

SPEAR REIT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2015/407237/06)

Share code: SEA

ISIN: ZAE000228995

(Approved as a REIT by the JSE)

("Spear" or "the Company")



SPEAR
REIT LIMITED

DISPOSAL OF NON-CORE ASSETS

1. INTRODUCTION

Shareholders are advised that the Company, through its wholly-owned subsidiary Spear Holdco Proprietary Limited ("**Seller**"), entered into various sale agreements ("**Agreements**") with K2018500558 (South Africa) Proprietary Limited ("**Purchaser**"), in terms of which the Purchaser will acquire the following properties:

- portion 81 and portion 82 of the Farm Mellish 205, City of Cape Town, Cape Division, Western Cape, and the letting enterprise conducted by the Seller on property, as a going concern, for a disposal consideration of R20 900 000 including value added tax at a rate of 0% ("**Atlas Gardens Property**");
- sections 16, 17, 19, 20, 21, 28, 232, 233, 234 and 235 in the sectional title scheme known as Bella Rosa One, as shown and more fully described on sectional plan no. SS423/2014, situated at Belville, in the City of Cape Town, Cape Division and the letting enterprise conducted by the Seller on the property, as a going concern, for a disposal consideration of R31 500 000 including value added tax at a rate of 0% ("**Bella Rosa Property**");
- erf 12855 Strand, in the City of Cape Town, Stellenbosch Division, Western Cape, and the letting enterprise conducted on the property, as a going concern, for a disposal consideration of R4 600 000 including value added tax at a rate of 0% ("**Burger King Property**");
- erf 19890, in the Municipality and Division of George, Western Cape, and the letting enterprise conducted on the property, as a going concern, for a disposal consideration of R22 300 000 including value added tax at a rate of 0% ("**George Property**"); and
- erf 153935 Cape, in the City of Cape Town, Cape Division, Western Cape, and the letting enterprise conducted on the property, as a going concern, for a disposal consideration of R30 200 000 including value added tax at a rate of 0% ("**Plum Park Property**"),

(together, the "**Disposals**")

2. RATIONALE FOR THE DISPOSALS

The Disposals are in line with Spear's strategy to acquire larger single assets of higher values in the Western Cape. The disposal of these non-core assets creates operational efficiencies' across the business leading to cost optimisation and the effective redeployment of capital.

3. DISPOSAL CONSIDERATION

The aggregate disposal consideration for the Atlas Gardens Property, the Bella Rosa Property, the Burger King Property, the George Property and the Plum Park Property (together, the "**Properties**") is R109 500 000 ("**Aggregate Disposal Consideration**"). The Aggregate Disposal Consideration is a combined disposal yield of 8.64%.

The Aggregate Disposal Consideration shall be paid by the Purchaser to the Seller on the date of registration of transfer of the Properties, respectively, into the name of the Purchaser, which is anticipated as being on or about 1 February 2019 ("**Transfer Date**").

If registration of transfer of the Properties take place after the Transfer Date, interest shall accrue at the prime rate on the disposal price of the Properties from 1 February 2019 until the registration of transfer of the Properties in the respective deeds offices and shall be paid by the Purchaser to the transferring attorneys prior to registration of transfer, if the delay is due to the Purchaser.

If the Purchaser fails to comply with any of its obligations, then without further notice to the Purchaser, interest will accrue at the prime rate on the disposal price of the Properties or the balance thereof from the due date for delivery of performance until the date upon which the Purchaser has complied with its obligations relating to the transfer of the Properties and shall be paid by the Purchaser to the transferring attorneys prior to the Transfer Date.

4. APPLICATION OF THE DISPOSAL CONSIDERATION

Management will redeploy the disposal proceeds into funding new acquisitions aligned with its stated strategy and to the reduction of debt where applicable.

5. CONDITIONS PRECEDENT

The Disposals are subject to the fulfilment of the following outstanding conditions precedent ("**Conditions Precedent**"):

- the Purchaser obtaining mortgage finance on terms acceptable to the Purchaser as determined by the Purchaser in its sole discretion on or before 16 October 2018; and
- the Purchaser simultaneously entering into sale agreements in respect of the Atlas Gardens Property, the Bella Rosa Property, the Burger King Property, the George Property and the Plum Park Property, and such agreements becoming unconditional.

The Conditions Precedent must be fulfilled by not later than the date stipulated above, which date may be extended by the parties in writing.

6. EFFECTIVE DATE OF THE DISPOSALS

The effective date of the Disposals will be the Transfer Date, which is anticipated as being on or about 1 February 2019.

7. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

The Agreement contains representations and warranties by the Company in favour of the Purchaser which are standard for a transaction of this nature.

Subject to such warranties, the Properties are sold "*voetstoots*".

8. THE PROPERTIES

Details of the Properties are as follows:

Property Name and Address	Geographical Location	Sector	Gross Lettable Area (m²)	Weighted Average Gross Rental / m²
Portion 81 and portion 82 of the Farm Mellish 205	City of Cape Town, Cape Division	Industrial	9 972	R15
Sections 16, 17, 19, 20, 21, 28, 232, 233, 234 and 235 in the sectional title scheme known as Bella Rosa One, as shown and more fully described on sectional plan no. SS423/2014	City of Cape Town, Cape Division	Commercial	1 937	R129
Erf 12855 Strand	City of Cape Town, Stellenbosch Division	Commercial	300	R120
Erf 19890 George	Municipality and Division of George	Commercial	2 500	R76
Erf 153935 Cape	City of Cape Town, Cape Division	Commercial	2 035	R122

Details regarding the Properties, as at the anticipated Transfer Date, are set out below:

Property Name and Address	Weighted Average Escalation	Weighted Average Lease Duration (months)	Vacancy % by Gross Lettable Area
Portion 81 and portion 82 of the Farm Mellish 205	9%	35	0%
Sections 16, 17, 19, 20, 21, 28, 232, 233, 234 and 235 in the sectional title scheme known as Bella Rosa One, as shown and more fully described on	8%	29	0.01%

sectional plan no. SS423/2014			
Erf 12855 Strand	7%	209	0%
Erf 19890 George	5.5%	48	0%
Erf 153935 Cape	7%	27	0.01%

Notes:

- a) The costs associated with the Disposals are estimated at R 300 000. No agents' commission is payable in respect of the Disposal.
- b) The disposal consideration payable in respect of each of the Properties is considered to be its fair market value, as determined by the directors of the Company. The directors of the Company are not independent and are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No. 47 of 2000.

9. FINANCIAL INFORMATION IN RESPECT OF THE PROPERTIES

The value of the net assets comprising the Properties as at 28 February 2018, being the date of the last audited annual financial statements, was R108 959 000.

The audited profits after tax attributable to the Properties for the year ended 28 February 2018, was R13 042 720, based on the audited annual financial statements of Spear Limited and its subsidiaries for the year ending 28 February 2018, which were prepared in terms of IFRS.

10. CLASSIFICATION OF THE DISPOSALS

The Disposals constitute a category 2 transaction in terms of the JSE Limited Listings Requirements.

2 October 2018

Sponsor and Corporate Adviser

PSG Capital



PSG CAPITAL