

SPEAR REIT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2015/407237/06)

Share code: SEA

ISIN: ZAE000228995

LEI: 378900F76170CCB33C50

Approved as a REIT by the JSE

("Spear" or "the Company")



SPEAR
REIT LIMITED

SHORT-FORM ANNOUNCEMENT: AUDITED FINANCIAL RESULTS AND DIVIDEND DECLARATION FOR THE YEAR ENDED 28 FEBRUARY 2023

1. SALIENT FEATURES

Distributable income per share ("**DIPS**") increased by 5.31% to 82.14 cents per share, from 78.00 cents per share in the prior corresponding period.

Distribution per share ("**DPS**") increased by 11.31% to 75.97 cents per share, from 68.25 cents per share in the prior corresponding period.

Final DPS for the six months ending 28 February 2023 increased by 10.35% to 38.84 cents per share from 35.19 cents per share in the prior corresponding period.

Average pay-out ratio for the financial year was 92.45% of DIPS. 88% in prior corresponding period.

Collections for the financial year is 98.61% vs billings as measured at 17 March 2023.

Management has successfully renewed/re-let 105 738 sqm at an average negative reversion of 3.69%.

Net asset value per share increased by 1.59% to 1148 cents per share, from 1130 cents per share in the prior corresponding period.

Portfolio occupancy rate of 92.18% and 100% Western Cape based.

Investment property value decreased by 5.85% to R4.22 billion, from R4.48 billion in the prior corresponding period. The decrease is post the disposal of 15 on Orange and 3 other non-core assets to strengthen the balance sheet and rebalance the portfolio.

Loan-to-Value decreased to 36.30%, from 39.05% reported at 28 February 2022.

Revenue increased by 1.11% to R580 million, from R574 million in the prior corresponding period.

Revenue excluding smoothing increased by 3.48% to R574 million, from R555 million in the prior corresponding period.

Headline earnings per share increased by 3.42% to 79.85 cents per share, from 77.21 cents per share in the prior corresponding period.

Earnings per share increased by 3.24% to 78.61 cents per share, from 76.14 cents per share in the prior corresponding period.

* Shareholders should note that the amounts and numbers in this short-form announcement has been rounded and that the complete information is available in the full announcement referred to in paragraph 4 below.

2. KEY FINANCIAL HIGHLIGHTS

	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 excl smoothing (R'000)	183,742	270,986	91,299	27,737	-	573,764
Revenue %	32%	47%	16%	5%	0%	100%
Gross lettable area m ²	229,538	131,379	48,951	-	-	409,868
Gross lettable area %	56%	32%	12%	-	0%	100%
Vacant area m ²	9,158	20,692	2,184	-	-	32,034
Vacancy per sector %	3.99%	15.75%	4.46%	-	0.00%	-
Vacancy on total GLA %	2.23%	4.78%	0.80%	-	0.00%	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

	FY23	FY22
Loan to value (%)	36.30	39.05
Interest cover ratio (times)	2.51	2.19
Tangible net asset value (Rands)	11.47	11.30
Total distributable income (R'000)	188,417	170,975
SA REIT Cost to Income (%)	43.45	44.30
SA REIT Administrative cost to income (%)	6.50	6.86
Weighted average cost of debt (%)	8.66	7.32
Weighted average cost of variable debt (%)	9.05	5.92
Weighted average cost of fixed debt (%)	8.18	8.34
Fixed debt ratio (%)	53.61	67.03
Weighted Average expiry of debt (months)	30.14	28.26
Number of net shares in issue ('000)	226,065	234,432

3. DIVIDEND DECLARATION

The directors of the Company resolved to declare a gross final dividend of 38.83624 cents per share from income reserves in respect of the six months ended 28 February 2023. The dividend amount, net of South African dividend tax of 20%, is 31.06899 cents per share for those shareholders who are not exempt from dividend withholding tax or are not entitled to a reduced rate in terms of the applicable double-tax agreement. The number of ordinary shares in issue at the declaration date is 244 846 390 and the income tax number of the Company is 9068437236.

The salient dates of the dividend declaration are:

Declaration date	Monday, 22 May 2023
Last day to trade cum dividend	Tuesday, 6 June 2023
Trading ex-dividend commences	Wednesday, 7 June 2023
Record date	Friday, 9 June 2023
Date of payment	Monday, 12 June 2023

Share certificates 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 Central Securities Depository Participant (“**CSDP**”) or broker accounts on Monday, 12 June 2023. Certified shareholders’ distribution payments will be paid to certified shareholders bank accounts on Monday, 12 June 2023.

Tax implications

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

South African tax residents

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exception, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act, because it is a dividend distributed by a REIT. The dividend is exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders provide the following forms to the CSDP or broker in respect of uncertificated shares, or to the company, in respect of certificated shares:

- a) a declaration that the dividend is exempt from dividend tax; and
- b) a written undertaking to inform the CSDP, broker or the company, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

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

Non-residents shareholders

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013, dividends received by non-residents from a REIT were not subject to dividend withholding tax. Since 1 January 2014, any dividend received by a non-resident 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 31.06899 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following form to their CSDP or broker in respect of uncertificated shares, or the company, in respect of certificated shares:

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

Non-resident shareholders are advised to contact their CSDP, broker or 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.

Holders of uncertificated shares must 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.

4. SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of the Company. It contains only a summary of the information in the full announcement (“**Full Announcement**”) and does not contain full or complete details. The Full Announcement can be found at:

<https://senspdf.jse.co.za/documents/2023/JSE/ISSE/SEAE/SEAFY23.pdf>

A copy of the Full Announcement is also available for viewing on the Company’s website at <https://spearprop.co.za/pdf/investor-relations/SEAFY23.pdf>. In addition, electronic copies of the Full Announcement may be requested and obtained, at no charge, from the Company at info@spearprop.co.za and from its sponsor, PSG Capital, while hard copies may be obtained from their registered offices, during normal business hours.

Any investment decisions by investors and/or shareholders should be based on consideration of the Full Announcement, as a whole.

The Company has based this short-form on information extracted from the audited consolidated financial results of Spear for the year ended 28 February 2023. BDO South Africa Inc., the Company’s external auditor, expressed an unmodified audit opinion on the audited consolidated financial statements in their report dated 18 May 2023. The report also includes communication of key audit matters. Key audit matters are those matters that, in their professional judgement, were of most significance in their audit of the consolidated financial statements for the current period. The full report and the full audited consolidated financial statements are available on the Company’s website at <https://spearprop.co.za/investor-relations/#reports>.

5. RESULTS PRESENTATION

Shareholders are invited to view Spear’s annual results presentation to be broadcasted on YouTube at 11h00 SAST today, 22 May 2023.

Presentation details:

- View and listen mode;
- Link: <https://youtube.com/live/tONBrtzutw8?feature=share>
- Presentation slides will be made available on Spear’s website shortly before the broadcast of the presentation under investor relations / financial results / presentations, at the following link: <https://spearprop.co.za/investor-relations/>
- Questions may be e-mailed during the presentation to: info@spearprop.co.za

Cape Town
22 May 2023

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