945 886**	**440 468**	**14 861**	**2 401 215**	**54 155**	**2 455 370**
Changes in equity:						
Investment in subsidiary	–	–	–	–	19 041	19 041
Profit for the period	–	173 066	–	173 066	2 675	175 742
Distribution to minority shareholder	–	–	–	–	(2 675)	(2 675)
Acquisition of treasury shares	(38 764)	–	–	(38 764)	–	(38 764)
Distributions to shareholders	–	(91 239)	–	(91 239)	–	(91 239)
Share-based payment expense	–	–	2 927	2 927	–	2 927
Vesting executive share plan	3 667	–	(3 667)	–	–	–
Balance as at 29 February 2020	**1 910 789**	**522 296**	**14 120**	**2 447 205**	**73 197**	**2 520 402**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Group					
	Share capital R'000	Accu-mulated profit R'000	Equity reserve R'000	Total attributable to parent R'000	Non-controlling interest R'000	Total equity R'000
Changes in equity:						
Profit for the period	–	(1 203)	–	(1 203)	2 894	1 691
Distribution to minority shareholder	–	–	–	–	(2 894)	(2 894)
Acquisition of treasury shares	(4 631)	–	–	(4 631)	–	(4 631)
Distributions to shareholders	–	(94 128)	–	(94 128)	–	(94 128)
Share-based payment expense	–	–	6 182	6 182	–	6 182
Balance as at 31 August 2020	**1 906 158**	**426 964**	**20 303**	**2 353 425**	**73 197**	**2 426 622**

OPERATING SEGMENT INFORMATION
FOR THE SIX MONTHS ENDED 31 AUGUST 2020

	Industrial R'000	Commercial R'000	Retail R'000	Hospitality R'000
Segment revenue	82 411	113 337	39 674	5 916
Straight-lining of leases	3 512	6 810	2 012	1 285
Profit from operations	34 374	55 038	(2 533)	1 032
Fair value adjustments	(22 941)	(29 316)	(29 605)	–
Net property operating profit	57 708	87 854	27 950	1 332
Finance income	301	173	455	19
Finance costs	(14 524)	(34 633)	(5 807)	(3 567)
Investment property	1 045 405	2 143 923	643 159	436 457
Investment property under development	90 000	–	–	–
Straight-lining of lease asset	5 595	26 077	15 277	12 487
Total assets	1 233 208	2 109 790	724 205	468 267
Total liabilities	(409 781)	(1 156 088)	(193 179)	(105 146)

	Non-property R'000	Development land R'000	Total R'000
Segment revenue	(859)	–	240 479
Straight-lining of leases	–	–	13 619
Profit from operations	(16 293)	(7)	71 611
Fair value adjustments	–	2	(81 860)
Net property operating profit	(9 787)	(7)	165 050
Finance income	2 696	66	3 710
Finance costs	(15 097)	–	(73 628)
Investment property	–	(436)	4 268 508
Investment property under development	–	39 872	129 872
Straight-lining of lease asset	–	–	59 436
Total assets	19 177	38 393	4 593 040
Total liabilities	(303 472)	1 247	(2 166 419)

APPENDIX 1

SA REIT Best Practice Recommendations calculation disclosure

The principles encompassed in the calculations below are aligned with the Best Practice Recommendations ("BPR") by the SA REIT Association published in 2019 and do not comply with IFRS. The BPR is only effective for financial year-ends commencing on or after 1 January 2020. Spear's executive committee elected to early adopt the BPR in the prior financial year ended 29 February 2020.

The SA REIT disclosures are the responsibility of the directors of Spear and have not been reviewed or reported on by the company's auditors.

SA REIT FUNDS FROM OPERATIONS ("SA REIT FFO") PER SHARE

		31 August 2020 R'000	31 August 2019 R'000
Profit or loss per IFRS Statement of Comprehensive Income ("SOCI") attributable to the parent		**(1 203)**	28 342
Adjusted for:			
Accounting/specific adjustments:		**68 243**	59 505
Fair value adjustments to:		**81 862**	67 144
– Investment property			
Straight-lining operating lease adjustment		**(13 619)**	(11 506)
Antecedent earnings adjustment*		**–**	3 867
SA REIT FFO		**67 040**	87 847
** In the determination of distributable earnings, the group elects to make an adjustment for the antecedent distribution arising as a result of the capital raise on 21 June 2019.*			
SA REIT FFO		**67 040**	87 847
Company-specific adjustments		**6 182**	4 011
IFRS 2 Expense – CSP awards with future vesting and issue date		**6 182**	4 011
Company FFO		**73 222**	91 858
Interim Company FFO		**73 222**	91 858
Payout ratio	(%)	**80**	100
Interim distributable company FFO		**58 578**	91 858
Number of shares outstanding at end of interim period (net of treasury)		**199 619 857**	205 776 521
Company FFO per share	**(cents)**	**29.34**	44.64

APPENDIX 1 (CONTINUED)

DIVIDEND DECLARED AND DIVIDEND PER SHARE

Total distributions for the period – 2021	Cents per share	R'000
Interim distribution declared on 17 October 2020 (Distribution number 8)	**29.34**	58 578
Final distribution TBC (Distribution number 9)*	**–**	–
Total distributions for the period ending 28 February 2021	**29.34**	58 578

** No final distribution forecast is provided at interim results announcement date*

Total distributions for the period – 2020	Cents per share	R'000
Interim distribution declared on 17 October 2019 (Distribution number 6)	**44.64**	91 858
Final distribution declared on 14 May 2020 (Distribution number 7)	**47.02**	94 239
Total distributions for the period ended 29 February 2020	**91.66**	186 098

SA REIT NET ASSET VALUE ("SA REIT NAV")

		31 August 2020 R'000	29 February 2020 R'000
Reported NAV attributable to the parent		**2 353 422**	2 447 203
Adjustments:			
Dividend to be declared if 100% cash		**(58 578)**	(94 239)
Deferred tax		**(6 942)**	(6 942)
SA REIT NAV	**A**	**2 287 902**	2 346 022
Shares outstanding			
Number of shares in issue at period end (net of treasury shares)		**199 619 857**	200 433 926
Dilutive number of shares in issue	**B**	**199 619 857**	200 433 926
SA REIT NAV per share (Rands)	**A/B**	**11.46**	11.70

SA REIT COST-TO-INCOME RATIO

		31 August 2020 R'000	31 August 2019 R'000
Expenses			
Operating expenses as per IFRS income statement (including municipal expenses)		**75 785**	75 688
Administrative expenses as per IFRS income statement		**13 264**	12 107
Other expenses, if directly related to property operations, with clear explanations of these items			
Depreciation		**5 394**	2 543
Exclude:			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets		**(323)**	–
Operating costs	**A**	**94 120**	90 339
Rental income			
Contractual rental income as per IFRS income statement (excluding straight-lining)		**182 646**	186 011
Utility and operating recoveries as per IFRS income statement		**57 833**	53 595
Gross rental income	**B**	**240 479**	239 606
SA REIT cost-to-income ratio (%)	**A/B**	**39.14**	37.70

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

		31 August 2020 R'000	31 August 2019 R'000
Expenses			
Administrative expenses as per IFRS income statement		**13 264**	12 107
Other identified administrative expenses, with clear explanations of these items		**323**	–
Depreciation		**323**	–
Administrative costs	**A**	**13 587**	12 107
Rental income			
Contractual rental income as per IFRS income statement (excluding straight-lining)		**182 646**	186 011
Utility and operating recoveries as per IFRS income statement		**57 833**	53 595
Gross rental income	**B**	**240 479**	239 606
SA REIT administrative cost-to-income ratio (%)	**A/B**	**5.65**	5.05

SA REIT GROSS LETTABLE AREA ("GLA") VACANCY RATE

		31 August 2020 m²	31 August 2019 m²
Gross lettable area of vacant space	A	**39 920**	7 660
Gross lettable area of total property portfolio	B	**453 016**	413 832
SA REIT GLA vacancy rate (%)	**A/B**	**8.81**	1.85

COST OF DEBT

		31 August 2020 %	31 August 2019 %
Variable interest rate borrowings			
Prime – Floating reference rate plus weighted average margin		**5.74**	8.95
3-month Jibar – Floating reference rate plus weighted average margin		**5.38**	–
Fixed interest rate borrowings			
Weighted average fixed rate		**8.72**	9.05
Pre-adjusted weighted average cost of debt	A	**7.56**	9.02
Adjustments:			
Impact of interest rate derivatives	B	**–**	–
Impact of cross-currency interest rate swaps	C	**–**	–
Amortised transaction costs imputed into the effective interest rate	D	**–**	–
All-in weighted average cost of debt		**7.56**	9.02

SA REIT LOAN-TO-VALUE ("SA REIT LTV")

		31 August 2020 R'000	29 February 2020 R'000
Gross debt		**2 089 762**	1 711 422
Less:			
Cash and cash equivalents		**(32 589)**	(24 181)
Net debt	A	**2 057 173**	1 687 241
Total assets – as per Statement of Financial Position		**4 593 040**	4 301 853
Less:			
Cash and cash equivalents		**(32 589)**	(24 181)
Deferred taxation		**(6 942)**	(6 942)
Trade and other receivables		**(18 313)**	(13 626)
Carrying amount of property-related assets	B	**4 535 196**	4 257 104
SA REIT LTV (%)	**A/B**	**45.36**	39.63

SELECTED EXPLANATORY NOTES TO THE RESULTS

EARNINGS PER SHARE

This note provides the obligatory information for the group in terms of IAS 33 Earnings Per Share and SAICA Circular 1/2019 and should be read in conjunction with SA BPR disclosure, where earnings are reconciled to company funds from operations ("company FFO"). Company FFO determines the distribution declared to shareholders which, is a meaningful metric for a stakeholder in a REIT.

BASIC EARNINGS PER SHARE

		Group		
		Unaudited Six months ended 31 August 2020	Unaudited Six months ended 31 August 2019	Audited Year ended 29 February 2020
Shares in issue				
Number of shares in issue at the end of the year net of treasury shares	(number of shares)	**199 619 857**	204 533 316	200 433 926
Weighted average number of shares in issue	(number of shares)	**205 776 521**	195 390 164	200 554 965
Diluted weighted average number of shares in issues	(number of shares)	**205 776 521**	195 390 164	200 554 965
Basic earnings per share				
Earnings (profit attributable to owners of the parent)	(R'000)	**(1 203)**	28 342	207 305
Basic earnings per share	(cents)	**(0.58)**	14.51	103.37
Diluted earnings per share	(cents)	**(0.58)**	14.51	103.37

HEADLINE EARNINGS PER SHARE

		Group		
		Unaudited Six months ended 31 August 2020 R'000	Unaudited Six months ended 31 August 2019 R'000	Audited Year ended 29 February 2020 R'000
Reconciliation between basic earnings and headline earnings:				
Earnings (profit attributable to owners of the parent)		**(1 203)**	28 342	207 305
Adjusted for:				
Fair value adjustments to investment properties: Gross		**81 862**	60 497	(9 326)
Impairment of investments: Tax		**–**	–	750
Headline earnings	(R'000)	**80 659**	88 839	198 729
Headline earnings per share:				
Headline earnings per share	(cents)	**39.20**	45.47	99.09
Diluted headline earnings per share	(cents)	**39.20**	45.47	99.09

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

INTRODUCTION

Spear REIT Limited (JSE share code: SEA) is the only regionally specialised REIT listed on the Johannesburg Stock Exchange ("JSE").

As a regional specialist Spear obtains its diversification through asset type, investing into high-quality income-generating commercial, retail, industrial, mixed-use and hospitality assets that present strong and sustainable cash flows and a value proposition for the fund.

Spear invests only within the borders of the greater Western Cape with a distinct focus on the Cape Town region.

Spear's mission statement is to be the leading Western Cape-focused REIT and to consistently grow its distribution per share ahead of inflation and within the top quartile of its peer group. The proximity of the Spear management team to its assets is excellent and together with an acute understanding of the Western Cape real estate environment makes Spear a true regional specialist priding itself on its hands-on asset management approach.

During the interim period the world has navigated through the Covid-19 pandemic which has severely impacted the lives and livelihoods of people and businesses the world over. As the virus arrived on South African shores, the Western Cape fast became the epicentre of infections within South Africa. The Western Cape Provincial Government mounted a human and healthcare response which saw a significant and positive impact on managing and flattening the curve of infections. As at the end of August 2020, South Africa and in particular the Western Cape started to see a decline in daily infections, thus allowing the South African Government to move to ease Covid-19-related restrictions. The economic impact on the Western Cape and South Africa has been significant, in particular the travel and tourism sector, which has effectively been shut down due to South African borders remaining closed.

The lack of economic and trading activity due to Covid-19 and the related lockdowns will leave in its wake numerous causalities directly impacting the general real estate sector in the short, medium and potentially the longer term. Given Spear's regional focus, management has been very fortunate to only have the greater Cape Town to focus 100% of its energy and attention on to speedily finalise various forms of relief to roughly 46% of our 442 tenants.

As a management team the primary focus has been rent preservation, tenant retention, tenant support, debtors' management and vacancy management. Daily and active asset management takes place across our business to ensure business and revenue continuity.

During the interim period the lion's share of the portfolio has remained resilient during these incredibly challenging times, which have also resulted in tenant causalities mainly in the travel, tourism, restaurant and entertainment sectors, thus marginally adding to our portfolio vacancy rate. Irrespective of the abovementioned Spear's resilient portfolio has maintained a tenant retention percentage of 91.2% during the interim period.

FINANCIAL RESULTS

The board of directors is pleased to announce an interim distribution of 29.34464 cents per share for the six months ended 31 August 2020.

The distribution announced is after applying a pay-out ratio of 80% as disclosed in Appendix 1 Company Funds From Operations ("Company FFO").

Distribution for the six months ended 31 August 2019 was 44.64 cents per share, based on a 100% pay-out ratio.

Before applying the 80% pay-out ratio, the variance to the prior interim period was only (17.83%).

On a like-for-like basis total revenue declined by R8.9 million (3.74%) and net property income declined by R9.6 million (6.37%).

The decline in revenue is directly attributable to hotels, credits and deferrals granted during the interim period.

On a like-for-like basis property operating and management expenses declined by R2.1 million (2.72%) and administrative expenses increased by R1.9 million (15.59%).

Administrative expenses decreased through payroll reductions introduced for three months, but increased as a result of a R2.5 million general provision for bad debt raised and legal fees incurred in respect of tenant negotiations.

At interim period end Spear's tangible net asset value ("TNAV") per share increased to R11.75 (0.98%) from the prior interim period and decreased from R12.17 (3.45%) from the prior financial year-end.

SA REIT Net Asset Value ("SA REIT Net Asset Value") per Appendix 1 is R11.46 decreasing 2.05% from R11.70 at prior year-end.

The financial results achieved during the interim period are, firstly, attributable to the adoption of a speedy engagement and resolution strategy to offer relief packages that would assist tenants to navigate the impact of Covid-19 and associated lockdowns. Secondly, Spear's portfolio segmentation and high-quality nature of its assets have further underpinned its ability to defend its cash flows and contractual rental income during these very challenging times, with the only exception being its hospitality assets that were unable to fully operate during the interim period (zero income has been forecast for hospitality assets for the FY2021 period).

Rental reversion on lease renewals and re-lets has been a key contributor to the financial results, being a reversion achieved of (1.90%).

Vacancy rates across the portfolio were at 8.81% at year-end, increasing from 2.88% in FY2020.

Included in the vacancy is 16 170m² of industrial warehouse space that was approved for redevelopment off the back of a new 10-year lease. The redevelopment commenced in October 2020.

Excluding the development GLA the vacancy is 5.44%.

During the interim period Spear concluded the acquisition of two properties to the value of R384 million at a blended initial yield of 9.42%. The company disposed of one property at a yield of 9.5%. The latter disposal was concluded primarily as part of Spear's non-core disposal strategy.

Group gearing increased to 45.36% (FY2020: 39.63%) during the interim period as a result of the acquisition of the Liberty Life Building and devaluation of properties.

There are no immediate debt refinancing concerns within the business. A detailed debt expiry schedule is provided within this report.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

COLLECTIONS AND RECEIVABLES

- Year-to-date collections under the circumstances have been satisfactory and in line with management's planning scenarios
- Billings reflect revenue after all credits and deferments including recoveries
- Original budget reflects pre-Covid-19 operating revenue including hotels and recoveries (set in December 2019)
- Zero hospitality income in billings recovered (factored into various scenario plans)
- Tenant arrears as at the end of the reporting period amounted to R13.5 million, decreasing from R16.1 million reported in the pre-close investor update
- At the last date of measurement, arrears for the reporting period decreased to R8.1 million per the below table.
- Last date of collections for reporting was 15 October 2020.

For the reporting period	March R'000	April R'000	May R'000	June R'000	July R'000	August R'000	Total R'000
Original budget[1]	44 654	44 002	44 320	44 601	46 677	48 409	**272 662**
Billed[2]	41 333	39 524	37 026	35 231	41 511	47 738	**242 364**
Collected	40 919	38 715	36 311	33 918	39 392	44 974	**234 229**
Collected vs original budget (%)	91.64	87.99	81.93	76.06	84.54	94.02	**86.13**
Collected vs billings (%)	99.00	97.95	98.07	96.28	95.06	95.35	**96.90**

After reporting period	September R'000	October R'000	Total R'000	Total YTD R'000
Original budget[1]	48 350	48 795	97 145	369 807
Billed[2]	43 466	43 425	86 890	329 254
Collected	39 907	34 856	74 763	309 606
Collected vs original budget (%)	82.54	71.43	76.96	83.72
Collected vs billings (%)	91.81	80.27	86.04	94.03

1 *Including utilities and hotels*

2 *Including utilities, excluding hotels*

EXCLUSIONS, CREDITS AND DEFERRALS

Classification	Interim August 2020 R'000	% of YTD budget (rentable area only) %
Hospitality[1]	(12 314)	5.95
Credit[2]	(11 652)	5.63
Deferral[3]	(6 680)	3.23
Stopped billing[4]	(1 998)	0.96
Solar payments[5]	4 491	(2.17)
Total	**(28 153)**	**13.59**

[1] *Per May 2020 results presentation zero income forecast for hospitality*

[2] *Internal assumptions are that this number will not increase significantly over the balance of FY2021*

[3] *R1.3 million of deferrals already billed and collected in August 2020*

[4] *Worst-case scenario this amount is estimated to increase to R2.4 million for FY2021*

[5] *Solar roof rental payments were received after completion of solar systems and were not budgeted for FY2021*

Management is actively reviewing tenant arrears and provisions are raised monthly. At the end of the reporting period, the provision for bad debt was R2.52 million after writing off R1.1 million of tenant arrears relating to the interim period and utilising the provision raised. The provision is reviewed on a monthly basis and adjusted to accommodate tenants that have debtors outstanding of 120 days and more.

Management has commended its debtors management team for the prudent collections and low receivables in this trading environment. Management is cognisant of the fact that as South Africa continues to be negatively impacted by Covid-19, the probability of a higher percentage receivables cannot be discounted, however, a concerted effort is being made to guard against receivables creep.

PROPERTY PORTFOLIO

Spear's current property portfolio consists of 32 high-quality assets with an average value of R138 million per property, being a 6.41% increase from R130 million per property as at 29 February 2020. Total gross lettable area ("GLA") at period end was 453 016m², which was valued at R4.46 billion.

The portfolio's income stream is underpinned by contractual escalations of 7.25%, a weighted average lease expiry ("WALE") of 28 months (FY2020: 29 months) together with a high percentage of A-grade tenants (listed and large nationals) comprising 29% of portfolio GLA. One of the hallmarks of Spear's portfolio has been the maintenance of a high occupancy rate with vacancies well below the national averages recorded by the Investment Property Databank ("IPD") and the South African Property Owners Association ("SAPOA") with an overall vacancy of 8.81% at the end of the financial period and including the property under development (FY2020: 2.88% portfolio vacancies).

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

TOP 10 PROPERTIES BY VALUE

Property	Value including lease asset R'000	Sector	Gross lettable area m²	Vacancy m²	% of total value	Valuation R/m²
1. Mega Park, Bellville	437 000	Industrial	86 195	5 198	9.80	5 070
2. Sable Square Shopping Centre, Milnerton	436 436	Retail	31 100	3 127	9.79	14 033
3. 2 Long Street, Cape Town	420 000	Commercial	25 207	3 108	9.42	16 662
4. Liberty Life Building, Century City	387 000	Commercial	18 244	181	8.68	21 212
5. Northgate Park, Paarden Island	346 000	Commercial	17 002	1 559	7.76	20 351
6. 15 on Orange, Cape Town	277 326	Hospitality	16 179	221	6.22	17 141
7. 1 Waterhouse Place, Century City	217 000	Commercial	11 248	3 502	4.87	19 293
8. UES DoubleTree by Hilton, Woodstock	171 617	Hospitality	11 427	–	3.85	15 019
9. MWEB Head Office, Bellville	165 000	Commercial	11 195	–	3.70	14 739
10. UES Commercial, Retail and Residential, Woodstock	151 000	Commercial	10 642	1 593	3.39	14 189
Top 10 total	**3 008 379**		**238 439**	**18 489**	**68.94**	**12 617**
Group total Including land	**4 457 815**		**453 016**	**39 920**	**100.00**	**9 840**

SECTORAL SPLIT

		Industrial	Commercial	Retail	Hospitality	Development land	Total
Number of properties		10	14	6	2	–	32
Value of properties	(R'000)	1 141 000	2 170 000	658 436	448 944	39 436	4 457 816
Value	(%)	26	49	15	10	1	100
Property revenue excluding smoothing	(R'000)	82 411	113 337	39 674	5 916	–	241 339
Revenue	(%)	34	47	16	2	–	100
Gross lettable area	(m²)	243 158	137 285	44 967	27 606	–	453 016
Gross lettable area	(%)	54	30	10	6	–	100
Vacant area	(m²)	7 518	12 255	3 756	221	16 170	39 920
Sector vacancy	(%)	3.09	8.93	8.35	0.80	6.65	–
Vacancy on total GLA	(%)	1.66	2.71	0.83	0.05	3.57	8.81
Yield	(%)	10.02	9.14	8.20	0.46	N/A	8.33
Weighted average in-force escalation	(%)	7.37	7.30	7.04	Note 1	N/A	7.25

Note 1:

- *DoubleTree by Hilton is operated by a third-party operator and the lease is based on a fixed (60% of Budgeted EBITDA) and variable (95% of actual EBITDA less fixed rental) rate, which is agreed annually.*
- *15 on Orange hotel is operated by a third-party operator and the rental is based on a blended rate of 18% on all revenue generated by the hotel.*

VALUATION INFORMATION

The property portfolio consists of retail, office, industrial and hospitality assets. The fair value of the portfolio as at 31 August 2020 is R4.418 billion. The like-for-like portfolio held for the six months to August 2020 reduced by R81.2 million (-1.81%) from February 2020. The properties are valued using five-year discounted cash flows.

Property valuations as at 31 August 2020 were performed internally by Kim Pfaff-Karg, a registered valuer in terms of Section 19 of the Property Valuers Professional Act (No 47 of 2000) (BSc, MRICS, SACPVP Professional Valuer) with more than 10 years' experience in the listed and non-listed real estate sector.

The value of a property is ultimately determined by the level of sustainable income it can produce and its ability to grow that income stream – both of which have been impacted (temporarily) by Covid-19. We have analysed each property in terms of its location, quality, strength of covenant and lease terms. As a result of difficult prevailing trading conditions, all valuation parameters (exit capitalisation rates, discount rates, market rentals, market rental growth, expense growth, structural and derived vacancy void periods) used in the property valuations have been reviewed and adjusted where necessary.

We have adopted a conservative approach by increasing exit capitalisation rates, in most cases, by between 0.25% and 0.75%. The average exit capitalisation rate has increased by 0.63% for industrial, 0.57% for commercial and 0.58% for retail (when compared to the prior reporting period), equating to an average exit capitalisation rate increase, across the portfolio, of 0.59%.

To further reflect current market conditions, we have adjusted vacancy void periods appropriately and applied a structural vacancy/bad debt contingency to each property ranging from 0.5% to 2%, coupled with the adjustment of our forecast of market rental growth, resulting in a compression of projected net income.

At the reporting date, the key assumptions and unobservable inputs used by the company in determining fair value were in the following ranges for the company's portfolio of properties:

		Industrial	Commercial	Retail	Hospitality	Develop-ment land	Total
Average value per property (excluding land)	(R'000)	114 100	155 000	109 739	224 472	–	138 074
Average value per square metre	(R)	4 692	15 806	14 643	16 263	–	9 753
Average discount rate	(%)	14.15	14.07	14.00	*	N/A	14.07
Average exit cap rate	(%)	9.65	9.57	9.50	*	N/A	9.57
Average prior year exit cap rate	(%)	9.03	9.00	8.92	*	N/A	8.98
Structural vacancy range	(%)	0.5 – 2	0.5 – 2	0.5 – 2	*	N/A	0.5 – 2
Void period range	(months)	2 – 4	2 – 4	2 – 4	*	N/A	2 – 4

** Hospitality has not been internally valued at interim period. A valuation review will be done at year-end.*

MATERIAL VALUATION UNCERTAINTY

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we shall keep the valuation of the portfolio under frequent review.

SECTORAL PERFORMANCE

INDUSTRIAL

The industrial portfolio has maintained its strong performance during the interim period irrespective of the impact of Covid-19. A number of new lets have been concluded in this sub-sector during the interim period with increased demand experienced for Spear's high-quality mid and large-scale industrial units located predominately in the Northern Suburbs of Cape Town. Spear's diverse industrial portfolio consists of modern logistics, mini, mid-size and large-scale industrial units with efficient designs, large yard areas and superior power supplies.

The industrial portfolio (243 158m²) occupancy was at 90.26% at the end of the interim period with management confident that it will continue to perform in line with its guidance.

COMMERCIAL

Spear's high-quality and defensive commercial portfolio is situated in the best commercial nodes in Cape Town with satisfactory demand for its various offerings despite the pandemic.

One of the impacts of Covid-19 was that companies were forced to implement a work-from-home strategy within a very short space of time partially impacting progress on certain lease renewal negotiations within the commercial portfolio. Management does not see the remote working culture having a hugely negative impact on its commercial portfolio in the medium to long term as not every enterprise can work remotely, thus creating medium- to long-term demand for commercial rental space. Spear's portfolio is attractively positioned to offer expansion and/or contraction space to tenants due to its attractive lease terms and generally below market asking rentals.

During the interim period vacancy creep has occurred, however, occupancy levels within the commercial portfolio remain in line with management's expectations.

The commercial portfolio (137 285m²) occupancy was at 91.07% at the end of the interim period.

RETAIL

Spear's strategy to only invest in convenience retail centres has continued to pay off. The convenience retail-focused portfolio had provided a strong income underpin during the various lockdown levels as a large percentage of tenants within the retail portfolio were permitted to trade, thus reducing the burden on Spear to provide ongoing and costly relief packages.

During all levels of lockdown our retail assets performed in line with expectations with all anchor tenants operating under Level 5 lockdown. Letting activity has been in line with expectations with the bulk of renewals being concluded per management's budgets for the period. No significant retail tenant failures occurred during the interim period, however, Spear has elected to not raise rental on gyms, of which there are two within the retail portfolio.

Spear's retail assets are located in high-growth nodes servicing Century City and the broader Northern Suburbs market. During the interim period 36% (16 009m²) of retail GLA was occupied by national tenants.

The retail portfolio (44 967m²) occupancy was at 91.65% at the interim period end with management satisfied that it will strengthen over the second half of the financial year.

HOSPITALITY

DoubleTree by Hilton Cape Town

DoubleTree successfully managed to obtain clearance to accommodate quarantine guests that were repatriated back to South Africa within the months of May and June. This has aided in covering a portion of the expenses during these months, enabling the hotel to generate R2.5 million of much-needed turnover.

The closure of the hotel under lockdown necessitated management implementing cost cutting measures at all levels. Variable costs were reduced, and various fixed costs were renegotiated and/or payment holidays were implemented. The hotel restructured human capital and reduced time layoff processes to cut payroll and related costs.

A core management crew has been housed at the hotel during lockdown to maintain the hotel for operational readiness at any given time. The kitchen remained activated with the initiation of a successful feeding programme in association with Cape Town Together. Spear started a funding programme for donations and to date we have received over R600 000 in donations along with several tons of food donations. As at the end of July 2020, 50 000 meals have been served.

15 on Orange Hotel, Autograph Collection, Cape Town

The hotel is leased to Marriott on a fully-maintained lease basis, while rental is dependent on factors linked to turnover and performance.

The five-star market, which is less dependent on the local market, showed slow signs of recovery in the third quarter of FY2020. The recovery started showing more green shoots in the fourth quarter and the outlook for the first quarter of FY2021 looked promising with renewed international leisure interest being shown in Cape Town.

Unfortunately, the positive recovery was stopped in its tracks by Covid-19 and the hotel suspended trade as of 26 March 2020 through to the end of this reporting period. Trade only resumed tentatively on 8 September 2020 and more fully on 1 October 2020.

Current challenges include:

- No Covid-19 vaccine
- Lack of clear government guidelines for visitor entry into the country
- Continued high rate of infections across Europe, the US and the subcontinent as core source markets and the potential of a second wave of infections in South Africa
- Lack of operational domestic airlines to cater to the local market and inbound connecting flights.

Potential opportunities in the coming six months:

- Availability of a vaccine and confidence to travel returning
- South Africa and feeder markets managing to control infection numbers
- The hotels managing to service more guests with reduced input costs
- Domestic support for summer season holidays aiding recovery
- Postponed conferences during lockdown being re-instated within the next 12 months
- A revival in local business activity and confidence
- Larger events such as conventions and the Lions Rugby Tour planned for 2021 going ahead.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

Revenue generation has recommenced with accommodation, conferencing and food and beverage services making contributions to the revenue pool. Management anticipates that business will slowly return by the middle of the first quarter of FY2022.

TENANT GRADING

	Gross lettable area m²	Gross lettable area %	Number of tenants	Number of tenants %
A – Large nationals, large listed and government tenants	131 346	29	114	26
B – Smaller international and national tenants	242 428	53	261	59
C – Other local tenants and sole proprietors	39 321	9	67	15
Vacant	39 920	9	–	–
	453 016	**100**	**442**	**100**

LETTING ACTIVITY

The table below reflects the letting activity of the interim period:

	Expiries and cancellations GLA	Gross rental at expiry R'000	Average gross expiry rental R/m²	Renewals/ new lets GLA	Gross rental at renewals/ new lets R'000	Average gross new rental R/m²	Average rental reversion %
Commercial	19 147	2 615 374	136.60	11 589	1 783 625	153.91	12.68
Industrial	102 227	4 528 194	44.30	84 268	3 796 780	45.06	1.72
Retail	5 732	678 110	118.31	5 268	498 123	94.55	(20.08)
	127 106	**7 821 678**	**99.73**	**101 125**	**6 078 528**	**97.84**	**(1.90)**

A total of 130 000m² is coming up for renewal in FY2021, with a total of 101 125m² which has either been renewed or re-let. Commercial positive reversion is due to No.1 Waterhouse being re-let at 30% above the rental guarantee, which expired in June 2020. Retail reversion relates to two retail tenants and is in line with management's expectations and budgets.

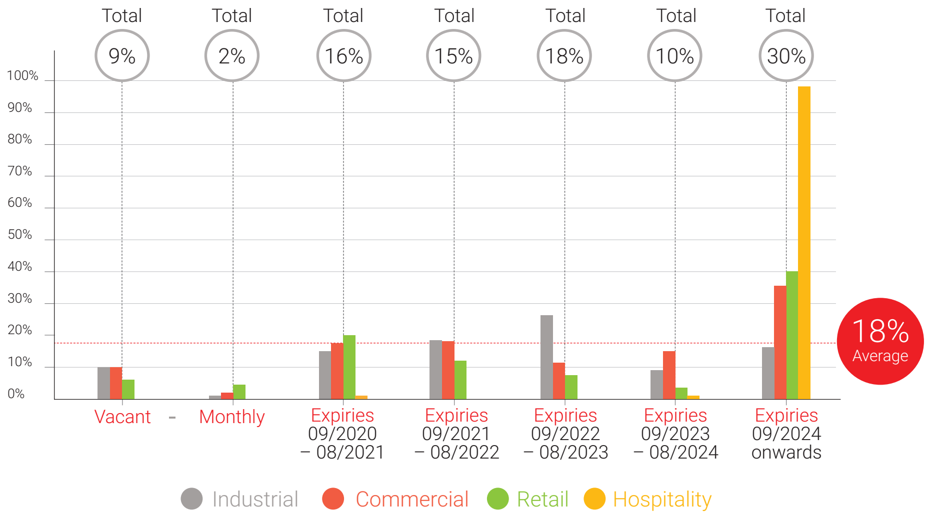
Post reporting period update: Negotiations regarding the re-let of 30 000m² of space with two existing blue-chip listed tenants have been concluded.

Spear's lease expiry profile remains defensive with a WALE of 28 months.

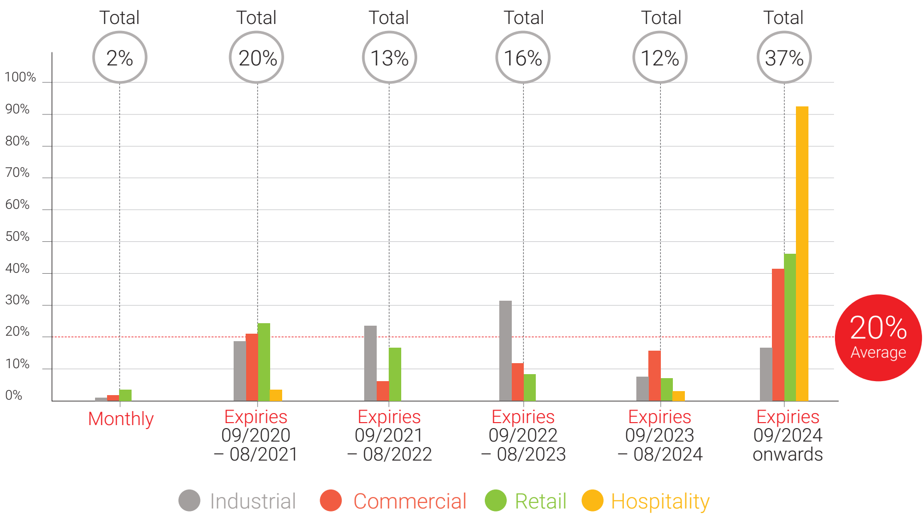
Spear's asset and property management team has a hands-on approach to tenant retention and action tenant engagements well in advance of expiry to ensure business continuity and risk management for the business.

LEASE EXPIRY PROFILE

LEASE EXPIRY PROFILE BASED ON GLA



LEASE EXPIRY PROFILE BASED ON REVENUE



ACQUISITIONS AND DISPOSALS

The group acquired the following properties during the period ended 31 August 2020:

	Transfer date	Acquisition value R'000	Debt funding R'000	Cash funding R'000	Acquisition yield %
26 Marine Drive – Section 2, Paarden Island	2020/07/23	14 420	6 500	7 920	9.50
Liberty Life Building, Century City	2020/07/09	370 000	370 000	–	9.33
		384 420	**376 500**	**7 920**	**9.42**

The group disposed of the following property during the period ended 31 August 2020:

	Transfer date	Disposal value R'000	Cash payment value R'000	Disposal yield %
10 Mill Street, Newlands	2020/08/07	55 800	55 800	9.50
		55 800	**55 800**	**9.50**

CAPITAL EXPENDITURE AND REDEVELOPMENT

11 HEWETT AVENUE, EPPING

Management recently concluded a long-term lease renewal with Nampak Limited on its Hewett Avenue facility situated in Epping, Cape Town. The initial warehouse occupied was 12 500m² and given growth demands, Nampak has required specific upgrades and extensions to be affected to the property off the back of the extended lease tenure. An additional 2 000m² warehouse will be constructed to create a consolidated 14 500m² modern warehouse facility together with a 1MVA rooftop PV solar solution.

- Total capital expenditure: R34 million
- Initial post capital expenditure yield: 9.33%
- Lease tenure: 10 years

BEACON WAY, BEACONVALE

Management recently concluded a long-term lease and redevelopment agreement with Nova Marine, which is a wholly owned subsidiary of Sturrock Grindrod Marine Services. The property will be redeveloped into a state-of-the-art container terminal and bulk storage facility. The erf size of the property is 32 000m² with a total yard area of 24 000m² to be utilised as the container terminal and the balance of the warehouse and offices for storage and administration.

- Total capital expenditure: R44 million
- Initial post capital expenditure yield: 9.03%
- Lease tenure: 10 years

CAPITAL ALLOCATION AND STRATEGIC FOCUS

Capital allocation remains a fundamental focus of the business as management strives to allocate capital towards alterations, additions or acquisitions which would unlock acceptable returns to its stakeholders. Management reviews the composition of the portfolio on a regular basis to ensure that Spear's assets all meet internal performance criteria or hold strategic value to unlock potential through additional development rights or redevelopment opportunities. Assets that no longer fit the strategic objective of the business will be disposed of and the proceeds will either be deployed into higher quality and yielding assets or into the debt portfolio of the business dependent on where loan-to-value ("LTV") ratios stand at specific points in time relative to Spear's LTV strategy.

Management's strategic focus on prudently deploying capital has been heightened during the interim period as the impact of Covid-19 has reduced the availability of external capital inflows into the business. Management remains very selective on when and where to deploy capital into assets as return metrics and sectoral asset allocations are rethought and rebalanced. Spear's regional focus has been advantageous especially during the interim period and has allowed it to succeed in achieving key strategic objectives such as rental preservation, immediate tenant engagement/relief initiatives and balance sheet strengthening through sufficient liquidity availability measures.

BALANCE SHEET AND RISK MANAGEMENT

Balance sheet and risk management factors that impact the day-to-day operations of Spear remain a key focus for management in the execution of its multipronged business continuity strategy.

Management maintains its excellent relationship with Nedbank CIB and Standard Bank Real Estate Finance as its funding partners, ensuring that Spear's balance sheet reflects a well-managed and active business positioned to take advantage of growth opportunities and deal flow when they are presented.

Management is actively exploring various transactions as disclosed in the LTV sensitivity to reduce the LTV ratio at year-end and strengthen the balance sheet. The group's debt hedging policy is to maintain 65 – 75% of Spear's debt portfolio hedged out for up to 36 months to provide income certainty to its shareholders.

Spear's debt portfolio remains actively managed with an all-in cost of debt for the interim period of 7.56% and a hedged ratio of 69.90% at the end of the interim period.

The group's gearing levels at the end of the period was 45.36%, translating to a 14.46% increase as at 29 February 2020.

Spear's most recent debt expiry profile below provides no short- to medium-term refinancing risk with the bulk of Spear's debt becoming due for re-negotiation in FY2021-22.

COST-TO-INCOME

SA REIT's gross total cost-to-income is 39.14%, increasing from 38.35% as at 29 February 2020.

The increase is directly related to the lower income for the interim period from credits, deferrals and lost income from hotels.

Administrative cost-to-income for the period was 5.65%, decreasing from 5.71% as at 29 February 2020.

The decrease is directly related to the new property acquisition that can be managed by the current staff employed without having to increase head office overhead costs given the scalability of the current management system as well as the Covid-19-related cost reduction measures put in place, which included three-month salary reductions for all staff and executives.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

BORROWINGS AND FUNDING

The group obtained funding for property acquisition through increasing bank borrowings as disclosed under acquisitions and no capital raise was undertaken.

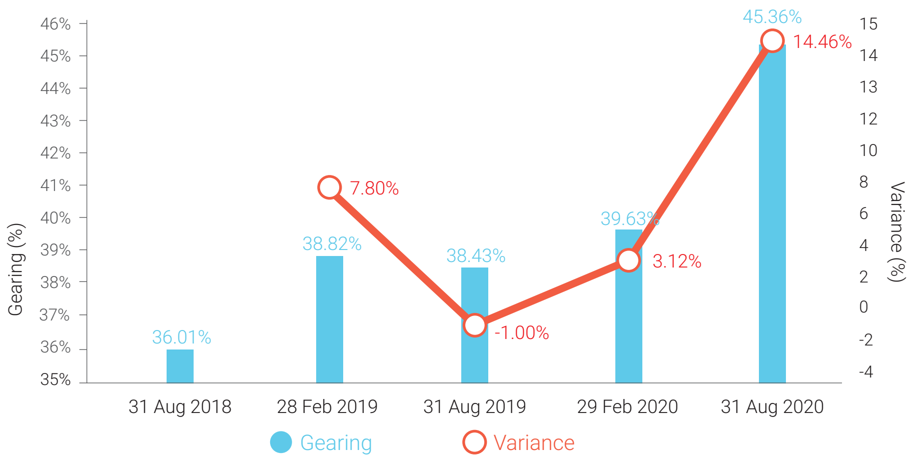
The following loans were refinanced or extended during the interim period with a total value of R1.1 billion:

Funder	Value (R'000)	Action	Current expiry	New rate	Expiry rate
Nedbank	433 000	3-year extension on expiry	Mar 2021	3-month Jibar + 1.95%	Prime less 1.3%
Nedbank	225 000	3-year renewal at expiry	Aug 2020	2 year fixed at 8.61% and 1 year at 3-month Jibar + 1.83%	Fixed at 9%
Standard Bank	224 195	3-year renewal at expiry	Jun 2020	Fixed at 8.98%	Fixed at 9%
Nedbank	101 000	4-year renewal at expiry	Sep 2020	3 year fixed at 8.83% and 1 year at 3-month Jibar + 1.85%	Fixed at 9%
Nedbank	100 115	1-year renewal at expiry	Aug 2020	3-month Jibar + 1.85%	3-month Jibar + 1.58%
Nedbank*	50 300	1-year renewal at expiry	Apr 2020	3-month Jibar + 1.55%	Prime less 1.3%

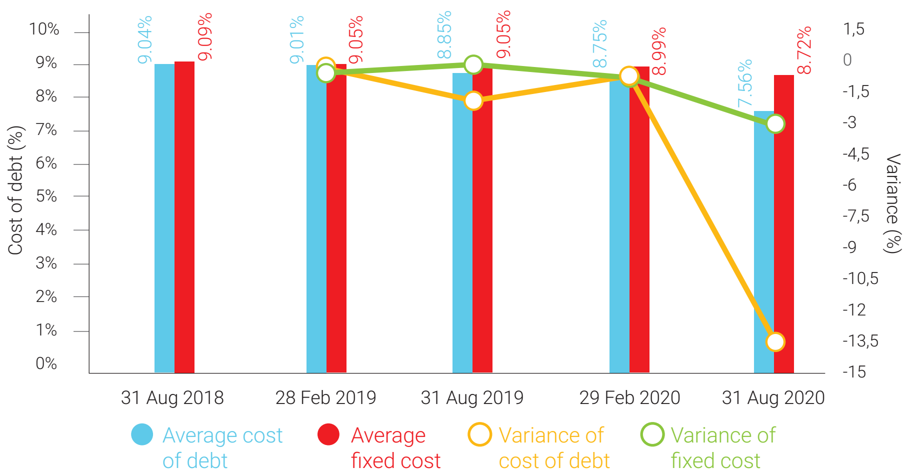
** Proceeds received from the 10 Mill Street disposal will be used to settle this facility prior to the FY2021 year-end.*

GROUP GEARING

GEARING RATIO

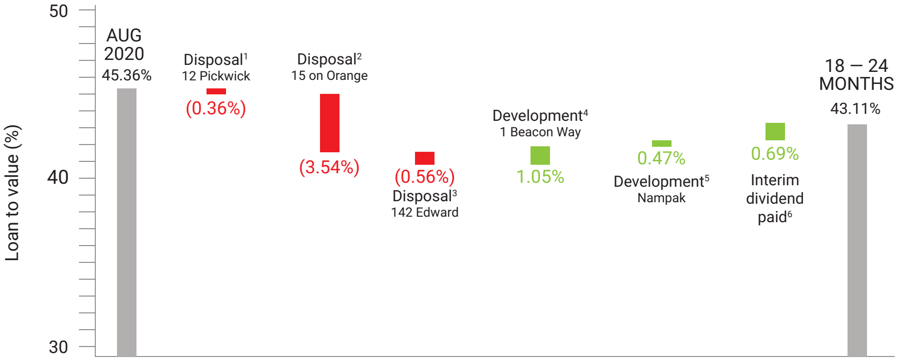


IN-FORCE COST OF DEBT FOR PERIOD



At period end the variable prime-linked loans bear interest at an average rate of prime less 1.31% and variable Jibar-linked loans at an average margin of Jibar plus 1.70%.

LTV REDUCTION ROADMAP



Notes:

1 *Disposal agreed at R30 million net. Long-form agreement signed and awaiting completion of conditions precedent.*

2 *As per the SENS announcement released on 28 October 2020 an offer has been received of R280 million gross for 15 on Orange hotel, commercial and retail sections. Currently in due diligence process.*

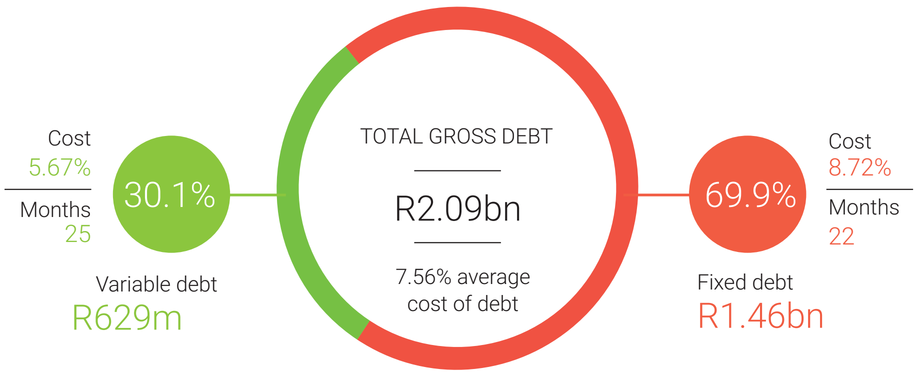
3 *Disposal agreed at R40.3 million net. Long-form agreement signed and awaiting completion of conditions precedent.*

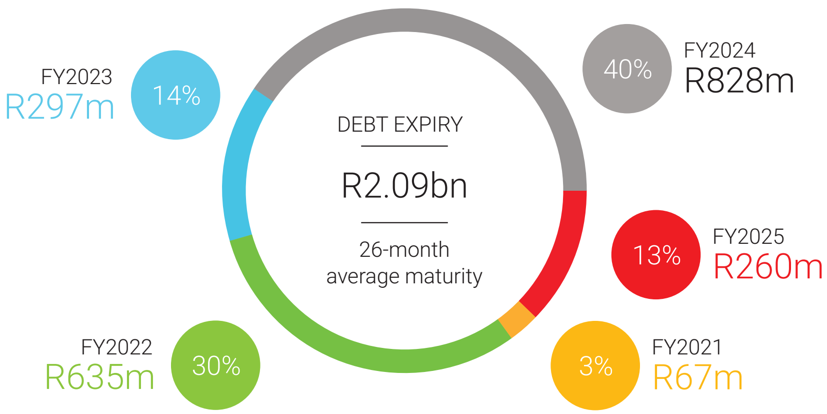
4 *10-year lease entered into with Grindrod. Property will be partially redeveloped for its intended use and the expected completion is February 2021.*

5 *Existing Nampak facility will be expanded by 2 000m² after a 10-year renewal was concluded.*

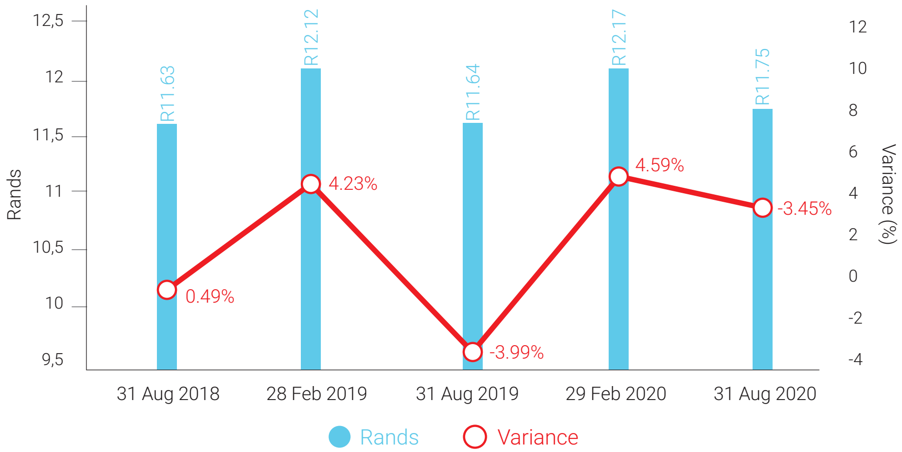
6 *Management forecast that 50% of shareholders will elect to take up the dividend reinvestment plan and the remaining distribution will be paid in cash.*

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)



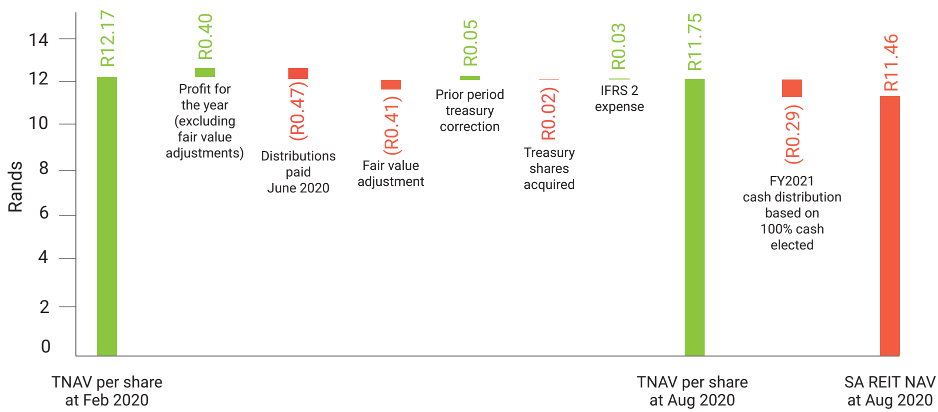


TANGIBLE NET ASSET VALUE



The above ratio is IFRS compliant and is required for disclosure, however, please refer to Appendix 1 and table for the SA REIT NAV calculation.

TNAV BRIDGE



SUSTAINABILITY

PV SOLAR ROLLOUT

Significant progress has been made in the execution of Spear's sustainability strategy as management focused on energy and water resource management across the real estate portfolio. As a responsible corporate citizen, Spear's focus is to place less reliance on fossil fuel-generated electrical supply and to limit the usage of clean potable water in areas not required within the business.

Management through its PV solar strategy has successfully initiated and completed PV solar solutions for seven out of 16 properties with the balance set for completion towards the first quarter of FY2022. Approximately 4 million KwH of solar energy will be generated over the next 12 months on the seven completed sites with anticipated savings of R4 million at current tariffs.

Five new sites will begin construction within four to six weeks of lockdown having been lifted, adding a further 1 300 kWp of solar to the real estate portfolio and a further 2 million kWh of solar energy. The average penetration rate will be between 25% – 30%.

Water continuity and resources management continues across the real estate portfolio with water augmentation and purification systems installed across the commercial office portfolio in the form of reverse osmosis water purification systems for clean potable water and grey water systems for ablutions and landscaping services, reducing the overall reliance and usage of clean water. Bulk water storage facilities linked into operational boreholes and well points remain installed and active across the portfolio.

OUTLOOK

The macroeconomic environment in South Africa has entered a new level of difficulty with the human and economic impact of Covid-19 wreaking havoc on the local economy. Spear must maintain its strategic focus of hands-on asset management and early tenant engagement as it navigates the uncertainties that lay ahead over the next 12 – 24 months. The impact of a protracted recessionary environment will inevitably impact income and growth opportunities for the balance of FY2021.

The Spear portfolio has navigated through the toughest of trading periods over the last six months. The high quality and defensive nature of Spear's asset base coupled with strong lease covenants and a highly experienced management team have been true moats around the business in these testing times.

The prolonged closure of South Africa's borders will impact the tourism and hospitality sector resulting in a prolonged recovery of this sector. Positive signs of localised travel have been noted within Spear's hospitality assets post interim period. The migration of office users to work from home will contribute to upward trending office vacancies in the short to medium term with office user uptake forecast to normalise as a work-from-home regime is not a one-size-fits-all solution as certain businesses require a physical office presence for business continuity, sales, consultation, service delivery, skills transfer, collaboration and empowerment in the work place purposes.

- Management will remain client-centric and focused on sustainable cash flows as lease renewals and filling of vacant space remain priority
- Management will actively ensure that all health and safety protocols continue to be implemented across the portfolio
- Rental recoveries will be maintained at the mid- to high-road range
- Earmarked assets will be actively and successfully disposed of in line with management's LTV reduction roadmap strategy
- Western Cape-only focus will be maintained and proximity to assets remain excellent
- No major decline in portfolio fair value during FY2021.

PROSPECTS AND GUIDANCE

It remains difficult to predict fully the economic outcomes of the pandemic on the Real Estate sector and on Spear as South Africa navigates its way through the aftermath of the Covid-19 pandemic and the severely negative economic consequences left in its wake. In the short term we do not anticipate any significant macroeconomic improvements in the trading environment, making the road ahead extremely tough and generally difficult to fully chart.

Management wishes to provide guidance as follows:

- Spear will fully comply with all qualifying requirements to remain a JSE-listed REIT and will continue to be a distribution paying operation
- Spear will reduce its pay-out ratio to 80% of funds from operations for the interim period and will advise of any changes in this regard for its final distribution for FY2021
- Spear has not provided for any income from its hospitality portfolio for FY2021 irrespective of low levels of revenue being generated post the interim period
- Spear has met and continues to meet all its required funding covenants and remains sufficiently capitalised to meet all short- and long-term commitments
- Management conducts regular cash flow analysis to stress test the cash flows on a rolling 12-month basis. This includes a range of scenarios of tenant collections and creditor requirements
- Management's focus and energy remains on rental preservation throughout this pandemic, lockdown and beyond
- Management will provide a further trading update and guidance on a final distribution per share declaration in a pre-close presentation prior to year-end
- Spear to exit its hospitality assets in an orderly manner over the next 12 – 24 months.

Any changes in the above assumptions may affect management's forecast for the year ending 28 February 2021 that may be provided.

The information and opinions contained above are recorded and expressed in good faith and are based upon reliable information provided to management.

No representation, warranty, undertaking or guarantee of whatsoever nature is made or given with regard to the accuracy and/or completeness of such information and/or the correctness of such opinions.

Any forecast financial information for the period ending 28 February 2021, is the sole responsibility of the directors and has not been reviewed or audited by Spear's independent external auditors.

BASIS OF PREPARATION – UNAUDITED

The unaudited consolidated interim results for the six months ended 31 August 2020 are prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. Except for the adoption of revised and new standards that became effective during the year, all accounting policies applied in the preparation of these unaudited consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements. There was no material impact on the annual financial statements as a result of the adoption of these standards.

Christiaan Barnard CA (SA), in his capacity as Chief Financial Officer, was responsible for the preparation of the unaudited consolidated interim results for the six months ended 31 August 2020. These consolidated interim results have not been reviewed or reported on by the company's auditor, BDO.

INTERIM DIVIDEND WITH THE ELECTION TO REINVEST THE CASH DIVIDEND IN RETURN FOR SPEAR SHARES

Notice is hereby given of the declaration of interim dividend number 8 of 29.34465 cents per share for the six months ended 31 August 2020, from income reserves. Shareholders will be entitled to elect to reinvest the net cash dividend, in return for Spear shares ("dividend reinvestment alternative"), failing which they will receive the net cash dividend in respect of all or part of their shareholdings. The entitlement of shareholders to elect to participate in the dividend reinvestment alternative is subject to the Board, either itself or through a Board sub-committee appointed to set the pricing and terms of the dividend reinvestment alternative, having the discretion to withdraw the entitlement to elect the dividend reinvestment alternative should market conditions warrant such action. A withdrawal of the entitlement to elect the dividend reinvestment alternative would be communicated to shareholders before the publication of the finalisation announcement on Friday, 6 November 2020. A circular in relation to this dividend reinvestment alternative will be distributed to shareholders on Tuesday, 3 November 2020 ("circular). As Spear is a REIT, the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25 BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The dividends on the shares will be deemed to be taxable dividends for South African tax purposes in terms of section 25 BB of the Income Tax Act.

SOUTH AFRICAN TAX RESIDENTS

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

(a) a declaration that the dividend is exempt from dividend tax; and

(b) a written undertaking to inform the CSDP, broker or the company, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

Shareholders are advised to contact their CSDP, broker or the company to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

NON-RESIDENTS SHAREHOLDERS

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013, dividends received by non-residents from a REIT were not subject to dividends withholding tax. Since 1 January 2014, any dividend received by a non-resident from a REIT will be subject to dividends withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder concerned. Assuming dividends withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 23.47572 cents per share. A reduced dividends withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following form to their CSDP or broker in respect of uncertificated shares, or the company, in respect of certificated shares:

(a) a declaration that the dividend is subject to a reduced rate as a result of the application of DTA; and

(b) a written undertaking to inform their CSDP, broker or the company, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

Non-resident shareholders are advised to contact their CSDP, broker or the company to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

The number of ordinary shares in issue on declaration date is 205 776 521.

The company's tax reference number is 9068437236.

Holders of uncertificated shares have to ensure that they have verified their residence status with their CSDP or broker. Holders of certificated shares will be asked to complete a declaration to the company. The distribution is payable to shareholders in accordance with the timetable on the next page.

FRACTIONS

Trading in the electronic Strate environment does not permit fractions and fractional entitlements in respect of shares. Accordingly, should a shareholder's reinvestment in new shares, calculated in accordance with the ratio to be announced in the finalisation announcement, give rise to a fraction of a new share, such fraction will be rounded down to the nearest whole number, resulting in the allocation of whole shares and a payment to the shareholder in respect of the remaining cash amount due to that shareholder under the dividend. Certificated shareholders whose bank account details are not held by the Transfer Secretaries, are requested to provide such details to the Transfer Secretaries to enable payment of the fraction due to the shareholder in respect of the dividend reinvestment alternative. Should no details be on record, the funds will be held by the company until such time as the details have been provided and the cash fraction will be paid to the shareholder upon its request.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

SALIENT DATES AND TIMES IN RELATION TO THE INTERIM DIVIDEND AND THE DIVIDENT REINVESTMENT ALTERNATIVE

	2020
Record date to determine which shareholders are entitled to receive the circular	Friday, 23 October
Declaration date	Friday, 30 October
Circular and form of election posted to shareholders	Tuesday, 3 November
Finalisation announcement containing the dividend reinvestment alternative issue price, ratio and finalisation information on SENS	Friday, 6 November
Last day to trade ("LDT") cum reinvestment alternative and cash dividend	Tuesday, 17 November
Trading commences ex reinvestment alternative and cash dividend	Wednesday, 18 November
Listing of maximum possible number of shares to be issued under the reinvestment alternative	Friday, 20 November
Last day to elect to receive reinvestment alternative by 12:00 (South African time) on	Friday, 20 November
Record date	Friday, 20 November
Electronic payment and CSDP/broker accounts updated in respect of cash dividend and cash dividend cheques posted to certificated shareholders on	Monday, 23 November
Announcement of the results of the reinvestment alternative and cash dividend on SENS	Monday, 23 November
Share certificates posted and CSDP/broker accounts updated in respect of reinvestment alternative on	Wednesday, 25 November
Adjustment of number of new shares listed on or about	Friday, 27 November

Notes:

1. *Shareholders electing the dividend reinvestment alternative should note that settlement of the shares will occur three business days after the record date, which differs from the conventional one business day after the record date settlement process.*
2. *Share certificates may not be dematerialised or rematerialised between Wednesday, 18 November 2020 and Friday, 20 November 2020, both days inclusive.*
3. *In respect of dematerialised shareholders, the distributions will be transferred to the CSDP account/broker accounts on Monday, 23 November 2020. Certificated shareholders' distribution payments will be paid to certificated shareholders' bank accounts on Monday, 23 November 2020.*
4. *The above dates and times are subject to change. Any changes will be announced on SENS.*
5. *All times quoted in the circular are South African times.*

On behalf of the Board
Spear REIT Limited

Abubaker Varachhia
Non-executive Chairman

Quintin Rossi
Chief Executive Officer

Christiaan Barnard
Chief Financial Officer

Cape Town
30 October 2020

DIRECTORATE AND ADMINISTRATION

SPEAR REIT LIMITED

Incorporated in the Republic of South Africa
Registration number 2015/407237/06
JSE share code: SEA
ISIN: ZAE000228995
LEI: 378900F76170CCB33C50
(Approved as a REIT by the JSE)
("Spear" or "the group" or "the company")

DIRECTORS OF SPEAR

Abubaker Varachhia*
(Non-executive Chairman)

Michael Naftali Flax*
(Non-executive Deputy Chairman)

Quintin Michael Rossi
(Chief Executive Officer)

Christiaan Barnard
(Chief Financial Officer)

Brian Leon Goldberg*#

Jalaloodien Ebrahim Allie*#
(Lead Independent Director)

Niclas Kjellström-Matseke *#

Cormack Sean McCarthy *

Dr. Rozett Phillips *#

* Non-executive
# Independent

REGISTERED OFFICE

16th Floor
2 Long Street
Cape Town, 8001
(PO Box 50, Observatory, 7935)

CONTACT DETAILS

info@spearprop.co.za
www.spearprop.co.za

COMPANY SECRETARY

René Cheryl Stober

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)

INDEPENDENT REPORTING ACCOUNTANTS AND AUDITORS

BDO South Africa Incorporated
6th Floor, 123 Hertzog Boulevard
Foreshore, Cape Town, 8001
(PO Box 2275, Cape Town, 8000)

SPONSOR

PSG Capital Proprietary Limited
1st Floor, Ou Kollege Building
35 Kerk Street, Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

LEGAL ADVISER

Cliffe Dekker Hofmeyr
11 Buitengracht Street, Cape Town, 8001
(PO Box 695, Cape Town, 8000)

BANKERS

Nedbank Limited
Standard Bank Limited
Investec Limited

www.spearprop.co.za

SPEAR
REIT LIMITED

16th Floor, 2 Long Street, Cape Town, 8001

info@spearprop.co.za

www.spearprop.co.za

NORTHGATE PARK