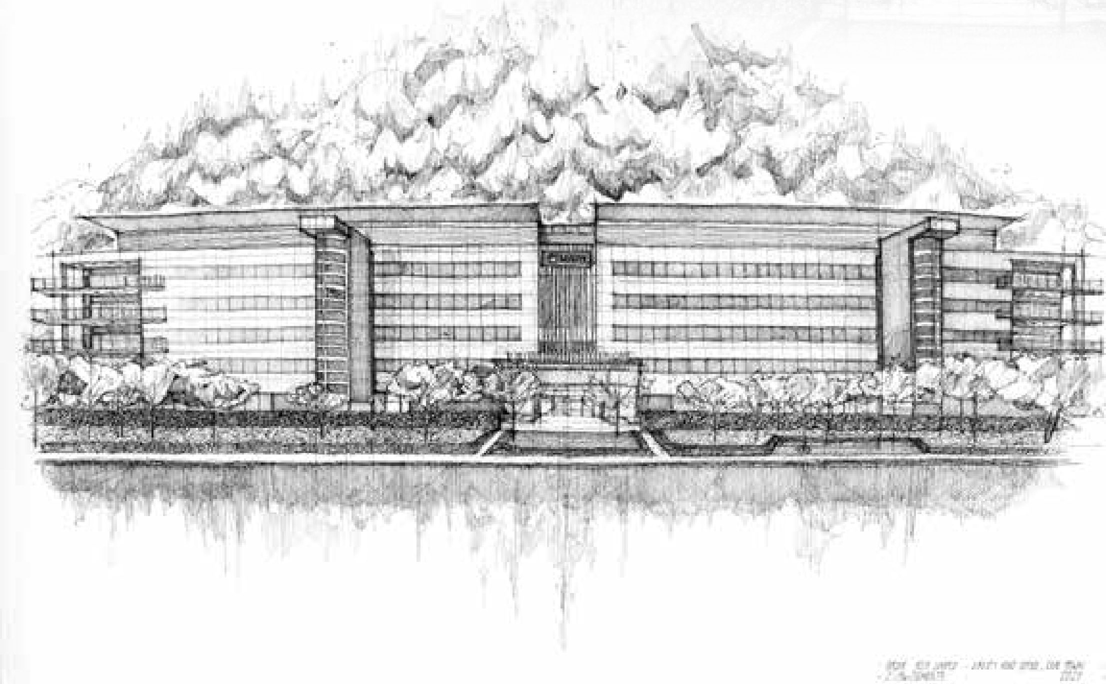
UNAUDITED CONSOLIDATED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2021



SPEAR REIT LIMITED

SALIENT DETAILS

38.89	33.06	12.66%	85%	97.33%
HY2022 DIPS CENTS PER SHARE	HY2022 DPS CENTS PER SHARE	DPS GROWTH	HY2022 PAY-OUT RATIO	HY2022 COLLECTION
92.79%	45.91%	2.15	R11.94	
OCCUPANCY	LOAN-TO-VALUE ("LTV")	ICR	TNAV	

NATURE OF THE BUSINESS

Spear REIT Limited ("Spear" or "the group" or "the company") 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 which only invests in high-quality income-generating assets in the Western Cape.

Spear obtains its diversification through asset type, rather than geographical investment.

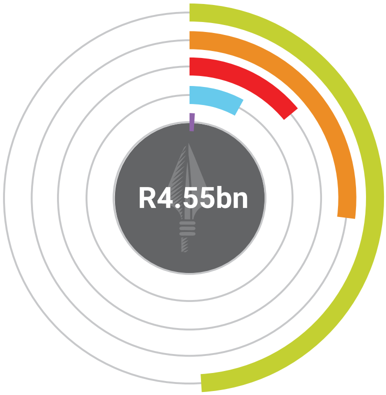
The company conducts its business directly and through a number of subsidiaries, collectively referred to as "the group".

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

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")

SECTORAL SPLIT BY VALUE, REVENUE AND GLA

VALUE OF PROPERTIES



R2.25bn Commercial **50%**

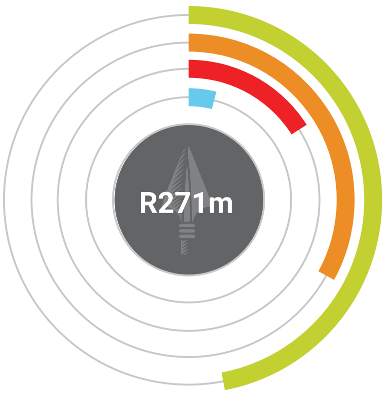
R1.24bn Industrial **27%**

R636m Retail **14%**

R379m Hospitality **8%**

R49m Development land **1%**

PROPERTY REVENUE EXCLUDING SMOOTHING



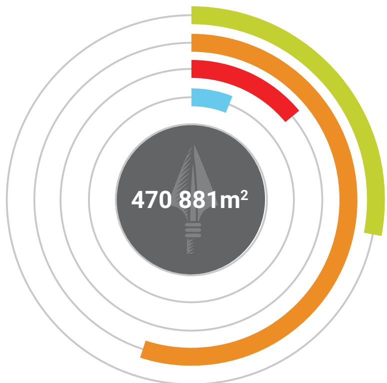
R128m Commercial **47%**

R90m Industrial **33%**

R42m Retail **16%**

R11m Hospitality **4%**

GROSS LETTABLE AREA



133 879m² Commercial **28%**

260 229m² Industrial **55%**

48 695m² Retail **11%**

28 078m² Hospitality **6%**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Group		
		Unaudited Six months ended August 2021 R'000	Unaudited Six months ended August 2020 R'000	Audited Year ended February 2021 R'000
ASSETS				
Investment property (including straight-line accrual)		**4 552 059**	4 457 815	4 495 969
Property, plant and equipment		**1 920**	2 550	2 206
Financial assets		**4 135**	58 307	4 382
Deferred taxation		**6 179**	6 942	6 179
Non-current assets		**4 564 293**	4 525 614	4 508 736
Financial assets		**27 156**	15 067	21 204
Loans to related parties		**199**	1 457	1 689
Trade and other receivables		**21 396**	18 313	19 918
Cash and cash equivalents		**20 512**	32 589	32 340
Other financial asset		**69 867**	–	–
Current assets		**139 130**	67 426	75 151
TOTAL ASSETS		**4 703 423**	4 593 040	4 583 887
EQUITY AND LIABILITIES				
Shareholders' interest				
Share capital		**1 992 463**	1 906 155	1 923 355
Share-based payment reserve		**15 358**	20 303	26 012
Accumulated income		**432 876**	426 964	422 890
Total attributable to owners		**2 440 697**	2 353 422	2 372 257
Non-controlling interest		**23 255**	73 197	19 041
		2 463 952	2 426 619	2 391 298
Liabilities				
Financial liabilities		**1 883 196**	1 661 713	1 698 227
Non-current liabilities		**1 883 196**	1 661 713	1 698 227
Financial liabilities		**274 484**	428 049	407 021
Finance lease		**1 652**	1 785	1 692
Bank overdraft		**–**	–	278
Trade and other payables		**79 825**	74 874	85 057
Taxation payable		**314**	–	314
Current liabilities		**356 275**	504 708	494 362
TOTAL LIABILITIES		**2 239 471**	2 166 421	2 192 589
TOTAL EQUITY AND LIABILITIES		**4 703 423**	4 593 040	4 583 887
Number of ordinary shares in issue		**214 615 571**	205 776 521	214 615 571
Treasury shares		**(10 710 073)**	(6 156 664)	(8 882 340)
Net ordinary shares in issue		**203 905 498**	199 619 857	205 733 231
Gearing ratio	(%)	**45.91**	45.36	45.81
Net asset value per share*	(Rands)	**11.97**	11.79	11.53
Tangible net asset value per share	(Rands)	**11.94**	11.75	11.50

* *This calculation is compliant with and disclosed in terms of IFRS. Please refer to Appendix 1 on page 8 for SA REIT BPR calculations and metrics*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Group		
		Unaudited Six months ended August 2021 R'000	Unaudited Six months ended August 2020 R'000	Audited Year ended February 2021 R'000
Contractual rental income		**204 343**	182 533	377 846
Tenant recoveries		**66 221**	57 833	120 284
Straight-line rental income accrual		**15 981**	13 619	32 238
Property revenue		**286 545**	253 985	530 368
Other income		**381**	113	869
Total revenue		**286 926**	254 098	531 237
Property operating and management expenses		**(92 381)**	(75 785)	(160 925)
Net property-related income		**194 545**	178 313	370 313
Administrative expenses		**(18 250)**	(13 264)	(26 665)
Net property operating profit		**176 295**	165 049	343 648
Fair value adjustment – Investment properties		**(13 975)**	(81 862)	(106 404)
Fair value adjustment – Investments		**(8 715)**	–	–
Impairment of investments		**–**	–	(119)
Depreciation and amortisation		**(6 580)**	(5 394)	(11 754)
Listing cost		**–**	–	(278)
Share-based payment expense		**(2 796)**	(6 182)	(11 891)
Profit from operations		**144 229**	71 611	213 202
Net interest		**(74 428)**	(69 921)	(147 927)
– Finance costs		**(75 365)**	(73 629)	(153 836)
– Finance income		**937**	3 708	5 909
Profit before taxation		**69 801**	1 690	65 275
Taxation		**–**	–	(8 290)
Profit for the period		**69 801**	1 690	56 984
Other comprehensive income		**–**	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**69 801**	1 690	56 984
Attributable to:				
Equity owners of the parent		**69 801**	(2 287)	53 008
Non-controlling interest		**–**	3 977	3 977
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**69 801**	1 690	56 984
Basic earnings per share	(cents)	**32.52**	(0.58)	25.48
Diluted earnings per share	(cents)	**32.52**	(0.58)	25.48
Distribution per share*	(cents)	**33.06**	29.34	58.70
Interest cover ratio	(times)	**2.15**	2.17	2.11

* *Refer to Appendix 1*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group		
	Unaudited Six months ended August 2021 R'000	Unaudited Six months ended August 2020 R'000	Audited Year ended February 2021 R'000
Cash generated from operations			
Profit before tax	**69 801**	1 691	65 275
Adjustments for:			
Straight-line rental income accrual	**(15 981)**	(13 619)	(32 238)
Depreciation	**6 580**	5 394	11 754
Fair value adjustments	**22 689**	81 862	106 404
Impairment investments	**–**	–	119
Finance income	**(937)**	(3 708)	(5 909)
Finance cost	**75 365**	73 629	153 836
Share-based payment expense	**2 796**	6 182	11 891
Changes in working capital			
Trade and other receivables	**(1 478)**	(4 687)	(6 292)
Trade and other payables	**(5 232)**	4 843	15 026
Cash generated from operating activities	**153 604**	151 587	319 866
Finance costs	**(73 235)**	(73 629)	(152 592)
Finance income	**764**	2 164	2 974
Distribution paid	**(59 815)**	(94 128)	(152 413)
Taxation paid	**–**	–	(7 213)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**21 318**	(14 006)	10 622
Cash flows from investing activities			
Acquisition of investment property	**–**	(380 267)	(381 606)
Cost incurred on developments	**(33 666)**	(14 224)	(58 544)
Cost capitalised to investment property	**(22 442)**	(7 393)	(14 123)
Proceeds on sale of investment property	**–**	56 535	58 830
Acquisition of property, plant and equipment	**(56)**	(29)	(29)
Repayment of loan to tenant	**420**	376	376
Loan advanced to tenant	**(5 952)**	(4 945)	(11 082)
NET CASH USED IN INVESTING ACTIVITIES	**(61 697)**	(349 947)	(406 178)
Cash flow from financing activities			
Proceeds on dividend reinvestment programme	**–**	–	32 236
Proceeds from financial liabilities	**50 302**	378 341	477 840
Repayment of financial liabilities	**–**	–	(85 300)
Repayment of solar lease liability	**(40)**	–	(93)
Loan advanced to/(received from) related party	**1 490**	(1 347)	(1 579)
Purchase of treasury shares	**(22 924)**	(4 632)	(20 461)
Proceeds from sale of treasury shares	**–**	–	794
NET CASH GENERATED FROM FINANCING ACTIVITIES	**28 828**	372 362	403 437
Total cash movement for the period	**(11 550)**	8 409	7 881
Cash at the beginning of the period	**32 062**	24 181	24 181
CASH AT THE END OF THE PERIOD	**20 512**	32 590	32 062

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Group					
	Share capital R'000	Accumulated profit R'000	Equity reserve R'000	Total attributable to parent R'000	Non-controlling interest R'000	Total equity R'000
BALANCE AS AT 1 MARCH 2020	**1 910 787**	**522 291**	**14 120**	**2 447 199**	**73 197**	**2 520 395**
Changes in equity:						
Profit for the period	–	(1 203)	–	(1 203)	2 894	1 691
Distribution to minority shareholder	–	–	–	–	(2 894)	(2 894)
Acquisition of treasury shares	(4 629)	–	–	(4 629)	–	(4 629)
Distributions to shareholders	–	(94 124)	–	(94 124)	–	(94 124)
Share-based payment expense	–	–	6 182	6 182	–	6 182
BALANCE AS AT 31 AUGUST 2020	**1 906 158**	**426 964**	**20 302**	**2 353 425**	**73 197**	**2 426 621**
Changes in equity:						
Acquisition of non-controlling interest	–	–	–	–	(54 155)	(54 155)
Profit for the period	–	54 211	–	54 211	1 083	55 293
Distribution to minority shareholder	–	–	–	–	(1 083)	(1 083)
Dividend reinvestment programme	32 236	–	–	32 236	–	32 236
Acquisition of treasury shares	(15 831)	–	–	(15 831)	–	(15 831)
Disposal of treasury shares	792	–	–	792	–	792
Distributions to shareholders	–	(58 285)	–	(58 285)	–	(58 285)
Share-based payment expense	–	–	5 709	5 709	–	5 709
BALANCE AS AT 28 FEBRUARY 2021	**1 923 355**	**422 890**	**26 012**	**2 372 257**	**19 041**	**2 391 299**
Changes in equity:						
Profit for the period	**–**	**69 801**	**–**	**69 801**	**–**	**69 801**
Investment in subsidiary	**4 421**	**–**	**–**	**4 421**	**4 214**	**8 635**
Recognition of treasury shares	**64 687**	**–**	**–**	**69 108**	**–**	**69 108**
Distributions to shareholders	**–**	**(59 815)**	**–**	**(59 815)**	**–**	**(59 815)**
Share-based payment expense	**–**	**–**	**2 796**	**2 796**	**–**	**2 796**
Vesting conditional share plan	**–**	**–**	**(13 450)**	**(13 450)**	**–**	**(13 450)**
BALANCE AS AT 31 AUGUST 2021	**1 992 463**	**432 876**	**15 358**	**2 440 697**	**23 255**	**2 463 952**

OPERATING SEGMENT INFORMATION

FOR THE SIX MONTHS ENDED 31 AUGUST 2021

	Industrial R'000	Commercial R'000	Retail R'000	Hospitality R'000	Non-property R'000	Development R'000	Total R'000
Segment revenue	89 881	127 640	41 746	11 440	238	–	270 945
Straight-lining of leases	4 282	5 453	2 081	4 164	–	–	15 981
Profit from operations	96 585	94 647	37 096	(55 785)	(28 307)	(6)	144 229
Fair value adjustments	33 729	6 937	9 386	(64 026)	–	–	(13 975)
Net property operating profit	63 265	91 970	28 970	8 550	(16 454)	(6)	176 295
Finance income	319	265	287	13	18	34	937
Finance costs	(11 930)	(43 566)	(5 139)	(2 747)	(11 983)	–	(75 365)
Investment property ("IP")	1 193 337	2 216 154	613 920	356 236	–	–	4 379 647
IP under development and land	29 318	–	–	–	–	49 017	78 334
Straight-lining of lease asset	12 345	37 346	21 580	22 764	–	–	94 035
Total assets	1 337 225	2 316 331	676 403	398 747	(71 440)	46 155	4 703 421
Total liabilities	(457 999)	(1 149 815)	(195 248)	(106 319)	(332 610)	2 520	(2 239 471)

APPENDIX 1

SA REIT BEST PRACTICE RECOMMENDATIONS CALCULATION DISCLOSURE

The principles encompassed in the calculations below are aligned with Best Practice Recommendations ("BPR") by the SA REIT Association published in 2019 and do not comply with IFRS. The BPR is only effective for financial 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

		Year ended August 2021 R'000	Year ended August 2020 R'000
Profit or loss per IFRS Statement of Comprehensive Income (SOCI) attributable to the parent		**69 801**	(1 203)
Adjusted for:			
Accounting/specific adjustments:		**6 708**	68 243
Fair value adjustments to:			
– Investment property		**13 975**	81 862
– Equity instruments held at fair value through profit or loss		**8 715**	–
Straight-lining operating lease adjustment		**(15 981)**	(13 619)
SA REIT FFO		**76 509**	67 040
Company-specific adjustments		**2 796**	6 182
IFRS 2 expense – CSP awards with future vesting and issue date		**2 796**	6 182
INTERIM DISTRIBUTABLE COMPANY FFO		**79 305**	73 222
Number of shares outstanding at end of interim period (net of treasury)		**203 905 498**	199 619 857
INTERIM DISTRIBUTABLE INCOME PER SHARE (DIPS)	(cents)	**38.89**	36.68
PAY-OUT RATIO FOR PERIOD	(%)	**85**	80
Interim distributable company FFO		**67 410**	58 578
INTERIM COMPANY DISTRIBUTION PER SHARE (DPS)	(cents)	**33.06**	29.34

APPENDIX 1 (CONTINUED)

DIVIDEND DECLARED AND DIVIDEND PER SHARE

Total distributions for the period – 2022	Cents per share	R'000
Interim distribution declared on 26 October 2021 (Distribution number 10)	**33.06**	**67 410**
Final distribution declared on TBC (Distribution number 11)	**–**	**–**
TOTAL DISTRIBUTIONS FOR THE PERIOD ENDED 28 FEBRUARY 2022	**33.06**	**67 410**

Total distributions for the period – 2021	Cents per share	R'000
Interim distribution declared on 17 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**

SA REIT NET ASSET VALUE (SA REIT NAV)

		August 2021 R'000	February 2021 R'000
Reported NAV attributable to the parent		**2 440 697**	2 372 257
Adjustments:			
Dividend declared and 100% cash-settled		**(67 410)**	(60 403)
Deferred tax		**(6 179)**	(6 179)
SA REIT NAV	A	**2 367 108**	2 305 675
Shares outstanding			
Number of shares in issue at period end (net of treasury shares)		**203 905 498**	205 733 231
Dilutive number of shares in issue	B	**203 905 498**	205 733 231
SA REIT NAV PER SHARE (Rands)	A/B	**11.61**	11.21

SA REIT COST-TO-INCOME RATIO

		August 2021 R'000	February 2021 R'000
Expenses			
Operating expenses per IFRS income statement (include municipal expenses)		**92 381**	160 925
Administrative expenses per IFRS income statement		**18 250**	26 665
Other expenses, if directly related to property operations, with clear explanations of these items			
Depreciation		**6 580**	11 754
Exclude:			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets		**(342)**	(667)
Operating costs	A	**116 869**	198 678
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)		**204 724**	378 716
Utility and operating recoveries per IFRS income statement		**66 221**	120 284
Gross rental income	B	**270 945**	498 999
SA REIT COST-TO-INCOME RATIO (%)	A/B	**43.13**	39.82

APPENDIX 1 (CONTINUED)

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

		August 2021 R'000	February 2021 R'000
Expenses			
Administrative expenses as per IFRS income statement		**18 250**	26 665
Other identified administrative expenses, with clear explanations of these items		**342**	667
Depreciation		**342**	667
Administrative costs	A	**18 593**	27 332
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)		**204 724**	378 716
Utility and operating recoveries per IFRS income statement		**66 221**	120 284
Gross rental income	B	**270 945**	498 999
SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO (%)	A/B	**6.86**	5.48

SA REIT GLA VACANCY RATE

		August 2021 m^2	February 2021 m^2
Gross lettable area of vacant space	A	**33 932**	27 949
Gross lettable area of total property portfolio	B	**470 881**	453 458
SA REIT GLA VACANCY RATE (%)	A/B	**7.21**	6.16

COST OF DEBT

	August 2021 %	February 2021 %
Variable interest rate borrowings		
Prime – Floating reference rate less weighted average margin	**5.56**	5.78
3-month JIBAR – Floating reference rate plus weighted average margin	**5.63**	5.64
Fixed interest-rate borrowings		
Weighted average fixed rate	**8.34**	8.66
Pre-adjusted weighted average cost of debt:	**7.01**	7.26
Adjustments:		
Impact of interest rate derivatives	**–**	–
Amortised transaction costs imputed into the effective interest rate	**–**	–
ALL-IN WEIGHTED AVERAGE COST OF DEBT	**7.01**	7.26

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

		August 2021 R'000	February 2021 R'000
Gross debt		**2 157 680**	2 105 248
Less:			
Cash and cash equivalents		**(20 512)**	(32 340)
Add/Less:			
Derivative financial instruments		**–**	–
Net debt	A	**2 137 168**	2 072 908
Total assets – per Statement of Financial Position		**4 703 423**	4 583 887
Less:			
Cash and cash equivalents		**(20 742)**	(32 340)
Derivative financial assets		**–**	–
Deferred taxation		**(6 179)**	(6 179)
Trade and other receivables		**(21 396)**	(19 918)
Carrying amount of property-related assets	B	**4 655 106**	4 525 450
SA REIT LTV (%)	A/B	**45.91**	45.81

SELECTED EXPLANATORY NOTES TO THE RESULTS

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 the SA Best Practice Recommendations disclosure (see Annexure 1), where earnings are reconciled to company funds from operations ("CFFO"). CFFO determine the distribution declared to shareholders, which is a meaningful metric for a stakeholder in a REIT.

BASIC EARNINGS PER SHARE

		Group		
		Unaudited Six months ended August 2021 R'000	Unaudited Six months ended August 2020 R'000	Audited Year ended February 2021 R'000
Shares in issue				
Number of shares in issue at end of year net of treasury shares	(Number of shares)	**203 905 498**	199 619 857	205 733 231
Weighted average number of shares in issue	(Number of shares)	**214 615 571**	205 776 521	208 003 843
Diluted weighted average number of shares in issues	(Number of shares)	**214 615 571**	205 776 521	208 003 843
Basic earnings per share				
Earnings (profit attributable to owners of the parent)	(R'000)	**69 801**	(1 203)	53 008
Basic earnings per share	(cents)	**32.52**	(0.58)	25.48
Diluted earnings per share	(cents)	**32.52**	(0.58)	25.48

HEADLINE EARNINGS PER SHARE

		Group		
		Unaudited Six months ended August 2021 R'000	Unaudited Six months ended August 2020 R'000	Audited Year ended February 2021 R'000
Reconciliation between basic earnings and headline earnings:				
Earnings (profit attributable to owners of the parent)	(R'000)	**69 801**	(1 203)	53 008
Adjusted for:				
Fair value adjustments to investment properties: Gross		**13 975**	81 862	106 404
Fair value adjustment to investments: Gross		**8 715**	–	–
Impairment of investments: Tax		**–**	–	119
Headline earnings	(R'000)	**92 490**	80 659	159 531
Headline earnings per share:				
Headline earnings per share	(cents)	**43.10**	39.20	76.70
Diluted headline earnings per share	(cents)	**43.10**	39.20	76.70

INTRODUCTION

Spear REIT Limited (SEA:SJ) is the only regionally specialised Real Estate Investment Trust listed on the Johannesburg Stock Exchange (JSE). Spear obtains its diversification through investing into high-quality Western Cape only assets that generate strong and sustainable cash flows within the high-quality industrial, convenience retail, commercial, mixed-use and hospitality sectors.

Spear invests only within the borders of the greater Western Cape with a distinct focus on the Cape Town region.

Spear's mission statement is to be the leading Western Cape-focused REIT and to consistently grow its distribution per share ahead of inflation annually, and to deliver fund performance that places it within the top quartile of the SA REIT sector. The Spear management team's proximity to its assets is excellent and together with an acute understanding of the Western Cape real estate environment makes the company a true regional specialist priding itself on its hands-on asset management approach.

During the interim period the world has started to transition into a post-Covid operating scenario with the global vaccine rollout underway, international borders reopening and governments grappling with how its citizens will move around the world for business and leisure purposes. The residual effects of the pandemic will continuously be felt by many, both locally and internationally, for many years to come. Within the Western Cape the Provincial Health Department has made significant inroads into vaccinating speedily and safely as many citizens as possible in a concerted effort to flatten the various infection waves. The negative economic impact of the pandemic on the Western Cape and South Africa remains significant with large parts of the travel, tourism and hospitality sector remaining impaired. Strict quarantine requirements by countries of origin further depress the inbound travel market into South Africa significantly hampering the commencement of any form of tourism recovery.

The operating environment over the past six months has remained frustratingly unpredictable in the light of various infection waves and alert level fluctuations impacting tradeability within the general economy to a certain degree. The Spear portfolio has navigated through the interim period with valour. The high-quality and defensive nature of Spear's asset base coupled with strong lease covenants and a highly experienced management team has stood out during the interim period.

Rent preservation, tenant retention, marginal tenant support, debtors management and vacancy management have been the sharpest points of management's focus. The latter has resulted in a double-digit increase in group revenue compared to the comparable period, being HY2021. Consistent resilience has been evident across the portfolio during the interim period.

Isolated tenant casualties have been mitigated with speedy re-lets and aggressive marketing campaigns being the order of the day. The office portfolio has seen the largest vacancy creep and requires intense asset management focus moving forward. Spear's office portfolio is in very attractive locations and the vacancy reduction strategy is starting to bear fruit.

Overall, the Spear portfolio has maintained high occupancy levels during the interim period with a 92.79% occupancy rate at period end.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

FINANCIAL RESULTS

Group revenue (excluding smoothing) increased by 12.67% from the prior corresponding period as a result of fewer tenant relief measures being required and the full impact of acquisitions accounted for in this period that was concluded in the second quarter of HY2021. Net property operating profit (excluding smoothing) increased by 5.87% from the prior corresponding period.

The group generated positive cash flows from operating activities and this provided optionality in developments being undertaken as well as reviewing the payout ratio of the group.

Group results are on a like-for-like basis comparable to the prior corresponding period.

The board of directors is pleased to announce a HY2022 DPS of 33.05922 cents for the six months ended 31 August 2021.

		Six months ended 31 August 2021 R'000	Six months ended 31 August 2020 R'000	Variance %
Distributable income per share (DIPS)		**38.89**	36.68	6.03
Distribution per share (DPS)		**33.06**	29.34	12.66
Payout ratio	(%)	**85**	80	

Spear's results are in line with the forecast as disclosed during the results presentation in May 2021 and is a testament to Spear's focus, active asset and property management along with prudent financial management of the going concern under tough trading conditions.

	Six months ended 31 August 2021 Rands	Year ended 28 February 2021 Rands	Variance %
Net asset value per share	**11.97**	11.53	3.82
Tangible net asset value per share	**11.94**	11.50	3.83
Tangible net asset value per share net of distribution	**11.61**	11.21	3.57

Refer to TNAV bridge for further commentary

The financial results achieved during the interim period are, firstly, attributable to Spear's hands-on approach and regional focus, resulting in the execution of portfolio performance objectives during the interim period and beyond. Secondly, Spear's portfolio segmentation and the high-quality nature of its assets have further underpinned its ability to sustain and defend its cash flows and contractual rental income during the interim period. The hospitality portfolio remains the outlier in portfolio performance given the impact of the Covid-19 pandemic.

Notable income restoration within the hospitality portfolio has commenced during the last two weeks of the interim period. Earnings enhancements as a result of the fixed-income lease concluded over the 15 on Orange Hotel will reflect in the earnings for the second half of FY2022.

Rental reversions on lease renewals and re-lets have been concluded at largely acceptable levels within Spear's operating context and within management's forecast. Portfolio reversions during the interim period was -5.78%. Benchmarked with Spear's peers, portfolio reversions have in the context of extremely tough trading conditions been some of the lowest negative reversions for the respective reporting periods within the SA REIT sector.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

Vacancy rates across the portfolio were at 7.21% at period end, increasing from 6.16% for FY2021.

Notable vacancy creep in the commercial portfolio has been the largest contributor to the increase in the portfolio vacancy factor.

The reversions and vacancy were in line with management's forecast and this was taken into account when the DIPS growth for FY2022 was announced to the market in May 2021.

Group gearing at HY2022 is 45.91% (FY2021: 45.81%) during the interim period as a result of fair value devaluations of under 1% across the investment portfolio together with the utilisation of cash reserves to complete portfolio redevelopments. There are no immediate debt refinancing risks within the business. A detailed debt expiry schedule is provided within this report.

Spear's balance sheet remains robust and well managed. No debt refinancing concerns exist within the business as an active management approach is taken to the debt portfolio to ensure well staggered refinancing terms and defensive expiry schedules across numerous funders. A detailed debt expiry schedule is provided within this report.

COLLECTIONS AND RECEIVABLES

- Collections have been satisfactory and in line with management's expectations, improving from the prior financial year
- Tenant arrears as at the end of the reporting period amounted to R17.33 million excluding VAT, decreasing to R7.26 million excluding VAT post the interim period
- Collections completed as at 11 October 2021.

HY2022 (excluding VAT)		Total R'000
Budget (including utilities and hotels)		**274 152**
Billed (including utilities and hotels)		**271 527**
Collected		**264 269**
Collected vs budget	(%)	**96.40**
Collected vs billings	(%)	**97.33**

Notes

- *Billing reflects revenue after all credits and deferments including recoveries.*
- *Budget set in January 2021.*
- *Difference to budget is predominately related to lower than budget utility charges recovered that are offset by lower expenses.*

At period end the total provision for bad debt was R4.26 million, being 24.57% of total tenant arrears.

Management is actively reviewing tenant arrears and at the end of the reporting period a total of R1.7 million of bad debt was written off in the period.

The provision is reviewed on a monthly basis and adjusted to accommodate tenants that have debtors outstanding of 120 days and more with very little prospect of recoverability.

FY2021 tenant arrears at year-end FY2021 was R15.09 million excluding VAT and has reduced post write-offs in the current period to R4.90 million.

Management has commended its debtors management team for the prudent collections and low receivables in this trading environment.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

PROPERTY PORTFOLIO

Spear's current property portfolio consists of 32 high-quality assets with an average value per asset of R140.7 million per property being a 1.16% increase from FY2021 (R139.1 million per property). Total gross lettable area ("GLA") at period end was 470 881m² valued at R4.55 billion.

The portfolio's income stream is underpinned by contractual escalations of 6.44%, a weighted average lease expiry ("WALE") of 27 months (FY2021: 27 months) together with a high percentage of A-grade tenants (listed and large nationals) comprising 50% of portfolio GLA. One of the hallmarks of Spear's portfolio has been the maintenance of a high occupancy rate with vacancies well below the national averages recorded by IPD and SAPOA, with an overall vacancy of 7.21% at the end of the financial year and (FY2021: 6.16% portfolio vacancies).

TOP 10 PROPERTIES BY VALUE

Property	Value including lease asset R'000	Sector	GLA m²	Vacancy m²	% of total value	Valuation R/m²
1 Mega Park, Bellville	474 000	Industrial	86 195	5 004	10.53	5 499
2 Liberty Life Building, Century City	436 000	Commercial	18 244	1 630	9.68	23 898
3 2 Long Street, Cape Town	434 000	Commercial	25 192	4 794	9.64	17 227
4 Sable Square Shopping Centre, Milnerton	418 000	Retail	31 100	2 114	9.28	13 441
5 Northgate Park, Brooklyn	332 000	Commercial	16 981	1 882	7.37	19 551
6 15 on Orange Hotel, Cape Town	277 000	Hospitality	16 663	–	6.15	16 624
7 1 Waterhouse Place, Century City	242 000	Commercial	11 611	3 217	5.37	20 842
8 MWEB Head Office, Parow	173 000	Commercial	11 195	–	3.84	15 453
9 UES Commercial, Retail and Residential, Woodstock	143 000	Commercial	10 635	5 306	3.18	13 446
10 Blackheath Park, Blackheath	140 000	Industrial	37 334	4 387	3.11	3 750
Top 10 Total	3 069 000		265 151	28 334	69.07	11 575
Group Total excluding land	4 503 000		470 881	33 932	100.00	9 563

SECTORAL SPLIT

		Industrial	Commer-cial	Retail	Hospitality	Develop-ment	Total
Number of properties		10	14	6	2	–	32
Value of properties	(R'000)	1 235 000	2 253 500	635 500	379 000	49 017	4 552 017
Value	(%)	27	50	14	8	1	100
Property revenue excluding smoothing	(R'000)	89 881	127 640	41 746	11 440	–	270 707
Revenue	(%)	33	47	16	4	–	100
Gross lettable area	(m^2)	260 229	133 879	48 695	28 078	–	470 881
Gross lettable area	(%)	55	28	11	6	–	100
Vacant area	(m^2)	10 824	19 879	3 229	–	–	33 932
Vacancy per sector	(%)	4.16	14.85	6.63	–	–	–
Vacancy on total GLA	(%)	2.30	4.22	0.69	–	–	7.21
Yield	(%)	9.46	7.29	8.04	2.15	N/A	7.56
Weighted average in-force escalation	(%)	6.90	6.36	6.09	5.00	N/A	6.44

Notes

- *DoubleTree by Hilton Hotel 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. No rental has been charged or forecast for FY2022.*
- *15 on Orange Hotel is operated by a third-party operator and the lease will escalate at 5% at the second anniversary of the lease.*

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.

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 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.

At interim period end all properties were valued by a RICS and SACPVP accredited valuer.

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 in 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.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

As at 31 August 2021, the following significant key assumptions and unobservable inputs used by the group in determining fair value were in the following ranges:

		Industrial	Commer-cial	Retail	Hospitality	Total
Average discount rate	(%)	**12.88**	**13.21**	**12.88**	**Note 1 and 2**	**12.99**
Average capitalisation rate	(%)	**8.88**	**9.21**	**8.88**		**8.99**
Average exit capitalisation rate	(%)	**9.38**	**9.71**	**9.38**		**9.49**
Average prior year exit capitalisation rate	(%)	**9.33**	**9.29**	**9.13**		**9.25**
Average rental growth rate	(%)	**4.00**	**4.00**	**4.00**		**4.00**
Average expense growth rate	(%)	**6.00**	**6.00**	**6.00**		**6.00**
Structural vacancy range	(%)	**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**

Notes:

- *15 on Orange Hotel is valued at the call option price of R265 million excluding the residential penthouse of R12 million.*
- *UES was valued by an independent valuer at interim period end by using the residual method, which is a hybrid of the market approach, the income approach and the cost approach. This is based on the completed "gross development value" and the deduction of development costs and the developer's return to arrive at the residual value of the development property.*

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

		Industrial	Commer-cial	Retail	Hospitality	Total
Average value per property (excluding land/bulk value)	(R'000)	**123 500**	**160 964**	**105 917**	**189 500**	**140 719**
Average value per square metre	(Rands)	**4 746**	**16 832**	**13 051**	**13 498**	**9 563**

The fair market valuations are tested for reasonableness by comparing the resultant Rand per square metre 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-relationships 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 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 where required. The material assumptions applied in property valuations have not changed materially from the prior year end, with the exception of the DoubleTree by Hilton Hotel.

The discount rate applied in the 2021 financial year varied between 13.5% and 14.50% (average 13.95%). The capitalisation rate applied in the 2021 financial year varied between 8.25% and 9.50% (average 8.95%).

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

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

	2021 R'000	2020 R'000
Sensitivity analysis to capitalisation rates		
Increase in fair value if capitalisation rates are decreased by 0.5%	**257 459**	254 693
Decrease in fair value if capitalisation rates are increased by 0.5%	**(230 895)**	(228 422)

SECTORAL PERFORMANCE

INDUSTRIAL (GLA: 260 229m^2/Occupancy: 95.84%)

The industrial portfolio continued its strong performance during the interim period with consistent demand for Spear's rental properties across this asset type. Material blue-chip mid- and large-scale industrial unit user uptake was recorded in the form of new lets and lease renewals during the interim period. Spear's diverse industrial portfolio consists of modern logistics, mini, mid-size and large-scale industrial units with efficient designs, large yard areas and superior power supplies. More than 57 500m^2 (22% of industrial GLA) of industrial letting activity took place during the interim period to three blue-chip tenants on long-term lease agreements.

COMMERCIAL (GLA: 133 879m^2/Occupancy: 85.15%)

All of Spear's commercial assets are located in highly attractive, secure and well-established office nodes within Cape Town. The effects of the Covid-19 pandemic coupled with a clumsy vaccination rollout has had a negative impact on Spear's commercial portfolio. The most material vacancy creep has been evident within the commercial portfolio as a reluctance by businesses to initiate a return-to-work strategy in the absence of a wider vaccination rollout within the Western Cape. Corporate South Africa is initiating vaccination requirements within their respective business operations as a precursor to returning to office. The office market recovery will largely depend on the speed at which meaningful return-to-office strategies can be implemented. Asking rentals remain under pressure and the costs of placing tenants are costly as more flexible lease terms provide less income certainty.

RETAIL (GLA: 48 695m^2/Occupancy: 93.37%)

Spear's retail assets are in high growth nodes servicing Century City and the broader Northern Suburbs market. 41% of Spear's convenience retail portfolio is let to national tenants. Management has since inception only invested into convenience retail centres which has continued to pay off. The convenience-focused retail portfolio had traded with resilience and has provided a strong income underpin during the interim period as South Africa moved through various infection waves and alert levels. Irrespective of the various lockdown levels a large percentage of tenants within the retail portfolio were able to trade, thus significantly reducing Spear's tenant support measures. Spear's retail asset performance and letting activity has been in line with management's forecasts. No significant retail tenant failures occurred during the interim period.

HOSPITALITY (GLA: 28 078m^2/Occupancy: 100%)

The impact of the Covid-19 pandemic and South Africa still being on the red list of certain inbound feeder markets have not boded well for the hospitality sector. In recent weeks the world has started to open again with South Africa being removed off certain red lists, allowing inbound travel to recommence from those markets. The improved vaccination statistics within South Africa should result in further red list removals as we approach the last few months of 2021.

15 on Orange has reopened under the Capital Hotels & Apartments brand mid-August 2021. The nature of this new lease is a triple net fixed-income lease. The entrepreneurial approach adopted by the new operator has already shown to be bearing fruit as positive rooms, conferencing and F&B activity is evident across the property.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

The DoubleTree by Hilton, Cape Town has post the move to alert level 2 shown marginal operational improvements. Certain international travel markets, domestic leisure and business markets have returned along with growing small meetings and conference events. The move to alert level 2 has resulted in improved hotel occupancy levels, F&B turnover and function room rentals as the hotel operations work towards breakeven levels. Aggressive operating expense management measures have remained in place since the onset of the Covid-19 pandemic to ensure prudent navigation of the trading environment.

TENANT GRADING

	Gross lettable area m²	Gross lettable area %	Number of tenants	Number of tenants %
A – Large national, listed and government tenants	234 136	50	99	24
B – Smaller international and national tenants	190 822	40	251	62
C – Other local tenants and sole proprietors	11 992	3	58	14
Vacant	33 932	7	–	–
	470 881	**100**	**408**	**100**

LETTING ACTIVITY

The table below reflects the letting activity of the interim period:

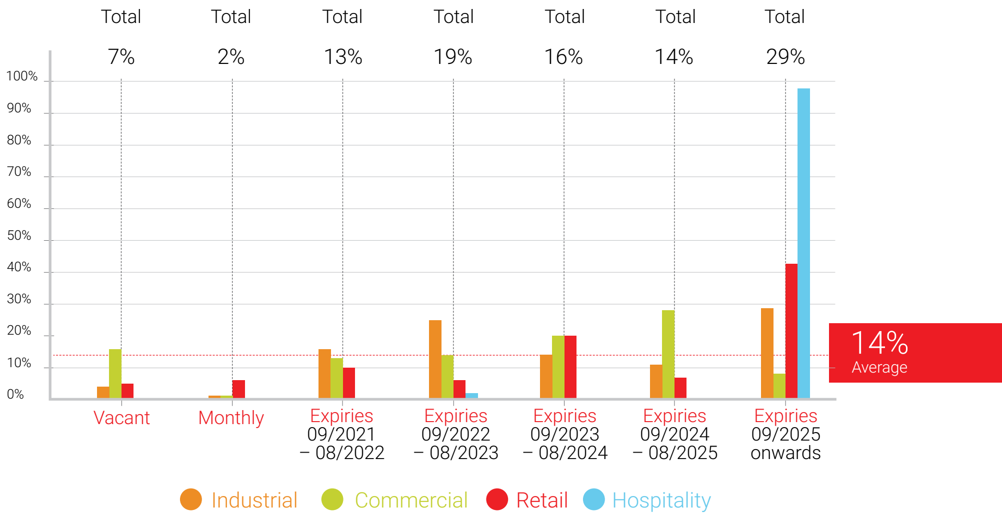
	Expiries and cancel-lations GLA	Gross rental at expiry R'000	Average gross expiry rental R/m²	Renewals/ New lets GLA	Gross rental at renewals/ new lets R'000	Average gross new rental R/m²	Average rental reversion
Commercial	17 157	2 311	134.70	13 705	1 742	127.11	(5.63)
Industrial	48 278	2 421	50.14	44 479	2 157	48.49	(3.29)
Retail	8 134	698	85.82	7 655	680	88.79	3.46
Hospitality	16 179	706	43.65	16 179	2 268	140.21	221.24
Total	**89 748**	**6 136**	**68.37**	**82 018**	**6 847**	**83.48**	**22.11**
Excluding Hospitality	**73 569**	**5 430**	**73.81**	**65 839**	**4 579**	**69.54**	**(5.78)**

- Spear's lease expiry profile remains defensive with a WALE of 27 months
- Early tenant engagement has contributed and mitigated deep negative rental reversions, specifically in the commercial portfolio
- The consensus view is that portfolio rentals are largely market-related and assets remain in attractive nodes
- Industrial reversion is due to one tenant that was replaced on a new long-term lease over 11 000m² – this was in line with management's forecast
- Retail letting activity remains resilient as demand for retail units persists.

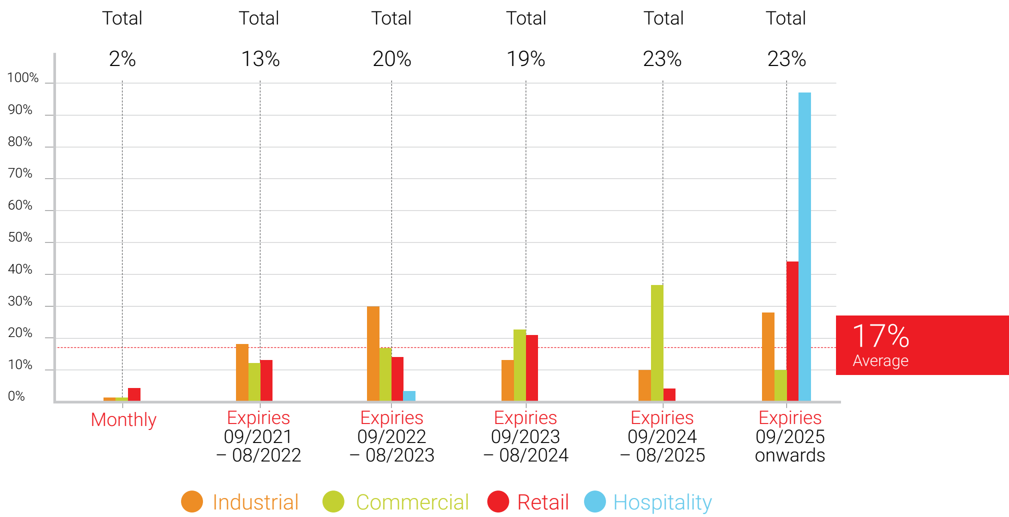
SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

LEASE EXPIRY PROFILE

LEASE EXPIRY PROFILE BASED ON GLA



LEASE EXPIRY PROFILE BASED ON REVENUE



SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

CAPITAL EXPENDITURE AND REDEVELOPMENT

11 HEWETT AVENUE, EPPING

Management recently concluded a long-term lease renewal with Nampak Limited situated in Epping, Cape Town. The initial warehouse occupied was 12 500m^2 and given growth demands Nampak has required specific upgrades and extensions to be affected to the property off the back of the extended lease tenure. An additional 2 000m^2 warehouse has been constructed to create a consolidated 14 500m^2 modern warehouse facility together with a 1 MVA rooftop solar PV solution.

- Total capital expenditure: R34 million
- Initial post capital expenditure yield: 9.33%
- Lease tenure: 10 years
- Status: Additions completed and roof infrastructure to be completed in December 2021

BEACON WAY, BEACONVALE

Management concluded a long-term lease and redevelopment agreement with UCD (Nova Marine), which is a wholly owned subsidiary of Sturrock Grindrod Marine Services. The property has been redeveloped into a state-of-the-art container terminal and bulk storage facility. The erf size of the property is 32 000m^2 with a total yard area of 24 000m^2 utilised as the container terminal and the balance of the warehouse and offices for storage and administration.

- Total capital expenditure: R44 million
- Initial post capital expenditure yield: 9.03%
- Lease tenure: 10 years
- Status: Completed

CAPITAL ALLOCATION AND STRATEGIC FOCUS

Capital allocation is a key pillar in the establishment and maintenance of a high-quality real estate portfolio. Management interrogates in detail the best use of every rand deployed across the business and how it would add value to the underlying business and provide long-dated shareholder returns.

Capital preservation under the current environment further enhances the balance sheet and provides optionality to management. The current trading environment demands that the allocation of capital be done in the most strategic and most prudent manner possible.

Earmarked capital will be deployed as follows:

- Share buybacks from retained income and cash reserves at pricing levels where the distribution yield is more accretive than an acquisition yield on a new portfolio asset
- Acquisitions or development/redevelopment opportunities with a primary focus on convenience retail, logistics-focused industrial and mixed-use assets
- Major portfolio upkeep and capital expenditure.

As part of management's active balance sheet management approach continuous evaluations are done across the portfolio to assess which assets are ripe for disposal or redevelopment. Maximising shareholder value and aligning the balance sheet with strategic LTV goals inform management's disposal consideration. Disposal proceeds will be deployed into management's stated LTV reduction roadmap until the stated mid-point has been reached, being in the region of 40% LTV.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

BALANCE SHEET AND RISK MANAGEMENT

Management has maintained its obsession with its hands-on, active, and prudent balance sheet management approach. The pandemic environment of the past 18 months tested Spear's balance sheet and we proudly reflect on how robustly it held up against the impact of Covid-19. Spear's balance sheet remains robust and meeting all covenants.

Management maintains strong and unblemished relationships with its funding partners Nedbank CIB and Standard Bank Real Estate Finance. Spear's funders have been incredibly supportive and remain aligned with Spear's strategic and growth objectives within the Western Cape.

Spear's strictest covenants were relaxed for the FY2021 and FY2022 measurement periods from 50% LTV to 55% LTV, 2.0 interest cover ratio ("ICR") to 1.75 times ICR. The latter further underscores the level of alignment Spear enjoys with its funders as the above relaxations gave management the scope to actively focus on navigating Spear through the pandemic environment.

Both the LTV and ICR currently are well below covenant levels and improving.

Management's LTV reduction roadmap is in place as earmarked assets are being actively marketed to give effect to a 38% – 43% LTV over the next 12 – 18 months with a clear strategic intent of operating in the mid-point range of 41%. The group's gearing levels at the end of the reporting period were at 45.91%.

Spear's hedging policy remains in the range of 55% – 65% of debt hedged at any given time. Given the current interest rate environment, management took advantage of the historically low variable interest rate and is currently on the lowest end of its debt hedged strategy. Hedging activity will increase within the next six months.

Spear's debt portfolio remains actively managed with an all-in cost of debt for the interim period of 7.01% and a hedged ratio of 55.16% at the end of the period with the weighted average cost of fixed debt being 8.34%.

Spear's debt expiry profile provides no short to medium-term refinancing risk with the weighted average expiry being 30 months with the bulk of Spear's debt coming due for renegotiation in FY2024 onwards.

COST-TO-INCOME

SA REIT gross total cost-to-income is 43.13%, increasing from 39.82% for the prior financial year.

Administrative cost-to-income for the period was 6.86%, increasing from 5.48% for the prior financial year.

The increases are directly related to the increased provisions and vacancies and normalised post Covid-19 expenditure.

The ratios are expected to reduce in the final six months of the year after the commencement of the 15 on Orange lease and as the vacancy rate reduces.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

BORROWINGS AND FUNDING

During the period a total of R512.98 million of gross debt was refinanced. A total of R480 million of the refinanced debt was fixed and the all-in fixed rate improved by a weighted average of 73 basis points for the refinanced debt.

Post interim period a further R256.87 million of variable debt has been refinanced on improved and extended terms.

Management is monitoring the interest rate environment to continuously seek opportunities to improve group funding as well as increase hedged positions at the appropriate time.

GROUP COVENANTS

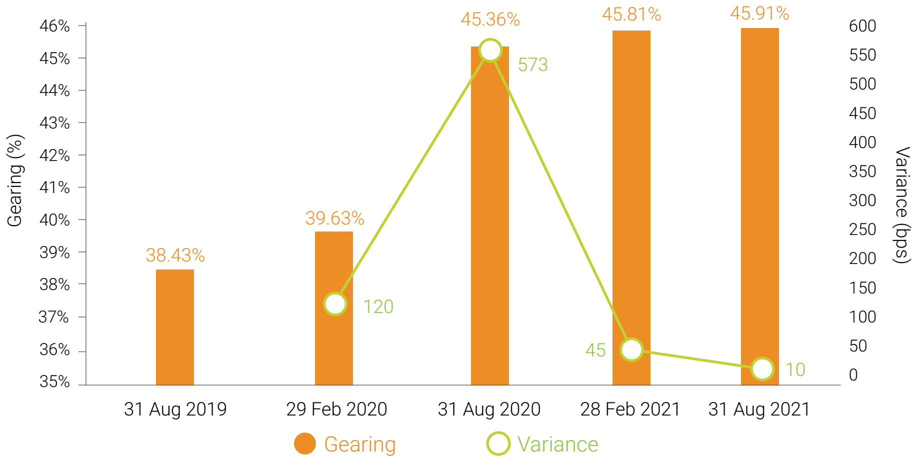
There has been no change in group covenant levels set by financial institutions in the interim period.

	COVENANTS	AUG 2021	FEB 2021
LTV	55%	45.91%	45.81%
ICR	1.75 TIMES	2.15 TIMES	2.11 TIMES

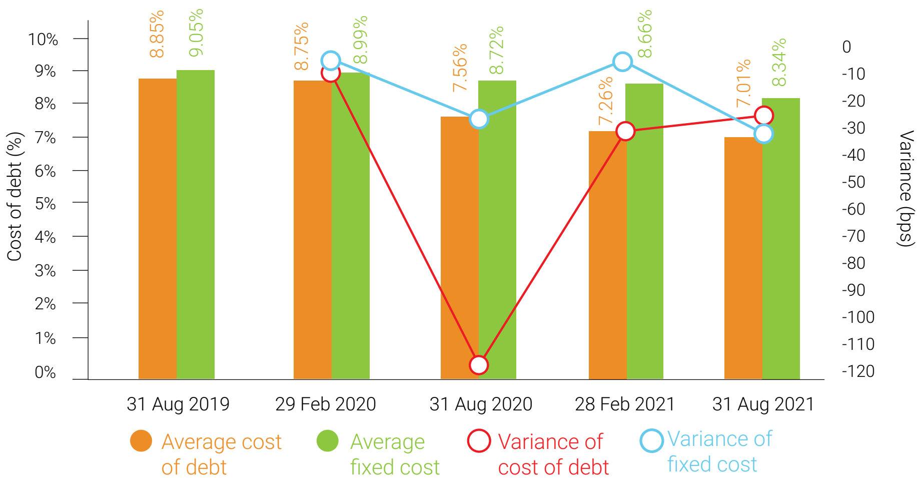
SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

GROUP GEARING

GEARING RATIO



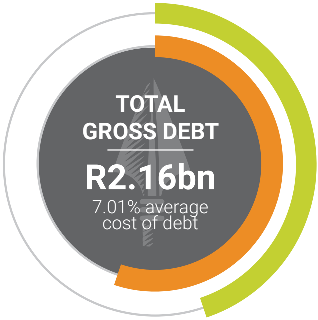
IN-FORCE COST OF DEBT FOR PERIOD



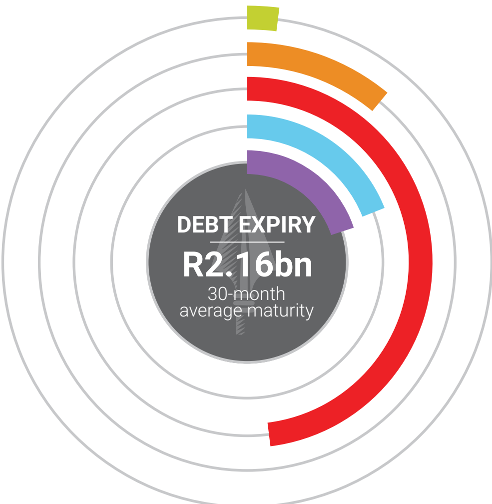
At period end the variable prime-linked loans bear interest at an average rate of prime less 1.43% and variable JIBAR-linked loans at an average margin of JIBAR plus 1.93%.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

GROUP DEBT PROFILE



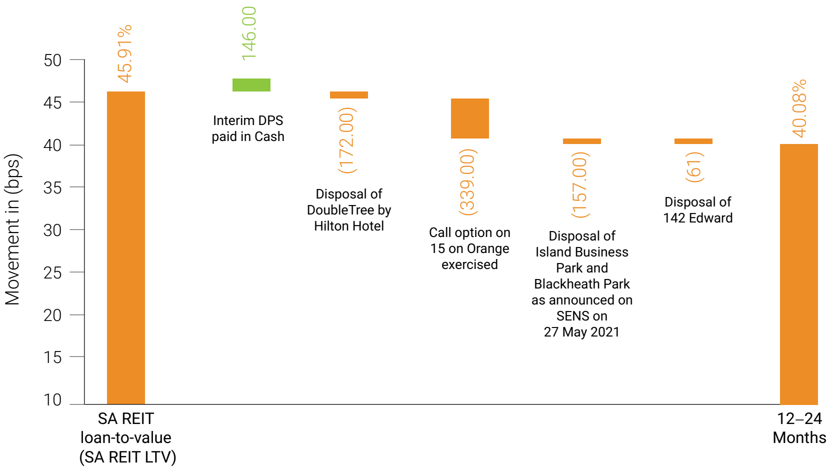
R1.2bn	R967m
Fixed debt **55.2%**	Variable debt **44.8%**
Cost	Cost
8.34%	5.62%
Weighted average maturity	Weighted average maturity
34 months	31 months



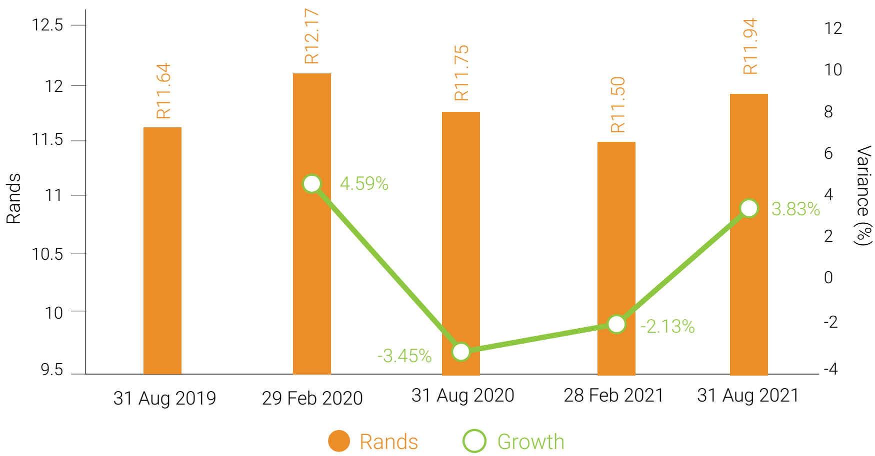
R34m	FY2022 **2%**
R241m	FY2023 **11%**
R1.04bn	FY2024 **48%**
R405m	FY2025 **19%**
R439m	FY2026 **20%**

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

LTV FORECAST



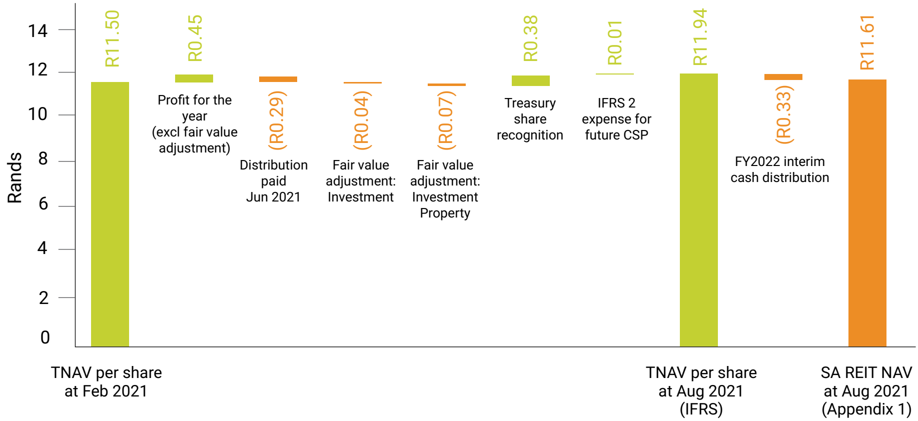
TANGIBLE NET ASSET VALUE



The above ratio is IFRS compliant and is required for disclosure but please refer to Appendix 1 and table for the SA REIT NAV calculation.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

TNAV BRIDGE



SUSTAINABILITY

SOLAR PV ROLLOUT

Spear aligns itself with a people, planet, and profit approach to business operations. Spear's sustainability strategy is modelled and tested on every investment considered and executed upon by the business. Management continually seeks opportunities to place less and less reliance on fossil fuel-generated electricity. Renewable energy solutions such as solar PV and water augmentation systems will continue to be rolled out onto as many assets as possible across the portfolio. Spear has partnered with leading industry experts in the execution of its sustainability strategy and remains committed to reducing the group's carbon footprint.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

SUMMARY OF SOLAR PV

NUMBER OF PROPERTIES WITH SOLAR
CURRENT: 9
FUTURE: 9
TOTAL: 18

% OF PORTFOLIO
CURRENT: 28%
FUTURE: 34%
TOTAL: 63%

AVERAGE SOLAR PENETRATION RATE
CURRENT: 28%
FUTURE: 30%
TOTAL: 29%

TOTAL kWp OF SOLAR INSTALLED
CURRENT: 3 970
FUTURE: 4 035
TOTAL: 8 005

ROOF RENTAL
CURRENT: 7
FUTURE: 4
TOTAL: 11

FINANCED
CURRENT: 2
FUTURE: 5
TOTAL: 7

	CURRENT (9) R'000	FUTURE (9) R'000	TOTAL (18) R'000
	R'000	R'000	R'000
Average annual roof rental per property	133	327	239
Average annual savings per financed property	134	429	345

	CURRENT (9) R'000	FUTURE (9) R'000	TOTAL (18) R'000
Value of PV Solar – Roof Rental	31 798	21 367	53 164
Value of PV Solar – Financed	10 004	13 544	23 548

Management through its solar PV strategy has successfully initiated and completed solar PV solutions for nine out of 18 properties with the balance set for completion towards the end of FY2022.

Approximately 6 – 7.1 million KwH of solar energy will be generated over the next 12 months on the 18 completed sites with an anticipated penetration rate of 29%. Post the increase in allowable solar PV system sizes management has approved the scaling up on both Sable Square Shopping Centre by an additional 400kWp and Mega Park Industrial Estate by an additional 1 750kWp.

WATER CONTINUITY

Water continuity and resources management continues across the real estate portfolio with water augmentation and purification systems installed across the commercial office portfolio in the form of reverse osmosis water purification systems for clean potable water and grey water systems for ablutions and landscaping services reducing the overall reliance and usage of clean water. Bulk water storage facilities remain installed and active across the portfolio linked into operational boreholes and well points.

OUTLOOK

Spear's management team has been energised and deeply encouraged by the trading performance during the interim period. The balance of the year ahead is set to further reflect the strength and resilience of the Spear portfolio as earnings enhancements start to flow through meaningfully.

The short-term economic outlook in South Africa remains muted, and the low-growth environment is likely to be a stubborn feature of our operating landscape for the near to medium term.

Passing rentals particularly in the commercial sub-sector will remain under pressure for some time as excess supply is taken up by return-to-work momentum and residential conversions. Management anticipates that the second half of the financial year's overall performance will improve on the interim period performance. Letting activity progress post the interim period is indicating strong conversion rates along with increasing new let activity. Management does not anticipate negative rental reversions to deepen excessively further than the statistics provided in the interim period. Rental collection percentages have continued to trend upwards together with historical deferments consistently being reduced by tenants. The management team will remain intently focused on rental and tenant preservation on an operational level and sound financial management on a balance sheet and income statement level.

South Africa must be removed off travel red lists and we anticipate this to happen by December 2021. Positive signs of localised leisure and growing business travel have been noted within Spear's hospitality assets during the interim period and beyond as business on the books reflects a growing inclination for larger scale meetings and conferences within the current alert level 2 regulations. As the vaccination rollout gains further momentum and citizens receive their second vaccination shot, we anticipate a meaningful return-to-office trend to kick into gear. The latter will contribute towards vacancy reduction within the current commercial portfolio, however, asking rentals will remain under pressure for some time.

- Management will maintain its active and hands-on management approach
- Aggressively filling of vacant space for additional cash flow unlock
- All health and safety protocols continue to be maintained across the portfolio
- Management will focus on improving on rental collection percentages and recovering historical debtors
- Actively and successfully dispose of earmarked assets in line with Spear's LTV reduction strategy
- Western Cape only focus will be maintained and proximity to assets remain excellent
- Demand for rental properties within the Western Cape has increased post the civil unrest in KwaZulu-Natal and Gauteng
- No major decline in portfolio fair value during FY2022.

PROSPECTS AND GUIDANCE

As we start to come to grips with a post-Covid-19 world, the economic outcomes are only partially in view. Spear's regional focus has in certain respects shielded the business from the deep national impact brought on by the pandemic on the real estate sector. Spear's portfolio bias to high-quality industrial assets within the Western Cape has been a strong moat around the business. The main acquisitive priority will be further investment into high-quality industrial/logistics assets together with increasing the convenience retail portfolio. Management is focused on reducing the vacancy creep within the commercial portfolio and realising its exit from hospitality within the next 12 – 18 months. High-quality fixed-income assets will become the sole investment class for Spear.

The national real estate sector will continue to operate under very tough trading conditions as South Africa navigates its way through the aftermath of the Covid-19 pandemic and the severely negative economic consequences left in its wake. Limited macroeconomic improvements in the trading environment will occur in the short to medium term, making the road ahead extremely tough and generally difficult to fully chart.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

Spear remains on track to achieve management's guidance set out to the market for FY2022. Management's guidance remains a DPS growth of 6% – 8% for FY2022 based on an 80% payout ratio.

Spear has increased its payout ratio from 80% (FY2021) to 85% of DIPS for HY2022. Should the second half of the financial year deliver similar performance or stronger than the interim period, the board will strongly consider further increasing the payout ratio.

Spear continues to meet all its funding covenants and remains sufficiently capitalised to meet all short- and long-term commitments. Management conducts regular cash flow analysis to stress test the cash flows on a rolling 12-month basis. This includes a range of scenarios of tenant collections and creditor requirements.

Management will provide a further trading update and guidance on a final distribution per share declaration in a pre-close presentation prior to year-end.

The guidance is based on the following assumptions:

- Continuous recovery of the macroeconomic environment post-pandemic
- No further extensive and deeply prohibitive lockdowns
- Lease renewals are concluded per the company forecast
- No major tenant failures occur during the balance of the financial year
- Tenants will maintain their ability to settle historical deferments together with the rising costs of occupancy
- South Africa is removed off more travel red lists resulting in inbound travel recovery
- Return-to-office momentum increases as vaccination percentages increase nationally
- No significant periods of load shedding or grid failures
- No major civil unrest within the Western Cape and the rest of South Africa.

Any changes in the above assumptions may affect management's forecast for the year ending 28 February 2022.

The information and opinions contained above are recorded and expressed in good faith and are based on reliable information provided to management.

No representation, warranty, undertaking or guarantee of whatsoever nature is made or given with regard to the accuracy and/or completeness of such information and/or the correctness of such opinions.

The forecast for the period ending 28 February 2022 is the sole responsibility of the directors and has not been reviewed or audited by Spear's independent external auditors.

SUBSEQUENT EVENTS

The directors are not aware of any events that have occurred since the end of the reporting period and which have had a material impact on the results and disclosures in these provisional summarised consolidated interim financial results for the six months ended 31 August 2021.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

BASIS OF PREPARATION – UNAUDITED

The unaudited consolidated interim results for the six months ended 31 August 2021 are prepared in accordance with the JSE Listings Requirements and the requirements for provisional reports and requirements of the Companies Act of South Africa. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting. Except for the adoption of revised and new standards that became effective during the year, all accounting policies applied in the preparation of these provisional summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements. There was no material impact on the annual financial statements as a result of the adoption of these standards.

Christiaan Barnard CA (SA), in his capacity as Chief Financial Officer, was responsible for the preparation of the unaudited consolidated interim results for the six months ended 31 August 2021. These consolidated interim results have not been reviewed or reported on by the company's auditors.

INTERIM DISTRIBUTION FOR THE SIX MONTHS ENDED 31 AUGUST 2021

Notice is hereby given of the declaration of final distribution number 9 of 33.05922 cents per share for the six months ended 31 August 2021 from income reserves.

As Spear is a REIT, the distribution meets the definition of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 (Income Tax Act). Qualifying distributions received by South African tax residents will form part of their gross income in terms of section 10(1)(k)(i)(aa) of the Income Tax Act. Consequently, these distributions are treated as income in the hands of the shareholders and are not subject to dividends withholding tax. The exemption from dividends withholding tax is not applicable to non-resident shareholders, but they may qualify for relief under a tax treaty.

SOUTH AFRICAN TAX RESIDENTS

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax in terms of the exclusion to the general dividend exception, contained in section 10(1)(k)(i)(aa) of the Income Tax Act, because it is a dividend distributed by a REIT. These dividends are, however, exempt from dividend withholding tax ("Dividend Tax") in the hands of South African tax resident shareholders, provided that the South African resident shareholders have provided to the Central Securities Depository Participant ("CSDP") or broker, as the case may be, in respect of uncertificated shares, or to the company, in respect of certificated shares:

a) a declaration that the dividend is exempt from Dividend Tax; and

b) a written undertaking to inform the CSDP, broker or the company, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

Shareholders are advised to contact their CSDP, broker or the company to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

SELECTED EXPLANATORY NOTES TO THE RESULTS (CONTINUED)

NON-RESIDENTS SHAREHOLDERS

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013, dividends received by non-residents from a REIT were not subject to Dividend Tax. Since 1 January 2014, any dividend received by a non-resident from a REIT will be subject to Dividend Tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder concerned. Assuming Dividend Tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 26.44738 cents per share. A reduced Dividend Tax rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following form to their CSDP or broker in respect of uncertificated shares, or the company, in respect of certificated shares:

a) a declaration that the dividend is subject to a reduced rate as a result of the application of DTA; and

b) a written undertaking to inform their CSDP, broker or the company, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

Non-resident shareholders are advised to contact their CSDP, broker or the company to arrange for the above-mentioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

The number of ordinary shares in issue on declaration date is 214 615 571.

The company's tax reference number is 9068437236.

Holders of uncertificated shares have to ensure that they have verified their residence status with their CSDP or broker. Holders of certificated shares will be asked to complete a declaration to the company. The distribution is payable to shareholders in accordance with the timetable set out below:

	2021
Declaration date	Tuesday, 26 October
Last day to trade cum-dividend distribution	Tuesday, 16 November
Shares trade ex-dividend distribution	Wednesday, 17 November
Record date	Friday, 19 November
Payment date	Monday, 22 November

Notes:

- *Share certificates may not be dematerialised or rematerialised between Wednesday, 17 November 2021 and Friday, 19 November 2021, both days inclusive.*
- *In respect of dematerialised shareholders, the distributions will be transferred to the CSDP/broker accounts on Monday, 22 November 2021. Certificated shareholders' distribution payments will be paid to certificated shareholders' bank accounts on Monday, 22 November 2021.*

On behalf of the board

Spear REIT Limited

Abubaker Varachhia
Non-executive Chairman

Quintin Rossi
Chief Executive Officer

Christiaan Barnard
Chief Financial Officer

Cape Town
26 October 2021

DIRECTORATE AND ADMINISTRATION

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")

REGISTERED OFFICE

16th Floor
2 Long Street
Cape Town, 8001
(PO Box 50, Observatory, 7935)

DIRECTORS OF SPEAR

Abubaker Varachhia *
(Non-executive Chairman)

Michael Naftali Flax *
(Non-executive Deputy Chairman)

Quintin Michael Rossi
(Chief Executive Officer)

Christiaan Barnard
(Chief Financial Officer)

Brian Leon Goldberg *#

Jalaloodien Ebrahim Allie *#
(Lead Independent Director)

Niclas Kjellström-Matseke *#

Cormack Sean McCarthy *

Dr. Rozett Phillips *#

** Non-executive*
 # Independent

CONTACT DETAILS

info@spearprop.co.za
www.spearprop.co.za

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René Cheryl Stober

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(PO Box 7403, Stellenbosch, 7599)

and

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Sandton, 2196
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LEGAL ADVISER

Cliffe Dekker Hofmeyr
11 Buitengracht Street, Cape Town, 8001
(PO Box 695, Cape Town, 8000)

BANKERS

Nedbank Limited
Standard Bank Limited
Investec Limited

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