

Spear REIT Limited
(previously known as Arrow 2 Investments Proprietary Limited)
Incorporated in the Republic of South Africa
(Registration number: 2015/407237/06)
Share code: SEA
ISIN: ZAE000228995
("Spear" or "the Company")

UPDATE IN RELATION TO THE ACQUISITION OF 2 LONG STREET CAPE TOWN AND
WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Shareholders are referred to the announcement released by the Company on the Stock Exchange News Service of the JSE Limited ("SENS") on 3 March 2017, in terms of which the Company advised shareholders that it had, through its subsidiary, Spear One Proprietary Limited, entered into an agreement ("Sale of Letting Business Agreement") with Capital Propfund 1 Proprietary Limited ("Seller") to acquire, as a going concern, the letting enterprise operated by the Seller on the property on Erf 9363 Cape Town, City of Cape Town, Western Cape, situated at 2 Long Street, Cape Town, Western Cape ("Property") ("Acquisition").

As previously advised, Spear will hold a 70% interest in Spear One, with the balance being held by acquisition partners. The 30% interest that will be held by the acquisition partners will be funded by Spear at the prime interest rate plus 2% and will be secured by the acquisition partner's interest in Spear One.

2. ADDENDUM TO THE SALE OF LETTING BUSINESS AGREEMENT

Shareholders are hereby advised that the Company entered into an addendum to the Sale of Letting Business Agreement and that the terms of the Acquisition have been amended as follows:

- the purchase consideration for the Acquisition has been reduced to R389 000 000; and
- the Seller has provided an additional rental guarantee in respect of 87 parking bays on the Property that are unlet, limited to R1 000 (excluding VAT) per parking bay, per month, for a maximum period of 18 months from the Effective Date.

3. FORECAST FINANCIAL INFORMATION IN RESPECT OF THE ACQUISITION

The forecast financial information relating to the Acquisition for the financial periods ended 28 February 2018 and 28 February 2019 are set out below. The forecast financial information has not been reviewed or reported on by a reporting accountant in terms of section 8 of the JSE Listings Requirements and is the responsibility of the Company's directors.

	Forecast for the 8 month period ended 28 February 2018	Forecast for the 12 month period ended 28 February 2019
Rental income	35 832 236	54 166 100
Straight-line rental accrual	(191 043)	(13 366)
Gross income	35 641 193	54 152 734
Property expenses	(10 625 390)	(16 744 666)
Net property income	25 015 803	37 408 068
Administration expenses	(482 433)	(923 316)
Operating profit	24 533 370	36 484 752
Finance cost	(13 104 291)	(19 683 400)
Finance income	4 370 255	6 564 375
Profit before taxation	15 799 334	23 365 727
Taxation	-	-
Profit after tax	15 799 334	23 365 727
Adjusted for:		
Straight-line rental accrual	191 043	13 366
Total comprehensive income	15 990 378	23 379 093
Total comprehensive income attributable to:		
Distributable profit	12 504 341	18 334 677
Non-controlling interest	3 486 037	5 044 415
Total comprehensive income	15 990 378	23 379 093

Notes:

- a) Rental income includes gross rentals and other recoveries, but excludes any adjustment applicable to the straight lining of leases.
- b) Property expenses include all utility and council charges applicable to the Property.

- c) The forecast information for the 8 month period ended 28 February 2018 has been calculated from the anticipated Effective Date, being on or about 1 July 2017.
- d) The forecast distribution excludes straight-line rental accrual.
- e) Contracted revenue constitutes 68% of the revenue for the 8 month period ended 28 February 2018 and 43% of the revenue for the 12 month period ended 28 February 2019.
- f) Near-contracted revenue constitutes 32% of the revenue for the 8 month period ended 28 February 2018 and 57% of the revenue for the 12 month period ended 28 February 2019.
- g) Uncontracted revenue constitutes 0% of the revenue for the 8 month period ended 28 February 2018 and 0% of the revenue for the 12 month period ended 28 February 2019.
- h) Leases expiring during the forecast period have been assumed to renew at the future value of current market related rates.

4. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are advised that, as the forecast financial information relating to the Acquisition have now been published, caution is no longer required to be exercised by shareholders when dealing in the Company's securities.

20 March 2017

Cape Town

Sponsor

PSG Capital