



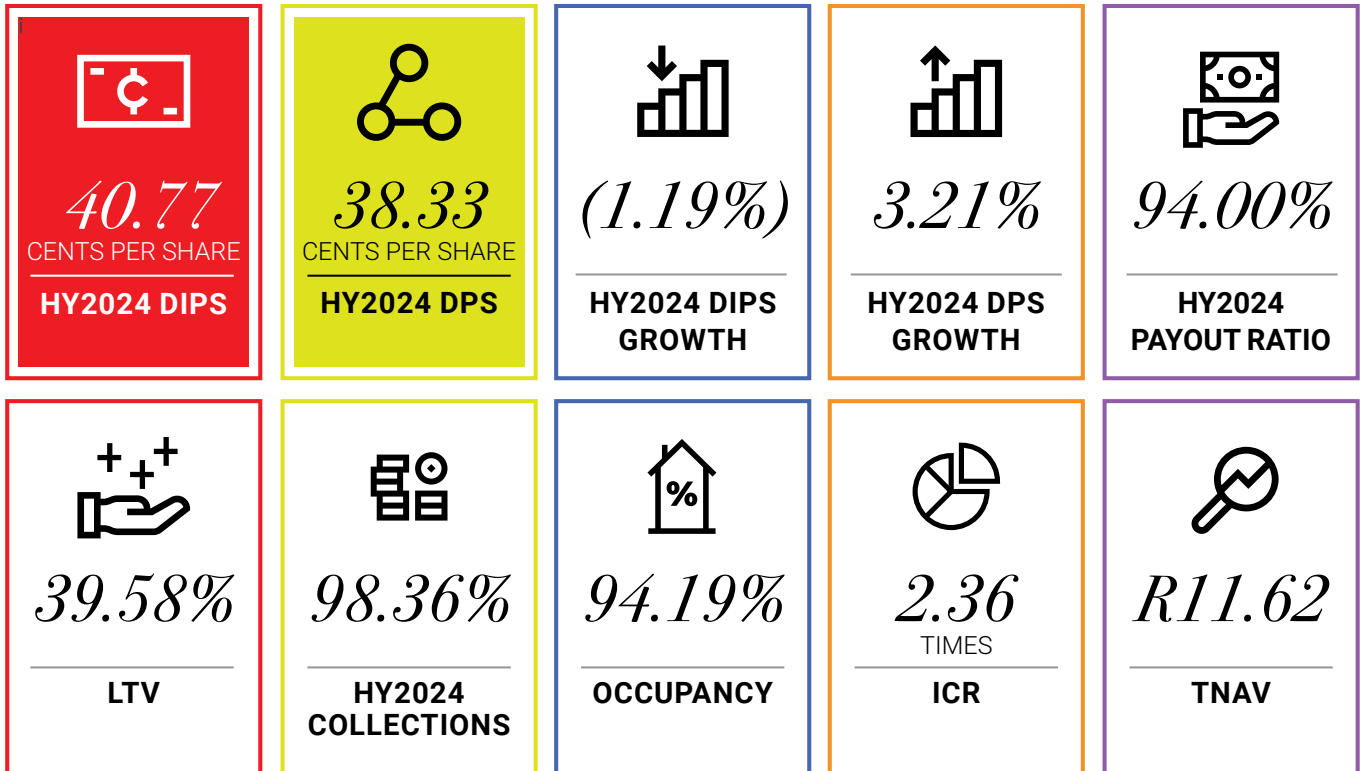
# 2024



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.

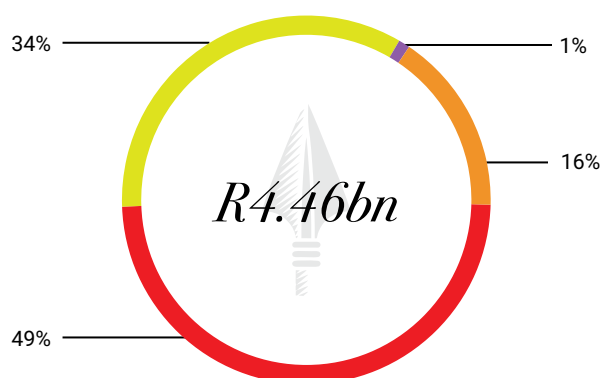
### Spear REIT Limited

(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")

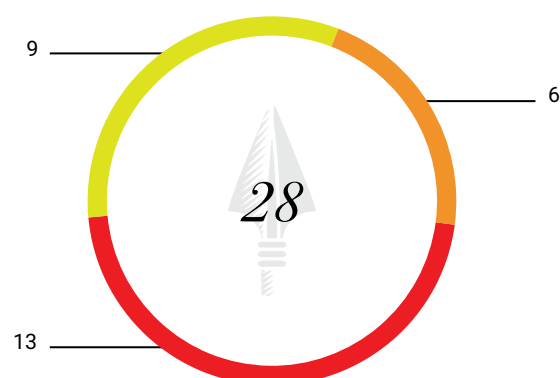
### ABBREVIATIONS

BPO	business process outsourcing
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
LTV	loan-to-value
NAV	net asset value
REIT	Real Estate Investment Trust
TNAV	tangible net asset value
WALE	weighted average lease expiry

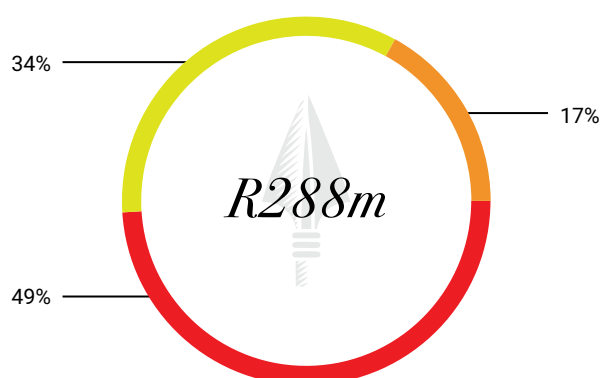
## Sectoral Split by Value, Revenue and GLA



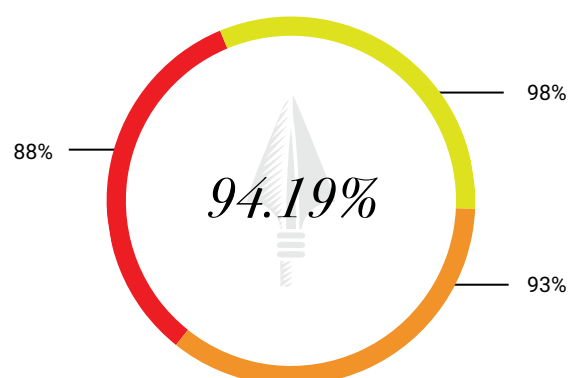
Value of properties



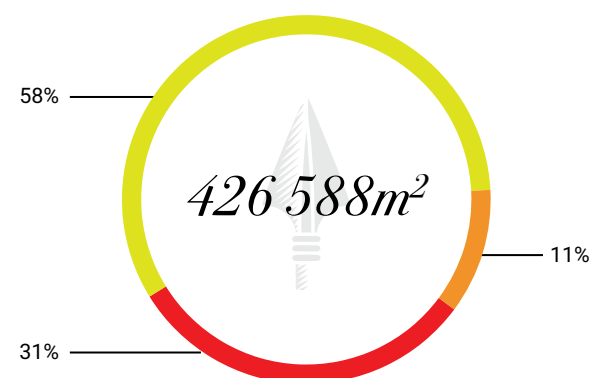
Number of properties



Property revenue (excluding smoothing)



Property occupancy (%)



Gross lettable area (m<sup>2</sup>)

COMMERCIAL

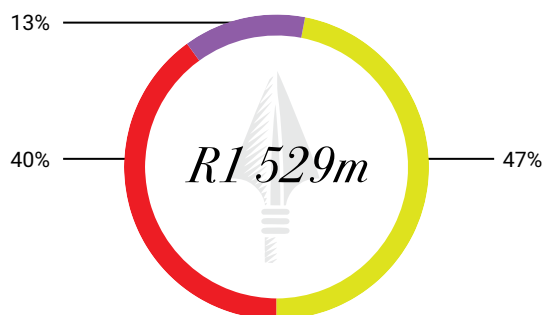
INDUSTRIAL

DEVELOPMENT LAND

RETAIL

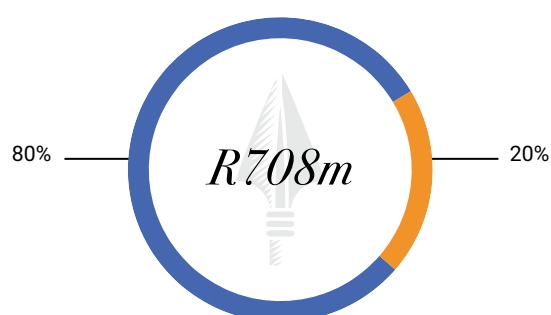
# Spear Segmental Analysis

## Industrial

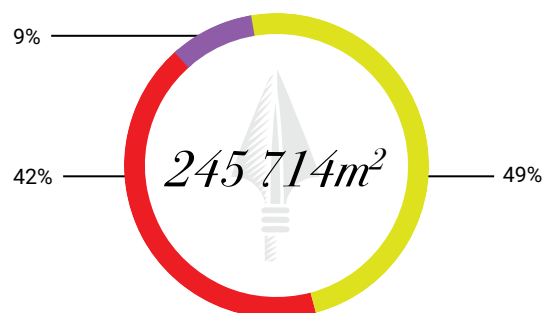


Property value

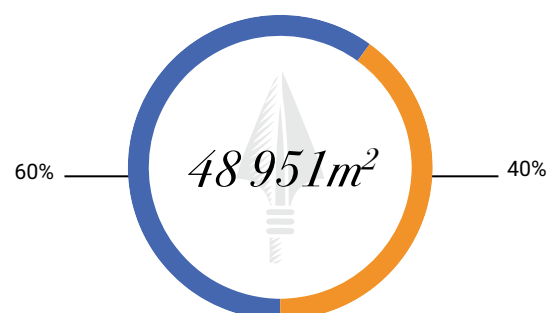
## Retail



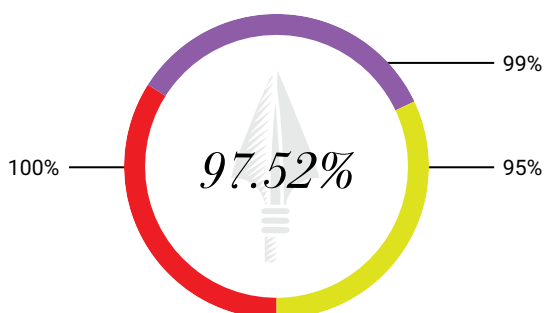
Property value



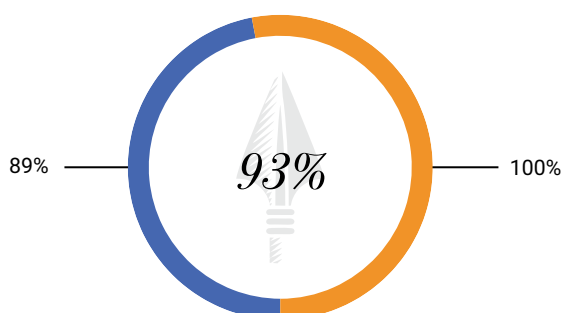
Gross lettable area (m²)



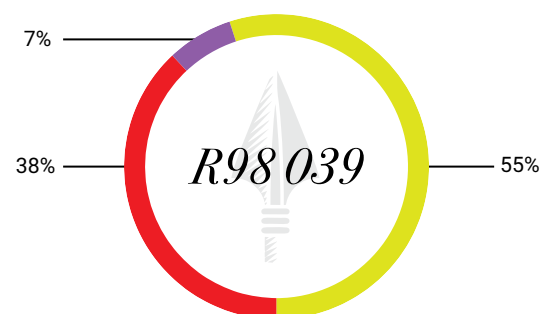
Gross lettable area (m²)



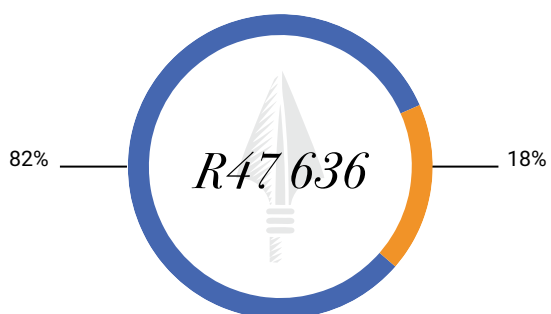
Property occupancy (%)



Property occupancy (%)



Property revenue (R'000)



Property revenue (R'000)

LOGISTICS

MANUFACTURING

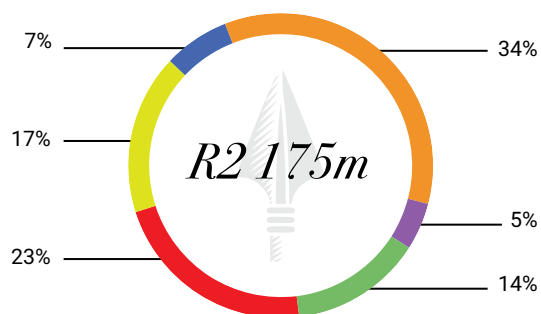
URBAN LOGISTICS

CONVENIENCE RETAIL

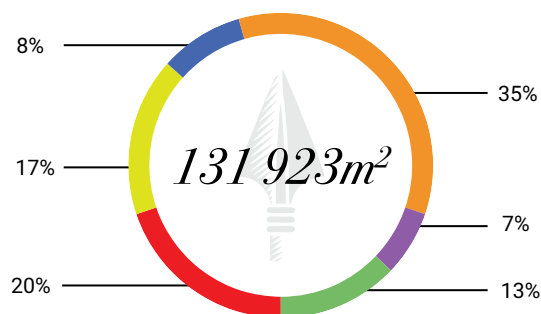
DESTINATION RETAIL



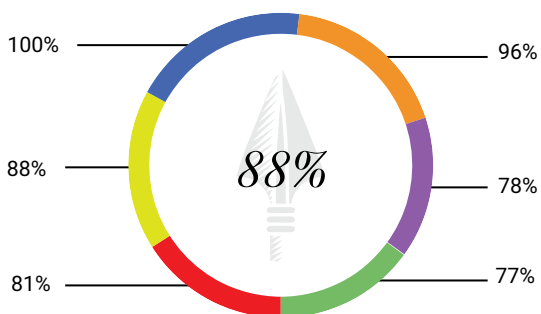
## Commercial



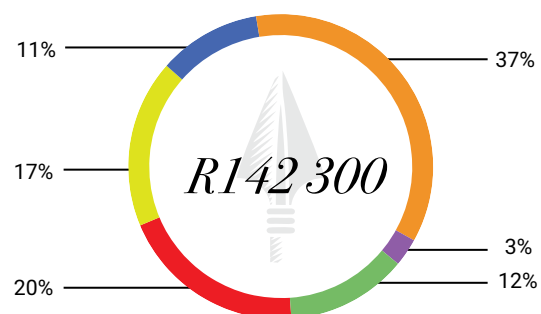
Property value



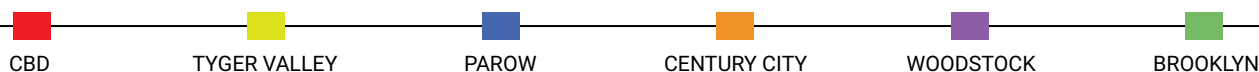
Gross lettable area (m<sup>2</sup>)



Property occupancy (%)



Property revenue (R'000)



# Condensed Consolidated Statement of Financial Position

	Group		
	Unaudited Six months ended August 2023 R'000	Unaudited Six months ended August 2022 R'000	Audited Year ended February 2023 R'000
<b>Assets</b>			
Investment property (including straight-line accrual)	4 062 493	4 398 184	3 793 263
Property, plant and equipment	780	1 319	1 041
Financial assets	–	3 907	–
Deferred taxation	783	1 228	783
<b>Non-current assets</b>	<b>4 064 056</b>	<b>4 404 638</b>	<b>3 795 087</b>
Investment properties held for sale	400 000	85 000	422 676
Loans to related parties	215	775	70
Trade and other receivables	18 067	19 649	18 296
Cash and cash equivalents	25 045	29 785	19 525
Other financial asset	2 233	1 016	1 054
<b>Current assets</b>	<b>445 560</b>	<b>136 225</b>	<b>461 621</b>
<b>Total assets</b>	<b>4 509 616</b>	<b>4 540 863</b>	<b>4 256 708</b>
<b>Equity and liabilities</b>			
<b>Shareholders' interest</b>			
Share capital	2 080 903	2 153 390	2 102 146
Share-based payment reserve	8 535	12 936	16 756
Accumulated income	505 035	477 372	475 506
<b>Total attributable to owners</b>	<b>2 594 473</b>	<b>2 643 698</b>	<b>2 594 408</b>
Non-controlling interest	13 112	23 255	13 112
<b>Total equity</b>	<b>2 607 585</b>	<b>2 666 953</b>	<b>2 607 520</b>
<b>Liabilities</b>			
Financial liabilities	1 170 389	999 243	1 175 273
<b>Non-current liabilities</b>	<b>1 170 389</b>	<b>999 243</b>	<b>1 175 273</b>
Financial liabilities	622 278	767 552	375 606
Lease liability	14 219	22 307	14 731
Trade and other payables	95 048	84 754	83 523
Taxation payable	97	54	55
<b>Current liabilities</b>	<b>731 642</b>	<b>874 667</b>	<b>473 915</b>
<b>Total liabilities</b>	<b>1 902 031</b>	<b>1 873 910</b>	<b>1 649 188</b>
<b>Total equity and liabilities</b>	<b>4 509 616</b>	<b>4 540 863</b>	<b>4 256 708</b>
Number of ordinary shares in issue	244 846 390	244 846 390	244 846 390
Treasury shares	(21 673 576)	(12 179 230)	(18 781 172)
Net ordinary shares in issue	223 172 814	232 667 160	226 065 218
<b>Gearing ratio (%)</b>	<b>39.58</b>	<b>38.69</b>	<b>36.30</b>
Net asset value per share* (Rands)	11.63	11.36	11.48
Tangible net asset value per share (Rands)	11.62	11.36	11.47

\* 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 2023 R'000	Unaudited Six months ended August 2022 R'000	Audited Year ended February 2023 R'000
Contractual rental income	215 259	214 974	427 085
Tenant recoveries	72 842	73 914	146 002
Straight-line rental income accrual	5 598	4 251	7 066
<b>Property revenue</b>	<b>293 698</b>	<b>293 140</b>	<b>580 153</b>
Other income	512	900	1 079
<b>Total revenue</b>	<b>294 210</b>	<b>294 040</b>	<b>581 232</b>
Property operating and management expenses	(101 428)	(101 112)	(198 023)
<b>Net property-related income</b>	<b>192 782</b>	<b>192 928</b>	<b>383 209</b>
Administrative expenses	(16 343)	(18 858)	(36 719)
<b>Net property operating profit</b>	<b>176 439</b>	<b>174 070</b>	<b>346 490</b>
Fair value adjustment – Investment properties	24 340	4 069	(2 873)
Depreciation and amortisation	(7 562)	(7 009)	(15 348)
Listing cost	–	–	(333)
Share-based payment expense	(4 235)	(4 056)	(7 877)
<b>Profit from operations</b>	<b>188 981</b>	<b>167 074</b>	<b>320 059</b>
<b>Net interest</b>	<b>(72 287)</b>	<b>(66 809)</b>	<b>(135 326)</b>
– Finance costs	(73 690)	(68 127)	(138 127)
– Finance income	1 403	1 318	2 801
<b>Profit before taxation</b>	<b>116 694</b>	<b>100 266</b>	<b>184 733</b>
Taxation	(700)	(1 762)	(2 528)
<b>Profit for the period</b>	<b>115 994</b>	<b>98 504</b>	<b>182 205</b>
Other comprehensive income	–	–	–
<b>Total comprehensive income for the period</b>	<b>115 994</b>	<b>98 504</b>	<b>182 205</b>
Attributable to:			
Equity owners of the parent	115 994	98 504	182 205
Non-controlling interest	–	–	–
<b>Total comprehensive income for the period</b>	<b>115 994</b>	<b>98 504</b>	<b>182 205</b>
Basic earnings per share (cents)	50.72	40.23	78.61
Diluted earnings per share (cents)	49.88	40.23	77.27
<b>Distribution per share*</b> (cents)	<b>38.33</b>	<b>37.14</b>	<b>75.97</b>
Interest cover ratio (times)	2.36	2.54	2.51

\* 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
<b>Balance as at 28 February 2022</b>	2 168 821	460 854	20 414	2 650 089	23 255	2 673 344
<i>Changes in equity:</i>						
Profit for the period	–	98 503	–	98 503	–	98 503
Cost to issue shares	(895)	–	–	(895)	–	(895)
Acquisition of treasury shares	(21 206)	–	–	(21 206)	–	(21 206)
Disposal of treasury shares	6 520	–	–	6 520	–	6 520
Distributions to shareholders	–	(81 986)	–	(81 986)	–	(81 986)
Share-based payment expense	–	–	4 056	4 056	–	4 056
Vesting Conditional Share Plan	–	–	(11 534)	(11 534)	–	(11 534)
<b>Balance as at 31 August 2022</b>	2 153 240	477 371	12 936	2 643 547	23 255	2 666 802
<i>Changes in equity:</i>						
Acquisition of non-controlling interest	(2 107)	–	–	(2 107)	(10 143)	(12 250)
Profit for the period	–	83 702	–	83 702	–	83 702
Cost to issue shares	(387)	–	–	(387)	–	(387)
Acquisition of treasury shares	(48 600)	–	–	(48 600)	–	(48 600)
Distributions to shareholders	–	(85 567)	–	(85 567)	–	(85 567)
Share-based payment expense	–	–	3 821	3 821	–	3 821
<b>Balance as at 28 February 2023</b>	2 102 146	475 506	16 757	2 594 409	13 112	2 607 521
<i>Changes in equity:</i>						
Profit for the period	–	115 994	–	115 994	–	115 994
Acquisition of treasury shares	(33 265)	–	–	(33 265)	–	(33 265)
Disposal of treasury shares	4 639	–	–	4 639	–	4 639
Distributions to shareholders	–	(86 466)	–	(86 466)	–	(86 466)
Share-based payment expense	–	–	4 234	4 234	–	4 234
Vesting conditional share plan	7 383	–	(12 456)	(5 073)	–	(5 073)
<b>Balance as at 31 August 2023</b>	2 080 903	505 035	8 535	2 594 472	13 112	2 607 585



# Condensed Consolidated Statement of Cash Flows

	<b>Group</b>		
	<b>Unaudited Six months ended August 2023 R'000</b>	<b>Unaudited Six months ended August 2022 R'000</b>	<b>Audited Year ended February 2023 R'000</b>
Cash generated from operations	116 694	100 266	184 733
<b>Profit before tax</b>			
<i>Adjustments for:</i>			
Straight-line rental income accrual	(5 598)	(4 251)	(7 066)
Depreciation	7 562	7 009	15 348
Fair value adjustments	(24 340)	(4 069)	2 873
Finance income	(1 403)	(1 318)	(2 801)
Finance cost	73 690	68 127	138 127
Share-based payment expense	4 235	4 056	7 877
<b>Changes in working capital</b>			
Trade and other receivables	229	(3 715)	(2 362)
Trade and other payables	11 525	13 129	11 898
<b>Cash generated from operating activities</b>	<b>182 595</b>	<b>179 234</b>	<b>348 627</b>
Finance costs	(73 690)	(67 829)	(138 127)
Finance income	195	1 318	2 336
Distribution paid	(86 465)	(81 986)	(167 546)
Taxation paid	(790)	(1 917)	(3 426)
Taxation received	132	–	1 250
<b>Net cash generated from operating activities</b>	<b>21 978</b>	<b>28 820</b>	<b>43 116</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment property	(217 733)	(67 970)	(65 273)
Cost incurred on developments	57 627	(3 389)	(59 460)
Cost capitalised to investment property	(86 437)	(6 449)	(23 469)
Proceeds on sale of investment property	22 668	91 659	164 649
Acquisition of property, plant and equipment	(44)	(344)	(54)
Proceeds on sale of property, plant and equipment	–	318	–
Repayment received on loan to tenant	–	380	4 287
Proceeds from disposal of subsidiary	–	–	246 000
<b>Net cash used in investing activities</b>	<b>(223 918)</b>	<b>14 205</b>	<b>266 681</b>
<b>Cash flow from financing activities</b>			
(Cost)/Proceeds to issue shares	–	(895)	(1 282)
Proceeds from financial liabilities	246 672	–	676 869
Repayment of financial liabilities	(3 676)	(13 721)	(905 812)
Repayment of related-party loan	–	(386)	(386)
Repayment of solar lease liability	(512)	(132)	(1 221)
Loan (advanced to)/received from related party	(145)	(775)	(70)
Acquisition of non-controlling interest	–	–	(12 250)
Purchase of treasury shares	(33 652)	(26 546)	(69 806)
Proceeds from sale of treasury shares	4 639	–	–
Cost of CSP shares issued	(5 865)	–	(5 527)
<b>Net cash generated from financing activities</b>	<b>207 460</b>	<b>(42 455)</b>	<b>(319 484)</b>
<b>Total cash movement for the period</b>	<b>5 520</b>	<b>570</b>	<b>(9 689)</b>
<b>Cash at the beginning of the period</b>	<b>19 523</b>	<b>29 214</b>	<b>29 214</b>
<b>Cash at the end of the period</b>	<b>25 043</b>	<b>29 784</b>	<b>19 525</b>

# Operating Segment Information

for the six months ended 31 August 2023

	Industrial R'000	Commercial R'000	Retail R'000	Non- property R'000	Development R'000	Total R'000
Segment revenue	98 039	142 300	47 636	571	67	288 612
Straight-lining of leases	6 654	(1 163)	107	–	–	5 598
Net property operating profit	68 293	90 302	30 222	(12 370)	(8)	176 439
Fair value adjustments	5 270	19 795	(725)	–	–	24 340
Profit from operations	72 839	104 748	28 312	(16 910)	(8)	188 981
Finance income	310	174	828	68	24	1 403
Finance costs	(14 444)	(41 687)	(8 756)	(8 802)	–	(73 690)
Investment property	1 506 262	1 736 850	685 793	–	–	3 928 905
Investment property held for sale	–	400 000	–	–	–	400 000
Investment property under development and land	435	–	–	–	51 193	51 628
Straight-lining of lease asset	22 303	37 650	22 007	–	–	81 960
<b>Total assets</b>	<b>1 727 136</b>	<b>2 132 095</b>	<b>804 557</b>	<b>(203 393)</b>	<b>49 221</b>	<b>4 509 616</b>
<b>Total liabilities</b>	<b>1 727 136</b>	<b>(1 079 824)</b>	<b>(208 122)</b>	<b>(93 119)</b>	<b>(286)</b>	<b>(1 902 029)</b>



# 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

		<b>August 2023 R'000</b>	<b>February 2023 R'000</b>
Profit or loss per IFRS Statement of Comprehensive Income (SOCl) attributable to the parent		<b>115 994</b>	182 205
Adjusted for:			
Accounting/specific adjustments:		<b>(29 937)</b>	(3 748)
Fair value adjustments to:			
– Investment property		<b>(24 340)</b>	2 873
Deferred tax movement recognised in profit or loss		<b>–</b>	445
Straight-lining operating lease adjustment		<b>(5 598)</b>	(7 066)
<b>SA REIT FFO</b>		<b>86 056</b>	178 457
Company-specific adjustments		<b>4 935</b>	9 960
IFRS 2 Expense – CSP awards with future vesting and issue date		<b>4 235</b>	7 877
Provisional tax paid on retained income for the period		<b>700</b>	2 083
<b>Total distributable company FFO</b>		<b>90 991</b>	188 417
Interim distributable income per share (DIPS)	(cents)	<b>40.77</b>	41.26
<b>HY2024 DIPS growth</b>	(%)	<b>(1.19)</b>	
Interim distribution pool	(R'000)	<b>90 991</b>	96 001
Number of shares outstanding at end of interim period (net of treasury)		<b>223 172 814</b>	232 667 160
Interim period payout ratio	(%)	<b>94</b>	90
Interim distributable company FFO	(R'000)	<b>85 532</b>	86 401
<b>Interim company dividend per share (DPS)</b>	(cents)	<b>38.33</b>	37.14
HY2024 DPS growth	(%)	<b>3.21</b>	
Taxable retained earnings	(A-B)	<b>5 459</b>	14 221
Taxation payable		<b>(700)</b>	(2 083)
Net retained income		<b>4 760</b>	12 138

## Dividend declared and dividend per share

	Cents per share	R'000
<b>Total distributions for the period – 2024</b>		
Interim distribution declared on 24 October 2023 (Distribution number 14)	38.33	85 532
Final distribution declared TBC (Distribution number 15)	0.00	–
<b>Total distributions for the period ended 29 February 2024</b>	<b>38.33</b>	<b>85 532</b>

	Cents per share	R'000
<b>Total distributions for the period – 2023</b>		
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
<b>Total distributions for the period ended 28 February 2023</b>	<b>75.97</b>	<b>174 196</b>

## SA REIT net asset value (SA REIT NAV)

	August 2023 R'000	February 2023 R'000
Reported NAV attributable to the parent	2 594 473	2 594 408
Adjustments:		
Dividend declared and 100% cash settled	(85 532)	(87 795)
Deferred tax	(783)	(783)
<b>SA REIT NAV</b>	<b>A 2 508 158</b>	<b>2 505 830</b>
Shares outstanding		
Number of shares in issue at period end (net of treasury shares)	223 172 814	226 065 218
Dilutive number of shares in issue	B 223 172 814	226 065 218
<b>SA REIT NAV per share (Rands)</b>	<b>A/B 11.24</b>	<b>11.08</b>

## SA REIT cost-to-income ratio

	August 2023 R'000	February 2023 R'000
<b>Expenses</b>		
Operating expenses per IFRS income statement (includes municipal expenses)	101 428	198 023
Administrative expenses per IFRS income statement	16 343	36 719
<i>Other expenses, if directly related to property operations, with clear explanations of these items</i>		
Depreciation	7 562	15 348
<i>Exclude:</i>		
Depreciation expense in relation to property, plant and equipment of an administrative nature	(305)	(616)
<b>Operating costs</b>	<b>A 125 029</b>	<b>249 475</b>
<b>Rental income</b>		
Contractual rental income per IFRS income statement (excluding straight-lining)	215 770	428 164
<b>Utility and operating recoveries per IFRS income statement</b>	<b>72 842</b>	<b>146 002</b>
<b>Gross rental income</b>	<b>B 288 612</b>	<b>574 166</b>
<b>SA REIT cost-to-income ratio (%)</b>	<b>A/B 43.32</b>	<b>43.45</b>

## SA REIT administrative cost-to-income ratio

		August 2023 R'000	February 2023 R'000
<b>Expenses</b>			
Administrative expenses as per IFRS income statement		16 343	36 719
<i>Other identified administrative expenses, with clear explanations of these items</i>			
Depreciation on property, plant and equipment		305	616
<b>Administrative costs</b>	A	16 648	37 335
<b>Rental income</b>			
Contractual rental income per IFRS income statement (excluding straight-lining)		215 770	428 164
Utility and operating recoveries per IFRS income statement		72 842	146 002
<b>Gross rental income</b>	B	288 612	574 166
<b>SA REIT administrative cost-to-income ratio (%)</b>	A/B	5.77	6.50

## SA REIT GLA vacancy rate

		August 2023 m <sup>2</sup>	February 2023 m <sup>2</sup>
GLA of vacant space	A	24 780	32 034
GLA of total property portfolio	B	426 588	409 868
<b>SA REIT GLA vacancy rate (%)</b>	A/B	5.81	7.82

## Cost of debt

		August 2023 %	February 2023 %
<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		10.17	9.05
<i>Fixed interest-rate borrowings</i>			
Weighted average fixed rate		8.27	8.18
<b>Pre-adjusted weighted average cost of debt</b>		9.59	8.66
<b>Adjustments:</b>			
Impact of interest rate derivatives		0.00	0.00
Amortised transaction costs imputed into the effective interest rate		0.00	0.00
<b>All-in weighted average cost of debt</b>		9.59	8.66

## SA REIT loan-to-value (SA REIT LTV)

		August 2023 R'000	February 2023 R'000
Gross debt		1 792 667	1 550 879
Less:			
Cash and cash equivalents		(25 045)	(19 525)
<b>Net debt</b>	A	1 767 622	1 531 354
Total assets – per statement of financial position		4 509 616	4 256 708
Less:			
Cash and cash equivalents		(25 045)	(19 525)
Deferred taxation		(783)	(783)
Trade and other receivables		(18 067)	(18 296)
<b>Carrying amount of property-related assets</b>	B	4 465 721	4 218 104
<b>SA REIT LTV (%)</b>	A/B	39.58	36.30



# 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 Appendix 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 2023 R'000	Unaudited Six months ended August 2022 R'000	Audited Year ended February 2023 R'000
<b>Shares in issue</b>				
Number of shares in issue at end of period net of treasury shares	(Number of shares)	223 172 814	232 667 160	226 065 218
Weighted average number of shares in issue	(Number of shares)	228 683 251	244 846 390	231 785 456
Add: weighted potential dilutory impact of conditional shares	(Number of shares)	3 880 435	–	4 020 096
Diluted weighted average number of shares in issues	(Number of shares)	232 563 685	244 846 390	235 805 552
<b>Basic earnings per share</b>				
Earnings (profit attributable to owners of the parent)	(R'000)	115 994	98 503	182 205
Basic earnings per share	(cents)	50.72	40.23	78.61
Diluted earnings per share	(cents)	49.88	40.23	77.27

### Headline earnings per share

		Group		
		Unaudited Six months ended August 2023 R'000	Unaudited Six months ended August 2022 R'000	Audited Year ended February 2023 R'000
<b>Reconciliation between basic earnings and headline earnings:</b>				
Earnings (profit attributable to owners of the parent)	(R'000)	115 994	98 503	182 205
Adjusted for:				
Fair value adjustments to investment properties: Gross		(24 340)	(4 069)	2 873
Tax		–	–	–
Headline earnings	(R'000)	91 654	94 434	185 078
<b>Headline earnings per share:</b>				
Headline earnings per share	(cents)	40.08	38.57	79.85
Diluted headline earnings per share	(cents)	39.41	38.57	78.49

## Introduction

Spear REIT Limited (SEA:SJ) is the only regionally-specialised Real Estate Investment Trust listed on the 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. 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 have consistently empowered the business to deliver an outcome.

Spear's management team has remained acutely focused on successfully navigating the challenging trading environment. The first half of the financial year has been characterised by more persistent loadshedding than in prior reporting periods, increasing the pressures on tenants to transcend the trading challenges in the South African market. The City of Cape Town has certainly done its bit to shield its customers from at least two levels of loadshedding compared to the national loadshedding schedule, which in and of itself has created a competitive advantage for Spear's tenants given that 93% of Spear's assets receive electrical supply from the City of Cape Town.

Despite the challenging trading environment, positive leasing momentum has been a hallmark of the first half of the year as material inroads were made in the overall vacancy rate of the portfolio and, in particular, the vacancy rate of the office portfolio. During the half year No.1 Waterhouse and the Bloemhof Building became fully let with the Liberty Life Building following suit post the half year with 2 897m<sup>2</sup> being let to a business process outsourcing ("BPO") company.

Spear's 100% Western Cape focus has been proven sound as real estate fundamentals continue to shift on a geographical basis. The growing demand for real estate in the province has boded well for property values, which in the case of the Spear portfolio have shown a year-to-date increase of 5.85%. The Spear portfolio remains operationally a well-oiled machine that is well placed to deliver on its strategic focus with the key drivers to such delivery being strong return-to-office momentum, semigration, localisation and international investment in both the commercial and residential real estate markets.

A general theme across the Western Cape real estate market has been a genuine sense of optimism while still retaining a strong dose of reality as large-scale capital investments continue to be rolled out by the public and private sector in the Western Cape creating much-needed employment and social upliftment. The Western Cape has continued to report a material decrease in the provincial unemployment rates showing a 7% year-to-year decline from 27.5% to 20.5% as last reported.

Despite the negative impact of cost creep over the first half of the year top-line revenue growth has shown positive signs of strengthening as portfolio vacancy rates contract, in-force escalations remain strong and positive rental reversions are achieved on a portfolio level for the half year. The latter is attributable to 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.

Robust rental collections, growing letting activity, tenant retention, and robust financial, debtors and vacancy management remain the key building blocks for the entire Spear team in FY2024 and beyond. As a result of aggressive marketing and letting initiatives the core portfolio has seen occupancy levels improve to 94.19% for the half year in addition to Spear's balance sheet remaining strong and well positioned for growth with an LTV at half year of 39% prior to the Liberty Life Building disposal.

## Financial results

Group revenue excluding smoothing decreased by -0.41% from the prior corresponding period. The sale of 15 on Orange Hotel in February 2023 and later than anticipated transfer of The Island Urban Logistics Park (expected March 2023 vs actual transfer of May 2023) contributed to lower income for the period.

Net property operating profit increased by 0.60% from the prior corresponding period. Excellent expense management in a very difficult trading environment and improved cost recoveries resulted

in net property operating profit increasing even with a marginal lower decrease in revenue, enhancing the overall FFO.

HY2024 property operating and management expenses increased by 0.31% and administrative expenses decreased by -13.33% compared to HY2023.

The like-for-like income growth was 9.80% and the like-for-like net property operating profit was 10.14% compared to HY2023. This is as a result of decreased vacancies and strong in-force escalations and reversions compared to the prior corresponding period.

The group continued to generate positive cash flows from operating activities of R21.9 million. Free cash flow from operations continue to provide optionality in actioning major capital works required at properties as well as increasing the payout ratio of the group to 94% for HY2024.

		<b>Six months ended 31 August 2023</b>	Six months ended 31 August 2022	Variance %
DIPS	(cents)	<b>40.77</b>	41.26	(1.19)
DPS	(cents)	<b>38.33</b>	37.14	3.21
Average payout ratio	(%)	<b>94.00</b>	90.00	

The board of directors is pleased to announce a final DPS of 38.32543 cents for the six months ended 31 August 2023.

	<b>Six months ended 31 August 2023 Rands</b>	Year ended 28 February 2023 Rands	Variance %
NAV per share	<b>11.63</b>	11.48	1.31
TNAV per share	<b>11.62</b>	11.47	1.31
TNAV per share net of distribution	<b>11.24</b>	11.08	1.44

• Refer to the TNAV bridge for further commentary.

The financial results achieved during HY2024 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. 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.

Rental reversions on lease renewals and re-let's have shown notable improvement with portfolio reversions during the interim period being 3.57%.

Benchmarked with Spear's peers, portfolio reversions have beat the benchmark as rental reversions moved 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 5.81% at period end decreasing from 7.82% in FY2023.

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

## Selected Explanation Notes to the Results (continued)

The reversions and vacancy rate were in line with management's forecast and this was taken into account when the DIPS budget was set.

Group gearing is 39.58% (FY2023: 36.30%). The increase results from the acquisition of The Island, using debt and cash reserves which is in line with the LTV sensitivity as disclosed in the FY2023 results presentation.

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.

At period end the total provision for bad debt was R2.65 million, being 16.29% of total tenant arrears.

Management is actively reviewing tenant arrears and at the end of the reporting period a total of R1.05 million of bad debt was written off and 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 low prospect of recoverability. Significant success was achieved in HY2024 with 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 that continues to place significant pressure on South Africa.

## 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 HY2024 amounted to R4.73 million excluding VAT and as measured at 14 September 2023. At 31 August 2023, all debtors amounted to R16.26 million excluding VAT for all tenant arrears, which include tenants on payment arrangement and legal tenants.

HY2024 (excluding VAT)	Total R'000
Billed (including utilities)	288 727
Collected	283 985
Collected vs billings (%)	98.36

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

## Property portfolio

Spear's, current property portfolio consists of 28 high-quality assets with an average value of R157.5 million per property, being a 5.91% increase from FY2023: R148.8 million per property. Total GLA at period end was 426 588 m<sup>2</sup> valued at R4.46 billion.

The portfolio's income stream is underpinned by contractual escalations of 7.41%, a weighted average lease expiry (WALE) of 27 months (FY2023: 27 months) together with a high percentage of A-grade tenants (listed and large nationals) comprising 39% 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 5.81% at the end of the financial year (FY2023: 7.82% portfolio vacancies).

## Top 10 properties by value

Property	Value including lease asset R'000	Sector	GLA m <sup>2</sup>	Vacancy m <sup>2</sup>	% of total value	Valuation R/m <sup>2</sup>
1. Mega Park, Bellville	496 000	Industrial	86 195	4 852	11.11	5 754
2. Sable Square Shopping Centre, Milnerton	460 000	Retail	31 111	3 508	10.31	14 786
3. 2 Long Street, Cape Town	448 000	Commercial	25 247	4 457	10.04	17 745
4. Liberty Life Building, Century City	400 000	Commercial	18 244	–	8.96	21 925
5. Northgate Park, Brooklyn	310 000	Commercial	16 981	3 860	6.95	18 256
6. 1 Waterhouse Place, Century City	235 000	Commercial	11 963	449	5.27	19 644
7. Blackheath Park, Blackheath	221 000	Industrial	39 804	837	4.95	5 552
8. The Island, Paarden Eiland	199 000	Industrial	21 542	110	4.46	9 238
9. MWEB Head Office, Parow	160 000	Commercial	11 195	–	3.59	14 292
10. Radnor Road, Bellville	140 000	Industrial	12 879	–	3.14	10 870
<b>Top 10 Total</b>	<b>3 069 000</b>		<b>275 161</b>	<b>18 073</b>	<b>68.77</b>	<b>11 153</b>
<b>Group Total excluding land</b>	<b>4 411 300</b>		<b>426 588</b>	<b>24 780</b>	<b>100.00</b>	<b>10 341</b>

## Sectoral split

		Industrial	Commercial	Retail	Development	Total
Number of properties		9	13	6	–	28
Value of properties	(R'000)	1 529 000	2 174 500	707 800	51 193	4 462 493
Value	(%)	34	49	16	1	100
Property revenue excluding smoothing	(R'000)	98 039	142 300	47 636	67	288 041
Revenue	(%)	34	49	17	–	100
GLA	(m <sup>2</sup> )	245 714	131 923	48 951	–	426 588
GLA	(%)	58	31	12	–	100
Vacant area	(m <sup>2</sup> )	6 088	15 329	3 363	–	24 780
Vacancy per sector	(%)	2.48	11.62	6.87	–	–
Vacancy on total GLA	(%)	1.43	3.59	0.79	–	5.81
Yield	(%)	8.47	7.86	8.11	N/A	8.11
Weighted average in-force escalation	(%)	7.71	7.39	7.10	N/A	7.41
Weighted average lease expiry	(months)	24	29	26	N/A	27

## Fair value disclosures

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

- Level 1** Measurements in whole or in part are done by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2** Measurements are done by reference to inputs other than quoted prices that are included in level 1. These inputs are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. from derived prices).
- Level 3** Measurements are done by reference to inputs that are not based on observable market data.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. Valuation models are used to value investment properties (measurement and disclosure) and financial liabilities that have fixed interest rates (disclosure only).

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

## Valuation technique

The fair value of investment properties is determined by utilising the discounted cash flow methodology in terms of which estimated gross income is projected for a five or 10-year period, based on contractual arrangements and an estimated market rent upon the expiry of the leases for the period of the cash flow. Forecast expenses are deducted from the estimated gross annual income projections to arrive at the net annual income stream for the period of the cash flow.

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

The key inputs to the valuation of investment property is the discount rate and exit capitalisation rate, representative of the perceived risk in the investment. Capitalisation rates (and more specifically exit capitalisation rates which are utilised at the end of the discounted cash flow period) to determine the fair value of investment property into perpetuity were examined and risk-adjusted where necessary, to account for factors that influence the sustainability of cash flows pertaining to each property such as location, condition of improvements, market conditions and the strength of the underlying lease covenants, inter alia. The discount rate is the annual return that a prudent rational investor requires in order to invest in the property in a competitive market as opposed to alternative asset classes. It is widely expected that a yield premium above an appropriate risk-free rate is required to induce investors to invest into property due the additional perceived risk in this asset class as opposed to an alternative investment with no default risk. Similarly, discount rates were examined and risk-adjusted where necessary.

## Selected Explanation Notes to the Results (continued)

As at 31 August 2023, the following significant assumptions and unobservable inputs used by the group in determining fair value were in the following ranges:

		Industrial	Commercial	Retail	<b>HY2024</b>
Average discount rate	(%)	13.50	14.20	13.71	<b>13.80</b>
Average capitalisation rate	(%)	8.50	9.20	8.71	<b>8.80</b>
Average exit capitalisation rate	(%)	8.94	9.70	9.21	<b>9.29</b>
Average prior year exit capitalisation rate	(%)	8.63	9.27	9.04	<b>8.98</b>
Average rental growth rate	(%)	5.00	5.00	5.00	<b>5.00</b>
Average expense growth rate	(%)	6.00	6.00	6.00	<b>6.00</b>
Structural vacancy range	(%)	0.5 – 2.0	0.5 – 2.0	0.5 – 2.0	<b>0.5 – 2.0</b>
Void period range	(months)	2 – 4	2 – 4	2 – 4	<b>2 – 4</b>

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	<b>FY2023</b>
Average discount rate	(%)	13.44	14.60	13.71	13.74
Average capitalisation rate	(%)	8.44	9.06	8.71	8.74
Average exit capitalisation rate	(%)	8.63	9.27	9.04	8.98
Average prior year exit capitalisation rate	(%)	9.22	9.50	9.17	–
Average rental growth rate	(%)	5.00	5.00	5.00	5.00
Average expense growth rate	(%)	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
Void period range	(months)	2 – 4	2 – 4	2 – 4	2 – 4

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

		Industrial	Commercial	Retail	<b>HY2024</b>
Average value per property (excluding land/bulk value)	(R'000)	169 889	167 269	117 967	<b>157 546</b>
Average value per square meter	(Rands)	6 223	16 483	14 459	<b>10 341</b>

The fair market valuations are tested for reasonableness by comparing the resultant Rand per m<sup>2</sup> 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 is as follows:

The estimated fair value would increase/(decrease) if: the discount rate was lower/(higher); the reversionary capitalisation rate was lower/(higher); 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:

<b>Sensitivity analysis to capitalisation and discount rates</b>	<b>Six months ended 31 August 2023 R'000</b>	<b>Year ended 28 February 2023 R'000</b>
Increase in fair value if capitalisation rates are decreased by 0.5%	<b>219 390</b>	226 640
Decrease in fair value if capitalisation rates are increased by 0.5%	<b>(196 899)</b>	(202 625)
Increase in fair value if discount rates are decreased by 0.5%	<b>143 767</b>	140 889
Decrease in fair value if discount rates are increased by 0.5%	<b>(133 676)</b>	(131 557)



## Sectoral performance

Industrial (GLA: 245 714m<sup>2</sup>/Occupancy: 97.52%)

Spear's industrial portfolio remains a key performer within the core portfolio as well located assets not impacted by the severity of loadshedding remain in high tenant demand. Favourable asset locations within the Cape Metropole have resulted in improved rental growth, improved weighted average lease expiries and robust in-force escalation growth in the first half of the year. Spear's defensive industrial portfolio comprises of logistics, warehousing, Urban logistics, manufacturing and multi-let industrial parks in sought-after locations. Spear's industrial portfolio makes up 58% of total portfolio gross lettable area offering a further defensive underpin to the regionally-focused diversified portfolio. Spear's industrial assets offer dynamic yard areas, 24-hour security services, efficient operating areas and solar PV solutions. The planned addition of the George-based 30 000m<sup>2</sup> GTX Park development to the underlying industrial portfolio will fully compliment the current portfolio composition and quality.

Commercial (GLA: 131 923m<sup>2</sup>/Occupancy: 88.38%)

Spear's commercial office assets by design are all located in well-established nodes in Cape Town with strong linkages to all arterial routes and transportation hubs. The return-to-office momentum in the Cape Town office market has positively improved the occupancy rate of Spear's office portfolio with notable vacancy contractions evident across the commercial portfolio. The positive effects of semigration continue to drive demand for quality office accommodation in addition

to the growing demand for space from the BPO and technology sectors in Cape Town. All of Spear's assets are fitted with back-up power generators and business continuity solutions. The office portfolio has seen a 400 bps increase in occupancy rates during the half year resulting in 100% of Spear's Century City office assets being fully let, being circa 33 000m<sup>2</sup> of GLA. Management will maintain its focused and aggressive letting campaigns across the office portfolio with a key focus of returning occupancy rates to 93% and above.

Retail (GLA: 48 951m<sup>2</sup>/Occupancy: 93.13%)

Spear's retail portfolio has generated consistent forecast-aligned performance during the half year as both the convenience and destination retail portfolio operate with high occupancy and collection rates. Despite rising interest rates and other inflationary pressures Spear's tenants have reported positive trading conditions as footfall levels remain strong and basket sizes remain in line with tenant expectations. Currently, 41% of Spear's retail tenant mix comprise national tenants with a clear focus on increasing this percentage as a credit risk mitigator in the longer term. Notably, none of Spear's retail assets are reliant on local or international tourism but rather on the strong residential and commercial nodes in which they are located. Spear's retail portfolio is located in high-growth nodes servicing a wide range of LSM groups which has given rise to numerous brand additions by national retailers to the portfolio mix. Despite a negative print on the half year rental reversion profile which was provided for in management's income statement assumptions, the retail portfolio has maintained a robust collection profile of 96% of rentals billed being collected and a forecast-aligned retention profile.

## Tenant grading

	GLA m <sup>2</sup>	GLA %	Number of tenants	Number of tenants %
A – Large national, large listed and government tenants	183 738	43.07	103	23
B – Smaller international and national tenants	215 402	50.49	281	63
C – Other local tenants and sole proprietors	2 668	0.63	60	14
Vacant	24 780	5.81	–	–
	<b>426 588</b>	<b>100</b>	<b>444</b>	<b>100</b>

## Letting activity

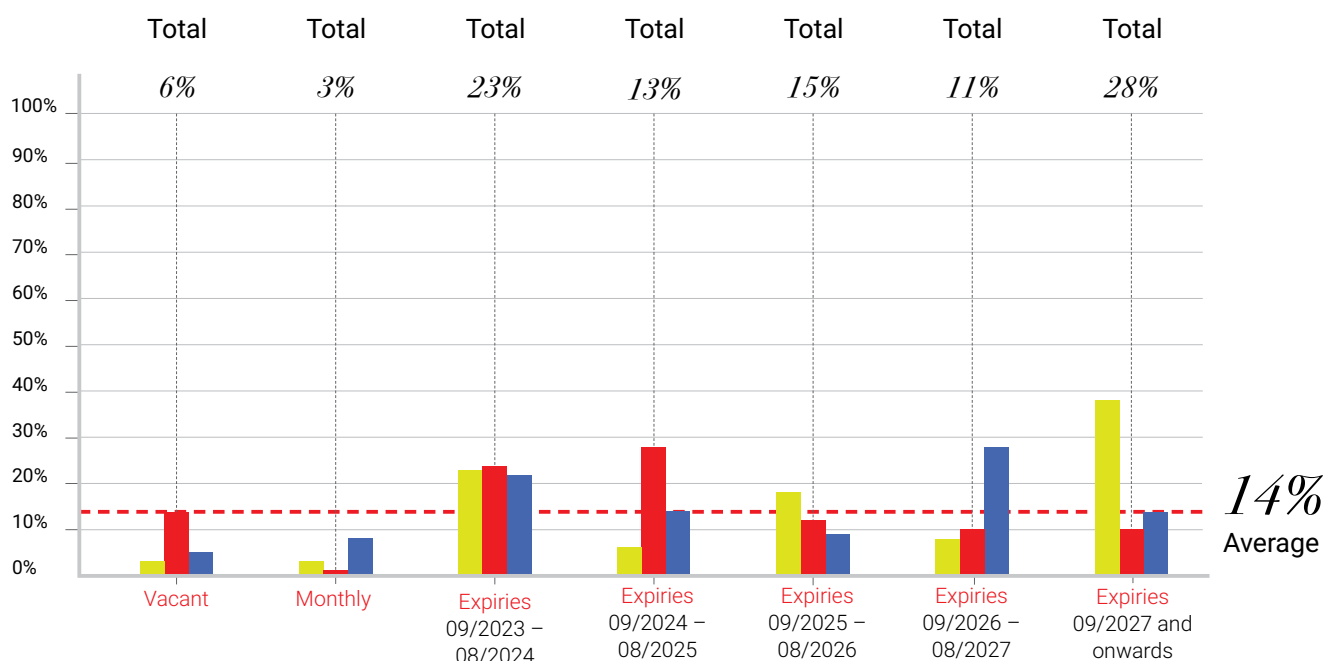
The table below reflects the letting activity of the financial year:

	Expiries and cancellations GLA	Gross rental at expiry R'000	Average gross expiry rental R/m <sup>2</sup>	Renewals/ New lets GLA	Gross rental at renewals/ New lets R'000	Average gross new rental R/m <sup>2</sup>	Average rental reversion %
Commercial	12 272	1 888	154	16 504	2 340	142	(7.87)
Industrial	58 356	2 864	49	62 206	3 192	51	4.55
Retail	4 093	515	126	4 463	541	121	(3.71)
<b>Total</b>	<b>74 721</b>	<b>5 268</b>	<b>70</b>	<b>83 173</b>	<b>6 073</b>	<b>73</b>	<b>3.57</b>

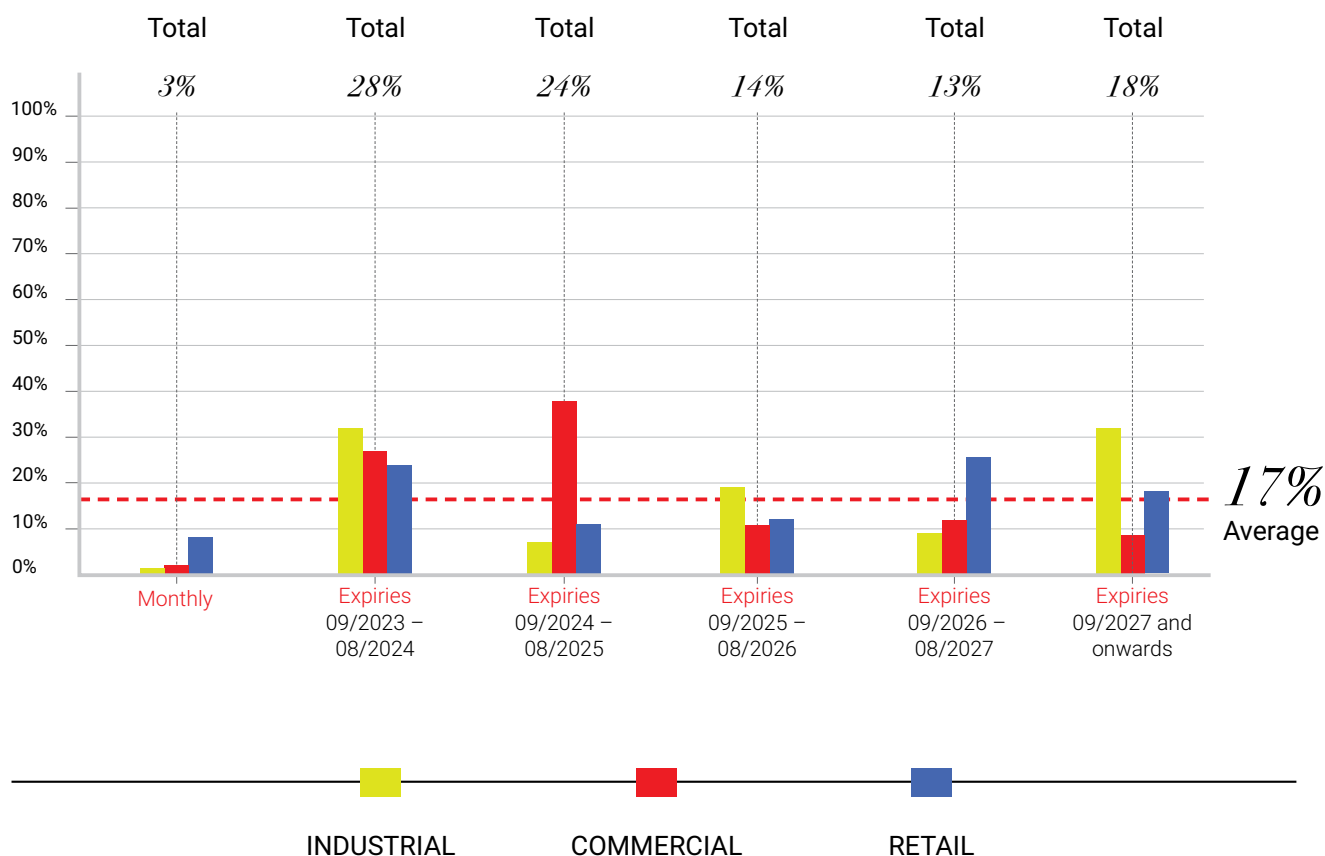
- Early tenant engagement has contributed and mitigated deep negative reversion.
- Continued the strong letting activity and overall positive reversions from FY2023.

## Lease expiry profile

Lease expiry profile based on GLA



Lease expiry profile based on revenue



## Capital expenditure and redevelopment

### GTX Industrial Park, George

Post the successful rezoning of Spear's land investment in George from agriculture to industrial use, phase 1 of the Airport Business Park development known as GTX Park commenced on 2 October 2023. Phase 1 of the development will only constitute the bulk infrastructure and certain platforming aspects of the development. Spear has no intention to take speculative development risk on the multi-site 30 000m<sup>2</sup> industrial development. GTX Park will offer modern industrial solutions to the logistics, warehousing, agri-logistics, last mile and airport service-related users. Unit sizes will range from 350m<sup>2</sup> to 10 000m<sup>2</sup> offering roof heights from 10.5m to 15m along with generous yard areas.

- 📌 Total capital cost phase 1 and 2: R400 million
- 📌 Anticipated stabilised yield: 9.25% – 9.5%
- 📌 Project time horizon: October 2024 – November 2027

## 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.

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:

- 📌 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
- 📌 Share buybacks from retained income and cash reserves at pricing levels where the distribution yield is more accretive than an acquisition prospect
- 📌 Repurchase initiatives for the half year amounted to the repurchasing of 3.07 million shares. At HY2024 circa 8.85% of shares in issue have been repurchased as part of our three-pronged capital allocation strategy.

Spear acquired R185 million in new assets during HY2024.

- 📌 The Island Urban Logistics Park, Paarden Eiland: R185 million

Spear disposed of R22.6 million worth of assets during HY2024. The disposals were aligned with Spear's strategy to dispose of non-core assets to bolster the balance sheet and create opportunity for Spear to take advantage of market opportunities where applicable.

- 📌 12 Pickwick Road, Woodstock

## 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 and growth objectives within the Western Cape.

Spear has covenants of 50% LTV and 2 times ICR for the FY2024 financial period going forward. The group continued to achieve its covenants with a comfortable margin of safety.

The group LTV at period end was 39.58%, which is 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, 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 period end was 33.76%.

Management has been closely monitoring the movement in bond yields and the FRA curve to initiate on debt hedging instruments to increase Spear's fixed debt ratio. Currently the fixed debt percentage is below management's desired percentage of between 65% – 75% as a direct result of the punitive cost of entering into interest rate swaps and fixes versus current variable debt rates. The pending disposal of the Liberty Life Building will furthermore increase Spear's fixed debt ratio and will reduce LTV by 450 bps to mid-30%. Management has opted to reduce portfolio debt through disposals to mitigate the rising interest rate impact. The interest rate cycle is showing signs of tapering which will prompt the initiation of our debt hedging strategy once more.

Spear's debt portfolio remains actively managed with an all-in cost of debt of 9.59% and a hedged ratio of 33.76% at year-end, with the weighted average cost of fixed debt being 8.27%.

Spear's debt expiry profile provides no short- to medium-term refinancing risk with the weighted average expiry being 27 months.

Cost to income

SA REIT gross total cost to income is 43.32%, decreasing from 43.45% from the prior financial year.

Administrative cost to income for the period was 5.77%, decreasing from 6.50% from the prior financial year.

The group has done exceptionally well to mitigate continued cost creep given the inflationary pressures experienced together with the rising cost of utilities. Management believes the ratios can be maintained for the FY2024 financial year due to the improved letting activity and improved cost recovery from tenants and SLA costs already agreed to for FY2024.

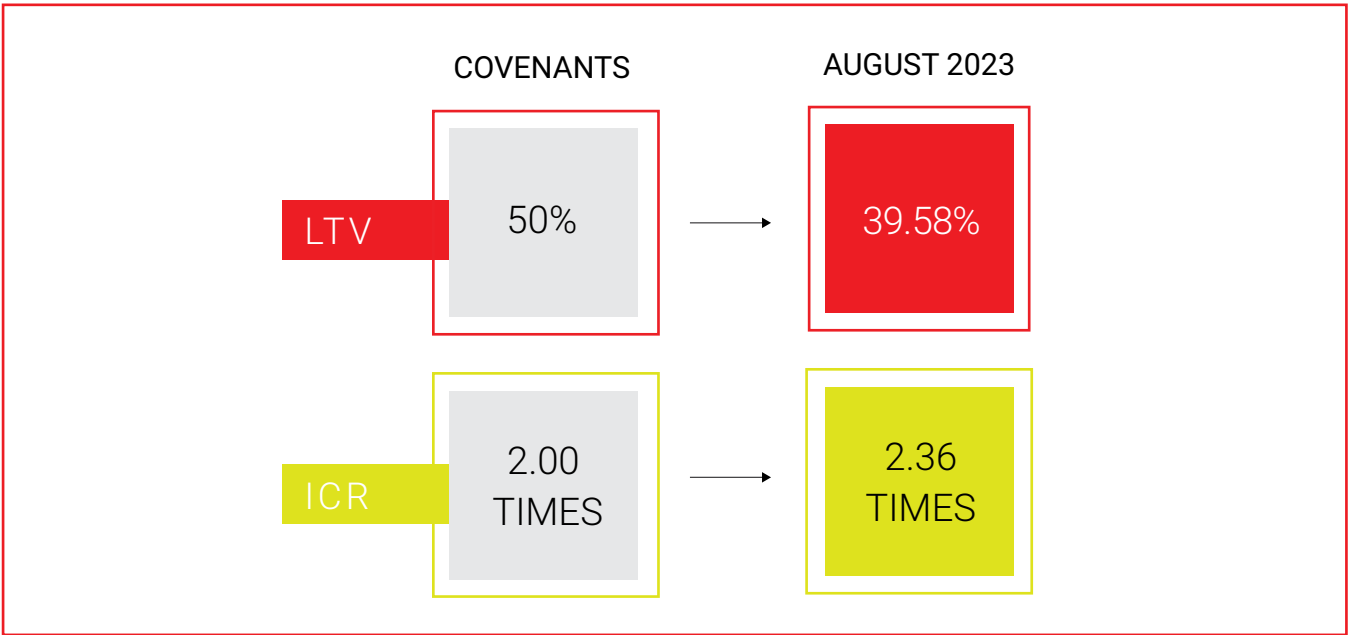
Borrowings and funding

The group has refinanced R326 million of debt and a further R246 million is with the bank's credit committee for renewal for final approval. The only other current debt in the group relates to the Liberty Life Building which will be settled at disposal date.

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.

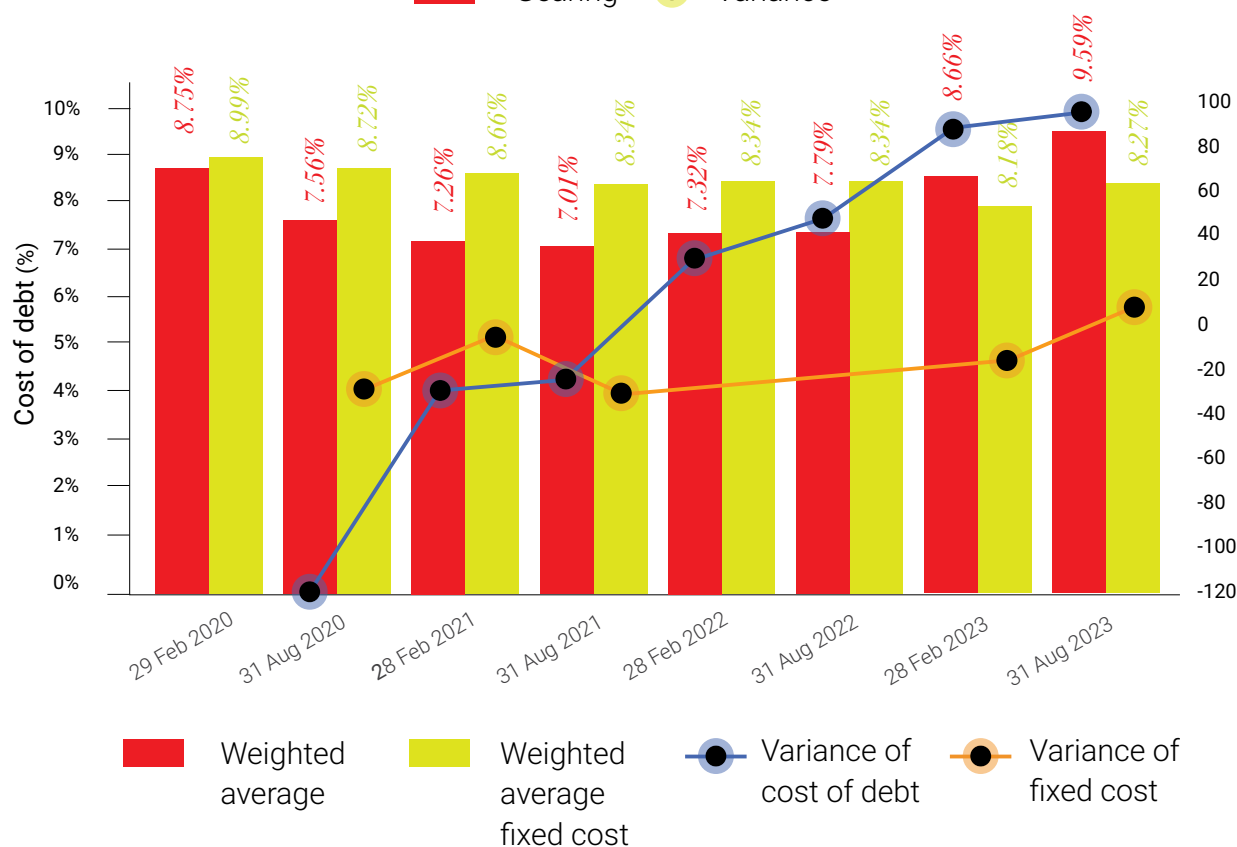
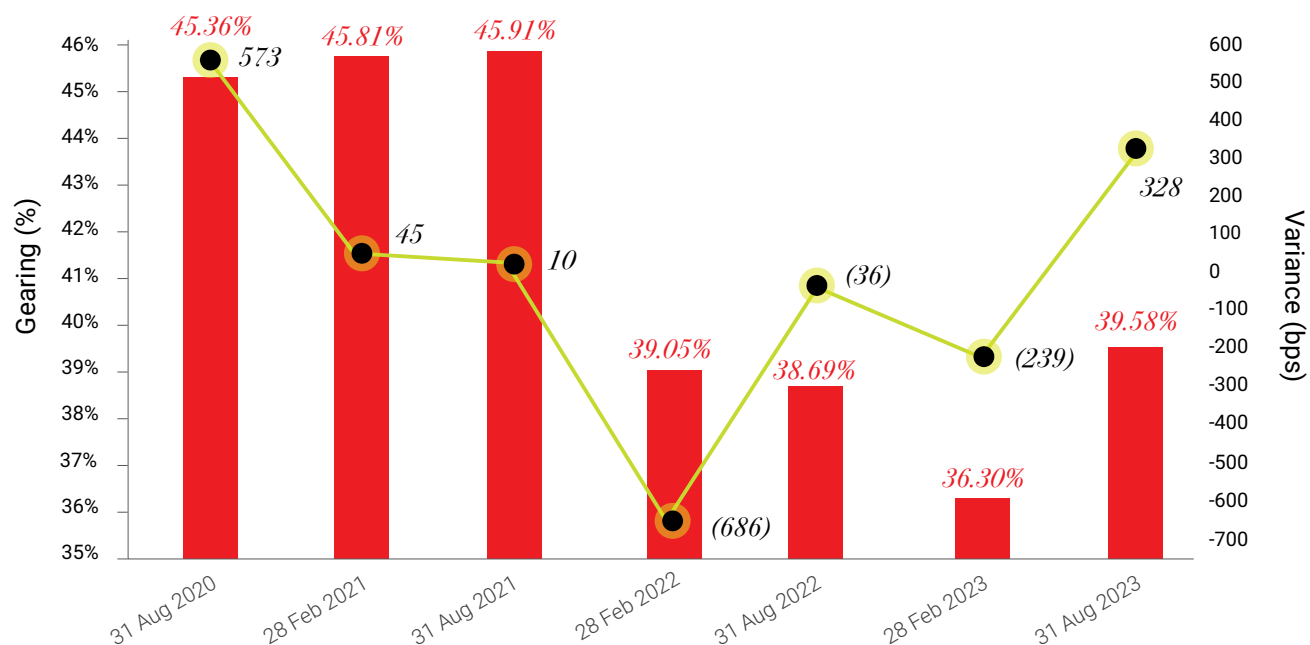
Group covenants

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



## Group gearing

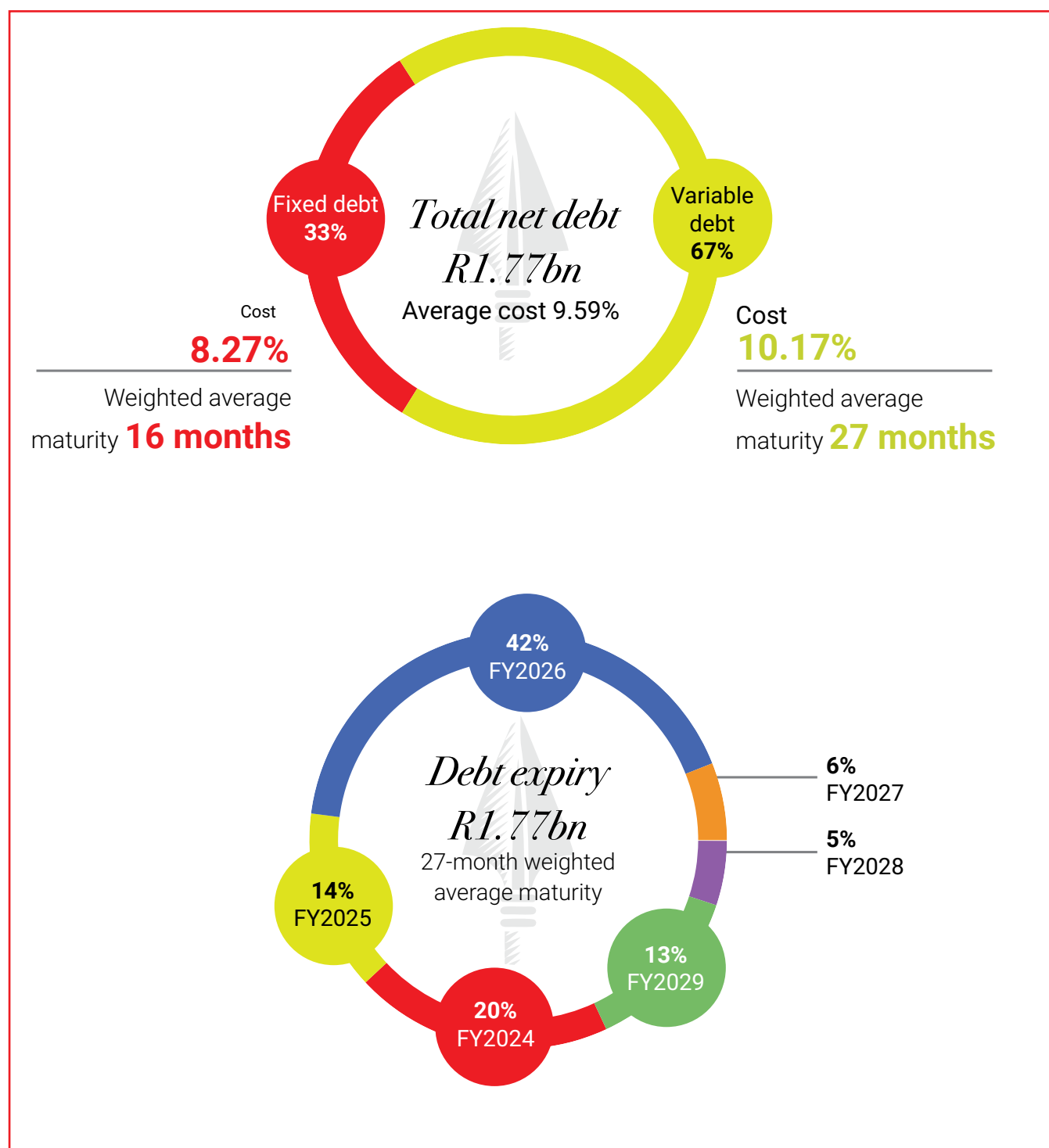
### Gearing ratio



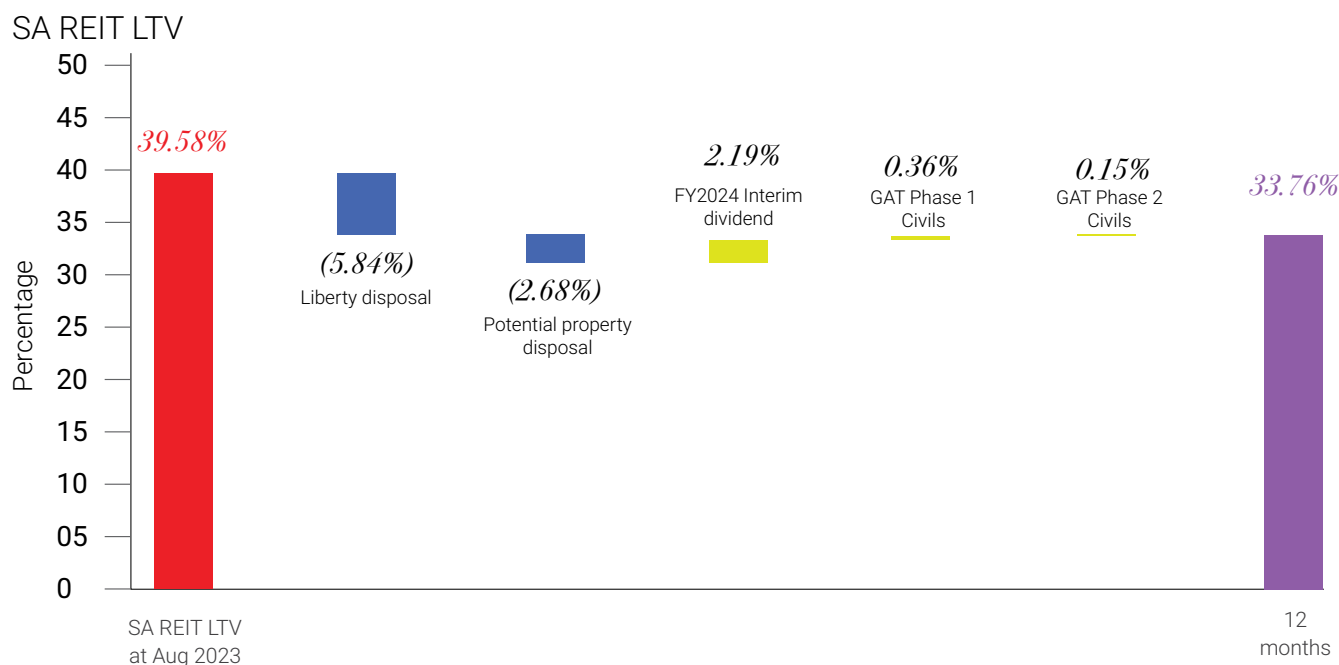
At period end the variable JIBAR-linked loans bear interest at an average margin of JIBAR + 1.91%. The group had no variable prime-linked loans



## Group net debt profile

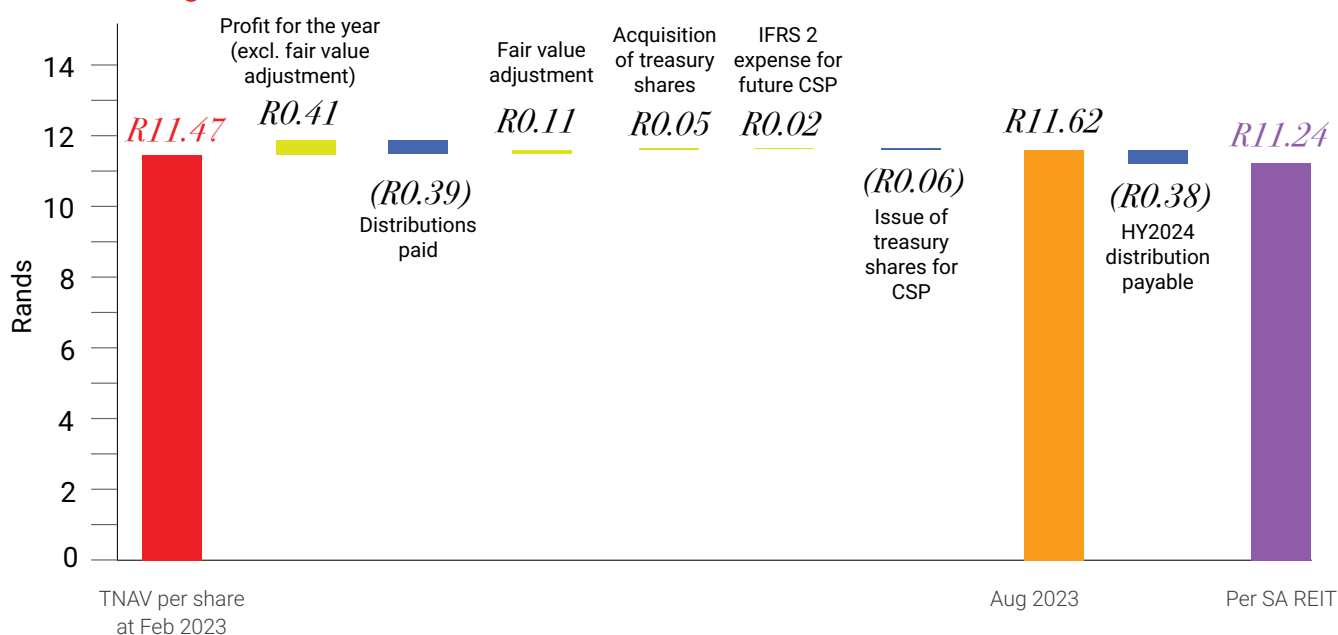


## LTV sensitivity



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.

## TNAV Bridge



## Sustainability

Environmental, Social and Governance (ESG) imperatives are woven into how Spear makes investment decisions. By effectively including and implementing ESG in 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.

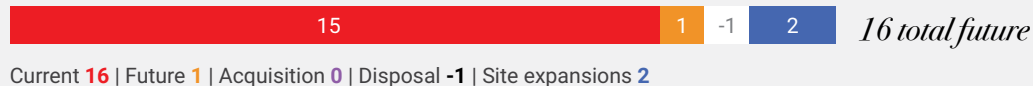


NAMPAK RIGIDS, EPPING

## Summary of solar PV



Number of properties with solar



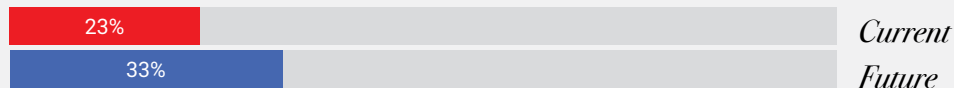
Total kWp of solar installed



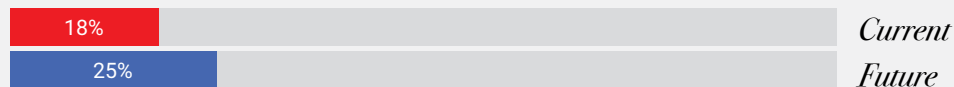
% of portfolio assets with solar



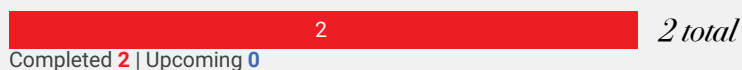
Average solar penetration rate



Average total portfolio solar penetration rate



Self-funded



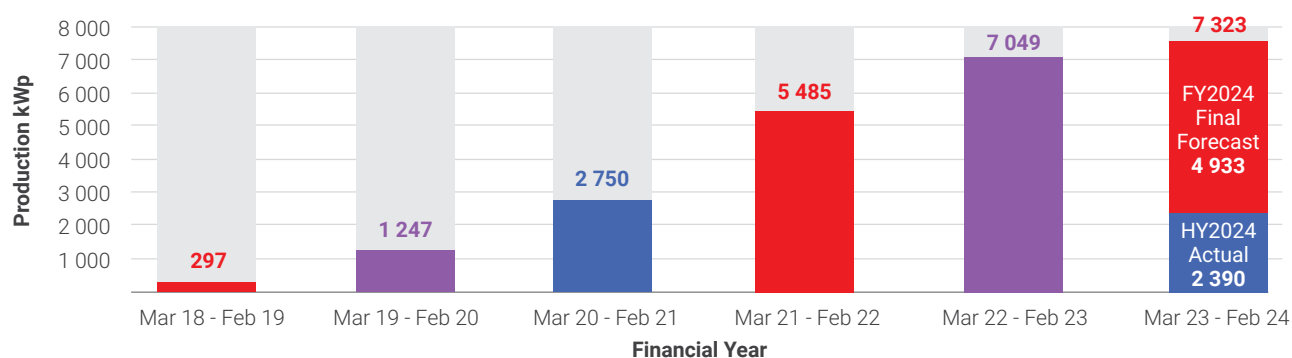
Roof rental



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, reducing the overall reliance and usage of clean water. Bulk water storage facilities linked into operational boreholes and well points remain installed and active across the portfolio.

## Outlook

Amid extremely tough trading conditions, Spear's Western Cape-only portfolio remains well placed to benefit from a shift in real estate fundamentals geographically along with the continued tailwinds created by the effects of semigration and good governance.

Material cost creep remains a growth inhibitor as finance costs, diesel costs, insurance and SASRIA costs absorb top-line growth. Municipal and provincial infrastructure continues to propel the Western Cape into the leading investment and economic hub in South Africa.

Loadshedding remains a major threat to any meaningful economic recovery for South African businesses.

Spear's ESG strategy remains focused on delivering a people, planet and profit-aligned outcome.

Management remains optimistic that the top of the interest rate cycle has been reached in South Africa, presenting near-term finance cost tailwinds.

Spear will remain focused on its growth strategy into high-quality Western Cape assets that offer long-term sustainable cash flows and growing yields.

Spear's investment bias will remain towards the industrial sub-sector (logistics, urban logistics and multi-let industrial) and retail sub-sector (convenience and destination retail) with potential data centre opportunities being explored.

Management's focused three-pronged capital allocation strategy has remained sound as current trading conditions limit asset growth opportunities but have presented share repurchase opportunities at a 37% discount to NAV.

Spear's ethos of operating with a high occupancy rate remains top priority as portfolio vacancy reduction initiatives bear fruit. The core Spear portfolio remains located in desirable nodes, remains defensive and is underpinned by strong lease covenants and high-quality tenants.

## Prospects and guidance

The macro-economic climate remains challenging as the longer-term impact of loadshedding has not yet been fully felt by SA businesses. The negative impact of cost creep across the board will place further pressure on business margins, cost of occupancies and net property income in the medium term.

Given the available information management had at its disposal at HY2024 and the impact across the board that cost creep has had on business operations which we were unable to mitigate, DIPS growth for HY2024 was (1.19%) compared to HY2023. DPS growth for HY2024 was 3.21% compared to HY2023 based upon the higher payout ratio proposed of 94% versus 90% in HY2023.

Management will provide further market updates on its guidance for the balance of FY2024 during its quarterly update at the end of Q3.

Spear's guidance for the remainder of FY2024 remains informed by and influenced by the following:

- 🔥 Loadshedding stages are mostly limited 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 increases in the SARB repo rate for the balance of FY2024
- 🔥 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 that have occurred since the end of the financial year, which have a material impact on the results and disclosures in these interim financial statements.

## Basis of preparation – Unaudited

The unaudited consolidated interim results for the six months ended 31 August 2023 are prepared in accordance with the JSE Listings Requirements and 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 interim summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements. There was no material impact on the annual financial statements as a result of the adoption of these standards.

Christiaan Barnard CA (SA), in his capacity as Chief Financial Officer, was responsible for the preparation of the unaudited consolidated interim results for the six months ended 31 August 2023. 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 2023

Notice is hereby given of the declaration of interim distribution number 13 of 38 32 543 cents per share for the six months ended 31 August 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. 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 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 withholding tax. Since 1 January 2014, any dividend received by a non-resident 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 30.66034 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following form to their CSDP or broker in respect of uncertificated shares, or the company, in respect of certificated shares:

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

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

## *Selected Explanation Notes to the Results (continued)*

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	Tuesday, 24 October
Last day to trade cum-dividend distribution	Tuesday, 14 November
Shares trade ex-dividend distribution	Wednesday, 15 November
Record date	Friday, 17 November
Payment date	Monday, 20 November

### **Notes:**

*Shares may not be dematerialised or rematerialised between Wednesday, 15 November 2023 and Friday, 17 November 2023, both days inclusive.*

*In respect of dematerialised shareholders, the distributions will be transferred to their CSDP account/broker accounts on Monday, 20 November 2023. Certificated shareholders' distribution payments will be paid to certificated shareholders' bank accounts on Monday, 20 November 2023.*

On behalf of the Board  
Spear REIT Limited

<b>Abubaker Varachhia</b>	<b>Quintin Rossi</b>	<b>Christiaan Barnard</b>
Non-executive Chairman	Chief Executive Officer	Chief Financial Officer

Cape Town  
24 October 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 \* (Deputy Non-Executive Chairman)  
Quintin Michael Rossi (Chief Executive Officer)  
Christiaan Barnard (Chief Financial Officer)  
Brian Leon Goldberg \*\*  
Jalaloodien Ebrahim Allie \*\* (Lead Independent Director)  
Bongani Rayiza \*\*  
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

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

16<sup>th</sup> Floor, 2 Long Street, Cape Town, 8001

[info@spearprop.co.za](mailto:info@spearprop.co.za)

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