

Directors' Report

Spear Reit Limited and its subsidiaries for the 4-month period ended 28 February 2017

Nature of business

Spear REIT Limited listed as a Real Estate Investment Trust ("REIT") on the AltX of the Johannesburg Stock Exchange ("JSE") on 11 November 2016. Its main business is the investment in high-quality income-generating real estate across all sectors within the Western Cape, predominantly in the Cape Town region. The company successfully moved to the JSE Main Board on 22 May 2017.

The company conducts its business directly and through a number of subsidiaries, collectively referred to as the "group".

The company's property and asset management functions are internally and directly managed by the Spear executive management team.

Subsidiaries

The company has the following subsidiaries, all of which are property investment companies:

- Spear Holdco Proprietary Limited (100%)
- Upper Eastside Hotel Proprietary Limited (100%)
- Fundamental Holdings Proprietary Limited (100%)
- Pacivista Proprietary Limited (100%)
- Arrow Investments 1 Proprietary Limited (100%)
- Spear One Proprietary Limited (100%)

Financial results

The detailed financial results are fully set out in the consolidated and separate financial statements.

Going concern

The consolidated and separate financial statements were prepared on a going concern basis. The board of directors is satisfied that the group has adequate resources to continue trading for the foreseeable future, based on a formal review of the results, cash flow forecasts and assessing available resources to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Borrowings

Spear REIT Limited has unlimited borrowing powers in terms of the Memorandum of Incorporation ("MOI"), but the group has maintained its debt levels below 60% of its gross asset value in accordance with the JSE Listings Requirements for REITs. The group is also subject to a 55% loan-to-value covenant on its bank borrowings.

The group's overall debt was R478 million at the reporting date, as detailed in note 16 to the consolidated financial statements.

Stated capital

The authorised shares of the company consist of 1 000 000 000 (one billion) ordinary shares of the same class and no par value.

The issued shares increased from 100 shares of no par value in the prior year to 85 414 741 shares of no par value on 11 November 2016. In addition, 12 812 211 shares of no par value were issued at R9.30 subsequently during a share-for-cash issue and at the end of the current period 97 762 361 shares of no par value were in issue after deducting the 464 591 treasury shares. All movements in issued shares are detailed in note 15 to the financial statements.

Distribution to shareholders

The board of directors approved a distribution of 23.51 cents per share on 11 May 2017 (maiden distribution) and declared the distribution on 17 May 2017 on SENS.

The distribution represents a 16.73% increase over the forecast distribution as per the pre-listing statement released on 21 October 2016.

Salient dates for the maiden distribution are as follows:

| 2017 | |
|---|-------------------|
| Declaration date | Wednesday, 17 May |
| Finalisation date | Monday, 30 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 |

The board confirms the use of distribution per listed securities as the relevant measure of financial results for the purposes of trading statements.

Directors

The directors of the company are detailed on page 16 (corporate governance report) of the integrated report. There has been no change in the directorate since listing.

In terms of the Memorandum of Incorporation all the directors retire at the forthcoming annual general meeting and are eligible for re-election.

Company secretary

Rene Cheryl Stober was appointed as the company secretary on 1 September 2016.

Auditors

Grant Thornton Cape Inc. will be recommended to shareholders at the annual general meeting to continue in office in accordance with Section 90 (1) of the Companies Act.

Litigation

The directors are not aware of any legal or arbitration proceedings that have commenced, are pending, have been threatened, or may have a material impact on the results of the group.

Directors' interest in ordinary shares

Directors' interest as at 28 February 2017

| Directors | Directly | Indirectly | Beneficially held associates | Total | % |
|--------------------|----------------|-------------------|------------------------------|-------------------|--------------|
| Mike Flax | – | 20 807 264 | – | 20 807 264 | 21,18 |
| Abu Varachhia | – | 20 807 264 | – | 20 807 264 | 21,18 |
| Quintin Rossi | – | 7 314 329 | – | 7 314 329 | 7,45 |
| Christiaan Barnard | 100 000 | – | – | 100 000 | 0,10 |
| Jalal Allie | – | 100 000 | – | 100 000 | 0,10 |
| Brian Goldberg | – | 1 300 000 | – | 1 300 000 | 1,32 |
| Niclas Matseke | 625 000 | – | – | 625 000 | 0,64 |
| Total | 725 000 | 50 328 857 | – | 51 053 857 | 51,98 |

There has been no change to the directors' interests between the reporting date and the date of the release of the consolidated and separate financial statements.

Holding company

Spear REIT Limited has no holding company and the main shareholders are detailed in the table below and in note 36 to the consolidated financial statements.