SPEAR
REIT LIMITED

Provisional Reviewed Condensed Consolidated Financial Statements

FOR THE YEAR ENDED 28 FEBRUARY 2022

PROPERTY • PEOPLE • PLANET

SALIENT DETAILS

78.00 CENTS PER SHARE	68.25 CENTS PER SHARE	16.26%	88%
FY2022 DIPS	FY2022 DPS	FY2022 DPS GROWTH	FY2022 PAYOUT RATIO

39.05%	97.92%	93.76%	2.19 TIMES	R11.30
LTV	YTD COLLECTION	OCCUPANCY	ICR	TNAV

NATURE OF THE BUSINESS

Spear REIT Limited ("Spear" or "the group" or "the company") is listed as a Real Estate Investment Trust ("REIT") on the main board of the Johannesburg Stock Exchange ("JSE") and is the only regionally-focused REIT listed on the JSE which 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 internally and directly managed by the Spear executive management team.

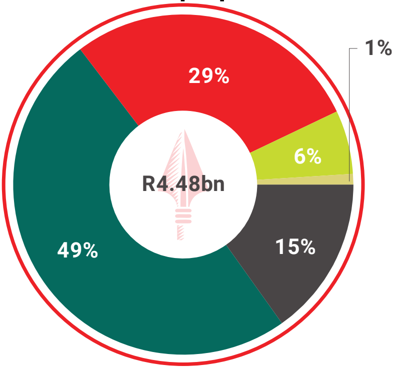
ABBREVIATIONS

bps	basis points
DIPS	distributable income per share
DPS	distribution per share
GLA	gross lettable area
ICR	interest cover ratio
LTV	loan-to-value
TNAV	tangible net asset value
WALE	weighted average lease expiry
YTD	year-to-date

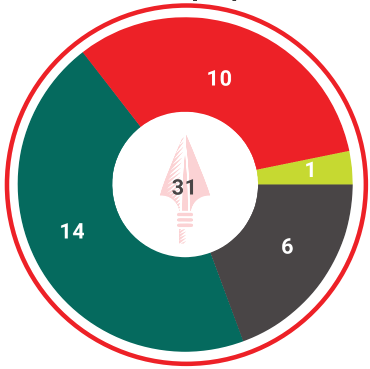
SPEAR REIT LIMITED
Incorporated in the Republic of South Africa
(Registration number 2015/407237/06)
JSE share code: SEA
ISIN: ZAE000228995
LEI: 378900F76170CCB33C50
(Approved as a REIT by the JSE)
("Spear" or "the group" or "the company")

SECTORAL SPLIT BY VALUE, REVENUE AND GLA

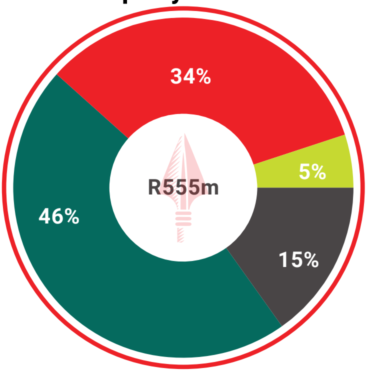
Value of properties



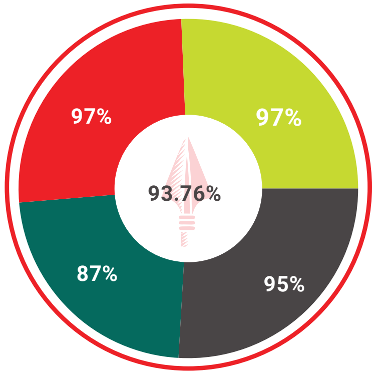
Number of properties



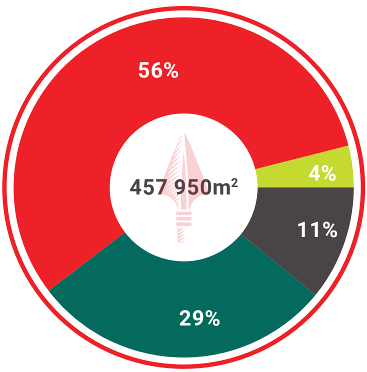
Property revenue



Property occupancy



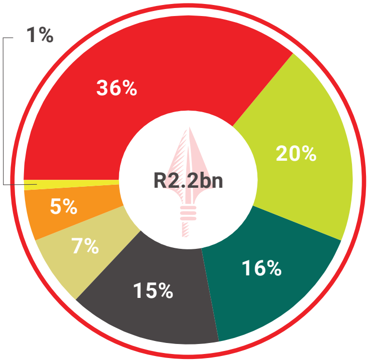
Gross lettable area



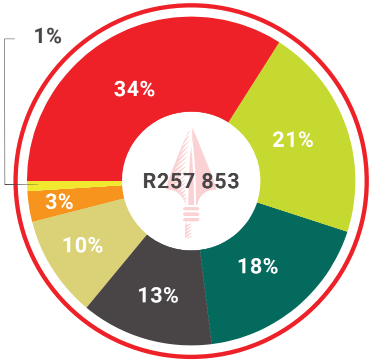
SECTORAL SPLIT BY SECTOR

COMMERCIAL

Property value

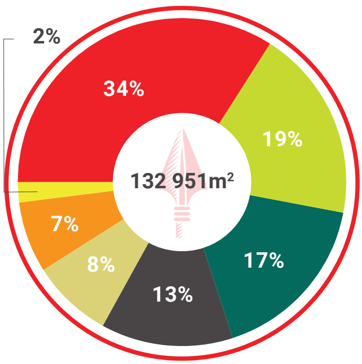


Property revenue (R'000)

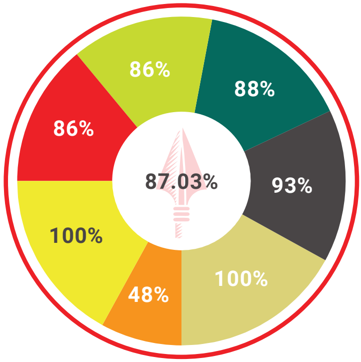


- Century City
- CBD
- Tyger Valley
- Brooklyn
- Parow
- Woodstock
- Paarden Eiland

Gross lettable area (m²)



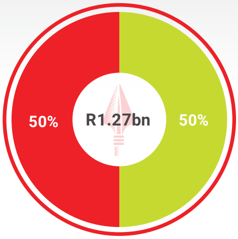
Property occupancy (%)



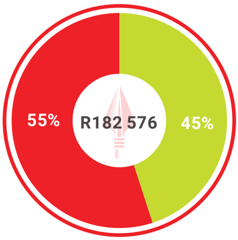
SECTORAL SPLIT BY SECTOR

INDUSTRIAL

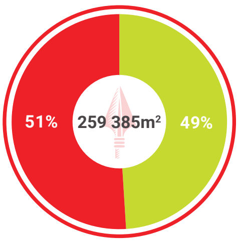
Property value



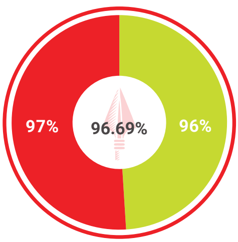
Property revenue (R'000)



Gross lettable area (m²)



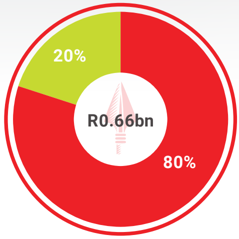
Property occupancy



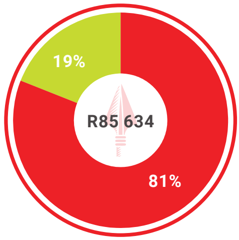
Multi-let/Manufacturing   Logistics

RETAIL

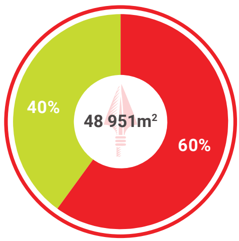
Property value



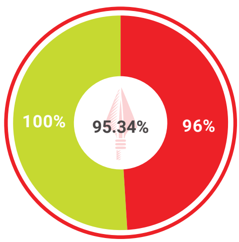
Property revenue (R'000)



Gross lettable area (m²)



Property occupancy



Convenience retail   Destination retail

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Group	
		Reviewed Year ended February 2022 R'000	Audited Year ended February 2021 R'000
Assets			
Investment property (including straight-line accrual)		**4 406 265**	4 495 969
Property, plant and equipment		**1 604**	2 206
Financial assets		**4 287**	4 382
Deferred taxation		**1 228**	6 179
Non-current assets		**4 413 384**	4 508 736
Investment properties held for sale		**71 400**	–
Financial assets		**–**	21 204
Loans to related parties		**–**	1 689
Trade and other receivables		**15 934**	19 918
Cash and cash equivalents		**29 214**	32 340
Other financial asset		**541**	–
Current assets		**117 089**	75 151
Total assets		**4 530 473**	4 583 887
Equity and liabilities			
Shareholders' interest			
Share capital		**2 168 821**	1 923 355
Share-based payment reserve		**20 414**	26 012
Accumulated income		**460 854**	422 890
Total attributable to owners		**2 650 089**	2 372 257
Non-controlling interest		**23 255**	19 041
Total equity		**2 673 344**	2 391 298
Liabilities			
Financial liabilities		**1 780 280**	1 698 227
Non-current liabilities		**1 780 280**	1 698 227
Financial liabilities		**–**	407 021
Loans from related parties		**386**	–
Lease liability		**4 691**	1 692
Bank overdraft		**–**	278
Trade and other payables		**71 625**	85 057
Taxation payable		**147**	314
Current liabilities		**76 849**	494 362
Total liabilities		**1 857 129**	2 192 589
Total equity and liabilities		**4 530 473**	4 583 887
Number of ordinary shares in issue		**244 846 390**	214 615 571
Treasury shares		**(10 414 513)**	(8 882 340)
Net ordinary shares in issue		**234 431 877**	205 733 231
Gearing ratio	(%)	**39.05**	45.81
Net asset value per share *	(Rands)	**11.30**	11.53
Tangible net asset value per share	(Rands)	**11.30**	11.50

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Group	
		Reviewed Year ended February 2022 R'000	Audited Year ended February 2021 R'000
Contractual rental income		**413 574**	377 846
Tenant recoveries		**140 754**	120 284
Straight-line rental income accrual		**20 026**	32 238
Property revenue		**574 354**	530 368
Other income		**509**	869
Total revenue		**574 862**	531 237
Property operating and management expenses		**(195 771)**	(160 925)
Net property-related income		**379 091**	370 313
Administrative expenses		**(37 138)**	(26 665)
Net property operating profit		**341 953**	343 648
Fair value adjustment – Investment properties		**(2 051)**	(106 404)
Impairment of investments		**(267)**	(119)
Depreciation and amortisation		**(13 769)**	(11 754)
Listing cost		**(289)**	(278)
Share-based payment expense		**(9 440)**	(11 891)
Profit from operations		**316 137**	213 202
Net interest		**(147 289)**	(147 927)
– Finance costs		**(150 935)**	(153 836)
– Finance income		**3 647**	5 909
Profit before taxation		**168 849**	65 275
Taxation		**(3 925)**	(8 290)
Profit for the period		**164 924**	56 984
Other comprehensive income		**–**	–
Total comprehensive income for the period		**164 924**	56 984
Attributable to:			
Equity owners of the parent		**164 924**	53 008
Non-controlling interest		**–**	3 977
Total comprehensive income for the period		**164 924**	56 984
Basic earnings per share	(cents)	**76.14**	25.48
Diluted earnings per share	(cents)	**76.14**	25.48
Distribution per share*	(cents)	**68.25**	58.70
Interest cover ratio	(times)	**2.19**	2.11

** Refer to Appendix 1*

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 2020	1 910 787	522 291	14 120	2 447 199	73 197	2 520 395
Changes in equity:						
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
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**	**2 391 299**
Changes in equity:						
Profit for the period	**–**	**164 924**	**–**	**164 924**	**–**	**164 924**
Change in non-controlling interest	**–**	**–**	**–**	**–**	**4 214**	**4 214**
Issue of shares	**253 379**	**–**	**–**	**253 379**	**–**	**253 379**
Acquisition of treasury shares	**(87 451)**	**–**	**–**	**(87 451)**	**–**	**(87 451)**
Disposal of treasury shares	**79 538**	**–**	**–**	**79 538**	**–**	**79 538**
Distributions to shareholders	**–**	**(126 960)**	**–**	**(126 960)**	**–**	**(126 960)**
Share-based payment expense	**–**	**–**	**9 440**	**9 440**	**–**	**9 440**
Vesting conditional share plan	**–**	**–**	**(15 038)**	**(15 038)**	**–**	**(15 038)**
Balance as at 28 February 2022	**2 168 821**	**460 854**	**20 414**	**2 650 089**	**23 255**	**2 673 344**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	Reviewed Year ended February 2022 R'000	Audited Year ended February 2021 R'000
Cash generated from operations		
Profit before tax	**168 849**	65 275
Adjustments for:		
Straight-line rental income accrual	**(20 026)**	(32 238)
Depreciation	**13 769**	11 754
Fair value adjustments – Investment property	**2 051**	106 404
Impairment investments	**267**	119
Finance income	**(3 647)**	(5 909)
Finance cost	**150 935**	153 836
Share-based payment expense	**9 440**	11 891
Changes in working capital		
Trade and other receivables	**3 984**	(6 292)
Trade and other payables	**(13 432)**	15 026
Cash generated from operating activities	**312 190**	319 866
Finance costs	**(150 169)**	(152 592)
Finance income	**3 291**	2 974
Distribution paid	**(126 960)**	(152 413)
Taxation paid	**(4 633)**	(7 213)
Net cash generated from operation activities	**33 719**	10 622
Cash flows from investing activities		
Acquisition of investment property	**–**	(381 606)
Cost incurred on developments	**(22 937)**	(58 544)
Cost capitalised to investment property	**(57 029)**	(14 123)
Proceeds on sale of investment property	**95**	58 830
Acquisition of property, plant and equipment	**(496)**	(29)
Proceeds on sale of property, plant and equipment	**318**	–
Repayment received on loan to tenant	**450**	376
Loan advanced to tenant	**(8 765)**	–
Proceeds from disposal of subsidiary	**45 700**	(11 082)
Net cash used in investing activities	**(42 664)**	(406 178)

	Group	
	Reviewed Year ended February 2022 R'000	Audited Year ended February 2021 R'000
Cash flow from financing activities		
Proceeds from share issue	**253 379**	–
Proceeds on dividend reinvestment programme	**–**	32 236
Proceeds from financial liabilities	**81 287**	477 840
Repayment of financial liabilities	**(307 021)**	(85 300)
Proceeds from related party loan	**386**	–
Repayment of solar lease liability	**(131)**	(93)
Loan received from/(advanced to) related party	**1 689**	(1 579)
Purchase of treasury shares	**(87 451)**	(20 461)
Proceeds from sale of treasury shares	**63 959**	794
Net cash generated from financing activities	**6 097**	403 437
Total cash movement for the period	**(2 848)**	7 881
Cash at the beginning of the period	**32 062**	24 181
Cash at the end of the period	**29 214**	32 062

OPERATING SEGMENT INFORMATION

FOR THE YEAR ENDED 28 FEBRUARY 2022

	Industrial R'000	Commercial R'000	Retail R'000	Hospitality R'000	Non-property R'000	Development R'000	Total R'000
Segment revenue	182 576	257 853	85 634	28 519	254	–	554 836
Straight-lining of leases	5 583	5 350	3 020	6 073	–	–	20 026
Net property operating profit	123 648	178 598	58 836	19 654	(38 765)	(17)	341 953
Fair value adjustments	58 024	(16 350)	36 193	(64 831)	(15 087)	–	(2 051)
Profit from operations	180 750	4 878	92 462	(45 694)	83 760	(17)	316 137
Finance income	644	546	611	1 755	37	54	3 647
Finance costs	(25 989)	(85 412)	(10 370)	(5 005)	(24 159)	–	(150 935)
Investment property	1 185 290	2 178 192	640 580	274 981	–	–	4 279 043
Investment property held for sale	71 400	–	–	–	–	–	71 400
Investment property under development and land	–	–	–	–	–	49 795	49 795
Straight-lining of lease asset	13 645	37 243	22 520	4 019	–	–	77 427
Total assets	**1 370 817**	**2 115 405**	**721 198**	**289 201**	**(13 797)**	**47 649**	**4 530 473**
Total liabilities	**(408 880)**	**(1 041 091)**	**(198 736)**	**(1 096)**	**(208 603)**	**1 277**	**(1 857 129)**

APPENDIX 1 – ADOPTION OF SA REIT BEST PRACTICE RECOMMENDATIONS

The principles encompassed in the calculations below are aligned with Best Practice Recommendations ("BPR") by the SA REIT Association ("SA REIT") published in 2019 and do not comply with IFRS.

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 ("FFO") 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

	R'000
Profit or loss per IFRS Statement of Comprehensive Income (SOCI) attributable to the parent	**164 924**
Adjusted for:	
Accounting/specific adjustments:	**(18 249)**
Fair value adjustments to:	
– Investment property	**2 051**
Asset impairments (excluding goodwill) and reversals of impairment	**267**
Deferred tax movement recognised in profit or loss	**(542)**
Straight-lining operating lease adjustment	**(20 026)**
Other adjustments:	**10 394**
Antecedent earnings adjustment*	**10 394**
** Antecedent earnings adjustment relates to a private placement of R253.9 million concluded in February 2022.*	
SA REIT FFO	**157 068**
Company-specific adjustments	**13 906**
IFRS 2 Expense – CSP awards with future vesting and issue date	**9 440**
Provisional tax paid on retained income for the period	**4 467**
Total distributable company FFO	**170 975**

		Cents per share	R'000
Interim DIPS		**38.89**	**79 305**
Final DIPS		**39.10**	**91 669**
Total DIPS	**A**	**78.00**	**170 975**
Number of shares outstanding at end of interim period (net of treasury)		**203 905 498**	
Final number of shares outstanding at end of period (net of treasury)		**234 431 877**	

		Payout ratio %	Cents per share	R'000
Interim company DPS		**85**	**33.06**	**67 410**
Final company DPS		**90**	**35.19**	**82 503**
Total company DPS	**B**	**88**	**68.25**	**149 912**
Taxable retained earnings	(A–B)			**21 063**
Taxation paid				**(4 467)**
Net retained income				**16 596**

DIVIDEND DECLARED AND DIVIDEND PER SHARE

Total distributions for the period – 2022	**Cents per share**	**R'000**
Interim distribution declared on 26 October 2021 (Distribution number 10)	**33.06**	**67 410**
Final distribution declared on 26 May 2022 (Distribution number 11)	**35.19**	**82 503**
Total distributions for the period ended 28 February 2022	**68.25**	**149 912**
DPS growth FY2022 (%)	**16.26**	

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 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**

SA REIT NAV

		February 2022 R'000	February 2021 R'000
Reported NAV attributable to the parent		**2 650 089**	2 372 257
Adjustments:			
Dividend declared and 100% cash settled		**(82 503)**	(60 403)
Deferred tax		**(1 228)**	(6 179)
SA REIT NAV	**A**	**2 566 358**	2 305 675
Shares outstanding			
Number of shares in issue at period end (net of treasury shares)	**B**	**234 431 877**	**205 733 231**
Dilutive number of shares in issue		**234 431 877**	205 733 231
SA REIT NAV per share (Rands)	**A/B**	**10.95**	11.21

SA REIT COST-TO-INCOME RATIO

		February 2022 R'000	February 2021 R'000
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)		**195 771**	160 925
Administrative expenses per IFRS income statement		**37 138**	26 665
Other expenses, if directly related to property operations, with clear explanations of these items			
Depreciation		**13 769**	11 754
Exclude:			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets		**(913)**	(667)
Operating costs	**A**	**245 765**	198 678
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)		**414 082**	378 716
Utility and operating recoveries per IFRS income statement		**140 754**	120 284
Gross rental income	**B**	**554 836**	498 999
SA REIT cost-to-income ratio (%)	**A/B**	**44.30**	39.82

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

		February 2022 R'000	February 2021 R'000
Expenses			
Administrative expenses as per IFRS income statement		**37 138**	26 665
Other identified administrative expenses, with clear explanations of these items			
Depreciation		**913**	667
Administrative costs	**A**	**38 051**	27 332
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)		**414 082**	378 716
Utility and operating recoveries per IFRS income statement		**140 754**	120 284
Gross rental income	**B**	**554 836**	498 999
SA REIT administrative cost-to-income ratio (%)	**A/B**	**6.86**	5.48

SA REIT GLA VACANCY RATE

		February 2022 m^2	February 2021 m^2
GLA of vacant space	**A**	**28 580**	27 949
GLA of total property portfolio	**B**	**457 950**	453 458
SA REIT GLA vacancy rate (%)	**A/B**	**6.24**	6.16

COST OF DEBT

	February 2022 %	February 2021 %
Variable interest rate borrowings		
Prime – Floating reference rate plus weighted average margin	**7.50**	5.78
3-month Jibar – Floating reference rate plus weighted average margin	**5.92**	5.64
Fixed interest rate borrowings		
Weighted average fixed rate	**8.34**	8.66
Pre-adjusted weighted average cost of debt	**7.32**	7.26
Adjustments:		
Impact of interest rate derivatives	**–**	–
Amortised transaction costs imputed into the effective interest rate	**–**	–
All-in weighted average cost of debt	**7.32**	7.26

SA REIT LTV

		February 2022 R'000	February 2021 R'000
Gross debt		**1 780 280**	2 105 248
Less:			
Cash and cash equivalents		**(29 214)**	(32 340)
Add/Less:			
Derivative financial instruments		**–**	–
Net debt	**A**	**1 751 066**	2 072 908
Total assets – per Statement of Financial Position		**4 530 473**	4 583 887
Less:			
Cash and cash equivalents		**(29 444)**	(32 340)
Derivative financial assets		**–**	–
Deferred taxation		**(1 228)**	(6 179)
Trade and other receivables		**(15 934)**	(19 918)
Carrying amount of property-related assets	**B**	**4 483 867**	4 525 450
SA REIT LTV (%)	**A/B**	**39.05**	45.81

Mega Park, Bellville

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 1/2021 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 determines 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 2022	Audited Year ended February 2021
Shares in issue			
Number of shares in issue at end of year net of treasury shares	(Number of shares)	**234 431 877**	205 733 231
Weighted average number of shares in issue	(Number of shares)	**216 603 351**	208 003 843
Diluted weighted average number of shares in issues	(Number of shares)	**216 603 351**	208 003 843
Basic earnings per share			
Earnings (profit attributable to owners of the parent)	(R'000)	**164 924**	53 008
Basic earnings per share	(cents)	**76.14**	25.48
Diluted earnings per share	(cents)	**76.14**	25.48

Headline earnings per share

		Group	
Reconciliation between basic earnings and headline earnings:		**Reviewed Year ended February 2022**	Audited Year ended February 2021
Earnings (profit attributable to owners of the parent)	(R'000)	**164 924**	53 008
Adjusted for:			
Fair value adjustments to investment properties: Gross		**2 051**	106 404
Impairment of investments: Gross		**267**	119
Tax		**–**	–
Headline earnings	(R'000)	**167 242**	159 531
Headline earnings per share:			
Headline earnings per share	(cents)	**77.21**	76.70
Diluted headline earnings per share	(cents)	**77.21**	76.70

INTRODUCTION

Spear REIT Limited (JSE share code: SEA) is the only regionally specialised Real Estate Investment Trust listed on the Johannesburg Stock Exchange (JSE). Spear obtains its diversification through investing into high-quality Western Cape only assets, that generate strong and sustainable cash flows within the industrial, convenience retail, commercial, mixed-use and hospitality sectors. 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 annually, and to deliver fund performance that places it within the top quartile of the SA REIT sector. The Spear management's proximity to its assets is excellent and together with an astute understanding of the Western Cape real estate environment, makes the company a true regional specialist priding itself in its hands-on asset management approach.

Spear remains an authentic dividend-paying income fund, focused on a strong balance sheet and delivering on our mission statement. Building a business with sustainable cash flows has always been at the centre of our strategic objectives, no matter the market conditions. The strong property fundamentals of the Western Cape, Spear's high-quality assets in sought-after locations, strong tenant covenants and hands-on asset management approach have consistently empowered the business to deliver a positive outcome.

Growing under pressure has been a recurring theme for FY2022 and the Spear team has successfully stewarded the businesses financially and operationally. The trend back towards a pre-Covid-19 rental collection profile (±98% rental collected versus billed) has resulted in Spear's payout ratio being increased to 88% for the final distribution payment of FY2022, generating a total DPS of 68.25 cents. Looking back on another volatile year Spear is extremely proud of how the team has executed on the strategic objectives we set coming out of an even more volatile FY2021.

Over the last two years, South Africa has continued to operate under the Disaster Management Act, providing for a fluid operating environment depending on the infection wave and implemented restriction. The onset of the third and fourth waves presented challenges to an already struggling economy, something exacerbated when the Omicron variant hit and South Africa was shunned by many global health authorities. Now, as government ends the National State of Disaster, the world edges closer to an endemic scenario where Covid-19 is treated as a flu-like infection, albeit with certain restrictions around masks and capacity still in force. For the property sector, this accelerates the normalisation of our operating environment and a return to business as usual.

Rent preservation, tenant retention, marginal tenant support, debtors management and vacancy management has been the sharpest points of management's focus. The latter has resulted in a double-digit increase in group revenue compared to the comparable period. Consistent resilience has been evident across the portfolio during the period.

Overall, the Spear portfolio has maintained high occupancy levels during the period with a 93.76% occupancy rate at period end.

FINANCIAL RESULTS

Group revenue (excluding smoothing) increased by 11.19% from the prior corresponding period as a result of fewer tenant relief measures being granted and the full impact of acquisitions, which were concluded in the second quarter of HY2021, being accounted for in this period.

Net property operating profit (excluding smoothing) increased by 3.38% from the prior corresponding period due to a significant increase in utility costs and increased head office expenditure.

On a like-for-like basis FY2022 is comparable to FY2021.

The group generated significantly increased positive cash flows from operating activities and this provided optionality in developments being concluded as well as reviewing the payout ratio of the group.

The board of directors is pleased to announce a FY2022 final DPS of 35.19254 cents for the six months ended 28 February 2022.

		Year ended February 2022	Year ended February 2021	Variance %
DIPS	(cents)	**78.00**	73.38	6.29
DIPS	(cents)	**68.25**	58.70	16.26
Payout ratio	(%)	**87.68**	80.00	

Spear's results are in line with the forecast as disclosed during the results presentation in May 2021 and is a testament to Spear's focus, active asset and property management approach, along with prudent financial management of the going concern under tough trading conditions.

	Year ended February 2022 Rands	Year ended February 2021 Rands	Variance %
Net asset value per share	**11.30**	11.53	(1.99)
Tangible net asset value per share	**11.30**	11.50	(1.74)
Tangible net asset value per share net of distribution	**10.95**	11.21	(2.32)

Refer to TNAV bridge for further commentary

The financial results achieved during the year are, firstly, attributable to Spear's hands-on approach and regional focus, resulting in the execution of portfolio performance objectives during the FY2022 and beyond. Secondly, Spear's portfolio segmentation and the high-quality nature of its assets have further underpinned its ability to sustain and defend its cash flows and contractual rental income during the year. The hospitality portfolio remained the outlier in portfolio performance, given the impact of the Covid-19 pandemic. Notable income restoration within the hospitality portfolio commenced prior to the disposal of the DoubleTree by Hilton Hotel. Earnings enhancements were achieved as a result of the fixed-income lease concluded over 15 on Orange which commenced in August 2021.

Rental reversions on lease renewals and relets have been concluded at largely acceptable levels within Spear's operating context and within management's forecast. Portfolio reversions during the year were 10.38%. Excluding hospitality the core portfolio reversion was -5.57%. Refer to page 25.

Benchmarked with Spear's peers, portfolio reversions have in the context of extremely tough trading conditions been some of the lowest negative reversions for the corresponding reporting period within the SA REIT sector.

Vacancy rates across the portfolio were at 6.24% at year-end, increasing from 6.16% at the FY2021 year-end, but reducing significantly from 7.21% for the interim reporting period.

Notable vacancy creep in the commercial portfolio has been the largest contributor to the increase in the portfolio vacancy factor.

The reversions and vacancy were in line with management's forecast and this was taken into account when the DIPS growth for FY2022 was announced to the market in May 2021.

Group gearing is 39.05% (FY2021: 45.81%) as a result of a private placement of R253.9 million concluded in February 2022 and fair value stabilisation and improvement.

There are no immediate debt refinancing risks within the business.

Spear's balance sheet remains robust and well managed. No debt refinancing concerns exist within the business as an active management approach is taken to the debt portfolio to ensure well staggered refinancing terms and defensive expiry schedules across numerous funders. A detailed debt expiry schedule is provided within this report.

COLLECTIONS AND RECEIVABLES

- Collections have been satisfactory and in line with management's expectations, improving from the prior financial year
- Tenant arrears as at the end of the reporting period amounted to R17.89 million excluding VAT, decreasing to R11.56 million excluding VAT post year-end
- Collections completed as at 21 April 2022.

FY2022 (excluding VAT)		Total R'000
Budget (including utilities and hotels)		**560 396**
Billed (including utilities and hotels)		**554 836**
Collected		**543 273**
Collected vs budget	(%)	**96.94**
Collected vs billings	(%)	**97.92**

- *Billing reflects revenue after all credits and deferments including recoveries*
- *Budget set in January 2021*
- *Difference to budget is predominantly related to lower than budget utility charges recovered which is offset by lower expenses*

At year-end the total provision for bad debt was R5.06 million, being 28.28% of total tenant arrears.

Management is actively reviewing tenant arrears and at the end of the reporting period, a total of R4.5 million of bad debt was written off for the period.

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.

Tenant arrears at year-end FY2021 was R15.09 million excluding VAT, and have reduced post write-offs in the current period to R4.90 million.

Management has commended its debtors management team for the prudent collections and low receivables in this trading environment.

PROPERTY PORTFOLIO

Spear's current property portfolio consists of 31 high-quality assets with an average value of R142.8 million per property (FY2021: R139.1 million per property) being an increase of 2.68%. Total GLA at period end was 457 950m^2, valued at R4.48 billion.

The portfolio's income stream is underpinned by contractual escalations of 6.31%, a WALE of 27 months (FY2021: 27 months) together with a high percentage of A-grade tenants (listed and large nationals) comprising 46% 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 IPD and SAPOA with an overall vacancy rate of 6.24% at the end of FY2022 (FY2021: 6.16% portfolio vacancies).

Top 10 properties by value

Property	**Value including lease asset R'000**	**Sector**	**GLA m^2**	**Vacancy m^2**	**% of total value**	**Valuation R/m^2**
1. Mega Park, Bellville	479 000	Industrial	86 195	4 599	10.82	5 557
2. 2 Long Street, Cape Town	439 000	Commercial	25 224	3 439	9.91	17 404
3. Sable Square Shopping Centre, Milnerton	438 600	Retail	31 111	1 165	9.91	14 098
4. Liberty Life Building, Century City	436 000	Commercial	18 244	1 630	9.85	23 898
5. Northgate Park, Brooklyn	332 000	Commercial	16 981	1 181	7.50	19 551
6. 15 on Orange, Cape Town	279 000	Hospitality	16 663	484	6.30	16 744
7. 1 Waterhouse Place, Century City	242 000	Commercial	11 963	3 617	5.47	20 229
8. MWEB Head Office, Parow	156 000	Commercial	11 195	–	3.52	13 935
9. Blackheath Park, Blackheath	152 300	Industrial	37 334	3 479	3.44	4 079
10. Radnor Road, Bellville	122 000	Industrial	12 879	–	2.76	9 473
Top 10 Total	**3 075 900**		**267 789**	**19 593**	**70.40**	**11 486**
Group Total excluding land	**4 427 870**		**457 950**	**28 580**	**100.00**	**9 669**

Sectoral split

		Industrial	Commercial	Retail	Hospitality	Development	Total
Number of properties		10	14	6	1	–	31
Value of properties	(R'000)	1 270 335	2 215 435	663 100	279 000	49 795	4 477 665
Value	(%)	28	49	15	6	1	100
Property revenue excluding smoothing	(R'000)	182 576	257 853	85 634	28 519	–	554 582
Revenue	(%)	33	46	16	5	–	100
GLA	(m²)	259 385	132 951	48 951	16 663	–	457 950
GLA	(%)	57	29	11	4	–	100
Vacant area	(m²)	8 574	17 243	2 280	484	–	28 580
Vacancy per sector	(%)	3.31	12.97	4.66	2.90	–	–
Vacancy on total GLA	(%)	1.87	3.77	0.50	0.11	–	6.24
Yield	(%)	9.25	7.40	8.05	4.69	N/A	7.86
Weighted average in-force escalation	(%)	6.53	6.23	6.21	7.00	N/A	6.31
WALE	(months)	24	28	27	77	N/A	27

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.

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- or 10-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 is 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 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 2022, the assumptions and unobservable inputs used by the group in determining fair value were in the following ranges:

		Industrial	Commercial	Retail	Hospitality	Total 2022	Total 2021
Average discount rate	(%)	13.56	13.54	13.42	Notes 1 & 2	**13.50**	13.95
Average capitalisation rate	(%)	9.00	9.18	8.92		**9.03**	8.95
Average exit capitalisation rate	(%)	9.22	9.50	9.17		**9.30**	9.25
Average prior year exit capitalisation rate	(%)	9.33	9.29	9.13		**9.25**	–
Average rental growth rate	(%)	4.56	4.36	4.50		**4.47**	5.00
Average expense growth rate	(%)	6.00	6.00	6.00		**6.00**	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

Note 1: 15 on Orange is valued at the call option price of R265 million excluding the residential penthouse of R14 million which is deemed to be the fair market value.

Note 2: UES DoubleTree by Hilton was sold effective 1 February 2022.

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

		Industrial	Commercial	Retail	Hospitality	Total
Average value per property (excluding land/ bulk value)	(R'000)	127 034	158 245	110 517	279 000	142 835
Average value per m²	(Rands)	4 897	16 664	13 546	16 744	9 669

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

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. The inter-relationship between 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); and the estimate of market rentals was higher/(lower).

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

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

Sensitivity analysis	R'000	R'000
Increase in fair value if exit capitalisation rates are decreased by 0.5%	232 117	254 693
Decrease in fair value if exit capitalisation rates are increased by 0.5%	(208 331)	(228 422)
Increase in fair value if discount rates are decreased by 0.5%	159 076	168 570
Decrease in fair value if discount rates are increased by 0.5%	(147 535)	(156 658)

SECTORAL PERFORMANCE

Industrial: (GLA: 259 385m²/Occupancy: 96.69%)

The industrial portfolio has continued its strong performance in FY2022 with consistent demand for Spear's industrial rental properties across the asset type size. Material blue-chip mid-size and large-scale industrial user uptake was recorded in the form of new lets and lease renewals during the year. Spear's highly defensive and diversified industrial portfolio comprises of multi-let industrial, modern logistics, mini, mid- and large-scale industrial units with highly efficient designs, large yard areas, solar PV installations, superior locations and ample power supply to each asset. More than 90 000m² (35% of total industrial GLA) of industrial leasing activity took place during FY2022 at a 95.3% retention rate. Spear's industrial portfolio constitutes 55% (259 385m²) of portfolio GLA with an occupancy rate at the end of the period of 97%. Demand for Spear's well-located industrial rental opportunities has been consistent over the year, with rental collections at 97% of revenue billed, since most industrial tenants have traded throughout the year with no need for rental credits or deferments.

Commercial (GLA: 132 951m²/Occupancy: 87.03%)

All of Spear's commercial assets are in well established, attractive, and secure office nodes within Cape Town. As we make our way out of the pandemic and into an endemic, the conclusion once again is that businesses and people need an operational home. Spear has seen a notable increase in demand for its office properties since October 2021 and converted numerous leasing enquiries to new tenants prior to the end of FY2022. The office portfolio vacancy rate contracted by 115 bps from HY2022 to FY2022, having an overall positive effect on total portfolio vacancies for the period. Moving into FY2023, the momentum created during the last quarter of FY2022 will be continued as leasing strategy execution takes place. Office lease renewals continue to be concluded, albeit under tougher operating conditions. Rent and tenant preservation remains a top priority for management. During the period, 27 329m² of commercial space was renewed or relet with an 87% retention rate. Hybrid work models are still being refined, but the trend points to a four-day office work week, boding well for future demand within the office sector. Vacancy overhang within the Western Cape has been significantly less than the rest of South Africa and the positive effects of semigration will further drive the vacancy contraction within the Western Cape ahead of the rest of South Africa.

Retail (GLA: 48 951m²/Occupancy: 95.34%)

Spear's retail assets been resilient during FY2022. The defensive nature of the convenience retail portfolio is evident in the occupancy and tenant retention rates for the period. Spear's convenience retail portfolio consists of two open-air convenience retail centres anchored by national grocers and numerous national line shop tenants. Notably, 41% of the convenience retail portfolio is occupied by national tenants, further underpinning the long-dated, sustainable, and consistent nature of the growing cash flows being generated from the convenience retail assets. The impact of the third and fourth Covid-19 waves were less than anticipated with limited tenant assistance provided for the period. Our approach to tenant assistance is pragmatic insofar as it ensured business continuity. Spear's retail assets are in high-growth nodes servicing the Century City and Northern Suburbs markets. Spear's retails assets have maintained a robust rental collection profile with 98% of rental billed being collected. No significant tenant failure occurred during the year in review. During the period, 15 563m² of retail space was renewed or relet, translating into a 97% retention rate.

Hospitality (GLA: 16 663m²/Occupancy: 99.89%)

Management announced in prior reporting periods it was exiting its hospitality investments given the variable income exposure to the core portfolio. During the year, we advised that there was no anticipation of receiving hospitality income in HY2022 given the residual impact of the second Covid-19 wave along with the third wave of infections in South Africa. During HY2022 the lease agreement with Marriott for 15 on Orange Hotel was terminated, followed by the conclusion of a triple net fixed-income lease with the Capital Hotels & Apartment Group. In line with our strategy of exiting hospitality assets, Spear entered into a fixed call option with the Capital group to acquire 15 on Orange within the first 24-month period of the lease commencement date for a fixed price of R265 million. Management remains confident that the Capital group will acquire 15 on Orange in due course as hospitality trading conditions continue to improve across South Africa and in particular the Western Cape.

The Capital group has reported positive operations since the lease began in mid-August 2021 with accommodation, F&B and conference business showing strong improvements within the Cape Town market. The earnings restoration for FY2022 because of the fixed-income lease concluded over 15 on Orange was R10.41 million.

As announced on SENS on 15 November 2021, Spear disposed of its shares in the Upper East Side Hotel Proprietary Limited, which held the DoubleTree by Hilton Hotel along with two floors of commercial office units and the associated parking bays and exclusive-use areas. The disposal would result in Spear closing the chapter of variable income within the portfolio and would further result in a 172-bps reduction in Spear's overall LTV ratios. Group finance costs would reduce by R6.9 million for the 12 months following the implementation of the disposal and a notable increase in Spear's fixed debt ratio from 55.16% to 58.56%. The latter was fully aligned with management's LTV reduction roadmap set out to the market. The disposal would end the capital support measures required to keep the hotel operations up to standard and maintain it in a sellable condition. The hospitality sector has started to show signs of recovery as core markets recover together with the meetings, incentives, conferences and exhibitions (MICE) sector recovering faster than initially anticipated. International travel flight schedules have started to normalise providing inflows from the foreign tourism market and placing less reliance on the local market for revenue generation.

TENANT GRADING

	GLA m²	GLA %	Number of tenants	Number of tenants %
A – Large nationals, large listed and government tenants	210 727	46	127	31
B – Smaller international and national tenants	201 860	44	159	40
C – Other local tenants and sole proprietors	16 782	4	119	29
Vacant	28 580	6	–	–
Total	**457 950**	**100**	**405**	**100**

LETTING ACTIVITY

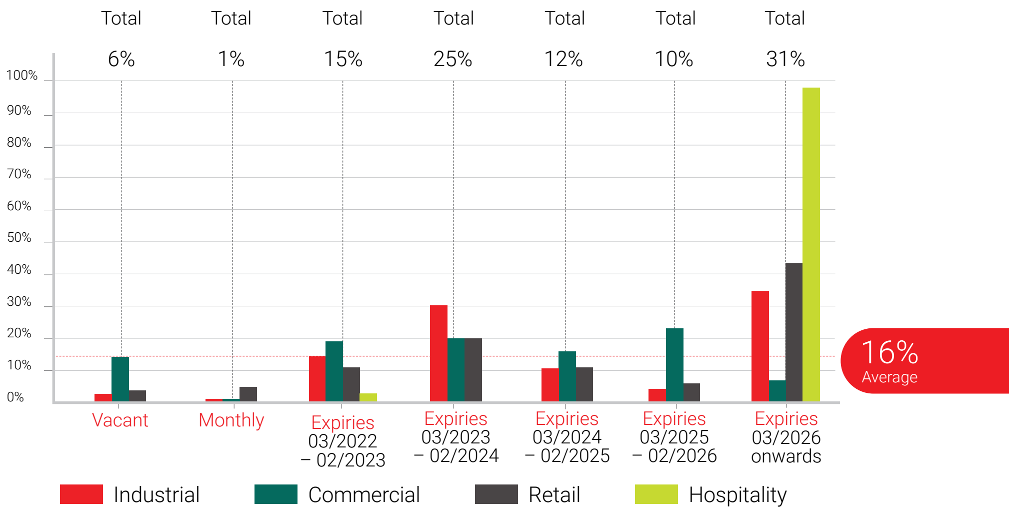
The table below reflects the letting activity of the financial year:

	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	31 536	4 383	139	27 329	3 585	131	(5.61)
Industrial	94 605	3 861	41	90 204	3 590	40	(2.50)
Retail	16 104	1 560	97	15 563	1 487	96	(1.32)
Hospitality	16 179	706	44	16 179	2 268	140	221.24
Total	**158 424**	**10 510**	**66**	**149 275**	**10 931**	**73**	**10.38**
Excluding Hospitality	**142 245**	**9 803**	**69**	**133 096**	**8 662**	**65**	**(5.57)**

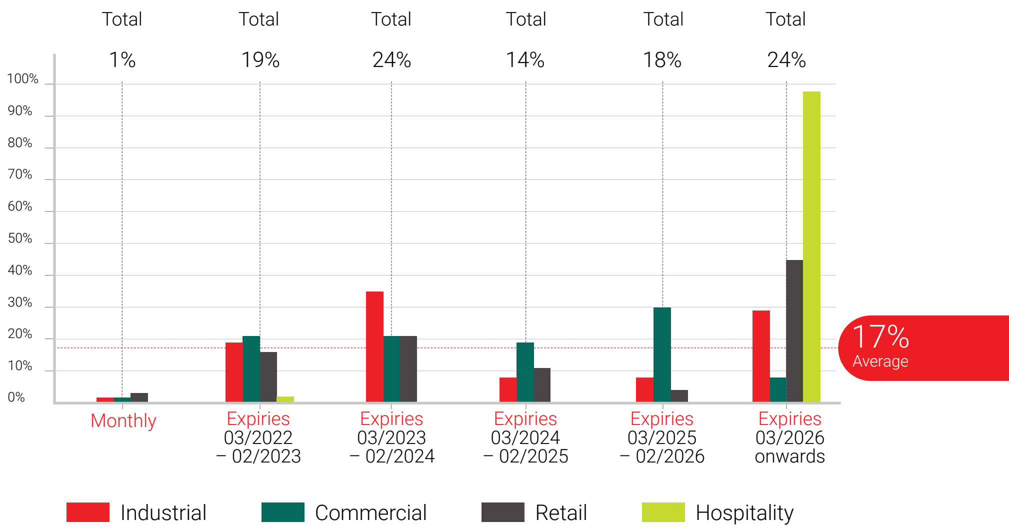
- Early tenant engagement has contributed and mitigated deep negative reversion
- Noticeable improvement in letting with reversions improving from the interim period (-5.78%) and Q3 update (-5.85%).

LEASE EXPIRY PROFILE

Lease expiry profile based on GLA



Lease expiry profile based on revenue



CAPITAL EXPENDITURE AND REDEVELOPMENT

11 Hewett Avenue, Epping:

The group completed a 2 000m^2 extension on the back of a long-term lease renewal with Nampak Limited situated in Epping, Cape Town. The initial warehouse occupied was 12 500m^2 and Nampak has required specific upgrades and extensions to be effected to the property off the back of the extended lease tenure. The extension created a consolidated 14 500m^2 of 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
- Status: Completed and solar installation awaiting commissioning.

CAPITAL ALLOCATION AND STRATEGIC FOCUS

Spear's capital allocation philosophy is focused on capturing long-term growth and attractive long-term returns. Having a sound and disciplined approach to capital allocation is core to our pursuit of generating sustainable and growing cash flows, subject to sound property fundamentals and where Spear's strict investment criteria have been met. Management has a proven track record of prudently recycling capital through disposing of earmarked and non-core assets within the portfolio. Both disposals and acquisitions are executed with a view to generating maximum shareholder value.

Capital is critical to a high-quality and sustainable real estate portfolio. Management's capital allocation strategy will be centred around acquiring and identifying assets that fall within the various sub-sectors selected as core to the underlying portfolio.

Earmarked capital will be deployed as follows:

- Share buybacks from retained income and cash reserves at pricing levels where the distribution yield is more accretive than an acquisition prospect
- Acquisition, or re/development opportunities in line with management's stated asset type investment profile
- Major portfolio upkeep and capital expenditure.

As part of management's active balance sheet management approach continuous evaluations are done across the portfolio to assess which assets are ripe for disposal or redevelopment. Maximising shareholder value and aligning the balance sheet with our strategic objective further inform our capital allocation and recycling approach. Disposal proceeds will be redeployed into yield-enhancing assets in line with the asset allocation strategy.

BALANCE SHEET AND RISK MANAGEMENT

Management has maintained its obsession with its hands-on, active, and prudent balance sheet management approach. The pandemic environment of the past 24 months tested Spear's balance sheet and we proudly reflect on how robustly it held up against the impact of Covid-19. Spear's balance sheet remains robust and meeting all covenants and has been strengthened to provide the group with the platform to grow in future years.

Management maintains strong and unblemished relationships with its funding partners Nedbank CIB and Standard Bank Real Estate Finance. Spear's funders have been incredibly supportive and remain aligned with Spear's strategic and growth objectives within the Western Cape.

Spear's strictest covenants were relaxed for the FY2021 and FY2022 measurement period from 50% LTV to 55% LTV, and from 2 times ICR to 1.75 times ICR. The latter further underscores the level of alignment Spear enjoys with its funders as the above relaxations gave management the scope to actively focus on navigating Spear through the pandemic environment.

Both the LTV and ICR ratios are currently well below covenant levels and improving and will revert to 50% LTV and 2 times ICR in FY2023.

Management's intended LTV reduction roadmap was successfully implemented with the target range of between 38% – 43% being achieved well ahead of the next 12 – 18 months' forecast.

The group's gearing level at the end of the reporting period was at 39.05%.

Spear's hedging policy remains in the range of 65% – 75% of debt hedged at any given time. Given the low interest rate environment experienced in the past 24 months, management took advantage of the historically low variable interest rate and operated at the lower end of its debt hedged strategy in the past 24 months.

Post the disposal of the DoubleTree by Hilton Hotel and private placement of R253.9 million, R270 million of variable debt was settled, which increased the group hedging rate to 67.03%.

Management's intention is to increase this ration to 75% in the next financial year.

Spear's debt portfolio remains actively managed with an all-in cost of debt of 7.32% and a hedged ratio of 67.03% at year-end with the weighted average cost of fixed debt being 8.34%.

Spear's debt expiry profile provides no short to medium-term refinancing risk with the WALE being 28 months with the bulk of Spear's debt becoming due for re-negotiation in FY2024 onwards.

COST TO INCOME

SA REIT gross total cost to income is 44.30%, increasing from 39.82% from the prior financial year.

Administrative cost to income for the period was 6.86%, increasing from 5.48% from the prior financial year.

The increase is directly related to the increased provisions and rising utility and property operating costs. Increased head office costs relate to an increase in staff post the recovery from FY2021 and the adoption of the executive short-term incentive in FY2022.

BORROWINGS AND FUNDING

During the year a total of R770 million of gross debt was refinanced, of which R480 million was fixed and a total of R270 million was settled.

The refinanced debt margin improved by a weighted average of 73 bps and the weighted term was 36 months.

Management is monitoring the interest rate environment to continuously seek opportunities to improve group funding as well as increase hedged positions at the appropriate time.

GROUP COVENANTS

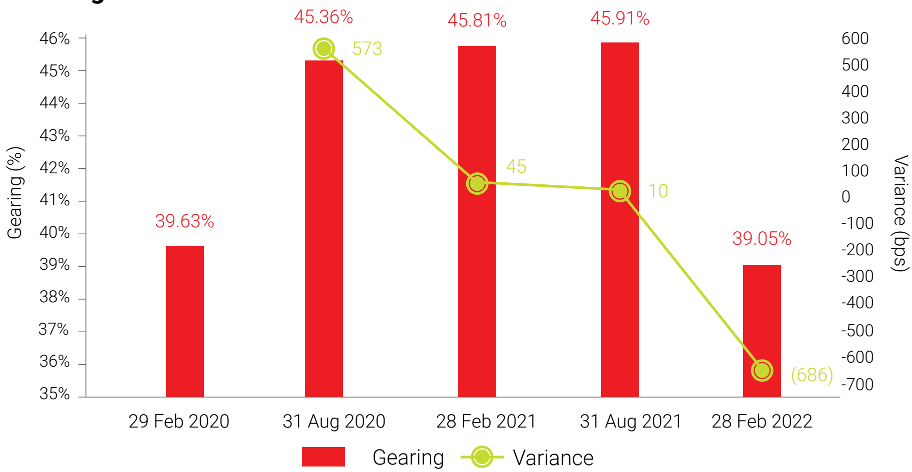
There has been no change in group covenant levels set by financial institutions in the interim period.

	COVENANTS	FEB 2022	FEB 2021
LTV	55%	39.05%	45.81%
ICR	1.75 TIMES	2.19 TIMES	2.11 TIMES

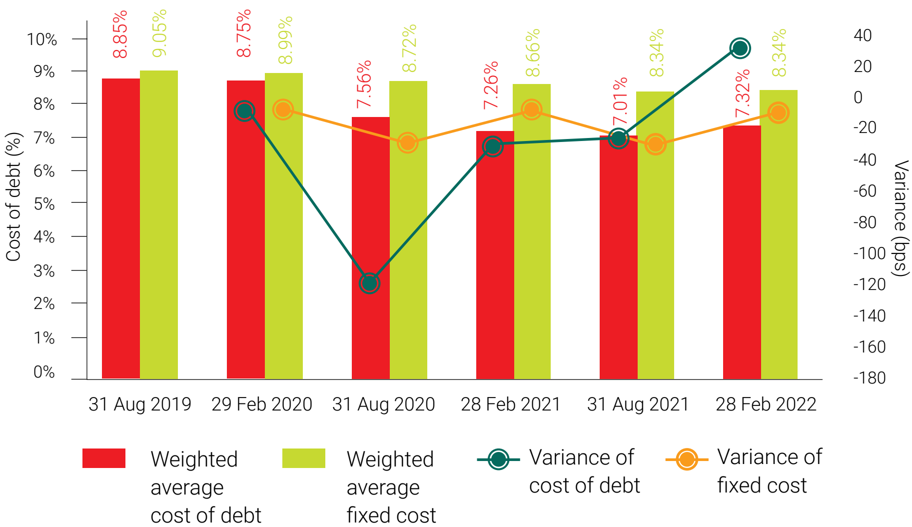
LTV and ICR will change to 50% and 2 times respectively for FY2023 and going forward.

GROUP GEARING

Gearing ratio

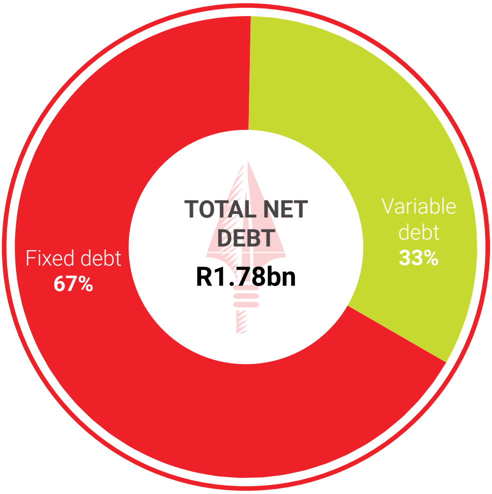


In-force cost of debt



At year-end the variable JIBAR-linked loans bear interest at an average margin of JIBAR + 1.96%. The group had no variable prime-linked loans.

GROUP DEBT PROFILE

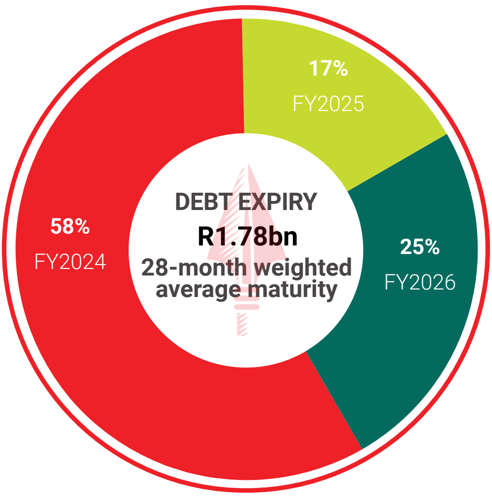


Cost
8.34%

Weighted average maturity
31 months

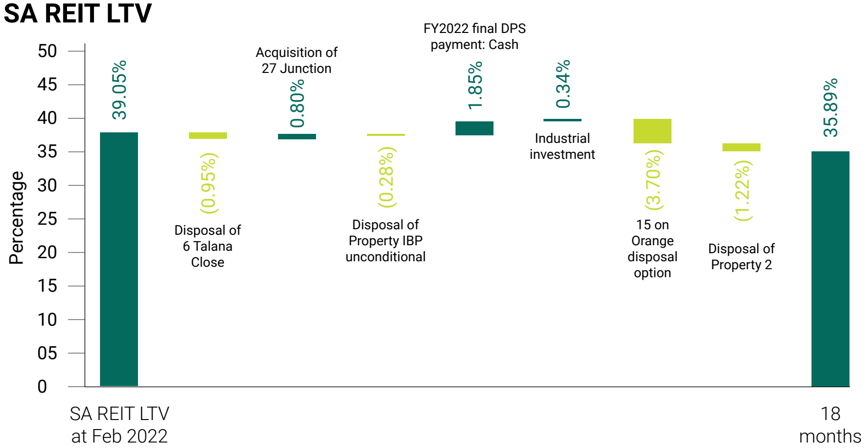
Cost
5.92%

Weighted average maturity
39 months

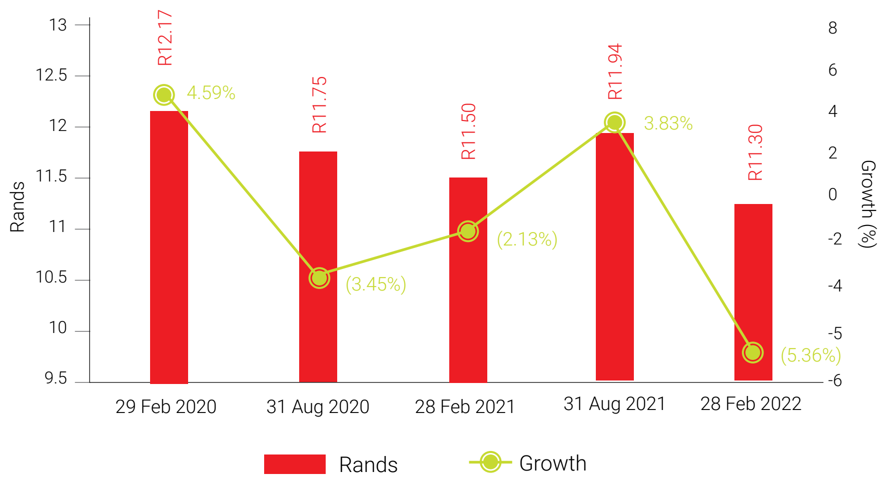


LTV FORECAST

SA REIT LTV

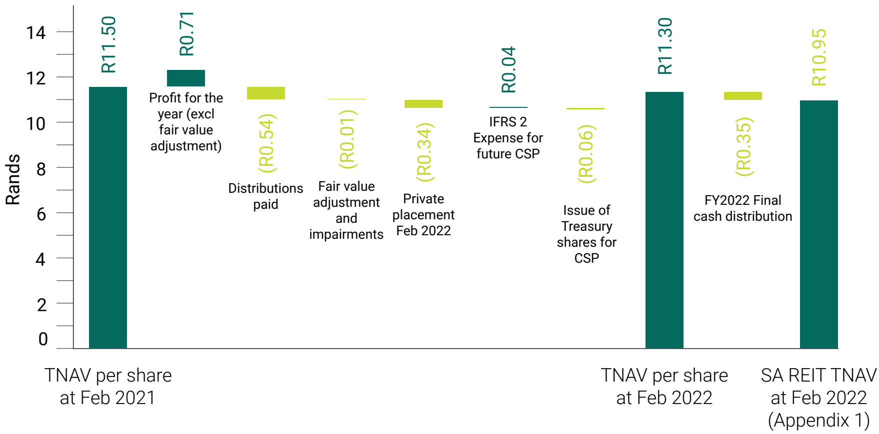


TANGIBLE NET ASSET VALUE

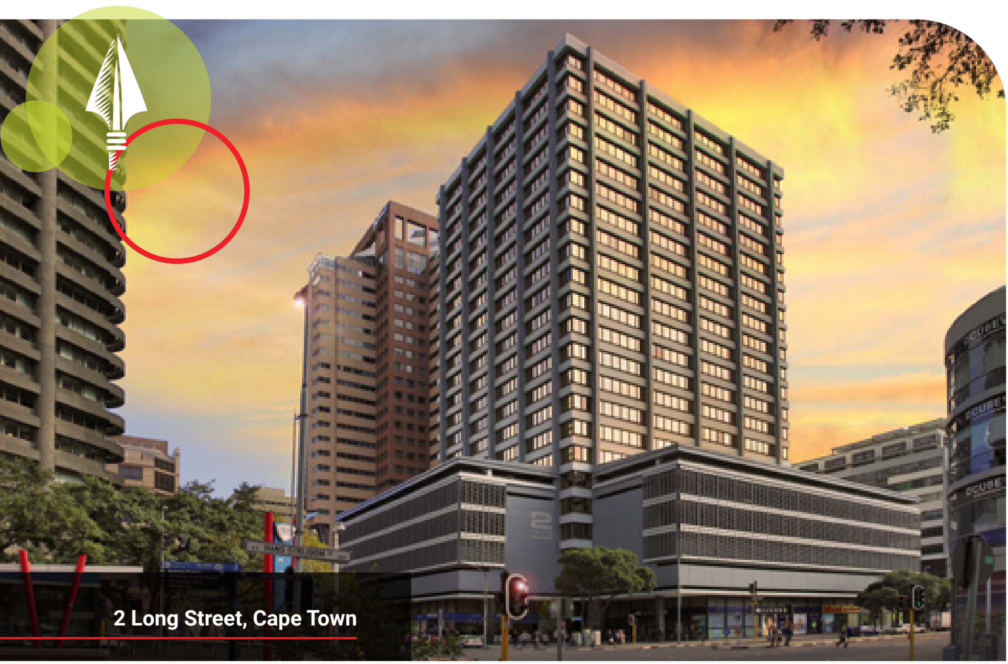


The above ratio is IFRS compliant and is required for disclosure, but please refer to Appendix 1 and table for the SA REIT NAV calculation.

TNAV BRIDGE



Rands
14
12
10
8
6
4
2
0
R11.50
R0.71
Profit for the year (excl fair value adjustment)
(R0.54)
Distributions paid
(R0.01)
Fair value adjustment and impairments
(R0.34)
Private placement Feb 2022
R0.04
IFRS 2 Expense for future CSP
(R0.06)
Issue of Treasury shares for CSP
R11.30
(R0.35)
FY2022 Final cash distribution
R10.95
TNAV per share at Feb 2021
TNAV per share at Feb 2022
SA REIT TNAV at Feb 2022 (Appendix 1)



2 Long Street, Cape Town

SUSTAINABILITY

Solar PV rollout

Continuous progress has been made across the portfolio to embed solar PV solutions where feasible and commissionable. All commissioned systems have performed in line with performance expectations and in certain instances outperformed expected penetration rates. Management's primary strategy has been to install solar PV solutions across as much of the core portfolio as possible with a minimum target of having 50% of assets installed with solar PV. The below infographic depicts the positive progress made and the forecast coverage to be achieved towards the end of FY2023.

Summary of Solar PV

NUMBER OF PROPERTIES WITH SOLAR
CURRENT: 14
FUTURE: 2
TOTAL: 16

% OF PORTFOLIO
CURRENT: 45%
FUTURE: 6%
TOTAL: 52%

AVERAGE SOLAR PENETRATION RATE
CURRENT: 22%
FUTURE: 27%
TOTAL: 25%

TOTAL KWP OF SOLAR INSTALLED
CURRENT: 5 626
FUTURE: 2 211
TOTAL: 7 837

ROOF RENTAL
CURRENT: 7
FUTURE: 2
TOTAL: 9

FINANCED
CURRENT: 4
FUTURE: 3
TOTAL: 7

	Current R'000	Future R'000	Total R'000
Average annual roof rental per property	153	327	194
Average annual savings per financed property	57	625	428
Value of solar PV – Roof rental	31 798	21 367	53 165
Value of solar PV – Financed	13 337	651	13 988
Value of solar PV – Self-funded	7 682	–	7 682

Management through its solar PV strategy has successfully initiated and completed solar PV solutions for 14 out of 16 properties with the balance set for completion towards the second quarter of FY2023.

Water continuity

Significant investment has been made into water continuity, water augmentation and grey water solutions within the core portfolio. 50% of Spear's office portfolio has been developed or retrofitted with reverse osmosis water solutions, grey water solutions and bulk water storage systems. The strategy is to place less reliance on municipal water supplies where possible and leverage off site infrastructure and reduce one aspect of the utility charge mix applicable to Spear's real estate assets.

Management is placing less reliance on fossil fuel-generated electricity supply and the supply of municipal water services across the core portfolio. Management continuously seeks out sustainable solutions that will give credence to its strategy of less reliance on non-renewable energy supply and reducing portfolio reliance on municipal-supplied water services.

OUTLOOK

The Western Cape real estate sector has proved to be more resilient than most other provinces in South Africa in the face of prolonged economic pressures in South Africa and globally.

Provincial and metropolitan infrastructure has made it possible for the entire province to be considered an investment opportunity as opposed to pockets of value. Spear's growth pipeline is healthy, exciting and, most importantly, meets our strict investment criteria set for inclusion in the core real estate portfolio.

We remain obsessively focused on strengthening our operating platform in the year ahead. The in-house consensus is that the post-pandemic road ahead offers attractive growth opportunities for business and we will keep focusing on owning the right assets in the right nodes with a firm bias towards industrial warehousing, logistics and convenience retail assets within the Western Cape.

Spear will maintain and strengthen where needed our best of breed management team to continue the critical support functions provided to the core portfolio.

We expect that semigration trends to the Western Cape will gain further momentum, which will directly and indirectly benefit Spear as mid to high LSM categories with strong balance sheets and disposable income use and service retail, commercial and industrial tenants across the Western Cape. Improved economic activity across the Western Cape is evident in the data provided by Wesgro, ACSA and the retail sector, all reinforcing management's optimism. Service delivery remains of a high standard within the Western Cape, making the entire province an investment opportunity for Spear.

Given the geography of the Cape Town metro, the scarcity of zoned and developable land will result in new residential, retail, and industrial nodes as more South Africans choose this province as their new economic and residential home.

Spear's active, hands-on property management positions us well to respond to the needs of our tenants, the market, and future tenants. With the reported letting momentum in the final six months of FY2022, management is confident that further vacancy contraction within the commercial office portfolio will be evident in FY2023 and beyond.

The core portfolio remains defensive in nature, underpinned by strong lease covenants and high-quality tenants. Given the diversified nature of the portfolio and the regional focus, we are in a good position to keep delivering on our market guidance and forecasts.

Macroeconomic concerns remain top of mind, together with the increasing divide between rich and poor in South Africa. Job creation must be a priority for the public and private sectors as this will be a key driver of improved economic activity and growth for South Africa. As a corporate citizen of South Africa, Spear is committed to doing its part in supporting entrepreneurship, supplier development and increased access to opportunities that would see real empowerment take place across the country.

Our outlook is as follows:

- Management will seek out growth opportunities within the Western Cape to continuously improve the core portfolio through acquiring and developing real estate assets
- Management will maintain its strategy of prudently recycling capital into longer-dated investment opportunities within the Western Cape
- Management will remain materially invested in Spear and maintaining shareholder alignment
- Management will make continuous operational enhancements to further improve day-to-day operational execution and success
- Management aims to, within a period of six years, grow portfolio assets to R15 billion within the Western Cape.

PROSPECTS AND GUIDANCE

Spear will maintain its Western Cape only focus and consciously seek growth opportunities by acquiring high-quality assets and developing brown and greenfield opportunities aligned with our sectoral focus and growth strategy. Maintaining excellent proximity to our assets has given Spear an ongoing competitive advantage as asset management and property management turnaround times are speedy and efficient.

The Western Cape economy has been hamstrung by the residual effects of the Covid-19 pandemic; however, we are starting to see green shoots emerge as the travel, tourism, hospitality and services sector shows a notable recovery together with general economic activity starting to improve and a return to office momentum picking up notably in the final six months of FY2022. Navigating FY2023 will be a challenge, but as has been proven in years gone by Spear's management is up to the challenge.

The Western Cape government has placed job creation, infrastructure investment, management and maintenance top of the agenda in its pursuit of keeping the Western Cape the investment case for South Africa. The latter bodes well for Spear as provincial growth opportunities will be unlocked.

On a grassroots level Spear will maintain its consistent and obsessive focus on its assets, tenants and overall business operations throughout FY2023 and beyond.

To the best of management's ability, the FY2023 DIPS forecast has been formulated, which is to be read in conjunction with the range of assumptions set out in further detail below. Management's guidance for FY2023 is a DIPS growth of 5% – 7% on FY2022.

The guidance is based upon the following assumptions:

- National State of Disaster is not unnecessarily prolonged
- No further Covid-19-related lockdowns
- Vacancies are reduced in line with forecasts
- Lease renewals are concluded per the company's forecast
- No major tenant failures occur during the year
- Tenants successfully absorb rising costs associated with utility charges and municipal rates
- Load shedding does not become a permanent feature in the operating environment.

Any changes in the above assumptions may affect management's forecast for the year ending 28 February 2023.

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 2023 is the sole responsibility of the directors and has not been reviewed or audited by Spear's independent external auditors.

SUBSEQUENT EVENTS

The directors are not aware of any events, other than those listed below, that have occurred since the end of the financial period, which have a material impact on the results and disclosures in these financial statements.

The group took transfer of the following property after period end:

	Transfer date	Acquisition value R'000	Debt funding R'000	Equity funding R'000	Yield %
27 Junction Road, Parow	TBC	65 000	25 000	40 000	9.73
		65 000	25 000	40 000	9.73

The group disposed of the following properties after period end:

	Disposal date	Gross disposal value R'000	Debt settled R'000	Cash retained R'000	Disposal yield %
Talana Close, Bellville*	2022/04/08	71 400	25 000	46 400	9.00
Island Business Park, Paarden Eiland*	TBC	22 500	–	22 500	10.00
		93 900	25 000	68 900	9.50

** The property was disposed of at a net premium to HY2021 book value of 6%*

BASIS OF PREPARATION

The provisional reviewed condensed consolidated financial statements for the year ended 28 February 2022 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 summarised reviewed consolidated financial statements are in terms of IFRS and are consistent with those applied by the group in its consolidated financial statements for the year ended 28 February 2021.

Christiaan Barnard CA (SA), in his capacity as Chief Financial Officer, was responsible for the preparation of the provisional summarised reviewed consolidated financial statements for the year ended 28 February 2022.

REVIEW OF THE INDEPENDENT AUDITOR

The provisional reviewed condensed consolidated financial statements for the year ended 28 February 2022 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 auditors 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 WITH THE OPTION TO REINVEST THE CASH DIVIDEND IN RETURN FOR SPEAR SHARES

Notice is hereby given of the declaration of final distribution number 11 of 35.19254 cents per share for the six months ended 28 February 2022 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, 3 June 2022. A circular in relation to this dividend reinvestment alternative will be distributed to shareholders on Monday, 30 May 2022 ("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 dividend 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 their 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-RESIDENT 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 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 28.15403 cents per share. A reduced Dividend Tax 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 the declaration date is 244 846 390.

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 overleaf.

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.

Salient dates and times	2022
Record date to determine which Shareholders are entitled to receive the circular ("Circular")	Friday, 20 May
Declaration Date	Thursday, 26 May
Circular and form of election posted to Shareholders	Monday, 30 May
Finalisation announcement containing the Dividend Reinvestment Alternative issue price, ratio and finalisation information on SENS	Friday, 3 June
Last day to trade cum Dividend Reinvestment Alternative and Cash Dividend ("LDT")	Monday, 13 June
Trading commences ex Dividend Reinvestment Alternative and Cash Dividend	Tuesday, 14 June
Public Holiday	Thursday, 16 June
Listing of maximum possible number of Shares to be issued under the Dividend Reinvestment Alternative	Friday, 17 June
Last day to elect to receive the Dividend Reinvestment Alternative by 12:00pm (South African time) on	Friday, 17 June
Record Date	Friday, 17 June
Electronic payment and CSDP/broker accounts updated in respect of Cash Dividend on	Monday, 20 June
Announcement of the results of the Dividend Reinvestment Alternative and Cash Dividend on SENS	Monday, 20 June
Share certificates posted and CSDP/broker accounts updated in respect of the Dividend Reinvestment Alternative on	Wednesday, 22 June
Adjustment of number of new Shares listed on or about	Friday, 24 June

Notes:

- *Shareholders electing the Dividend Reinvestment Alternative are alerted to the fact that the new shares will be listed on LDT + 3 and that these new shares can only be traded on LDT + 3, due to the fact that settlement of the shares will be three days after record date, which differs from the conventional one day after record date settlement process.*
- *Share certificates may not be dematerialised or rematerialised between Tuesday, 14 June 2022 and Friday, 17 June 2022, both days inclusive.*
- *In respect of dematerialised shareholders, the distributions will be transferred to the CSDP account/broker account on Monday, 20 June 2022. Certificated shareholders' distribution payments will be paid to certificated shareholders' bank accounts on Monday, 20 June 2022.*

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
26 May 2022

Liberty Life Building, Century City

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 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 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)

LEGAL ADVISOR

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

BANKERS

Nedbank Limited
Investec Limited
Standard Bank Limited

SPEAR
REIT LIMITED

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SABLE SQUARE

NORTHGATE PARK