SPEAR
REIT LIMITED

Unaudited Consolidated Interim Results

FOR THE SIX MONTHS ENDED 31 AUGUST 2022

PROPERTY • PEOPLE • PLANET

SALIENT DETAILS

41.26 CENTS PER SHARE **HY2023 DIPS**	37.14 CENTS PER SHARE **HY2023 DPS**	6.09% **HY2023 DIPS GROWTH**	12.33% **HY2023 DPS GROWTH**	90% **HY2023 PAYOUT RATIO**
97.56% **HY2023 COLLECTION**	93.53% **OCCUPANCY**	38.69% **LTV**	2.54 TIMES **ICR**	R11.36 **TNAV**

NATURE OF THE BUSINESS

Spear REIT Limited 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.

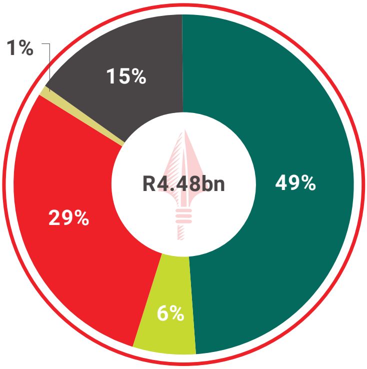
SPEAR REIT LIMITED
Incorporated in the Republic of South Africa
(Registration number 2015/407237/06)
JSE share code: SEA
ISIN: ZAE000228995
LEI: 378900F76170CCB33C50
(Approved as a REIT by the JSE)
("Spear" or "the group" or "the company")

ABBREVIATIONS

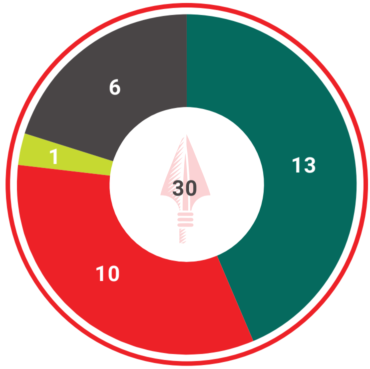
bps	basis points
CSP	conditional share plan
DIPS	distributable income per share
DPS	distribution per share
FFO	funds from operations
GLA	gross lettable area
ICR	interest cover ratio
IFRS IS	IFRS income statement
LTV	loan-to-value
NAV	net asset value
TNAV	tangible net asset value
WALE	weighted average lease expiry
YTD	year-to-date

SECTORAL SPLIT BY VALUE, REVENUE AND GLA

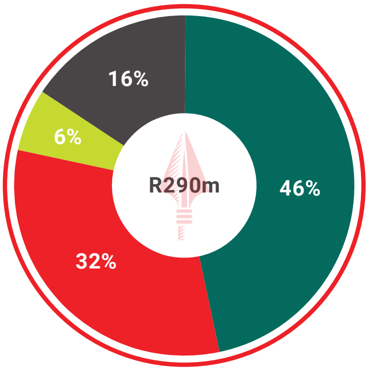
Value of properties



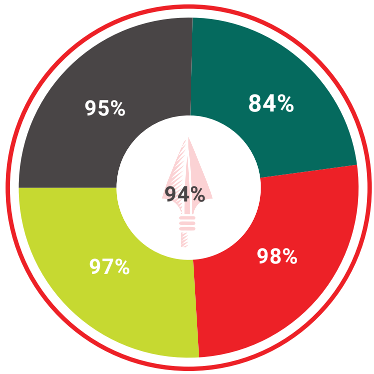
Number of properties



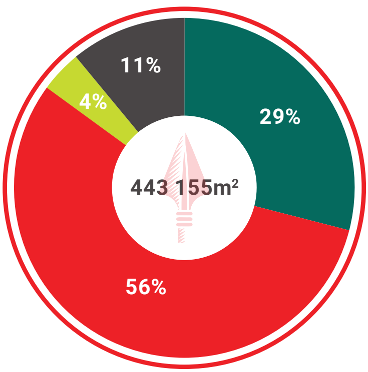
Property revenue



Property occupancy



Gross lettable area

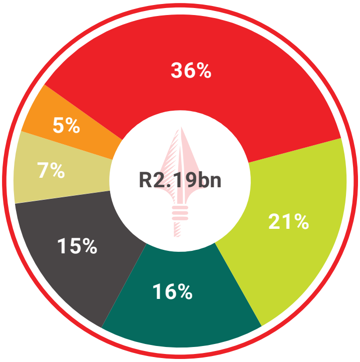


Retail
Commercial
Industrial
Hospitality
Development land

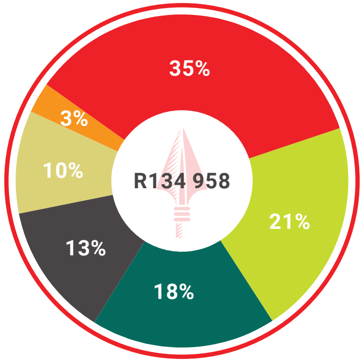
SECTORAL SPLIT BY SECTOR

COMMERCIAL

Property value

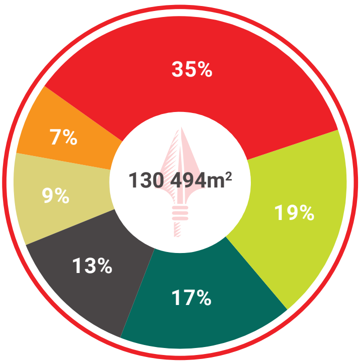


Property revenue (R'000)

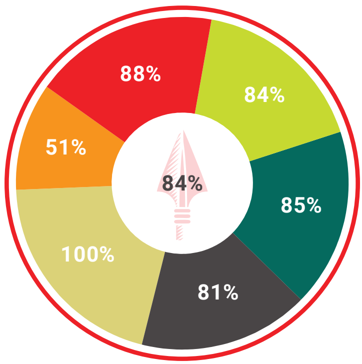


- Century City
- CBD
- Tyger Valley
- Brooklyn
- Parow
- Woodstock

Gross lettable area (m²)



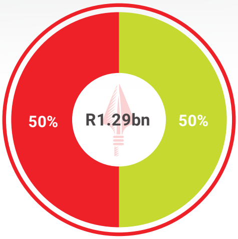
Property occupancy (%)



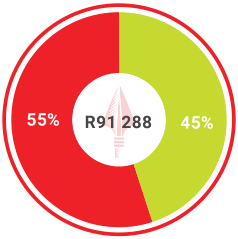
SECTORAL SPLIT BY SECTOR

INDUSTRIAL

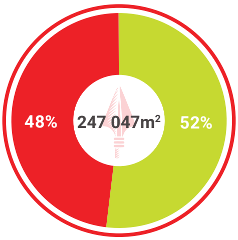
Property value



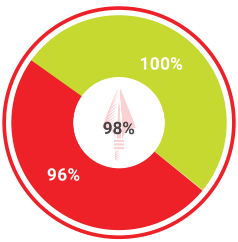
Property revenue (R'000)



Gross lettable area (m²)



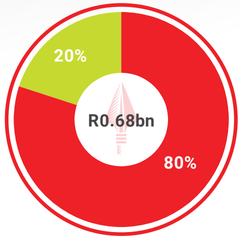
Property occupancy



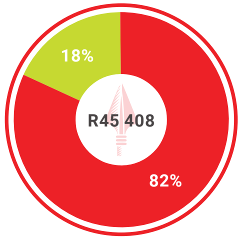
Manufacturing   Logistics

RETAIL

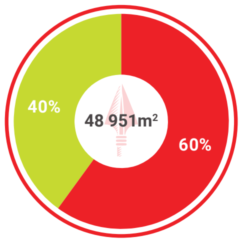
Property value



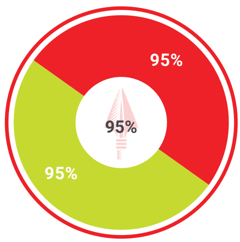
Property revenue (R'000)



Gross lettable area (m²)



Property occupancy



Convenience retail   Destination retail

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Group		
		Unaudited Six months ended August 2022 R'000	Unaudited Six months ended August 2021 R'000	Audited Year ended February 2022 R'000
Assets				
Investment property (including straight-line accrual)		**4 398 184**	4 552 059	4 406 265
Property, plant and equipment		**1 319**	1 920	1 604
Financial assets		**3 907**	4 135	4 287
Deferred taxation		**1 228**	6 179	1 228
Non-current assets		**4 404 638**	4 564 293	4 413 384
Investment properties held for sale		**85 000**	–	71 400
Financial assets		**–**	27 156	–
Loans to related parties		**775**	199	–
Trade and other receivables		**19 649**	21 396	15 934
Cash and cash equivalents		**29 785**	20 512	29 214
Other financial asset		**1 016**	69 867	541
Current assets		**136 225**	139 130	117 089
Total assets		**4 540 863**	4 703 423	4 530 473
Equity and liabilities				
Shareholders' interest				
Share capital		**2 153 390**	1 992 463	2 168 821
Share-based payment reserve		**12 936**	15 358	20 414
Accumulated income		**477 372**	432 876	460 854
Total attributable to owners		**2 643 698**	2 440 697	2 650 089
Non-controlling interest		**23 255**	23 255	23 255
Total equity		**2 666 953**	2 463 952	2 673 344
Liabilities				
Financial liabilities		**999 243**	1 883 196	1 780 280
Non-current liabilities		**999 243**	1 883 196	1 780 280
Financial liabilities		**767 552**	274 484	–
Loans from related parties		**–**	–	386
Lease liability		**22 307**	1 652	4 691
Trade and other payables		**84 754**	79 825	71 625
Taxation payable		**54**	314	147
Current liabilities		**874 667**	356 275	76 849
Total liabilities		**1 873 910**	2 239 471	1 857 129
Total equity and liabilities		**4 540 863**	4 703 423	4 530 473
Number of ordinary shares in issue		**244 846 390**	214 615 571	244 846 390
Treasury shares		**(12 179 230)**	(10 710 073)	(10 414 513)
Net ordinary shares in issue		**232 667 160**	203 905 498	234 431 877
Gearing ratio	(%)	**38.69**	45.91	39.05
NAV per share*	(Rands)	**11.36**	11.97	11.30
Tangible NAV per share	(Rands)	**11.36**	11.94	11.30

* *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		
		Unaudited Six months ended August 2022 R'000	Unaudited Six months ended August 2021 R'000	Audited Year ended February 2022 R'000
Contractual rental income		**214 974**	204 343	413 574
Tenant recoveries		**73 914**	66 221	140 754
Straight-line rental income accrual		**4 251**	15 981	20 026
Property revenue		**293 140**	286 545	574 354
Other income		**900**	381	509
Total revenue		**294 039**	286 926	574 862
Property operating and management expenses		**(101 112)**	(92 381)	(195 771)
Net property-related income		**192 928**	194 545	379 091
Administrative expenses		**(18 858)**	(18 250)	(37 138)
Net property operating profit		**174 070**	176 295	341 953
Fair value adjustment – Investment properties		**4 069**	(13 975)	(2 051)
Fair value adjustment – Investments		**–**	(8 715)	–
Impairment of investments		**–**	–	(267)
Depreciation and amortisation		**(7 009)**	(6 580)	(13 769)
Listing cost		**–**	–	(289)
Share-based payment expense		**(4 056)**	(2 796)	(9 440)
Profit from operations		**167 074**	144 229	316 137
Net interest		**(66 809)**	(74 428)	(147 289)
– Finance costs		**(68 127)**	(75 365)	(150 935)
– Finance income		**1 318**	937	3 647
Profit before taxation		**100 266**	69 801	168 849
Taxation		**(1 762)**	–	(3 925)
Profit for the period		**98 503**	69 801	164 924
Other comprehensive income		**–**	–	–
Total comprehensive income for the period		**98 503**	69 801	164 924
Attributable to:				
Equity owners of the parent		**98 503**	69 801	164 924
Non-controlling interest		**–**	–	–
Total comprehensive income for the period		**98 503**	69 801	164 924
Basic earnings per share	(cents)	**40.23**	32.52	76.14
Diluted earnings per share	(cents)	**40.23**	32.52	76.14
Distribution per share*	(cents)	**37.14**	33.06	68.25
Interest cover ratio	(times)	**2.54**	2.15	2.19

** 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 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	–	69 801	–	69 801	–	69 801
Investment in subsidiary	4 421	–	–	4 421	4 214	8 635
Recognition of treasury shares	64 687	–	–	64 687	–	64 687
Distributions to shareholders	–	(59 815)	–	(59 815)	–	(59 815)
Share-based payment expense	–	–	2 796	2 796	–	2 796
Vesting CSP	–	–	(13 450)	(13 450)	–	(13 450)
Balance as at 31 August 2021	**1 992 463**	**432 876**	**15 358**	**2 440 697**	**23 255**	**2 463 953**
Changes in equity:						
Profit for the period	–	95 123	–	95 123	–	95 123
Change in non-controlling interest	(4 421)	–	–	(4 421)	–	(4 421)
Acquisition of treasury shares	14 851	–	–	14 851	–	14 851
Disposal of treasury shares	(87 451)	–	–	(87 451)	–	(87 451)
Distributions to shareholders	–	(67 145)	–	(67 145)	–	(67 145)
Share-based payment expense	–	–	6 644	6 644	–	6 644
Vesting CSP	–	–	(1 588)	(1 588)	–	(1 588)
Balance as at 28 February 2022	**2 168 821**	**460 854**	**20 414**	**2 650 089**	**23 255**	**2 673 344**
Changes in equity:						
Profit for the period	**–**	**98 503**	**–**	**98 503**	**–**	**98 503**
Issue of shares	**(895)**	**–**	**–**	**(895)**	**–**	**(895)**
Acquisition of treasury shares	**(21 206)**	**–**	**–**	**(21 206)**	**–**	**(21 206)**
Disposal of treasury shares	**6 670**	**–**	**–**	**6 670**	**–**	**6 670**
Distributions to shareholders	**–**	**(81 986)**	**–**	**(81 986)**	**–**	**(81 986)**
Share-based payment expense	**–**	**–**	**4 056**	**4 056**	**–**	**4 056**
Vesting CSP	**–**	**–**	**(11 534)**	**(11 534)**	**–**	**(11 534)**
Balance as at 31 August 2022	**2 153 390**	**477 372**	**12 936**	**2 643 698**	**23 255**	**2 666 954**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group		
	Unaudited Six months ended August 2022 R'000	Unaudited Six months ended August 2021 R'000	Audited Year ended February 2022 R'000
Cash generated from operations			
Profit before tax	**100 266**	69 801	168 849
Adjustments for:			
Straight-line rental income accrual	**(4 251)**	(15 981)	(20 026)
Depreciation	**7 009**	6 580	13 769
Fair value adjustments	**(4 069)**	22 689	2 051
Impairment investments	**–**	–	267
Finance income	**(1 318)**	(937)	(3 647)
Finance cost	**68 127**	75 365	150 935
Share-based payment expense	**4 056**	2 796	9 440
Changes in working capital			
Trade and other receivables	**(3 715)**	(1 478)	3 984
Trade and other payables	**13 129**	(5 232)	(13 432)
Cash generated from operating activities	**179 233**	153 603	312 190
Finance costs	**(67 829)**	(73 235)	(150 169)
Finance income	**1 318**	764	3 291
Distribution paid	**(81 986)**	(59 815)	(126 960)
Taxation paid	**(1 917)**	–	(4 633)
Net cash generated from operating activities	**28 819**	21 317	33 719
Cash flows from investing activities			
Acquisition of investment property	**(67 970)**	–	–
Cost incurred on developments	**(3 389)**	(33 666)	(22 937)
Cost capitalised to investment property	**(6 449)**	(22 442)	(57 029)
Proceeds on sale of investment property	**91 659**	–	95
Acquisition of property, plant and equipment	**(344)**	(56)	(496)
Proceeds on sale of property, plant and equipment	**318**	–	318
Repayment received on loan to tenant	**380**	420	450
Loan advanced to tenant	**–**	(5 952)	(8 765)
Proceeds from disposal of subsidiary	**–**	–	45 700
Net cash used in investing activities	**14 206**	(61 696)	(42 664)

	Group		
	Unaudited Six months ended August 2022 R'000	Unaudited Six months ended August 2021 R'000	Audited Year ended February 2022 R'000
Cash flow from financing activities			
Proceeds from share issue	**(895)**	–	253 379
Proceeds from financial liabilities	**–**	50 302	81 287
Repayment of financial liabilities	**(13 721)**	–	(307 021)
Proceeds from related party loan	**–**	–	386
Repayment of solar lease liability	**(132)**	(40)	(131)
Loan (advanced to)/received from related party	**(775)**	1 490	1 689
Purchase of treasury shares	**(26 546)**	(22 924)	(87 451)
Proceeds from sale of treasury shares	**–**	–	63 959
Net cash generated from financing activities	**(42 454)**	28 828	6 097
Total cash movement for the period	**571**	(11 551)	(2 848)
Cash at the beginning of the period	**29 214**	32 062	32 062
Cash at the end of the period	**29 785**	20 511	29 214

OPERATING SEGMENT INFORMATION

FOR THE SIX MONTHS ENDED 31 AUGUST 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	91 288	134 958	45 408	18 006	128	–	289 788
Straight-lining of leases	1 594	1 152	420	1 085	–	–	4 251
Profit from operations	60 012	77 061	42 542	11 197	(23 723)	(16)	167 074
Fair value adjustments	3 224	(9 698)	13 619	(1 076)	(2 000)	–	4 069
Net property operating profit	57 364	91 467	30 231	12 380	(17 357)	(16)	174 070
Finance income	311	212	711	1	57	27	1 318
Finance costs	(13 634)	(39 145)	(5 732)	(2)	(9 615)	–	(68 127)
Investment property	1 190 122	2 147 031	653 061	273 896	–	–	4 264 110
Investment property held for sale	85 000	–	–	–	–	–	85 000
Investment property under development and land	2 961	–	–	–	–	50 223	53 184
Straight-lining of lease asset	14 878	37 969	22 939	5 104	–	–	80 890
Total assets	1 457 118	2 030 253	748 450	292 168	(35 004)	47 875	4 540 860
Total liabilities	(436 037)	(1 052 298)	(201 518)	(1 385)	(183 724)	1 053	(1 873 909)

APPENDIX 1 – SA REIT BEST PRACTICE RECOMMENDATIONS CALCULATION DISCLOSURE

SA REIT FFO PER SHARE

		August 2022 R'000	August 2021 R'000
Profit or loss per IFRS Statement of Comprehensive Income attributable to the parent		**98 503**	69 801
Adjusted for:			
Accounting/specific adjustments:		**(8 320)**	6 709
Fair value adjustments to:			
– Investment property		**(4 069)**	13 975
– Equity instruments held at fair value through profit or loss		**–**	8 715
Straight-lining operating lease adjustment		**(4 251)**	(15 981)
SA REIT FFO		**90 183**	76 510
Company-specific adjustments		**5 818**	2 796
– IFRS 2 Expense – CSP awards with future vesting and issue date		**4 056**	2 796
– Provisional tax paid on retained income for the period		**1 762**	–
Total distributable company FFO		**96 001**	79 306
Number of shares outstanding at end of interim period (net of treasury shares)		**232 667 160**	203 905 498
Interim DIPS	(cents)	**41.26**	38.89
Payout ratio	(%)	**90**	85
Interim distributable company FFO	(R'000)	**86 401**	67 410
Interim company DPS	(cents)	**37.14**	33.06
Taxable retained earnings (A-B)	(R'000)	**9 600**	11 896
Taxation payable	(R'000)	**(1 933)**	–
Net retained income	**(R'000)**	**7 667**	11 896

DIVIDEND DECLARED AND DIVIDEND PER SHARE

Total distributions for the period – 2023		Cents per share	R'000
Interim distribution declared on 21 October 2022 (distribution number 12)		37.14	86 401
Final distribution TBC		0.00	0.00
Total distributions for the period ended 28 February 2022		37.14	86 401
DPS growth HY2023	(%)	12.33	

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 2021	68.25	149 912

SA REIT NAV

		August 2022 R'000	August 2021 R'000	February 2022 R'000
Reported NAV attributable to the parent		2 643 698	2 440 697	2 650 089
Adjustments:				
Dividend declared and 100% cash settled		(86 401)	(67 410)	(82 503)
Deferred tax		(1 228)	(6 179)	(1 228)
SA REIT NAV	A	2 556 069	2 367 108	2 566 358
Shares outstanding				
Number of shares in issue at period end (net of treasury shares)	B	232 667 160	203 905 498	234 431 877
SA REIT NAV per share (Rands)	A/B	10.99	11.61	10.95

SA REIT COST-TO-INCOME RATIO

		August 2022 R'000	August 2021 R'000	February 2022 R'000
Expenses				
Operating expenses per IFRS IS (includes municipal expenses)		**101 112**	92 381	195 771
Administrative expenses per IFRS IS		**18 858**	18 250	37 138
Other expenses, if directly related to property operations				
Depreciation		**7 009**	6 580	13 769
Exclude:				
Depreciation expense in relation to property, plant and equipment of an administrative nature		**(310)**	(342)	(913)
Operating costs	**A**	**126 668**	116 869	245 766
Rental income				
Contractual rental income per IFRS IS (excluding straight-lining)		**215 874**	204 724	414 082
Utility and operating recoveries per IFRS IS		**73 914**	66 221	140 754
Gross rental income	**B**	**289 788**	270 945	554 836
SA REIT cost-to-income ratio (%)	**A/B**	43.71	43.13	44.30

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

		August 2022 R'000	August 2021 R'000	February 2022 R'000
Expenses				
Administrative expenses as per IFRS IS		**18 858**	18 250	37 138
Other identified administrative expenses				
Depreciation		**310**	342	913
Administrative costs	**A**	**19 168**	18 592	38 051
Rental income				
Contractual rental income per IFRS IS (excluding straight-lining)		**215 874**	204 724	414 082
Utility and operating recoveries per IFRS IS		**73 914**	66 221	140 754
Gross rental income	**B**	**289 788**	270 945	554 836
SA REIT administrative cost-to-income ratio (%)	**A/B**	**6.61**	6.86	6.86

SA REIT GLA VACANCY RATE

		August 2022 m²	August 2021 m²	February 2022 m²
GLA of vacant space	A	**28 685**	33 932	27 949
GLA of total property portfolio	B	**443 155**	470 881	453 458
SA REIT GLA vacancy rate (%)	**A/B**	**6.47**	7.21	6.16

COST OF DEBT

	August 2022 %	August 2021 %	February 2022 %
Variable interest rate borrowings			
Prime – Floating reference rate plus weighted average margin	**–**	5.56	–
3-month JIBAR – Floating reference rate plus weighted average margin	**7.00**	5.63	5.92
Fixed interest rate borrowings			
Weighted average fixed rate	**8.34**	8.34	8.34
Pre-adjusted weighted average cost of debt	**7.79**	7.01	7.32
Adjustments:			
Impact of interest rate derivatives	**–**	–	–
Amortised transaction costs imputed into the effective interest rate	**–**	–	–
All-in weighted average cost of debt	**7.79**	7.01	7.32

SA REIT LTV

		August 2022 R'000	August 2021 R'000	February 2022 R'000
Gross debt		**1 766 795**	2 157 680	1 780 280
Less:				
Cash and cash equivalents		**(29 785)**	(20 512)	(29 214)
Net debt	**A**	**1 737 010**	2 137 168	1 751 066
Total assets – per Statement of Financial Position		**4 540 863**	4 703 423	4 530 473
Less:				
Cash and cash equivalents		**(30 015)**	(20 742)	(29 214)
Deferred taxation		**(1 228)**	(6 179)	(1 228)
Trade and other receivables		**(19 649)**	(21 396)	(15 934)
Carrying amount of property-related assets	**B**	**4 489 971**	4 655 106	4 484 097
SA REIT LTV (%)	**A/B**	**38.69**	45.91	39.05

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 Best Practice Recommendations calculation 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		
		Unaudited Six months ended August 2022	Unaudited Six months ended August 2021	Audited Year ended February 2022
Shares in issue				
Number of shares in issue at end of year net of treasury shares	(Number of shares)	**232 667 160**	203 905 498	234 431 877
Weighted average number of shares in issue	(Number of shares)	**244 846 390**	214 615 571	216 603 351
Diluted weighted average number of shares in issues	(Number of shares)	**244 846 390**	214 615 571	216 603 351
Basic earnings per share				
Earnings (profit attributable to owners of the parent)	(R'000)	**98 503**	69 801	164 924
Basic earnings per share	(cents)	**40.23**	32.52	76.14
Diluted earnings per share	(cents)	**40.23**	32.52	76.14

Headline earnings per share

		Group		
Reconciliation between basic earnings and headline earnings:		**Unaudited Six months ended August 2022**	Unaudited Six months ended August 2021	Audited Year ended February 2022
Earnings (profit attributable to owners of the parent)	(R'000)	**98 503**	69 801	164 924
Adjusted for:				
Fair value adjustments to investment properties: Gross		**(4 069)**	13 975	2 051
Fair value adjustment to investments: Gross		**–**	8 715	–
Impairment of investments: Gross		**–**	–	267
Tax		**–**	–	–
Headline earnings	(R'000)	**94 434**	92 490	167 242
Headline earnings per share:				
Headline earnings per share	(cents)	**38.57**	43.10	77.21
Diluted headline earnings per share	(cents)	**38.57**	43.10	77.21

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 high-quality 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 remains an authentic dividend-paying income fund, focused on a strong balance sheet and delivering on our mission statement, which is to be the leading Western Cape-focused REIT growing our distribution per share annually ahead of inflation and within the top quartile of our 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.

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.

Spear's management team has been energised and deeply encouraged by the trading performance during the interim period. The balance of the year ahead is set to further reflect the strength and resilience of the Spear portfolio, as earnings enhancements start to flow through meaningfully.

The operating environment over the past six months has remained challenging with inflationary pressures continuously building, operating cost creep setting in and interest rate hikes absorbing more and more of consumers' disposable income. Defending the net property income line has been tough in this climate, but we have succeeded.

The effects of semigration and localisation of supply chain solutions have provided great opportunities for Spear during the first half of FY2023, particularly within the existing industrial portfolio, to add organic value and capitalise on this accelerating trend. The increased interest from international companies seeking to establish a Cape Town office presence bodes well for Spear's well-located commercial portfolio and the general Cape Town commercial office market.

The real estate market in Cape Town and the Western Cape has fared far better than the balance of South Africa. Most notably, the office sector has shown signs of a faster recovery as vacancy rates contract and reversionary rental pressure subsides across the Cape Metropole. The Western Cape and City of Cape Town have accelerated the drive to make Cape Town the first load shedding-free City in South Africa through its energy and electricity policy, offering incentive programmes for commercial and industrial properties to feed excess generation into the electricity grid.

Construction cranes cover the skyline from North to South and East to West with all property types under development across the Cape Metropole and the greater Western Cape, with a 33% year-on-year increase in the value of building plans approved in the Western Cape circa R17.8 billion between January and June 2022. This growing property rates base will have long-term benefits to the Metropole and Western Cape, as infrastructure programmes are fundable and ongoing infrastructure maintenance programmes are continuously executed.

The Spear portfolio has traded well through the interim period as a result of Spear's hands-on asset management approach, the high quality and defensive nature of Spear's asset base coupled with strong lease covenants and a highly experienced management team.

Rent preservation, tenant retention, robust financial management, debtors management and vacancy management have been the key building blocks to the achievement of the interim results. The latter has resulted in a 6.95% increase in group revenue compared to the corresponding period, being HY2022. Consistent resilience has been evident across the portfolio during the interim period with aggressive marketing campaigns being the order of the day. The office portfolio remains the central focus point of vacancy mitigation and asset management focus. Spear's office portfolio is in very attractive locations and the vacancy reduction strategy is starting to bear fruit. Overall, the Spear portfolio has maintained high occupancy levels during the interim period, with a 94% occupancy rate at period end and a 95% tenant retention rate on renewals and relets during the interim period.

FINANCIAL RESULTS

Group revenue, excluding smoothing, increased by 6.95% from the prior corresponding period as a result of fewer tenant relief measures being required and the 15 on Orange Hotel's fixed rental generated.

Net property operating profit increased by 5.93% from the prior corresponding period. Increased costs resulting from inflationary pressures resulted in the dilution of net property operating profit from the strong revenue growth achieved.

The HY2023 period is comparable to HY2022 on a like-for-like basis, except for the disposal of Island Business Park and 6 Talana Road in HY2023, of which the majority of the proceeds were used to acquire 27 Junction Road. Property operating and management expenses increased by 9.45% and administrative expenses increased by 3.33%. The property management expenses is a clear indication of the inflationary environment in which we currently operate.

The group continued to generate positive cash flows from operating activities and this provided optionality in developments being actioned and major capital work required at properties, as well as increasing the payout ratio of group FFO in HY2023 to 90% compared to 85% in the prior corresponding period.

The board of directors is pleased to announce a HY2023 DPS of 37.13513 cents for the six months ended 31 August 2022.

		Six months ended August 2022	Six months ended August 2021	Variance %
DIPS	(cents)	**41.26**	38.89	6.09
DPS	(cents)	**37.14**	33.06	12.33
Payout ratio	(%)	**90**	85	

Spear's results are in line with the forecast as disclosed during the results presentation in May 2022 and is a testament to Spear's focus, active asset and property management along with prudent financial management of the going concern under tough trading conditions.

	Six months ended August 2022 Rands	Year ended February 2022 Rands	Variance %
NAV per share	**11.36**	11.30	0.53
TNAV per share	**11.36**	11.30	0.53
TNAV per share net of distribution	**10.99**	10.95	0.37

Refer to the TNAV bridge for further commentary

The financial results achieved during the interim period are testament to the execution of Spear's hands-on and active asset management approach to the portfolio. Spear's diversified portfolio located in highly desirable locations has underpinned the cash flows generated across portfolio assets during the interim period. The Spear portfolio is 100% fixed income with zero reliance on any form of variable income. The income restoration post the Covid-19 pandemic has come to pass with cash collections moving back to pre-pandemic levels.

Rental reversions on lease renewals and relets have shown notable improvement with portfolio reversions during the interim period being (4.08%). Benchmarked with Spear's peers, portfolio reversions have beat the benchmark as rental reversions move from negative to flat and further from flat to positive as tenant uptake and landlord negotiations bear fruit. Spear continues to achieve some of the best reversionary metrics within the SA REIT sector.

Vacancy rates across the portfolio were at 6.47% at period end, increasing from 6.24% for FY2021. Management has initiated aggressive letting strategies to further reduce the overall portfolio vacancy rate and in particular the commercial office vacancy rate.

The reversions and vacancies were in line with management's forecast and this was taken into account when the DIPS growth for FY2023 was announced to the market in May 2022.

Group gearing is 38.69% (FY2022: 39.05%). The decrease results from fair value improvement, asset disposal above book value and continued strong cash collections.

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 while significant progress has been made on legal tenant arrears
- Tenant receivables relating to HY2023 amounted to R7.08 million excluding VAT and R20.49 million excluding VAT for all tenant arrears
- Collections completed as at 10 October 2022.

HY2023 (excluding VAT)		Total R'000
Billed (including utilities)		**289 906**
Collected		**282 824**
Collected vs billings	(%)	**97.56**

At period end the total provision for bad debt was R6.06 million, being 29.57% of total tenant arrears.

Management is actively reviewing tenant arrears and at the end of the reporting period a total of R1.4 million of bad debt was written off in 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.

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 30 high-quality assets with an average value per asset of R147.8 million, being a 3.45% increase from R142.8 million per property in FY2022. Total GLA at period end was 443 155m^2 valued at R4.48 billion.

The portfolio's income stream is underpinned by contractual escalations of 6.34%, a WALE of 27 months (FY2022: 27 months) together with a high percentage of A-grade tenants (listed and large nationals) comprising 37% 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 of 6.47% at the end of the financial period (FY2022: 6.24% portfolio vacancies).

Top 10 properties by value

Property	Value including lease asset R'000	Sector	GLA m²	Vacancy m²	% of total value	Valuation R/m²
1. Mega Park, Bellville	481 000	Industrial	86 195	2 542	10.85	5 580
2. 2 Long Street, Cape Town	448 000	Commercial	25 293	3 942	10.11	17 712
3. Sable Square Shopping Centre, Milnerton	440 000	Retail	31 111	1 613	9.93	14 143
4. Liberty Life Building, Century City	437 000	Commercial	18 244	1 630	9.86	23 953
5. Northgate Park, Brooklyn	323 000	Commercial	16 981	3 306	7.29	19 021
6. 15 on Orange Hotel, Cape Town	279 000	Hospitality	16 663	484	6.29	16 744
7. 1 Waterhouse Place, Century City	245 000	Commercial	11 963	2 745	5.53	20 480
8. MWEB Head Office, Parow	158 000	Commercial	11 195	–	3.56	14 113
9. Blackheath Park, Blackheath	155 961	Industrial	37 334	2 369	3.52	4 177
10. Radnor Road, Bellville	124 000	Industrial	12 879	–	2.80	9 628
11. No.2 Estuaries, Century City	112 000	Commercial	4 199	–	2.53	26 673
Top 10 Total	**3 090 961**		**267 858**	**18 630**	**70.33**	**11 540**
Group Total excluding land	**4 432 961**		**443 155**	**28 685**	**100**	**10 003**

Sectoral split

		Industrial	Commercial	Retail	Hospitality	Development	Total
Number of properties		10	13	6	1	–	30
Value of properties	(R'000)	1 292 961	2 185 000	676 000	279 000	50 223	4 483 184
Value	(%)	29	49	15	6	1	100
Property revenue excluding smoothing	(R'000)	91 288	134 958	45 408	18 006	–	289 660
Revenue	(%)	32	46	16	6	–	100
GLA	(m^2)	247 047	130 494	48 951	16 663	–	443 155
GLA	(%)	56	29	11	4	–	100
Vacant area	(m^2)	5 256	20 560	2 385	484	–	28 685
Vacancy per sector	(%)	2.13	15.70	4.87	2.90	–	–
Vacancy on total GLA	(%)	1.19	4.64	0.54	0.11	–	6.47
Yield	(%)	9.09	7.85	8.41	8.00	N/A	8.31
Weighted average in-force escalation	(%)	6.40	6.45	6.06	7.00	N/A	6.34
WALE	(months)	25	27	29	71	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 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 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 31 August 2022, the following significant key assumptions and unobservable inputs used by the group in determining fair value were in the following ranges:

		Industrial	Commercial	Retail	Hospitality	**Total HY2023**	Total 2022
Average discount rate	(%)	13.05	13.17	12.88	Note 1	**13.03**	13.50
Average capitalisation rate	(%)	9.05	9.17	8.88		**9.03**	9.03
Average exit capitalisation rate	(%)	9.55	9.67	9.38		**9.53**	9.30
Average prior year exit capitalisation rate	(%)	9.22	9.50	9.17		**9.30**	–
Average rental growth rate	(%)	4.00	4.00	4.00		**4.00**	4.47
Average expense growth rate	(%)	6.00	6.00	6.00		**6.00**	6.00
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.

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

		Industrial	Commercial	Retail	Hospitality	**Total HY2023**
Average value per property (excluding land/ bulk value)	(R'000)	129 296	168 077	112 667	279 000	147 765
Average value per m²	(Rands)	5 234	16 744	13 810	16 744	10 003

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); vacant periods were shorter/(longer); rent-free periods were shorter/(longer); the occupancy rate was higher/(lower); the estimate of market rentals was higher/(lower).

The material assumptions applied in property valuations have not changed materially from the prior year end.

The discount rate applied in the 2022 financial year varied between 11.75% and 15.00% (average 13.50%). The exit capitalisation rate applied in the 2022 financial year varied between 8.25% and 10.25% (average 9.30%).

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

Sensitivity analysis to capitalisation rates	Six months ended August 2022 R'000	Year ended February 2022 R'000
Increase in fair value if capitalisation rates are decreased by 0.5%	**236 685**	**232 117**
Decrease in fair value if capitalisation rates are increased by 0.5%	**(212 412)**	**(208 331)**
Increase in fair value if discount rates are decreased by 0.5%	**162 185**	**159 076**
Decrease in fair value if discount rates are increased by 0.5%	**(150 410)**	**(147 535)**

SECTORAL PERFORMANCE

Industrial (GLA: 247 047m^2/Occupancy: 97.87%)

The industrial portfolio has maintained its robust performance during the interim period. Demand for Spear's multi-let industrial parks has been robust as occupancy levels peak towards capacity. During the interim period Spear initiated the redevelopment of 50% of Blackheath Park for Bravo Brands for its new 16 000m^2 manufacturing and distribution facility. Spear's defensive and diversified industrial portfolio comprises of multi-let, logistics, mini, mid- and large-scale industrial property types. Spear's industrial assets offer an efficient operating environment, large yards, solar PV installations, ample power supply and load shedding curtailment contracts. 51 992m^2 of industrial leasing activity took place during the interim period at a 100% retention rate. Spear's industrial portfolio constitutes 56% of portfolio GLA. Demand for Spear's well-located industrial rental opportunities remains strong with management making concerted efforts to increase fund exposure to the industrial sub-sector within the Western Cape with numerous potential projects in the pipeline.

Commercial (GLA: 130 494m^2/Occupancy: 85.08%)

The office sector has without a doubt been impacted the most coming out of the pandemic. The return-to-office model is not yet fully known as companies take different routes in crafting a new operating model and how this new operating model will impact the demand for office space going forward is unknown. Management is, however, encouraged by the improved demand across the Western Cape for office space located in the right areas and offering compelling price points. All of Spear's commercial assets are in well established, attractive and secure office nodes within Cape Town. Leasing enquiries have been consistent with several conversions from enquiries to leases taking place. Management recently concluded a long-term let with DHL Global for a total of 1 300m^2 at No.2 Long Street comprising of 650m^2 office space, a 55m^2 client engagement centre and a 550m^2 service centre. Management remains committed to reducing the office vacancy rate materially as aggressive letting programmes are initiated across the office portfolio.

Office lease renewals continue to be concluded, be it under tougher operating conditions and with an element of augmentations in some instances as tenant space consolidation takes place. During the interim period 7 160m^2 of commercial office space was renewed or relet. The vacancy overhang within the Western Cape is drastically reducing as companies establish greater Western Cape operations and the rate of semigration increases.

Numerous international companies are working on the establishment of a Cape Town footprint given labour costs, language quality and cost of operations being attractive versus other parts of the world.

Retail (GLA: 48 951m^2/Occupancy: 92.90%)

The nature of Spear's retail assets has always proven defensive as the convenience retail sub-sector has proven far more resilient than super regional and regional retail. Management has a distinct bias towards convenience retail which has consistently delivered sustainable trading, income generation and top tier occupancy rates. The retail portfolio performed in line with management's expectations during the interim period despite the rising cost pressures placed on consumers with rising interest rates. Spear's retail portfolio is underpinned by two open-air convenience retail centres anchored by national grocers and numerous national tenants. 41% of Spear's retail GLA is occupied by national tenants further underpinning the sustainability of cash flows generated. Spear's retail assets are in high growth nodes servicing Century City and the broader Northern Suburbs markets. 41% of Spear's convenience retail portfolio is let to national tenants. Management has since inception only invested into convenience retail centres, which has continued to pay off. During the interim period, 3 669m^2 of retail space was renewed or relet.

Hospitality (GLA: 16 663 m^2/Occupancy: 97.10%)

15 on Orange Hotel & Spa is delivering fixed income to the portfolio through the triple net lease in place with The Capital Hotels & Apartments Group. The hotel operator continues to invest its own capital in further property enhancements on-site offering various value-add services that have proven successful. The entrepreneurial approach adopted by the hotel operator continues to bear fruit as occupancy rates improve together with growing demand for conferencing and F&B services at the hotel. The failure of British Airways and Kulula has had a negative impact on the hospitality market recovery insofar as local and business travel is concerned as domestic flight costs increased notably. On the international traveller front a sharp increase in foreign inbound tourism has taken place led by the US and the production services markets. As previously reported a strong recovery continues in the meetings, incentives, conferences and exhibitions ("MICE") market. International travel flight schedules have normalised with international carriers increasing supply on a consistent basis. Whilst occupancy rates have recovered at a faster pace than initially anticipated, it is encouraging to note that room rates have started to show signs of meaningful increase from pandemic period levels, providing the building blocks to navigate back to and beyond pre-pandemic room rates. Spear remains committed to exit its last hospitality asset at the appropriate time and in line with the fixed call option in place with the hotel operator at 15 on Orange Hotel & Spa.

General business update

Across the diversified portfolio the day-to-day operating environment is improving but remains challenging. The industrial and retail portfolio trading has remained resilient, which is attributable to the product offering, locations, and competitive price points. The office portfolio is gaining momentum and is in a "recovery" phase with numerous new leases concluded during the interim period. Spear's only hospitality asset is let on a fixed-income triple net lease agreement to The Capital Hotels & Apartment Group with zero exposure to variable income. Management will maintain its ongoing commitments to the implementation and rollout of its solar PV and H_2O augmentation strategy across the portfolio. Management has set a target to cover more than 50% of the portfolio with solar PV panels. As cash collections have trended back towards a pre-Covid-19 cash collection profile, monthly rental collections and rental collections at the interim period were in line with budgets. Portfolio receivables remain well managed with the debtors book shrinking on an ongoing basis. Across the portfolio operating cost creep created by consistent load shedding has been evident, which requires extreme focus and management over the balance of the financial year. Balance sheet strength has been displayed over the interim period with portfolio valuations remaining consistent during the period. Spear's LTV is fully aligned with group strategy positioning Spear for growth over the balance of the financial year and beyond. Management has successfully disposed of three non-core assets over the past nine months with a total capital value of R179 million all at premiums to book value.

TENANT GRADING

	GLA m²	GLA %	Number of tenants	Number of tenants %
A – Large nationals, large listed and government tenants	161 486	37	100	24
B – Smaller international and national tenants	245 817	55	257	61
C – Other local tenants and sole proprietors	7 167	2	62	15
Vacant	28 685	6	–	–
Total	**443 155**	**100**	**419**	**100**

LETTING ACTIVITY

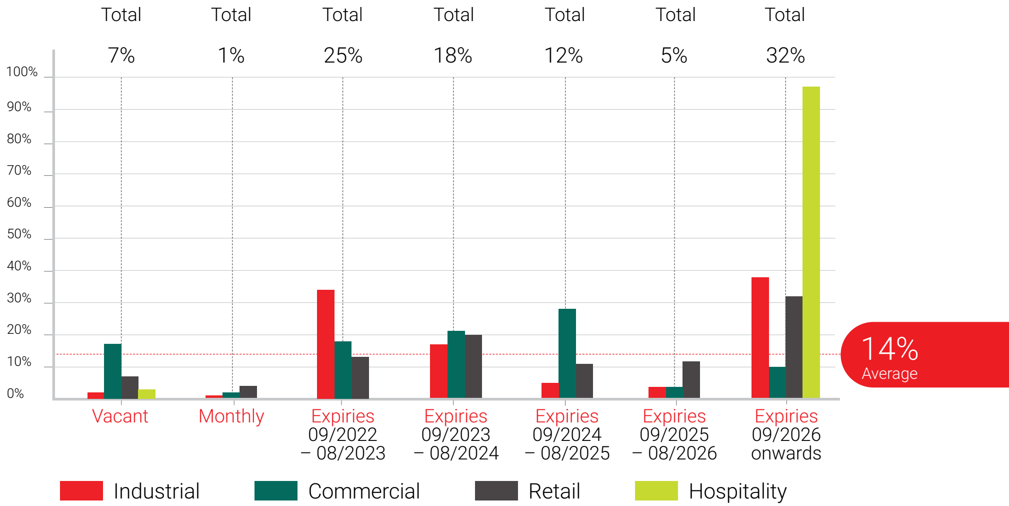
The table below reflects the letting activity of the financial year:

	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	9 640	1 437	149	7 160	1 029	144	(3.62)
Industrial	51 444	2 934	57	51 992	3 024	58	1.97
Retail	4 613	505	109	3 669	419	114	4.51
Total	**65 697**	**4 876**	**74**	**62 821**	**4 472**	**71**	**(4.08)**

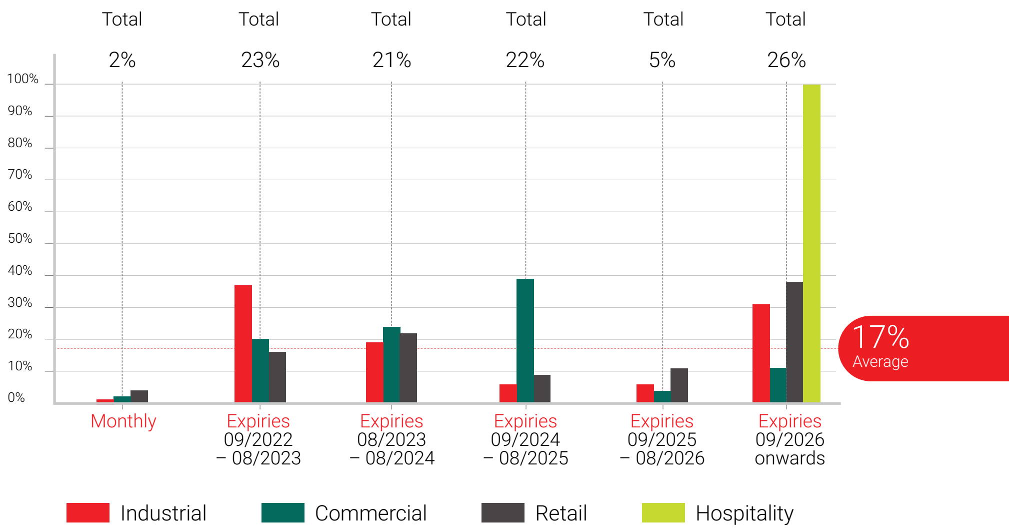
- Early tenant engagement has contributed and mitigated deep negative reversion
- Noticeable improvement in letting with reversions improving from (5.57%) in FY2022.

LEASE EXPIRY PROFILE

Lease expiry profile based on GLA



Lease expiry profile based on revenue



CAPITAL EXPENDITURE AND REDEVELOPMENT

Bravo Brands, Blackheath Park:

As announced on SENS management recently concluded a long-term redevelopment lease with Bravo Brands for the redevelopment of 50% of Blackheath Park circa 13 000m^2 (current) and the addition of a further 3 000m^2 of GLA. The redevelopment will commence in October 2022 and is due for completion by 1 March 2023. Bravo Brands will manufacture a variety of furniture offerings for the local and international market at Blackheath Park. Bravo Brands will grow into the balance of Blackheath Park taking up to 42 000m^2 of GLA within the next 5 – 7 years.

- Total capital expenditure: R74 million
- Initial post capital expenditure yield: 9.85%
- Lease tenure: 10 years
- Status: Redevelopment to commence October 2022.

CAPITAL ALLOCATION AND STRATEGIC FOCUS

The allocation of capital is a key ingredient of management's investment and portfolio enhancement psychology. The focus for management is always to trigger long-term growth opportunities and harness long-term sustainable returns through a disciplined capital allocation process. Management has maintained a track record of allocating, recycling, and redeploying capital in a strategic and focused manner into strategy-aligned investment opportunities.

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 enhanced shareholder value through capital reinvested into the portfolio, disposals, and acquisitions.

Capital remains a key resource to maintain a high-quality real estate portfolio that remains relevant throughout market cycles. Management's capital allocation strategy is centred around identifying quality investment opportunities within the sub-sectors selected to further underpin the core real estate portfolio but will also include:

- Share buybacks from retained income and cash reserves at pricing levels where the distribution yield is more accretive than an acquisition prospect
- Acquisitions, or re/development opportunities with a primary focus on convenience retail, warehousing, logistics, multi-let industrial and mixed-use assets
- 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 strategic LTV goals inform management's disposal consideration. During the interim period R179 million of non-core disposals have been concluded:

- 6 Talana Road, Bellville = R71.4 million
- Island Business Park, Paarden Eiland = R22.5 million
- No.5 Fitzmaurice, Epping = R85 million.

All properties were sold at premiums to book value. Disposal proceeds will be redeployed into strategy-aligned investment opportunities.

BALANCE SHEET AND RISK MANAGEMENT

Management has maintained its obsession with its hands-on, active, and prudent balance sheet management approach. Spear's balance sheet remains robust, positioned for growth and meeting all covenants.

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 objectives and growth objectives within the Western Cape.

The group has started discussions on all current debt to be refinanced with R610 million in discussion to be refinanced on a sustainability-linked funding. The process of establishing ESG targets across the full portfolio and the verification have prolonged the refinancing process, but there is no refinancing risk and the refinancing process will be concluded by year end.

Spear's covenants reverted to the pre-Covid-19 level of 50% LTV and 2 times ICR for the FY2023 financial period going forward. The group has continued to improve on its covenants from the prior financial period.

The group LTV at period end was 38.69%, which is well within management's target range of between 38% – 43%.

The execution of asset disposals above book value and improved valuations resulting from improved leasing activity underpins reducing LTV, providing the group with optionality for future acquisitions, redevelopments and developments.

Spear's hedging policy remains in the range of 65% – 75% of debt hedged at any given time. Given the current interest rate environment, management took advantage of the historically low variable interest rate and is currently on the lowest end of its debt hedged strategy. Hedging activity will increase within the next six months.

Spear's fixed debt ratio at period end was 67.63% and post the transfer of No. 5 Fitzmaurice the ratio will increase to about 71%.

Spear's debt portfolio remains actively managed with an all-in cost of debt of 7.79% and a hedged ratio of 67.63% 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 weighted average expiry being 21 months, with all current debt at advanced stages of negotiations to be concluded by the end of FY2023.

COST TO INCOME

SA REIT gross total cost to income is 43.71%, decreasing from 44.30% from the prior financial year.

Administrative cost to income for the period was 6.61%, decreasing from 6.86% from the prior financial year.

The group has done exceptionally well to decrease the cost-to-income ratios given the inflationary pressures experienced together with the rising cost of utilities. Management believes the ratios can be maintained for the FY2023 financial year due to the improved letting activity and major repair and maintenance costs already accounted for in HY2023.

BORROWINGS AND FUNDING

The group settled R50 million of gross debt in HY2023 and has started refinance discussions regarding all current debt. R160 million of the current debt will be settled from the proceeds of asset disposals and cash reserves and R610 million will be refinanced on sustainability-linked funding. Spear's extensive rollout of solar PV on its assets has provided the group with the sustainability-linked optionality and the information is currently being reviewed and will be concluded by the FY2023 year end.

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.

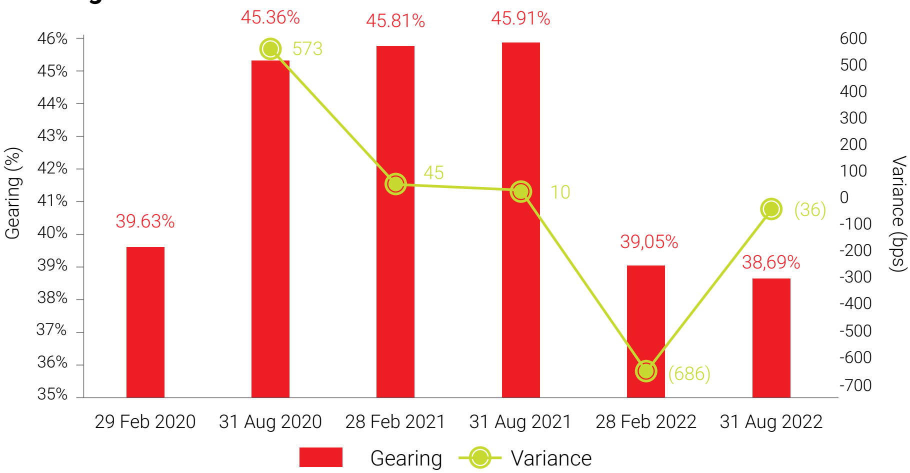
GROUP COVENANTS

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

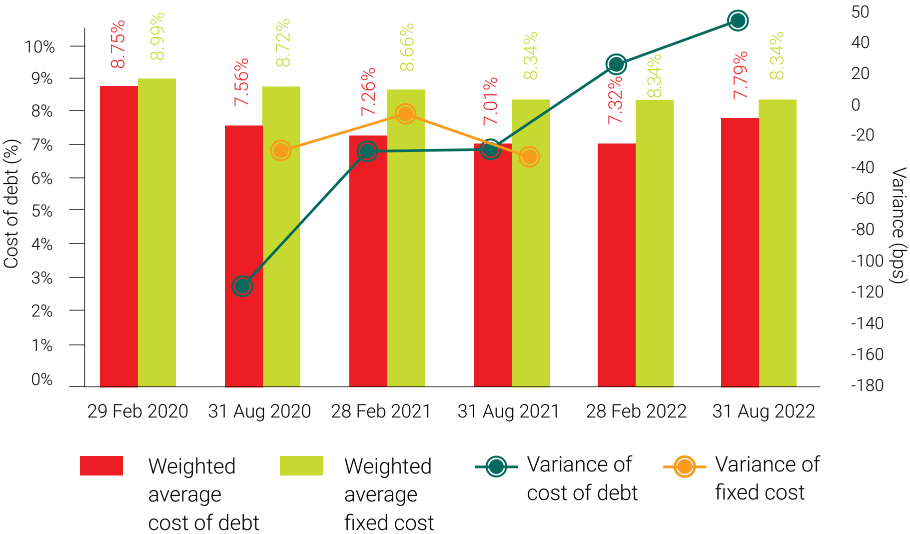
	COVENANTS	AUG 2022	FEB 2022
LTV	50%	38.69%	39.05%
ICR	2.00 TIMES	2.54 TIMES	2.19 TIMES

GROUP GEARING

Gearing ratio

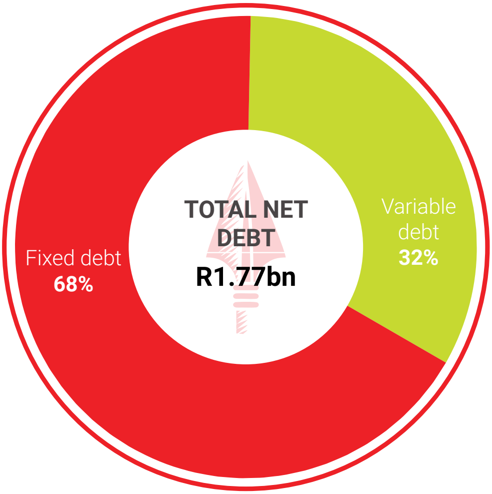


In-force cost of debt



At interim period 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



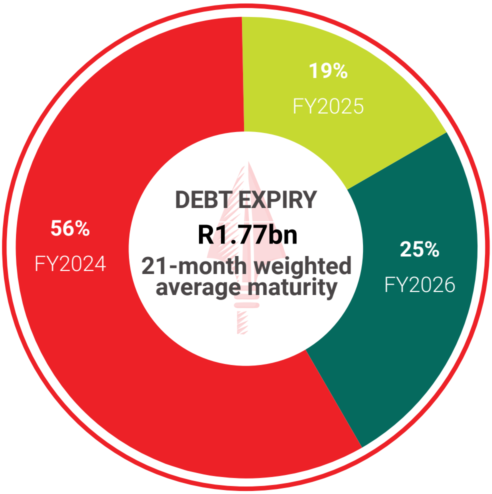
Cost
8.34%

Weighted average maturity
25 months

40

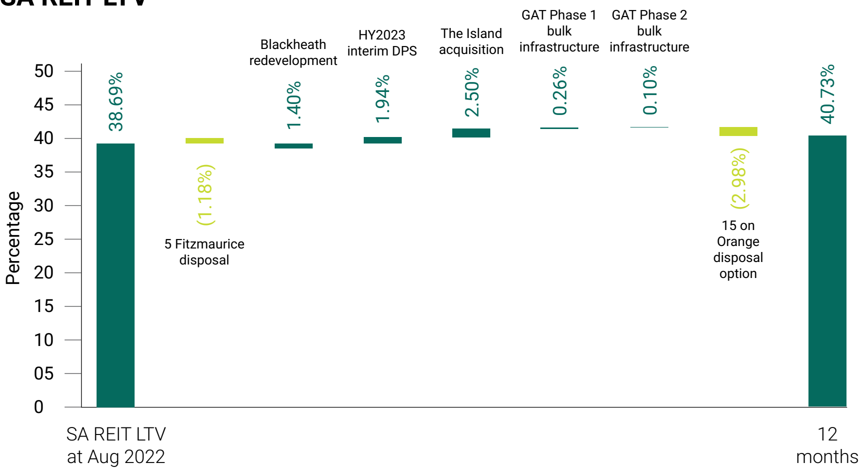
Cost
7.00%

Weighted average maturity
30 months

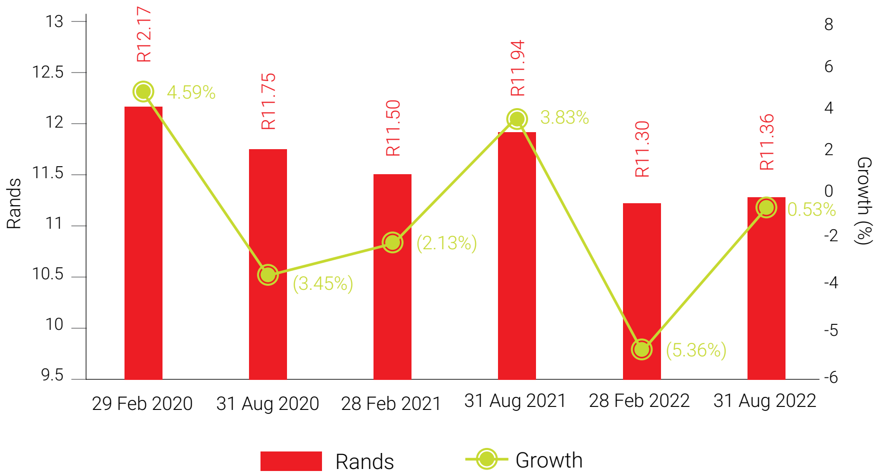


LTV SENSITIVITY

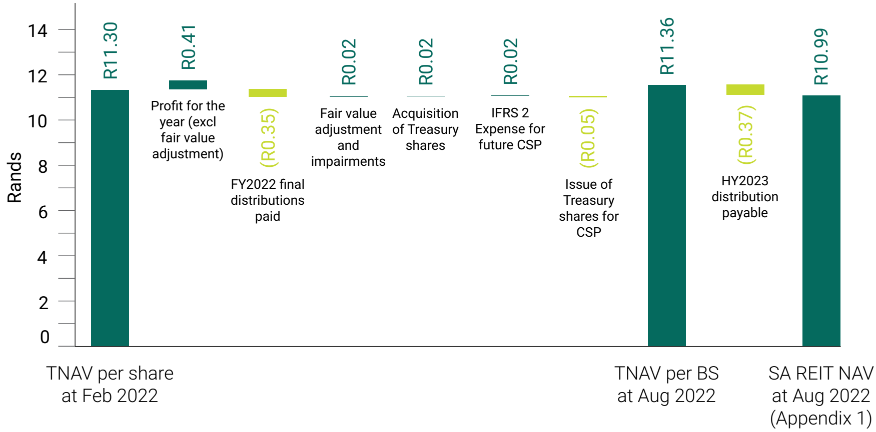
SA REIT LTV



Tangible NAV



TNAV BRIDGE



SUSTAINABILITY

Spear aligns itself with a people, planet, and profit approach to business operations. The sustainability strategy of Spear is modelled and tested on every real estate investment owned and investment opportunity considered by Spear. Management continually seeks opportunities to place less and less reliance on fossil fuel-generated electrical supply. The introduction of renewable energy solutions such as solar PV and water augmentation systems will continue to be rolled out across the portfolio. Spear has partnered with leading industry experts in the execution of its sustainability strategy and remains committed to reducing the group's carbon footprint.

Summary of Solar PV

NUMBER OF PROPERTIES WITH SOLAR
CURRENT: 15
FUTURE: 1
TOTAL: 16

% OF PORTFOLIO
CURRENT: 50%
FUTURE: 3%
TOTAL: 53%

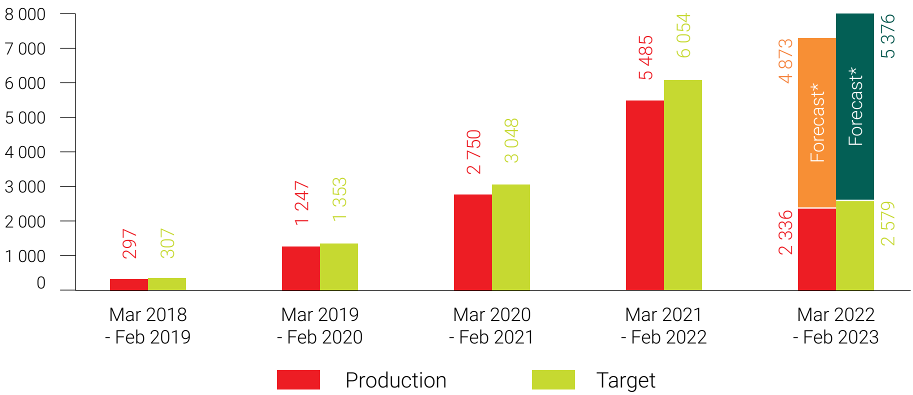
AVERAGE SOLAR PENETRATION RATE
CURRENT: 22%
FUTURE: 27%
TOTAL: 25%

TOTAL KWP OF SOLAR INSTALLED
CURRENT: 5 447
FUTURE: 2 150
TOTAL: 7 597

ROOF RENTAL
CURRENT: 8
FUTURE: 2
TOTAL: 10

FINANCED
CURRENT: 6
FUTURE: 0
TOTAL: 6

kWh (`000) Production vs Target



**Forecast is for the period September 2022 – February 2023.*

Water continuity

Water continuity and resources management continue 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 on and usage of clean water. Bulk water storage facilities linked into operational boreholes and well points remain installed and active across the portfolio.

OUTLOOK

The Western Cape real estate sector and the Spear portfolio have shown consistent resilience across property types during the interim period. Management believes that the ongoing recovery and momentum will be maintained until such time as a full recovery has taken place. The confidence placed by the business sector and the public in the good governance of the Western Cape and the Cape Town Metropole will further enhance the Western Cape as the investment case for South Africa. The City of Cape Town remains focused on making Cape Town the first load shedding-free city and Spear will continue to do its part through the execution of Spear's ESG strategy. Spear will maintain its investment bias towards industrial warehousing, logistics and retail assets within the Western Cape. Management is confident that near-term organic and inorganic growth opportunities will be unlocked for Spear as growth opportunities are pursued. As the growing trend of semigration continues Spear will see its investment universe expand as numerous new growth nodes are established within the Western Cape as development activity accelerates to supply the demand for retail, residential and mixed-use real estate.

Spear's core portfolio remains defensive, underpinned by strong lease covenants in highly desirable locations within the Western Cape. Management's hands-on asset management approach will continue to propel business operations towards the conclusion of a successful FY2023.

PROSPECTS AND GUIDANCE

Management will maintain its Western Cape-only focus in line with its focused strategy of consistent income generation through the ownership of high-quality assets generating sustainable cash flows. Management will recycle capital into strategy-aligned assets with a distinct bias towards industrial and retail assets within the Western Cape. Management's proximity to assets remains a key pillar of Spear's operating strategy resulting in enhanced market opportunities.

Spear's balance sheet is positioned for growth giving management the optionality required to deploy capital into strategy-aligned investment opportunities for Spear.

Spear remains on track to achieve management's guidance for FY2023 set out to the market. Management's guidance remains a DIPS growth of 5% – 7% for FY2023.

The guidance is based upon the following assumptions:

- No further Covid-19-related lockdowns
- Vacancies are reduced in line with management's forecast
- Lease renewals are concluded per management's forecast

- No major tenant failures occur during the year
- Further increases in the South African Reserve Bank repo rate for the balance of FY2023 are absorbed and mitigated
- Tenants successfully absorb rising costs associated with utility charges and municipal rates
- Load shedding does not consistently go beyond stage 4 during FY2023.

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 agreed to purchase the following property after period end:

	Transfer date	Acquisition value R'000	Debt funding R'000	Equity funding R'000	Yield %
The Island, Paarden Eiland	TBC	185 000	92 500	92 500	9.75
		185 000	**92 500**	**92 500**	**9.75**

The group disposed of the following property after period end:

	Disposal date	Gross disposal value R'000	Debt settled R'000	Cash retained R'000	Disposal yield %
No. 5 Fitzmaurice, Epping	07/10/2022	85 000	85 000	–	9.35
		85 000	**85 000**	**–**	**9.35**

BASIS OF PREPARATION – UNAUDITED

The unaudited consolidated interim results for the six months ended 31 August 2022 are prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. Except for the adoption of revised and new standards that became effective during the year, all accounting policies applied in the preparation of these unaudited consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements. There was no material impact on the unaudited consolidated interim financial statements as a result of the adoption of these standards.

Christiaan Barnard CA (SA), in his capacity as Chief Financial Officer, was responsible for the preparation of the unaudited consolidated interim results for the six months ended 31 August 2022. These consolidated interim results have not been reviewed or reported on by the company's auditors.

INTERIM DISTRIBUTION FOR THE SIX MONTHS ENDED 31 AUGUST 2022

Notice is hereby given of the declaration of final distribution number 12 of 37,13513 cents per share for the six months ended 31 August 2022 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 dividend withholding tax. The exemption from dividend 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 withholding tax ("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 withholding tax. Since 1 January 2014, any dividend received by a non-resident shareholder from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder concerned. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 29.70811 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) a declaration that the dividend is subject to a reduced rate as a result of the application of DTA; and

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

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

The number of ordinary shares in issue on declaration date is 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 below:

Salient dates and times	**2022**
Declaration date	Friday, 21 October
Last day to trade cum-dividend distribution	Tuesday, 8 November
Shares trade ex-dividend distribution	Wednesday, 9 November
Record date	Friday, 11 November
Payment date	Monday, 14 November

Notes:

- *Shares may not be dematerialised or rematerialised between Wednesday, 9 November 2022 and Friday, 11 November 2022, both days inclusive.*
- *In respect of dematerialised shareholders, the distributions will be transferred to the CSDP/broker account on Monday, 14 November 2022. Certificated shareholders' distribution payments will be paid to certificated shareholders' bank accounts on Monday, 14 November 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
21 October 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 Phillips*#

** Non-executive*
 # Independent

COMPANY SECRETARY

René Cheryl Stober

CONTACT DETAILS

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

TRANSFER SECRETARIES

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(Private Bag X9000, Saxonwold, 2132)

INDEPENDENT REPORTING ACCOUNTANTS AND AUDITORS

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Foreshore, Cape Town, 8001
(PO Box 2275, Cape Town, 8000)

SPONSOR

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(PO Box 7403, Stellenbosch, 7599)

LEGAL ADVISER

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

BANKERS

Nedbank Limited
Standard Bank Limited
Investec Limited

SPEAR
REIT LIMITED

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SABLE SQUARE

NORTHGATE PARK