



DIRECTORS' REPORT

SPEAR REIT LIMITED AND ITS SUBSIDIARIES FOR THE YEAR ENDED 28 FEBRUARY 2021

NATURE OF BUSINESS

Spear REIT Limited ("Spear") 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 that predominantly 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 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% |
| • Webram Four Proprietary Limited | 100% |
| • George Aerotropolis Proprietary Limited | 51.2% |
| • Upper East Side Hotel Proprietary Limited | 100% |
| • Fundamental Holdings Proprietary Limited | 100% |
| • Spear One Proprietary Limited | 100% |
| • Blend Property 15 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.

SUBSEQUENT EVENTS

Management has reviewed all available information at year-end relating to Covid-19 together with the South African economic downturn and this resulted in an adjustment of provisions for expected credit losses, being the only adjustment required at year-end.

Refer to note 25 for detailed information regarding subsequent events.

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 and interest cover ratio of 1.75 times.

The group's overall debt was R2 105 248 million at the reporting date as detailed in note 7 to the consolidated financial statements.

SHARE 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 205.8 million shares of no par value in the prior year to 214.6 million shares of no par value as at year-end.

Reconciliation of share movements:

| Date | Shares (million) | Rand per Share | Reason |
|-------------|-------------------------|-----------------------|---------------------------------|
| 25/11/2020 | 6.21 | 4.44 | Dividend reinvestment programme |
| 01/12/2020 | 1.53 | 7.50 | Acquisition issue of subsidiary |
| 11/12/2020 | 1.10 | 4.44 | Dividend reinvestment programme |

At the end of the current period, 205 733 231 shares of no par value were in issue after deducting 8 882 340 treasury shares.

All movements in issued shares are detailed in note 14 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

DISTRIBUTION TO SHAREHOLDERS

The board of directors declared distribution number 9 of 29.36 cents per share on 14 May 2021.

Distribution numbers 8 and 9 for the year ended 28 February 2021 represent a 35.95% decrease over the distribution per share for the year ended 29 February 2020. The board applied an 80% payout ratio in the current financial year compared to 100% in the prior corresponding financial year.

Salient dates for the distribution are as follows:

| | 2021 |
|---|-------------------|
| Declaration date | Friday, 14 May |
| Last day to trade cum-dividend distribution | Tuesday, 1 June |
| Shares trade ex-dividend distribution | Wednesday, 2 June |
| Record date | Friday, 4 June |
| Payment date | Monday, 7 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 in the corporate governance report on page 27.

There was no change in the directors or composition of any board committees during the financial year.

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

- Jalaloodien Ebrahim Allie **
- Brian Leon Goldberg **
- Michael Naftali Flax *

COMPANY SECRETARY

Ms. RC Stober was appointed as the Company Secretary on 1 September 2016.

DIRECTORS' INTEREST IN ORDINARY SHARES

DIRECTORS' INTEREST

| Directors | As at 28 February 2021 | | | |
|----------------------|------------------------|-------------------|-------------------|--------------|
| | Directly | Indirectly | Total | % |
| A Varachhia* | – | 21 675 880 | 21 675 880 | 10.10 |
| MN Flax | – | 21 963 324 | 21 963 324 | 10.23 |
| CS McCarthy** | – | 16 224 544 | 16 224 544 | 7.56 |
| QM Rossi*** | – | 8 306 324 | 8 306 324 | 3.87 |
| BL Goldberg | – | 1 328 533 | 1 328 533 | 0.62 |
| N Kjellström-Matseke | 659 980 | – | 659 980 | 0.31 |
| C Barnard | – | 85 267 | 85 267 | 0.04 |
| JE Allie | – | 106 584 | 106 584 | 0.05 |
| RL Phillips (Dr.) | – | – | – | 0.00 |
| Total | 659 980 | 69 690 456 | 70 350 436 | 32.78 |

| Directors | As at 29 February 2020 | | | |
|----------------------|------------------------|-------------------|-------------------|--------------|
| | Directly | Indirectly | Total | % |
| A Varachhia | – | 20 984 992 | 20 984 992 | 9.78 |
| MN Flax | – | 20 807 264 | 20 807 264 | 9.70 |
| CS McCarthy | – | 15 222 222 | 15 222 222 | 7.09 |
| QM Rossi | – | 8 174 281 | 8 174 281 | 3.81 |
| BL Goldberg | – | 1 300 000 | 1 300 000 | 0.61 |
| N Kjellström-Matseke | 625 000 | – | 625 000 | 0.29 |
| C Barnard | – | 65 058 | 65 058 | 0.03 |
| JE Allie | – | 100 000 | 100 000 | 0.05 |
| RL Phillips (Dr.) | – | – | – | 0.00 |
| Total | 625 000 | 66 653 817 | 67 278 817 | 31.35 |



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

The JSE Listings Requirements require the following disclosure in terms of section 3.63 and only apply to the below directors.

- * 17 million shares to the value of R86.70 million are pledged as security against a R35.5 million interest-only facility with a remaining term of 1 year 10 months as at year-end.
- ** 9.216 million shares to the value of R47 million are pledged as security against a rolling 24-month interest-only carry facility of R4.7 million with a covenant of 10 times cover.
- *** All shares to the value of R42.36 million are pledged as security against a rolling 24-month interest-only facility of R19.8 million with a covenant of 2 times.

The share price used is R5.10, being the closing price on the last business day for the year ended 28 February 2021.

AUDITOR

BDO South Africa Incorporated 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.

HOLDING COMPANY

Spear REIT Limited has no holding company and the main shareholders are detailed in the table above and in Appendix 2 to the separate financial statements.