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CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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78 ON EDWARD, TYGER VALLEY



AUDIT AND RISK COMMITTEE REPORT

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

The audit and risk committee has pleasure in submitting this report, as required by section 94 of the Companies Act.

FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

The audit and risk committee has adopted formal terms of reference delegated to it by the board of directors. The audit and risk committee has discharged its functions in terms of its terms of reference and ascribed to it in terms of the Act as follows:

- Reviewed and monitored key policies and processes
- Made recommendations to the board regarding the appointment of the auditor and lead audit partner
- Verified the independence of the external auditors, BDO South Africa Incorporated, for 2021 and noted the appointment of Mr Bernard van der Walt as lead audit partner
- Approved the audit fees and engagement terms of the external auditor
- Oversaw and reviewed the quality of the effectiveness of the external audit
- Determined the nature and extent of allowable non-audit services and pre-approved the contract terms for the provision of non-audit services by the external auditor
- Reviewed the effectiveness of the Chief Financial Officer and finance function
- Reviewed financial results and made recommendations to the board
- Reviewed financial statements and reports from the external auditor and made recommendations to the board
- Took appropriate steps to ensure that the financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa
- Reviewed the external audit reports on the annual financial statements
- Reviewed significant financial reporting issues and assessed the appropriateness of accounting policies
- Reviewed of the ongoing effectiveness of the internal financial controls
- Evaluated the effectiveness of the risk management framework, controls and governance processes
- Reviewed material risk exposures
- Monitored the existence, nature, extent, implementation and effectiveness of the internal control processes and, where appropriate, made recommendations on internal financial controls.

MEMBERS OF THE AUDIT COMMITTEE AND ATTENDANCE AT MEETINGS

The audit and risk committee consists of three independent non-executive directors listed hereunder and meets at least three times per annum in accordance with the audit and risk committee terms of reference. All members act independently as described in section 94 of the Companies Act. Meetings and meeting attendance are detailed in the corporate governance report.

- JE Allie (Chairman)
- BL Goldberg
- N Kjellström-Matseke

INTERNAL AUDIT

The audit and risk committee has oversight of the Spear group's financial statements and reporting process, including the system of internal financial control. The audit committee has satisfied itself that the size and complexity of the company does not warrant an internal audit function at this stage.

Based on the review of the Spear group's system of internal financial control and risk management, and considering the information and explanations given by management and discussions with the external auditor on the results of the audit, nothing has come to the attention of the committee that caused it to believe that the Spear group's system of internal controls and risk management was not effective, and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

ATTENDANCE

The external auditor, in his capacity as auditor to the Spear group, attended two of the meetings of the audit and risk committee. Executive directors attended meetings by invitation.

CONFIDENTIAL MEETINGS

Audit and risk committee agendas provide for confidential meetings between the committee members and the external auditor.

EXTERNAL AUDITOR

In assessing the auditor's independence, the committee considered guidance contained in the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™) as well as the Independent Regulatory Board for Auditors' ("IRBA") publications and the related commentary thereon. The board sets a policy that governs the level and nature of non-audit services, which requires approval by the audit and risk committee for all non-audit services. In determining the independence of the external auditor, the committee considered the level and types of non-audit services provided as well as other enquiries and representations. The committee is satisfied that the auditors do not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from Spear. In addition, the committee has satisfied itself that the auditor's independence was not prejudiced by any consultancy, advisory or other work undertaken or as a result of any previous appointment as auditor.

The prospect of mandatory audit firm rotation was also considered by the committee during the current financial year. As required by the Companies Act, the committee has satisfied itself that Spear REIT Limited's external auditor, BDO South Africa Incorporated, was independent of the company, as set out in sections 90(2)(c) and 94(8) of the Companies Act, and is thereby able to conduct its audit functions without any undue influence from the company.

The committee has considered the relevant audit quality indicators, including the audit firm's system of quality control. It noted that BDO South Africa Incorporated was subject to a review of its quality control practices in terms of IRBA International Standards on Quality Control. No legal or disciplinary proceedings have been concluded against the firm in the past seven years. The committee was satisfied with the quality of the audit concluded and has nominated, for re-appointment at the annual general meeting, BDO South Africa Incorporated as the external auditor of Spear REIT Limited for the financial year ending 28 February 2022 and Mr Bernard van der Walt as the designated individual registered auditor who will undertake the audit on behalf of BDO South Africa Incorporated.

BDO South Africa Incorporated, being the audit firm, as well as Mr Bernard van der Walt, being the Spear group's individual auditor for the 2021 financial year, has been accredited on the JSE list of auditors in terms of the criteria in the JSE Listings Requirements. As required by section 3.84(g)(iii) of the JSE Listings Requirements, the committee has satisfied itself that BDO South Africa Incorporated and Mr Bernard van der Walt are suitable for reappointment as audit firm and individual auditor, respectively, by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements.

During the year under review the audit and risk committee reviewed a representation by the external auditor and, after conducting its own review, confirmed the independence of the auditor.

The committee is satisfied that in discharging its duties in terms of its mandate, together with the robust internal BDO South Africa Incorporated independence processes, that BDO South Africa Incorporated's independence is maintained and has not been impacted by tenure. The BDO South Africa Incorporated internal independence processes include periodic internal quality reviews as well as those conducted by IRBA; the rotation of the group audit partner and key component audit partners at least every five years; and independence training and monitoring of non-audit services.

SIGNIFICANT AREAS OF JUDGEMENT

Many areas within the financial statements that require judgement form an integral part of the financial statements. The committee has assessed the significance of the assets and liabilities on the statement of financial position and relating items that require significant judgement.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCIAL OFFICER AND THE FINANCE FUNCTION

The audit and risk committee performs an annual evaluation of the financial reporting function and procedures in Spear. The committee satisfied itself, in terms of paragraph 3.84(g)(ii) of the JSE Listing Requirements, that the financial reporting function had appropriate resources, skills, expertise and experience and that the internal financial controls and procedures of the company are operating effectively. The committee confirms that operating effectiveness was considered for all group companies and the committee had access to all information and reports to ensure its responsibility to adequately determine the operating effectiveness of group financial reporting controls and procedures. The committee also satisfied itself, in terms of paragraph 3.84(g)(i) of the JSE Listing Requirements, that Mr Christiaan Barnard, Spear's Chief Financial Officer, possesses the appropriate skills, expertise and experience to meet the responsibilities required for that position during his service as such.



AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

INTERNAL FINANCIAL CONTROLS

The audit committee oversaw the implementation of a combined assurance model and the external auditor and management reported to the audit and risk committee as to the efficiency of Spear group's internal financial controls. The audit committee reviewed these and other available reports regarding the group's risk management framework and confirms that no material breakdown of internal financial controls was identified during the current financial period.

DISCHARGE OF RESPONSIBILITIES

The audit and risk committee determined that during the financial year under review it had discharged its legal and other responsibilities as governed in the board-approved terms of reference.

INTEGRATED REPORT

ANNUAL FINANCIAL STATEMENTS

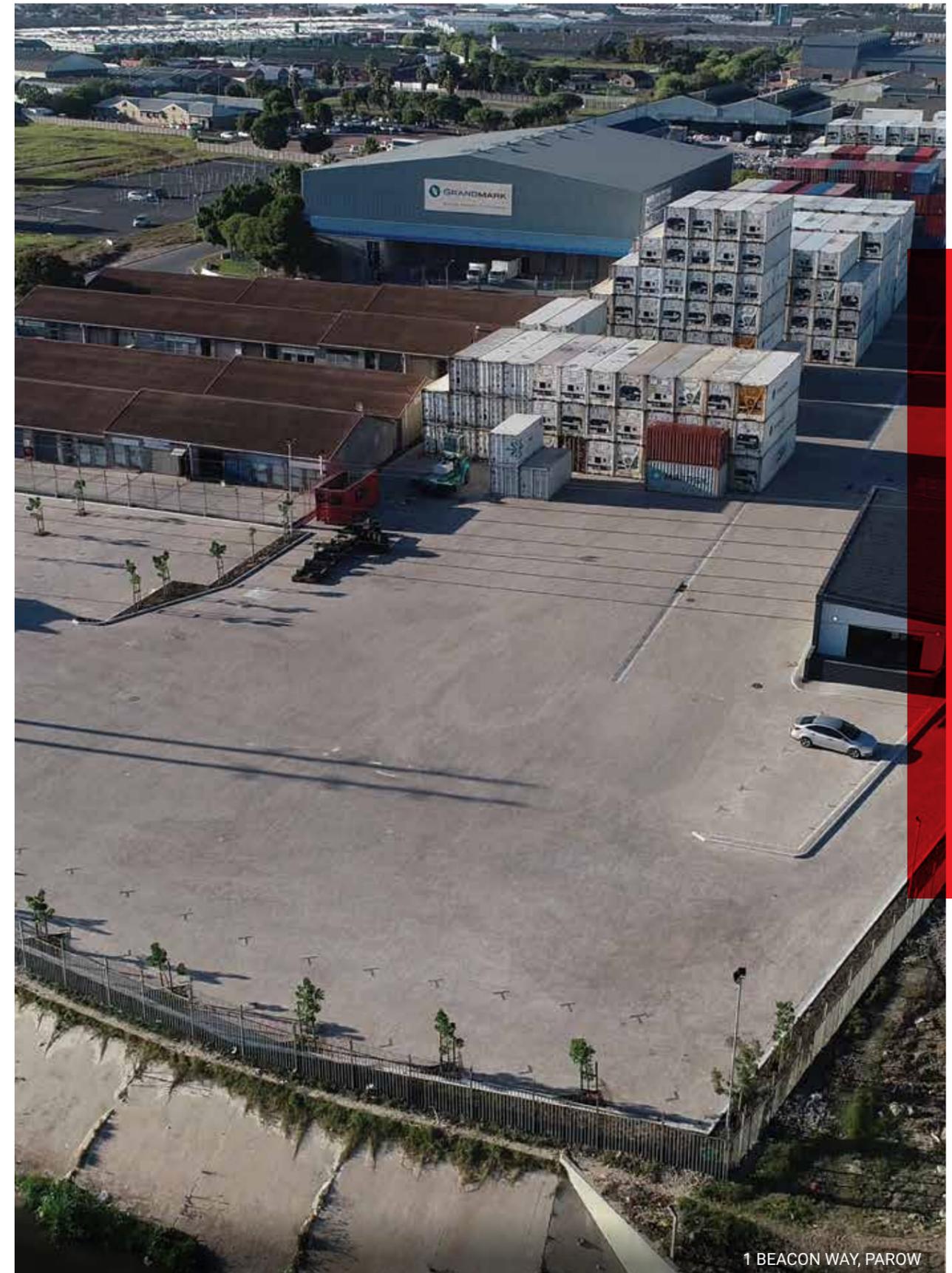
After review of the annual financial statements for the year ended 28 February 2021, the committee is of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and IFRS as issued by the IASB, and fairly present the results of operations, cash flow and the financial position. On this basis, the committee recommended that the board of directors approve the annual financial statements for the year ended 28 February 2021.

INTEGRATED REPORT

The committee reviewed this report, taking cognisance of material factors and risk that may impact the integrity thereof and recommended that the board of directors approve the integrated annual report for the year ended 28 February 2021.

Jolaloodien Ebrahim Allie
Chair: Audit and risk committee

11 May 2021



1 BEACON WAY, PAROW



DIRECTORS' RESPONSIBILITY STATEMENT

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

The company's directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements comprising the statements of financial position at 28 February 2021, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the period then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants ("SAICA") Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act, No. 71 of 2008, as amended. The consolidated and separate financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors' responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors' responsibilities also include maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the group and the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The external auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT

The directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 70 to 111, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS
- No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of King IV™. Where we are not satisfied, we have disclosed to the audit committee and the auditor the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action
- The company complied with the provisions of the Companies Act of South Africa
- The company operated in accordance with its memorandum of incorporation during the year under review.

The consolidated and separate financial statements of Spear REIT Limited were approved by the board of directors on 21 May 2021 and are signed on its behalf by:

Quintin Michael Rossi
Chief Executive Officer

21 May 2021

Christiaan Barnard
Chief Financial Officer

DECLARATION BY THE COMPANY SECRETARY

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

In terms of section 88(e) and in my capacity as Company Secretary, I hereby confirm, in terms of the Companies Act of South Africa, that, for the year ended 28 February 2021, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

René Cheryl Stober
Company Secretary

21 May 2021

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' 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

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.

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.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SPEAR REIT LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Spear REIT Limited and its subsidiaries ("the group and company") set out on pages 70 to 111, which comprise the consolidated and separate statements of financial position as at 28 February 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Spear REIT Limited and its subsidiaries as at 28 February 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Key audit matter

Valuation of Investment Properties

(Group and company – notes 6 and 28 in the notes to the financial statements, and the critical accounting estimates, assumptions and judgements and investment property accounting policy contained in the significant accounting policies section.)

The group's and company's investment property portfolio relates largely to Cape Town-based properties, with a total value in the consolidated and separate statement of financial position of R4 496 million and R1 523 million respectively. The fair value gain/(loss) recorded in the consolidated and separate statement of financial performance amounts to (R106.404) million and R24.69 million respectively in the current financial period.

It is group policy that investment property is stated at their fair values with a minimum of one third of the portfolio being valued by an independent external valuation expert, whilst the remaining two thirds are valued by management.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board of Auditors' Code of Professional Conduct for Registered Auditors ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

How our audit addressed the key audit matter

The audit procedures we performed included, amongst others, the following:

- We assessed management's external valuer ("management's expert")'s competence, experience, qualifications and independence.
- We inspected the valuation reports for the properties valued by management's expert in the current year and confirmed that the valuation approach was in accordance with International Financial Reporting Standards and suitable for use in determining the fair value for the purpose of the consolidated and separate financial statements.
- Similarly, we confirmed that the valuation approach used internally by management was appropriate for the determination of fair values in the consolidated and separate financial statements. In addition, we have satisfied ourselves that the techniques used by management's expert and management have been applied consistently.



DOUBLETREE BY HILTON HOTEL CAPE TOWN, WOODSTOCK



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter

The valuation of the group's and company's investment property portfolio is inherently subjective due to the estimates and judgements used in determining the property fair values, such as the capitalisation rates, discount rates, forecast rental income and property expenses. Among other factors, the individual nature of a property and its location, taking cognisance of the tenant occupying the property, also affect the valuation of the investment property. Management also applies assumptions for yields and estimated market rent to arrive at the final valuation.

The valuation of investment properties was considered to be a key audit matter due to the significance of the balance, the significance of the estimates and the level of judgement involved.

How our audit addressed the key audit matter

- We agreed all investment property fair values, valued by management's expert, to the underlying reports.
- We tested the key assumptions used in the determination of fair values in respect of both management's expert's valuation, as well as the valuation performed internally by management as follows:
 - The forecast revenue applied in the first year of the discounted cash flow ("DCF") was assessed for reasonability. This was performed by agreeing the forecast revenue per the property management system to the amounts used in the DCF model. The inputs within the property management system used to generate the revenue forecast was agreed to underlying contracts and compared to the current year revenue for reasonability.
 - The projected property expenses applied in the first year of the DCF model was assessed for reasonability.
 - We assessed the reasonability of revenue and expense growth rates subsequent to the initial forecast year based on our knowledge of the property, the history of the property, and by comparing it to available industry data for similar investment properties.
 - We assessed the reasonability of the discount and capitalisation rates applied by comparing it to prior years and available industry data for similar investment properties.
 - We have tested the mathematical accuracy of the DCF models by reperforming the calculations.
- In addition to the above, we also selected key valuations, and requested an external, independent auditor's valuation expert to assess the reasonability of the:
 - Forecast revenue applied in the first year of the DCF models;
 - Projected property expenses applied in the first year of the DCF models;
 - Revenue and expense growth rates in the DCF models subsequent to the initial forecast year; and
 - Discount, exit and capitalisation rates applied by either management or management's external expert.
- We evaluated the completeness and adequacy of the disclosures in the consolidated and separate financial statements relating to the valuation of investment properties and it was in accordance with International Financial Reporting Standards.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Spear REIT Limited Annual Financial Statements for the year ended 28 February 2021", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Spear REIT Limited for six years.

BDO South Africa Inc

BDO South Africa Incorporated

Registered Auditors

Per: Bernard van der Walt

Director

Registered Auditor

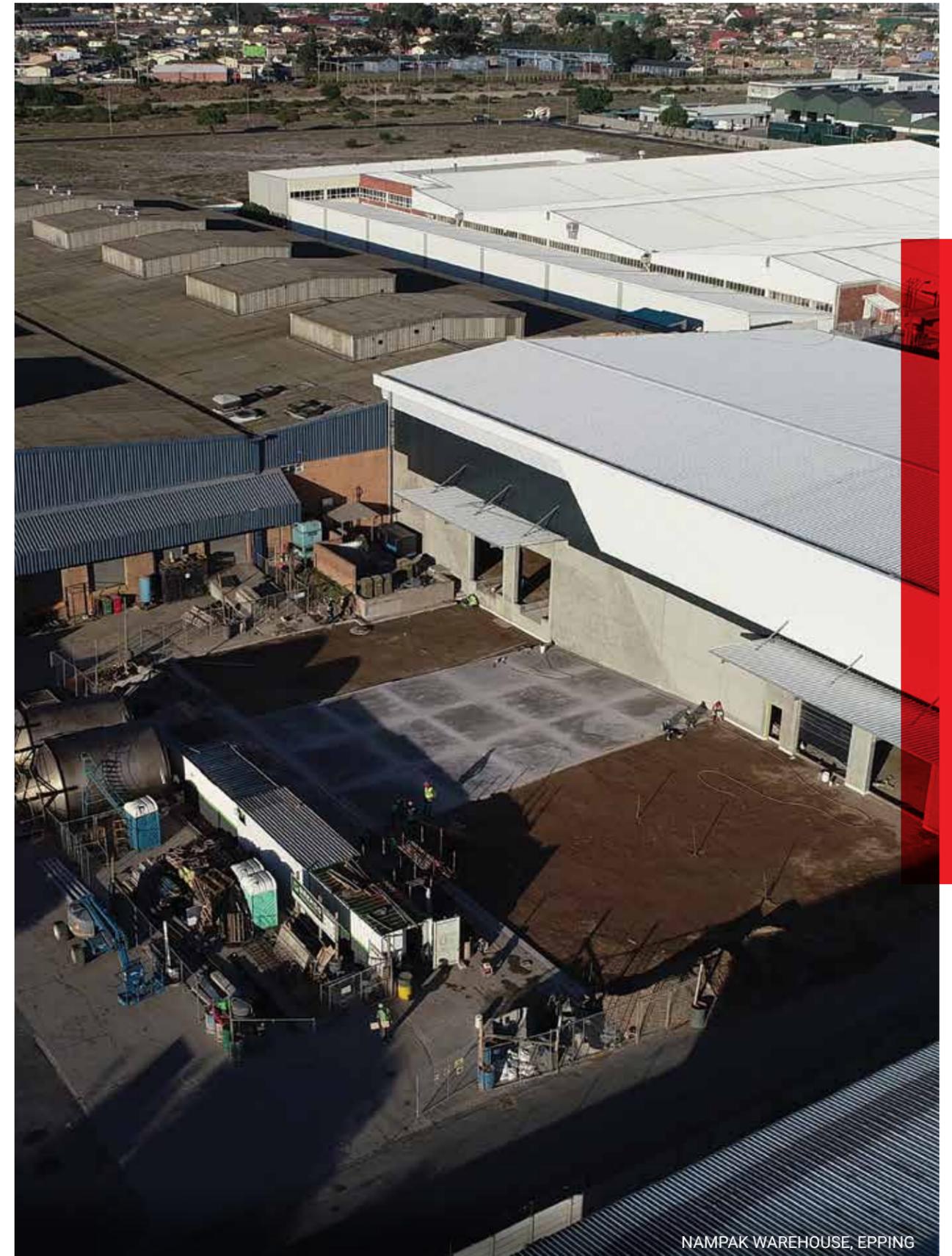
123 Hertzog Boulevard

Foreshore

Cape Town

8001

21 May 2021



NAMPAK WAREHOUSE, EPPING



CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

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

	Notes	Group		Company	
		February 2021 R'000	February 2020 R'000	February 2021 R'000	February 2020 R'000
ASSETS					
Investment property (including straight-lining accrual)	6	4 495 969	4 183 995	1 522 536	1 098 201
Investment in subsidiaries	9	–	–	1 368 581	1 431 771
Property, plant and equipment	8	2 206	2 844	–	–
Financial assets	10	4 382	60 033	–	–
Deferred taxation	17	6 179	6 942	–	–
Non-current assets		4 508 736	4 253 814	2 891 117	2 529 972
Financial assets	10	21 204	10 122	–	–
Loans to related parties	11	1 689	110	–	–
Trade and other receivables	12	19 918	13 626	3 177	499
Cash and cash equivalents	13	32 340	24 294	6 544	5 306
Current assets		75 151	48 152	9 721	5 805
Total assets		4 583 887	4 301 966	2 900 838	2 535 777
EQUITY AND LIABILITIES					
Shareholders' interest					
Share capital	14	1 923 355	1 910 787	1 959 384	1 915 604
Share-based payment reserve	29	26 012	14 121	26 012	14 121
Accumulated income		422 890	522 295	131 680	100 050
Total attributable to owners		2 372 257	2 447 203	2 117 076	2 029 775
Non-controlling interest		19 041	73 197	–	–
		2 391 298	2 520 400	2 117 076	2 029 775
Liabilities					
Financial liabilities	7	1 698 227	1 545 445	430 530	376 600
Non-current liabilities		1 698 227	1 545 445	430 530	376 600
Financial liabilities	7	407 021	165 977	306 791	65 862
Taxation payable		314	–	80	–
Loans from related parties	11	–	–	21 522	46 304
Finance lease		1 692	–	932	–
Bank overdraft	13	278	113	–	–
Trade and other payables	15	85 057	70 031	23 907	17 236
Current liabilities		494 362	236 121	353 232	129 402
TOTAL LIABILITIES		2 192 589	1 781 566	783 762	506 002
TOTAL EQUITY AND LIABILITIES		4 583 887	4 301 966	2 900 838	2 535 777
Number of ordinary shares in issue		214 615 571	205 776 521		
Treasury shares		(8 882 340)	(5 342 595)		
Net ordinary shares in issue		205 733 231	200 433 926		
Gearing ratio – Annexure 1	(%)	45.81	39.63		
Net asset value per share	(Rands)	11.53	12.21		
Tangible net asset value per share	(Rands)	11.50	12.17		

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

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

	Notes	Group		Company	
		February 2021 R'000	February 2020 R'000	February 2021 R'000	February 2020 R'000
– Contractual rental income		377 846	381 836	129 309	94 263
– Tenant recoveries		120 284	114 462	25 203	18 201
– Distribution income		–	–	111 216	134 820
– Straight-lining rental income accrual		32 238	23 412	9 421	7 335
Property revenue	18	530 368	519 710	275 150	254 619
Other income	19	869	7 496	40	95
Total revenue		531 237	527 206	275 190	254 714
Property operating and management expenses	20	(160 925)	(156 889)	(36 845)	(26 403)
Net property-related income		370 313	370 317	238 344	228 311
Administrative expenses	20	(26 665)	(28 883)	(2 456)	(1 014)
Net property operating profit		343 648	341 434	235 888	227 297
Fair value adjustment – investment properties		(106 404)	9 326	24 690	37 260
Impairment investments		(119)	(750)	–	–
Depreciation	8	(11 754)	(7 297)	(2 625)	(725)
Listing cost		(278)	(289)	(278)	(289)
Share-based payment expense	29	(11 891)	(6 938)	(11 891)	(6 938)
Profit from operations		213 202	335 486	245 784	256 605
Net finance cost		(147 927)	(122 969)	(58 665)	(38 155)
– Finance costs	22.1	(153 836)	(133 181)	(58 845)	(38 338)
– Finance income	22.2	5 909	10 212	181	182
Profit before taxation		65 275	212 517	187 119	218 450
Taxation	21	(8 290)	74	(3 076)	–
Profit for the year		56 984	212 590	184 043	218 450
Other comprehensive income		–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		56 984	212 590	184 043	218 450
Profit attributable to:					
Equity owners of the parent		53 008	207 305	184 043	218 450
Non-controlling interest		3 977	5 285	–	–
		56 984	212 590	184 043	218 450
Attributable to:					
Equity owners of the parent		53 008	207 305	184 043	218 450
Non-controlling interest		3 977	5 285	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		56 984	212 590	184 043	218 450
– Actual number of shares in issue		214 615 571	205 776 521		
– Weighted number of shares in issue		208 003 843	200 554 965		
Basic earnings per share	(cents)	25.48	103.37		
Diluted earnings per share	(cents)	25.48	103.37		
Distribution per share	(cents)	58.70	91.66		
Interest cover ratio	(times)	2.11	2.59		



CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

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

Group	Notes	Share capital	Accumulated profit	Equity reserve	Total attributable to parent	Non-controlling interest	Total equity
		R'000	R'000	R'000	R'000	R'000	R'000
Balance as at 1 March 2019		1 794 064	490 614	10 850	2 295 528	54 155	2 349 683
<i>Changes in equity:</i>							
Investment in subsidiary		-	-	-	-	19 041	19 041
Profit for the year		-	207 305	-	207 305	5 285	212 590
Distribution to minority shareholder		-	-	-	-	(5 285)	(5 285)
Issue of shares		162 547	-	-	162 547	-	162 547
Disposal of subsidiary		750	-	-	750	-	750
Acquisition of treasury shares		(52 414)	-	-	(52 414)	-	(52 414)
Disposal of treasury shares		2 173	-	-	2 173	-	2 173
Distributions to shareholders		-	(175 628)	-	(175 628)	-	(175 628)
Share-based payment expense		-	-	6 938	6 938	-	6 938
Vesting executive share plan		3 667	-	(3 667)	-	-	-
Balance as at 29 February 2020		1 910 787	522 291	14 120	2 447 199	73 197	2 520 395
<i>Changes in equity:</i>							
Acquisition of non-controlling interest	9	-	-	-	-	(54 155)	(54 155)
Profit for the year		-	53 008	-	53 008	3 977	56 984
Distribution to minority shareholder		-	-	-	-	(3 977)	(3 977)
Dividend reinvestment programme	14	32 236	-	-	32 236	-	32 236
Acquisition of treasury shares	14	(20 460)	-	-	(20 460)	-	(20 460)
Disposal of treasury shares	14	792	-	-	792	-	792
Distributions to shareholders		-	(152 409)	-	(152 409)	-	(152 409)
Share-based payment expense	29	-	-	11 891	11 891	-	11 891
Balance as at 28 February 2021		1 923 355	422 890	26 012	2 372 257	19 041	2 391 298

Company	Notes	Share capital	Accumulated profit/(loss)	Equity reserve	Total equity
		R'000	R'000	R'000	R'000
Balance as at 1 March 2019		1 746 550	57 228	10 850	1 814 628
<i>Changes in equity:</i>					
Profit for the year		-	218 450	-	218 450
Issue of shares		-	165 387	-	165 387
Distributions to shareholders		-	(175 628)	-	(175 628)
Share-based payment expense		-	-	6 938	6 938
Vesting executive share plan		-	3 667	(3 667)	-
Balance as at 29 February 2020		1 915 604	100 050	14 120	2 029 775
<i>Changes in equity:</i>					
Profit for the year		-	184 043	-	184 043
Investment in subsidiary	9	11 500	-	-	11 500
Dividend reinvestment programme	14	32 280	-	-	32 280
Distributions to shareholders		-	(152 413)	-	(152 413)
Share-based payment expense	29	-	-	11 891	11 891
Balance as at 28 February 2021		1 959 384	131 680	26 012	2 117 076

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

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

	Notes	Group		Company	
		February 2021	February 2020	February 2021	February 2020
		R'000	R'000	R'000	R'000
Cash flow from operating activities					
Cash generated from operating activities	22	319 866	339 940	230 182	228 193
Finance cost	22.1	(152 592)	(134 139)	(58 785)	(39 295)
Finance income	22.2	2 974	4 572	181	182
Distribution paid	22.4	(152 413)	(175 628)	(152 413)	(175 628)
Taxation paid	22.3	(7 213)	-	(2 996)	-
Taxation received		-	83	-	-
Net cash generated from operations		10 623	34 828	16 169	13 452
Cash flows from investing activities					
Acquisition of investment property	6	(381 606)	(255 775)	(383 145)	(218 274)
Cost incurred on developments	6	(58 544)	(81 225)	-	-
Cost capitalised to investment property		(14 123)	(48 544)	(11 026)	(11 926)
Proceeds on sale of investment property	6	58 830	70 986	2 295	-
Acquisition of property, plant and equipment	8	(29)	(109)	-	-
Acquisition of subsidiary	9	-	(13 145)	-	(16 396)
Repayment of loan to tenant	10	376	1 006	-	-
Loan advanced to tenant	10	(11 082)	-	-	-
Contribution from subsidiary		-	-	98 573	-
Contribution (to) subsidiary		-	-	(4 901)	(45 642)
Net cash used in investing activities		(406 177)	(326 807)	(298 204)	(292 237)
Cash flow from financing activities					
Proceeds from share issue	14	-	162 550	-	165 387
Proceeds on dividend reinvestment programme	14	32 236	-	32 280	-
Proceeds from financial liabilities	7.2	477 840	190 064	380 098	67 162
Repayment of financial liabilities	7.2	(85 300)	-	(85 300)	-
Repayment of related party loan	11	-	-	(247 368)	(161 322)
Proceeds from related party loan	11	-	-	203 604	209 482
Repayment of solar lease liability		(93)	-	(41)	-
Loan advanced to related party	11	(1 579)	(2)	-	-
Purchase of treasury shares	14	(20 461)	(52 414)	-	-
Proceeds from sale of treasury shares	14	792	2 170	-	-
Net cash generated from in financing activities		403 435	302 368	283 273	280 709
Total cash movement for the year		7 881	10 389	1 238	1 924
Cash at the beginning of the year		24 181	13 792	5 306	3 382
Cash at the end of the year	13	32 063	24 181	6 544	5 305



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants ("SAICA") Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008, as amended.

The financial statements have been prepared on the historical cost basis, except where otherwise noted, and incorporate the principal accounting policies set out below. They are presented in South African Rands and are consistent with the prior financial year.

It is company policy to report net asset value per share in the annual financial statements.

1.2 USE OF JUDGEMENTS AND ESTIMATES

The preparation of the financial statements in accordance with IFRS requires management to exercise its judgement in the process of applying the group's accounting policies and make estimates and assumptions concerning the future. The most significant judgements, estimates and assumptions that may have a material impact on the financial statements are as follows:

1.2.1 Areas of estimation uncertainty

Valuation of investment property

The board has used the best available evidence to determine the fair value of investment properties as set out in note 28 to the financial statements.

This includes current market prices for properties with similar characteristics and leases and cash flow projections. As the available information is not directly comparable to the properties within the group, the amounts are determined within a reasonable range of fair value.

The principal assumptions underlying the board's estimation of fair value are disclosed in note 28 and include the receipt of contracted rentals, lease renewals, maintenance requirements, operational costs and appropriate discount and capitalisation rates.

1.2.2 Areas of significant judgement

Acquisition of subsidiaries that hold properties

Where the group obtains control of entities that own investment properties, or when the group acquires properties or a group of properties collectively, an evaluation is performed as to whether such acquisitions should be accounted for as business combinations or acquisitions in terms of IAS 40 Investment Properties.

An acquisition is not considered to be a business combination if the definition of a business combination is not met.

Management concluded that all acquisitions of properties in the current financial year were not business combinations. Therefore these were accounted in terms of IAS 40 Investment Properties.

Other areas of significant judgement and estimations

	Note
• Computation of equity-settled share-based payment	29
• Expected credit loss provision for trade receivables	12
• Expected credit loss provision for financial assets	10

1.3 CONSOLIDATION

Subsidiaries

Subsidiaries are entities (including structured entities) over which the group has control. Control exists when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to govern the financial and operating policies thereof. Subsidiaries are consolidated from the date on which control passes to the group and are deconsolidated from the date that control ceases.

The acquisition method is used to account for business combinations.

Company financial statements

The company's investments in subsidiary companies are carried at cost (including transaction costs) less impairment losses.

1.4 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the executive directors on the board, which comprises the two executive directors and two executive public officers. The Executive Committee allocates resources and assesses the performance of the operating segments of the group.

1.5 FINANCIAL INSTRUMENTS

Financial instruments include the following:

	Note
• Loans to related parties	11
• Trade and other receivables	12
• Cash and cash equivalents	13
• Trade and other payables	15
• Financial assets	10
• Financial liabilities	7

The classification of financial instruments depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows for financial liabilities, classified according to the reason they were acquired.

At initial recognition, the company measures its financial instruments at its fair value.

Subsequent measurement of the financial instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset or the reason for acquiring the liability. The company classifies its financial instruments as carried at amortised cost except for derivatives, which are held at fair value through profit and loss.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Interest expense from these financial liabilities is included in finance expense using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as a separate line item in the statement of profit or loss.

Impairment of financial assets

A forward-looking allowance for expected credit losses is recognised for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The impairment methodology applied depends on whether there has been a significant increase in credit risk:

- For credit exposures with no significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month expected credit loss)
- For credit exposures with significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit loss)
- Default event occurred, lifetime expected credit losses are recognised and interest income is only earned on the net balance.

Significant increase in credit risk and default are defined in note 5, Risk Management.

For trade receivables, a simplified approach is applied in calculating expected credit losses. Instead of tracking changes in credit risk, a loss allowance is recognised based on lifetime expected credit losses at each reporting date. A provision matrix was established that is based on the company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Twelve-month expected credit losses are recognised as the financial instruments have not deteriorated significantly in credit quality since initial recognition. Twelve-month expected credit losses are a portion of the lifetime expected credit losses. They are calculated by multiplying the probability of a default occurring on the instrument in the next 12 months by the total (lifetime) expected credit losses that would result from that default. They are not the expected shortfalls over the next 12 months.

The company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Refer to note 5, Risk Management for details of the default event of each financial instrument class.

Derivative financial instruments

Derivatives at fair value through profit and loss comprise of interest rate swaps and are either assets or liabilities and are classified as non-current due to the maturity of the carrying amount.

Purchases and settlements of derivative financial instruments are initially recognised on the trade date at fair value and are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of derivative financial instruments are included in fair value adjustments in profit and loss.

The group does not apply hedge accounting and does not enter into derivative contracts for trading or speculative purposes.

1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the group's non-financial assets are reviewed for indicators of impairment at each reporting date. Where such indicators exist, the asset recoverable amount is estimated.

Where the carrying value of an asset exceeds its estimated recoverable amount, the carrying value is impaired and the asset is written down to its recoverable amount.

1.7 INVESTMENT PROPERTY

Investment property consist of property held by the group to earn rental income and capital appreciation, which is not occupied by the group.

Investment property includes property under construction/development. Investment property under construction is measured at fair value. Where the fair value of the property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date the fair value becomes reliably measurable.

Investment property is initially measured at cost, which includes any directly attributable transaction costs.

Certain costs relating to the asset are capitalised after the investment property has been recognised. Investment property is subsequently measured at fair value and all movements in fair value are recognised in profit or loss. The directors determine the fair value of investment property at each reporting period. In addition, external valuations are obtained as deemed appropriate and each property is externally valued at least once every three years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other costs, including repairs and maintenance, are expensed as incurred.

1.8 INVESTMENT PROPERTY HELD FOR SALE

The following conditions must be met for an asset or disposal group to be classified as held for sale:

- Management is committed to a plan to sell
- The asset is available for immediate sale
- An active programme to locate a buyer is initiated
- The sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions)
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

Once a plan to dispose is initiated, the property is classified as held for sale in terms of IFRS 5.

A property can be available for immediate sale even though it still has a tenant occupying it.

The lease will then be transferred to the new owners. Sales are initiated either directly with us or through a broker.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

1.8 INVESTMENT PROPERTY HELD FOR SALE (CONTINUED)

Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset will be measured in accordance with applicable IFRSs. Resulting adjustments are also recognised in accordance with applicable IFRSs.

Investment property will continue to be measured in accordance with the IAS 40 measurement principle.

1.9 IFRS 16 LEASES

Where a company in the group is the lessor

The group enters into lease agreements as a lessor with respect to its investment properties.

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes both lease and non-lease components, the group applies IFRS 15 to allocate the consideration under the contract to each component.

Covid-19-related rent concessions

Generally, when a lessor determines how to recognise operating lease income over the lease term, the time value of money is not reflected in the calculation. If Spear granted a concession that affects the timing of payments, but not the nominal cash flows, and the concession is a lease modification, then the change in timing will not result in a change in operating lease income. This is because the allocation of total consideration to the discrete periods in the lease term does not generally consider the time value of money. The lease deferral may affect the expected credit loss recorded by the lessor as allowing the tenant additional time to pay the total consideration may reduce Spear's total credit losses.

In terms of recognition of income for tenants with no rental relief agreed and implemented, IFRS 16 does not require some threshold of collectability to be assessed before operating lease income may be recognised. Although an operating lessor will typically recognise operating lease income on a straight-line basis in accordance with IFRS 16.81, the standard does not contain specific requirements that apply when there is collection uncertainty. Spear thus followed the below approach.

The recognition of operating lease income would cease when the lease contract is no longer in force, for example, if the lessor exercises its contractual right to evict a tenant on account of payment delinquency. Support for this approach in accordance with the requirements of IFRS 16 links to IFRS 16.81 (above) and the fact that IFRS 16 does not require a collectability criterion to be met in order for operating lease income to be recognised.

Where a company in the group is the lessee

The group, as a lessee and when considered material, recognises right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease

payments. After the adoption of IFRS 16, the group recognised a depreciation expense on the right-of-use assets and an interest expense accruing on the lease liabilities and no longer recognised an operating lease expense for these leases. For non-material leases, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

1.10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially recognised at cost, which includes all expenditure that is directly attributable to the acquisition of the asset.

Subsequently, all property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. The depreciable amount of assets is depreciated on a straight-line basis, from the date they are ready for use in the manner that management intended. The depreciation rates take into account the estimated useful life and residual values of the individual items, as follows:

• Computer equipment	3 years
• Furniture and fixtures	6 years
• Motor vehicles	5 years

The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date.

If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

1.11 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a reduction in the share capital.

Treasury shares are acquired in the open market and the cost of such shares are recognised within equity.

1.12 REVENUE

Revenue from lease agreements – IFRS 16

Revenue comprises of contractual rental income and tenant recoveries. It excludes value-added tax ("VAT").

Contractual rental income is recognised on a straight-line basis over the term of the lease taking into account fixed escalation clauses. The recognition of straight lining impact does not affect distributable earnings.

Tenant recoveries are recognised as they are earned in line with the contractual rights in the leases.

Rental income received in advance is recognised as a current liability as part of trade and other payables in the statement of financial position.

Other income comprises of leasing fees, development fee income, rental loss insurance claims and distribution refunds and is exclusive of VAT. Development fee income is recognised as services are delivered on a monthly basis. Rental loss insurance claims are recognised as revenue to match the discount provided to each affected tenant. Distribution refund consists of distributions received by a seller of a property for which they received part equity as settlement consideration and they shared in distributions relating to the period before the date of transfer of the property to the group and it was contractually agreed that the distribution will be refunded for that period before transfer. Leasing fees are recognised when a new lease is entered into.

1.13 EMPLOYEE BENEFITS

Short-term employee benefits

Wages, salaries, paid leave and other costs of short-term employee benefits are recognised as employee benefit expenses in profit or loss in the period in which the services are rendered.

Short-term incentives

An expense is recognised in profit and loss and an accrual is raised in the statement of financial position relating to short-term bonuses where such payments can be contractually determined or an obligation has arisen from past events.

Employee share scheme

Conditional Share Plan

The group implemented and had a Conditional Share Plan ("CSP") approved by shareholders. The plan is classified as an equity-settled share-based payment plan, under which it receives services from employees as consideration for equity instruments of the company.

Beneficiaries of the plan will be executives, management and employees recommended by the remuneration committee. The fair value of the employee services received in exchange for the grant of shares is recognised as an expense on a straight-line basis over the vesting period, with a corresponding recognition in the share-based payment reserve.

The total amount expensed to profit or loss is determined by reference to the fair value rights to equity instruments granted, including any market performance conditions and excluding the impact of any non-market performance vesting conditions. Non-market performance vesting conditions are included in assumptions regarding the number of shares granted that are expected to vest. At the end of each reporting period, the group revises its estimates of the number of shares granted that are expected to vest and recognises the impact of any changes in profit or loss with a corresponding adjustment to equity.

The effect of all conditional shares granted is taken into account when calculating diluted earnings and diluted headline earnings per share.

Refer to note 29 for a description of the terms, the estimates used in the valuation and the accounting measurement and disclosure requirements.

1.14 INCOME TAX

The income tax expense for the period comprises current and deferred income tax and is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it will also be recognised in other comprehensive income or directly in equity as applicable. The company is a Real Estate Investment Trust ("REIT") and all subsidiaries in the group are "controlled companies" (as defined in the Income Tax Act). After deducting "qualifying distributions" from taxable income, income tax is payable on the income retained within the group and not distributed as a "qualifying distribution".

Deferred income tax is recognised, using the liability method, based on the temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred income tax is not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

1.15 FINANCE INCOME AND FINANCE COSTS

Finance income

Finance income comprises interest earned on positive bank balances and short-term investments in an annex bond facility (notes 13 and 7).

Interest is recognised in profit or loss using the effective interest rate method.

Finance costs

Finance costs comprise interest accrued on financial liabilities and finance leases.

1.16 BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or development of qualifying assets, are capitalised as part of the cost of these assets until they are substantially ready for their intended use. Qualifying assets are those which necessarily take a substantial period of time to get ready for their intended use.

Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. The capitalisation rate is arrived at with reference to the actual rate for borrowings incurred for the specific asset or the weighted average cost of borrowings where the development is financed out of general funds.

All finance costs which are not capitalised are recognised in profit or loss.

1.17 DIVIDEND DISTRIBUTION

Funds from operations is a measure of sustainable income and is determined in line with best practices as issued by the SA REIT Association guidelines. Dividend distributions are recognised as a liability in the statement of financial position in the period in which the dividends are declared. This is not in the reporting period to which the dividend relates.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. NEW STANDARDS AND INTERPRETATIONS

At the date of approval of these consolidated and separate financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the entity.

Management anticipates that all of the pronouncements will be adopted in the entity's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the entity's consolidated and separate financial statements.

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT PERIOD

In the current period, the company has adopted standards and interpretations that are effective for the current financial period and that are relevant to its operations. Where they did not have a material effect on the company's consolidated and separate financial statements it was therefore not being detailed further.

	Date effective
IFRS 3 Business Combinations	1 January 2020
IFRS 7 and 9 Financial Instruments: Disclosures & IAS 39 Financial Instruments: Recognition and Measurement	1 January 2020
IAS 1 Presentation of Financial Statements & IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
IBOR Reform and its Effects on Financial Reporting – Phase 1	1 January 2020
IFRS 16 Leases (Amendment – Covid-19-related Rent Concessions)	1 June 2020

None of the above standards, amendments and interpretations that became effective during the period have had a material impact on the group.

2.2 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE AT 28 FEBRUARY 2021

The company has chosen not to early adopt standards and interpretations which have been published, but that are not yet effective in the current financial year.

The new standards are not expected to have a material impact.

New and amended IFRS standards	Summary of the new amended standard	Annual period beginning on or after	Impact on the group
IBOR Reform and its Effects on Financial Reporting – Phase 2	In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments complement those made in 2019 ("IBOR – Phase 1") and focus on the effects on entities when an existing interest rate benchmark is replaced with a new benchmark rate as a result of the reform.	1 January 2021	Assessed to have little impact/change to the current treatment
Annual Improvements to IFRS: 2018-2020 Cycle	In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.	1 January 2022	Assessed to have little impact/change to the current treatment
Conceptual Framework for Financial Reporting (Amendments to IFRS 3)	In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.	1 January 2022	Assessed to have little impact/change to the current treatment
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)	In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	1 January 2022	Assessed to have little impact/change to the current treatment
IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)	In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.	1 January 2022	Assessed to have little impact/change to the current treatment
IFRS 17 Insurance Contracts	IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes.	1 January 2023	Assessed to have little impact/change to the current treatment

New and amended IFRS standards	Summary of the new amended standard	Annual period beginning on or after	Impact on the group
IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)	In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of 1 January 2022, however, in July 2020 this was deferred until 1 January 2023 as a result of the Covid-19 pandemic. At the IFRS Interpretations Committee's December meeting, the committee discussed the amendments due to feedback from stakeholders, which indicated that the requirements of the amendments may be unclear. These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings.	1 January 2023	Assessed to have little impact/change to the current treatment

3. EARNINGS PER SHARE

This note provides the obligatory information in terms of IAS 33 Earnings Per Share and SAICA Circular 1/2019 for the group and should be read in conjunction with Appendix 1, where earnings are reconciled to company funds from operations ("company FFO"). Company FFO determines the dividend declared to shareholders, which is a meaningful metric for a stakeholder in a REIT.

3.1 BASIC EARNINGS PER SHARE

	Group	
	2021	2020
Shares in issue	Number of shares	Number of shares
Number of shares in issue at the end of the period net of treasury shares	205 733 231	200 433 926
Weighted average number of shares in issue	208 003 843	200 554 965
Diluted weighted average number of shares in issues	208 003 843	180 427 720
Basic earnings per share		
Earnings (profit attributable to owners of the parent)	(R'000) 53 008	207 305
Basic earnings per share	(cents) 25.48	103.37
Diluted earnings per share	(cents) 25.48	103.37

3.2 HEADLINE EARNINGS PER SHARE

	Group	
	2021	2020
Reconciliation between basic earnings and headline earnings	R'000	R'000
Earnings (profit attributable to owners of the parent)	53 008	207 305
	Gross	Gross
Adjusted for:		
Fair value adjustments to investment properties	106 404	(9 326)
Impairment of investments	119	750
Taxation on items	-	-
Headline earnings	159 531	198 729
Headline earnings per share	Cents	Cents
Headline earnings per share	76.70	99.09
Diluted headline earnings per share	76.70	99.09



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SEGMENT INFORMATION

Property segment information

Segments are reported in a manner that is consistent with the internal reporting provided to the executive committee, which comprises the two executive directors and two public officers. The executive committee regularly reviews the operating results of the group's operating segments which is based on its strategic nature of investment properties:

- Industrial
- Commercial
- Retail
- Hospitality
- Development
- Non-property

The segments derive their revenue primarily from rental income from leases.

All treasury functions, corporate costs and other expenses that are not specifically attributable to individual properties are included in the "Non-property" segment.

The measurement of results reviewed by the executive committee is consistent with those presented in the consolidated and separate financial statements and the only reconciling item with the results and total assets and liabilities of the group is the effect of the straight-lining of leases.

The segment information for the group for the year ended 28 February 2021 is set out below.

	Group							Total R'000
	Industrial R'000	Commercial R'000	Retail R'000	Hospitality R'000	Non-property R'000	Development R'000		
Segment revenue	163 610	240 743	78 704	15 206	737	–	–	498 999
Straight-lining of leases	5 979	12 626	6 235	7 398	–	–	–	32 238
Profit from operations	61 387	206 929	(13 086)	(7 240)	(34 771)	(17)	–	213 202
Fair value adjustments	(49 680)	29 441	(70 184)	(15 981)	–	–	–	(106 404)
Net property operating profit	111 886	185 092	59 153	9 349	(21 816)	(17)	–	343 648
Finance income	617	395	816	37	3 947	97	–	5 909
Finance costs	(27 737)	(80 708)	(10 937)	(6 180)	(28 274)	–	–	(153 836)
Investment property	1 144 637	2 203 707	604 501	420 400	–	–	–	4 373 245
Investment property under development	–	–	–	–	–	44 669	–	44 669
Straight-lining of lease asset	8 063	31 893	19 499	18 600	–	–	–	78 055
Total assets	1 238 285	2 186 651	699 988	457 356	(37 195)	38 802	–	4 583 887
Total liabilities	(450 151)	(1 136 175)	(193 859)	(105 200)	(308 415)	1 211	–	(2 192 589)

Revenue generated from development properties relate to the period prior to the property being placed in development and was fully tenanted.

No tenants contributed 10% or more of revenue and recoveries.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

5.1 CAPITAL RISK MANAGEMENT

The group's objectives when managing capital is to safeguard the group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 7, cash and cash equivalents disclosed in note 13, and share capital as disclosed in note 14.

In order to maintain or adjust the capital structure, the group may adjust the amount of distributions paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

As a Real Estate Investment Trust ("REIT"), the company is required to declare 75% of its distributable profit as a distribution. The board has elected (subject to the availability of cash resources and legislative requirements) to declare 80% of the funds from operations for the year ended 28 February 2021 and maintain a payout ratio of 75% – 90% of funds from operations of the group, as a distribution on a bi-annual basis for future periods.

As a result of the group's distribution policy, capital expansion is funded through a combination of bank debt, equity funding and retained income from funds from operations.

The group is subject to a loan covenant, which limits the loan-to-value ("LTV") ratio to 55% and targets a LTV range of between 38% and 43% over time. The group's interest rate cover must remain above 1.75 for each financial period.

The LTV ratio is calculated as total net debt divided by total net assets as prescribed by the SA REIT Association's Best Practice Recommendations ("BPR") published in 2019.

Refer to Appendix 1 for detailed calculations and details of the composition of net debt and carrying value of property-related assets.

Financial risk arises from the group's exposure to financial instruments and comprises market risk (interest rate risk), liquidity risk and credit risk. The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has delegated this responsibility to the audit committee, which considers the adequacy of the group's risk management framework and monitors management's implementation of risk management policies and procedures.

The group's policies are designed to ensure that appropriate risk limits have been set for financial risks and that adherence to these limits are monitored continuously.

The LTV as at 28 February 2021 was as follows:

	Note	Group	
		2021 R'000	2020 R'000
Total borrowings			
Total net debt	Appendix 1	2 072 908	1 687 128
Carrying amount of property-related assets	Appendix 1	4 525 450	4 257 104
Loan-to-value ratio*	(%)	45.81	39.63

*The adoption of the 2019 BPR requires all comparative figures to be recalculated and disclosed on the same basis as the current information.

5.2 RISK MANAGEMENT

Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the group's profitability or the value of its holdings of financial instruments. The group is exposed to interest rate risk, credit risk and liquidity risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The company's interest rate risk arises from financial liabilities, cash and cash equivalents and other financial assets. Debt at variable rates expose the company to cash flow interest rate risk, which is partially offset by cash held at variable rates.

During the 2021 financial year, the company's debt was denominated in South African Rand.

The interest rate exposure of the group to interest-bearing financial instruments is as follows:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Fair value interest rate risk				
– Fixed-rate debt				
Standard Bank	863 984	547 811	633 030	325 862
Nedbank	326 000	536 000	–	–
Total	1 189 984	1 083 811	633 030	325 862
Cash flow interest rate risk				
– Variable-rate instrument				
Standard Bank	104 291	66 300	104 291	66 300
Nedbank	810 973	561 311	–	50 300
Total	915 264	627 611	104 291	116 600
No interest rate risk				
Cash and cash equivalents	32 062	24 294	6 544	5 306
Trade and other receivables	19 918	13 626	3 177	499
Trade and other payables	85 057	70 031	23 908	17 236
Loans to related parties	1 689	110	8 989	6 944
Loan from related party	–	–	11 529	53 248
Total	138 726	108 061	54 147	83 233



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

5.2 RISK MANAGEMENT (CONTINUED)

Interest rate risk (CONTINUED)

At period end there was no change in the fair value of fixed-rate risk due to the unchanged interest rates.

Therefore the carrying amount of financial instruments approximates fair value.

The group's sensitivity to interest rate fluctuations as at 28 February 2021 is illustrated below:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Sensitivity analysis to interest rates				
Increase in earnings if interest rates had been 0.5% lower during the year	4 576	3 138	521	583
Decrease in earnings if interest rates had been 0.5% higher during the year	(4 576)	(3 138)	(521)	(583)

The sensitivity analysis assumes all other items remain unchanged and is based on the variable borrowings at the end of the reporting period.

The only significant interest rate risk arises on financial liabilities. The company manages its cash flow interest rate risk by securing fixed-interest rate bonds within a range of 65% – 75% of gross debt from banks. Fixed-interest rate loans have the economic effect of protecting the company from interest rate increases due to the weak economic environment and political uncertainty.

Generally, the company raises long-term debt at floating rates below the prime lending rate or a margin above the 3-month JIBAR rate, but with each transaction the fixed-rate available on the required debt is reviewed together with the risk of an interest rate change and the current fixed-to-floating-rate ratio to ensure the ratio remains in the target range as set by management.

	Group	
	2021 R'000	2020 R'000
Variable debt	915 264	627 611
Fixed debt	1 189 984	1 083 811
TOTAL GROSS DEBT	2 105 248	1 711 422
Percentage fixed	(%)	56.52
		63.33

Refer to note 7 for details of the facilities the group has with Nedbank and Standard Bank.

Credit risk

Management assessed which business models apply to the financial assets and liabilities held by the company and has classified its financial instruments into the appropriate IFRS 9 categories. Management remains of the opinion that the financial instruments of the company should be carried at amortised cost.

The company has the following financial assets that are subject to IFRS 9's expected credit loss model:

	Note
• Loans to related parties	11
• Trade and other receivables	12
• Cash and cash equivalents	13
• Financial assets	10

Credit risk analysis

The group is principally exposed to credit risk as a result of its receivable balance from tenants, loans to related parties, financial assets and cash balances with financial institutions. The carrying values as at 28 February 2021 in the statement of financial position represent the maximum exposure to credit risk.

Trade receivables

At initial recognition credit risk of trade receivables is evaluated with reference to available historical and forward-looking financial information.

The group has strong credit vetting procedures in place before entering into lease agreements with new tenants whereby a credit rating is determined for each new applicant.

If customers are independently rated, such as blue-chip companies, these ratings are used. However, if there is no independent rating, credit control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors from the resources available to Spear.

Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.

Based on the credit rating achieved, the tenant will be approved and required to provide guarantees in terms of deposits, bank guarantees or suretyships.

At each month-end the credit risk is reviewed to determine if the credit risk has increased from initial recognition. This is done through determination of the outstanding balance, the reason provided for non-payment, the history of the tenant, forward-looking financial strength and the form of guarantee the group has to reduce the credit risk exposure.

Per the lease agreements, default occurs the day after the rental is due as agreed per each lease agreement. Default in this regard is not considered to be an expected credit loss event and will then rather follow the normal group collection process. The process also drives the increasing credit risk view from initial recognition.

Specific provision per tenant is made for expected credit losses if trade receivables are 120 days past due and if management has been advised to take judgement and no repayment agreement has been reached. 150 days past due accounts are written off if no agreement is reached.

The company applies the IFRS 9 simplified approach to measuring expected credit loss, which uses a lifetime expected loss allowance for all trade receivables within the developed provision matrix.

28 February 2021	Current	31-60 days past due	61-90 days past due	90-120 days past due	More than 120 days past due
Lifetime expected credit losses	5%	7%	10%	25%	45%

Due to the worldwide economic downturn that started in February 2020 with the spread of the coronavirus and the economic uncertainties in South Africa management reviewed the provision matrix in total. Loss limits for older dated receivables increased significantly as the risk increased. During the period management entered into various repayment agreements with tenants meaning that receivables in older dated buckets are not all considered to have a significant increase in risk unless payment arrangement was not honoured. Management expectation is that tenants will be under increasing credit pressure and the risk of bad debts increased significantly from the prior financial period in general.

29 February 2020	Current	31-60 days past due	61-90 days past due	90-120 days past due	More than 120 days past due
Lifetime expected credit losses	5%	15%	18%	20%	25%

Refer to note 12 for detail of the expected future credit losses.

Financial assets

At initial recognition the credit risk of financial assets is evaluated with reference to available historical and forward-looking financial information of each transaction on its own merit.

Change in credit risk from initial recognition on financial assets is determined at each period end that cash flows are expected from the counterparty as per the agreements reached.

The main factor that would increase the credit risk of a financial asset would be if there is any evidence that non-payment of expected cash flows would occur.

Default for financial assets is considered to be non-performance on the cash payments when they become due and is classified as an impairment event.

Refer to note 10 for detail of the expected future credit losses.

Cash and cash equivalents

All short-term funds are invested with reputable financial institutions. Cash balances are only retained for working capital requirements. Refer to note 13 for detail of cash balances as at 28 February 2021.

The table below shows the balances with banking counterparties and their external ratings at the statement of financial position date.

Financial institution	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Nedbank (rating – Ba2)	19 752	14 213	6 544	5 306
Investec (rating – Ba2)	12 589	10 081	–	–
Cash/(overdraft) in trading account	(278)	(113)	–	–
	32 062	24 181	6 544	5 306

The ratings were obtained from Moody's. The ratings are based on long-term investment horizons. The ratings indicate that expectations of default risk have increased from the prior period where the rating was Ba1 with a negative outlook. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

Management does not expect any credit losses from non-performance by this counterparty.

A credit downgrade was experienced by Moody's by all financial institutions during November 2020 from Ba1 to Ba2 with a negative outlook.

The group will continue to transact with these entities given the fact that the rating downgrade was experienced industry wide and due to the current rating not placing the current institutions utilised in any disadvantaged position against other institutions in South Africa.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

5.2 RISK MANAGEMENT (CONTINUED)

Credit risk (CONTINUED)

Loans to related parties

The loans granted to subsidiaries are repayable on demand and are interest free. Accordingly, the increase in credit risk and expected credit losses is based on the assumption that repayment of the loan is demanded at the reporting date. If repayment of the loans were to be demanded at the reporting date, the company would be able to fully recover the outstanding balance of the loan within a timeframe that results in the effects of any discounting being immaterial.

Financial assets exposed to credit risk at the end of the period were as follows:

Financial instrument	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash and cash equivalents	32 062	24 294	6 544	5 306
Trade and other receivables	19 918	13 626	3 177	499
Financial asset	25 586	70 155	-	-
Loans to related parties	1 689	110	8 989	6 944
	79 255	108 185	18 710	12 749

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables and loans to related parties approximates their fair value.

Refer to note 10 for a detailed discussion of financial assets held at amortised cost.

Liquidity risk

Liquidity risk is defined as the risk that the group would not be able to settle or meet its obligations when due. Management monitors the group's net liquidity position on a continuous basis on the basis of expected cash flows.

The group is exposed to liquidity risk in respect of financial liabilities, loans from related parties and trade and other payables and is a result of the funds not being available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Management seeks to minimise its exposure to liquidity risk by reducing its exposure to interest rate risk through its fixing of long-term debt.

Management also reduces refinancing risk through regularly reviewing the maturity profile of its financial liabilities and utilising facilities with differing maturities to reduce maturity concentration.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

	Group						Company	
	Less than 1 year R'000	Between 1 and 3 years R'000	Between 3 and 4 years R'000	4 years and longer R'000	Total R'000	Less than 1 year R'000	Between 2 and 5 years R'000	Total R'000
At 28 February 2021								
Financial liabilities (bank debt)	557 771	1 507 091	362 159	-	2 427 020	364 922	473 470	838 392
Trade and other payables	85 057	-	-	-	85 057	23 907	-	23 907
Loan from related party	-	-	-	-	-	11 529	-	11 529
	642 828	1 507 091	362 159	-	2 512 077	400 358	473 470	873 828

At maturity date of various debt with financial institutions the debt will either be settled with available resources or refinancing will commence, usually three to six months prior to maturity of the debt.

	Group					Company		
	Less than 1 year R'000	Between 1 and 3 years R'000	Between 3 and 4 years R'000	4 years and longer R'000	Total R'000	Less than 1 year R'000	Between 2 and 5 years R'000	Total R'000
At 29 February 2020								
Financial liabilities (Bank debt)	312 195	1 374 863	243 501	105 981	2 036 540	70 826	438 410	509 236
Trade and other payables	70 031	-	-	-	70 031	17 236	-	17 236
Loan from related party	-	-	-	-	-	46 304	-	46 304
	382 226	1 374 863	243 501	105 981	2 106 571	134 366	438 410	572 776

6. INVESTMENT PROPERTIES (INCLUDING STRAIGHT-LINING ACCRUAL)

Investment property	Notes	Group		Company	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Investment property (excluding lease asset)	6.1	4 373 245	3 908 513	1 501 302	1 086 389
Investment properties under development	6.2	12 361	201 008	3 636	3 636
Investment properties held for sale	6.3	-	-	-	-
Land held for future development		32 309	32 183	-	-
Straight-lining lease asset	6.1	78 055	42 290	17 598	8 176
		4 495 969	4 183 994	1 522 536	1 098 201

Reconciliation of investment property categories	Notes	Group		Company	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000

6.1 INVESTMENT PROPERTY (EXCLUDING LEASE ASSET)

Opening balance	3 950 803	3 523 970	1 094 565	822 403
Acquisitions	387 842	258 618	388 593	216 077
Net cost capitalised	14 123	29 874	3 926	10 740
Fair value adjustments	(106 403)	9 326	24 690	38 010
Transfer from development	321 527	107 989	-	-
Transfer to development	(90 000)	-	-	-
Disposal	(58 830)	(2 386)	(2 295)	-
Straight-line adjustment	32 238	23 412	9 421	7 335
Closing balance	4 451 300	3 950 803	1 518 900	1 094 565

6.2 INVESTMENT PROPERTIES UNDER DEVELOPMENT

Opening balance	201 008	213 381	3 636	1 729
Transfer from investment property	90 000	-	-	-
Cost capitalised	39 523	87 292	-	1 907
Borrowing cost capitalised	3 357	8 324	-	-
Transfer to investment property	(321 527)	(107 989)	-	-
Closing balance	12 361	201 008	3 636	3 636

6.3 INVESTMENT PROPERTIES HELD FOR SALE

<i>Movement in investment properties held for sale:</i>				
Carrying value at the beginning of the period	-	74 000	-	-
Transfer from investment property	6	-	-	-
Disposals	-	(74 000)	-	-
Carrying value at the end of the period	-	-	-	-



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES (INCLUDING STRAIGHT-LINING ACCRUAL) (CONTINUED)

	Notes	Group		Company	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Reconciliation of investment property categories					
6.4 LAND HELD FOR FUTURE DEVELOPMENT					
Opening balance		32 183	–	–	–
Cost capitalised		126	–	–	–
Acquisitions		–	32 183	–	–
Closing balance		32 309	32 183	–	–

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011, is kept by the company.

Borrowing cost to the value of R3.4 million was capitalised to investment property during the financial year (2020: R8.3 million).

The capitalisation rate used varied per project and the interest rates used on general funds utilised were prime less 1.30% and specific funding 3-month JIBAR plus 1.80%.

Securities

Investment properties to the value of R4 337 194 are encumbered as security against the group's loan facilities (note 7).

Details of valuation

Refer to note 28 for details on the fair values of investment properties.

All revenue and operating expenditure are derived from investment properties.

7. FINANCIAL LIABILITIES

7.1 ANALYSIS OF NET DEBT

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Secured debt held at amortised cost				
Non-current				
Nedbank	1 036 743	997 196	–	50 300
Standard Bank	661 484	548 249	430 530	326 300
	1 698 227	1 545 445	430 530	376 600
Current				
Nedbank	100 230	100 115	–	–
Standard Bank	306 791	65 862	306 791	65 862
	407 021	165 977	306 791	65 862
TOTAL GROSS DEBT	2 105 248	1 711 422	737 321	442 462
Cash and cash equivalents	(32 340)	(24 294)	(6 544)	(5 306)
TOTAL NET DEBT	2 072 908	1 687 128	730 777	437 156

The summarised terms of the loans are as follows. All loans are interest only payments with the capital due at expiry.

	Type	Average margin/ fixed-rate %	Average expiry Months	
Standard Bank	Variable	Prime	(1.35)	16.84
Standard Bank	Fixed	–	8.84	17.48
Nedbank	Variable	Prime	(1.12)	16.37
Nedbank	Variable	3- month JIBAR	1.81	25.77
Nedbank	Fixed	–	8.72	36.08

7.2 RECONCILIATION OF CASH MOVEMENT IN NET DEBT FOR THE YEAR ENDED 28 FEBRUARY 2021

Group	2020 R'000	Statement of comprehensive income		Cash flows R'000	2021 R'000
		2020 R'000	2021 R'000		
Gross debt	1 711 422	152 592	239 949	239 949	2 103 963
Cash and cash equivalents	(24 181)	–	(7 881)	(7 881)	(32 063)
	1 687 241	152 592	232 068	232 068	2 071 900

The cash flows have been analysed below:

Group	Proceeds from bank R'000	Repayment of bank loans R'000	Net income (expense) inflow/outflow R'000	Total cash flows R'000

Company	2020 R'000	Statement of comprehensive income		Cash flows R'000	2021 R'000
		2020 R'000	2021 R'000		
Gross debt	442 462	58 785	236 014	236 014	737 260
Cash and cash equivalents	(5 306)	–	(1 238)	(1 238)	(6 544)
Net debt	437 156	58 785	234 775	234 775	730 716

The cash flows have been analysed below:

Company	Proceeds from bank R'000	Repayment of bank loans R'000	Net income (expense) inflow/outflow R'000	Total cash flows R'000

8. PROPERTY, PLANT AND EQUIPMENT

	Useful lives	Group					
		2021			2020		
		Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Computer equipment	3	384	(323)	61	384	(243)	142
Furniture and fixtures	6	2 993	(1 359)	1 634	2 964	(862)	2 102
Motor vehicles	5	601	(90)	511	601	–	601
TOTAL		3 978	(1 772)	2 206	3 949	(1 105)	2 845

Reconciliation of property, plant and equipment: Group – 2021

	Group			
	Opening balance R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Computer equipment	141	–	(80)	61
Furniture and fixtures	2 102	29	(497)	1 634
Motor vehicles	601	–	(90)	511
	2 844	29	(667)	2 206

Reconciliation of property, plant and equipment: Group – 2020

	Group			
	Opening balance R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Computer equipment	156	228	(243)	141
Furniture and fixtures	2 595	369	(862)	2 102
Motor vehicles	601	–	–	601
	3 352	597	(1 105)	2 844

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011, is kept by the company.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INVESTMENT IN SUBSIDIARIES

	Acquisition date	Holding	Group		Company	
			2021	2020	2021	2020
			%	%	Carrying amount R'000	Carrying amount R'000
Spear Holdco Proprietary Limited	01/11/2016	Direct	100	100	1 240 499	1 320 511
Webram Four Proprietary Limited	01/07/2018	Direct	100	100	111 685	94 864
George Aerotropolis Proprietary Limited	07/10/2019	Indirect	51.2	51.2	16 396	16 396,00
Upper East Side Hotel Proprietary Limited	01/11/2016	Indirect	100	100	-	-
Fundamental Holdings Proprietary Limited	01/11/2016	Indirect	100	100	-	-
Spear One Proprietary Limited	02/02/2017	Indirect	100	70	-	-
Blend Property 15 Proprietary Limited	12/06/2017	Indirect	100	100	-	-
					1 368 581	1 431 771

The following information is provided for subsidiaries with non-controlling interest which are material to the reporting company.

The summarised financial information is provided prior to inter-company elimination.

	Spear One Proprietary Limited		George Aerotropolis Proprietary Limited	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
	100%	70%	51,2%	51,2%
Statement of financial position				
Non-current assets	-	436 149	32 478	32 345
Current assets	-	4 100	3 076	3 117
Total assets	-	440 249	35 554	34 861
Non-current liabilities	-	221 949	-	-
Current liabilities	-	6 413	-	-
Total liabilities	-	228 362	-	-
Non-controlling interest	-	54 155	19 041	19 042
Statement of comprehensive income				
Total revenue	-	61 318	-	-
Profit from operations	-	44 849	(14)	(8)
Profit for the year	-	25 117	90	24
Profit attributable to: Equity owners of parent	-	19 832	48	24
Profit attributable to: Non-controlling interest	-	5 285	-	-
Statement of cash flows				
Net cash generated from operations	-	22 339	697	601
Net cash used in investing activities	-	(3 775)	(126)	(227)
Net cash generated from/(used in) financing activities	-	(17 468)	-	2 120
Total cash movement for the period	-	1 096	570	2 494
Dividend paid to non-controlling interest	-	5 285	42	-

All subsidiaries are incorporated in South Africa and are held directly or indirectly by the company through ordinary shares.

- Spear Holdco acquired the 30% non-controlling interest in Spear One Proprietary Limited on 1 December 2020. The acquisition was funded by way of Spear REIT Limited issuing 1 533 333 Spear REIT Limited shares at R7.50 per share to acquire the 30% shareholding as well as Spear Holdco's forgiveness of the original capital loan provided to the minority shareholder. Spear Holdco then in turn acquired the 30% shareholding in Spear One Proprietary Limited from Spear REIT Limited via a Section 42 asset-for-share transaction.
- A controlling share was acquired in George Aerotropolis Proprietary Limited for R16.4 million cash in 2019, linked to the proportionate fair value of the land the company owns.

Refer to note 11 for details of amounts owing by subsidiaries and related parties.

10. FINANCIAL ASSET

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Tenant loan – Multi Rooms Management Proprietary Limited	21 204	10 122	-	-
2 Long Street Investments Proprietary Limited	-	55 655	-	-
Tenant Loan – 12 Pickwick	4 382	4 377	-	-
	25 586	70 154	-	-
Current assets	21 204	10 122	-	-
Non-current assets	4 382	60 033	-	-
	25 586	70 154	-	-

The group advanced funds to the hotel operator, Multi Rooms Management Proprietary Limited, for use in operations during the Covid-19 government-forced closures.

No interest was charged during the financial year as this was a measure put in place for tenant support. On resumption of interest charges the balance earns interest at prime less 1.25% and is repayable on demand.

The 2 Long Street Investments Proprietary Limited loan accrued interest at prime plus 2% until the acquisition of the 30% non-controlling interest by Spear Holdco Proprietary Limited.

As part of the non-controlling shareholding acquisition the loan was forgiven after all interest due was settled. The original capital loan value and the value of Spear REIT Limited shares issued per note 9 made up the acquisition price.

The group advanced a loan of R6 million in June 2018 to a tenant for use in the internal refurbishment of their rented space at 12 Pickwick. The loan carries interest at prime plus 1% and is repayable in 60 equal instalments of R130 703. The tenant's parent company provided a guarantee for the full amount in the event of default.

Credit risk

Management reviewed the credit risk at period end and determined the credit risk had significantly increased from initial recognition. Expected credit losses are limited to the lifetime expected credit losses. Expected credit losses have been determined as below:

Tenant loans

Management's assessment is that the credit risk had significantly increased from initial recognition and is based on the following:

12 Pickwick

The tenant was forced to close operations during the 2021 financial year due to the national lockdown and all payments could not be made. Further to this, the building was damaged from a neighbouring building fire on 4 January 2021, and was closed by the fire inspector until early March 2021. The tenant is still not able to utilise 100% of the property while reinstatement is ongoing. For these reasons the contractual payments were ceased as these relate to circumstances outside the control of the tenant. Although the risk of the loan has significantly increased the loan is still under full guarantee from the Lion Match Company, the parent company of the tenant, and management expects to fully recover the loan from the tenant as its operations are started again. The loan is not material for the group and any percentage of failure risk applied results in an immaterial expected credit loss and thus no expected credit loss allowance was recognised.

Multi Room Management Proprietary Limited

The tenant operating the group's DoubleTree by Hilton Hotel Cape Town was forced to close operations for a period due to the national lockdown and has operated on very limited capacity since the reopening of the hospitality industry. The lack of tourism for a period within the borders of South Africa and the Western Cape as a result of the ongoing effect of the Covid-19 pandemic is well documented.

Management provided additional support to the tenant during the financial year to enable the tenant to operate, and to ensure the building operation continuity with servicing of equipment and payment of service level agreements to ensure health and safety standards are met. This resulted in the loan increasing significantly from the prior year.

Management together with the tenant reviewed a detailed cash flow forecast prepared by the tenant until the end of the lease in August 2027. Various assumptions were made in terms of hospitality recovery, but with the hotel only achieving breakeven from March 2022. Management agreed that until the expiry of the lease all rental payments will be pro ratio 50% towards rental and 50% towards settling of the loan balance outstanding. This is possible as due to the nature of the lease the landlord is entitled to 95% of management controllable profit to be billed as rental annually. A net present value calculation was performed and the present value of all expected future cash flows resulted in a balance receivable being less than the current loan balance by R1.2 million. This difference to the current value of the loan is not material and therefore no expected credit loss allowance was provided for.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. LOANS TO/(FROM) RELATED PARTIES

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Subsidiary				
Spear Holdco Proprietary Limited	–	–	(11 529)	(53 248)
Webram Four Proprietary Limited	–	–	(9 993)	6 944
	–	–	(21 522)	(46 304)
Entities with common directors or trustees				
VAXR Trust	1 689	110	–	–
All related party loans are unsecured, interest-free and repayable on demand.				
Current assets	1 689	110	–	6 944
Current liabilities	–	–	(21 522)	(53 248)
	1 689	110	(21 522)	(46 304)

The loan to VAXR Trust was fully settled in March 2021 and thus no expected credit loss measurement accounted for.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Trade receivables (tenants)	17 359	7 499	3 137	496
Allowance for doubtful trade receivables	(3 138)	(2 839)	(122)	(159)
Rental guarantees receivable*	5 300	7 256	–	–
Property utility deposits	377	392	162	161
Staff loans	20	–	–	–
Performance rental receivable**	–	1 316	–	–
Adjustment account properties acquired	–	2	–	2
TOTAL AT AMORTISED COST	19 918	13 626	3 177	499

All trade and other receivables are denominated in South African Rands and the carrying amounts approximate their fair value.

* High Mast Properties 30 Proprietary Limited provided the group with a 24-month gross rental guarantee for the acquisition of 1 Waterhouse Place effective 1 July 2018.

The guarantee for the first 12 months from effective date equates to R14 million and R16 million for the 12 months thereafter and lapses at such a point within the two-year guarantee period when the building is fully tenanted. The guarantee is payable in August 2021.

** Performance rental relates to rental receivable annually on 15 August for 15 on Orange's performance that exceeds the base gross hurdle revenue as stipulated in the lease and is calculated based on the hotel's performance for the period 1 July to 30 June each year.

Credit quality of trade receivables

The credit quality of trade receivables is high due to them being evaluated with reference to available financial information and their history with the company as per note 5 and can be categorised into the following groups:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Large national, large listed and government tenants	2 585	2 866	217	264
Smaller international and national tenants	10 130	1 869	2 621	13
Other local tenants and sole proprietors	4 644	2 763	299	219
	17 359	7 499	3 137	496

The maximum exposure to credit risk for trade and other receivables are the carrying values.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Ageing of trade receivables				
The ageing of trade receivables at year-end was as follows:				
Current – up to 30 days	5 804	4 601	1 088	423
Past due – between 31 and 90 days	5 492	677	1 531	39
Past due – 91 days and longer	6 063	2 220	518	34
	17 359	7 499	3 137	496

Expected credit losses

The Group applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the group's customers. The group has identified the continued effect of Covid-19 lockdowns, gross domestic product (GDP) growth, inflation rate, rising utility costs and load shedding as the key macroeconomic factors in South Africa. The five-year average historical loss rate experienced by the group amounted to 0.33% of total revenue per financial year.

At 28 February 2021 the lifetime expected loss provision for trade receivables is as follows:

		Current	31-60 days past due	61-90 days past due	90-120 days past due	More than 120 days past due
Expected loss rate (%)		5	7	10	25	45
Trade receivable ageing excluding VAT*	(R'000)	5 047	2 105	1 755	916	5 272
Loss provision	(R'000)	252	147	175	229	2 373

* VAT is excluded from calculation due to the fact that VAT can be claimed back if receivable is written off.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Opening loss allowance – 29 February 2020	2 839	213	159	–
Loss allowance recognised	4 552	3 214	182	159
Loss allowance utilised	(4 253)	(588)	(220)	–
Closing loss allowance – 28 February 2021	3 138	2 839	121	159

Post year receivables as at 12 March 2021 have been reduced to R12.3 million (R10.7 million excluding VAT) from R17.4 million, further reducing the risk of non-collection.

The simplified approach for recognising expected credit loss has been applied and lifetime expected credit losses have been assessed as being material and limited to the value as recognised above, and there are no non-current receivable balances.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Composition of cash and cash equivalents				
Current accounts	16 324	11 368	6 544	5 306
Cash/(overdraft) in investment account	(278)	(113)	–	–
Cash on call	16 017	12 926	–	–
Petty cash	–	–	–	–
	32 062	24 181	6 544	5 306

Credit exposure of cash and cash equivalents

Amounts in current and call accounts are invested with reputable institutions.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. SHARE CAPITAL

	Group	
	2021	
	Number of shares	Value of shares R'000
Authorised		
1 000 000 000 ordinary shares of the same class and no par value		
Issued		
205 733 231 ordinary shares of the same class and no par value	205 733 231	1 923 355

	Company	
	2021	
	Number of shares	Value of shares R'000
Authorised		
1 000 000 000 ordinary shares of the same class and no par value		
Issued		
214 615 571 ordinary shares of the same class and no par value	214 615 571	1 959 384

The unissued shares are under the control of the directors (subject to limitations set by shareholder resolutions) until the next annual general meeting.

	Notes	Group	
		2021	
		Number of shares	Value of shares R'000
Reconciliation of number of shares issued			
Opening balance		200 433 926	1 910 787
Add back: Treasury shares prior period		5 342 595	49 543
DRIP November 2020		7 305 717	32 357
Spear One NCI acquisition	10	1 533 333	11 500
Section 42 shares to Spear Holdco for Spear One shareholding	10	–	(11 500)
Share issue costs		–	(223)
Treasury shares at cost		(8 882 340)	(69 108)
Closing balance		205 733 231	1 923 355

	Group	
	2020	
	Number of shares	Value of shares R'000
Reconciliation of number of shares issued		
Opening balance	188 864 159	1 794 067
Add back: Treasury shares prior period	24 550	(698)
Capital raise – 21 June 2019	16 814 997	164 787
Share for cash – Raad	72 815	750
Share issue costs	–	(2 243)
Vesting Executive Share Plan	–	3 667
Treasury shares at cost	(5 342 595)	(49 543)
Closing balance	200 433 926	1 910 787

	Company	
	2021	
	Number of shares	Value of shares R'000
Reconciliation of number of shares issued		
Opening balance	205 776 521	1 915 604
DRIP November 2020	7 305 717	32 357
Spear One NCI acquisition	1 533 333	11 500
Share issue costs	–	(77)
Closing balance	214 615 571	1 959 384

A total of 3.68 million ordinary shares were repurchased at an average price of R5.56 and held as treasury shares in a subsidiary company from prior year end.

A total of 0.14 million ordinary shares were sold at an average price of R5.57 from treasury shares held pre the AGM held in August 2020 issued in terms of a general authority to issue shares for cash.

	Company	
	2020	
	Number of shares	Value of shares R'000
Reconciliation of number of shares issued		
Opening balance	188 888 709	1 746 550
Capital raise – 21 June 2019	16 814 997	164 787
Share for cash – Raad	72 815	750
Share issue costs	–	(150)
Vesting Executive Share Plan	–	3 667
Closing balance	205 776 521	1 915 604

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Tenant deposits	34 830	34 924	8 403	7 570
Trade payables	22 820	–	1 852	1 988
Other accruals	4 760	1 914	995	222
Trade receivables with credit balances	19 894	27 367	10 881	6 636
Accrual for audit fees	452	588	–	–
Payroll accruals	–	673	–	–
Non-controlling interest profit – GAT	41	–	–	–
Total at amortised cost	82 797	65 466	22 131	16 416
VAT payable	2 259	4 564	1 776	820
Total trade and other payables	85 057	70 031	23 908	17 236



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FUTURE LEASE PAYMENTS DUE

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Contractual future lease receivables are as follows:				
Within 1 year	373 957	400 229	147 722	144 460
Year 2	343 866	334 369	140 104	135 384
Year 3	270 612	297 295	119 080	127 994
Year 4	205 202	238 288	86 705	113 534
Year 5	107 383	179 734	20 594	81 533
More than 5 years	215 693	203 090	17 361	30 667
	1 516 713	1 653 005	531 565	633 572

17. DEFERRED TAXATION

With effect from 1 November 2016, the company and controlled property subsidiaries converted to REITs. As a result, section 25BB of the Income Tax Act will apply to qualifying REIT income and expenses. The legislation provides that capital gains on sale of investment properties are disregarded and previous building allowances claimed will be recouped at 28%. All rental income and dividends from property subsidiaries will be taxed at 28% and any dividends paid from these taxable profits will be deductible at 28%. Any amount in respect of a financial instrument will be taxed at 28%. As the group has not currently decided to pay out capital profits as dividends, income tax could arise on recoupment when investment properties are sold. This income tax is shielded by an accumulated loss.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Opening balance	6 942	6 780	-	-
Acquisition of subsidiary	-	162	-	-
Assessed losses recognised	137	-	-	-
Assessed losses utilised	(900)	-	-	-
Net deferred tax asset	6 178	6 942	-	-

A deferred tax asset has been recognised for all assessed losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The total assessed losses for the group amounts to R22 million and will be utilised through profits not distributed.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Movement in deferred tax balances				
Acquisition of subsidiary	-	162	-	-
Temporary differences	-	-	-	-
- Net assessed tax losses	(764)	-	-	-
	(764)	162	-	-

18. REVENUE

Revenue comprises gross contractual rentals as well as contractual recoveries of utility costs, property taxes and operating costs as applicable, adjusted for the accounting straight-lining of lease income.

For the company, revenue also includes dividends received from subsidiary companies.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Contractual rental income (IFRS 16)	377 846	381 835	129 309	94 263
Straight-lining rental accrual	32 238	23 412	9 421	7 335
Dividends received from subsidiaries	-	-	111 216	134 820
Operating expenditure recoveries	14 276	11 206	7 256	4 611
Utility recoveries	106 008	103 257	17 948	13 589
	530 368	519 711	275 150	254 619

Straight-lining rental accrual revenue is an IFRS-recognised item that does not form part of the group distributable funds from operations and is recognised in term of being IFRS compliant.

19. OTHER INCOME

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Fee recoveries	13	73	3	5
Development profit	-	6 558	-	-
Lease fees	167	280	37	90
Bad debts recovered	54	39	-	-
Insurance claims	636	465	-	-
Other income	-	80	-	-
	869	7 496	40	95

Revenue was recognised as the performance obligation was satisfied by transferring the promised service to the tenants per the lease agreement.

20. EXPENSES BY NATURE

	Notes	Group		Company	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Property operating and management expenditure					
Employee benefits	20.1	16 131	16 979	-	-
Head office expenditure	20.4	10 534	11 904	2 456	1 014
Property operating expenditure	20.4	160 925	156 889	36 845	26 403
Total		187 590	185 772	39 301	27 416

All properties of the company are income-generating and generated income for the full period ended 28 February 2021 or from acquisition date, except for the land acquired.

20.1 EMPLOYEE BENEFITS

Salaries and wages		9 662	9 570	-	-
Non-executive directors' fees	20.2	2 067	2 055	-	-
Executive director emoluments	20.3	4 402	5 354	-	-
		16 131	16 979	-	-

20.2 NON-EXECUTIVE DIRECTORS' FEES

The following fees were paid to non-executive directors for their services as directors:

Director		Group	
		2021 R'000	2020 R'000
A Varachhia	Non-executive chairman	471	490
MN Flax	Non-executive deputy chairman	463	285
JE Allie	Lead independent non-executive	241	274
BL Goldberg	Independent non-executive	230	274
N Kjellström-Matseke	Independent non-executive	241	262
RL Phillips (Dr.)	Independent non-executive	210	230
CS McCarthy	Non-executive	210	240
		2 067	2 055

Non-executive fees are paid from Spear Holdco, a subsidiary and the operating company of the group.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. EXPENSES BY NATURE (CONTINUED)

20.3 EXECUTIVE DIRECTOR EMOLUMENTS

Remuneration paid to executive directors comprised of:

		Group				
		2021				
Director		Salary R'000	Other benefits R'000	Performance bonus (STI) R'000	Total R'000	Total IFRS 2 charge R'000
QM Rossi	CEO	2 453	149	–	2 602	2 242
C Barnard	CFO	1 703	96	–	1 799	2 242
		4 157	245	–	4 402	4 484

		Group				
		2020				
Director		Salary R'000	Other benefits R'000	Performance bonus (STI) R'000	Total R'000	Total IFRS 2 Charge R'000
MN Flax*	Non-executive deputy chairman	300	–	–	300	–
QM Rossi	CEO	2 394	161	350	2 905	1 763
C Barnard	CFO	1 697	103	350	2 149	1 763
		4 391	263	700	5 354	3 525

* Mr. MN Flax resigned as executive deputy chairman and was appointed non-executive deputy chairman, all being effective 1 September 2019.

20.4 OPERATING AND HEAD OFFICE EXPENDITURE AND DEPRECIATION

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Property taxes and utility expenses	110 702	107 742	24 557	17 604
Property operational costs	39 513	37 119	9 923	7 143
Repairs and maintenance	10 710	12 028	2 365	1 656
Depreciation	11 754	7 297	2 625	725
Auditor's remuneration	835	900	–	–
Accounting and taxation fees	70	61	2	12
Bad debts written off	1 414	375	60	–
Provision for bad debt	3 138	2 839	122	159
Employee benefits	16 131	16 979	–	–
Other operation expenditure	5 077	7 729	2 272	842
	199 344	193 070	41 927	28 142

21. TAXATION

	Group		Company	
Note	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Current tax				
Capital gains taxation refund	–	83	–	–
Provisional income tax paid	7 527	–	3 076	–
	7 527	83	3 076	–
Deferred tax				
Originating and reversing temporary differences	764	(9)	–	–
	8 290	74	3 076	–

The company is a Real Estate Investment Trust ("REIT") and all subsidiaries in the group are "controlled companies" as defined in the Income Tax Act. After deducting the "qualifying distribution", being 80% of distributable profit from taxable income, the above income tax was payable in the current period.

The company has no liability for normal taxation if all cash profits, excluding capital, is paid out as a distribution (qualifying distribution)/debenture interest and shareholders/linked unitholders are consequently subject to tax according to the individual linked unitholder's tax status.

21.1 RECONCILIATION OF TAX EXPENSE

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Reconciliation between accounting profit and tax expense				
Accounting profit	65 275	212 517	187 119	218 450
Tax at applicable rate	28%	59 505	52 393	61 166
Deductible temporary differences	23 367	(8 471)	(37 011)	(48 294)
Taxable earnings	41 644	51 034	15 382	12 872
Less: Qualifying distribution	(33 315)	(52 107)	(12 306)	(13 955)
Add: Antecedent dividend	–	1 083	–	1 083
Taxable profit	8 329	9	3 076	–
Utilisation of assessed loss	(802)	(9)	–	–
Normal taxation	7 527	–	3 076	–

The estimated tax loss available for set-off against future taxable income is R22 million after the prior period utilisation of the assessed loss.

22. CASH GENERATED FROM/(USED IN) OPERATIONS

	Group		Company	
Notes	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash generated from operations				
Profit before tax:	65 275	212 517	187 119	218 450
Adjusted for:				
Straight-lining rental income accrual	(32 238)	(23 412)	(9 421)	(7 335)
Depreciation	11 754	7 297	2 625	725
Fair value adjustment – Investment property	106 404	(9 326)	(24 690)	(37 260)
Impairment investments	119	750	–	–
Finance income	(5 909)	(10 212)	(181)	(182)
Finance cost	153 836	133 181	58 845	38 338
Share-based payment expense	11 891	6 938	11 891	6 938
Taxation accrual	–	(9)	–	–
Working capital movements				
Trade and other receivables	(6 292)	(3 099)	(2 678)	1 174
Trade and other payables	15 026	25 316	6 671	7 345
	319 866	339 940	230 182	228 193



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. CASH GENERATED FROM/(USED IN) OPERATIONS (CONTINUED)

Notes to the cash flows statement

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
22.1 FINANCE COSTS				
Interest paid on bank loans	153 612	133 153	58 682	38 326
Interest accrual paid current year	(1 244)	957	(61)	957
Interest paid on deposits	172	27	132	12
Interest paid on bank accounts	52	1	31	-
	152 592	134 138	58 785	39 295
22.2 FINANCE INCOME				
Interest earned on late payment from tenants	(966)	(534)	(151)	(35)
Interest earned on loan accounts	-	(1 381)	-	-
Interest earned on financial asset	(969)	(503)	-	-
Interest earned on call accounts	(1 040)	(2 154)	(29)	(147)
	(2 974)	(4 572)	(181)	(182)
22.3 TAX PAID				
Taxation per the income statement	(8 290)	74	(3 076)	-
Taxation (receivable)/payable end of period	314	-	80	-
Deferred tax utilisation	764	9	-	-
Balance (paid)/received during the period	(7 213)	83	(2 996)	-
22.4 DISTRIBUTION PAID				
Dividend of prior period paid	(94 128)	(84 886)	(94 128)	(84 886)
Interim dividend paid	(58 284)	(87 372)	(58 284)	(87 372)
Antecedent dividend paid	-	(3 370)	-	(3 370)
	(152 413)	(175 628)	(152 413)	(175 628)

23. CAPITAL COMMITMENTS

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Contracted for acquisition of new land and buildings	-	7 900	-	7 900
Contracted tenant installation allowance	3 882	5 344	-	2 644
Contracted maintenance and capital installation to existing properties	4 150	5 530	-	-
Contracted for expansion to existing property	29 306	9 574	-	-
	37 338	28 348	-	10 544

24. RELATED PARTIES

Related party relationships exist between the company, its subsidiaries, directors as well as their close family members, and key management of the company.

	Note	2021 R'000	2020 R'000
Key management of the company is the executive and non-executive directors' (also see the Directors' Report)	20		
Investments in and amounts owing by related parties	9		
Remuneration paid to directors, executive and non-executive	20		
Details of directors' interest in the ordinary shares of the company are provided in the Directors' Report			
Details relating to share-based payments of key management	29		
In the ordinary course of business, the company entered into the following other transactions with related parties:			
Investment property cost capitalised – Kitchen Emporium (close family member of executive director)		240	-
Rental received – Kitchen Emporium (close family member of executive director)		443	311

25. SUBSEQUENT EVENTS

The directors are not aware of any events, other than those listed below, that have occurred since the end of the financial period, which have a material impact on the results and disclosures in these financial statements.

15 on Orange Hotel

Shareholders are hereby advised that on 3 March 2021, the company and its wholly-owned subsidiary, Blend Property 15 Proprietary Limited ("Blend 15"), being the owner of the property comprising the 15 on Orange Sectional Title Scheme, which includes the hotel, commercial, retail and parking sections ("Property"), exercised its unconditional landlord right to cancel the lease with Marriott International, the prior operator.

Shareholders are further advised that on 10 March 2021, Blend 15 entered into an agreement of lease ("Lease") with The Capital Apartments and Hotels Proprietary Limited ("Tenant") and an option agreement ("Option Agreement") with The Capital Apartments and Hotels Group Proprietary Limited ("Purchaser"), the details of which are set out below.

In terms of the Lease, the Tenant will take occupation of the Property on 1 June 2021, provided that Blend 15 is able to provide the Tenant with vacant occupation of the Property at that date. If Blend 15 is unable to provide the Tenant with vacant occupation of the premises on 1 June 2021, the occupation date will be delayed to the date on which Blend 15 is able to provide the Tenant with vacant occupation.

The Lease shall commence on 1 August 2021, unless the Occupation Date is delayed to a date after 3 June 2021, in which case the commencement date will be the first day of the month following two complete months after the Occupation Date ("Lease Commencement Date") with a duration of seven years. The basic monthly rental payable by the Tenant to Blend 15 shall be a fixed amount. During the first and second years of the Lease Period, the basic monthly rental shall be R1 916 666.67 (including value-added tax). Thereafter, the basic monthly rental payable during the remaining years of the Lease Period will escalate annually at a rate of 5% per annum (compounded annually) with effect from the second anniversary of the Lease Commencement Date.

In terms of the Option Agreement, Blend 15 irrevocably granted the Purchaser a call option ("Call Option") to purchase the Property, together with (i) the Lease, (ii) all movable assets owned by Blend 15 and situated on the Property and (iii) all of Blend 15's rights, title and interest in and to the name "15 on Orange" or any deviation thereof (collectively, the "Disposal Assets"), for the disposal consideration of R265 000 000 ("Disposal Consideration"), subject to the escalation as set out below.

26. FINANCIAL ASSET BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Note	Group			
		2021		2020	
		Amortised cost R'000	Total R'000	Amortised cost R'000	Total R'000
Trade and other receivables	12	19 918	19 918	13 626	13 626
Cash and cash equivalents	13	32 340	32 340	24 294	24 294
Loan to related party	11	1 689	1 689	110	110
Financial assets	10	25 586	25 586	70 155	70 155
		79 533	79 533	108 185	108 185

	Note	Company			
		2021		2020	
		Amortised cost R'000	Total R'000	Amortised cost R'000	Total R'000
Trade and other receivables	12	3 177	3 177	499	499
Cash and cash equivalents	13	6 544	6 544	5 306	5 306
Loan to related party	11	8 989	8 989	6 944	6 944
		18 710	18 710	12 749	12 749



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL LIABILITY BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

		Group					
		2021			2020		
		Financial liabilities at amortised cost	Non-financial instruments	Total	Financial liabilities at amortised cost	Non-financial instruments	Total
Notes		R'000	R'000	R'000	R'000	R'000	R'000
Financial liabilities	7	2 105 248	–	2 105 248	1 711 422	–	1 711 422
Trade and other payables	15	82 798	2 259	85 057	65 466	4 564	70 031
		2 188 046	2 259	2 190 305	1 776 888	4 564	1 781 453

		Company					
		2021			2020		
		Financial liabilities at amortised cost	Non-financial instruments	Total	Financial liabilities at amortised cost	Non-financial instruments	Total
Notes		R'000	R'000	R'000	R'000	R'000	R'000
Financial liabilities	7	737 321	–	737 321	16 416	820	17 236
Loans from related party	11	11 529	–	11 529	53 248	–	53 248
Trade and other payables	15	22 131	1 776	23 908	442 462	–	442 462
		770 981	1 776	772 758	512 126	820	512 946

28. 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.

Levels of fair value measurements	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Assets				
Investment properties (Level 3)	4 495 969	4 183 994	1 522 536	1 098 201
TOTAL ASSETS AT FAIR VALUE	4 495 969	4 183 994	1 522 536	1 098 201

Refer to note 6 for the reconciliation of investment properties from opening to closing balance.

The fair value of investment properties is updated at each reporting period either by way of external valuations or directors' valuations.

Investment property is required to be fair valued with sufficient regularity that the value is representative of the fair value. Per JSE requirements a third of investment properties are required to be valued by an independent valuer (Mills Fitchet Magnus Penny) on an annual basis and the remaining two-thirds are valued by management. Independent valuations were performed on a third of properties with effective date 28 February 2021 and the remaining properties were valued by management.

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-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 are 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 to 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.

As at 28 February 2021, the following significant key assumptions and unobservable inputs used by the group in determining fair value were in the following ranges:

		Industrial	Commercial	Retail	Hospitality	Total
Average discount rate	(%)	13.98	14.00	13.88	13.63	13.95
Average capitalisation rate	(%)	8.98	9.00	8.88	8.63	8.95
Average exit capitalisation rate	(%)	9.33	9.29	9.13	9.13	9.25
Average prior year exit capitalisation rate	(%)	9.03	9.00	8.92	8.63	8.89
Average rental growth rate	(%)	5.00	5.00	5.00	5.00	5.00
Average expense growth rate	(%)	7.00	7.00	7.00	7.00	7.00
Structural vacancy range	(%)	0.5 – 2.0	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	2 – 4

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

		Industrial	Commercial	Retail	Hospitality	Total
Average value per property (excluding land/bulk value)	(R'000)	115 270	159 686	104 000	219 500	139 103
Average value per square meter	(Rands)	4 740	15 758	15 464	15 635	9 816

The fair market valuations are tested for reasonableness by comparing the resultant Rand per m² 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. Inter-relationship between key unobservable inputs and fair value measurements are as follows:

The estimated fair value would increase/(decrease) if:

- The discount rate was lower/(higher)
- The reversionary capitalisation rate was lower/(higher)
- The expected market rental growth was higher/(lower)
- The expected expense growth was lower/(higher)
- The vacant periods were shorter/(longer)
- The rent-free periods were shorter/(longer)
- The occupancy rate was higher/(lower)
- The estimate of market rentals was higher/(lower).

Due to Covid-19 all assumptions used by internal and external valuers were reviewed and adjusted for where required. The material assumptions applied in the property valuations have not changed materially from the prior year.

The discount rate range applied in the 2020 financial period varied between 14.25% and 15.75% (average 15.06%). The capitalisation rate applied in the 2020 financial period varied between 8.25% and 9.50% (average 9.06%).



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FAIR VALUE DISCLOSURES (CONTINUED)

The table below illustrates the sensitivity of the fair value to changes in the exit capitalisation rate:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Sensitivity analysis to exit capitalisation rates				
Increase in fair value if exit capitalisation rates are decreased by 0.5%	254 693	164 634	31 970	12 082
Decrease in fair value if exit capitalisation rates are increased by 0.5%	(228 422)	(172 493)	(28 886)	(9 273)

The sensitivity analysis assumes all other items remain unchanged and is based on the investment property value at the end of the reporting period.

	Date of last external valuation	Discount rate %	Exit capitalisation rate %	Fair value of property 28 February 2021 R'000
List of properties – 2021 external valuations				
Liberty Life Building, Century City	28/02/2021	13.75	8.75	441 600
Mega Park, Bellville	28/02/2021	14.00	9.00	440 500
2 Long Street, Cape Town	28/02/2021	14.50	9.50	430 000
1 Waterhouse Place, Century City	28/02/2021	13.50	8.50	241 250
1 Beacon Way, Parow	28/02/2021	13.25	8.25	95 500
78 on Edward, Tyger Valley	28/02/2021	13.75	8.75	87 850
Viking Business Park, Epping	28/02/2021	14.00	9.00	83 500
Sterling Place, Tyger Valley	28/02/2021	14.00	9.00	57 500
28 Marine Drive, Paarden Island	28/02/2021	14.00	9.00	44 000
1 Paarden Island Rd, Paarden Island	28/02/2021	13.50	8.50	30 000
Island Business Park, Paarden Island	28/02/2021	14.25	9.25	22 400
34 Marine Drive, Paarden Island	28/02/2021	14.00	9.00	18 400
List of properties – 2021 management valuations Note 3				
Sable Square Shopping Centre, Milnerton	28/02/2019	13.75	9.25	409 000
Northgate Park, Brooklyn	29/02/2020	14.00	9.50	326 000
15 on Orange, Cape Town	29/02/2020	13.25	8.75	277 000
MWEB Head Office, Parow	28/02/2019	14.00	9.50	170 000
UES DoubleTree by Hilton, Woodstock	29/02/2020	14.00	9.50	162 000
UES Commercial, Retail and Residential, Woodstock	28/02/2019	14.00	9.50	144 000
Blackheath Park, Blackheath	28/02/2019	10.00	14.50	138 000
Radnor Road, Bellville	29/02/2020	14.00	9.50	116 000
No. 2 Estuaries, Century City	29/02/2020	13.25	8.75	107 000
Blackheath Warehouse, Blackheath	29/02/2020	14.00	9.50	98 300
Manhattan Plaza, Tyger Valley	29/02/2020	14.00	9.50	89 000
Nampak Liquids, Epping	28/02/2019	13.75	9.25	81 694
5 Fitzmaurice, Epping	29/02/2020	14.25	9.75	78 000
Talana Close, Bellville	28/02/2019	14.25	9.75	64 000
Bloemhof Building, Tyger Valley	29/02/2020	14.50	10.00	57 000
142 Edward Street, Tyger Valley	29/02/2020	14.00	9.50	42 000
26 Marine Drive, Paarden Island	29/02/2020	14.00	9.50	37 500
12 Pickwick Road, Woodstock	28/02/2019	13.75	9.25	27 000
30 Marine Drive, Paarden Island	28/02/2019	14.00	9.50	20 000
Omnipark, Tyger Valley	28/02/2019	14.50	10.00	20 000
List of properties – 2021 no valuation completed				
Marine Place – Development	Note 1	N/A		3 636
Sable Residences, Milnerton – Development	Note 1	N/A		4 030
George Aerotropolis – Land	Note 2	N/A		32 309
		13.95	9.25	4 495 969

Note 1 Cost relates to future development sites where approval has been received and professional fees incurred relating to the future development have been capitalised to date.

Note 2 This is strategic land that was acquired in George directly opposite the airport for future industrial development.

Note 3 Management valuations were undertaken by a RICS and SACPPV accredited valuer.

29. SHARE-BASED PAYMENT RESERVE

	Note	Group		Company	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
Conditional Share Plan ("CSP")	29.1	26 012	14 121	26 012	14 121
		26 012	14 121	26 012	14 121
Reconciliation of share-based payment reserve					
Opening balance		14 121	10 850	14 121	10 850
Expense recognised in profit and loss					
– Conditional Share Plan		11 891	8 123	11 891	8 123
– Executive-provided share plan		–	(1 185)	–	(1 185)
Shares vested during the period – Executive share plan		–	(3 666)	–	(3 666)
		26 012	14 121	26 012	14 121

29.1 CONDITIONAL SHARE PLAN

In terms of its CSP, the group has granted conditional shares to executive directors and staff. The full details of the scheme are included in the remuneration report.

The CSP awards have been recognised as equity-settled share-based payments as a separate category within equity. The fair value of the Conditional Share Plan charge has been measured using the Black-Scholes formula. The following assumptions were incorporated in the valuation:

	Award 1	Award 2	Award 3	Award 4
Number of shares	800 000	800 000	800 000	504 000
Grant date	03/01/2018	07/01/2018	07/01/2019	07/01/2020
Vesting date	30/06/2021	30/06/2022	30/06/2023	30/06/2024
Issue price at award date (30-day VWAP)	(Rands) 9.63	10.05	10.14	6.26
Option price at award date	(Rands) 8.04	7.28	7.04	4.49
Volatility	(%) 28	24	40	67
Forfeiture rate	(%) 10	10	10	10
Dividend yield	(%) 6.1	5.8	5.8	9.4
Performance factor	(%) 100	90	90	90

Expected volatility has been based on an evaluation of the historical volatility of the company's peer share price since listing as the company itself has a less than 5-year listing history. The expected forfeiture rate has been based on historical experience and general employee behaviour. On an annual basis, assumptions are adjusted with the availability of objective evidence.

Where these result in changes in the non-market conditions of the scheme, the cumulative impact is charged to profit and loss in the year the adjustment is made.

During the current and prior period no award was forfeited, exercised or has expired.

30. FINANCIAL GUARANTEE

Spear Holdco Proprietary Limited, a wholly owned subsidiary of the group, provided a guarantee to a shareholder, Ikamva Labantu Empowerment Trust ("ILET"), in favour of Nedbank Property Finance to settle any outstanding liabilities (interest and capital) relating to ILET's loan they obtained from Nedbank to subscribe for 3 611 111 Spear REIT Limited shares on listing date. ILET subscribed for shares as part of the public placement at the market placement price of R9.00. ILET obtained a loan of R25.3 million and settled the remaining purchase price in cash. The group holds no right over the shares, nor are there any vesting conditions relating to the shares. Nedbank holds a pledge over the shares as security for the loan. Spear Holdco Proprietary Limited will only be liable if ILET is unable to settle any liability due relating to the share subscription loan if so called upon by Nedbank. Any interest settled in favour of ILET to Nedbank is refundable to the group by ILET and accrues interest compounded monthly at prime less 1.25%. ILET is an ordinary shareholder of the company.

The value of the guarantee shortfall, being the difference between the loan capital and value of the shares, at year-end if called upon by the bank, is not material and thus no amount has been recognised. No event of default has occurred and the group has not been notified of any such event.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. PROPERTY ANALYSIS

Property name	Sector	Gross lettable area m ²	Vacant area m ²	Average gross rental per m ² in period R'000	Value 28 February 2021 R'000
Liberty Life Building, Century City	Commercial	18 244	1 630	181	441 600
Mega Park, Bellville	Industrial	86 195	3 235	52	440 500
2 Long Street, Cape Town	Commercial	25 207	3 535	160	430 000
Sable Square Shopping Centre, Milnerton	Retail	31 100	2 189	111	409 000
Northgate Park, Brooklyn	Commercial	16 956	2 130	157	326 000
15 on Orange, Cape Town	Hospitality	16 663	240	32	277 000
1 Waterhouse Place, Century City	Commercial	11 248	2 853	139	241 250
MWEB Head Office, Parow	Commercial	11 195	–	107	170 000
UES DoubleTree by Hilton, Woodstock	Hospitality	11 415	–	–	162 000
UES Commercial, Retail and Residential, Woodstock	Commercial	10 654	5 052	208	144 000
Blackheath Park, Blackheath	Industrial	37 334	1 172	37	138 000
Radnor Road, Bellville	Industrial	12 879	–	72	116 000
No. 2 Estuaries, Century City	Commercial	4 199	–	151	107 000
Blackheath Warehouse, Blackheath	Industrial	22 201	–	36	98 300
1 Beacon Way, Parow	Industrial	16 170	–	13	95 500
Manhattan Plaza, Tyger Valley	Commercial	4 931	98	156	89 000
78 on Edward, Tyger Valley	Commercial	3 880	50	140	87 850
Viking Business Park, Epping	Retail	9 320	1 019	115	83 500
Nampak Liquids, Epping	Industrial	15 450	–	43	81 694
5 Fitzmaurice, Epping	Industrial	22 829	–	32	78 000
Talana Close, Bellville	Industrial	23 750	–	23	64 000
Sterling Place, Tyger Valley	Commercial	4 108	32	140	57 500
Bloemhof Building, Tyger Valley	Commercial	4 307	2 078	202	57 000
28 Marine Drive, Paarden Island	Retail	7 320	158	51	44 000
142 Edward Street, Tyger Valley	Commercial	2 609	654	160	42 000
26 Marine Drive, Paarden Island	Retail	4 030	–	54	37 500
1 Paarden Island Rd, Paarden Island	Retail	5 538	–	45	30 000
12 Pickwick Road, Woodstock	Industrial	2 516	–	94	27 000
Island Business Park, Paarden Island	Commercial	2 405	–	74	22 400
30 Marine Drive, Paarden Island	Retail	2 764	–	69	20 000
Omnipark, Tyger Valley	Commercial	2 203	390	111	20 000
34 Marine Drive, Paarden Island	Industrial	3 838	1 433	48	18 400
		453 458	27 949		4 455 994
Properties under development					
<i>Future development projects</i>					
Marine Place – Development	Development				3 636
Sable Residences, Milnerton – Development	Development				4 030
					7 666
Land held for development					
George Aerotropolis – Land	Development				32 309
					32 309
GRAND TOTAL		453 458	27 949	96	4 495 969

Tenant profile	Gross lettable area m ²	Gross lettable area %	Number of tenants	Number of tenants %
A – Large nationals, large listed and government tenants	234 747	51.77	94	24
B – Smaller international and national tenants	178 429	39.35	245	62
C – Other local tenants and sole proprietors	12 333	2.72	56	14
Vacant	27 949	6.16	0	0
	453 458	100.00	395	100

Geographical split	Revenue R'000	Revenue %	Gross lettable area m ²	Gross lettable area %
Western Cape	498 263	100.00	453 458	100.00
	498 263	100.00	453 458	100.00

Sectoral split and vacancy profile	Number of properties	Value excluding lease asset R'000	Value %	Property revenue R'000	Revenue %	Gross lettable area m ²	Gross lettable area %	Vacant area m ²	Vacancy GLA*
Industrial	10	1 152 700	25.64	163 610	32.84	243 162	53.62	5 840	1.29
Commercial	14	2 235 600	49.72	240 743	48.32	141 867	31.29	18 502	4.08
Retail	6	624 000	13.88	78 704	15.80	40 351	8.90	3 366	0.74
Hospitality	2	439 000	9.76	15 206	3.05	28 078	6.19	240	0.05
Development*	0	44 669	0.99	–	0.00	–	0.00	–	0.00
	32	4 495 969	100.00	498 263	100.00	453 458	100	27 949	6.16

* Total GLA excludes GLA under development.

Lease expiry profile	Industrial %	Commercial %	Retail %	Hospitality %	Total %
Lease expiry profile based on GLA					
Vacant	3	16	6	1	6
Monthly	1	1	5	0	1
Expiries for 03/2021 – 02/2022	21	14	18	0	18
Expiries for 03/2022 – 02/2023	14	14	9	0	13
Expiries for 03/2023 – 02/2024	26	16	14	2	20
Expiries for 03/2024 – 02/2025	14	26	2	1	15
Expiries for 03/2025 onwards	21	13	46	96	27
	100	100	100	100	100

Lease expiry profile based on revenue	Industrial %	Commercial %	Retail %	Hospitality %	Total %
Monthly	1	1	3	0	1
Expiries for 03/2021 – 02/2022	19	16	19	0	17
Expiries for 03/2022 – 02/2023	21	16	13	9	17
Expiries for 03/2023 – 02/2024	26	17	16	27	20
Expiries for 03/2024 – 02/2025	9	35	3	32	22
Expiries for 03/2025 onwards	24	15	46	32	23
	100	100	100	100	100

Weighted average rental escalations and yields	Escalation %	Yields FY2021 %
Industrial	7.00	9.2
Commercial	6.89	8.1
Retail	6.39	8.2
Hospitality	6.17*	0.3
Average	6.81	7.6

* DoubleTree by Hilton is operated by a third-party operator and the lease is based on a fixed (60% of Budgeted EBITDA) and variable (95% of actual EBITDA less fixed rental) rate, which is agreed annually.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. RESTATEMENT OF CASH FLOWS

The company's separate statement of cash flows has been restated for the effect of classifying "Contribution to subsidiary" as an investing activity, based on the nature of this cash flow. These contributions were previously included as part of "Cash flow from financing activities".

Additionally, the advances and repayments of related party loans, under financing activities, have now been reflected on a gross basis. Previously, this was shown on a net basis. The group believes that the restatement enhances the disclosure in the statement of cash flows, providing a representation of the impact of the related party loans on the company statement of cash flows.

The correction of the figures for the 2020 financial year presented did not have any impact on the "Aggregate cash flows", or on the consolidated cash flows.

The company has corrected the classification and presentation of the above matters in the separate statement of cash flows as indicated below:

	As previously reported 29 February 2020 R'000	Adjustment	As restated 29 February 2020 R'000
Company			
Cash flow from investing activities			
Contribution (to) subsidiary	-	(45 642)	(45 642)
Net cash outflow from investing activities	(246 595)	(45 642)	(292 237)
Cash flow from financing activities			
Contribution (to)/from subsidiary	(45 642)	45 642	-
Proceeds from related party loans	48 160	(48 160)	-
Repayment of related party loan		(161 322)	(161 322)
Proceeds from related party loan		209 482	209 482
Net cash outflow from financing activities	235 067	45 642	280 709
Total difference			

33. 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.

Please refer to note 5 risk management for details of financial liabilities classified as current assets.

APPENDIX 1 – ADOPTION OF SAREIT
BEST PRACTICE RECOMMENDATIONS

The principles encompassed in the calculations below are aligned with Best Practice Recommendations ("BPR") by the SA REIT Association ("SAREIT") published in 2019 and do not comply with IFRS. The BPR is only effective for financials year-ends commencing on or after 1 January 2020. Spear's executive committee elected to early adopt the BPR in the prior financial year ended 29 February 2020.

RECONCILIATION BETWEEN EARNINGS AND DISTRIBUTABLE EARNINGS

The company has established strict guidelines regarding its distribution policy to ensure that the distributable earnings are a fair reflection of sustainable earnings. This comprises 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

	R'000
Profit or loss per IFRS Statement of Comprehensive Income (SOCl) attributable to the parent	53 008
Adjusted for:	
Accounting/specific adjustments:	75 049
Fair value adjustments to investment property	106 404
Asset impairments (excluding goodwill) and reversals of impairment	119
Deferred tax movement recognised in profit or loss	764
Straight-lining operating lease adjustment	(32 238)
Other adjustments:	1 253
Antecedent earnings adjustment *	1 253
SA REIT FFO	129 309
* In the determination of distributable earnings, the group elects to make an adjustment for the antecedent distribution arising as a result of the following:	
- Dividend reinvestment programme completed in November 2020 – Total shares issued: 7 305 717	
- Acquisition of minority holding in subsidiary, Spear One Proprietary Limited – Total shares issued: 1 533 333	
Company-specific adjustments	19 418
IFRS 2 expense – CSP awards with future vesting and issue date	11 891
Provisional tax paid on retained income for the period	7 527
TOTAL DISTRIBUTABLE COMPANY FFO	148 727

	Cents per share	R'000
Interim distributable income per share (DIPS)	36.68	73 222
Final DIPS	36.70	75 505
TOTAL DISTRIBUTABLE INCOME PER SHARE	73.38	148 727
FINAL PAY-OUT RATIO FOR FINANCIAL YEAR	80%	
Number of shares outstanding at the end of interim period (net of treasury)	199 619 857	
Final number of shares outstanding at the end of period (net of treasury)	205 733 231	
Interim company dividend per share (DPS)	29.34	58 578
Final company DPS	29.36	60 403
TOTAL COMPANY DPS	58.70	118 981
Taxable retained earnings		29 746

Provisional tax on retained earnings paid in February 2021 (refer to company-specific adjustments).



APPENDIX 1 (CONTINUED)

DIVIDEND DECLARED AND DIVIDEND PER SHARE

	Cents per share	R'000
Total distributions for the period – 2021		
Interim distribution declared on 30 October 2020 (Distribution number 8)	29.34	58 578
Final distribution declared on 14 May 2021 (Distribution number 9)	29.36	60 403
TOTAL DISTRIBUTIONS FOR THE PERIOD ENDED 28 FEBRUARY 2021	58.70	118 981
Total distributions for the period – 2020		
Interim distribution declared on 17 October 2019 (Distribution number 6)	44.64	91 858
Final distribution declared on 14 May 2020 (Distribution number 7)	47.02	94 239
TOTAL DISTRIBUTIONS FOR THE PERIOD ENDED 29 FEBRUARY 2020	91.66	186 098

SA REIT NET ASSET VALUE (SA REIT NAV)

	February 2021 R'000	February 2020 R'000
Reported NAV attributable to the parent	2 372 257	2 447 203
Adjustments:		
Dividend declared and 100% cash-settled	(60 403)	(94 239)
Deferred tax	(6 179)	(6 942)
SA REIT NAV	2 305 675	2 346 022
Shares outstanding		
Number of shares in issue at period end (net of treasury shares)	205 733 231	200 433 926
Dilutive number of shares in issue	205 733 231	200 433 926
SA REIT NAV PER SHARE	11.21	11.70

SA REIT COST-TO-INCOME RATIO

	February 2021 R'000	February 2020 R'000
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	160 925	156 889
Administrative expenses per IFRS income statement	26 665	28 883
Other expenses, if directly related to property operations, with clear explanations of these items		
Depreciation	11 754	7 297
Exclude:		
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	(667)	(126)
Operating costs	198 677	192 945
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	378 716	389 332
Utility and operating recoveries per IFRS income statement	120 284	114 462
Gross rental income	498 999	503 794
SA REIT COST-TO-INCOME RATIO (%)	39.82	38.30

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

	February 2021 R'000	February 2020 R'000
Expenses		
Administrative expenses as per IFRS income statement	26 665	28 883
Other identified administrative expenses, with clear explanations of these items	667	126
Depreciation	667	126
Administrative costs	27 332	29 009
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	378 716	389 332
Utility and operating recoveries per IFRS income statement	120 284	114 462
Gross rental income	498 999	503 794
SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO (%)	5.48	5.76

SA REIT GLA VACANCY RATE

	February 2021 m ²	February 2020 m ²
Gross lettable area of vacant space	27 949	12 570
Gross lettable area of total property portfolio	453 458	436 436
SA REIT GLA VACANCY RATE (%)	6.16	2.88

COST OF DEBT

	February 2021 %	February 2020 %
Variable interest rate borrowings		
Prime – Floating reference rate less weighted average margin	5.78	8.46
3-month JIBAR – Floating reference rate plus weighted average margin	5.64	8.12
Fixed-interest-rate borrowings		
Weighted average fixed-rate	8.66	8.99
Pre-adjusted weighted average cost of debt:	7.26	8.75
Adjustments:		
Impact of interest rate derivatives	–	–
Impact of cross-currency interest rate swaps	–	–
Amortised transaction costs imputed into the effective interest rate	–	–
ALL-IN WEIGHTED AVERAGE COST OF DEBT	7.26	8.75

SA REIT LOAN-TO-VALUE (SA REIT LTV)

	February 2021 R'000	February 2020 R'000
Gross debt	2 105 248	1 711 422
Less:		
Cash and cash equivalents	(32 340)	(24 294)
Net debt	2 072 908	1 687 128
Total assets – per Statement of Financial Position	4 583 887	4 301 966
Less:		
Cash and cash equivalents	(32 340)	(24 294)
Deferred taxation	(6 179)	(6 942)
Trade and other receivables	(19 918)	(13 626)
Carrying amount of property-related assets	4 525 450	4 257 104
SA REIT LTV (%)	45.81	39.63



APPENDIX 2 – SHAREHOLDER ANALYSIS

SHAREHOLDER SPREAD

Shareholding	Number of shareholders	% of total shareholding	Shares held	% held
1 – 1 000 shares	385	19.42	88 794	0.04
1 001 – 10 000 shares	963	48.59	4 311 242	2.01
10 001 – 100 000 shares	470	23.71	13 185 048	6.14
100 001 – 1 000 000 shares	127	6.41	37 958 206	17.69
1 000 001 shares and over	37	1.87	159 072 281	74.12
	1 982	100.00	214 615 571	100.00

SHAREHOLDER TYPE

Non-public shareholders	Number of shareholders	% of total shareholding	Shares held	% held
Directors and associates of the company (direct holdings)	6	0.30	788 984	0.37
Directors and associates of the company (indirect holdings)	14	0.71	69 967 361	32.60
Spear Holdco Proprietary Limited	1	0.05	8 798 990	4.10
	21	1.06	79 555 335	37.07
Public shareholders	1 961	98.94	135 060 236	62.93
	1 982	100.00	214 615 571	100.00

SHAREHOLDING GREATER THAN 5%

Holding name	Beneficiary	Shares held	% held of total
BPSS JER/Huntress CI Nominees Limited	Non-executive Deputy Chairman	21 903 324	10.21
Mtshobela Capital Holdings Proprietary Limited	Chairman	21 675 880	10.10
Mega Park Investments Proprietary Limited	Non-executive	16 224 544	7.56
		37 900 424	17.66
Total number of shareholders		1 982	
Total number of shares in issue		214 615 571	

SHAREHOLDER SPLIT

	%	Shareholding
Private companies	39.7	85 188 301
Collective investment schemes	31.4	67 410 691
Retirement benefit funds	9.1	19 568 841
Retail shareholders	6.2	13 251 744
Investment partnerships	4.0	8 657 748
Trusts	3.2	6 956 498
Foundations and charitable funds	1.5	3 164 202
Organs of state	1.1	2 429 644
Managed funds	0.9	1 968 072
Stockbrokers and nominees	0.5	1 100 705
Assurance companies	0.5	1 050 315
Medical aid funds	0.4	816 785
Close corporations	0.3	718 281
Treasury	0.3	668 285
Hedge funds	0.3	588 938
Certificated	0.2	429 217
Insurance companies	0.2	387 010
Public companies	0.1	255 763
Custodians	0.0	4 531
	100.0	214 615 571

SHARE PRICE PERFORMANCE

List price on 11 November 2016	(Rands)	9.00
Closing price on 28 February 2021	(Rands)	5.10
Closing high for the period	(Rands)	9.75
Closing low for the period	(Rands)	4.75
Number of shares issued		214 615 571
Volume traded during period		35 982 380
Ratio of volume traded to shares issued	(%)	16.77
Rand value traded during the period	(Rands)	200 904 667



Notice is hereby given of the annual general meeting of shareholders of Spear REIT Limited to be held at Spear REIT Limited Head Office, 16th Floor, 2 Long Street, Cape Town, on Friday, 23 July 2021 at 11:00 am ("the AGM").

PURPOSE

The purpose of the AGM is to transact the business set out in the agenda below.

AGENDA

- (i) Presentation of the audited annual financial statements of the Company, including the remuneration report and the reports of the directors and the audit and risk committee for the year ended 28 February 2021. The integrated report ("Integrated Report"), of which this notice of AGM forms part, contains the consolidated annual financial statements and the aforementioned reports.

The annual financial statements, including the unmodified audit opinion, are available on Spear's website at www.spearprop.co.za, or may be requested and obtained in person, at no charge, at the registered office of Spear during office hours.

- (ii) To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

Note:

For any of the ordinary resolutions numbers 1 to 9 (inclusive) to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolution number 10 to be adopted, at least 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof.

1. RETIREMENT AND RE-ELECTION OF DIRECTORS

1.1 ORDINARY RESOLUTION NUMBER 1

"Resolved that Mr JE Allie, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

1.2 ORDINARY RESOLUTION NUMBER 2

"Resolved that Mr BL Goldberg, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

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")

1.3 ORDINARY RESOLUTION NUMBER 3

"Resolved that Mr MN Flax, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

Brief curricula vitae in respect of these directors are presented on pages 24 and 25 of the Integrated Report to which this notice of AGM is attached.

The reason for ordinary resolutions numbers 1 to 3 (inclusive) is that the memorandum of incorporation of the Company, the Listings Requirements of the JSE ("JSE Listings Requirements") and, to the extent applicable, the Companies Act, require that one-third of non-executive directors of the Company must retire at each annual general meeting by rotation and, being eligible, may offer themselves for re-election as directors.

2. RE-APPOINTMENT OF THE MEMBERS OF THE AUDIT AND RISK COMMITTEE OF THE COMPANY

Note:

For avoidance of doubt, all references to the audit and risk committee of the Company is a reference to the audit committee as contemplated in the Companies Act.

2.1 ORDINARY RESOLUTION NUMBER 4

"Resolved that Mr JE Allie, subject to the approval of ordinary resolution number 1, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

2.2 ORDINARY RESOLUTION NUMBER 5

"Resolved that Mr BL Goldberg, subject to the approval of ordinary resolution number 2, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

2.3 ORDINARY RESOLUTION NUMBER 6

"Resolved that Mr N Kjellström-Matseke, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the company, until the next annual general meeting of the Company."

Brief curricula vitae in respect of these directors are presented on page 25 of the Integrated Report to which this notice of AGM is attached.

The reason for ordinary resolutions numbers 4 to 6 (inclusive) is that the Company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of a company.

3. RE-APPOINTMENT OF AUDITOR

ORDINARY RESOLUTION NUMBER 7

"Resolved that BDO South Africa Incorporated be and is hereby re-appointed as auditor of the Company for the ensuing year with the designated auditor being Mr Bernard van der Walt, a registered auditor and partner in the firm, on the recommendation of the audit and risk committee of the Company."

The reason for ordinary resolution number 7 is that the Company, being a public listed company, must have its annual financial results audited and such auditor must be appointed or re-appointed, as the case may be, each year at the annual general meeting of the Company, as required by the Companies Act and the JSE Listings Requirements.

4. NON-BINDING ADVISORY VOTE ON SPEAR'S REMUNERATION POLICY

ORDINARY RESOLUTION NUMBER 8

"Resolved that the Company's remuneration policy, as set out on pages 38 to 44 of the Integrated Report to which this notice of AGM is attached, be and is hereby endorsed by way of a non-binding advisory vote."

The reason for ordinary resolution number 8 is that the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™") recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each annual general meeting of the Company. This enables shareholders to express their views on the remuneration policy adopted. The effect of ordinary resolution 8, if passed, will be to endorse the Company's remuneration policy. Ordinary resolution number 8 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to



existing remuneration agreements. However, the board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

5. NON-BINDING ADVISORY VOTE ON SPEAR'S IMPLEMENTATION REPORT ON THE REMUNERATION POLICY

ORDINARY RESOLUTION NUMBER 9

"Resolved that the Company's implementation report in respect of its remuneration policy, as set out on pages 45 to 48 of the Integrated Report, be and is hereby endorsed by way of a non-binding advisory vote."

The reason for ordinary resolution number 9 is that King IV™ recommends, and the JSE Listings Requirements require, that the implementation report on a Company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each annual general meeting of the Company. This enables shareholders to express their views on the implementation of a Company's remuneration policy. The effect of ordinary resolution number 9, if passed, will be to endorse the Company's implementation report in relation to its remuneration policy. Ordinary resolution number 9 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the board will take the outcome of the vote into consideration when considering amendments to the implementation of the Company's remuneration policy.

Should 25% or more of the votes exercised in respect of ordinary resolution number 8 and/or 9 be against either resolution, the Company will issue an invitation to those shareholders who voted against the applicable resolution to engage with the Company.

6. GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH

ORDINARY RESOLUTION NUMBER 10

"Resolved that the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the Company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, provided that:

- the approval shall be valid until the date of the next annual general meeting of the Company, provided it shall not extend beyond fifteen months from the date of this resolution;



NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

6. GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH (CONTINUED)

ORDINARY RESOLUTION NUMBER 10 (CONTINUED)

- the general issues of shares for cash under this authority may not exceed, in the aggregate, 5% of the Company's issued share capital (number of securities) of that class as at the date of this notice of AGM, it being recorded that ordinary shares issued pursuant to a rights offer to shareholders or shares issued to the Spear REIT Limited Conditional Share Plan ("CSP") shall not diminish the number of ordinary shares that comprise the 5% of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 5% of the Company's issued ordinary share capital (net of treasury shares) amounts to 10 166 894 ordinary shares;
- in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30-business-day period;
- any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements and not to related parties;
- any such issue will only comprise securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- in the event that the securities issued represent, on a cumulative basis, 5% or more of the number of securities in issue prior to that issue, an announcement containing the full details of such issue shall be published on the Stock Exchange News Service of the JSE".

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or to duly approved share incentive schemes) it is necessary for the board of the Company to obtain the prior authority of the shareholders in accordance with the JSE Listings Requirements and the memorandum of incorporation of the Company. Accordingly, the reason for ordinary resolution number 10 is to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the memorandum of incorporation of the Company.

Note:

For this resolution to be adopted, at least 75% of voting rights exercised on it, whether in person or by proxy, must be exercised in favour of this resolution.

AGENDA

- (iii) To consider and, if deemed fit, pass, with or without modification, the following special resolutions:

Note:

For any of the special resolutions numbers 1 to 4 to be adopted, at least 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

7. REMUNERATION OF NON-EXECUTIVE DIRECTORS

SPECIAL RESOLUTION NUMBER 1

"Resolved, in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its directors for their services as directors, which includes serving on various sub-committees and to make payment of the amounts set out below (plus any value-added tax, to the extent applicable), provided that this authority will only be valid until the next annual general meeting of the Company:

PROPOSED REMUNERATION

Chairman of the board (annual remuneration)	R633 200
Deputy Chairman of the board (annual remuneration)	R622 440
Chairman/committee member (per attendance)	R7 000/R5 000
Board member (not serving on a committee) (annual remuneration)	R273 000"

The reason for special resolution number 1 is for the Company to obtain the approval of shareholders by way of a special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1, if passed, is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next annual general meeting of the Company.

8. INTER-COMPANY FINANCIAL ASSISTANCE

8.1. SPECIAL RESOLUTION NUMBER 2: INTER-COMPANY FINANCIAL ASSISTANCE

"Resolved, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of the Company may deem fit

to any company or corporation that is related or inter-related ("related" and "inter-related" will herein have the meanings attributed to such terms in section 2 of the Companies Act) to the Company, on the terms and conditions and for amounts that the board of the Company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

The reason for and effect, if passed, of special resolution number 2 is to grant the directors of the Company the authority, until the next annual general meeting of the Company, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company. This means that the Company is, inter alia, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries. In terms of this special resolution, the Company will not be able to provide direct or indirect financial assistance to directors or prescribed officers of the Company.

8.2. SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE FOR THE SUBSCRIPTION AND/OR PURCHASE OF SHARES IN THE COMPANY OR A RELATED OR INTER-RELATED COMPANY

"Resolved, in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, that the board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act) that the board of the Company may deem fit to any company or corporation that is related or inter-related to the Company ("related" and "inter-related" will herein have the meanings attributed to such terms in section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the Company or any company or corporation that is related or inter-related to the Company, on the terms and conditions and for amounts that the board of the Company may determine for the purpose of, or in connection with, the subscription of any option, or any shares or other securities, issued or to be issued by the Company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

The reason for and effect, if passed, of special resolution number 3 is to grant the directors the authority, until the next annual general meeting of the Company, to provide financial assistance to any company or corporation which is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation.

This means that the Company is authorised, inter alia, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such

financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the Company or its subsidiaries. A typical example of where the Company may rely on this authority is where a subsidiary raises funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority. In terms of this special resolution, the Company will not be able to provide any direct or indirect financial assistance to any person (i.e. directors of the Company).

In terms of and pursuant to the provisions of sections 44 and 45 of the Companies Act, the directors of the Company confirm that the board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in special resolutions numbers 2 and 3 above:

- the assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company); and
 - the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months.
- In addition, the board will only approve the provision of any financial assistance contemplated in special resolutions numbers 2 and 3 above, where:
- the board is satisfied that the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and
 - all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company's memorandum of incorporation have been met.

9. SHARE REPURCHASES BY THE COMPANY AND ITS SUBSIDIARIES

9.1. SPECIAL RESOLUTION NUMBER 4

"Resolved, as a special resolution, that the Company and the subsidiaries of the Company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the memorandum of incorporation of the Company and the JSE Listings Requirements, including, inter alia, that:

- the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;



NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

9. SHARE REPURCHASES BY THE COMPANY AND ITS SUBSIDIARIES (CONTINUED)

9.1. SPECIAL RESOLUTION NUMBER 4 (CONTINUED)

- this general authority shall only be valid until the next annual general meeting of the Company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue on the date that this authority is granted, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;
- a resolution has been passed by the board of directors approving the repurchase, that the Company and its subsidiaries ("the Group") have satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Group;
- the general repurchase is authorised by the Company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five business day period;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- the Company may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements."

The reason for and effect, if passed, of special resolution number 4 is to grant the directors a general authority in terms of its memorandum of incorporation and the JSE Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 4. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the

issued shares of a company. For the avoidance of doubt, a pro rata repurchase by the Company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

10. OTHER BUSINESS

To transact such other business as may be transacted at an annual general meeting or raised by shareholders, with or without advance notice to the Company.

INFORMATION RELATING TO THE SPECIAL RESOLUTIONS

1. The directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 4 to the extent that the directors, after considering the maximum number of shares to be purchased, are of the opinion that the position of the Group would not be compromised as to the following:
 - the Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the repurchase;
 - the consolidated assets of the Group will at the time of the AGM and at the time of making such determination, and for a period of 12 months thereafter, be in excess of the consolidated liabilities of the Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited financial statements of the Group;
 - the ordinary capital and reserves of the Group after the repurchase will remain adequate for the purpose of the business of the Group for a period of 12 months after the AGM and after the date of the share repurchase; and
 - the working capital available to the Group after the repurchase will be sufficient for the Group's requirements for a period of 12 months after the date of the notice of the AGM and for a period of 12 months after the date of the share repurchase.

General information in respect of major shareholders, material changes and the share capital of the Company is contained in the Integrated Report of which this notice of AGM forms part, as well as the full set of financial statements, being available on Spear's website at www.spearprop.co.za or which may be requested and obtained in person, at no charge, at the registered office of Spear during office hours.

2. The directors, whose names appear on pages 24 and 25 of the Integrated Report of which this notice of AGM forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of AGM contains all information required by the law and the JSE Listings Requirements.

VOTING

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the Company ("the Share Register") for purposes of being entitled to receive this notice of AGM is Friday, 18 June 2021.
2. The date on which shareholders must be recorded in the Share Register for purposes of being entitled to attend and vote at this AGM is Friday, 16 July 2021 with the last day to trade being Tuesday, 13 July 2021.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM and must accordingly bring a copy of their identity document, passport or driver's licence to the AGM. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.
4. Certificated shareholders and own-name dematerialised shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the Company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by such shareholders who wish to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the Company at the address provided on the inside back cover of this Integrated Report by not later than 11:00 am on Wednesday, 21 July 2021, provided that any form of proxy not delivered to the transfer secretaries by this time may be handed to the chairman of the AGM at any time before the appointed proxy exercises any shareholder rights at the AGM, subject to the form of proxy and the proxy's proof of identification being verified before any shareholder rights are exercised by such proxy.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person, will need to request their central securities depository participant ("CSDP") or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
7. Dematerialised shareholders, other than own name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.
8. Shareholders present in person, by proxy or by authorised representative, shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

ELECTRONIC PARTICIPATION

1. Shareholders or their proxies may participate in the AGM by way of telephone conference call ("teleconference facility").
2. Please note that the teleconference facility will only allow shareholders to listen in and raise questions during the allocated time. Shareholders will not be able to vote using the teleconference facility. Should such shareholders wish to vote, they must either:
 - complete the proxy form and return it to the transfer secretaries in accordance with paragraphs 4 and 5 above; or
 - contact their CSDP or broker in accordance with paragraphs 6 and 7 above.
3. Shareholders or their proxies who wish to participate in the AGM via the teleconference facility must notify the Company by emailing the Company Secretary, René Cheryl Stober, by no later than 11:00 am on Friday, 16 July 2021. The Company Secretary will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act and thereafter, if validated, provide further details on using the teleconference facility. Only a total of 20 telecommunication lines will be available for such participation, which will be allocated on a first-come-first-served basis.
4. The cost of the participant's phone call will be for his/her own expense and will be billed separately by his/her own telephone service provider.
5. The Company cannot guarantee there will not be a break in communication which is beyond the control of the Company.
6. The participant acknowledges that the telecommunication lines are provided by a third party and indemnifies the Company against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines, whether or not the problem is caused by any act or omission on the part of the participant or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the telecommunication lines or any defect in it or from total or partial failure of the telecommunication lines and connections linking the telecommunication lines to the AGM.

By order of the board

Per René Cheryl Stober
Company secretary

24 June 2021
Cape Town



MANHATTAN PLAZA, TYGER VALLEY

FORM OF PROXY

FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALIZED SHAREHOLDERS ONLY

For use at the annual general meeting of ordinary shareholders of the Company to be held at Spear REIT Limited Head Office, 16th Floor, 2 Long Street, Cape Town, on Friday, 23 July 2021 at 11:00 am ("the AGM").

I/We, the undersigned (full name in print) _____

of _____ (address)

being the registered holder of _____ ordinary shares hereby appoint:

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the chairman of the AGM,

as my/our proxy to attend, speak and vote on my/our behalf at the AGM for purposes of considering and, if deemed fit, passing with or without modification, the ordinary resolutions and special resolutions to be proposed thereat and at each adjournment thereof and to vote for or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name(s) in accordance with the following instructions (see Notes):

	In favour of	Against	Abstain from voting
Ordinary resolution number 1: Retirement and re-election of Mr JE Allie as director			
Ordinary resolution number 2: Retirement and re-election of Mr BL Goldberg as director			
Ordinary resolution number 3: Retirement and re-election of Mr MN Flax as director			
Ordinary resolution number 4: To re-appoint Mr JE Allie as member of the audit and risk committee			
Ordinary resolution number 5: To re-appoint Mr BL Goldberg as member of the audit and risk committee			
Ordinary resolution number 6: To re-appoint Mr N Kjellström-Matseke as member of the audit and risk committee			
Ordinary resolution number 7: To re-appoint BDO South Africa Incorporated as the auditor of the Company			
Ordinary resolution number 8: Non-binding advisory vote on Spear's remuneration policy			
Ordinary resolution number 9: Non-binding advisory vote on Spear's implementation report on the remuneration policy			
Ordinary resolution number 10: General authority to issue ordinary shares for cash			
Special resolution number 1: Remuneration of non-executive directors			
Special resolution number 2: Inter-company financial assistance			
Special resolution number 3: Financial assistance for the subscription and/or purchase of shares in the Company or a related or inter-related company			
Special resolution number 4: Share repurchases by Spear and its subsidiaries			

Please indicate your voting instruction by inserting the number of shares (or a cross should you wish to vote all of your shares) in the space provided.

Signed at _____ on this _____ day of _____ 2021.

Signature(s) _____

Assisted by (where applicable) (state capacity and full name) _____

Each Spear shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the Company) to attend, speak and vote in his/her stead at the AGM.

FORM OF PROXY (CONTINUED)

Notes

1. A Spear shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the AGM". The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A Spear shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided or by the insertion of a cross if all shares should be voted on behalf of that shareholder. Failure to comply with the above will be deemed to authorise the chairman of the AGM, if he/she is the authorised proxy, or any other proxy, to vote or to abstain from voting at the AGM as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the AGM in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any AGM, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder, in whose name any shares stand, shall be deemed joint holders thereof.
4. Forms of proxy must be completed and returned, together with proof of identification and authority to do so (where acting in a representative capacity), to be received by the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited (Private Bag X9000, Saxonwold, 2132/proxy@computershare.co.za), by not later than 11:00 am on Wednesday, 21 July 2021 provided that any form of proxy not delivered to the transfer secretaries by this time may be handed to the chairman of the AGM at any time before the appointed proxy exercises any shareholder rights at the AGM, subject to the form of proxy and the proxy's proof of identification being verified before any shareholder rights are exercised by such proxy.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Ave, Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)
proxy@computershare.co.za