



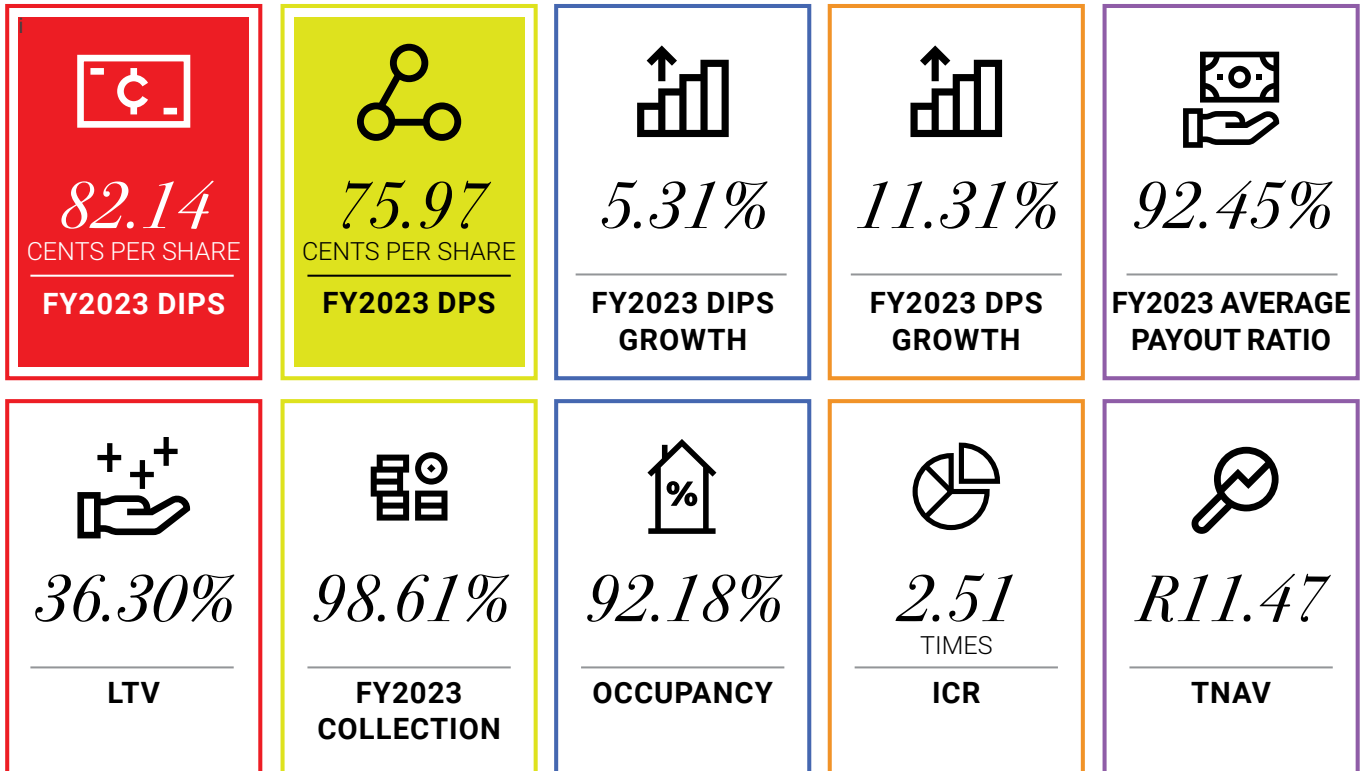
2023



THE WESTERN CAPE REIT

Credible. Predictable. *Consistent.*

Salient Details



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.

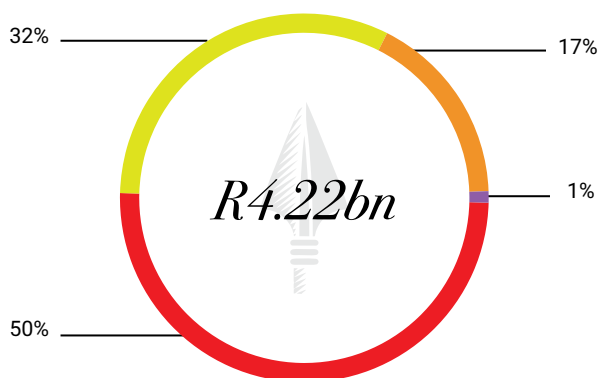
Spear REIT Limited

(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")

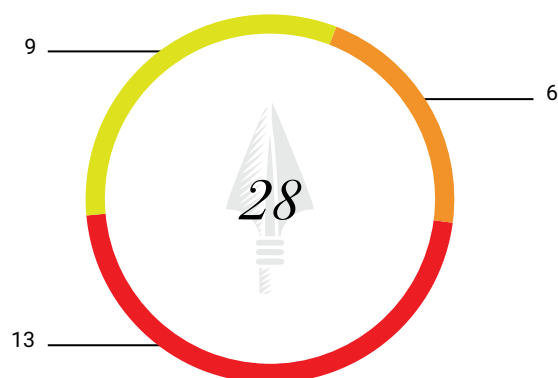
ABBREVIATIONS

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

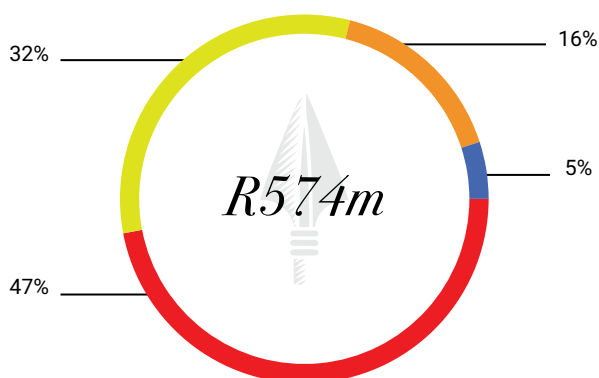
Sectoral Split by Value, Revenue and GLA



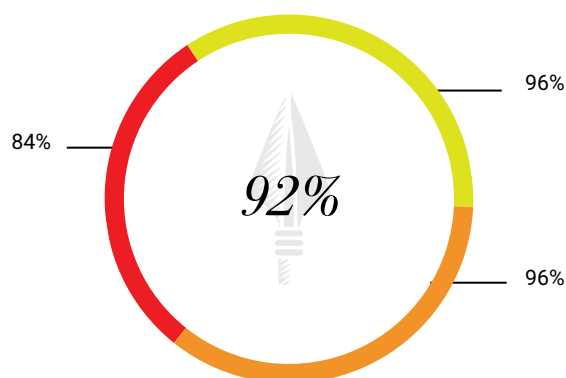
Value of properties



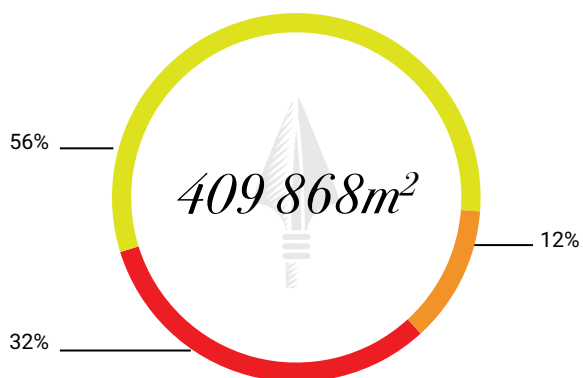
Number of properties



Property revenue (excluding smoothing)



Property occupancy (%)



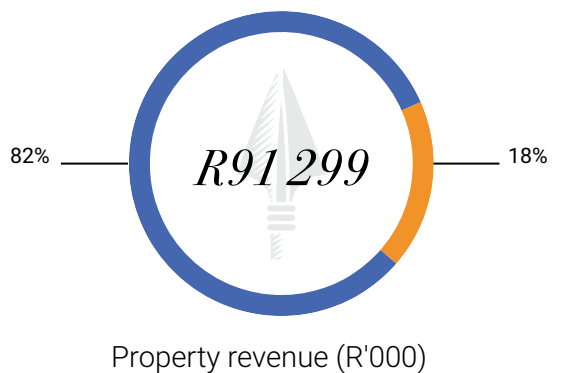
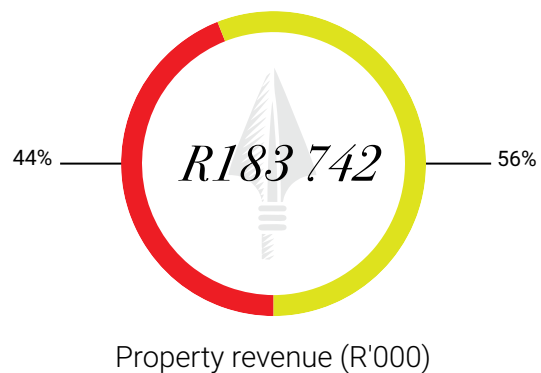
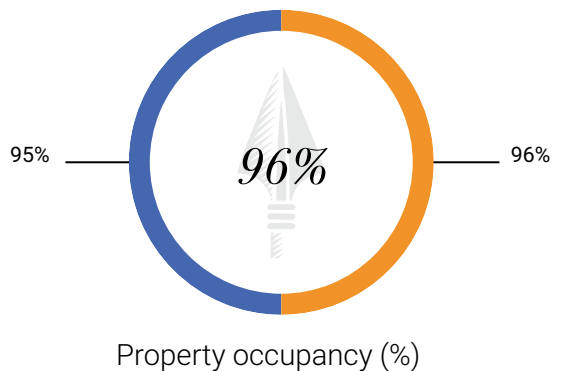
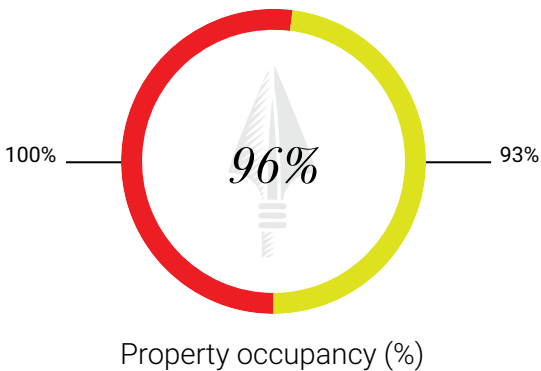
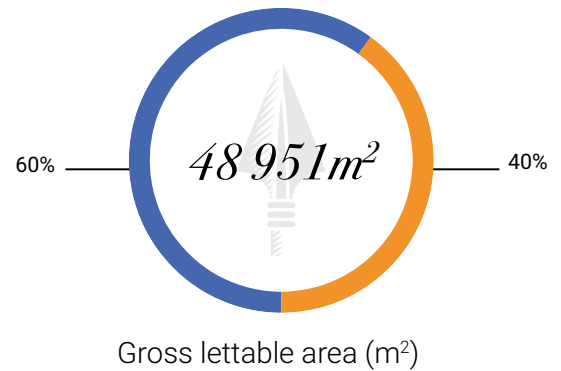
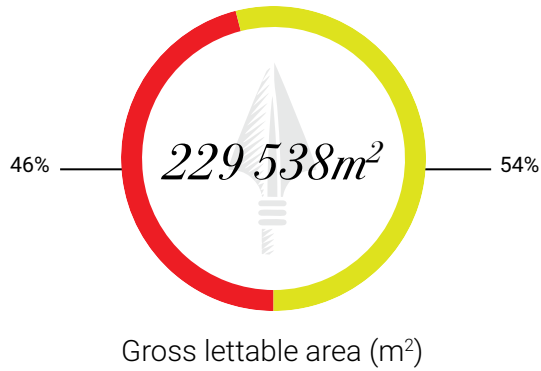
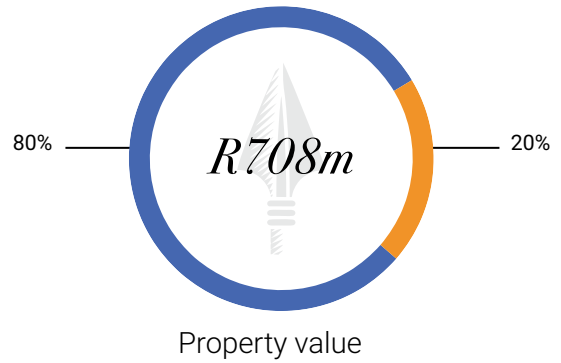
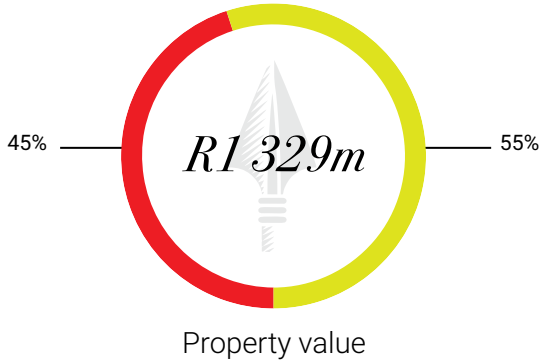
Gross lettable area (m²)



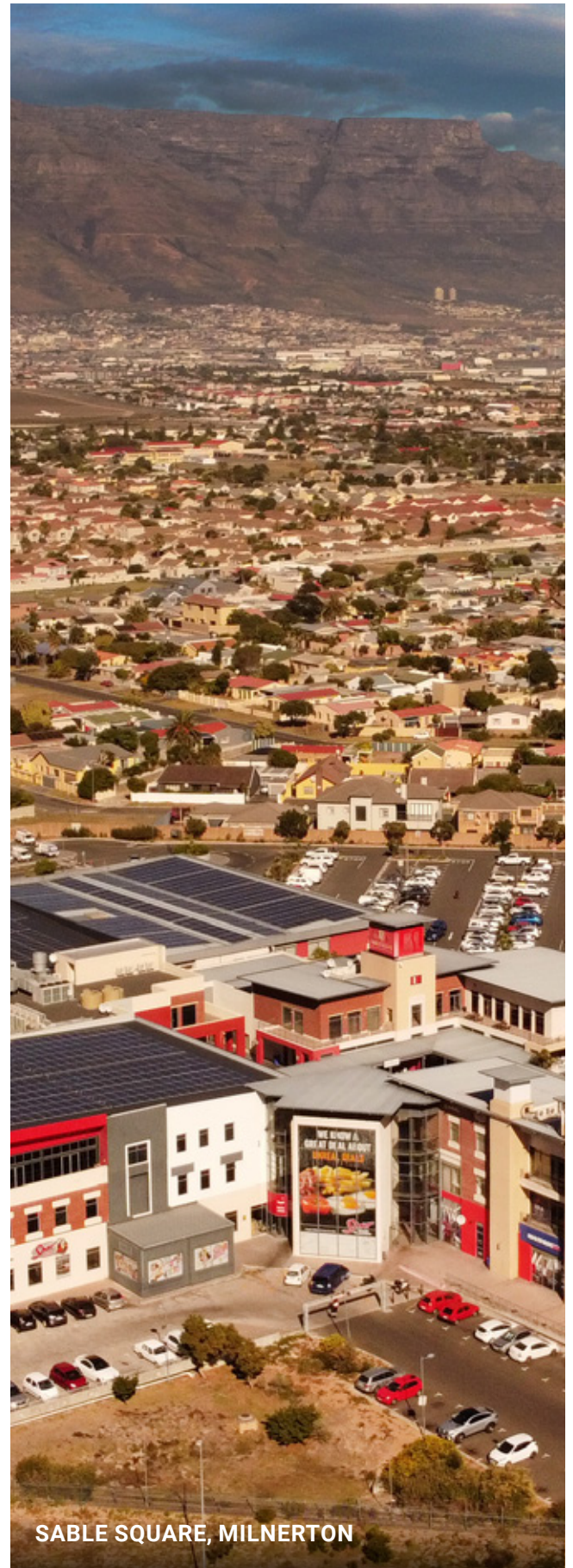
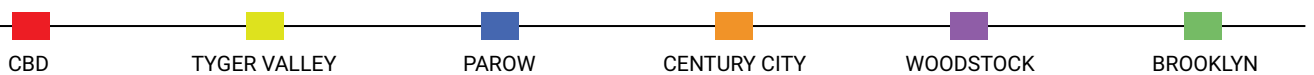
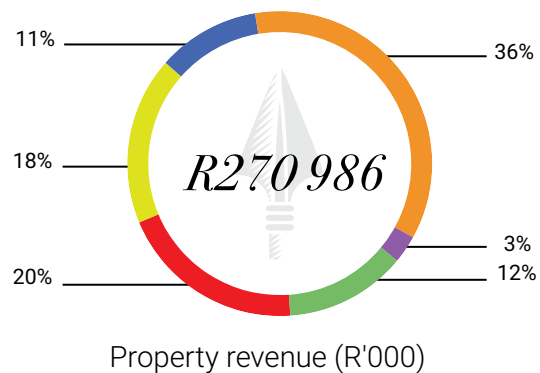
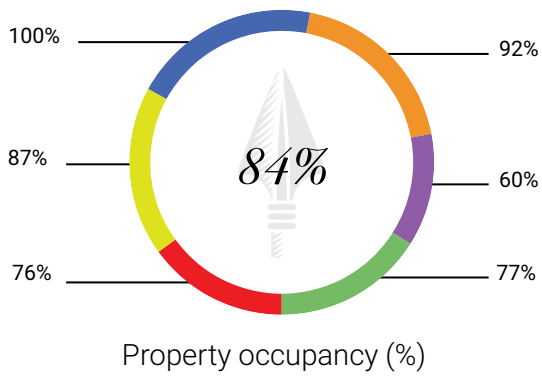
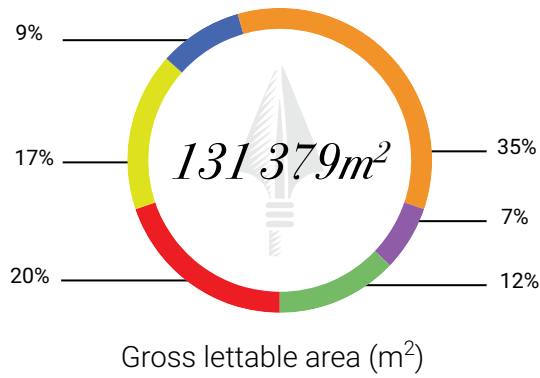
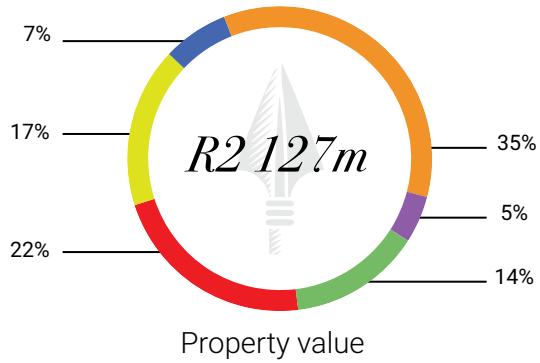
Spear Segmental Analysis

Industrial

Retail



Commercial



Summarised Consolidated Statement of Financial Position

	Group	
	Audited Year ended February 2023 R'000	Audited Year ended February 2022 R'000
Assets		
Investment property (including straight-line accrual)	3 793 263	4 406 265
Property, plant and equipment	1 041	1 604
Financial assets	–	4 287
Deferred taxation	783	1 228
Non-current assets	3 795 087	4 413 384
Investment properties held for sale	422 676	71 400
Loans to related parties	70	–
Trade and other receivables	18 296	15 934
Cash and cash equivalents	19 525	29 214
Other financial asset	1 054	541
Current assets	461 621	117 089
Total assets	4 256 708	4 530 473
Equity and liabilities		
Shareholders' interest		
Share capital	2 102 146	2 168 821
Share-based payment reserve	16 756	20 414
Accumulated income	475 506	460 854
Total attributable to owners	2 594 408	2 650 089
Non-controlling interest	13 112	23 255
Total equity	2 607 520	2 673 344
Liabilities		
Financial liabilities	1 175 273	1 780 280
Non-current liabilities	1 175 273	1 780 280
Financial liabilities	375 606	–
Loans from related parties	–	386
Lease liability	14 731	4 691
Trade and other payables	83 523	71 625
Taxation payable	55	147
Current liabilities	473 915	76 849
Total liabilities	1 649 188	1 857 129
Total equity and liabilities	4 256 708	4 530 473
Number of ordinary shares in issue	244 846 390	244 846 390
Treasury shares	(18 781 172)	(10 414 513)
Net ordinary shares in issue	226 065 218	234 431 877
Gearing ratio	(%) 36.30	39.05
Net asset value per share*	(Rands) 11.48	11.30
Tangible net asset value per share	(Rands) 11.47	11.30

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

Summarised Consolidated Statement of Comprehensive Income

	Group	
	Audited Year ended February 2023 R'000	Audited Year ended February 2022 R'000
Contractual rental income	427 085	413 574
Tenant recoveries	146 002	140 754
Straight-line rental income accrual	7 066	20 026
Property revenue	580 153	574 354
Other income	1 079	509
Total revenue	581 232	574 862
Property operating and management expenses	(198 023)	(195 771)
Net property-related income	383 209	379 091
Administrative expenses	(36 719)	(37 138)
Net property operating profit	346 490	341 953
Fair value adjustment – Investment properties	(2 873)	(2 051)
Impairment of investments	–	(267)
Depreciation and amortisation	(15 348)	(13 769)
Listing cost	(333)	(289)
Share-based payment expense	(7 877)	(9 440)
Profit from operations	320 059	316 137
Net finance costs	(135 326)	(147 289)
– Finance costs	(138 127)	(150 935)
– Finance income	2 801	3 647
Profit before taxation	184 733	168 849
Taxation	(2 528)	(3 925)
Profit for the period	182 205	164 924
Other comprehensive income	–	–
Total comprehensive income for the period	182 205	164 924
Attributable to:		
Equity owners of the parent	182 205	164 924
Non-controlling interest	–	–
Total comprehensive income for the period	182 205	164 924
Basic earnings per share	(cents) 78.61	76.14
Diluted earnings per share	(cents) 77.27	76.14
Distribution per share*	(cents) 75.97	68.25
Interest cover ratio	(times) 2.51	2.19

* Refer to Appendix 1.

Summarised 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
<i>Changes in equity:</i>						
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
<i>Changes in equity:</i>						
Acquisition of non-controlling interest	(2 107)	-	-	(2 107)	(10 143)	(12 250)
Profit for the period	-	182 205	-	182 205	-	182 205
Cost to issue shares	(1 282)	-	-	(1 282)	-	(1 282)
Acquisition of treasury shares	(69 806)	-	-	(69 806)	-	(69 806)
Disposal of treasury shares	6 520	-	-	6 520	-	6 520
Distributions to shareholders	-	(167 553)	-	(167 553)	-	(167 553)
Share-based payment expense	-	-	7 877	7 877	-	7 877
Vesting Conditional Share Plan	-	-	(11 534)	(11 534)	-	(11 534)
Balance as at 28 February 2023	2 102 146	475 506	16 757	2 594 409	13 112	2 607 521

Summarised Consolidated Statement of Cash Flows

	Group	
	Audited Year ended February 2023 R'000	Audited Year ended February 2022 R'000
Cash generated from operations		
Profit before tax	184 733	168 849
<i>Adjustments for:</i>		
Straight-line rental income accrual	(7 066)	(20 026)
Depreciation	15 348	13 769
Fair value adjustments	2 873	2 051
Impairment investments	–	267
Finance income	(2 801)	(3 647)
Finance cost	138 127	150 935
Share-based payment expense	7 877	9 440
Changes in working capital		
Trade and other receivables	(2 362)	3 984
Trade and other payables	11 898	(13 432)
Cash generated from operating activities	348 627	312 190
Finance costs	(138 127)	(150 169)
Finance income	2 336	3 291
Distribution paid	(167 546)	(126 960)
Taxation paid	(3 426)	(4 633)
Taxation received	1 250	–
Net cash generated from operating activities	43 116	33 719
Cash flows from investing activities		
Acquisition of investment property	(65 273)	–
Cost incurred on developments	(59 460)	(22 937)
Cost capitalised to investment property	(23 469)	(57 029)
Proceeds on sale of investment property	164 649	95
Acquisition of property, plant and equipment	(54)	(496)
Proceeds on sale of property, plant and equipment	–	318
Acquisition of non-controlling interest	(12 250)	–
Repayment received on loan to tenant	4 287	450
Loan advanced to tenant	–	(8 765)
Proceeds from disposal of subsidiary	246 000	45 700
Net cash used in investing activities	254 431	(42 664)
Cash flow from financing activities		
(Cost)/Proceeds to/from issue shares	(1 282)	253 379
Proceeds from financial liabilities	676 869	81 287
Repayment of financial liabilities	(905 812)	(307 021)
Repayment of related party loan	(386)	–
Proceeds from related party loan	–	386
Repayment of solar lease liability	(1 221)	(131)
Loan (advanced)/received to related party	(70)	1 689
Purchase of treasury shares	(69 806)	(87 451)
Proceeds from sale of treasury shares	–	63 959
Cost of Conditional Share Plan shares issued	(5 527)	–
Net cash generated from financing activities	(307 236)	6 097
Total cash movement for the period	(9 689)	(2 848)
Cash at the beginning of the period	29 214	32 062
Cash at the end of the period	19 525	29 214

Operating Segment Information

for the year ended 28 February 2023

	Industrial R'000	Commercial R'000	Retail R'000	Hospitality R'000	Non- property R'000	Development R'000	Total R'000
Segment revenue	183 742	270 986	91 299	27 737	402	–	574 166
Straight-lining of leases	4 604	1 996	(620)	1 085	–	–	7 066
Profit from operations	183 143	92 570	102 587	(12 991)	(45 211)	(39)	320 059
Fair value adjustments	64 215	(77 328)	46 475	(34 236)	(2 000)	–	(2 873)
Net property operating profit	120 102	180 556	58 905	21 351	(34 385)	(39)	346 490
Finance income	621	414	1 598	1	106	61	2 801
Finance costs	(26 325)	(78 117)	(13 191)	(4)	(20 489)	–	(138 127)
Investment property	831 279	2 088 537	686 437	–	–	–	3 606 253
Investment property held for sale	422 676	–	–	–	–	–	422 676
Investment property under development and land	58 469	–	–	–	–	50 786	109 255
Straight-lining of lease asset	17 042	38 813	21 900	–	–	–	77 755
Total assets	1 543 405	2 032 577	791 901	–	(159 115)	47 940	4 256 708
Total liabilities	(400 028)	(1 060 998)	(203 975)	–	14 822	990	(1 649 189)



Appendix 1 – SA REIT Best Practice Recommendations Calculation Disclosure

SA REIT FFO Per Share

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

Reconciliation between earnings and distributable earnings

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

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

SA REIT funds from operations (SA REIT FFO) per share

			February 2023 R'000	February 2022 R'000
Profit or loss per IFRS Statement of Comprehensive Income attributable to the parent			182 205	164 924
Adjusted for:				
Accounting/specific adjustments:			(3 747)	(18 250)
Fair value adjustments to:				
– Investment property			2 873	2 051
Asset impairments (excluding goodwill) and reversals of impairment			–	267
Deferred tax movement recognised in profit or loss			445	(542)
Straight-lining operating lease adjustment			(7 066)	(20 026)
Other adjustments:			–	10 394
Antecedent earnings adjustment*			–	10 394
<i>* Antecedent earnings adjustment relates to a private placement of R253.9 million concluded in February 2022.</i>				
SA REIT FFO			178 457	157 068
Company-specific adjustments			9 960	13 907
IFRS 2 Expense – CSP awards with future vesting and issue date			7 877	9 440
Provisional tax paid on retained income for the period			2 083	4 467
Total distributable company FFO			188 417	170 975
Interim distributable income per share (DIPS)	(A)	(cents)	41.26	38.90
Interim company FFO		(R'000)	96 001	79 305
Final DIPS	(B)	(cents)	40.88	39.10
Final company FFO		(R'000)	92 416	91 669
Total DIPS	(A+B)	(cents)	82.14	78.00
FY2023 DIPS growth		(%)	5.31	
Number of shares outstanding at end of interim period (net of treasury)			232 667 160	203 905 498
Final number of shares outstanding at end of period (net of treasury)			226 065 218	234 431 877
Interim period payout ratio		(%)	90	85
Interim distributable company FFO		(R'000)	86 401	67 409
Interim company dividend per share (DPS)	(C)	(cents)	37.14	33.06
Final period payout ratio		(%)	95	90
Final distributable company FFO		(R'000)	87 795	82 502
Final company DPS	(D)	(cents)	38.84	35.19
Average payout ratio for the year		(%)	92.45	88
Total company DPS	(C+D)	(cents)	75.97	68.25
FY2023 DPS growth		(%)	11.31	
Taxable retained earnings	(A-B)	(R'000)	14 221	21 064
Taxation payable		(R'000)	(2 083)	(4 467)
Net retained income		(R'000)	12 138	16 597

Dividend declared and dividend per share

	Cents per share	R'000
Total distributions for the period – 2023		
Interim distribution declared on 21 October 2022 (Distribution number 12)	37.14	86 401
Final distribution declared on 22 May 2023 (Distribution number 13)	38.84	87 795
Total distributions for the period ended 28 February 2023	75.97	174 196
DPS growth (%)	11.31	

	Cents per share	R'000
Total distributions for the period – 2022		
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

SA REIT net asset value (SA REIT NAV)

	February 2023 R'000	February 2022 R'000
Reported NAV attributable to the parent	2 594 408	2 650 089
Adjustments:		
Dividend declared and 100% cash settled	(87 795)	(82 503)
Deferred tax	(783)	(1 228)
SA REIT NAV	A 2 505 830	2 566 358
Shares outstanding		
Number of shares in issue at period end (net of treasury shares)	B 226 065 218	234 431 877
Dilutive number of shares in issue	226 065 218	234 431 877
SA REIT NAV per share (Rands)	A/B 11.08	10.95

SA REIT cost-to-income ratio

	February 2023 R'000	February 2022 R'000
Expenses		
Operating expenses per IFRS IS (including municipal expenses)	198 023	195 771
Administrative expenses per IFRS IS	36 719	37 138
<i>Other expenses, if directly related to property operations, with clear explanations of these items</i>		
Depreciation	15 348	13 769
<i>Exclude:</i>		
Depreciation expense in relation to property, plant and equipment of an administrative nature	(616)	(913)
Operating costs	A 249 474	245 766
Rental income		
Contractual rental income per IFRS IS (excluding straight-lining)	428 164	414 082
Utility and operating recoveries per IFRS IS	146 002	140 754
Gross rental income	B 574 166	554 836
SA REIT cost-to-income ratio (%)	A/B 43.45	44.30

SA REIT administrative cost-to-income ratio

		February 2023 R'000	February 2022 R'000
Expenses			
Administrative expenses as per IFRS IS		36 719	37 138
<i>Other identified administrative expenses, with clear explanations of these items</i>			
Depreciation		616	913
Administrative costs	A	37 336	38 051
Rental income			
Contractual rental income per IFRS IS (excluding straight-lining)		428 164	414 082
Utility and operating recoveries per IFRS IS		146 002	140 754
Gross rental income	B	574 166	554 836
SA REIT administrative cost-to-income ratio (%)	A/B	6.50	6.86

SA REIT GLA vacancy rate

		February 2023 m ²	February 2022 m ²
GLA of vacant space	A	32 034	28 580
GLA of total property portfolio	B	409 868	457 950
SA REIT GLA vacancy rate (%)	A/B	7.82	6.24

Cost of debt

		February 2023 %	February 2022 %
<i>Variable interest-rate borrowings</i>			
Prime – Floating reference rate plus weighted average margin		0.00	0.00
3-month JIBAR – Floating reference rate plus weighted average margin		9.05	5.92
<i>Fixed interest-rate borrowings</i>			
Weighted average fixed rate		8.18	8.34
Pre-adjusted weighted average cost of debt		8.66	7.32
Adjustments:			
Impact of interest rate derivatives		0.00	0.00
Amortised transaction costs imputed into the effective interest rate		0.00	0.00
All-in weighted average cost of debt		8.66	7.32

SA REIT Loan-to-value (SA REIT LTV)

		February 2023 R'000	February 2022 R'000
Gross debt		1 550 879	1 780 280
Less:			
Cash and cash equivalents		(19 525)	(29 214)
Net debt	A	1 531 354	1 751 066
Total assets – per statement of financial position		4 256 708	4 530 473
Less:			
Cash and cash equivalents		(19 525)	(29 214)
Deferred taxation		(783)	(1 228)
Trade and other receivables		(18 296)	(15 934)
Carrying amount of property-related assets	B	4 218 104	4 484 097
SA REIT LTV (%)	A/B	36.30	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 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	
		Audited Year ended February 2023	Audited Year ended February 2022
Shares in issue			
Number of shares in issue at end of year net of treasury shares	(Number of shares)	231 785 456	234 431 877
Weighted average number of shares in issue	(Number of shares)	235 805 552	216 603 351
Weighted potential dilutionary impact of CSP shares	(Number of shares)	4 020 096	–
Diluted weighted average number of shares in issues	(Number of shares)	235 805 552	216 603 351
Basic earnings per share			
Earnings (profit attributable to owners of the parent)	(R'000)	182 205	164 924
Basic earnings per share	(cents)	78.61	76.14
Diluted earnings per share	(cents)	77.21	76.14

Headline earnings per share

		Group	
		Audited Year ended February 2023	Audited Year ended February 2022
Reconciliation between basic earnings and headline earnings:			
Earnings (profit attributable to owners of the parent)	(R'000)	182 205	164 924
Adjusted for:			
Fair value adjustments to investment properties: Gross		2 873	2 051
Impairment of investments: Gross		–	267
Tax		–	–
Headline earnings	(R'000)	185 078	167 242
Headline earnings per share:			
Headline earnings per share	(cents)	79.85	77.21
Diluted headline earnings per share	(cents)	78.49	77.21

Introduction

Spear REIT Limited (SEA: SJ) 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 assets that generate strong and sustainable cash flows within the high-quality industrial, convenience retail, commercial and mixed-use 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 acute 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 immersive asset management approach has consistently empowered the business to deliver an outcome.

Spear's management team has been energised and deeply encouraged by the trading performance during the financial year. The financial year had various challenges, but the strength and resilience of the Spear portfolio has shown its ability to generate earnings and strengthen the balance sheet.

The operating environment during the financial year remained challenging with inflationary pressures continuously building, operating cost creep setting in and interest rate hikes absorbing more and more of consumers' disposable income, and loadshedding having a major cost implication in the last quarter. 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 FY2023, particularly within the existing industrial portfolio, to add organic value and capitalise on this accelerating trend. The increased interest by 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 loadshedding-free City in South Africa through its energy and electricity policy offering incentive programmes for commercial and industrial properties to feed in 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 Metro 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 2022 – 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 financial year 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 financial results. The latter has resulted in a 3.48% increase in group revenue compared to the prior financial year taking into account the disposal of four assets. Consistent resilience has been evident across the portfolio during the year 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 year with a 93% occupancy rate at year-end and a 55% tenant retention rate on renewals and relets during the period.

Financial results

Group revenue excluding smoothing increased by 3.48% from the prior financial year as a result of better than forecast negative reversions and 15 on Orange Hotel fixed rental generated prior to disposal.

Net property operating profit increased by 5.43% from the prior financial year. Excellent expense management and improved cost recoveries resulted in net property operating profit increasing from that of revenue growth enhancing the overall funds from operations generated.

The like-for-like income growth was 6.12% and the like-for-like net property operating profit was 8.39% compared to FY2022. FY2023 property operating and management expenses increased by 1.15% and administrative expenses decreased by 1.13% compared to FY2022.

The group continued to generate positive cash flows from operating activities of R43 million and this provided optionality in developments being actioned and major capital work required at properties as well as increasing the payout ratio of the group to an average of 92.45% for FY2023.

		Year ended 28 February 2023	Year ended 28 February 2022	Variance %
DIPS	(cents)	82.14	78.00	5.31
DPS	(cents)	75.97	68.25	11.31
Payout ratio	(%)	92.45	87.68	

The board of directors is pleased to announce a final DPS of 38.83624 cents for the six months ended 28 February 2023.

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.

	Year ended 28 February 2023 Rands	Year ended 28 February 2022 Rands	Variance %
NAV per share	11.48	11.30	1.59
TNAV per share	11.47	11.30	1.50
TNAV per share net of distribution	11.08	10.95	1.19

• Refer to TNAV bridge for further commentary.

The financial results achieved during the financial year 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 year. The Spear portfolio is 100% fixed income with zero reliance on any form of variable income. The income restoration post Covid has come to pass with cash collections moving back to pre-pandemic levels.

Selected Explanation Notes to the Results (continued)

Rental reversions on lease renewals and relets have shown notable improvement with portfolio reversions during the financial year being 3.69%.

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 7.82% at period end increasing from 6.24% in FY2022.

Management has initiated aggressive letting strategies to reduce the overall portfolio vacancy rate and in particular the commercial office vacancy rate.

The reversions and vacancy rates 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 36.30% (FY2022: 39.05%). The decrease results from the disposal of 15 on Orange, 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 FY2023 amounted to R7.98 million excluding VAT and as measured at 2023/04/05. At 28 February 2023, FY2023 debtors amounted to R11.26 million and all outstanding debtors amounted to R16.95 million excluding VAT for all tenant arrears.

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	489 600	Industrial	86 195	6 346	11.76	5 680
2. Sable Square Shopping Centre, Milnerton	460 000	Retail	31 111	1 486	11.04	14 786
3. 2 Long Street, Cape Town	444 000	Commercial	25 293	6 210	10.66	17 554
4. Liberty Life Building, Century City	400 000	Commercial	18 244	1 630	9.60	21 925
5. Northgate Park, Brooklyn	305 100	Commercial	16 981	3 991	7.33	17 967
6. 1 Waterhouse Place, Century City	231 500	Commercial	11 963	1 128	5.56	19 352
7. Blackheath Park, Blackheath	212 000	Industrial	39 804	2 244	5.09	5 326
8. MWEB Head Office, Parow	158 000	Commercial	11 195	–	3.79	14 113
9. Radnor Road, Bellville	140 000	Industrial	12 879	–	3.36	10 870
10. Blackheath Warehouse, Blackheath	120 000	Industrial	22 201	–	2.88	5 405
Top 10 Total	2 960 200		275 866	23 036	71.08	10 731
Group Total excluding land	4 165 153		409 868	32 034	100.00	10 162

FY2023 (excluding VAT)	Total R'000
Billed (including utilities)	574 388
Collected	566 413
Collected vs billings (%)	98.61

• Billing reflects revenue after all credits and deferrals including recoveries.

At year-end the total provision for bad debt was R3.65 million, being 21.51% of total tenant arrears.

Management is actively reviewing tenants arrears and at the end of the reporting period a total of R3.3 million of bad debt was written off and only R2.4 million of the provision utilised. 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. Significant success was achieved in FY2023 in the collection of legal tenant debtors and the group is confident the current legal tenants will also have positive results for the group.

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 28 high-quality assets with an average value per asset of R148.8 million per property, being a 4.15% increase from FY2022: R142.8 million per property. Total gross lettable area (GLA) at period end was 409 868m² valued at R4.22 billion.

The portfolio's income stream is underpinned by contractual escalations of 7.40%, a weighted average lease expiry ("WALE") of 27 months (FY2022: 27 months) together with a high percentage of A-grade tenants (listed and large nationals) comprising 38% 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 7.82% at the end of the financial year (FY2022: 6.24% portfolio vacancies).

Sectoral split

		Industrial	Commercial	Retail	Hospitality	Development	Total
Number of properties		9	13	6	–	–	28
Value of properties	(R'000)	1 329 466	2 127 350	708 337	–	50 786	4 215 939
Value	(%)	32	50	17	–	1	100
Property revenue excluding smoothing	(R'000)	183 742	270 986	91 299	27 737	–	573 764
Revenue	(%)	32	47	16	5	–	100
GLA	(m ²)	229 538	131 379	48 951	–	–	409 868
GLA	(%)	56	32	12	–	–	100
Vacant area	(m ²)	9 158	20 692	2 184	–	–	32 034
Vacancy per sector	(%)	3.99	15.75	4.46	–	–	–
Vacancy on total GLA	(%)	2.23	4.78	0.80	–	–	7.82
Yield	(%)	9.43	7.98	8.03	–	N/A	8.44
Weighted average in-force escalation	(%)	7.50	7.46	7.17	–	N/A	7.40
Weighted average lease expiry	(months)	26	28	27	–	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 to the additional perceived risk in this asset class as opposed to an alternative investment with no default risk. Similarly, discount rates were examined and risk-adjusted where necessary.

Selected Explanation Notes to the Results (continued)

As at 28 February 2023, the following significant assumptions and unobservable inputs used by the group in determining fair value were in the following ranges:

		Industrial	Commercial	Retail	Total 2023	Total 2022
Average discount rate	(%)	13.44	14.60	13.71	13.74	13.50
Average capitalisation rate	(%)	8.44	9.06	8.71	8.74	9.03
Average exit capitalisation rate	(%)	8.63	9.27	9.04	8.98	9.30
Average prior year exit capitalisation rate	(%)	9.22	9.50	9.17	-	9.30
Average rental growth rate	(%)	5.00	5.00	5.00	5.00	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

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

		Industrial	Commercial	Retail	Total 2023
Average value per property (excluding land/bulk value)	(R'000)	147 718	163 642	118 056	148 755
Average value per square meter	(Rands)	5 792	16 192	14 470	10 162

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

Sensitivity analysis to capitalisation and discount rates	Year ended 28 February 2023 R'000	Year ended 28 February 2022 R'000
Increase in fair value if capitalisation rates are decreased by 0.5%	226 640	232 117
Decrease in fair value if capitalisation rates are increased by 0.5%	(202 625)	(208 331)
Increase in fair value if discount rates are decreased by 0.5%	140 889	159 076
Decrease in fair value if discount rates are increased by 0.5%	(131 557)	(147 535)

Sectoral performance

Industrial (GLA: 229 538 m²/Occupancy: 96.01%)

Spear's industrial portfolio has traded robustly through the year, with high occupancy rates and with all assets driving the strategic mission of sustainable cash flows and value creation through asset value growth. Spear's defensive and diversified industrial portfolio comprises multi-let industrial, manufacturing, bulk warehousing, logistics and mini-/mid-sized urban logistics parks. The industrial portfolio comprises the lion's share of the overall portfolio at 56% of total GLA, creating a strong core portfolio underpin. The nature and design of the industrial portfolio offer efficient operating areas, large yards, solar PV installations and locations that connect into all main arterial routes within the Cape Town Metropole. During the year, just under 70 000m² of GLA were renewed or relet within this sub-sector at 1.26% negative rental reversion rate. The impact of deglobalisation and localisation of supply chain services has been a tailwind for the Spear portfolio as the acquisition of new assets and redevelopment of existing assets generating organic portfolio growth has stemmed from this new trend. During the year Spear completed the redevelopment of 16 000m² of GLA at Blackheath Park for Bravo Brands, Pepkor took occupation of No.27 Junction Road, Parow, on a 10-year triple net lease across 14 262m² together with the acquisition agreement of the 21 000m² Urban Logistics Park (The Island) in sought-after Paarden Eiland, Cape Town to be transferred after year-end.

Commercial (GLA: 131 379m²/Occupancy: 84.25%)

Spear's commercial office assets are all located in well-established and sought-after nodes within Cape Town. Positive momentum has been building across the office portfolio yielding letting results in a difficult sub-sector of the market. A notable flight to quality has been observed across the market which has yielded benefits for Spear. The positive impact of semigration to the Western Cape means that many national and international corporations choose Cape Town as their South African operational home. Business process outsourcing ("BPO") services have stepped in as the largest occupier of vacant office space in the greater Cape Town nodes. Despite the uptick in letting enquiries and conversions, stubborn vacancies are evident in parts of the portfolio as economic pressures and the cost of occupancy deter small to medium enterprises from returning to the office. The commercial office market must contend with the residual effects of the pandemic and how this translates to the future of work in the context of office space across the globe. Globally there has been

a deterioration of office fundamentals as the hybrid work-from-home model becomes more and more sticky with strong resistance from various work forces to not return to the office on a full-time basis. As part of the rebalancing of the portfolio away from a disproportionately commercial weighting, management disposed of the Liberty Life Building in Century City given the nearer-term lease expiry, and the probability of the anchor tenant rationalising rentable floor area and renegotiating rental terms. After the disposal is implemented, the core portfolio rebalancing will depict an improved balance of revenue, value and GLA. The office portfolio has maintained a robust collection profile with 99% of rental billed being collected. No significant tenant failures occurred in the year with 27 820m² of office GLA being renewed or relet. The office portfolio will require the most asset management intervention as vacancy rates is at 14.92%. Innovative and strategic marketing campaigns have been implemented to aggressively reduce office portfolio vacancy rates.

Retail (GLA: 48 951 m²/Occupancy: 95.54%)

Comprising 16% of the overall portfolio, Spear's retail assets have continued to perform well. Tenant feedback has been positive, despite inflationary pressures and rising interest rates. Notably, 41% of the retail tenant base is classified as "national" retailers, which represents a moat around the bulk of the retail portfolio when considering credit risk in the current trading environment. The retail portfolio is a mix of convenience and destination retail with neither sub-sector relying on the international or local tourism market. Spear's retail assets are in high growth nodes servicing a wide range of LSM groups. Positively, larger retailers have started to redeploy capital after mergers and acquisitions in the retail sector. Many retailers are trying to increase market share with new brands and space requirements for the convenience retail market together with existing store refurbishments. Loadshedding has caused a setback to trading momentum despite electricity continuity measures being in place. The retail portfolio has maintained a robust collection profile with 98% of rental billed being collected. No significant tenant failures occurred in the year with 7 459m² of retail GLA being renewed or relet.

Tenant grading

	GLA m ²	GLA %	Number of tenants	Number of tenants %
A – Large national, large listed and government tenants	155 302	37.89	100	24
B – Smaller international and national tenants	203 018	49.53	263	63
C – Other local tenants and sole proprietors	19 515	4.76	57	13
Vacant	32 034	7.82	–	–
Total	409 868	100	420	100

Letting activity

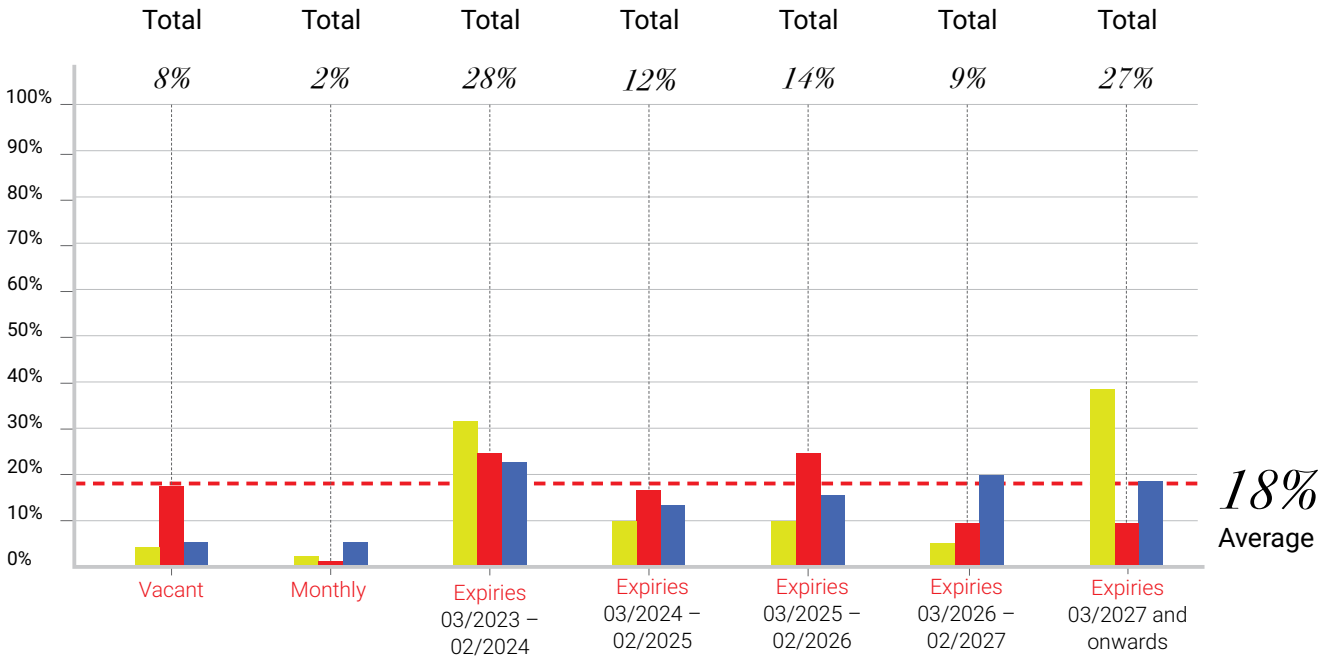
The table below reflects the letting activity of the financial year:

	Expiries and cancellations GLA	Gross rental at expiry R'000	Average gross expiry rental R/m ²	Renewals/ New lets GLA	Gross rental at renewals/ New lets R'000	Average gross new rental R/m ²	Average rental reversion %
Commercial	31 926	4 822	151	27 820	4 012	144	(4.52)
Industrial	76 812	4 256	55	70 459	3 855	55	(1.26)
Retail	8 351	985	118	7 459	885	119	0.59
Total	117 089	10 062	86	105 738	8 751	83	(3.69)

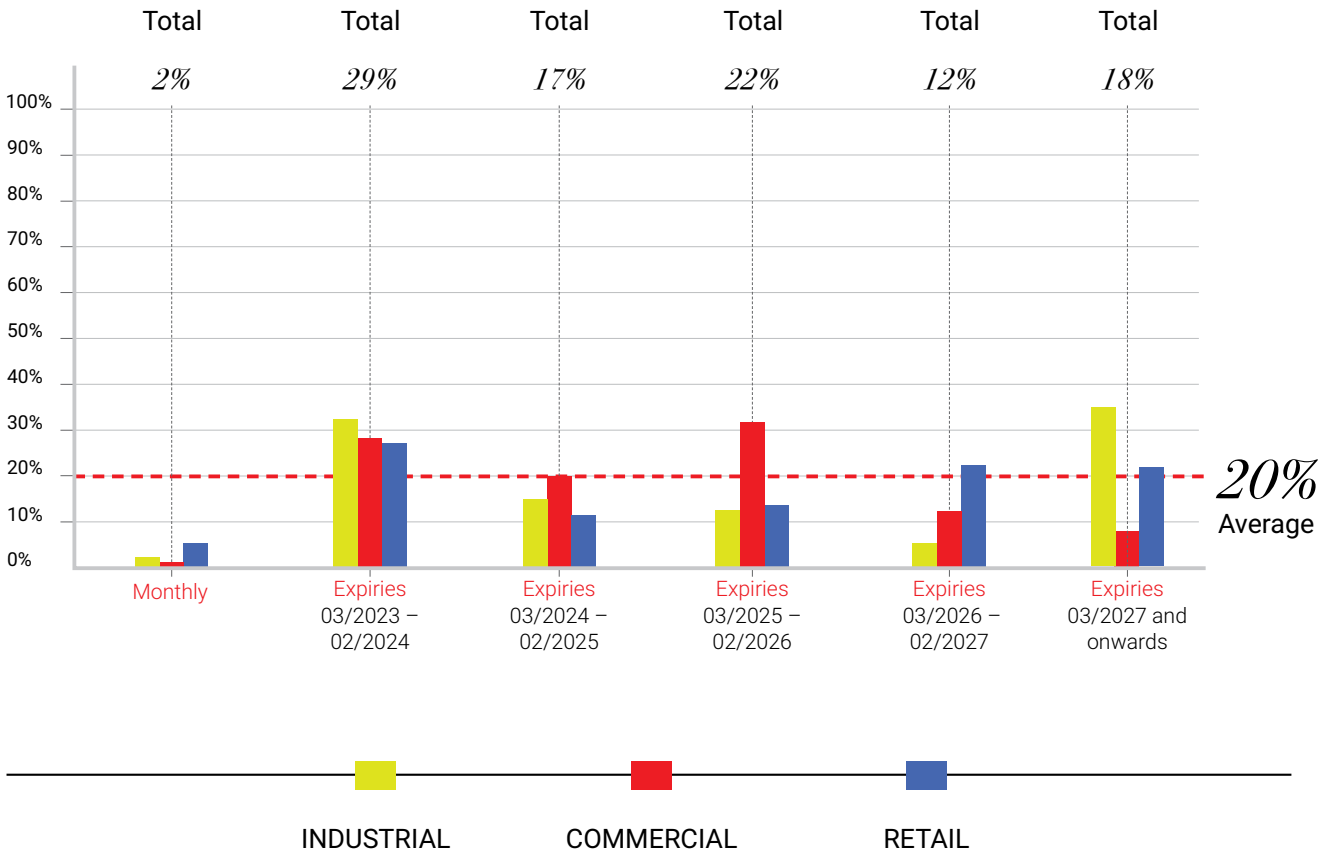
- Early tenant engagement has contributed and mitigated deep negative reversion
- Noticeable improvement in letting with reversions improving from (5.57%) in FY2022.

Lease expiry profile

Lease expiry profile based on GLA



Lease expiry profile based on revenue



Capital expenditure and redevelopment

Bravo Brands, Blackheath Park:

A long-term redevelopment lease was concluded with Bravo Brands for the redevelopment of 50% of Blackheath Park circa 13 000m² (current) and the addition of a further 3 000m² of GLA. The redevelopment commenced in October 2022 and was completed on 1 March 2023. Bravo Brands will manufacture a variety of furniture offerings for the local and international market at Blackheath Park.

- Total capital expenditure: R75 million
- Initial post-capital expenditure yield: 9.81%
- Lease tenure: 10 years
- Status: Completed

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 remains obsessed with successfully executing its capital allocation strategy. Spear's focus is always to ensure it stewards capital with clear strategic intent, recognising the role capital allocations play in creating and growing a high-quality real estate portfolio.

Capital remains a key resource to maintaining 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 development/redevelopment opportunities with a primary focus on convenience retail, warehousing, logistics, multi-let industrial and mixed-use assets
- Major portfolio upkeep and capital expenditure.

Spear acquired R262.2 million in new assets during FY2023, with R185 million transferring after year-end:

- No.27 Junction Road: R65 million at an initial yield of 9.73%
- The Island Urban Logistics Park, Paarden Eiland: R185 million (awaiting transfer) at a forecast yield of 9.75% on transfer
- Increased shareholding in George Aerotropolis to 75.6% for R12.25 million.

Spear disposed of R424.9 million worth of assets during FY2023. The disposals were aligned with Spear's strategy to exit its hospitality assets together with the disposal of non-core assets to bolster the balance sheet and create opportunity for Spear to take advantage of market opportunities where applicable.

- No.6 Talana Road, Bellville South: R71.4 million, exit yield 9%*

- Island Business Park, Paarden Eiland: R22.5 million, exit yield 10%*
- No.5 Fitzmaurice Avenue, Epping: R85 million, exit yield 9.3%*
- 15 on Orange Hotel & Spa, Cape Town: R246 million, exit yield 8.1%.

* Sold at an average net premium of 6% to book value.

Disposal proceeds were deployed to settle debt and redeployed into strategy-aligned investment opportunities.

Prior to year-end, management announced the disposal of the Liberty Life Building to Capitec Bank for R400 million at an exit yield of 9.57%. After a portfolio review, it was determined that both the value and revenue percentiles that the commercial office portfolio contributed to the overall portfolio did not align with Spear's strategy and needed to be mitigated and rebalanced as the office sector demand augmentations play out. Spear's focused strategy has been consistently communicated to the market, which is growing the industrial and retail portfolios within the Western Cape as two key pillars of our growth strategy. I believe that this rebalancing strategy will continue to enhance the defensive characteristics of the underlying Spear portfolio.

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 refinanced R455 million of current debt of which R230 million was refinanced on sustainability-linked funding. The only current debt in the group relates to the Liberty Life Building which will be settled at disposal date.

Spear's covenants reverted to the pre-Covid 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 36.30% below that of 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, redevelopment 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 below the lowest end of its debt-hedged strategy. Hedging activity will increase within the next six months.

Spear's fixed debt ratio at year-end was 53.61%.

Selected Explanation Notes to the Results (continued)

The Liberty Life bond fix was not renewed given the unconditional sale agreement that was entered into as management does not wish to incur breakage costs at settlement of the facility. Post settlement the fix ratio will increase to $\pm 68\%$. Management is also actively monitoring the FRA and SWAP curves to enter into more cost-effective hedging options to increase the ratio.

Spear's debt portfolio remains actively managed with an all-in cost of debt of 8.66% and a hedged ratio of 53.61% at year-end with the weighted average cost of fixed debt being 8.18%.

Spear's debt expiry profile provides no short- to medium-term refinancing risk with the weighted average expiry being 30 months.

Cost to income

SA REIT gross total cost to income is 43.45%, decreasing from 44.30% for FY2022.

Administrative cost to income for the period was 6.50%, decreasing from 6.86% for FY2022.

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 FY2024 due to the improved letting activity and improved cost recovery from tenants and SLA costs already agreed to for FY2024.

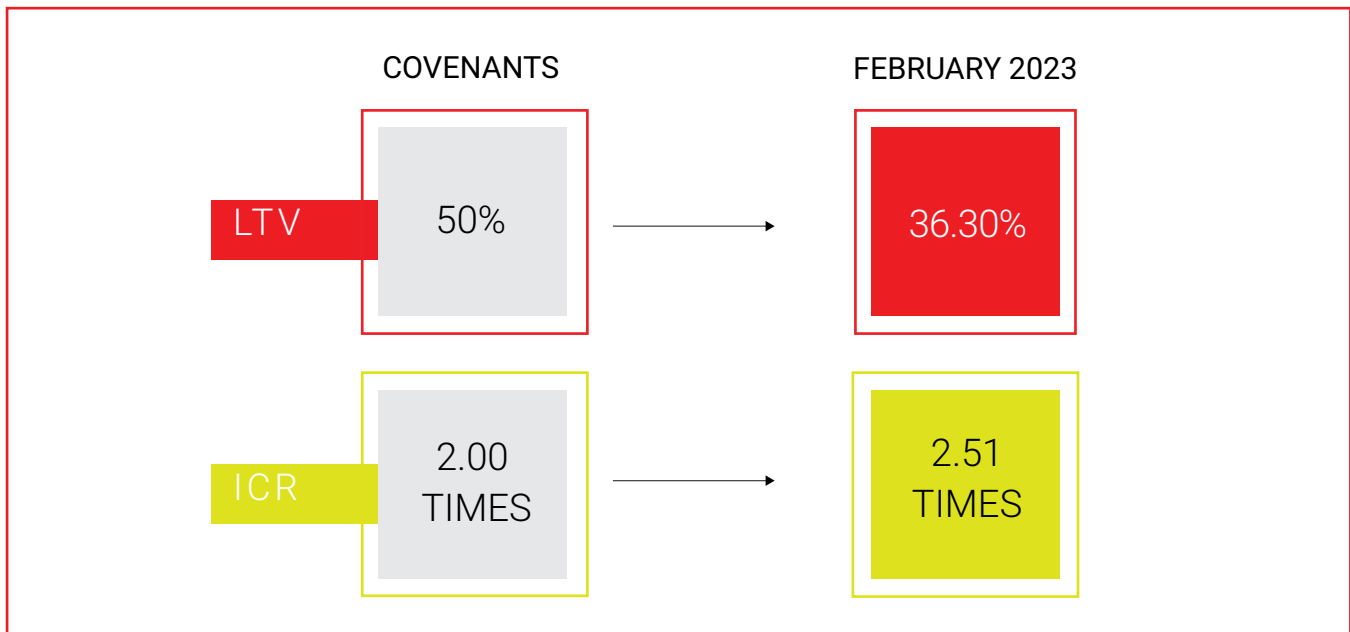
Borrowings and funding

The group settled R299 million of gross debt in FY2023 and started refinancing R455 million of debt. R230 million was 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 will continue to generate positive earnings both at property operational level and debt level going forward.

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.

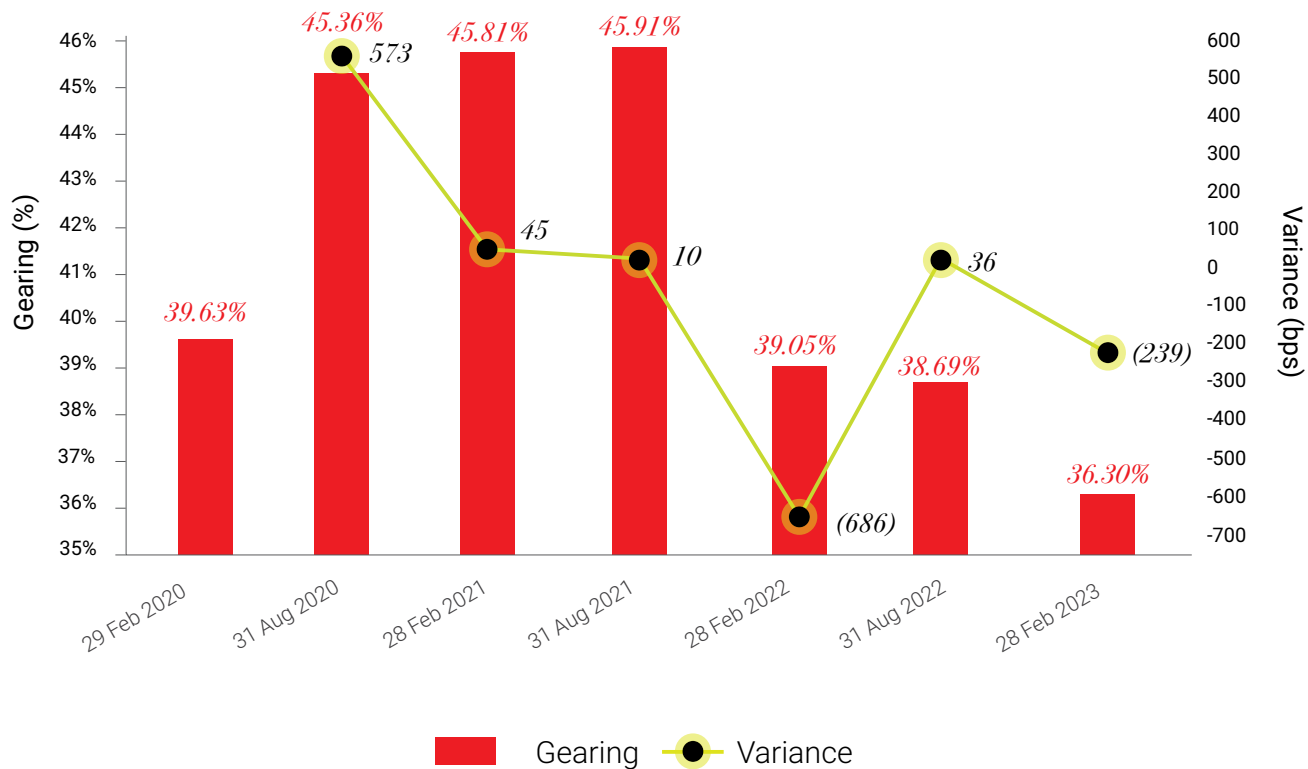
Group covenants

There has been no change to group covenant levels at year-end set by financial institutions in the financial year.

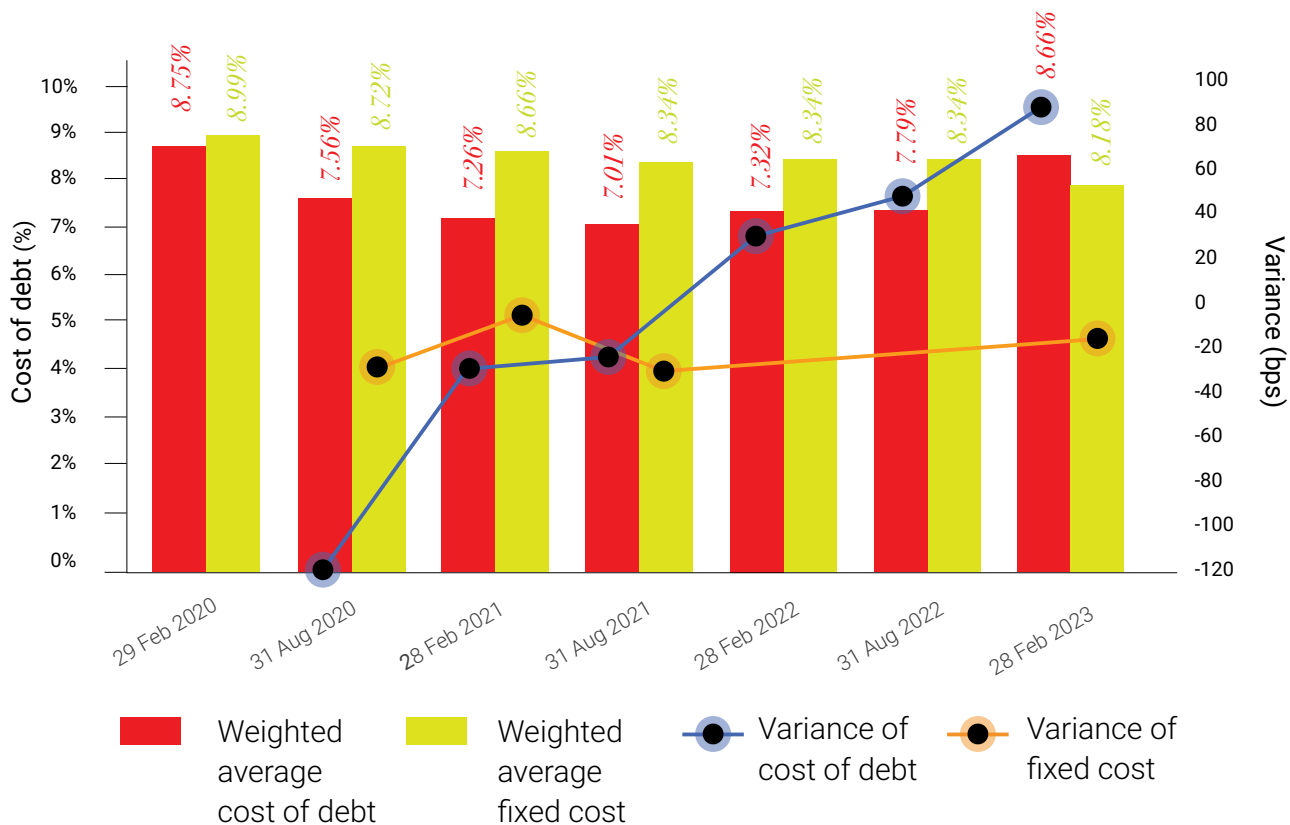


Group gearing

Gearing ratio

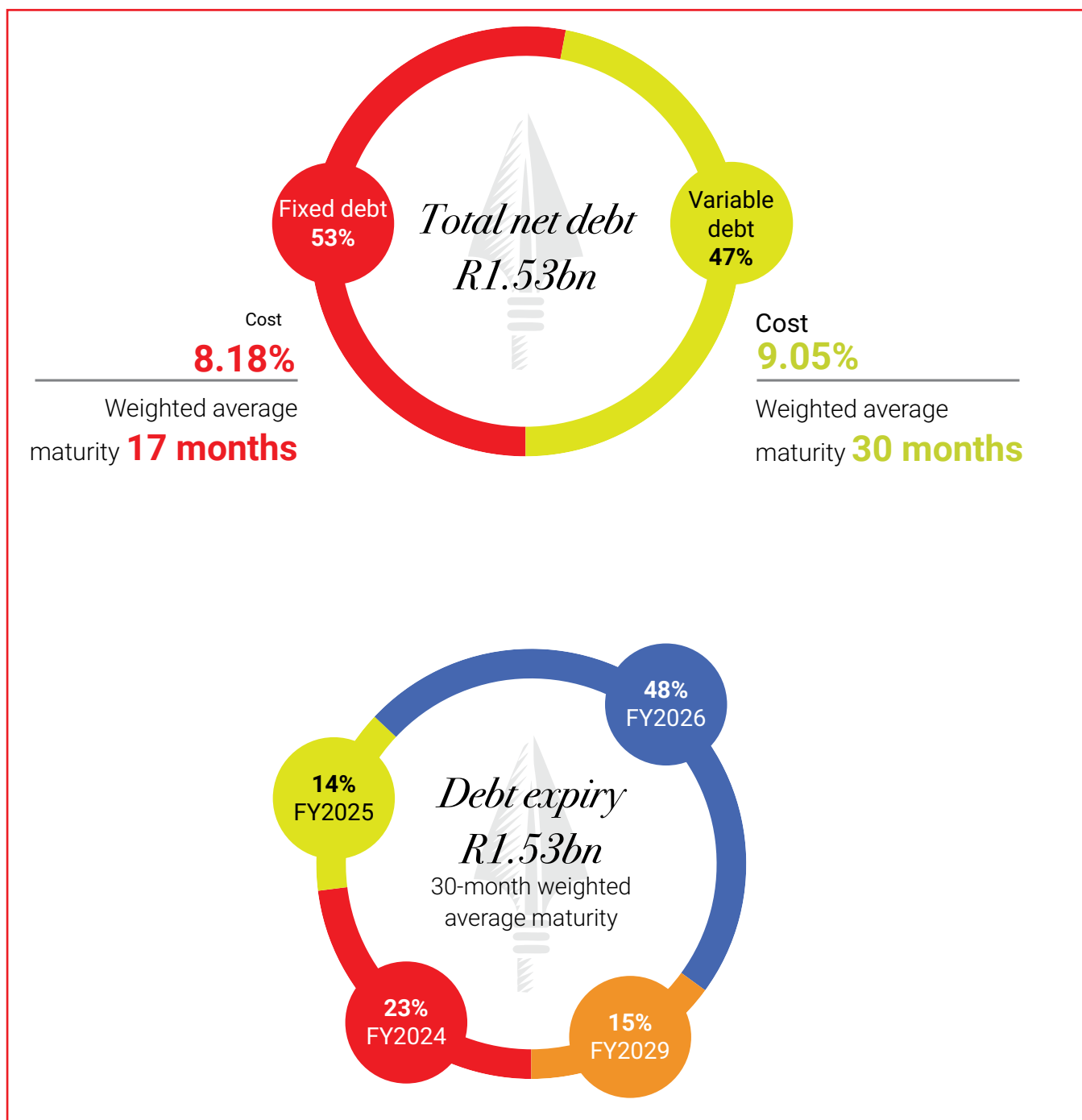


In-force cost of debt

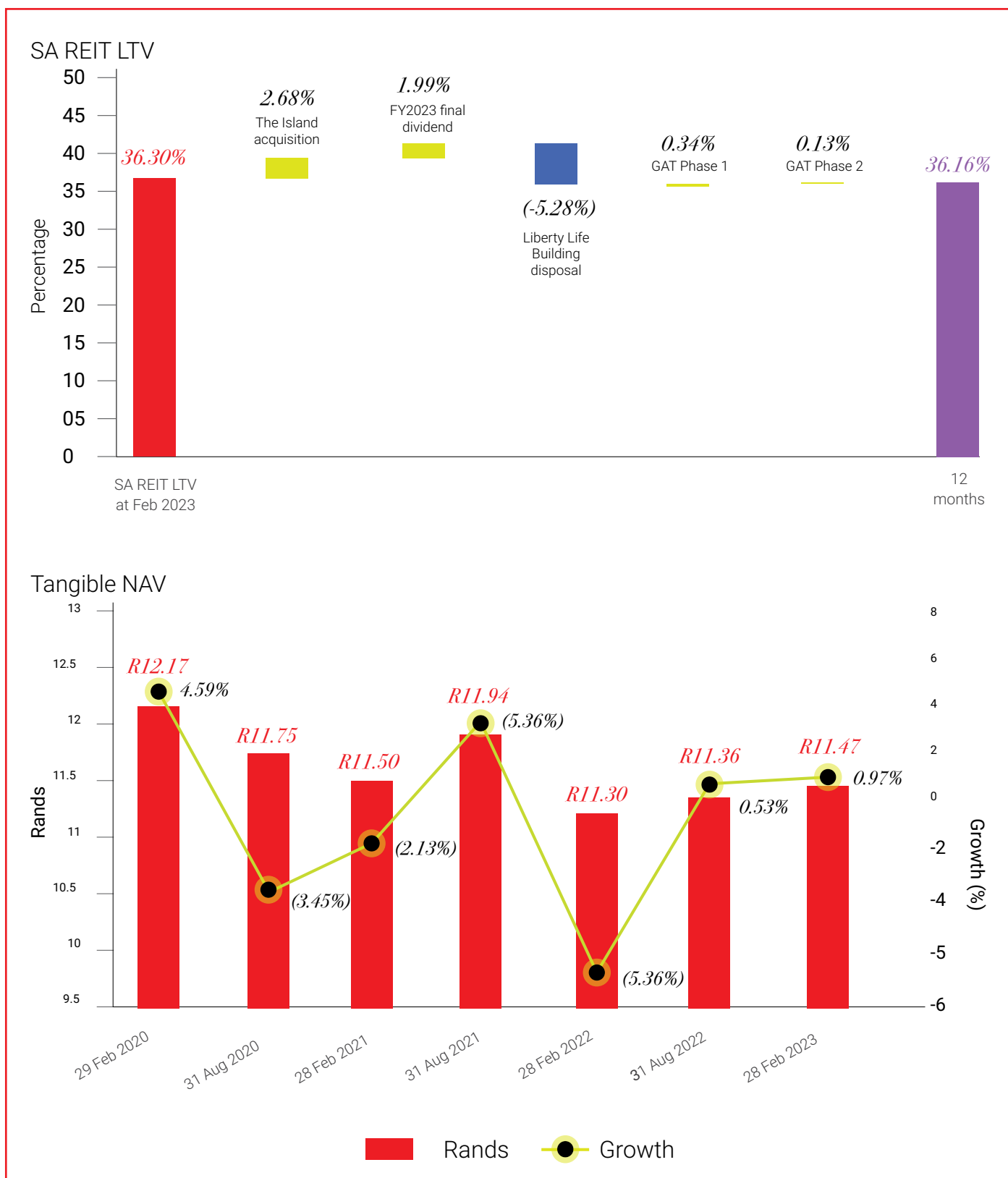


At year-end the variable JIBAR-linked loans bear interest at an average margin of JIBAR + 1.91%. The group had no variable prime-linked loans

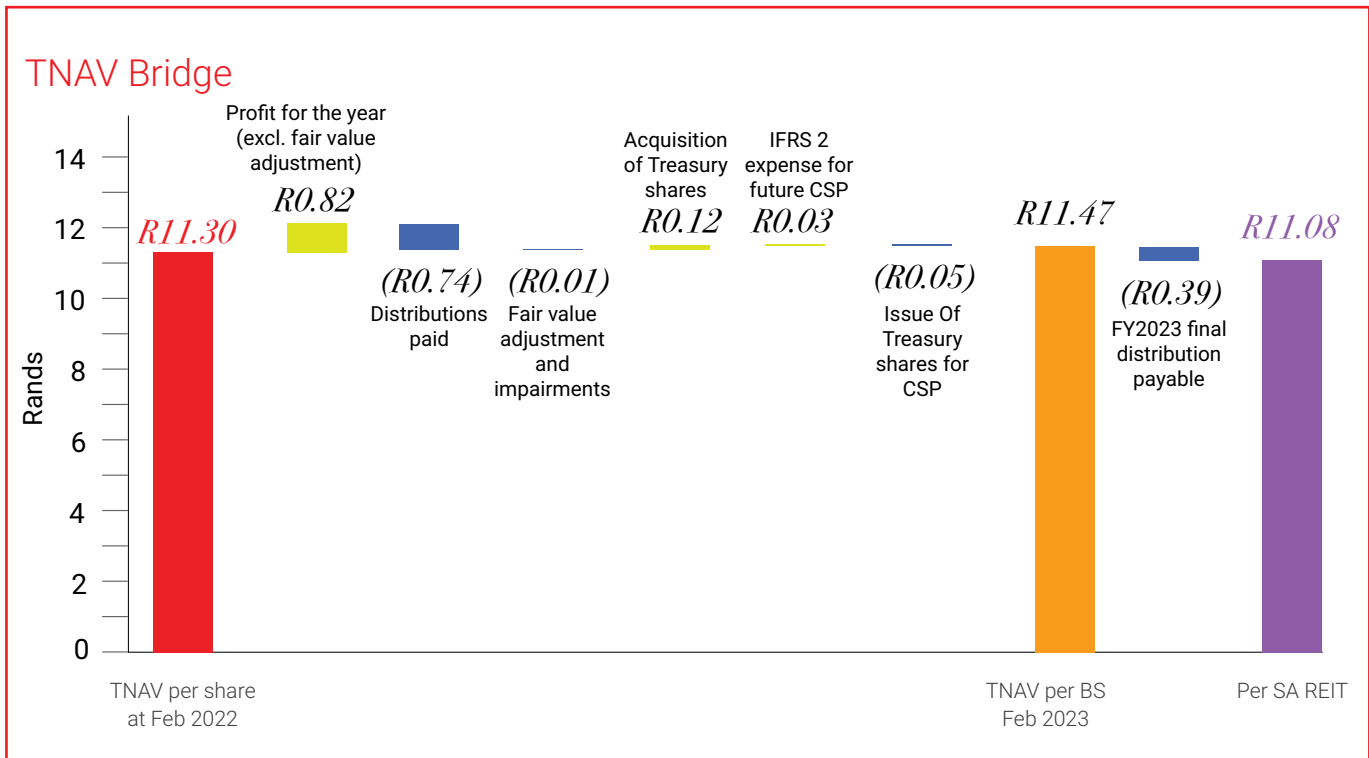
Group net debt profile



LTV sensitivity



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.



Sustainability

Environmental, Social and Governance (ESG) imperatives are woven into how Spear makes investment decisions. By effectively integrating ESG into our business strategy, Spear positions itself as an even more attractive investment opportunity for investors.

Group-wide, a firm commitment has been established to achieve the following ESG outcomes:

- 📌 Educational empowerment through leveraging our ESG strategy

via Spear's bursary programme

- 📌 Reduce Spear's carbon footprint over time
- 📌 Investment into return-generating real estate and value-add solutions such as solar PV and water augmentation solutions
- 📌 Reduce operating costs where possible through Spear's focused ESG strategy
- 📌 Deliver sustainable portfolio returns.

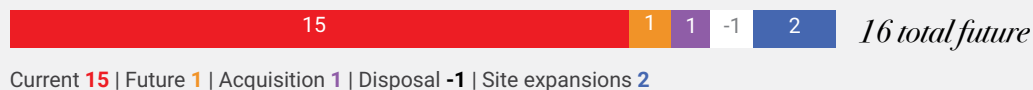


NAMPAK RIGIDS, EPPING

Summary of solar PV



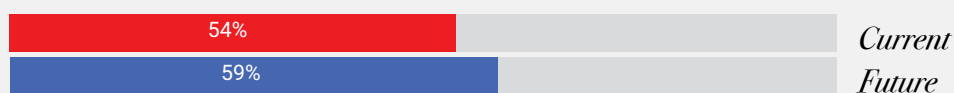
Number of properties with solar



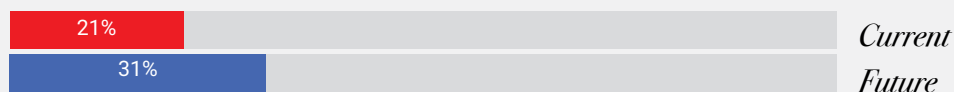
Total kWp of solar installed



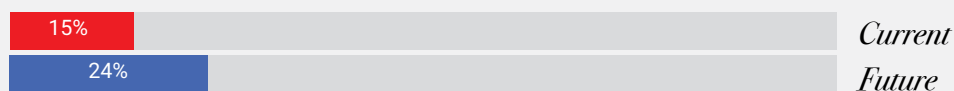
% of portfolio assets with solar



Average solar penetration rate



Average total portfolio solar penetration rate



Self-funded



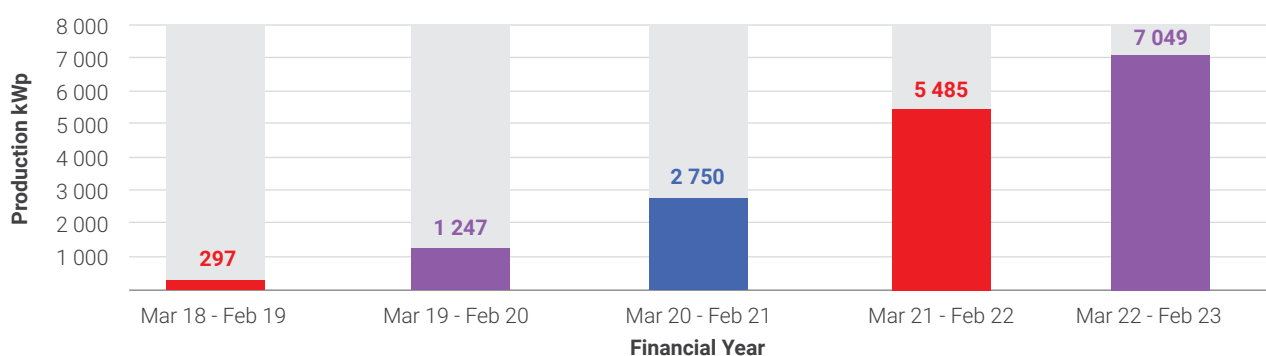
Roof rental



Financed



Total



Water continuity

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

Outlook

The Western Cape real estate sector maintained resilience across property types throughout the year in review and I believe this will continue. The effects of semigration and provincial infrastructure remain key capital attraction points as real estate development kicks into a higher gear across the province. Spear's investment universe will continue to expand as numerous new growth nodes are established within the Western Cape as population growth drives development within popular and new development nodes.

The consistent delivery of clean audits and trustworthy governance across the Western Cape and its municipal authorities will further enhance investment appetite for Western Cape real estate and commerce as can be seen with more than R5 billion worth of new developments having come online in Cape Town alone in the past 12 months.

The City of Cape Town remains committed to becoming the first loadshedding-free metropole in South Africa through enhancing its power generation capabilities by a further 500MW by the end of 2024. Spear will continue to do its part through executing our ESG strategy with solar PV implementation placing less reliance on the national grid supply.

With Spear's portfolio rebalancing well underway, management will maintain its investment bias towards industrial warehousing, logistics and retail assets within the Western Cape with a distinct Cape Town bias. Management will continue to seek out near-term organic and inorganic growth opportunities to enhance the portfolio through the lens of our three-pronged capital allocation strategy. As always, we remain focused on unlocking NAV for shareholders through the (re) development of embedded portfolio bulk right (no undeveloped bulk has been valued in current portfolio valuations) and share buybacks as market discounts provide optimal opportunities for using cash.

Macroeconomic conditions within South Africa remain a major concern, together with the unacceptably high unemployment rate. Persistent loadshedding continues to slow down the recovery of the Western Cape (and general South African) economy. It especially impacts SMMEs, many of which have not survived the effects of rolling blackouts. The National Government must act swiftly to assist impacted businesses and to adopt an energy mix strategy that makes South Africa less reliant on fossil fuel-generated electricity supply. Spear's core portfolio remains defensive, underpinned by strong lease covenants in highly desirable locations within the Western Cape. Spear's hands-on asset management approach will continue to propel business operations forward.

Prospects and guidance

While remaining positive, the macroeconomic climate remains challenging as the longer-term impact of loadshedding remains uncertain. In addition, the negative impact of cost creep across the board will place pressure on margins, cost of occupancies and net property income. We will as far as possible continue to mitigate against the negative impact of higher interest rates and the cost creep across the portfolio, in particular diesel costs. During the year Spear spent R6 million on diesel with a 47% recovery rate. The bulk of the under-recovery occurred in the office portfolio given the legislative limitations to recovery methodology in certain instances.

Management expects the portfolio to generate growth in the year ahead, the extent of which is difficult to quantify at this point in time given the many variables and challenges currently being experienced in South Africa, in particular the impact of ongoing loadshedding. Management will provide an update on its FY2024 guidance during its Q1 FY2024 update.

Spear's guidance will be informed and impacted by the following:

- ⚠ Loadshedding stages are mostly limited to between stage 1 and stage 4 in the City of Cape Town
- ⚠ 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
- ⚠ Tenants continue to successfully absorb rising costs associated with utility charges, municipal rates and diesel charges
- ⚠ No further unexpected SA Reserve Bank interest rate hikes
- ⚠ No civil unrest within Cape Town, the Western Cape or South Africa.

Any changes in the above assumptions may affect management's forecast for the year ending 29 February 2024.

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 29 February 2024 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 year, which have a material impact on the results and disclosures in these financial statements.

The group is awaiting transfer of the following property after year-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	9.42
		185 000	92 500	92 500	9.42

The group disposed of the following property after year-end:

	Disposal date	Gross disposal value R'000	Debt settled R'000	Cash retained R'000	Disposal yield %
12 Pickwick Road, Woodstock	2023/03/27	22 676	–	22 676	13.00
		22 676	–	22 676	13.00

Basis of preparation – Audited

The provisional summarised consolidated annual financial statements for the year ended 28 February 2023 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 consolidated annual financial statements are consistent with those applied by the group in its consolidated financial statements for the year ended 28 February 2022.

Christiaan Barnard CA (SA), in his capacity as Chief Financial Officer, was responsible for the preparation of the provisional summarised consolidated annual financial statements for the year ended 28 February 2023.

Audit opinion

These provisional summarised consolidated annual financial results are extracted from the audited financial statements, but are not themselves audited. The consolidated financial statements for the year ended 28 February 2023 were audited by BDO South Africa Incorporated, who expressed an unmodified opinion thereon. The audited consolidated financial statements for the year ended 28 February 2023 and the auditor’s report thereon is available for inspection at the company’s registered office.

The directors take full responsibility for the preparation of these provisional summarised consolidated annual financial results and confirm that the financial information has been correctly extracted from the consolidated financial statements.

The auditor’s report does not necessarily report on all of the information contained in these provisional summarised consolidated annual 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 company’s registered office or on Spear’s corporate website.

Final distribution for the six months ended 28 February 2023

Notice is hereby given of the declaration of final distribution number 13 of 38.83624 cents per share for the six months ended 28 February 2023 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 (“Dividend Tax”). The exemption from Dividend Tax is not applicable to non-resident shareholders, but they may qualify for relief under a tax treaty.

South African tax residents

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax in terms of the exclusion to the general dividend exception, contained in section 10(1)(k)(i)(aa) of the Income Tax Act, because it is a dividend distributed by a REIT. These dividends are, however, exempt from Dividend Tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders have provided to 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 declaration that the dividend is exempt from Dividend Tax; and
- a written undertaking to inform the CSDP, broker or the company, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

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

Non-residents shareholders

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013, dividends received by non-residents from a REIT were not subject to Dividend Tax. Since 1 January 2014, any 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 31.06899 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 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	2023
Declaration date	Monday, 22 May
Last day to trade cum-dividend distribution	Tuesday, 6 June
Shares trade ex-dividend distribution	Wednesday, 7 June
Record date	Friday, 9 June
Payment date	Monday, 12 June

Notes:

Shares may not be dematerialised or rematerialised between Wednesday, 7 June 2023 and Friday, 9 June 2023, both days inclusive.

In respect of dematerialised shareholders, the distributions will be transferred to the CSDP account/broker accounts on Monday, 12 June 2023. Certificated shareholders' distribution payments will be paid to certificated shareholders' bank accounts on Monday, 12 June 2023.

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
22 May 2023

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)
Bongani Raziya *#
Cormack Sean McCarthy *
Dr. Rozett Lucille Phillips *#

* Non-executive
Independent

Niclas Kjellström-Matseke resigned on 19 January 2023 and Bongani Raziya was appointed on 8 February 2023.

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

Suite 1105, 11th Floor
Sandton Eye Building
126 West Street
Sandton, 2196

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



THE ISLAND, PAARDEN EILAND



SPEAR
REIT LIMITED

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

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