

# DIRECTORS' REPORT

Spear REIT Limited and its subsidiaries for the year ended 28 February 2022

## NATURE OF BUSINESS

Spear REIT Limited ("Spear") is 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%
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 financial statements.

## GOING CONCERN

The consolidated 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 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 26 for detailed information regarding subsequent events.

## BORROWINGS

Spear REIT Limited has unlimited borrowing powers in terms of its memorandum of incorporation ("MOI"), but the group has maintained its debt levels below 60% of its gross asset value in accordance with 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 2 times.

The group's overall debt was R1 780 280 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 214.6 million shares of no par value in the prior year to 244.8 million shares of no par value as at year-end.

Reconciliation of share movements:

Date	Shares (million)	Rand per share	Reason
2022/02/04	30.23	8.40	Private placement of shares

At the end of the current period, 234 431 877 shares of no par value were in issue after deducting 10 414 513 treasury shares.

All movements in issued shares are detailed in note 15 to the financial statements.

## DISTRIBUTION TO SHAREHOLDERS

The board of directors declared distribution number 11 of 35.19 cents per share on 26 May 2022.

Distribution numbers 10 and 11 for the year ended 28 February 2022 represent a 16.26% increase over the distribution for the year ended 28 February 2021.

Salient dates for the distribution are as follows:

	2022
Declaration date	Thursday, 26 May
Last day to trade cum dividend distribution	Monday, 13 June
Shares trade ex dividend distribution	Tuesday, 14 June
Record date	Friday, 17 June
Payment date	Monday, 20 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' REPORT (CONTINUED)

## DIRECTORS

The directors of the company are detailed in the corporate governance report on page 24.

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

In terms of the memorandum of incorporation the following directors retire at the forthcoming annual general meeting and are eligible for re-election:

- Abubaker Varachhia \* (Non-executive Chairman)
- Niclas Kjellström-Matseke \*#
- Dr. Rozett Lucille Phillips \*#

## DIRECTORS' INTEREST IN ORDINARY SHARES

### Directors' interest as at 28 February 2022

Directors	Directly	Indirectly	Total	%
A Varachhia <sup>1</sup>	–	15 060 880	15 060 880	6.15
MN Flax	–	21 963 324	21 963 324	8.97
CS McCarthy <sup>2</sup>	–	16 224 544	16 224 544	6.63
QM Rossi <sup>3</sup>	–	7 778 246	7 778 246	3.18
BL Goldberg	–	1 328 533	1 328 533	0.54
N Kjellström-Matseke	49 980	–	49 980	0.02
C Barnard <sup>4</sup>	–	338 506	338 506	0.14
JE Allie	–	106 584	106 584	0.04
RL Phillips (Dr.)	–	–	–	0.00
<b>Total</b>	<b>49 980</b>	<b>62 800 617</b>	<b>62 850 597</b>	<b>25.67</b>

### Directors' interest as at 28 February 2021

Directors	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
<b>Total</b>	<b>659 980</b>	<b>69 690 456</b>	<b>70 350 436</b>	<b>32.78</b>

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

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

- <sup>1</sup> 15 million shares to the value of 127.50 million are pledged as security against a R35.5 million interest only facility.
- <sup>2</sup> 10.141 million shares to the value of 86.20 million are pledged as security against a rolling 24-month interest only carry facility of R12.5 million with a covenant of 6.8 times cover.
- <sup>3</sup> All shares to the value of R48 million are pledged as security against a rolling 24-month interest only facility of R15.7 million with a covenant of 2 times.
- <sup>4</sup> 0.33 million shares to the value of 2.88 million are pledged as security against a rolling 24-month interest only carry facility of R1.5 million that includes various other listed equities.

The share price used is R8.50, being the closing price on the last business day for the year ended 28 February 2022.

## COMPANY SECRETARY

René Cheryl Stober was appointed as the Company Secretary on 1 September 2016.

## AUDITORS

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 financial statements.