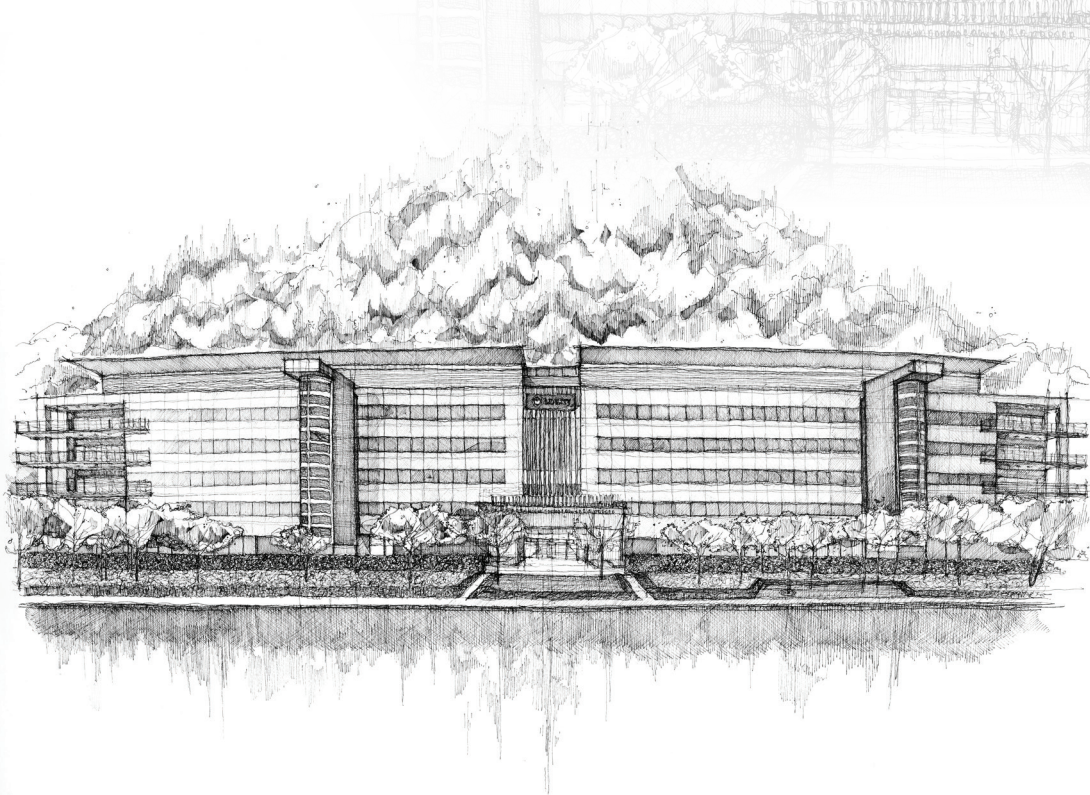


PROVISIONAL REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2021



- SPEAR REIT LIMITED - LIBERTY HEAD OFFICE, CHANCERY PLACE, LONDON - 2021



SPEAR
REIT LIMITED

SALIENT DETAILS



73.38

FY2021 DIPS
CENTS PER SHARE



80%

FY2021
PAYOUT RATIO



97.79%

YTD
COLLECTION



R11.50

TNAV



58.70

FY2021 DPS
CENTS PER SHARE



93.84%

OCCUPANCY



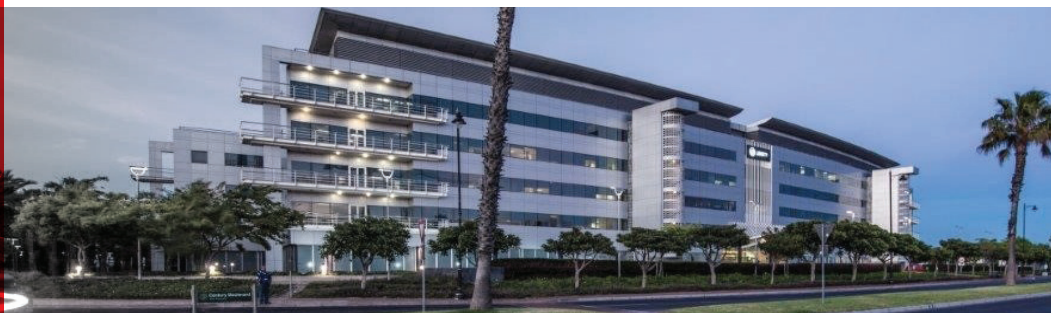
45.81%

LOAN-TO-VALUE
("LTV")



56.52%

FIXED DEBT
RATIO



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.

SPEAR REIT LIMITED

Incorporated in the Republic of South Africa

Registration number 2015/407237/06

JSE share code: SEA

ISIN: ZAE000228995

LEI: 378900F76170CCB33C50

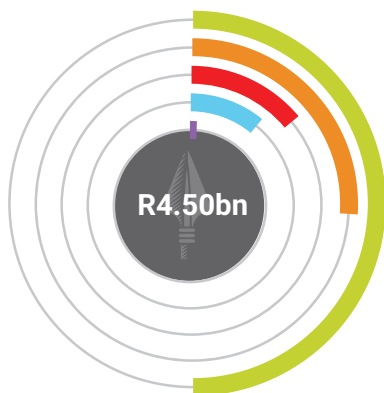
(Approved as a REIT by the JSE)

("Spear" or "the group" or "the company")

SECTORAL SPLIT BY VALUE, REVENUE AND GLA



VALUE OF PROPERTIES



R2.24bn Commercial **50%**

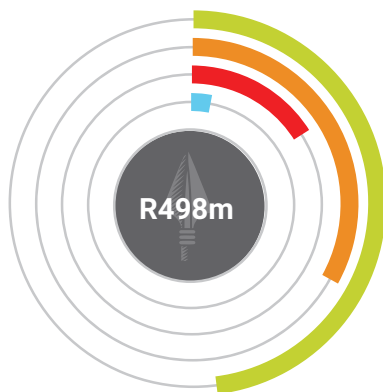
R1.15bn Industrial **26%**

R624m Retail **14%**

R439m Hospitality **9%**

R44m Development land **1%**

PROPERTY REVENUE EXCLUDING SMOOTHING



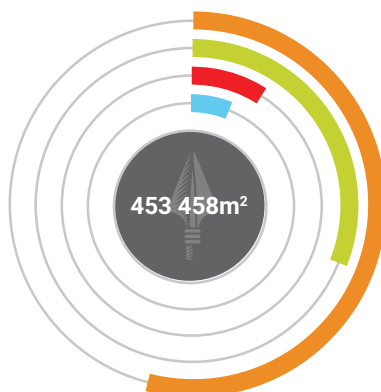
R241m Commercial **48%**

R164m Industrial **33%**

R79m Retail **16%**

R15m Hospitality **3%**

GROSS LETTABLE AREA



243,162m² Industrial **54%**

141,867m² Commercial **31%**

40,351m² Retail **9%**

28,078m² Hospitality **6%**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group	
	Reviewed Year ended February 2021 R'000	Audited Year ended February 2020 R'000
ASSETS		
Investment property (including straight-line accrual)	4 495 969	4 183 995
Property, plant and equipment	2 206	2 844
Financial assets	4 382	60 033
Deferred taxation	6 179	6 942
Non-current assets	4 508 736	4 253 814
Financial assets	21 204	10 122
Loans to related parties	1 689	110
Trade and other receivables	19 918	13 626
Cash and cash equivalents	32 340	24 294
Current assets	75 151	48 152
TOTAL ASSETS	4 583 887	4 301 966
EQUITY AND LIABILITIES		
Shareholders' interest		
Share capital	1 923 355	1 910 787
Share-based payment reserve	26 012	14 121
Accumulated income	422 890	522 295
Total attributable to owners	2 372 257	2 447 203
Non-controlling interest	19 041	73 197
	2 391 298	2 520 400
Liabilities		
Financial liabilities	1 698 227	1 545 445
Non-current liabilities	1 698 227	1 545 445
Financial liabilities	407 021	165 977
Finance lease	1 692	–
Bank overdraft	278	113
Trade and other payables	85 057	70 031
Taxation payable	314	–
Current liabilities	494 362	236 121
TOTAL LIABILITIES	2 192 589	1 781 566
TOTAL EQUITY AND LIABILITIES	4 583 887	4 301 966
Number of ordinary shares in issue	214 615 571	205 776 521
Treasury shares	(8 882 340)	(5 342 595)
Net ordinary shares in issue	205 733 231	200 433 926
Loan to value (%)	45.81	39.63
Net asset value per share* (Rands)	11.53	12.21
Tangible net asset value per share (Rands)	11.50	12.17

* This calculation is compliant with and disclosed in terms of IFRS. Please refer to Appendix 1, SA REIT BPR calculations and metrics on page 8.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



	Group	
	Reviewed Year ended February 2021 R'000	Audited Year ended February 2020 R'000
Contractual rental income	377 846	381 836
Tenant recoveries	120 284	114 462
Straight-line rental income accrual	32 238	23 412
Property revenue	530 368	519 710
Other income	869	7 496
Total revenue	531 237	527 206
Property operating and management expenses	(160 925)	(156 889)
Net property-related income	370 313	370 317
Administrative expenses	(26 665)	(28 883)
Net property operating profit	343 648	341 434
Fair value adjustment – Investment properties	(106 404)	9 326
Impairment of investments	(119)	(750)
Depreciation and amortisation	(11 754)	(7 297)
Listing cost	(278)	(289)
Share-based payment expense	(11 891)	(6 938)
Profit from operations	213 202	335 486
Net interest	(147 927)	(122 969)
– Finance costs	(153 836)	(133 181)
– Finance income	5 909	10 212
Profit before taxation	65 275	212 517
Taxation	(8 290)	74
Profit for the period	56 984	212 590
Other comprehensive income	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	56 984	212 590
<i>Attributable to:</i>		
Equity owners of the parent	53 008	207 305
Non-controlling interest	3 977	5 285
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	56 984	212 590
Basic earnings per share (cents)	25.48	103.37
Diluted earnings per share (cents)	25.48	103.37
Distribution per share (cents)	58.70	91.66
Interest cover ratio (times)	2.11	2.59

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	Reviewed Year ended February 2021 R'000	Audited Year ended February 2020 R'000
Cash generated from operations		
Profit before tax	65 275	212 517
<i>Adjustments for:</i>		
Straight-line revenue accrual	(32 238)	(23 412)
Fair value adjustments – Investment property	106 404	(9 326)
Impairment of investments	119	750
Depreciation and amortisation	11 754	7 297
Finance income	(5 909)	(10 212)
Finance cost	153 836	133 181
Share-based payment reserve	11 891	6 938
Taxation accrual	–	(9)
Changes in working capital		
Trade and other receivables	(6 292)	(3 099)
Trade and other payables	15 026	25 316
Cash generated from operating activities	319 866	339 940
Finance income	2 974	4 572
Finance cost	(152 592)	(134 139)
Distribution paid	(152 413)	(175 628)
Dividend paid to minority shareholder	–	–
Taxation (paid)/received	(7 213)	83
NET CASH GENERATED FROM OPERATING ACTIVITIES	10 623	34 828
Cash flows from investing activities		
Acquisition of investment property	(381 606)	(255 775)
Cost incurred on developments	(58 544)	(81 225)
Cost capitalised to investment property	(14 123)	(48 544)
Proceeds on sale of investment property	58 830	70 986
Acquisition of property, plant and equipment	(29)	(109)
Repayment of loan to tenant	376	1 006
Loan advanced to tenant	(11 082)	–
Acquisition of subsidiary	–	(13 145)
NET CASH USED IN INVESTING ACTIVITIES	(406 177)	(326 807)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)



	Group	
	Reviewed Year ended February 2021 R'000	Audited Year ended February 2020 R'000
Cash flow from financing activities		
Proceeds from share issue	–	162 550
Proceeds on dividend reinvestment programme	32 236	–
Proceeds from financial liabilities	477 840	190 064
Repayment of financial liabilities	(85 300)	–
Repayment of solar lease liability	(93)	–
Loan advanced to related party	(1 579)	(2)
Purchase of treasury shares	(20 461)	(52 414)
Proceeds from sale of treasury shares	792	2 170
NET CASH GENERATED FROM FINANCING ACTIVITIES	403 435	302 368
Total cash movement for the period	7 881	10 389
Cash at the beginning of the period	24 181	13 792
CASH AT THE END OF THE PERIOD	32 062	24 181

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Group					
	Share capital R'000	Accumulated 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	1 794 064	490 614	10 850	2 295 528	54 155	2 349 683
<i>Changes in equity:</i>						
Investment in subsidiary	–	–	–	–	19 041	19 041
Profit for the period	–	207 305	–	207 305	5 285	212 590
Distribution to minority shareholder	–	–	–	–	(5 285)	(5 285)
Issue of shares	162 547	–	–	162 547	–	162 547
Disposal of subsidiary	750	–	–	750	–	750
Acquisition of treasury shares	(52 414)	–	–	(52 414)	–	(52 414)
Disposal of treasury shares	2 173	–	–	2 173	–	2 173
Distributions to shareholders	–	(175 628)	–	(175 628)	–	(175 628)
Share-based payment expense	–	–	6 938	6 938	–	6 938
Vesting executive share plan	3 667	–	(3 667)	–	–	–
Balance as at 29 February 2020	1 910 787	522 291	14 120	2 447 199	73 197	2 520 395
<i>Changes in equity:</i>						
Acquisition of non-controlling interest	–	–	–	–	(54 155)	(54 155)
Profit for the period	–	53 008	–	53 008	3 977	56 984
Distribution to minority shareholder	–	–	–	–	(3 977)	(3 977)
Dividend reinvestment programme	32 236	–	–	32 236	–	32 236
Disposal of subsidiary	–	–	–	–	–	–
Acquisition of treasury shares	(20 460)	–	–	(20 460)	–	(20 460)
Disposal of treasury shares	792	–	–	792	–	792
Distributions to shareholders	–	(152 409)	–	(152 409)	–	(152 409)
Share-based payment expense	–	–	11 891	11 891	–	11 891
Balance as at 28 February 2021	1 923 355	422 890	26 012	2 372 257	19 041	2 391 298

OPERATING SEGMENT INFORMATION

FOR THE YEAR ENDED 28 FEBRUARY 2021



	Industrial R'000	Commercial R'000	Retail R'000	Hospitality R'000
Segment revenue	163 610	240 743	78 704	15 206
Straight-lining of leases	5 979	12 626	6 235	7 398
Profit from operations	61 387	206 929	(13 086)	(7 240)
Fair value adjustments	(49 680)	29 441	(70 184)	(15 981)
Net property operating profit	111 886	185 092	59 153	9 349
Finance income	617	395	816	37
Finance costs	(27 737)	(80 708)	(10 937)	(6 180)
Investment property	1 144 637	2 203 707	604 501	420 400
Investment property under development	–	–	–	–
Straight-lining of lease asset	8 063	31 893	19 499	18 600
Total assets	1 238 285	2 205 633	699 988	457 356
Total liabilities	(450 151)	(1 136 175)	(193 859)	(105 200)

	Non- property R'000	Development land R'000	Total R'000
Segment revenue	737	–	498 999
Straight-lining of leases	–	–	32 238
Profit from operations	(34 771)	(17)	213 202
Fair value adjustments	–	–	(106 404)
Net property operating profit	(21 816)	(17)	343 648
Finance income	3 947	97	5 909
Finance costs	(28 274)	–	(153 836)
Investment property	–	–	4 373 245
Investment property under development	–	44 669	44 669
Straight-lining of lease asset	–	–	78 055
Total assets	(56 177)	38 802	4 583 887
Total liabilities	(308 415)	1 211	(2 192 589)

APPENDIX 1

SA REIT BEST PRACTICE RECOMMENDATIONS CALCULATION DISCLOSURE

The principles encompassed in the calculations below are aligned with 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.

RECONCILIATION BETWEEN EARNINGS AND DISTRIBUTABLE EARNINGS

The company has established strict guidelines regarding its distribution policy to ensure that the distributable earnings are a fair reflection of sustainable earnings. This comprises property-related income net of property-related expenditure, interest expense and administrative costs.

The specific adjustments are detailed in the statement of funds from operations below. All of these adjustments are derived from the face of the statement of comprehensive income presented and the accompanying notes to the financial statements.

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

	Year ended February 2021 R'000
Profit or loss per IFRS Statement of Comprehensive Income (SOI) attributable to the parent	53 008
Adjusted for:	
Accounting/specific adjustments:	75 049
Fair value adjustments to investment property	106 404
Asset impairments (excluding goodwill) and reversals of impairment	119
Deferred tax movement recognised in profit or loss	764
Straight-lining operating lease adjustment	(32 238)
Other adjustments:	1 253
Antecedent earnings adjustment *	1 253
SA REIT FFO	129 309
* In the determination of distributable earnings, the group elects to make an adjustment for the antecedent distribution arising as a result of the following:	
– Dividend reinvestment programme completed in November 2020	
– Total shares issued: 7 305 717	
– Acquisition of minority holding in subsidiary, Spear One Pty Ltd	
– Total shares issues: 1 533 333	
Company-specific adjustments	19 418
IFRS 2 expense – CSP awards with future vesting and issue date	11 891
Provisional tax paid on retained income for period	7 527
TOTAL DISTRIBUTABLE COMPANY FFO	148 727



	Cents per share	R'000
Interim distributable income per share (DIPS)	36.68	73 222
Final DIPS	36.70	75 505
TOTAL DISTRIBUTABLE INCOME PER SHARE	73.38	148 727
FINAL PAY-OUT RATIO FOR FINANCIAL YEAR	80%	
Number of shares outstanding at end of interim period (net of treasury)	199 619 857	
Final number of shares outstanding at end of period (net of treasury)	205 733 231	
Interim company dividend per share (DPS)	29.34	58 578
Final company DPS	29.36	60 403
TOTAL COMPANY DPS	58.70	118 981
Taxable retained earnings		29 746

Provisional tax on retained earnings paid in February 2021 – Refer to company-specific adjustments.

DIVIDEND DECLARED AND DIVIDEND PER SHARE

	Cents per share	R'000
Total distributions for the period – 2021		
Interim distribution declared on 30 October 2020 (Distribution number 8)	29.34	58 578
Final distribution declared on 14 May 2021 (Distribution number 9)	29.36	60 403
TOTAL DISTRIBUTIONS FOR THE PERIOD ENDED 28 FEBRUARY 2021	58.70	118 981
	Cents per share	R'000
Total distributions for the period – 2020		
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

APPENDIX 1 (CONTINUED)

SA REIT NET ASSET VALUE (SA REIT NAV)

		February 2021 R'000	February 2020 R'000
Reported NAV attributable to the parent		2 372 257	2 447 203
Adjustments:			
Dividend declared and 100% cash-settled		(60 403)	(94 239)
Deferred tax		(6 179)	(6 942)
SA REIT NAV	A	2 305 675	2 346 022
Shares outstanding			
Number of shares in issue at period end (net of treasury shares)		205 733 231	200 433 926
Dilutive number of shares in issue	B	205 733 231	200 433 926
SA REIT NAV PER SHARE	A/B	11.21	11.70

SA REIT COST-TO-INCOME RATIO

		February 2021 R'000	February 2020 R'000
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)		160 925	156 889
Administrative expenses per IFRS income statement		26 665	28 883
Other expenses, if directly related to property operations, with clear explanations of these items			
Depreciation		11 754	7 297
Exclude:			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets		(667)	(126)
Operating costs	A	198 677	192 945
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)		378 716	389 332
Utility and operating recoveries per IFRS income statement		120 284	114 462
Gross rental income	B	498 999	503 794
SA REIT COST-TO-INCOME RATIO (%)	A/B	39.82	38.30

APPENDIX 1 (CONTINUED)



SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

		February 2021 R'000	February 2020 R'000
Expenses			
Administrative expenses as per IFRS income statement		26 665	28 883
Other identified administrative expenses, with clear explanations of these items		667	126
Depreciation		667	126
Administrative costs	A	27 332	29 009
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)		378 716	389 332
Utility and operating recoveries per IFRS income statement		120 284	114 462
Gross rental income	B	498 999	503 794
SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO (%)	A/B	5.48	5.76

SA REIT GLA VACANCY RATE

		February 2021 m ²	February 2020 m ²
Gross lettable area of vacant space	A	27 949	12 570
Gross lettable area of total property portfolio	B	453 458	436 436
SA REIT GLA VACANCY RATE (%)	A/B	6.16	2.88

APPENDIX 1 (CONTINUED)

COST OF DEBT

		February 2021 %	February 2020 %
<i>Variable interest rate borrowings</i>			
Prime – Floating reference rate less weighted average margin		5.78	8.46
3-month JIBAR – Floating reference rate plus weighted average margin		5.64	8.12
<i>Fixed interest-rate borrowings</i>			
Weighted average fixed rate		8.66	8.99
Pre-adjusted weighted average cost of debt:	A	7.26	8.75
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 (SA REIT LTV)		7.26	8.75

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

		February 2021 R'000	February 2020 R'000
Gross debt		2 105 248	1 711 422
Less:			
Cash and cash equivalents		(32 340)	(24 294)
Net debt	A	2 072 908	1 687 128
Total assets – per Statement of Financial Position		4 583 887	4 301 966
Less:			
Cash and cash equivalents		(32 340)	(24 294)
Deferred taxation		(6 179)	(6 942)
Trade and other receivables		(19 918)	(13 626)
Carrying amount of property-related assets	B	4 525 450	4 257 104
SA REIT LTV (%)	A/B	45.81	39.63

SELECTED EXPLANATORY NOTES TO THE RESULTS



EARNINGS PER SHARE

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

BASIC EARNINGS PER SHARE

		Group	
		Reviewed Year ended February 2021	Audited Year ended February 2020
Shares in issue			
Number of shares in issue at end of year net of treasury shares	(Number of shares)	205 733 231	200 433 926
Weighted average number of shares in issue	(Number of shares)	208 003 843	200 554 965
Diluted weighted average number of shares in issues	(Number of shares)	208 003 843	200 554 965
Basic earnings per share			
Earnings (profit attributable to owners of the parent)	(R'000)	53 008	207 305
Basic earnings per share	(cents)	25.48	103.37
Diluted earnings per share	(cents)	25.48	103.37

HEADLINE EARNINGS PER SHARE

		Group	
		Reviewed Year ended February 2021	Audited Year ended February 2020
Reconciliation between basic earnings and headline earnings:			
Earnings (profit attributable to owners of the parent)	(R'000)	53 008	207 305
Adjusted for:			
Fair value adjustments to investment properties: Gross		106 404	(9 326)
Impairment of investments: Gross		119	750
Tax		—	—
Headline earnings	(R'000)	159 531	198 729
Headline earnings per share:			
Headline earnings per share	(cents)	76.70	99.09
Diluted headline earnings per share	(cents)	76.70	99.09

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

INTRODUCTION

Spear REIT Limited (JSE share code: SEA) is the only regionally specialised Real Estate Investment Trust 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 Spear management team's proximity to its assets is excellent and together with an acute understanding of the Western Cape real estate environment makes the company a true regional specialist priding itself on its hands-on asset management approach.

During the financial year 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 making a significant and positive impact on managing the rising curve and earnestly attempting to flatten the curve of infections.

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 casualties 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 Spear's tenant base.

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 year the lion's share of the portfolio has remained resilient during these incredibly challenging times but which have also resulted in tenant casualties 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 an occupancy percentage of 93.84% during the year.

FINANCIAL RESULTS

Distributable income per share ("DIPS") for the financial year ended 28 February 2021 is 73.38087 and after applying the group payout ratio of 80% the distribution per share ("DPS") is 58.70 cents. This represents a decline of 19.94% and 35.95% respectively from FY2020 (DPS of 91.66 cents).

The board of directors is pleased to announce a final DPS of 29.35995 cents for the six months ended 28 February 2021.

On a like-for-like basis, total revenue declined by 6.98% and net property operating profit declined by 9.07%. The decline in revenue is directly attributable to hotels, credits and deferrals granted as well as an increase in vacancies during the year. Property operating and management expenses declined by 2.59% and administrative expenses decreased by 7.78%.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)



At year-end Spear's tangible net asset value ("TNAV") per share decreased by 5.51% to R11.50 from R12.17 at the FY2020 year-end. The SA REIT NAV per share per Appendix 1 is R11.21, decreasing by 4.19% from R11.70 at the prior year-end.

The financial results achieved during the year 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 the Covid-19 pandemic 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 asset being unable to fully operate during the year.

Rental reversion on lease renewals and relets have been a key contributor to the financial results, being a reversion achieved of negative 3.70%. Vacancy rates across the portfolio were at 6.16% at year-end, increasing from 2.88% at the FY2020 year-end.

Group gearing increased to 45.81% (FY2020: 39.63%) during the financial year 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.

COLLECTIONS AND RECEIVABLES

- Year-to-date collections under the circumstances have been satisfactory and in line with management's planning scenarios
- Billing reflects revenue after all credits and deferments including recoveries
- Original budget reflects pre-Covid-19 operating revenue including hotels and recoveries (set in December 2019)
- Tenant arrears as at the end of the year amounted to R17.5 million (including VAT), decreasing to R12.8 million (including VAT) at last measurement date.
- Last date of collections for reporting was on 30 April 2021.

FY2021		Total R'000
Original budget (including utilities and hotels)		570 874
Billed (including utilities, excluding hotels)		502 366
Collected		491 276
Collected vs original budget	(%)	86.06
Collected vs billings	(%)	97.79

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

EXCLUSIONS, CREDITS AND DEFERRALS

Classification	YTD amount R'000	% of YTD budget (rentable area only) (%)	
Hospitality	(28 810)	6.59	Per May 2020 results presentation zero income forecast for hospitality. R1.8 million received in FY2021
Credit	(16 907)	3.87	Credit provided to tenant as part of relief negotiations
Deferral	(7 009)	1.60	R3.8 million of deferred rental has been rebilled and collected at last measurement date
Vacancies	(12 445)	2.85	Vacancy creep that was not budgeted for in December 2019 started to be noted in August and September 2020
Stopped billing	(2 191)	0.50	Retail tenants where billings were suspended due to restriction of trade regulations
Solar	5 076	(1.16)	Solar roof rental payments received after completion of solar system and not budgeted for in FY2021
TOTAL	(62 285)	14.92	

Management is actively reviewing tenant arrears and at the end of the reporting period, raised a provision for bad debt of R3.14 million while R4.2 million was written off as bad debt in FY2021.

The provision is reviewed on a monthly basis and adjusted to accommodate tenants that have debtors outstanding of 120 days and more with very little prospect of recoverability.

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 made to guard against receivables creep.

PROPERTY PORTFOLIO

Spear's current property portfolio consists of 32 high-quality assets with an average value of R139 million per property, being a 7.33% increase from FY2020 (R130 million per property). Total gross lettable area ("GLA") at year-end was 453 458m² valued at R4.50 billion.

The portfolio's income stream is underpinned by contractual escalations of 6.81%, a weighted average lease expiry ("WALE") of 27 months (FY2020: 29 months) together with a high percentage of A-grade tenants (listed and large nationals) comprising 52% of the total 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 IPD and SAPOA with an overall vacancy of 6.16% at the end of the financial year (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	GLA (m²)	Vacancy	% of total value (%)	Valuation R/m²
1. Liberty Life Building, Century City	441 600	Commercial	18 244	1 630	9.91	24 205
2. Mega Park, Bellville	440 500	Industrial	86 195	3 235	9.89	5 111
3. 2 Long Street, Cape Town	430 000	Commercial	25 207	3 535	9.65	17 059
4. Sable Square Shopping Centre, Milnerton	409 000	Retail	31 100	2 189	9.18	13 151
5. Northgate Park, Brooklyn	326 000	Commercial	16 956	2 130	7.32	19 226
6. 15 on Orange, Cape Town	277 000	Hospitality	16 663	240	6.22	16 624
7. 1 Waterhouse Place, Century City	241 250	Commercial	11 248	2 853	5.41	21 448
8. MWEB Head Office, Parow	170 000	Commercial	11 195	–	3.82	15 185
9. UES DoubleTree by Hilton Hotel, Woodstock	162 000	Hospitality	11 415	–	3.64	14 192
10. UES Commercial, Retail and Residential, Woodstock	144 000	Commercial	10 654	5 052	3.23	13 516
Top 10 Total	3 041 350		238 878	20 864	69.16	12 732
Group Total excluding Land	4 451 300		453 458	27 949	100.00	9 816

SELECTED EXPLANATORY NOTES

TO THE RESULTS (CONTINUED)

SECTORAL SPLIT

		Industrial	Commer- cial	Retail	Hospi- tality	Develop- ment land	Total
Number of properties		10	14	6	2	–	32
Value of properties	(R'000)	1 152 700	2 235 600	624 000	439 000	44 669	4 495 969
Value	(%)	26	50	14	9	1	100
Property revenue excluding smoothing	(R'000)	163 610	240 743	78 704	15 206	–	498 263
Revenue	(%)	33	48	16	3	0	100
Gross lettable area	(m²)	243 162	141 867	40 351	28 078	–	453 458
Gross lettable area	(%)	54	31	9	6	0	100
Vacant area	(m²)	5 840	18 502	3 366	240	–	27 949
Vacancy per sector	(%)	2.40	13.04	8.34	0.86	0.00	
Vacancy on total GLA	(%)	1.29	4.08	0.74	0.05	0.00	6.16
Yield	(%)	9.22	8.12	8.17	0.31	N/A	7.63
Weighted average in-force escalation	(%)	7.00	6.89	6.39	6.17*	N/A	6.81

* 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.

FAIR VALUE DISCLOSURES

All assets and liabilities measured or disclosed at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement as follows:

Level 1 Measurements in whole or in part are done by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 Measurements are done by reference to inputs other than quoted prices that are included in level 1. These inputs are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. from derived prices).

Level 3 Measurements are done by reference to inputs that are not based on observable market data.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques.

Valuation models are used to value investment properties (measurement and disclosure) and financial liabilities that have fixed-interest rates (disclosure only).

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty and valuation techniques employed may not fully reflect all factors relevant to the positions the company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)



The fair value of investment properties is updated at each reporting period either by way of external valuations or directors' valuations.

Investment property is required to be fair valued with sufficient regularity that the value is representative of the fair value. Per JSE requirements one-third of investment properties are required to be valued by an independent valuer on an annual basis and the remaining two-thirds are valued by management. Independent valuations were performed on a third of properties with effective date 28 February 2021 and the remaining properties were valued by management.

VALUATION TECHNIQUE

The fair value of investment properties is determined by utilising the discounted cash flow methodology in terms of which estimated gross income is projected for a five-year period, based on contractual arrangements and an estimated market rent upon the expiry of the leases for the period of the cash flow. Forecast expenses are deducted from the estimated gross annual income projections to arrive at the net annual income stream for the period of the cash flow.

This net annual income stream is discounted and aggregated to determine an estimated net present value of the cash flow.

To the sum of the discounted net annual value of the cash flow is added an amount that represents an estimate of the value of the property upon reversion at the end of the cash flow period. This latter amount is calculated as the value of the estimated net income in the forward period of 12 months immediately following the final year of the cash flow, capitalised at an appropriate exit capitalisation rate.

The key inputs to the valuation of investment property are the discount rate and exit capitalisation rate, representative of the perceived risk in the investment.

Capitalisation rates (and more specifically exit capitalisation rates which are utilised at the end of the discounted cash flow period) to determine the fair value of investment property into perpetuity were examined and risk-adjusted where necessary, to account for factors that influence the sustainability of cash flows pertaining to each property such as location, condition of improvements, market conditions and the strength of the underlying lease covenants, inter alia.

The discount rate is the annual return that a prudent rational investor requires in order to invest in the property in a competitive market as opposed to alternative asset classes.

It is widely expected that a yield premium above an appropriate risk-free rate is required to induce investors to invest into property due to the additional perceived risk in this asset class as opposed to an alternative investment with no default risk. Similarly, discount rates were examined and risk-adjusted where necessary.

As at 28 February 2021, the following significant key assumptions and unobservable inputs used by the group in determining fair value were in the following ranges:

SELECTED EXPLANATORY NOTES

TO THE RESULTS (CONTINUED)

		Industrial	Commer- cial	Retail	Hospitality	Total
Average discount rate	(%)	13.98	14.00	13.88	13.63	13.95
Average capitalisation rate	(%)	8.98	9.00	8.88	8.63	8.95
Average exit capitalisation rate	(%)	9.33	9.29	9.13	9.13	9.25
Average prior year exit capitalisation rate	(%)	9.03	9.00	8.92	8.63	8.89
Average rental growth rate	(%)	5.00	5.00	5.00	5.00	5.00
Average expense growth rate	(%)	7.00	7.00	7.00	7.00	7.00
Structural vacancy range	(%)	0.5 – 2.0	0.5 – 2.0	0.5 – 2.0	0.5 – 2.0	0.5 – 2.0
Void period range	(months)	2 – 4	2 – 4	2 – 4	2 – 4	2 – 4

These resulted in the following key metrics pertaining to the portfolio:

		Industrial	Commer- cial	Retail	Hospitality	Total
Average value per property (excluding land/bulk value)	(R'000)	115 270	159 686	104 000	219 500	139 103
Average value per square metre	(Rands)	4 740	15 758	15 464	15 635	9 816

The fair market valuations are tested for reasonableness by comparing the resultant Rand per m² against comparative sales of similar properties in similar locations.

Investment properties were devalued by R106 million in FY2021 (-2.57%).

It was found that the resultant rates per property and per asset class were reasonable and fair.

Further assumptions are used in the valuation of investment property. Inter-relationships between key unobservable inputs and fair value measurements are as follows:

The estimated fair value would increase/(decrease) if:

- ⬇ The discount rate was lower/(higher)
- ⬇ The reversionary capitalisation rate was lower/(higher)
- ⬆ The expected market rental growth was higher/(lower)
- ⬇ The expected expense growth was lower/(higher)
- ⬇ The vacant periods were shorter/(longer)
- ⬇ The rent-free periods were shorter/(longer)
- ⬆ The occupancy rate was higher/(lower)
- ⬆ The estimate of market rentals was higher/(lower).

Due to Covid-19 all assumptions used by internal and external valuers were reviewed and adjusted for where required. The material assumptions applied in the property valuations have not changed materially from the prior year.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)



The discount rate range applied in the 2020 financial period varied between 14.25% and 15.75% (average 15.06%). The capitalisation rate applied in the 2020 financial period varied between 8.25% and 9.50% (average 9.06%).

The below table illustrates the sensitivity of fair value to changes in the exit capitalisation rate:

	2021 R'000	2020 R'000
Change in fair value:		
Exit capitalisation rate decreased by 0.5%	254 693	164 634
Exit capitalisation rate increased by 0.5%	(228 422)	(172 493)

SECTORAL PERFORMANCE

INDUSTRIAL (GLA: 243 162m² and 97.60% occupied)

The industrial portfolio has been a significant moat around our business during the year with 54% of rentable GLA being industrial. During the peak of the pandemic the resilience and quality of covenants of the industrial portfolio has stood out. As early as May 2021 demand for Spear's well-located industrial rental opportunities recommenced and has continued consistently over the year. Rental collections for the year have been 97.71% of revenue billed as the vast majority of the industrial tenants were able to operate from Level 4 lockdown onwards.

The industrial portfolio offers a diversified industrial offering situated in well-established industrial nodes consisting of mini, mid-size and large modern logistics units. Management has during the reporting period renewed/let 155 076m² with a 1.88% positive rental reversion. Two new ten-year development lease agreements were concluded with Nampak Limited and Grindrod Logistics.

COMMERCIAL (GLA: 141 867m² and 86.96% occupied)

The future of work and how it affects the office sector are arguably key unknowns within the real estate environment in terms of what the return-to-work profile will look like, how many office tenants will require staff to return to the formal office environment five days a week and when in addition to how speedily the vaccine rollout can take place.

The commercial office portfolio has been notably impacted by Covid-19 as a notable rise in office vacancies has negatively impacted the financial performance of the portfolio during the year. National lockdowns have reduced bustling business districts to quiet streets. Spear's portfolio remains attractively positioned and demand for Spear's commercial real estate yielded very good results over the year. Overall, vacancy reduction was the main theme of the year as management's tenant-centric approach and regional expertise paid off with its aggressive letting strategy. Office sector lease renewals continue to be concluded, be it under very difficult trading conditions and extremely tough negotiations as rent preservation remains a top priority. During the period 35 408m² of commercial space was renewed or relet with a negative rental reversion of 1.79%.

Management is committed to finding innovative and creative ways to ensure the impact of the downturn in demand is managed appropriately and mitigated into the future.

RETAIL (GLA: 40 351m² and 91.66% occupied)

Spear's retail assets have proven defensive as the pandemic environment set in across South Africa. Spear's retail portfolio consists of two open-air convenience centres anchored by national grocers and numerous national line shop tenants. The vast majority of Spear's larger retail tenants were able to trade under Level 5 lockdown onwards, thus softening the blow across the retail portfolio. Tenants most negatively impacted by the national lockdowns were restaurants, coffee shops and gyms. Management adopted a pragmatic approach to tenant assistance in these instances as the joint mission remained business continuity in, through and out of the pandemic. Spear's retail assets have maintained a robust

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

rental collection profile with 95.58% of rental billed being collected. No significant tenant failure occurred during the year under review. During the period 15 230m² of retail space was renewed or relet with a negative rental reversion of 8.80%.

Spear's retail assets are located in high-growth nodes servicing Century City and the broader Northern Suburbs market. At year-end 41% (16 550m²) of retail GLA was occupied by national tenants. Management is satisfied that it will strengthen over the new financial year.

HOSPITALITY (GLA: 28 078m²)

Globally, hotels were temporarily closing their doors due to the Covid-19 pandemic and related restrictions. Management prudently took the decision to exclude any hospitality revenue from its income forecasts for the current full financial year given the uncertainty of when business would return. Many of the larger global companies with whom our hotels do business have indicated very hawkish travel plans into the 2021 calendar year.

With limited inbound business and the corporate market at a virtual standstill, management turned its focus to capturing business from companies supplying essential services as well as inbound and outbound travel where mandatory quarantine was required. Management's entrepreneurial approach bore fruit as contracts were signed with the shipping industry to supply accommodation, food and beverage services.

Trading increased gradually from September to November 2020 with the expectation that it would lead up to a positive festive season. Sales and marketing efforts that were put in place to take advantage of the local travel market was mooted when South Africa entered the second wave of Covid-19 infections over the festive season and into the start of the 2021 calendar year.

The latter gave rise to South Africa returning to lockdown Level 3 with the closure of beaches, the implementation of adjusted curfew hours and the reinstatement of a liquor ban negatively impacting the restaurant trade. Numerous travellers cancelled bookings as not being able to access a beach or stay out late at a top restaurant made travelling to Cape Town a lot less appealing.

As the sector that was the hardest hit by the pandemic, the restorative process to revenue could be the fastest as a hotel room would fill a lot faster than a stubborn office vacancy.

Management, staffing and expense levels have been aggressively restructured to ensure prudent navigation of the continued tough trading environment.

Management anticipates that business will return to around 75% of norm by the second quarter of FY2022 with the vaccine being the greatest caveat.

TENANT GRADING

	Gross lettable area m ²	Gross lettable area %	Number of tenants	Number of tenants %
A – Large nationals, large listed and government tenants	234 747	52	94	24
B – Smaller international and national tenants	178 429	39	245	62
C – Other local tenants and sole proprietors	12 333	3	56	14
Vacant	27 949	6	–	–
	453 458	100	395	100

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)



LETTING ACTIVITY

The table below reflects the letting activity for the year ended 28 February 2021:

	Expiries and cancel- lations GLA	Gross rental at expiry R'000	Average gross expiry rental R/m ²	Renewals/ New lets GLA	Gross rental at renewals/ new lets R'000	Average gross new rental R/m ²	Average rental reversion %
Commercial	35 408	4 777	134.90	23 012	3 049	132.49	(1.79)
Industrial	155 076	6 829	44.04	154 971	6 953	44.87	1.88
Retail	15 230	1 505	98.79	9 628	867	90.10	(8.80)
	205 714	13 110	92.58	187 610	10 869	89.15	(3.70)

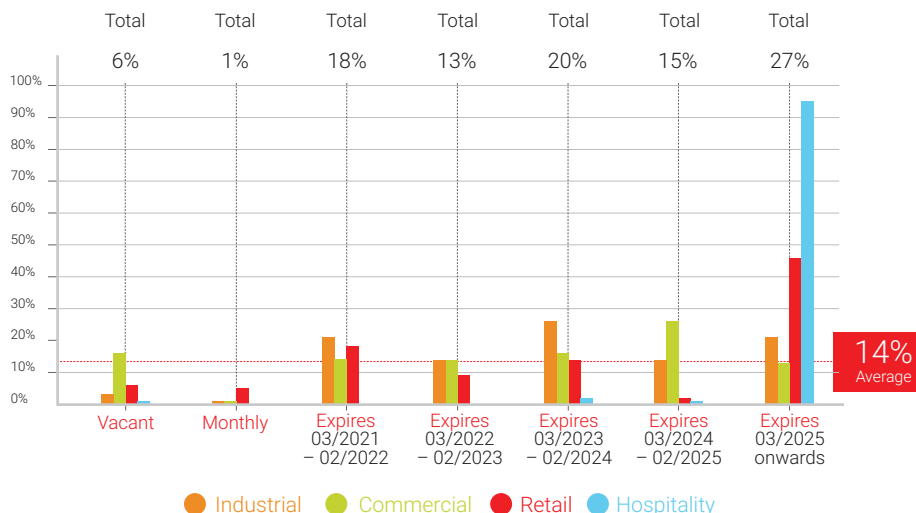
Spear's lease expiry profile remains defensive with a WALE of 27 months.

- 130 000m² was due for renewal in FY2021. A total of 187 610m² has either been renewed or relet. Early renewals and extension of leases were concluded as a result of tenant support negotiations
- 10-year leases for a total of 30 000m² of space to Grindrod Logistics and Nampak Limited have been successfully concluded
- Retail reversion relates to two retail tenants and is in line with management's expectations and budgets
- Spear's asset and property management team has a hands-on approach to tenant retention and actions tenant engagements well in advance of expiry to ensure business continuity and risk management for the business.

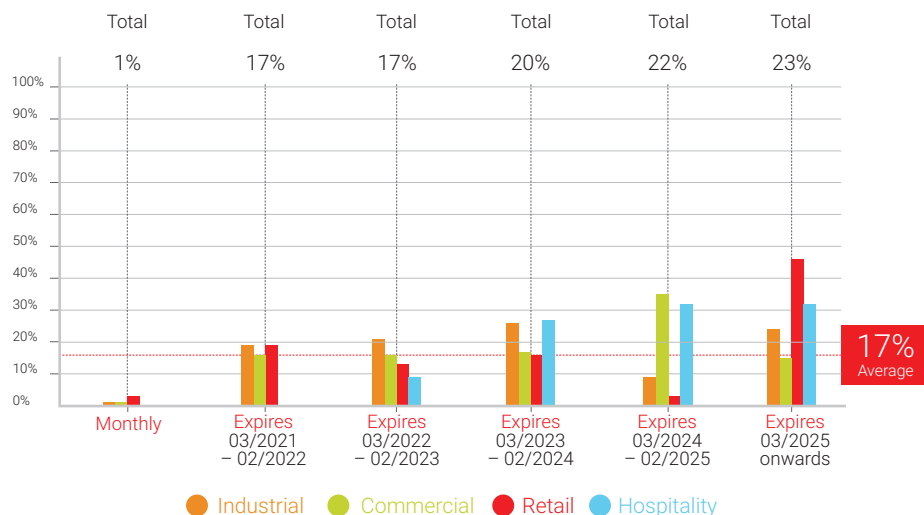
SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

LEASE EXPIRY PROFILE

LEASE EXPIRY PROFILE BASED ON GLA



LEASE EXPIRY PROFILE BASED ON REVENUE



SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)



ACQUISITIONS AND DISPOSALS

The group acquired the following properties during the year ended 28 February 2021:

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

The group disposed of the following property during the year ended 28 February 2021:

	Transfer date	Disposal value R'000	Cash payment value R'000	Disposal yield %
10 Mill Street, Newlands	07/08/2020	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 1 MVA rooftop solar PV 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

SELECTED EXPLANATORY NOTES

TO THE RESULTS (CONTINUED)

CAPITAL ALLOCATION AND STRATEGIC FOCUS

Capital allocation is a key pillar in the establishment and maintenance of a high-quality real estate portfolio. Management interrogates in detail the best use of every rand deployed across the business and how it would add value to the underlying business and provide long-dated shareholder returns.

Capital preservation in particular under the current pandemic environment further enhances the balance sheet and provides optionality to management. The allocation of capital must be done as strategically as possible and upon very strict investment criteria having been met.

Earmarked capital will be deployed into approved share buybacks, acquisitions or re/development opportunities with a primary focus on convenience retail, logistics-focused industrial and mixed-use assets.

Maximising shareholder value and aligning the balance sheet with strategic LTV goals inform management's disposal strategy. Disposal proceeds will be deployed into management's stated LTV reduction strategy until the stated mid-point has been reached, being in the region of 40% LTV.

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.

The group's gearing levels at the end of the year end was 45.81%, translating to a 15.59% increase from the end of FY2020.

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 period of 7.26% and a hedged ratio of 56.52% at the end of the financial year.

Fixed-rate loans were renewed at variable rates to take advantage of the low interest environment. This reduction in the fixed ratio is temporary and will be increased in FY2022 to be in line with the strategy.

Spear's most recent debt expiry profile below provides no short to medium-term refinancing risk with the bulk of Spear's debt coming due for renegotiation in FY2023/24.



SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

COST-TO-INCOME

Gross total cost-to-income for the year is 39.82%, increasing from 38.35% as at 29 February 2020.

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

Administrative cost-to-income for the period was 5.48%, 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, as well as the Covid-19-related cost reduction measures put in place, which included a three-month salary reduction for all staff and executives.

BORROWINGS AND FUNDING

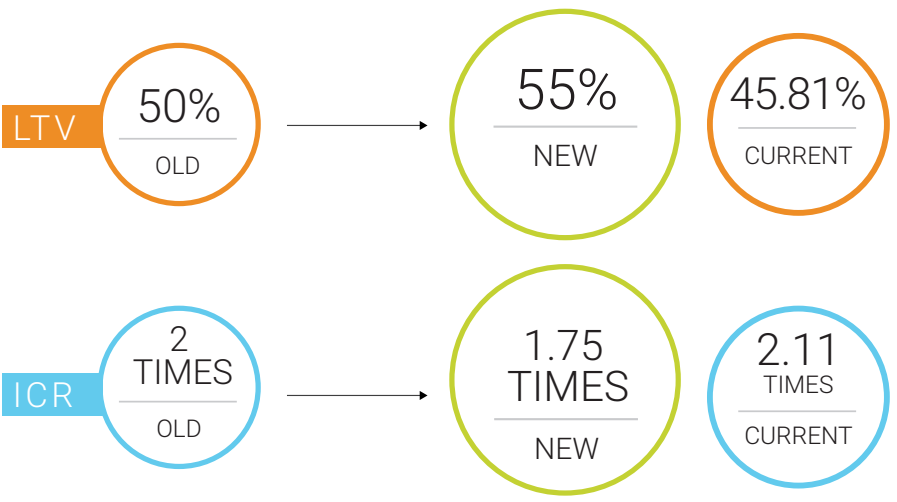
The group obtained funding for property acquisitions through increasing bank borrowings as disclosed under acquisitions and no capital raise was undertaken.

During the financial year a total of R1.36 billion of gross debt was refinanced with overall improved margins.

During the financial year R85 million of gross debt was settled.

GROUP COVENANTS

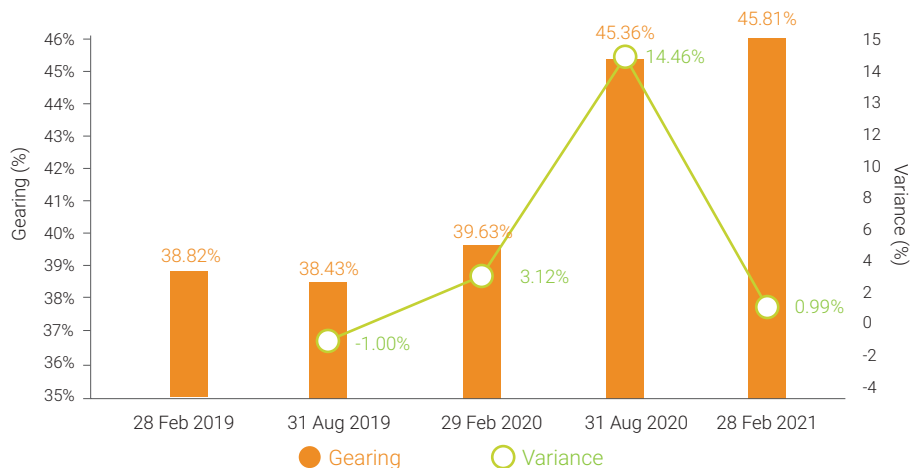
Group covenants have been relaxed for the financial years ending 28 February 2021 and 28 February 2022.



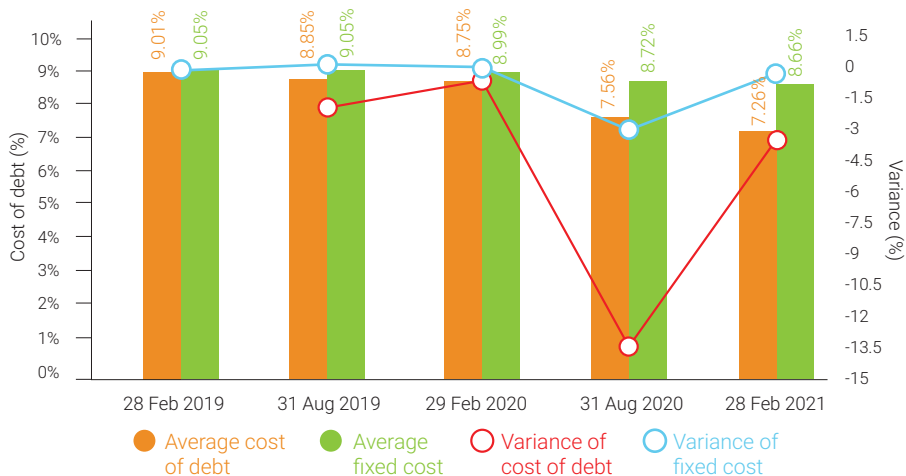
SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

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 1.27% and variable JIBAR-linked loans at an average margin of JIBAR plus 1.81%.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)



GROUP DEBT PROFILE



R1.2bn

Fixed debt **56.5%**

Cost

8.66%

Weighted

average expiry

19 months

R915m

Variable debt **43.5%**

Cost

5.66%

Weighted

average expiry

30 months



R1.05bn FY2024 **50%**

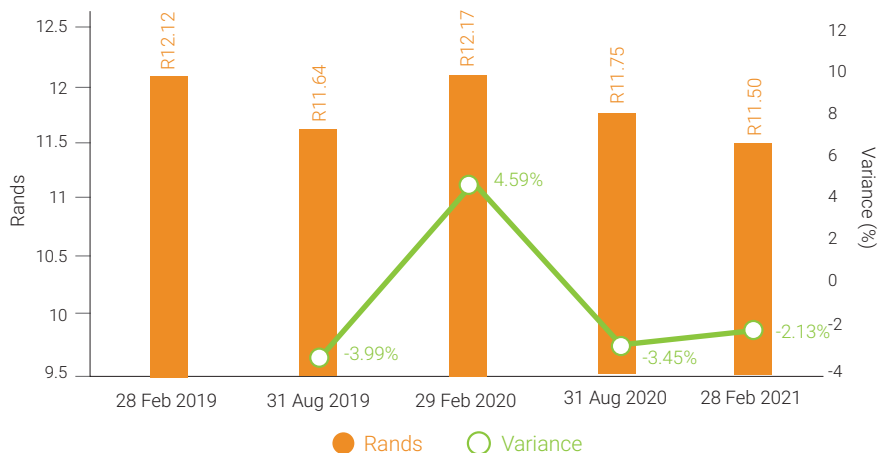
R407m FY2022 **19%**

R355m FY2025 **17%**

R298m FY2023 **14%**

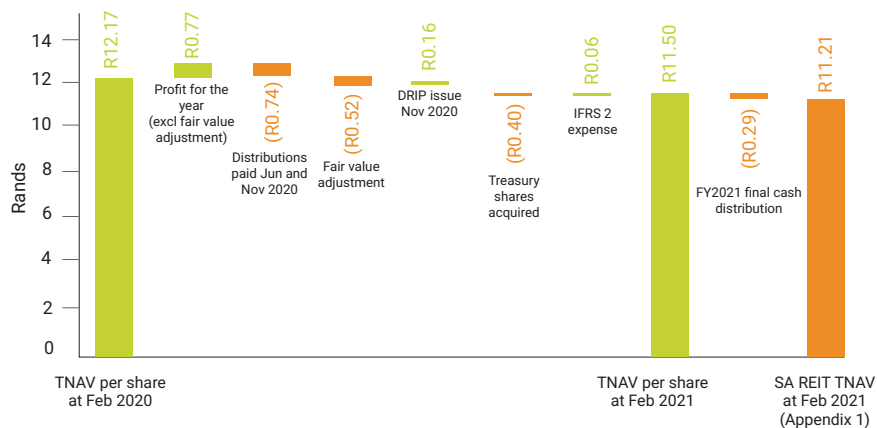
SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

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



SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)



SUSTAINABILITY

Spear strives to utilise natural resources as efficiently as possible by including sustainability as a strategic priority for the business. Sustainability objectives and initiatives are consistently monitored and improved as the portfolio grows. Spear aligns itself with the people, planet and profit approach to sustainability. Spear's sustainability strategy is woven into its investment approach creating and securing long-term sustainability. Spear remains focused to place less reliance on resources such as fossil fuel-generated electricity and national and local authority-supplied potable water. Natural resources are finite and there is an imperative placed on the global commerce to include, embrace and implement sustainability as a key strategic focus. Spear continues to align itself with the leading industry experts to jointly execute its sustainability strategy.

SOLAR PV ROLLOUT

Spear's solar PV rollout initiatives are taking excellent shape across the portfolio. Commissioned systems are performing in line with expectations and penetration rates are being achieved per pre-installation feasibility studies. The intention is for in excess of 50% of the current portfolio (based on an approved business and financial case) to be equipped with a solar PV solution.

A mix of roof leases, instalment sales and direct capital expenditure solution have been initiated by Spear as the adopted sustainability strategy.

Management, through its solar PV strategy, has successfully initiated and completed solar PV solutions for nine out of 19 properties with the balance set for completion towards the first quarter of FY2023. 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.

WATER CONTINUITY

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 remain installed and active across the portfolio linked into operational boreholes and well points.

Reducing Spear's carbon footprint is a key operational imperative. Management constantly seeks innovative ways to lessen the impact the portfolio has on the environment.

GOING CONCERN

The consolidated and separate financial statements were prepared on a going concern basis. The board of directors is satisfied that the group has adequate resources to continue trading for the foreseeable future, based on a formal review of the results, cash flow forecasts and assessing available resources to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

SELECTED EXPLANATORY NOTES

TO THE RESULTS (CONTINUED)

OUTLOOK

The macroeconomic conditions will remain very difficult to navigate as the global and local economy adjusts to the impact of the last year. The ongoing recessionary and pandemic environment may continue to impact income and growth opportunities in the years ahead. Spear's core portfolio remains of high quality and defensive in nature, positioning Spear favourably to continue its successful navigation of the current trading environment. The lack of international travel and the associated restrictions will continue to negatively impact the hospitality sector. As announced on SENS, Spear has terminated its variable lease agreement with Marriot International and entered into a fixed-income lease with The Capital Hotel and Apartments Group. The restorative nature of the new lease agreement will have a positive impact on group earnings from the second half of FY2022.

Commercial office vacancies will in the shorter term trend upwards with office vacancies normalising into the medium term as return-to-work plans are executed and companies start to focus on business and operational growth. Spear's industrial and retail portfolio will continue to trade strongly through the economic recovery and post-pandemic environment providing income consistency and ensuring demand for these rental properties remains strong.

Management will remain client-centric and focused on sustainable cash flows as lease renewals and filling of vacant space remain key focus areas. Management will actively ensure that all health and safety protocols continue to be implemented across the portfolio and the well-being of our staff, business partners and tenants remain a top priority. Management's proximity to assets remains excellent and our ability to speedily resolve business and operational issues remains exemplary. Obsessive focus on rental collections will remain as meaningful inroads will continue to be made on historical receivables.

Management will continue to actively dispose of non-core assets within the portfolio in line with our strategy together with the focused exit out of our hospitality assets. We have reason to be optimistic. Spear has consistently demonstrated its ability to withstand one of the toughest and most severe black-swan events of our generation.

Spear will never be immune to tenant failures, insolvencies and closures, but what we assure our shareholders is that we will do our level best to mitigate these situations and ensure they are the exception and not the norm. Spear has since inception maintained high occupancy rates and we are incredibly proud of how, in the face of a global pandemic and economic shutdown, Spear's portfolio occupancy rate has remained in the mid-90% in FY2021.

- 🔴 Management will focus on restoring income to parts of the portfolio most negatively impacted by Covid-19 and its residual effects
- 🔴 Management will maintain all necessary health and safety measures across its business and portfolio
- 🔴 Management will prudently steward capital allocation
- 🔴 Management and the board remain significantly invested in Spear and aligned with shareholders' interest
- 🔴 Spear's operating platform remains robust, further underpinning the quality of the business
- 🔴 Spear remains aligned with its mission statement and constant cash flow generation
- 🔴 Spear's hands-on asset management and tenant-centric approach will remain key to its operating strategy.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)



GUIDANCE

Given the benefit of hindsight, what we can see is that the hospitality and commercial office sectors have been deeply impacted by the pandemic and the associated national lockdowns. In the short term we do not expect any significant macroeconomic improvements in the trading environment as economic growth is mooted and load shedding ensnares the nation. Looking ahead, it is going to be critical for management to remain close to the pulse of the business and continue to seek growth and value-add opportunities both in the income statement and balance sheet of Spear.

Spear will maintain its Western Cape focus as this has been one of the key attributes that has given rise to Spear's strong rental collection profile under the circumstances.

Navigating into FY2022, the market conditions and the economic outlook in South Africa, and in Spear's case, the Western Cape, remain uncertain to a degree with some green shoots emerging as retail sales increase and restaurants, destination retail malls and airports become busier and busier. Predicting the recovery path and the duration of such a recovery remains very difficult, but we are confident that this recovery has begun and will gain momentum.

Management's guidance is a distribution per share growth of 6% – 8% for FY2022. Spear's payout ratio strategy will be maintained to be no less than 80% of distributable income per share.

The guidance is based on the following assumptions:

- 🔥 Ongoing recovery of the macroeconomic environment
- 🔥 No third or fourth wave of infections followed by a lockdown
- 🔥 Lease renewals are concluded per the company forecast
- 🔥 No major tenant failures take place in the year
- 🔥 Tenants will successfully absorb rising costs associated with deferral repayments, utility consumption charges and municipal rates
- 🔥 The trading environment vastly improves with international travel markets re-entering SA
- 🔥 Ongoing load shedding remains at low stage levels
- 🔥 Successful rollout of the Covid-19 vaccine with a high efficacy rate.

Any changes in the above assumptions may affect management's forecast for the year ending 28 February 2022.

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.

The forecast for the period ending 28 February 2022 is the sole responsibility of the directors and has not been reviewed or audited by Spear's independent external auditors.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

SUBSEQUENT EVENTS

The directors are not aware of any events, other than those listed below, which have occurred since the end of the financial year-end and which have a material impact on the results and disclosures in these provisional reviewed condensed consolidated financial results for the year ended 28 February 2021.

15 ON ORANGE HOTEL

Shareholders are hereby advised that on 3 March 2021, the company and its wholly-owned subsidiary, Blend Property 15 Proprietary Limited ("Blend 15"), being the owner of the property comprising the 15 on Orange Sectional Title Scheme, which includes the hotel, commercial, retail and parking sections ("Property"), exercised its unconditional landlord right to cancel the lease with Marriott International, the prior operator.

Shareholders are further advised that on 10 March 2021, Blend 15 entered into an agreement of lease ("Lease") with The Capital Apartments and Hotels Proprietary Limited ("Tenant") and an option agreement ("Option Agreement") with The Capital Apartments and Hotels Group Proprietary Limited ("Purchaser"), the details of which are set out below.

In terms of the Lease, the Tenant will take occupation of the Property on 1 June 2021, provided that Blend 15 is able to provide the Tenant with vacant occupation of the Property at that date. If Blend 15 is unable to provide the Tenant with vacant occupation of the premises on 1 June 2021, the occupation date will be delayed to the date on which Blend 15 is able to provide the Tenant with vacant occupation.

The Lease shall commence on 1 August 2021, unless the Occupation Date is delayed to a date after 3 June 2021, in which case the commencement date will be the first day of the month following two complete months after the Occupation Date ("Lease Commencement Date") with a duration of seven years. The basic monthly rental payable by the Tenant to Blend 15 shall be a fixed amount. During the first and second years of the Lease Period, the basic monthly rental shall be R1 916 666.67 (including value-added tax). Thereafter, the basic monthly rental payable during the remaining years of the Lease Period will escalate annually at a rate of 5% per annum (compounded annually) with effect from the second anniversary of the Lease Commencement Date.

In terms of the Option Agreement, Blend 15 irrevocably granted the Purchaser a call option ("Call Option") to purchase the Property, together with (i) the Lease, (ii) all movable assets owned by Blend 15 and situated on the Property and (iii) all of Blend 15's rights, title and interest in and to the name "15 on Orange" or any deviation thereof (collectively, the "Disposal Assets"), for the disposal consideration of R265 000 000 ("Disposal Consideration"), subject to the escalation as set out below.

BASIS OF PREPARATION – REVIEWED

The provisional reviewed condensed consolidated financial statements for the year ended 28 February 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, No. 71 of 2008 (as amended) and the Listings Requirements of the JSE Limited.

The accounting policies applied by the group in preparation of these provisional reviewed condensed consolidated financial statements are consistent with those applied by the group in its consolidated financial statements for the year ended 29 February 2020.

Christiaan Barnard CA (SA), in his capacity as Chief Financial Officer, was responsible for the preparation of the provisional reviewed condensed consolidated financial statements for the year ended 28 February 2021.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)



REVIEW OF THE INDEPENDENT AUDITOR

The provisional reviewed condensed reviewed consolidated financial statements for the year ended 28 February 2021 have been reviewed by BDO South Africa Incorporated, who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all of the information contained in the financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

In addition, the auditor performed a limited assurance engagement on the SA REIT Association Best Practice Recommendations disclosures set out in Annexure 1 of these results. The engagement was conducted in accordance with the International Standard on Assurance Engagements ("ISAE") 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. The report is available for inspection at the company's registered office.

FINAL DISTRIBUTION FOR THE YEAR ENDED 28 FEBRUARY 2021

Notice is hereby given of the declaration of final distribution number 9 of 29.35995 cents per share for the six months ended 28 February 2021 from income reserves.

As Spear is a REIT, the distribution meets the definition of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 (Income Tax Act). Qualifying distributions received by South African tax residents will form part of their gross income in terms of section 10(1)(k)(i)(aa) of the Income Tax Act. Consequently, these distributions are treated as income in the hands of the shareholders and are not subject to dividends withholding tax ("Dividend Tax"). The exemption from dividends withholding tax is not applicable to non-resident shareholders, but they may qualify for relief under a tax treaty.

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 Dividend Tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders have provided to the 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 Dividend Tax. Since 1 January 2014, any

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

dividend received by a non-resident from a REIT will be subject to Dividend 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 Dividend Tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 23.48796 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following form to their CSDP or broker in respect of uncertificated shares, or the company, in respect of certificated shares:

- a declaration that the dividend is subject to a reduced rate as a result of the application of DTA; and
- a written undertaking to inform their CSDP, broker or the company, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

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

The number of ordinary shares in issue on declaration date is 214 615 571.

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 set out below:

	2021
Declaration date	Friday, 14 May
Last day to trade cum-dividend distribution	Tuesday, 1 June
Shares trade ex-dividend distribution	Wednesday, 2 June
Record date	Friday, 4 June
Payment date	Monday, 7 June

Notes:

- Share certificates may not be dematerialised or rematerialised between Wednesday, 2 June 2021 and Friday, 4 June 2021, both days inclusive.
- In respect of dematerialised shareholders, the distributions will be transferred to the CSDP account/broker accounts on Monday, 7 June 2021. Certificated shareholders' distribution payments will be paid to certificated shareholders' bank accounts on Monday, 7 June 2021.

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
14 May 2021

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")

REGISTERED OFFICE

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

DIRECTORS

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 Lucille Phillips **

* Non-executive
Independent

COMPANY SECRETARY

René Cheryl Stober

CONTACT DETAILS

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

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)

and

2nd Floor, Building 3
11 Alice Lane, Sandhurst
Sandton, 2196
(PO Box 650957, Benmore, 2010, South Africa)

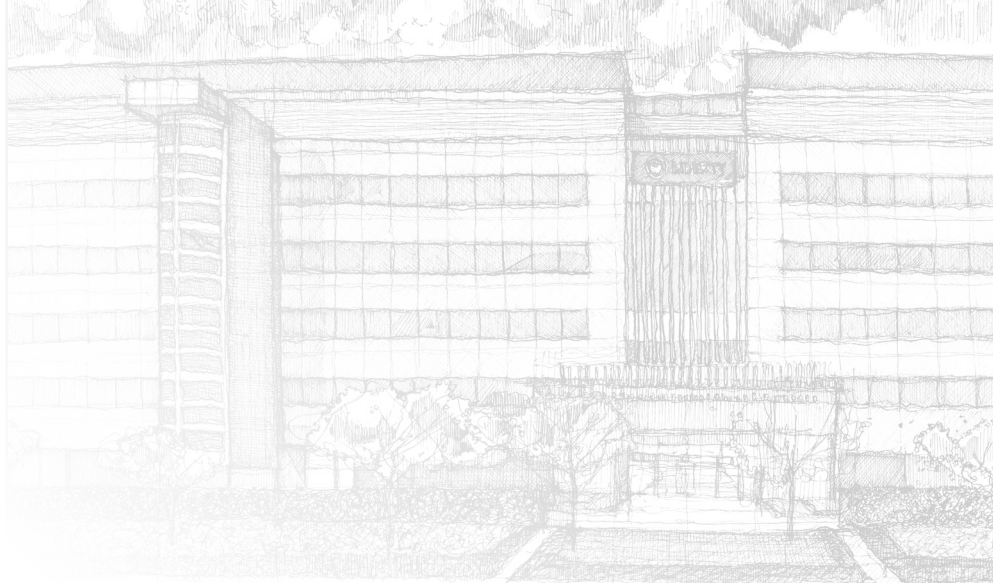
LEGAL ADVISER

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

BANKERS

Nedbank Limited
Standard Bank Limited
Investec Limited

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