SPEAR
REIT LIMITED

Integrated Report 2017

Nature of Business

Spear REIT Limited listed as a Real Estate Investment Trust ("REIT") on the AltX of the Johannesburg Stock Exchange ("JSE") on 11 November 2016. Its main business is the investment in high-quality income-generating real estate across all sectors within the Western Cape, predominantly in the Cape Town region. The company successfully moved to the JSE Main Board on 22 May 2017. 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.

About this report

Spear REIT Limited ("Spear") or ("the group") is proud to present its first integrated report for the 4 months ended 28 February 2017. This report aims at providing an understanding of Spear's operations and performance, how the group is managed from a corporate governance perspective, its social and environmental impact, and its financial performance for the period under review.

Materiality

Spear identifies the concept of materiality to represent any item that could substantively affect the company's ability to create value for its stakeholders and influence the decisions of the stakeholders.

Approval of the integrated report and independent assurance

The integrity of the report is the responsibility of the board of directors. The board has approved the integrated report. The board believes that the report has been prepared in accordance with best practice and is a fair representation of the integrated performance of the group. Independent assurance has been provided of all financial information presented in this report. An unqualified audit opinion has been issued on the consolidated and separate financial statements by Grant Thornton Cape Inc.

Double Tree by Hilton Hotel Cape Town – Upper Eastside

"The company has traded strongly for its first partial year...15% higher than the Spear pre-listing statement ("PLS") issued on 21 October 2016."

– Mike Flax, Chief Executive Officer

Contents

Board of Directors

Back row from left to right: Jalal Allie, Niclas Matseke, Quintin Rossi, Christiaan Barnard, Brian Goldberg

Front row from left to right: Mike Flax, Abu Varachhia

Executive

Mike Naftali Flax

Chief Executive Officer

Qualifications: B Com, GDA, CA(SA), FCMA

Mike is an accomplished property professional who operates within the commercial property sector. He is a chartered accountant by qualification and has more than 30 years' experience in the property sector. He has been key in some of the most exciting property transactions across the listed sector. Mike was the founder of Spearhead Property Group, which was later sold to Redefine Property Fund. Mike served on the board of directors of Madison Property Fund Managers until 2009 after a merger with Redefine Properties and Apex Hi to form the new Redefine Properties and until February 2011 served as an executive director of Redefine Properties Limited. Mike has extensive expertise in commercial property finance, development and a variety of key financial functions within the property sector. His entrepreneurial approach to property is admired by many within the property sector and his ability to create and unlock value has been proven time and time again. Mike is responsible for setting the trajectory of the business and will play a key role in the development of earmarked properties and the creation of investment deal flow for the fund.

Quintin Michael Rossi

Managing Director

Qualifications: BA (LAW) PGDEM

Quintin has a wealth of experience in both the listed and private property sector, specialising in all aspects of leasing and management related to commercial, industrial and retail real estate. Quintin started his real estate career at a Cape Town-based brokerage and then went on to head up the national leasing management role at Redefine Properties Limited, which at the time was and currently still is one of the largest listed property funds in South Africa. He has played a key role in the conclusion of major corporate leasing and sale deals in the commercial real estate market, leaving his value-adding mark throughout South Africa. Quintin is in charge of all day-to-day management of the REIT and property portfolio, overseeing both asset management and property management operations to ensure tenant satisfaction and portfolio growth. Quintin is also responsible for the growth of the business, which includes both new acquisitions and new development projects and will be mandated to secure new opportunities that will add value to the Spear REIT property portfolio.

Christiaan Barnard

Financial Director

Qualifications: CA(SA) (US)

Christiaan is a chartered accounted by qualification and through various family interests has been exposed to the real estate sector from a very young age. He understands the demands associated with unlocking value in a real estate environment. Christiaan has experience in audit practices in various industries, including software development and support, oil and gas production and property REIT holdings. Christiaan joined Spear after leaving Grant Thornton LLP (Dallas) and is responsible to oversee the financial functions of the entire Spear REIT, its subsidiaries and related operations.

Non-executive

Abubaker Varachhia

Chairman

Qualifications: BSc (QS) (UCT)

Abu has been involved in major property transactions and has initiated multi-million Rand property development projects throughout South Africa. Abu served as a director on the board of the JSE-listed property fund Spearhead Property Holdings Limited and Ingenuity Property Investments Limited. Currently Abu serves on the board of directors of the JSE-listed company Mazor Steel & Aluminium Limited. Abu has extensive experience in property development and his skill in this regard, along with his ability to find value in potential portfolio redevelopments, will be invaluable to the future of the business.

Board of Directors (continued)

Non-executive

Brian Leon Goldberg

Independent non-executive director

Qualifications: BA, LLB (UCT)

Brian has been active in the real estate sector for the past 25 years. During this period, he has been integrally involved in many significant property developments and investments. Brian has an astute understanding of the Western Cape real estate sector. He has vast and varied expertise, both in the commercial real estate arena and the legal technical environment relating thereto. Brian's market knowledge, deal making and techincal skills will strengthen and add value to the business's growth initiatives.

Ebrahim Jalaloodiem Allie

Lead independent non-executive director

Qualifications: B Compt, B Compt Hons (Unisa)

Jalal has been involved in the real estate sector for more than 21 years. He joined Seeff Trust (Pty) Ltd, the forerunner to Spearhead Property Holdings, in 1993 as the Financial Manager after leaving PKF Chartered Accountants and Auditors. In early 1999 he was appointed Chief Financial Officer and Company Secretary of the newly-listed Spearhead Property Holdings Limited, which he founded together with Chief Executive Officer Mike Flax.

Niclas Kjellström Matseke

Independent non-executive director

Qualifications: Masters degree in Economics and Political Science (University of Uppsala, Sweden) MBA, Stockholm School of Economics (SSE), Sweden

Niclas is one of Sweden´s best-known business leaders, with a successful career as a management consultant and later as a visionary consumer-oriented CEO. Niclas was the CEO of Novamedia Nordics since its establishment in 2005 up until 2015. Novamedia operates the Swedish Postcode Lottery and several TV productions. He is also recognised for his unique network of global leaders in business, politics and the NGO communities. He serves on several boards in Sweden, the US and Africa. Niclas is an active member of the global CEO network of YPO (Young Global Leaders), where he served as Chairman of its Swedish chapter. He is also a member of the Elders' Advisory Board, where he supports leaders such as former President Jimmy Carter, Graca Marcel, Mary Robinson and Kofi Annan in their work for peace and democracy through negotiations with world leaders. Since 2013, Niclas has served on the UN´s SDSN (Sustainable Development Solutions Network) Leadership Council, with a focus on establishing new SDGs. In 2016, he relocated to South Africa to focus on developing business and sustainable solutions in Southern Africa through his own company, Perennis Limited.

Cormack Sean McCarthy

Non-executive director

Appointed 28 June 2017

Sean has 30 years of experience in the property industry. Having developed a substantial number of residential, commercial and industrial real estate projects, he has a wide range of knowledge in the property development field. His speciality has been identifying and developing opportunities where substantial value was unlocked. His practical and hands-on approach has allowed him to tackle complex projects which are less attractive to the broader market, but offer higher returns.

Werkmans, Tygervalley
Property transferred after period end

Joint Report by the Chief Executive Officer and Managing Director

Mike Naftali Flax
Chief Executive Officer

Spear successfully listed on the JSE (JSE:SEA) on 11 November 2016 and remains the only regionally-specialised REIT in Southern Africa. The company invests only in high-quality real estate in the Western Cape. At year end, Spear had a market capitalisation in excess of R1.0 billion and assets under ownership of nearly R1.5 billion.

Spear shares started trading at R9.00 per share on the listing date and have continued to perform strongly, with the share price trading up to levels of R10.40 per share (up 15.5% from the listing date). The company has traded strongly for its first partial year and, as a result, its distributable profits are more than 15% higher than the 20.14 cents per share forecast per the Spear pre-listing statement ("PLS") issued on 21 October 2016.

We actively manage all our properties internally, with all asset management, property management and financial management performed in-house. This allows us to be more responsive to our tenants' needs and demands, which translates into much higher than average tenant retention rates.

Our aim is to build the business through careful selection, acquisition and management of secure income-producing properties and portfolios. The regional specialisation plays to all these strengths – with management never more than one hour's drive away from any of its assets.

The company obtains its diversification through investment across the commercial, retail, industrial, hospitality and residential sectors. Spear's key focus areas are creating shareholder value by growing income for all stakeholders and continuously acquiring high-quality assets within the Western Cape. This is done whilst maintaining a high-quality core portfolio with a high percentage of occupancy.

It is notable that management remains heavily invested in Spear, further reinforcing strong management and shareholder alignment.

Local economic landscape

The South African economy is facing uncertain times and political events like the recent cabinet reshuffles created further economic uncertainty. As a result, the interest rate, inflation and GDP outlook has to be revisited on a macro-economic level. Given the challenges facing the South African economy, this may have a negative impact on the South African real estate sector. The Western Cape has showed greater resilience than the rest of South Africa and demonstrates positive growth rates across sectors.

The Spear board has diligently contemplated the possible impact of the current economic climate on Spear and a number of strategies have been put in place to mitigate the sovereign and sectoral risk.

In response to the economic headwinds, the Spear board has implemented appropriate risk management tools to ensure that the business continues as a going concern with a strong balance sheet, low levels of debt, strong lease covenants and an exceptionally skilled asset and property management team.

Financial performance

The Board approved and declared a maiden distribution of 23.51 cents per share on 11 May 2017. The distribution declared is an increase of 16.75% over the forecast distribution of 20.14 cents per share as per the PLS dated 21 October 2016. The increase in the forecast distribution was linked to higher than budgeted hotel occupancies which led to higher than budgeted hotel revenue and rentals; savings generated on finance costs due to lower than forecast interest rates and savings generated on certain group overheads contributed marginally.

The tangible net asset value per share increased by 7.01% from the pro forma R9.37 per share as per the PLS to R10.03 per share. The increase was driven by an increase of 3.79% in the fair value of investment property and reducing debt levels by 8.36%.

After the November listing date, the company has raised an additional R119 million through a share-for-cash issue on 28 February 2017 by placing 12.8 million shares at a price of R9.30 per share. Spear has attracted strong support from the institutional investor market as demand for Spear stock has grown from the listing date. Over the last four months, the company has welcomed a number of new institutional investors that participated in the Spear share-for-cash placement and have identified Spear as a long-term investment opportunity. In order for Spear to access an even greater pool of institutional investors, the board resolved to move across to the Main Board of the JSE on 22 May 2017.

The Group's gearing level at 28 February 2017 was 33.09% and the company had fixed borrowings of 59% of total borrowings at an average fixed rate of 9.78% and group average cost of funding of 9.65%. Total borrowings for the group amounted to R478 million at year end.

Focused strategy

As the only regionally-focused REIT, Spear continues to ply its trade in a focused manner. The Western Cape real estate market has fortuitously delivered excellent results compared to the rest of South Africa and has performed exceptionally well as a provincial economy, benefiting from good provincial governance, continued demand for real estate, strong growth in tourism numbers and continued construction activity driving additional economic growth.

Given the regionally-focused strategy, Spear's proximity to assets is excellent and allows the company to understand the macro- and micro-economic factors that influence the day-to-day operations of the business. Spear will remain focused on investing in high-quality assets in the Western Cape, with a Cape Town bias. It is expected that the Western Cape real estate sector will continue to outperform the rest of the South African real estate sector as the effects of semigration are starting to have a positive impact on the Western Cape and in particular the general Cape Town market.

Property portfolio

The company has a current portfolio of 172 503m^2, consisting of a regionally-focused but sectorally-spread real estate portfolio of 25 high-quality assets with an average value per property of R57.8 million. Portfolio occupancies remain high as management continuous its focus on strong tenant retention and active asset management. The average escalation rate across the portfolio on income is 8% per annum, with the average rental rate per square metre at R91.00 per m^2.

The sectoral spread by GLA of the portfolio is 42.7% in the industrial sector, 23.5% in the office sector, 22.2% in the retail sector, 7.0% in the hospitality sector and 4.6% in the residential sector. As part of the growth strategy of the company, management would look to continuously increase sectoral assets and aims to increase both the Hospitality and Residential percentages over the short to medium term into double-digit percentages, as and when suitable and value-adding investment opportunities present themselves.

One of the critical strengths of management is its hands-on and direct approach to asset and property management. The company takes pride in its current and historically low portfolio vacancies which never exceeded 1% of the total portfolio under ownership.

Management is extremely satisfied with the robust and defensive lease expiry profile, underpinned by a WALE of 46 months. Maintaining our current vacancy rate of 1% and continuous rental growth as leases expire and are successfully renewed, will be a critical focus area of

Joint Report by the Chief Executive Officer and Managing Director (continued)

Quintin Michael Rossi
Managing Director

the company. We believe that our proximity to our assets plays a key role in the low vacancy percentage across the portfolio as it allows quick turnaround times on lease negotiations, renewals and problem solving.

Capital management

Spear actively manages its capital and market risk. Its current average cost of funding is 9.64%, with a current hedged position of 59% and a debt and hedge maturity of two years and three years respectively. Management is satisfied with its capital management policy and will ensure strict oversight over capital management and risk management on a continuous basis.

Furthermore, management continuously assesses its capital allocation to assets and, in turn, will look at recycling assets that are not expected to deliver long-term value to the company. The capital will be redeployed into larger yield-enhancing acquisitions.

Outlook

The portfolio is well-placed to deliver sustainable cash flow for the 2018 year and continued growth beyond. Spear has a well-diversified and defensive core portfolio of assets, a quality tenant base and a long dated WALE, which provides clear visibility of income going forward. The latter, together with management's active asset, property and financial management, will further reinforce the company's ability to be resolute in what currently is a challenging economic and political landscape.

- Management will focus on the integration and stabilisation of the three large acquisitions (in excess of R1 billion) concluded after year end onto the company's sophisticated management platform.
- Management will continue to focus on prudent capital management and will continue to position itself for the impact of any major fiscal policy changes and/or increased interest rates and the impact it may have on the real estate sector.
- The company is focused on ensuring optimisation of long-term shareholder value through actively managing the underlying portfolio so as to ensure assets perform consistently over a long-term period.
- Management is of the opinion that the company is well-placed to continue with its growth objectives, both in the form of assets and human capital. The company has continued to invest in people by growing the team in both capacity and skills during the year. The company has a very experienced board that is always available for guidance and a strong, passionate team driving growth going forward.

“The Western Cape has shown greater resilience than the rest of South Africa and demonstrates positive growth rates across sectors.”

- Quintin Rossi, Managing Director

- The company will continue its tenant-centric approach which has helped to create customer loyalty and which is mutually beneficial to the company and its tenants.

Prospects and guidance

The continued strong performance of the Western Cape property sector and the regional specialisation of Spear insulate the company to a degree from the current weak economic climate. The Western Cape focus of the company and management's proximity to assets will continue to stand the company in good stead well into the future, given the continued and successful implementation of the company strategy to only invest in high-quality assets within the Western Cape (with a Cape Town bias). Its healthy pipeline of greenfield and brownfield development opportunities will further drive organic growth from within the core portfolio, without placing unnecessary income drag on the company. The board is confident that demand for quality rental properties across the various sectors within the Western Cape will continue as the effects of semigration will create additional demand for rental properties. Along with string property fundamentals and in line with the pre-listing statement issued on 21 October 2016, management's distribution forecast for the year ending 28 February 2018 was 74 cents per share. In the light of the recent acquisitions, improved cost of debt and other operational efficiencies created within the company, management advises that distribution per share for the year ending 28 February 2018 is now anticipated to be higher than the original forecast of 74 cents per share by 3 cents to 4 cents. The latter revision is premised upon the following assumptions:

- That a relatively stable macro-economic environment will prevail.
- That lease renewals are concluded as per the company forecast.
- That no major tenant failures will take place.
- That tenants will successfully absorb rising costs associated with utility consumption charges and municipal rates.
- That all acquisitions successfully transfer to Spear as announced recently on SENS.

The information and opinions contained above are recorded and expressed in good faith and are based upon 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.

Governance

Spear is committed to the highest standard of corporate governance. The board regularly reviews the company's structures and systems to ensure all of the latter stay in line with the guiding principles of a strong corporate governance culture within Spear.

Sustainability

Sustainability is about building Spear to ensure we have a positive impact on the economic and social progress of communities and on the environment, while growing and preserving our tenant business and stakeholders' interests based on strong relationships of trust. Spear acknowledges its responsibility to its stakeholders, the environment and the community at large and consistently focuses on continual improvement of our business and environmental sustainability.

Spear is committed to broad-based black economic empowerment (“BBBEE”) and its approach continues to involve a strong focus on the procurement of our property managers and socio-economic development initiatives. Spear has kickstarted the process to roll out PV solar solutions and water conservation solutions across the property portfolio in a bid to introduce energy and water efficiency initiatives in its buildings with a view to reduce the “total cost of occupation” across the property portfolio.

Acknowledgements

Spear's management is very proud of the maiden results delivered by the company and the focus will remain on delivering on the key strategic objectives – consistently growing the distribution per share, acquiring high-quality assets within the Western Cape and focusing on yield-enhancing transactions, together with active and hands-on asset management to ensure sustainable income generation across the portfolio.

We would like to acknowledge each and every one of our tenants, our investors, our suppliers and all our stakeholders without whom the company could not operate or succeed.

We would like to thank our board of directors and the respective committees for their ongoing support and guidance. A special acknowledgement is due to the full team for their dedication, hard work, innovation and contribution to our achievements in this short space of time.

MN Flax
Chief Executive Officer

QM Rossi
Managing Director

27 June 2017

Chairman's Report

Abubaker Varachhia
Chairman

Spear seized the opportunity best described as the "Goldilocks opportunity" in a market management knew and understood well. The opportunity existed to buy many mid-sized properties that have value enhancement potential and were crying out for improvement. They were too small to matter for the large property companies and too large for smaller companies to access.

Operationally, the period since listing, while short, has been a successful one. Mike, Quintin, Christiaan and the team beat their own forecast set just a few months ago and they must be commended for this.

Spear improved on its forecast distribution per share of 20c for the four months to 28 February 2017 by 16.75%, resulting in an actual per share distribution of 23.51 cents. The assets under ownership at period end was R1.4 billion, with a market capitalisation of R1.0 billion. The growth in distribution had been achieved in combination with an increase in tangible net asset value per share by 7.01%, from R9.37 on the listing date to R10.03 at 28 February 2017.

As an asset class, property has historically generated returns well above inflation over long periods of time. However, in the short term, returns are cyclical and more dependent on the economy. We'd thus like to remind our shareholders that our actions and decisions can only truly be judged over the long term.

The world is changing quickly: Demographics and technology lie at the heart of this

In the West, the falling birth rate over the past half a century is ageing the population. Older people produce, earn and spend less. This reduces the state's revenue from tax. At the same time, they demand more of the state's budget in the form of health and welfare benefits.

> “This maiden integrated report celebrates the first four months of excellent financial performance of Spear REIT Limited since its successful listing on 11 November 2016. This report will give the reader access to a variety of insights and strategic information that clearly outlines the strategic objective of the company”
>
> – Abu Varachhia, Chairman

The world has also reached its debt limits. Incremental borrowing is having a diminishing effect on growth. With few other options to grow their economies, central banks have embarked on unprecedented fiscal and monetary stimulus. They are in unchartered waters and there are no lifeboats on board.

This cheap capital has elevated asset prices at a time when incomes are not growing. This has raised the level of inequality and is exacerbating tensions arising from low economic growth. Political and social instability is thus high. Leaders who promise people radical solutions have become popular.

Compounding this, technological change is accelerating and disrupting the order of the world. The cycle is virtuous as cheap capital is a willing funder, being desperate for returns.

Property is not exempt from these changes. E-commerce is changing the way we shop and questioning the viability of malls. Online classified businesses, such as AirBnB and Booking.com, are winning market share from hotels and gaining bargaining power. Ride-sharing technologies like Uber and developments in autonomous vehicles will change the need for parking space in office buildings. Easier access to connectivity is reducing the demand for office space and new building methods are changing the cost and value of buildings. We cannot be oblivious to these changes.

Hope now turns to Africa and the East, home to five billion people. In these countries, deepening democracy, strong institutions, increased inclusivity and equality and a strong middle class are needed to create sustainable economic growth.

We all need to act to ensure a better future for our children

In South Africa, we have come far since our young democracy began. Our country grew faster than ever in its history in the post-apartheid period. Prudent budgeting and policies helped us to fix our balance sheet, while still expanding our infrastructure to offer services such as education, electricity and healthcare to so many more. A strong black middle class has emerged and poverty rates have fallen.

However, we still have far to go. We are in a race against technology and must take steps to address unemployment and create sustainable opportunities for our children. We should focus on improving:

- the standards of education
- the ease of starting a new business
- general access to communications
- our infrastructure
- our relationships with other countries in Africa.

We produce some of the best engineers, accountants, doctors and actuaries in the world and should leverage these skills.

We also need to remain investor-friendly to ensure our borrowing costs are reasonable.

Most importantly, we have to protect our democracy by guarding the independence of our judiciary, our financial system, our open media and our levels of corporate governance.

We live in one of the most beautiful countries in the world, abound with potential. We must do more to create a better future for our children and fulfil the dreams of our founding fathers.

Property in the Western Cape has structural advantages

The Western Cape economy is bucking the national trend and continues to grow. This is due to increased tourism, migration from other parts of the country and industrialisation along the West Coast. There is also growth in niche industries such as asset management and technology. The city of Cape Town expects a further one million people to move into the region by 2020 and this will continue to drive growth over the medium term.

However, this is also having adverse consequences. Foremost is the stress being placed on our natural resources. The Cape is already a water-scarce region and we are likely to experience shortages in the coming years. This will hurt our economy. Residential property prices are rising quickly and congestion is increasing. The poor bears the brunt of these effects. Strong leadership and good planning are needed to avoid this.

We have much within our control to create value over the long term

As a company, we cannot escape from our dependence on the economy. Low growth affects our tenants and, in turn, our return on capital. We have to remain close to our tenants and manage our tenant profile carefully. At the same time, a local debt downgrade seems inevitable. This will raise our borrowing costs. While 59% of our debt is fixed, we have to be guarded about our gearing.

However, we also have much within our control. We have experienced in-house development and asset management teams which are not short of opportunities. We have a low-cost structure, an entrepreneurial mindset and a good track-record of taking advantage of value-enhancing opportunities.

Chairman's Report
(continued)

Our acquisitions after period end prove this. They are in sectors and areas with strong demand, where we have experience and where we see the potential for operational improvement.

We will continue to take actions that will prioritise our long-term growth over our short-term growth. These actions will increase the quality of our portfolio over time, giving us the power to sustainably grow our rentals and keep vacancy levels low. This will allow us to create value for shareholders by earning returns on our capital greater than our cost of capital.

A thank you to all our stakeholders

Our journey so far has only been possible with the dedication of our employees and management team. As a board, we would like to thank them for their sacrifices and hard work. We would also like to thank our tenants, lenders and shareholders for their continued support and understanding.

Finally, as chairman, I would like to thank our directors for their ongoing assistance, insight and guidance.

Abubaker Varachhia
Chairman

27 June 2017

Sable Square Shopping Centre

Corporate Governance Report

The board of directors is committed to uphold good ethical standards and the application of corporate governance principles. Except as explained, the company has fully applied the King Code on Corporate Governance for South Africa ("King III") and, as required by the JSE, a full register of King III compliance is available on the company's website (www.spearprop.co.za).

Board of directors

There is a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The board comprises seven directors, of which four are non-executive and three are executive directors. Of the non-executive directors, three (75%) are independent. The board members have a diverse range of qualifications and experience, which enables them to contribute meaningfully to the management of the group. The board is satisfied with the depth of the collective experience of the non-executive directors and is satisfied that there is sufficient independence of mind on the board as there are more independent than non-independent members. Conflicts of interest, as they arise, are also appropriately dealt with.

All directors must resign and make themselves available for re-election at the first annual general meeting ("AGM"). One-third of the non-executive directors must resign and make themselves available for re-election at each AGM thereafter. The appointment of Sean McCarthy will be presented to shareholders for confirmation.

Director	1 December 2016	23 February 2017
Abu Varachhia	✓	✓
Mike Flax **	✓	✓
Quintin Rossi **	✓	✓
Christiaan Barnard **	✓	✓
Jalal Allie *	✓	✓
Brian Goldberg *	✓	✓
Niclas Matseke *	✓	✓

* Independent
** Executive director
✓ Attended
Δ Absent with apologies

All board appointments are motivated by the nomination committee in terms of their formal terms of reference and policy on appointments. All appointments are subject to approval by the board.

The board met twice during the period under review and will meet at least four times per year thereafter, but will meet more often if circumstances require. The table above sets out the board meetings held and attendance during the reporting period.

Chairman and chief executive officer

The roles of the chairman of the board and the chief executive officer are separated and clearly defined. The chief executive officer (Mike Flax) is responsible for the day-to-day management of the group and implementation of the strategy and objectives adopted by the board. He is assisted by the two other executive directors and members of senior staff. The chairman of the board (Abu Varachhia) is a non-executive director and has overall responsibility of managing the relationship between the board, the chief executive officer and the various board committees. He sets the agendas for the board meetings and ensures adequate time is devoted to developing the group's strategy.

Manhattan Plaza, Tygervalley

Board committees

The board acknowledges that overall responsibility for managing the group rests with the board as a whole.

To assist it in fulfilling its responsibilities, the board has appointed a number of sub-committees.

Composition of committees

The members of all the board committees are set out below.

Audit and risk committee	Investment committee	Remuneration committee	Social and ethics committee	Nomination committee
Jalal Allie (Chair)	Brian Goldberg (Chair)	Jalal Allie (Chair)	Niclas Matseke (Chair)	Jalal Allie (Chair)
Brian Goldberg	Abu Varachhia	Niclas Matseke	Quintin Rossi	Brian Goldberg
Niclas Matseke	Mike Flax	Abu Varachhia	Brian Goldberg	Niclas Matseke
	Quintin Rossi			
	Christiaan Barnard			
	Niclas Matseke			

Audit and risk committee

The primary responsibility of the audit and risk committee is to assist the board in overseeing integrated reporting and ensuring the financial integrity of the annual financial statements and other financial reporting. This committee is chaired by Jalal Allie, an independent non-executive director.

Investment committee

In the light of the increased volume and magnitude of transactions being evaluated by the company, the investment committee was constituted in October 2016. This committee is chaired by Brian Goldberg and its primary role is to review material transactions identified by the executive (including material acquisitions, mergers and disposals) on an ongoing basis and to make recommendations to the board in this regard. The committee also assists and advises the executive on such transactions.

Remuneration committee

The remuneration committee is chaired by Jalal Allie, an independent non-executive director, and ensures that the group adopts a remuneration policy that is fair and transparent and attracts and retains executive talent that contributes to the achievement of the group's objectives.

Social and ethics committee

The committee is chaired by Niclas Matseke, an independent non-executive director. The social and ethics committee is a statutory committee whose focus is to monitor compliance with group corporate social responsibilities.

Nomination committee

The chairman of the remuneration committee, Jalal Allie, also chairs the nomination committee. The nomination committee meets when required and, as previously stated, is responsible for assisting the board with the appointment of directors by making appropriate recommendations in this regard. In identifying suitable candidates for appointment to the board, the nomination committee will consider candidates on merit against objective criteria and with due regard for the potential benefits of gender diversity at a board level. The board has adopted a gender diversification policy. The nomination committee will continue to discuss and annually agree all measurable targets for achieving gender diversity on the board.

Director	Abu Varachhia	Mike Flax	Quintin Rossi	Christiaan Barnard	Jalal Allie	Brian Goldberg	Niclas Matseke
Audit and risk committee							
28 Feb 2017	⊖	⊖	⊖	⊖	✓	✓	✓
Investment committee							
1 Dec 2016	✓	✓	✓	✓	⊖	✓	✓
23 Feb 2017	✓	✓	✓	✓	⊖	✓	✓

✓ Attended
Δ Absent with apologies
⊖ Not a member of this committee

Remuneration committee

No formal meeting was held as the committee was only established in May 2017.

Spear's remuneration will be presented to shareholders for a non-binding vote thereon at Spear's upcoming annual general meeting.

Executive directors' remuneration is set out on page 70 of this integrated report.

Social and ethics committee

No formal meeting was held as the committee was only established in May 2017.

Conflicts of interest and directors' personal interests

Directors are required to declare their personal financial interests and those of related persons in contracts with the group. A register in this regard is maintained and reviewed at each board meeting.

Directors are asked to recuse themselves from any discussions and decisions where they have a material financial interest.

Company secretary

Rene Cheryl Stober is the appointed company secretary of Spear. The board is of the opinion that the company secretary is suitably qualified and experienced to carry out her duties as stipulated under Section 84 of the Companies Act. The company secretary provides board members with guidance in respect of their statutory duties and ensures that they are up to date on all relevant statutory requirements.

The board has reviewed, through discussion and assessment, the qualifications, experience and competence of the company secretary and has noted that the company secretary performed all formalities and substantive duties timeously and in an appropriate manner. The board is satisfied that an arm's length relationship exists.

The certificate that the company secretary, herein represented by Rene Cheryl Stober, is required to issue in terms of Section 88(2)(e) of the Companies Act, is on page 33 of this integrated report.

Double Tree by Hilton Hotel Cape Town – Upper Eastside

Social and Ethics Committee Report

Since listing Spear on the AltX of the JSE in November 2016, the group has sought to align its business with the principles outlined in the King III Report on Corporate Governance in South Africa 2009 and re-evaluated key matters to align with the newly-released King IV Report. The group remains guided by the JSE's Socially Responsibility Investing Index criteria as well as the requirements relating to social and ethics committees as set out in the Companies Act, no 71 of 2008, as amended.

Terms of reference

The social and ethics committee shall be responsible to monitor the company's activities, having regard to the relevant legislation, other legal requirements or prevailing codes of best practice, in matters relating to:

- the 10 principles set out in the United Nations Global Compact Principles
- the OECD recommendations regarding corruption
- the Employment Equity Act, 1995, as amended and compliance with the International Labour Organisation's Protocol on decent work and working conditions
- the Broad-based Black Economic Empowerment Act, as amended
- promotion of equality, prevention of unfair discrimination and reduction of corruption
- contribution to development of the communities in which its activities are predominantly conducted
- recording of sponsorship, donations and charitable giving
- the compliance to environment, health and public safety legislation relating to the impact of the company's activities on the environment

Blackheath Distribution Centre

- ensuring that leadership demonstrates support and management of ethics throughout the company, as recommended in Principle 1.3 of the King Code and ensuring that ethical standards are embedded in the corporate culture of the organisation
- confirming that structures are in place that will ensure that the board, employees and supply chains are familiar with and adhere to Spear REIT's ethical standards
- ensuring that ethics performance is included in the scope of the audit committee and is reported on in the company's integrated annual report as part of the risk register; and ensuring reporting, through the chairman of the committee, to the shareholders at the company's AGM on any part of the business that concerns the functions of the committee.

Meetings and projects

The terms of reference of the committee provide for bi-annual meetings.

A key objective of the committee for the current financial period is the implementation of an audit of key ethical issues in the workplace and ethical management practices, which encompasses leadership commitment, ethics strategy and goals, ethical standards, ethical awareness, ethics assessment and reporting and operational ethics. An industry expert will be engaged to assist the committee in this regard.

Conclusion

During the period under review, no substantive non-compliance with legislation and regulations, or non-adherence with the codes of best practice, relating to the areas within the mandate of the committee, has been brought to its attention.

The committee recognises that as the group grows its asset base and employee component, the monitoring of compliance with the relevant social, ethical and legal requirements and best practice codes will play an ever-greater part in its long-term sustainability.

Niclas Matseke
Chair: Social and Ethics Committee

27 June 2017

Sustainability Report

Sustainability reporting combines economic performance with social responsibility and environmental care. It aims to help businesses set goals. It also measures performance and manages change towards sustainability. In commerce, sustainability is often defined with reference to the "triple bottom line" concept. This concept encourages the measurement of sustainability with reference to financial, social and environmental aspects. Spear strongly believes that for a company to prosper over the long term, it must create value for society as well as for shareholders.

Guided by our focus of acquiring high-quality real estate in key Western Cape nodes, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through job creation, focusing on education in previously disadvantaged communities, building supplier and enterprise development partnerships and leveraging the value in our diverse employee and stakeholder base. We recognise the challenges that climate change presents to the South African economy and we will consider supporting any meaningful activity that reduces the negative impact on our planet.

Sustainability at Spear is focused on three key elements

Financial

- Building a sustainable business model to position the group's long-term growth and stability.
- Strong focus on property fundamentals to ensure that we remain true to our core business.
- Identifying potential macro-economic risks and effectively hedging negative exposures.

Social

- Focusing on attracting and developing a strong, capable and diverse workforce.
- Creating a work environment and society free from discrimination.
- Upliftment of employees through opportunities to access ongoing training and education.
- Supporting local communities through promotion of education.
- Promotion of entrepreneurship through focused supplier and enterprise development.

Environmental

- Creating a safe and healthy workplace and reducing the environmental footprint of our business.
- Incorporating environmental consciousness into all business activities.

The financial elements of our business have been dealt with extensively throughout this integrated report and this report therefore focuses primarily on the remaining two elements of sustainability.

Social

Human capital

There is no doubt that a large part of the group's success is due to the quality of its people. We have always maintained that in order to achieve the vision of the group, a highly skilled and diverse team is essential.

Spear boasts a unique team with the talent and ability to maintain high levels of productivity output on the continuous growth journey. During the year under review, Spear adopted a new performance appraisal and employee engagement process to identify areas of strengths, weaknesses and potential improvements across various areas of the business and the employees as well.

Our focus on employee empowerment has always been of paramount importance. Our group was founded by entrepreneurs and this entrepreneurial spirit remains one of our key philosophies. In an attempt to nurture this spirit in our people, we have implemented a high-performance culture where we seek to empower our staff and encourage them to take ownership and make a difference.

We currently employ thirteen people (excluding executive directors), seven of whom are from previously disadvantaged backgrounds. We subscribe to the principle that diversity is essential to create a strong, vibrant and successful enterprise. Our recruitment philosophy is therefore to employ the best person for

Double Tree by Hilton Hotel Cape Town – Upper Eastside

the job, giving preference to previously disadvantaged candidates. Seven of our staff complement are female and we will remain mindful of the importance of gender representation as we grow our staff complement.

In order to attract and retain the right people, we have implemented a remuneration system for all employees that consists of a fixed salary, a short-term incentive and a long-term share-based incentive. Funds are also made available for staff training and bursaries are made available to staff members who want to further their tertiary education. Ultimately, the company is seeking an alignment of interests with its staff, with all staff benefiting appropriately as the group creates value for its shareholders.

Contribution to society

Our approach to corporate social spend focuses mainly on education and entrepreneurship. We believe that focusing on education and entrepreneurship is an effective way to create opportunities for employment, wealth creation and to stimulate socio-economic growth in our struggling economy.

As a company, we have committed ourselves to not only contribute to the community financially, but also through devoting time to those in need by taking part in community projects to help the less fortunate.

Environmental impact and health and safety

Spear is committed to create a safe and healthy workplace and reduce the environmental footprint of our business.

We are invested in a long-term asset class and are fully aware of the fact that the reckless use of our natural resources today will negatively impact on our ability to create value in the future.

We recognise that we live in a water-scarce country, specifically the Western Cape where Spear's investment strategy focuses, and that we are facing a growing gap between water supply and demand, perpetuated by a changing global climate. We also recognise that there is growing uncertainty relating to sustainable electricity supply and pricing and as such we need to keep abreast of all developments in this sector and investigate energy-saving mechanisms and alternative energy sources which make commercial sense. Lastly, we believe that climate change is a reality and we need to assess our climate change risks on an ongoing basis and identify opportunities that may have an impact on the country, its people and our organisation.

The group will strive to develop the business in an environmentally sustainable manner in the future and we will embrace this philosophy as we develop new products in the coming years. In this regard, we will include environmental best practice principles in our brief to development teams and ensure that these principles are incorporated into the final design. Our environmental strategy focuses on facilitating the reduction of our environmental footprint while maintaining a positive effect on asset values. We also wish to share positive practices and influence our stakeholders and business partners towards greater sustainability activity.

We have consistently focused on reducing the water and energy consumption at our various buildings. We use solar technology and other energy-efficient saving methods to curtail electricity costs and we strive to optimise water usage through exploration and use of boreholes.

Remuneration Report

This report outlines Spear's remuneration policy which encapsulates short- and long-term incentive programmes and how the policy will be implemented.

Remuneration committee

In a bid to align the remuneration policy of Spear with the best practice guidelines set out in King III, Spear's remuneration committee has been appointed by the board of directors and has been granted the delegated authority, in accordance with the terms of reference, to formulate, review and make decisions regarding the remuneration policies and the execution thereof within the business in a balanced and effective manner. The terms of reference were formally adopted by the board of directors during the current reporting period and the following members were appointed to the committee:

- Jalal Allie
- Niclas Matseke
- Abu Varachhia

All members of the committee are non-executive directors. The committee meets three times per reporting period. Other members of the board and any remuneration committee appointed consultants attend meetings by invitation.

The remuneration committee has benchmarked industry standards of similar size REITs to assist in the formulation, review and enactment of Spear's remuneration policy.

The following duties were fulfilled by the remuneration committee during the reporting period:

- Review and enact Spear's remuneration policy, which includes high-quality human capital recruitment, retention and termination of senior executives.
- Approval of the overall pay mix for executive directors, including long-term incentives (LTI) and short-term incentives (STI).
- Approval of the LTI as a share plan along with the related vesting conditions.
- Approval of the STI and related award criteria.
- Approval of non-executive directors' fees and increases.
- Approval of executive directors' guaranteed remuneration and increases.

Remuneration policy

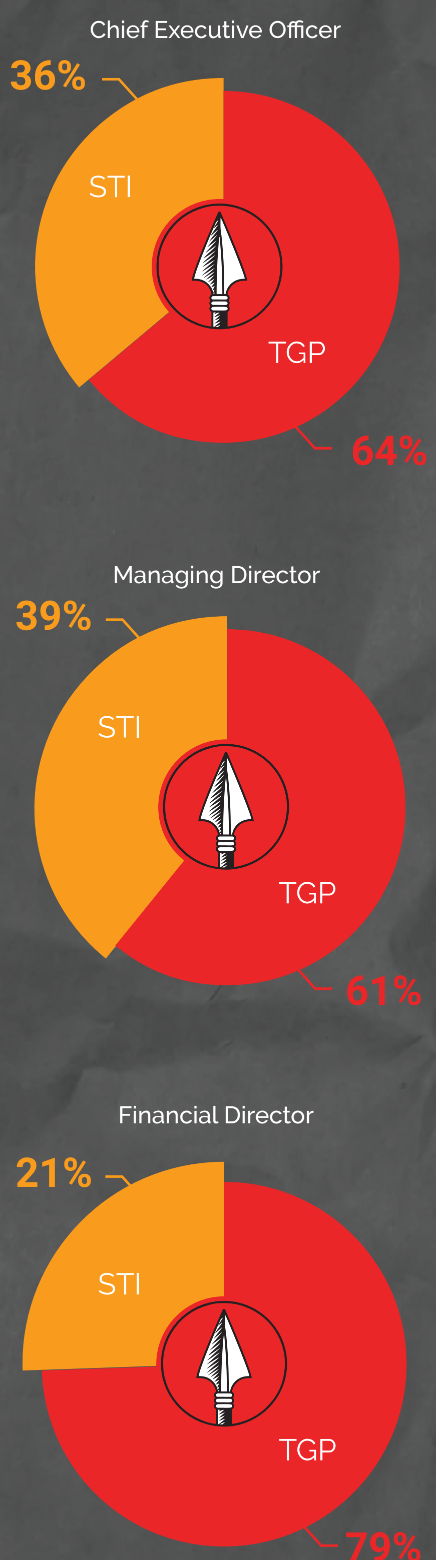
Spear has adopted a culture that seeks to attract and retain motivated, high-caliber and appropriately skilled real-estate-focused executives. The latter culture will ensure that Spear achieves its short-, medium- and long-term strategic objectives and to maximize shareholder returns. From inception, Spear's management has ensured that there is a strong alignment between management and shareholders, given management's sizeable investment in Spear. It is the ethos of this remuneration committee to take into regard a fair and reasonable approach to executive remuneration with collective regard given to Spear's performance, the individual's performance as well as the relevant benchmarks used to arrive at any decision.

Benchmarking and pay composition

The remuneration committee has taken the policy decision to perform external benchmarking exercises every three years to ensure that Spear has an effective and appropriate remuneration policy and pay composition. It has been agreed that the remuneration committee will apply inflationary adjustments to all categories of pay in years two and three.

Executive remuneration will effectively comprise a total guaranteed pay, and short- and long-term incentive programmes. The latter is implemented to ensure that at all times there is a string alignment between executive interests and those of the shareholders of Spear.

Spear pay mix period ended 28 February 2017



Total guaranteed pay

This is the composition of an executive director's guaranteed cash salary and related benefits, determined by the position and responsibilities of the role, performance in the role and experience in the position. The total guaranteed pay that was paid to the executive directors in the period is detailed in note 23 to the financial statements.

The remuneration committee has approved a 7% aggregate increase in total guaranteed pay for general staff for the following financial year.

Short-term incentives

Introduction

Spear has adopted an incremental increasing short-term incentive programme. The programme provides for a clear alignment of executive strategies to ensure that Spear is the benefactor of the highest possible distribution per share in any given period. The remuneration committee has applied the incremental increase model in a manner that rewards overperformance achieved by the executive directorate of Spear and is a material informant when determining bonuses.

After approval by the remuneration committee, short-term incentives become due and payable annually once the audited financial results upon which the incentives are based have been released.

Short-term incentive targets

The remuneration committee sets the economic targets for the STI on an annual basis. The measurement metric for the STI is distribution per share, as measured against the annual budget set by management. The short-term incentive scheme is effectively an overperformance remuneration model based on rewarding executives once budgeted distribution per share has been exceeded by the metrics on an incremental basis, based upon the level of overperformance on distribution per share compared to the budgeted forecast.

The table on the following page sets out the forecast STI as approved by the remuneration committee after the period ended 28 February 2017 and will be based on forecast performance for the year ended 28 February 2018.

Level of performance	Measure	Share of % over forecast DPS	Rand value of STI pool	Total STI as % share of total DPS
Forecast	Forecast DPS	0	–	0
On target	Forecast DPS + 10%	15	1 668,708	1.4
Stretch	Forecast DPS + 15%	30	5 006,123	3.9

Long-term incentives

The long-term incentive programme has been established to attract, retain and reward executives through the annual award of share options in Spear. The long-term incentive programme provides an opportunity for the executive directors to share in the growing success of Spear and to be continuously incentivised to deliver on the key strategic objectives set by Spear over the long term. This will also reinforce key alignment between executive directors and Spear shareholders. Currently the long-term incentive programme vests over a 5-year period in equal shares of 20% per annum. The remuneration committee has adopted a tranche-based pricing model which will see the first tranche of long-term incentive allocations taking place in the coming period.

The long-term incentive programme is part of a maximum performance and comprehensive skills retention strategy to ensure that targets are achieved and human capital preservation is maintained within Spear. The remuneration committee has adopted a performance criterion which is based on distribution per share growth (60%) and net asset value per share growth (40%).

All benefits of the STI and LTI are subject to the executive director being and remaining in the employ of Spear.

Carecross Building, Mill Street, Newlands

Non-executive directors' fees

Non-executive directors do not have employment contracts and do not receive any benefits associated with permanent employment. Their fees as directors are determined as a base fee and attendance fee based on their board and committee obligations. Non-executive directors receive an annual board retainer. In addition, a fee is paid for attending board and committee meetings.

All board members reside in Cape Town and Spear does not pay for any travelling and accommodation expenses in respect of board meetings. The fees paid to the non-executive directors during the review period are detailed in note 23 to the annual financial statements.

The proposed fees for 2017/2018 are detailed below and will be implemented from 1 September 2017 if approved by the shareholders at the AGM.

2017/2018	Base fee	Attendance fee
Chairperson of the board	400 000	–
Board member	200 000	–
Chairperson of the audit and risk committee	–	7 000
Member of the audit and risk committee	–	5 000
Chairperson of other sub-committees	–	7 000
Member of other sub-committees	–	5 000

Based on the meetings set for the period, the total fees payable in the coming period will amount to R1 272 000. The increase in the fees is due to the fees being paid for a full financial period, the appointment of an additional board member and the increase in the number of meetings to be held in the coming year.

Jalal Allie
Chair: Remuneration Committee

27 June 2017

Risk Management

The board adopted a risk management policy with the assistance of the audit and risk committee. The policy is applied by the executive committee in the daily operations of the group.

The policy is based on mitigating identified risks to the group to acceptable levels and in line with industry practices to ensure no transaction is entered into that is not in the ordinary course of business, as required by the JSE.

Risk management is an integral part of the group's strategic management and is essential to ensure quality growth in the net asset value of the group, which will translate into sustainable distribution growth.

The group employs a risk management framework to:

- identify risk factors which may have a material impact on the group's operations
- formulate a mitigating response for each area of impact
- monitor progress against mitigation targets
- review and revise identified risks on an ongoing basis.

The audit and risk committee oversees the risk management framework and has an ongoing responsibility to monitor the group's risk management processes as reported on by the executive committee.

The table below summarises the key risk factors identified and how these have been mitigated.

Risk factor	Areas of impact	Company response	Status
Tenant default	– Sustainability of revenue and distribution – Portfolio vacancies	– Credit vetting process and preference for tenant offering strong lease covenant – Active client engagement and regular review of arrears	– No significant post-listing bad debts – Total vacancies only 0.92% of GLA
Rapid increase in utility costs, especially property taxes and electricity	– Pressure on tenants for recovered utilities – Pressure on profitability for non-recovered costs – Additional financial impact on tenants	– Investigate use of renewable energy sources – Investigate use of non-municipal water supply	– Feasibilities in progress for well points at high water use buildings – 41% of lettable space comprises tenants fully recovering leases
Going concern risk	– Inability to settle creditors and funding obligations as they become due	– Strong balance sheet with long dated leases in place to generate sustainable cash flows – Continuous management of overheads and improve project performance	– Current LTV 33.09%, well below the 60% guideline
Macro-economic environment	– Access to capital – Interest rate risk – Tenant defaults and reduction in rental income	– LTV target range of 40-45% and maintenance of adequate banking facilities – Hedging target of 60% – Focus on high-quality real estate in Western Cape	– Current LTV 33.09%, below target range – 59% debt fixed – 61% of GLA to large listed national or international tenants

Risk factor	Areas of impact	Company response	Status
Deterioration in property values or specific areas	– Fair value of investment property – Ability to attract new tenants	– Focus on A-grade property in prime nodes – Preference for tenants offering strong lease covenant	– 61% of GLA to A grade tenants – 45% of leases expiry > 3 years
Retention of key staff	– Loss of key staff will impact on the ability to achieve the group's objectives	– Implementation of long-term and short-term incentive schemes	– Share scheme and bonus plan rolled out to all key staff – Board approval received for implementation of maiden staff share incentive programme
Gradual or sudden destruction of properties	– Buildings destroyed by acts of God – Properties not properly maintained and deteriorating over time	– Ensure adequate insurance cover is maintained – Ensure properties are continuously maintained	– Comprehensive commercial insurance in place. Full insurance replacement valuation performed in the year under review to ensure adequacy of cover – Property operational team employed and detailed maintenance schedule drafted
Property obsolescence	– Change in tenant needs or buildings becoming dated could result in impairment of key assets or significant costs to improve facilities	– Increased focus on acquiring new properties with excellent quality and maintenance record – Prudently earmark dated properties for disposal – Effective recycling of capital	– Our portfolio currently consists only of properties with excellent maintenance records
Compliance with laws and regulations	– Penalties, operational risk from non-compliance with legislation – Sanctions and risks associated with non-compliance with JSE regulations	– Employment of suitably skilled and experienced staff and executive – Engage external specialists with appropriate skills – Adequate internal and external training	– Executives and staff considered to be adequately qualified and experienced – Corporate advisors and auditors experienced in listed property companies – Employees regularly attend conferences and receive relevant training
Stakeholder risk (other than addressed above)	– Access to capital – Share price and liquidity – Market credibility	– Regular meetings with major shareholders – Close interaction with corporate advisors (PSG Capital, auditors, CDH)	– Company continues to receive strong support from current shareholders – Oversubscribed in post-period-end capital raise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Highlights

- Maiden distribution per share of 23.51 cents ▲ 16.75% over the forecast distribution
- TNAV per share ▲ from R9.37 to R10.03, being a 7.01% increase
- 3.79% ▲ in investment property fair value from R1.393 billion to R1.446 billion
- R250 million capital raised at listing date, 11 November 2016
- R119 million capital raised through a share-for-cash issue on 28 February 2017
- Gearing reduced from 42.11% to 33.09%
- In excess of R1 billion of new acquisitions concluded after period end to establish healthy pipeline to increase distributable earnings
- Moved to JSE Main Board on 22 May 2017

Manhattan Plaza, Tygervalley

Consolidated Financial Statements

Audit and Risk Committee Report

The Audit and Risk Committee ("audit committee") takes pleasure in presenting its report for the 4-month period ended 28 February 2017.

Functions of the audit and risk committee

The audit committee is a formal committee of the board and has adopted a written terms of reference. These terms of reference include the statutory requirements of the Companies Act (Act 71 of 2008, as amended), the recommendations of the King Report on Corporate Governance ("King III"), as well as certain responsibilities delegated by the board. The audit committee has discharged the functions in terms of its terms of reference and ascribed to it in terms of the Companies Act as follows:

The main responsibilities of the audit committee include the following:

- Review of the ongoing effectiveness of the internal financial controls.
- Review of the provisional results and the consolidated and separate financial statements for the period as well as other content in the integrated report and making a formal recommendation to the board to adopt the same.
- Ensuring compliance with International Financial Reporting Standards and the relevant requirements of the Companies Act and the JSE with respect to financial reporting.
- Overseing the appointment and independence of the external auditors and reviewing their external audit reports.
- Determining a policy for the provision of non-audit services by the external auditors.
- Monitoring the risk management framework adopted by the group and reviewing any risk management reports in this regard.
- Reviewing management's assessment of the group and company to continue as a going concern.

Discharge of responsibilities

The audit committee confirms that it has fulfilled all its statutory obligations, as well as its terms of reference for the period under review.

Members of the audit committee, attendance of meetings and evaluation

The audit committee comprises the three independent non-executive directors as detailed in the corporate governance report and is chaired by Jalal Allie. Meetings and meeting attendance are also detailed in the corporate governance report. The executive directors and the external auditors attended audit committee meetings by invitation.

The terms of reference require an annual evaluation of the performance of the audit committee and its members, as well as confirmation of the members' independence in terms of King III and the Companies Act. The outcome of this evaluation and confirmation was satisfactory.

External auditors

The audit committee nominated Grant Thornton Cape Inc. as the external auditors for the current year after having satisfied itself that they are independent of the company. The audit committee noted Bradley Jackson as the designated auditor and confirmed that both he and Grant Thornton Cape Inc. are accredited with the JSE Limited as required.

The audit committee approved the terms of the auditors' engagement letter, their audit plan and budgeted audit fees for the audit of the consolidated and separate financial statements for the 4-month period ended 28 February 2017.

The audit committee adopted a formal framework for the pre-approval of allowable non-audit services above certain predetermined thresholds.

Internal audit

The audit committee has satisfied itself that the size and complexity of the company does not warrant an internal audit function.

Financial director

The committee has satisfied itself that the financial director has the appropriate expertise, experience and resources and is satisfied that the internal financial controls of the company are working effectively.

Internal financial controls

The audit committee oversaw the implementation of a combined assurance model and the external auditors and management reported to the audit committee as to the efficacy of the 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 were identified during the current financial period.

Approval of the consolidated and separate financial statements

The audit committee confirms that it formally recommended the adoption of the consolidated and separate financial statements to the board of directors.

Jalal Allie
CHAIR: AUDIT AND RISK COMMITTEE

Cape Town
27 June 2017

Directors' Responsibility Statement

Spear Reit Limited and its subsidiaries for the 4-month period ended 28 February 2017

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 2017, the statement 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 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' responsibility includes: 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' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have assessed 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 auditors are responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

The consolidated and separate financial statements of Spear REIT Limited were approved by the board of directors on 28 June 2017 and are signed on its behalf by:

Mike Naftali Flax
CHIEF EXECUTIVE OFFICER

Quintin Michael Rossi
MANAGING DIRECTOR

Christiaan Barnard
FINANCIAL DIRECTOR

Declaration by the Company Secretary

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 4-month period ended 28 February 2017, 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.

Rene Cheryl Stober
COMPANY SECRETARY

Directors' Report

Spear Reit Limited and its subsidiaries for the 4-month period ended 28 February 2017

Nature of business

Spear REIT Limited listed as a Real Estate Investment Trust ("REIT") on the AltX of the Johannesburg Stock Exchange ("JSE") on 11 November 2016. Its main business is the investment in high-quality income-generating real estate across all sectors within the Western Cape, predominantly in the Cape Town region. The company successfully moved to the JSE Main Board on 22 May 2017.

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%)
- Upper Eastside Hotel Proprietary Limited (100%)
- Fundamental Holdings Proprietary Limited (100%)
- Pacivista Proprietary Limited (100%)
- Arrow Investments 1 Proprietary Limited (100%)
- Spear One 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.

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.

The group's overall debt was R478 million at the reporting date, as detailed in note 16 to the consolidated financial statements.

Stated 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 100 shares of no par value in the prior year to 85 414 741 shares of no par value on 11 November 2016. In addition, 12 812 211 shares of no par value were issued at R9.30 subsequently during a share-for-cash issue and at the end of the current period 97 762 361 shares of no par value were in issue after deducting the 464 591 treasury shares. All movements in issued shares are detailed in note 15 to the financial statements.

Distribution to shareholders

The board of directors approved a distribution of 23.51 cents per share on 11 May 2017 (maiden distribution) and declared the distribution on 17 May 2017 on SENS.

The distribution represents a 16,73% increase over the forecast distribution as per the pre-listing statement released on 21 October 2016.

Salient dates for the maiden distribution are as follows:

	2017
Declaration date	Wednesday, 17 May
Finalisation date	Monday, 30 May
Last day to trade cum dividend distribution	Tuesday, 6 June
Shares trade ex dividend distribution	Wednesday, 7 June
Record date	Friday, 9 June
Payment date	Monday, 12 June

The board confirms the use of distribution per listed securities as the relevant measure of financial results for the purposes of trading statements.

Directors

The directors of the company are detailed on page 16 (corporate governance report) of the integrated report. There has been no change in the directorate since listing.

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

Company secretary

Rene Cheryl Stober was appointed as the company secretary on 1 September 2016.

Auditors

Grant Thornton Cape Inc. 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 below and in note 36 to the consolidated financial statements.

Directors' interest in ordinary shares

Directors' interest as at 28 February 2017

Directors	Directly	Indirectly	Beneficially held associates	Total	%
Mike Flax	–	20 807 264	–	20 807 264	21,18
Abu Varachhia	–	20 807 264	–	20 807 264	21,18
Quintin Rossi	–	7 314 329	–	7 314 329	7,45
Christiaan Barnard	100 000	–	–	100 000	0,10
Jalal Allie	–	100 000	–	100 000	0,10
Brian Goldberg	–	1 300 000	–	1 300 000	1,32
Niclas Matseke	625 000	–	–	625 000	0,64
Total	**725 000**	**50 328 857**	**–**	**51 053 857**	**51,98**

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

Independent Auditor's Report

to the shareholders of Spear REIT Limited

Report on the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Spear REIT Limited ("the group") set out on pages 31 to 85, which comprise the statements of financial position as at 28 February 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 28 February 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 the Consolidated and Separate Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). 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. Key audit matters relating to the consolidated and separate financial statements are set out on the next page.

Other information

The directors are responsible for the other information. The other information comprises 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 Annual Report, which is expected to be made available to us after that date. 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 on the other information obtained prior to the date of this auditor's report, 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.

The following key audit matters relate to the consolidated and separate financial statements:

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The group's investment property portfolio relates mainly to Cape Town properties, with a total valuation in the consolidated statement of financial position of R1 445 million. The fair value gain recorded for the current financial period amounts to R40.5 million. The investment properties are stated at their fair values based on the directors' valuations and external valuations as deemed appropriate. The valuation of the group's investment property portfolio is inherently subjective due to the estimates used in determining the property fair values, such as the capitalisation rates and the market-related net operating incomes. Among other factors, the individual nature of the property, its location and expected future rentals for that property, taking cognisance of the tenant occupying the property, also affect the valuation of the investment property. In determining a property's valuation, the directors and the external valuators take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. The valuation of investment properties was considered to be a matter of most significance to the current period audit due to the significance of the estimates and the level of judgement involved. The sensitivity of the investment property fair values to changes in the related inputs could potentially result in a material misstatement.	We read the valuation reports for the properties valued externally in the current period and confirmed the valuation approach was in accordance with IFRS and suitable for use in determining the carrying value for the purpose of the consolidated and separate financial statements. We assessed the valuators' qualifications and expertise and read their terms of engagement with the group to determine whether there were any matters that may have affected their objectivity or may have imposed scope limitations upon their work. We found no evidence to suggest that the objectivity of the valuators in their performance of the valuations was compromised. We tested the data inputs in the directors' valuation as well as the valuation prepared by the valuators. We focused on the data inputs underpinning the investment property valuation, including rental income and property-related operating expenditure, to assess the reliability and reasonability of the capitalised net operating income. Our audit procedures included assessing the reasonability of the capitalisation rates used by comparisons against the market-related rates for the particular property types in a similar location as per market benchmarks. We further reviewed the appropriateness of the disclosures in the consolidated and separate financial statements concerning the key assumptions to which the valuations are most sensitive, and the inter-relationship between the assumptions and the valuation amounts. Based on the procedures performed, we obtained evidence that the assumptions used in the valuations were supportable in light of available and comparable market evidence.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the 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 do the following:

- 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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. 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 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.

- Obtain sufficiently 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, related safeguards.

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 Grant Thornton Cape Inc. has been the auditor of Spear REIT Limited for two years.

Grant Thornton

GRANT THORNTON CAPE INC.
Registered Auditors
Registration number: 2010/016204/21

B Jackson
Director
Registered Auditor
Chartered Accountant (SA)

17 May 2017

6th Floor, Grant Thornton House,
123 Hertzog Boulevard, Foreshore
Cape Town 8001

Consolidated and Separate Statement of Financial Position

Spear Reit Limited and its subsidiaries as at 28 February 2017

			Group	Company	
			2017	2017	2016
		Notes	R'000	R'000	R'000
ASSETS					
Non-current assets					
Investment property (Including straight-line accrual)		7	1 445 715	–	–
Investment in subsidiaries		9	–	926 871	–
Property, plant and equipment		8	128	–	–
Deferred taxation		20	6 533	–	–
			1 452 376	926 871	–
Current assets					
Trade and other receivables		12	8 092	–	–
Cash and cash equivalents		14	12 632	8	–
Loans to related parties		11	–	–	0.1
Other financial assets		10	1 714	–	–
Taxation receivable			11	–	–
Insurance claim receivable		19	18 687	–	–
			41 136	8	0.1
Total assets			1 493 512	926 879	0.1
EQUITY AND LIABILITIES					
Shareholders' interest					
Stated capital		15	917 538	926 872	0.1
Share-based payment reserve		33	3 939	3 939	–
Accumulated income			65 331	(3 940)	–
			986 808	926 871	0.1
Liabilities					
Non-current liabilities					
Financial liabilities		16	478 453	–	–
			478 453	–	–
Current liabilities					
Loans from related parties		11	3 881	8	–
Finance lease			113	–	–
Trade and other payables		17	21 554	–	–
Deferred revenue			2 703	–	–
			28 251	8	–
Total liabilities			506 704	8	–
Total equity and liabilities			1 493 512	926 879	0.1
Number of ordinary shares in issue			98 226 952	–	–
Treasury shares			(464 591)	–	–
Net ordinary shares in issue			97 762 361	–	–
Gearing ratio	%		33.09	–	–
Net asset value per share	(Cents)		1 009	–	–
Tangible net asset value per share	(Cents)		1 003	–	–

Consolidated and Separate Statement of Comprehensive Income

Spear Reit Limited and its subsidiaries for the 4-month period ended 28 February 2017

			Group	Company	
			2017	2017	2016
		Notes	R'000	R'000	R'000
Property portfolio					
– Contractual rental income			51 916	–	–
– Tenant recoveries			9 905	–	–
– Straight-line rental income accrual			(2 647)	–	–
		21	59 174	–	–
Other income		22	2 088	–	
Total revenue			61 262	–	–
Property operating and management expenses		23	(16 294)	–	–
Net property-related income			44 968		
Administrative expenses		23	(4 558)	(1)	–
Net operating profit			40 410	(1)	–
Fair value adjustment – Investment properties			40 553		
Depreciation and amortisation		8	(4)	–	–
Formation and listing cost		24	(1 873)	–	–
Share-based payment expense		33	(3 939)	(3 939)	–
Profit from operations			75 147	(3 940)	–
Net finance costs			(16 662)	–	–
– Finance costs		26.1	(20 487)	–	–
– Finance income		26.2	3 825	–	–
Profit before taxation			58 485	(3 940)	–
Taxation			6 846	–	
Profit/(Loss) for the year			65 331	(3 940)	–
Other comprehensive income/(loss)			–	–	–
Total comprehensive income/(loss) for the period			65 331	(3 940)	–
Attributable to:					
Equity owners of parent			65 331	(3 940)	–
Total comprehensive income/(loss) for the period			65 331	(3 940)	–
Basic earnings per share	(Cents)	3	254.83	–	–
Diluted earnings per share	(Cents)	3	254.83	–	–
Distribution per share	(Cents)	4	23.51	–	–
Interest cover ratio		6	2.58	–	–

Consolidated and Separate Statement of Changes in Equity

For the 4-month period ended 28 February 2017

		Stated share capital R'000	Accumulated profit/(loss) R'000	Equity reserve R'000	Total equity R'000
Group	Notes				
Balance as at 1 November 2016		0.1	–	–	0.1
Changes in equity:					
Profit for the period		–	65 331	–	65 331
Shares repurchased from founders		(0.1)	–	–	(0.1)
Issue of shares	15	921 888	–	–	921 888
Acquisition of treasury shares		(4 350)	–	–	(4 350)
Share-based payment expense	33	–	–	3 939	3 939
Total changes		917 538	65 331	3 939	986 808
Balance as at 28 February 2017		**917 538**	**65 331**	**3 939**	**986 808**

		Stated share capital R'000	Accumulated profit/(loss) R'000	Equity reserve R'000	Total equity R'000
Company					
Balance as at 1 November 2016		0.1	–	–	0.1
Changes in equity:					
Loss for the period		–	(3 940)	–	(3 940)
Shares repurchased from founders		(0.1)	–	–	(0.1)
Issue of shares	15	926 872	–	–	926 872
Share-based payment expense	33	–	–	3 939	3 939
Total changes		926 872	(3 940)	3 939	926 871
Balance as at 28 February 2017		**926 872**	**(3 940)**	**3 939**	**926 871**

Consolidated and Separate Statement of Cash Flows

For the 4-month period ended 28 February 2017

	Notes	Group 2017 R'000	Company 2017 R'000	Company 2016 R'000
Cash flow from operating activities				
Cash generated from operating activities		**55 418**	**(0.7)**	–
Finance income	26.2	**3 825**	**–**	–
Finance cost	26.1	**(20 487)**	**–**	–
Taxation paid	26.3	**(11)**	**–**	–
Net cash generated from operations		**38 745**	**(0.7)**	
Cash flow from investing activities				–
Purchase of property, plant and equipment		**(132)**	**–**	–
Additions to investment property	7	**(20 459)**	**–**	–
Investment property cost capitalised	7	**(1 009)**	**–**	–
Loan to related party	11	**–**	**8**	–
Movement in other financial assets	10	**(1 714)**	**–**	–
Proceeds from insurance claim	19	**10 000**	**–**	–
Investment in subsidiary		**–**	**(368 858)**	–
Net cash used in investing activities		**(13 314)**	**(368 850)**	–
Cash flow from financing activities				
Proceeds from share issue		**354 350**	**368 858**	–
Repayment of financial liabilities	16	**(366 531)**	**0**	–
Repayment of finance leases		**(148)**	**–**	–
Loan from related party	11	**8 639**	**–**	–
Repayments of related party loan	11	**(4 758)**	**–**	–
Purchase of treasury shares	13	**(5 310)**	**–**	–
Proceeds from sale of treasury shares	13	**959**	**–**	–
Net cash generated from financing activities		**(12 799)**	**368 858**	–
Total cash movement for the period		**12 632**	**7**	–
Cash beginning of the period		**–**	**–**	
Cash end of the period	14	**12 632**	**7**	–

Notes to the Financial Statements

for the 4-month period ended 28 February 2017

1. Accounting policies

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.

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:

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 32 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 principle assumptions underlying the board's estimation of fair value are disclosed in note 32 and include the receipt of contracted rentals, lease renewals, maintenance requirements, operational costs and appropriate discount and capitalisation rates.

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

- Fair value of financial asset held at fair value (refer to note 13)
- Computation of equity-settled share-based payment (refer to note 33)

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 three executive directors. The executive committee allocates resources and assesses the performance of the operating segments of the group.

1.5 Financial instruments

The group's financial instruments consist of other financial assets (note 10), loans to and from related parties (note 11), trade and other receivables (note 12), financial asset (note 13), financial liabilities (note 16) and trade and other payables (note 17). All financial assets are classified as loans and receivables and all financial liabilities are classified as held at amortised cost.

All financial instruments are initially recognised at fair value (including transaction costs) and subsequently at amortised cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial liabilities at amortised cost

These are subsequently measured at amortised cost using the effective interest rate method.

Impairment of financial assets

The group assesses each significant financial asset for objective evidence of impairment at the end of each reporting period. A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more events that have occurred since initial recognition of the asset.

Where objective evidence of impairment exists, the impairment loss is calculated as the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Trade and other receivables

Trade and other receivables are classified as loans and receivables. Trade receivables are amounts due from tenants for contractual lease charges and recoveries and are classified as current assets.

Cash and cash equivalents

Cash and cash equivalents are classified as loans and receivables. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are not subject to a significant risk of a change in value. Cash comprises cash on hand, bank balances and cash held in an investment trading account.

Borrowings

Borrowings are generally long term in nature and are classified as non-current liabilities, except to the extent that amounts are contractually unavoidable in the 12 months from the reporting date.

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's recoverable amount is estimated. In addition, goodwill is tested for impairment at every reporting date.

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. The recoverable amount is calculated as the higher of the asset's fair value less cost to sell and the value in use. These calculations are prepared based on management's assumptions and estimates, such as forecasted cash flows, management budgets and financial outlook. For the purpose of impairment testing the goodwill is allocated to cash-generating units, which are the lowest levels for which separately identifiable cash flows can be determined.

1.7 Investment property

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

Certain costs that relate to a qualifying 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 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases.

Where a company in the group is the lessor

Rental income is the group's primary source of revenue (note 1.11).

Where a company in the group is the lessee

Lease payments, including prepayments, are charged to profit or loss on a straight-line basis over the period of the lease.

1. Accounting policies (continued)

1.9 Property, plant and equipment

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

Subsequently, all property, plant and equipment are 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

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.

1.10 Stated capital

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

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

1.11 Revenue

Revenue comprises 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. This 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 development fee income and rental loss insurance claims 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.

1.12 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.

Employee share scheme

At the date of listing, the founding shareholders of the REIT sold shares in the REIT to certain employees. This was effected via the property trust that sold the core properties to the group in exchange for REIT shares (note 7). The shares were not issued by the group to the employees.

The trust then sold shares on loan account to these employees. These transactions have been accounted for as equity-settled share-based payments in terms of IFRS 2 – Share-based Payment.

The property trust has not been consolidated because the group does not control it.

Refer to note 33 for a description of the terms, the estimates used in the valuation and the accounting measurement and disclosure requirements.

1.13 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, no income tax is payable in the current year.

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 relates to goodwill or 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 or 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.

1.14 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 14 and 16).

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.

1.15 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 from general funds.

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

1.16 Dividend distribution

Distributable earnings 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.

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. They did not have a material effect on the company's consolidated and separate financial statements and therefore have not been detailed further.

– IAS 1 Presentation of Financial Statements – Amendments	1 Jan 2016	Not material
– IAS 19 Employee Benefits – Amendments	1 Jan 2016	Not material

2.2 Standards and interpretations issued but not yet effective at 28 February 2017

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

New and amended IFRS standards	Summary of the new amended standard	Effective date	Impact on the group
IFRS 2 Share-based payment	Classification and Measurement of Share-based Payment Transactions: A collection of three distinct narrow-scope amendments dealing with classification and measurement of share-based payments. The amendments address: – The effects of vesting conditions on the measurement of a cash-settled share-based payment; – The accounting requirements for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled; and – Classification of share-based payment transactions with net settlement features.	Annual periods beginning on or after 1 January 2018	Not yet assessed

2.2 Standards and interpretations issued but not yet effective at 28 February 2017 (continued)

New and amended IFRS standards	Summary of the new amended standard	Effective date	Impact on the group
Amendment to IAS 7 – Statement of Cash Flows	The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.	Annual periods beginning on or after 1 January 2017	Not yet assessed
Amendment to IAS 12 – Deferred Tax	The amendments provide, amongst others, additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.	Annual periods beginning on or after 1 January 2017	Not yet assessed
IFRS 15 – Revenue from Contracts with Customers	IFRS 15 replaces the existing IFRS guidance and introduces a new revenue recognition model for contracts with customers. It also requires extensive new disclosures.	Annual periods beginning on or after 1 January 2018	Assessed to have little impact/ change to the current revenue recognition treatment
IFRS 9 – Financial Instruments	IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.	Annual periods beginning on or after 1 January 2019	Not yet assessed
IFRS 16 – Leases	IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee/tenant) and the owner (lessor). IFRS 16 replaces the previous leases standard IAS 17 Leases, and related Interpretations.	Annual periods beginning on or after 1 January 2019	Assessed to have little impact/ change to the current revenue recognition treatment
Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investment in Associates	The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a "business" under IFRS 3 – Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.	Annual periods beginning on or after 1 January 2016	Assessed to have little impact/ change to the current revenue recognition treatment

3. Earnings per share

This note provides the obligatory information in terms of IAS 33 Earnings Per Share and SAICA Circular 2/2015 for the group and should be read in conjunction with note 4, where earnings are reconciled to distributable earnings. Distributable earnings determine the dividend declared to shareholders, which is a meaningful metric for a stakeholder in a REIT.

3.1 Basic earnings per share

Shares in issue	2017 Number of shares
Number of shares in issue at end of period	97 762 361
Weighted average number of shares in issue	25 636 517
Diluted weighted average number of shares in issues	25 636 517
Basic earnings per share	**Cents**
Earnings (profit attributable to owners of the parent)	65 331
Basic earnings per share	254.83
Diluted earnings per share	254.83

3.2 Headline earnings per share

Reconciliation between basic earnings and headline earnings		R'000
Earnings (profit attributable to owners of the parent)		65 331
Adjusted for:	Gross	Tax
Fair value adjustments to investment properties	(40 553)	0
Headline earnings		24 778
Headline earnings per share		Cents
Headline earnings per share		96.65
Diluted headline earnings per share		96.65

4. Reconciliation between earnings and distributable earnings

4.1 Distributable earnings

	4 months ended 28 February 2017 R'000
Earnings (profit attributable to owners of the parent)	65 331
Adjusted for:	
Fair value adjustments to investment properties	(40 553)
Headline earnings	24 778
Adjusted for:	
Straight-lining of leases	2 647
Depreciation	4
Formation and listing costs	1 873
Equity-settled share-based payment reserve	3 939
Deferred tax realisation	(6 846)
Less: Profit not distributed	(5 970)
Antecedent dividend	2 562*
Distributable profit	22 987

* In the determination of distributable earnings, the group elects to make an adjustment for the antecedent dividend arising as a result of the share-for-cash issue during the period for which the company did not have full access to the cash flow from such issue.

4. Reconciliation between earnings and distributable earnings (continued)

4.1 Distributable earnings (continued)

	Tax
Number of shares issued at period end	98 226 952
Less: Treasury shares	(464 591)
Number of shares participating in distribution	97 762 361

4.2 Distribution declared and distribution per share

Total distributions for the period – 2017	**Cents per share**
Maiden distribution recommended by the board and approved on 17 May 2017 (Distribution number 1)	23.51
Total distributions for the period ended 28 February 2017	**23.51**

No distributions were declared for any period preceding the period ending 28 February 2017 as this current 4-month period ending 28 February 2017 is the first period of operations of the group.

5. Segment information

Segments are reported in a manner that is consistent with the internal reporting provided to the executive committee which comprises the three executive directors. The executive committee regularly reviews the operating results of the group's six operating segments:

- Industrial
- Commercial
- Retail
- Hospitality
- Residential
- Non-property (corporate)

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 4-month period ended 28 February 2017 is set out below.

	Industrial R'000	Commercial R'000	Retail R'000	Hospitality R'000	Residential R'000	Non-property R'000	Straight-lining of leases R'000	Total R'000
Segment revenue	10 997	16 572	20 342	13 346	2 251	401	(2 647)	61 262
Operating profit	8 742	9 689	11 945	13 346	2 104	(2 769)	(2 647)	40 410
Fair value adjustments	1 065	(928)	1 088	37 488	1 840	–	–	40 553
Finance income	–	–	–	–	–	3 825	–	3 825
Finance costs	(3 641)	(5 509)	(6 837)	(3 472)	(975)	(52)	–	(20 486)
Investment property	299 249	455 655	376 186	200 134	83 683	–	30 807	1 445 714
Total assets	299 249	455 655	376 186	200 134	83 683	47 798	30 807	1 493 512
Total liabilities	(63 892)	(99 331)	(180 571)	(100 000)	(34 658)	(28 251)	–	(506 703)

The following tenants contributed 10% or more of Revenue and Recoveries

- Multi Rooms Management Proprietary Limited 21.59%

6. Financial risk management and fair value measurement

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 is monitored continuously.

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 16, cash and cash equivalents disclosed in note 14, and stated capital as disclosed in note 15.

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 100% of the distributable profit of the group as a distribution on a bi-annual basis.

As a result of the group's distribution policy, capital expansion is funded through a combination of bank debt and equity funding. The group is subject to a loan covenant which limits the loan to value ("LTV") to 55% and targets on LTV of not more than 40% over time. The group's interest rate cover must remain above 1.5 for each financial period.

The gearing ratio is calculated as total debt divided by total assets. Total debt is the sum of all interest-bearing debt of the group, excluding tenant deposits, tax payable and trade creditors.

Total assets equate to the group's direct investment in property holdings.

The gearing ratio as at 28 February 2017 was as follows:

Total borrowings	Note	**R'000**
Total debt	16	**478 453**
Total investment property	7	**1 445 715**
Gearing ratio		**33.09%**

6. Financial risk management and fair value measurement (continued)

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 (notes 16, 14 and 10). Borrowings at variable rates expose the company to cash flow interest rate risk, which is partially offset by cash held at variable rates. During 2017, the company's borrowings were denominated in South African Rand.

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

	Group	Company	
	2017	**2017**	2016
	R'000	**R'000**	R'000
Fair value interest rate risk			
– Fixed rate borrowing			
Nedbank Limited – Loan 30138754	33 696	–	–
Nedbank Limited – Loan 30148005	100 000	–	–
Investec Limited	150 799	–	–
Total	**284 495**	**–**	**–**
Cash flow interest rate risk			
– Variable-rate instrument			
Nedbank Limited – Loan 30161109	193 957	–	–
Loan to related parties	–	–	–
Total	**193 957**	**–**	**–**
No interest rate risk			
Cash and cash equivalents	12 632	7	–
Trade and other receivables	8 092	–	–
Loan from related party	(3 881)	–	–
Total	**16 843**	**7**	**–**

Fair value interest rate risk

At period end there was no change in the fair value of interest rate risk due to the unchanged interest rates. Therefore, the carrying amount of financial instruments approximates fair value.

6. Financial risk management and fair value measurement (continued)

The group's sensitivity to interest rate fluctuations as at 28 February 2017 is illustrated below:

Sensitivity analysis to interest rates – 2017	Group
Increase in earnings if interest rates had been 1% lower during the year	4 785
Decrease in earnings if interest rates had been 1% higher during the year	(4 785)

The sensitivity analysis assumes all other items remain unchanged and is based on the 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 on a targeted 50% of borrowings 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 borrowings at floating rates below the prime lending rate, but at the time of each new borrowing the fixed rate available is reviewed together with the risk of an interest rate increase and current fixed-to-floating-rate borrowing ratio to ensure the ratio remains in the target as set by management.

	R'000
Variable borrowings	193 958
Fixed borrowings	284 495
Total borrowings	**478 453**
Percentage fixed	59%

During the period under review, the group maintained its 2-year term secured loan facility with Nedbank Limited, which currently accrues interest at a floating rate of prime less 1.25%.

At the end of the 4-month period the company had the following facilities with Nedbank:

R309 million facility, repayable two years after the inception date of November 2016, which bears interest at prime less 1.25%

R100 million facility, repayable four years after the inception date of September 2015, which bears interest at a fixed rate of 9.81%

R34 million facility, repayable 11 years after the inception date of December 2012, which bears interest at a fixed rate of 9.32%

At the end of the 4-month period the group had the following facility with Investec:

R151 million facility, repayable two years after the inception date of November 2016, which bears interest at a fixed rate of 10.22%

Management seeks to minimise its exposure to liquidity risk by reducing its exposure to interest rate risk through its hedging strategy. 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.

6. Financial risk management and fair value measurement (continued)

Credit risk

The group is principally exposed to credit risk as a result of its receivable balance from tenants, loans to related parties and cash balances with financial institutions (notes 12, 11 and 14). The carrying values as at 28 February 2017 in the statement of financial position represent the maximum exposure to credit risk.

Trade and other receivables

The group has credit vetting procedures in place before entering into lease agreements with new tenants. 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. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.

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 14 for detail of cash balances at the end of the 4-month period.

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

	Group	Company	
	2017	**2017**	2016
	R'000	**R'000**	R'000
Financial institution			
Nedbank (Rating – Baa2)	**1 472**	**7**	–
Investec (Rating – Baa2)	**10 479**	**–**	–
Cash in trading account	**681**	**–**	–
	12 632	**7**	**–**

The ratings were obtained from Moody's. The ratings are based on long-term investment horizons. The ratings indicate that expectations of default risk are currently low. 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 losses from non-performance by this counterparty. The company only transacts with banks that had a minimum rating of Baa2 as at period end. Subsequent to the end of the 4-month period, a credit downgrade was experienced by financial institutions. The group will continue to transact with these entities given the fact that the rating downgrade was experienced industry-wide and the current rating downgrade does not place the institutions used by the group in a worse off position compared to other institutions in the market and thus the group will continue to make use of their services.

6. Financial risk management and fair value measurement (continued)

Financial assets exposed to credit risk at the end of the 4-month period were as follows:

	Group	Company	
	2017	2017	2016
	R'000	R'000	R'000
Financial instrument			
Cash and cash equivalents	12 632	7	–
Trade and other receivables	8 092	–	–
Other financial asset	1 714	–	–
Loan to related parties	–	–	0.1
	22 438	7	0.1

Liquidity risk

Liquidity risk is defined as the risk that the group would not be able to settle or meet its obligations on time.

Management monitors the group's net liquidity position on a continuous basis on the basis of expected cash flows.

The group's risk to liquidity arises on financial liabilities, finance lease liabilities, loans from related parties and trade and other payables (notes 16, 18, 11 and 17) and is a result of the funds 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.

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

	Group				Company	
	Less than 1 year R'000	Between 2 and 3 years R'000	Between 3 and 4 years R'000	4 years and longer R'000	Less than 1 year R'000	Between 2 and 5 years R'000
Group						
At 29 February 2017						
Financial liabilities (bank borrowings)	–	344 756	100 000	33 696	–	–
Trade and other payables	21 554	–	–	–	–	–
Finance lease	113	–	–	–	–	–
Loan from related party	3 881	–	–	–	8	–
	25 548	344 756	100 000	33 696	8	–

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

7. Investment properties (including straight-line accrual)

	2017			2016		
	Cost/ Valuation R'000	**Accumulated fair value adjustments R'000**	**Carrying value R'000**	Cost/ Valuation R'000	Accumulated fair value adjustments R'000	Carrying value R'000
Investment property	1 405 162	40 553	1 445 715	–	–	–
Total	**1 405 162**	**40 553**	**1 445 715**	**–**	**–**	**–**

Reconciliation of investment properties

	2017					
	Opening balance R'000	**Additions R'000**	**Straight-line asset R'000**	**Fair value adjustment R'000**	**Cost capitalised R'000**	**Closing balance R'000**
Investment property	–	1 365 920	30 807	40 553	8 435	–
Total	**–**	**1 365 920**	**30 807**	**40 553**	**8 435**	**–**

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

Details of investment property	
Purchase price	1 365 920
Straight-line lease asset at acquisition	33 454
Fair value adjustment	40 553
Capitalised expenditure	8 435
Operating lease asset accrual	(2 647)
	1 445 715

Refer to note 18 for the reconciliation of the straight-line lease asset accrual.

No borrowing cost was capitalised to investment property for the 4-month period ending 28 February 2017.

Securities

Investment properties are encumbered as security against the group's loan facilities (note 16).

Details of valuation

Investment properties with a fair value of R821 million were acquired from the Spear Property Trust (entity under common control) on 1 November 2016. All these properties were independently valued by MRB Gibbons of Mills Fitchet Magnus Penny Proprietary Limited, a registered valuer in terms of section 19 of the Property Valuers Professional Act, No 47 of 2000, to verify the acquisition date fair value.

7. Investment properties (including straight-line accrual) (continued)

Investment properties with a fair value of R572 million were acquired as part of the acquisition of subsidiaries (note 9) on 1 November 2016. The acquisitions were accounted for as investment property acquisitions and not business combinations.

All these properties were independently valued by MRB Gibbons of Mills Fitchet Magnus Penny Proprietary Limited, a registered valuer in terms of section 19 of the Property Valuers Professional Act, No 47 of 2000, to verify the acquisition date fair value.

Refer to note 32 for details on the fair values of investment properties.

8. Property, plant and equipment

		2017			2016		
	Useful lives	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	35	(3)	32	–	–	–
Furniture and fixtures	6	97	(1)	96	–	–	–
Total		**132**	**(4)**	**128**	**–**	**–**	**–**

Reconciliation of property, plant and equipment: Group

	2017				
	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
Computer equipment	–	35	–	(3)	32
Furniture and fixtures	–	97	–	(1)	96
	–	132	–	(4)	128

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

9. Investment in subsidiaries

	Holding	Group 2017 %	Company 2017 Carrying amount R'000	Company 2016 Carrying amount R'000
Spear Holdco Proprietary Limited	Direct	**100**	**926 871**	–
Upper Eastside Proprietary Limited	Indirect	**100**	**–**	–
Fundamental Holdings Proprietary Limited	Indirect	**100**	**–**	–
Pacivista Proprietary Limited	Indirect	**100**	**–**	–
Arrow 1 Investments Proprietary Limited	Indirect	**100**	**–**	–
Spear One Proprietary Limited	Indirect	**100**	**–**	–
			926 871	–

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

All subsidiaries were acquired on 1 November 2016 through the issue of shares, except for Spear One that was acquired on 2 February 2017.

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

10. Other financial asset

	Group 2017 R'000	Company 2017 R'000	Company 2016 R'000
Multi Rooms Management Proprietary Limited	**1 714**	**–**	–
Current assets	**1 714**	**–**	–
Non-current assets	**–**	**–**	–
	1 714	**–**	–

The group advanced funds to the hotel operator for use in operations and general refurbishment of the Double Tree by Hilton. The balance earns interest at prime less 1.25%, which is in line with the interest the group pays on its floating debt.

Credit quality of other financial asset

Management reviewed the credit risk and determined that the balance is fully recoverable and was not impaired at period end.

Fair value of other financial asset

The directors consider the carrying value of the other financial asset to approximate the fair value.

11. Loans to/(from) related parties

	Group	Company	
	2017	2017	2016
	R'000	R'000	R'000
Common controlled entity			
Spear Property Trust	(3 881)	(8)	(0.1)
All related party loans are unsecured, interest-free and repayable on demand.			
Current assets	–	–	–
Current liabilities	(3 881)	(8)	(0.1)
	(3 881)	(8)	(0.1)

Fair value of loans to and from related parties

The directors consider the carrying value of the loans to and from related parties to approximate their fair value.

	Group	Company	
	2017	2017	2016
	R'000	R'000	R'000
Common controlled entity			
Spear Property Trust	(3 881)	(8)	(0.1)
All related party loans are unsecured, interest-free and repayable on demand.			
Current assets	–	–	–
Current liabilities	(3 881)	(8)	(0.1)
	(3 881)	(8)	(0.1)

Fair value of loans to and from related parties

The directors consider the carrying value of the loans to and from related parties to approximate their fair value.

12. Trade and other receivables

	Group 2017 R'000	Company 2017 R'000	Company 2016 R'000
Trade receivables (tenants)	**7 312**	**–**	–
Property utility receivables	**648**	**–**	–
Other receivables	**132**	**–**	–
	8 092	**–**	–

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

Credit quality of trade receivables

The credit quality of trade receivables is evaluated with reference to available financial information and history with the company as per note 6 and can be categorised into the following groups:

	Group 2017 R'000	Company 2017 R'000	Company 2016 R'000
Large nationals, large listed and government	**9**	**–**	–
Smaller international and national tenants	**114**	**–**	–
Other local tenants and sole proprietors	**7 189**	**–**	–
	7 312	**–**	–

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

Ageing of trade receivables

The ageing of trade receivables at the end of the 4-month period was as follows:

	Group 2017 R'000	Company 2017 R'000	Company 2016 R'000
Current – up to 30 days	**7 173**	**–**	–
Past due – between 31 and 90 days	**68**	**–**	–
Past due – 91 days and longer	**71**	**–**	–
	7 312	**–**	–

None of the past due amounts are impaired and no allowance for impairment of trade receivables at the end of the 4-month period has been recognised.

No trade receivables were identified as impaired during the 4-month period.

13. Financial assets

A subsidiary company of the group has a share trading account with a reputable brokerage house to trade in listed securities.

All listed shares acquired during the period were treasury shares and the cost of these shares held at reporting date was accounted for as a reduction in equity. The balance remaining reflects the cash holdings in the account as at the reporting date and is classified as cash and cash equivalents.

	Group	Company	
	2017	**2017**	2016
	R'000	**R'000**	R'000
Opening balance	–	–	–
Purchases	5 310	–	–
Disposals	(960)	–	–
Interest earned	31	–	–
Interest included in cash	(31)	–	–
Fair value adjustment	115	–	–
	4 465	–	–
Less: Fair value adjustment eliminated	(115)	–	–
Less: Treasury shares at cost (note 15)	(4 350)	–	–

14. Cash and cash equivalents

		Group 2017 R'000	Company 2017 R'000	Company 2016 R'000
Composition of cash and cash equivalents				
Current accounts		1 287	8	0
Cash in investment account		681	–	–
Cash on call		10 664	–	–
		12 632	8	0
Credit exposure of cash and cash equivalents				
Amounts in current and call accounts are invested with reputable institutions as follows:				
	Credit rating 28 February 2017			
Nedbank Limited	Baa2	1 472	8	0
Investec Limited	Baa2	10 479	–	–
Cash in investment account		681	–	–
		12 632	8	0

15. Stated capital

	Group	
	R'000	R'000
Authorised		
1 000 000 000 ordinary shares of the same class and no par value	0	0
Issued		
97 762 361 ordinary shares of the same class and no par value	97 762 361	917 538

	Company	
Authorised		
1 000 000 000 ordinary shares of the same class and no par value	0	0
Issued		
98 226 952 ordinary shares of the same class and no par value	98 226 952	926 872

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

		Group	
	Notes	Number of shares	Value of shares
Reconciliation of number of shares issued			
Opening balance		100	0.1
Shares repurchased from founders		(100)	(0.1)
Shares issued in capital raise – 11 November 2016		28 608 442	235 196
Shares issued for property acquisitions	7, 9	34 636 396	340 782
Shares issued for acquisition of subsidiaries	7, 9	22 169 903	217 982
Founders' contribution to equity	24	–	13 757
Share issue costs		–	(3 494)
Share-for-cash issue		12 812 211	119 154
Share issue cost – Share-for-cash			(1 489)
Treasury shares at cost	13	(464 591)	(4 350)
Closing balance		97 762 361	917 538

15. Stated capital (continued)

	Notes	Company Number of shares	Company Value of shares
Reconciliation of number of shares issued			
Opening balance		**100**	**0.1**
Shares repurchased from founders		**(100)**	**(0.1)**
Shares issued in capital raise –11 November 2016		**28 608 442**	**235 197**
Shares issued for acquisition of subsidiary	7, 9	**56 806 299**	**572 521**
Share-for-cash issue		**12 812 211**	**119 154**
Closing balance		**98 226 952**	**926 872**

16. Financial liabilities

	Group 2017 R'000	Company 2017 R'000	Company 2016 R'000
Held at amortised cost			
Nedbank Limited – Loan 30161109	**193 958**	–	–
Interest-only payment at a rate of prime less 1.25% for the duration of the loan period, repayable on 18 November 2019.			
Nedbank Limited – Loan 30138754	**33 696**	–	–
Interest-only payment at a fixed rate of 9.32% until 15 December 2017 and prime less 1% from 16 December 2017 to 16 January 2021.			
Nedbank Limited – Loan 30148005	**100 000**	–	–
Interest-only payment at a fixed rate of 9.81% for the duration of the loan period, repayable on 15 August 2019.			
Investec Limited	**150 799**	–	–
Interest-only payment at a fixed rate of 10.22% for the duration of the loan period, repayable on 11 November 2019.			
Total	**478 453**		**–**

16. Financial liabilities (continued)

Security – Nedbank Limited

Nedbank requires the following existing securities to remain in place as security for the borrower's obligation to Nedbank under loan (30161109) and to remain in full force and effect for the full term of the loan.

- Existing first sectional covering mortgage bond by Pacivista Proprietary Limited for R42 000 000 over Erf 161 Melrose North Extension.
- Existing first sectional covering mortgage bond by Upper East Side Hotel Proprietary Limited for R40 000 000 over the sectional title units consisting of sections 27, 40, 41 to 44, 47, 62, 83, 121 to 128 and 1602 and EUA parking bays and storerooms in the sectional title scheme known as Upper East Side, together with an undivided share in the common property of such sectional title scheme and includes the right to exclusive use of the exclusive use areas pertaining thereto.
- Existing first sectional covering mortgage bond by Arrow 1 Investments Proprietary Limited for R3 320 000 over Erf 161 Melrose North Extension.
- Existing covering mortgage bond for R177 000 000 as a first ranking by Upper East Side Hotel Proprietary Limited over the property described as the sectional title units consisting of section numbers 29, 31 and 32 in the sectional scheme known as Upper East Side, together with an undivided share in the common property of such sectional title scheme and includes the right to exclusive use of the exclusive use areas pertaining thereto.
- and as a first ranking by Upper East Side Hotel Proprietary Limited over the sectional title unit consisting of section number 30 and exclusive use areas being B1, RD1, RD2 and RD3 in the sectional scheme known as Upper East Side, together with an undivided share in the common property of such sectional title scheme and includes the right to exclusive use of the areas pertaining thereto.

Nedbank requires the following additional security for the loan:

New mortgage bonds/s:

- Registration by the borrower of the first covering mortgage bond for R78 000 000, plus an additional 25% to cover Nedbank's costs, expenses and disbursements over Erf 23392 Parow.
- Registration by the borrower of the first covering mortgage bond for R55 000 000, plus an additional 25% to cover Nedbank's costs, expenses and disbursements over Erf 1608685 Cape Town.
- Registration by the borrower of the first covering mortgage bond for R22 000 000, plus an additional 25% to cover Nedbank's costs, expenses and disbursements over Erf 14838 Cape Town.
- Registration by the borrower of the first covering mortgage bond for R8 000 000, plus an additional 25% to cover Nedbank's costs, expenses and disbursements over Erf 24136 Milnerton.
- Registration by the borrower of the first covering mortgage bond for R5 000 000, plus an additional 25% to cover Nedbank's costs, expenses and disbursements over Erf 27135 Milnerton.
- Registration by the borrower of the first covering mortgage bond for R82 000 000, plus an additional 25% to cover Nedbank's costs, expenses and disbursements over erven 879, 880, 881 and 930 Blackheath.
- Registration by the borrower of the first covering mortgage bond for R23 000 000, plus an additional 25% to cover Nedbank's costs, expenses and disbursements over portion 81 and 82 of the Farm Mellish 205 Atlas Gardens.
- Registration by Upper East Side Hotel Proprietary Limited of a first sectional covering mortgage bond for R20 000 000, plus an additional 25% to cover Nedbank's costs, expenses and disbursements over the sectional title units consisting of section number(s) 8 in the sectional title scheme known as Upper East Side, together with an undivided share in the common property of such sectional title scheme and includes, where applicable, any right of exclusive use.
- Registration by the borrower of a first sectional covering mortgage bond for R30 000 000, plus an additional 25% to cover Nedbank's costs, expenses and disbursements over the sectional title units 16, 17, 19. 20. 21, 28, 232, 233, 234 and 235 in the sectional title scheme known as Bella Rosa One and basement parking bays numbers 1 to 27, 237 to 247, 254 to 257 and 354, plus open parking bays numbers 718 to 737 and 825 to 835.
- Registration of a covering mortgage bond for R497 000 000, plus an additional 25% to cover Nedbank's costs, expenses and disbursements as a fist ranking by the borrower over the property described as Erf 35741 Bellville.

16. Financial liabilities (continued)

Security – Nedbank Limited (continued)

– and as a first ranking by the borrower over Remainder Erf 158602 Cape Town
– and as a first ranking by the borrower over Erf 21665 Bellville
– and as a first ranking by the borrower over Erf 25289 Bellville
– and as a first ranking by the borrower over Erf 38766
– and as a first ranking by the borrower over Erf 31651 Bellville
– and as a first ranking by the borrower over Erf 31651 Bellville
– and as a first ranking by the borrower over Erf 153935 Cape Town
– and as a first ranking by the borrower over Erven 16912, 16913, 16914, 16915, 16916, 16917, 16918 and 16919 Cape Town
– and as a first ranking by the borrower over Remainder Erf 17971 Cape Town
– and as a first ranking by the borrower over Remainder Erf 103257 Cape Town
– and as a first ranking by the borrower over Erf 142181 Cape Town

Suretyship/s:

– A limited deed of suretyship in favour of Nedbank, whereby Pacivista Proprietary Limited registration number 2011/117548/07 binds itself jointly and severally and as co-principal debtor with the borrower, limited to R25 000 000 of the borrower's indebtedness to Nedbank. The limitation of this deed of suretyship applies to the extent of the borrower's liability only, not to the cause of debt.

– A limited deed of suretyship in favour of Nedbank, whereby Upper East Side Hotel Proprietary Limited registration number 2010/005929/07 binds itself jointly and severally and as co-principal debtor with the borrower, limited to R100 000 000 of the borrower's indebtedness to Nedbank. The limitation of this deed of suretyship applies to the extent of the borrower's liability only, not to the cause of debt.

– A limited deed of suretyship in favour of Nedbank, whereby Arrow 1 Investments Proprietary Limited registration number 2012/076690/07 binds itself jointly and severally and as co-principal debtor with the borrower, limited to R3 200 000 of the borrower's indebtedness to Nedbank. The limitation of this deed of suretyship applies to the extent of the borrower's liability only, not to the cause of debt.

- A limited deed of suretyship in favour of Nedbank, whereby Spear REIT Limited registration number 2015407237/07 binds itself jointly and severally and as co-principal debtor with the borrower, limited to R485 000 000 of the borrower's indebtedness to Nedbank. The limitation of this deed of suretyship applies to the extent of the borrower's liability only, not to the cause of debt.

Security – Investec Limited

The loan is secured by way of a first covering mortgage bond for an amount of R300 000 000 over Erven 168730, 168972, 168973 and 168974 Cape Town.

In addition, Investec Limited holds a cession of the proceeds of the company's Building Insurance Policy and SASRIA extension for the full asset value of any property mortgaged and a cession of all present and future rights, title, benefit and interest in the above properties, including any and all rentals received or receivable.

A joint and several guarantee by Spear Holdco Proprietary Limited for R150 000 000 plus interest and costs, and further limited to the obligations of the borrower under this agreement.

The loan is secured by way of a first covering mortgage bond for an amount of R3 000 000 over Erven 168730, 168731, 168971, 168972, 168973 and 168974 Cape Town.

In addition, Investec Limited holds a cession of the proceeds of the company's Building Insurance Policy and SASRIA extension for the full asset value of any property mortgaged and a cession of all present and future rights, title, benefit and interest in the above properties, including any and all rentals received or receivable.

16. Financial liabilities (continued)

	Group	Company	
	2017	**2017**	2016
	R'000	**R'000**	R'000
Non-current liabilities			
At amortised cost	**478 453**	**–**	–
Current liabilities			
At amortised cost	**–**	**–**	–

Terms and conditions of loans

Interest is calculated daily at the rates listed above and is payable monthly. The full outstanding capital is repayable on the maturity dates listed in note 16 above.

All loans are subject to a loan-to-value covenant of 55%.

The interest cover ratio must remain above 1.5 for each financial period.

17. Trade and other payables

	Group	Company	
	2017	**2017**	2016
	R'000	**R'000**	R'000
Tenant deposits	**8 078**	**–**	–
Trade payables	**7 967**	**–**	–
Other accruals	**29**	**–**	–
Trade receivables with credit balances	**2 710**	**–**	–
Accrual for audit fees	**702**	**–**	–
VAT payable	**1 789**	**–**	–
Directors' fee accrual	**279**	**–**	–
	21 554	**–**	–

The fair value of trade and other payables approximates the carrying value due to the short-term nature thereof.

18. Straight-line lease accrual

	Group	Company	
	2017	2017	2016
	R'000	R'000	R'000
Contractual future lease receivables are as follows:			
Within 1 year	128 196	–	–
Between 1 and 5 years	281 891	–	–
More than 5 years	47 659	–	–
	457 746	–	–
Less: Revenue on straight-line basis	(426 939)	–	–
Straight-line lease accrual	30 807	–	–

Upon acquisition of the investment properties (note 7), the company acquired a straight-line asset of R33 453 642 included in the fair value of the investment properties.

During the 4-month period ending 28 February 2017 the company realised a straight-line lease accrual of R2 646 830, reducing the straight-line lease asset to R30 806 812.

19. Insurance claim receivable

The Sable Square property experienced fire damage during July 2016. This resulted in the property being devalued by the estimated cost to reinstate the building to its original operational condition. The reinstatement cost and loss of rental is covered by way of an insurance claim. The damage occurred before formation of the group.

The insurance proceeds receivable includes both estimated cost to reinstate and the estimated loss of rental for the duration of the reinstatement period.

The property was devalued by the estimated reinstatement cost of R23 million, as determined by the professional quantity surveyors. The estimated rental loss expected from the date the damage was incurred to completion of reinstatement was calculated as R5 million and recognised as deferred revenue at the date of damage to the property.

Monthly rental credits are provided to tenants affected by the damaged areas at Sable Square shopping centre and the rental loss insurance money received is utilised to offset the monthly rental loss arising from the credit provided to the tenant.

Reinstatement costs incurred to reinstate the building to the original condition are capitalised as costs are incurred.

The building value will be fully restored to the original value at the completion of the reinstatement period, scheduled to be completed in December 2017. When the funds received have been depleted, Fundamental Holdings will be eligible to receive additional insurance funds to cover the rental loss and reinstatement cost until such time as all reinstatement work has been completed.

	Group	Company	
	2017	2017	2016
	R'000	R'000	R'000
Deferred revenue reconciliation			
Opening balance	–	–	–
Insurance claim receivable	28 687	–	–
Insurance claims received	(10 000)	–	–
	18 687	–	–

20. 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	
	2017	**2017**	2016
	R'000	**R'000**	R'000
Opening balance	**–**	**–**	–
– Assessed losses	**6 533**	–	–
Net deferred tax asset	**6 533**	–	–

A deferred tax asset has been recognised for all temporary differences 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 amount to R23 million.

	Group 2017 R'000	Company 2017 R'000	Company 2016 R'000
Movement in deferred tax balances	**–**	–	–
Temporary differences			
– Assessed tax losses	**6 533**	–	–
	6 533	–	–

21. 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.

	Group 2017 R'000	Company 2017 R'000	Company 2016 R'000
Contractual rental income	**51 916**	–	–
Straight-line rental accrual	**(2 647)**	–	–
Recoveries	**9 905**	–	–
	59 174	–	–

22. Other income

	Group 2017 R'000	Company 2017 R'000	Company 2016 R'000
Fee recoveries	**490**	–	–
Lease fees	**8**	–	–
Rental loss credits – 4-month period	**1 101**	–	–
Other income	**222**	–	–
Operating expenditure income	**267**	–	–
	2 088	–	–

23. Expenses by nature

Property operating and management expenditure

		Group	Company	
		2017	**2017**	2016
	Notes	**R'000**	**R'000**	R'000
Employee benefits	23.1	**2 547**	**–**	–
Head office expenditure	23.4	**2 011**	–	–
Property operating expenditure	23.4	**16 294**	–	–
Total		**20 852**	**–**	**–**

All properties of the company are income-generating and generated income for the full 4-month period ended 28 February 2017.

23.1 Employee benefits

Salaries and wages		**930**	–	–
Non-executive directors' fees	23.2	**279**	–	–
Executive director emoluments	23.3	**1 338**	–	–
		2 547	–	–

23.2 Non-executive directors' fees

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

Director				
Abubaker Varachhia	Non-executive chairman	**100**	–	–
Jalal Allie	Lead independent non-executive	**57**	–	–
Brian Goldberg	Independent non-executive	**62**	–	–
Niclas Matseke	Independent non-executive	**60**	–	–
		279	–	–

23.3 Executive director emoluments

Remuneration paid to executive directors comprised:

Director	**Salary**	**Other benefits**	**Performance bonus**	**Total**
Mike Flax (Chief Executive Officer)	**260**	**–**	**145**	**405**
Quintin Rossi (Managing Director)	**425**	**–**	**270**	**695**
Christiaan Barnard (Financial Director)	**188**	**–**	**50**	**238**
	873	**–**	**465**	**1 338**

No prior period fees were paid to executive directors.

23. Expenses by nature (continued)

23.4 Operating and head office expenditure

	Group	Company	
	2017	2017	2016
	R'000	R'000	R'000
Property taxes and utility expenses	10 447	–	–
Property operational costs	5 847	–	–
Depreciation and amortisation	4	–	–
Auditors' remuneration	517	–	–
Auditors' remuneration non-audit fees	38	–	–
Bad debts written off	347	–	–
Other operating expenditure	1 105	–	–
	18 305	–	–

24. Formation and listing costs

The total transaction costs of R5 367 145 related to listing on the AltX of the JSE on 11 November 2016. The costs were paid by the founders by way of the private placement of 1 612 000 shares with invited investors on listing date at R9 per share and the proceeds of the sale of the shares were used to settle transaction costs and liabilities. A contribution of R5 367 145 by the founders has been recognised as both equity (being an additional contribution made by an equity shareholder) and expense.

- The transaction costs of R3 494 092, directly attributable to the transaction, have been debited to stated capital in accordance with IAS 32 Financial Instruments: Presentation (note 15).
- The remainder of the transaction fees, not directly attributable to the listing, of R1 873 053 has been recognised as an expense in profit or loss.
- The remaining R8 387 455 raised at listing has been recognised as founders' 'contribution to equity and used to settle company liabilities.

25. Taxation

	Group	Company	
	2017	2017	2016
	R'000	R'000	R'000
Current tax			
Reversal of income tax liability acquired	313	–	–
Deferred tax			
Originating and reversing temporary differences	6 533	–	–
	6 846	–	–

The company has no liability for normal taxation as all cash profits, excluding capital, are 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.

25. Taxation (continued)

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" from taxable income, no income tax is payable in the current period.

The deduction of the qualifying distribution from taxable earnings accounts for the entire difference in the standard tax rate of 28% and the effect is a tax rate of 0%.

	Group	Company	
	2017	2017	2016
	R'000	R'000	R'000
Reconciliation of tax expense			
Reconciliation between accounting profit and tax expense			
Taxable earnings	26 395	16 486	–
Less: Qualifying distribution	(22 987)	(22 987)	–
Add: Antecedent dividend	2 562	2 562	–
Add: Share-based payment reserve	–	3 939	–
Taxable profit not distributed	5 970	(0)	–
Utilisation of assessed loss	(5 970)	0	–
Tax at applicable rate: 28%	–	–	–
Normal taxation	–	–	–

No provision has been made for tax in the 2017 financial period as the company has no taxable income. The estimated tax loss available for set-off against future taxable income is R23 million after the current period utilisation of the assessed loss.

26. Cash generated from/(used in) operations

		Group	Company	
		2017	2017	2016
	Notes	R'000	R'000	R'000
Cash generated from operations				
Profit before tax		58 485	–	–
Adjustments for:				
Straight-line rental income accrual	18	2 647	–	–
Depreciation	8	4	–	–
Fair value adjustment – Investment property	7	(40 553)	–	–
Finance income	26.2	(3 825)	–	–
Finance cost	26.1	20 487	–	–
Formation and listing cost	24	1 873	–	–
Rental loss credits	22	(1 101)	–	–
Share-based payment expense	33	3 939	–	–
Working capital movements			–	–
Trade and other receivables	12	(8 092)	–	–
Trade and other payables	17	21 554	–	–
		55 418	–	–

26. Cash generated from/(used in) operations (continued)

26.1 Finance costs (continued)

	Group	Company	
	2017	**2017**	2016
	R'000	**R'000**	R'000
Interest paid on bank loans	**20 435**	**–**	–
Interest paid on bank accounts	**52**	**–**	–
	20 487	**–**	–

26.2 Finance income

	Group 2017 R'000	Company 2017 R'000	Company 2016 R'000
Interest earned on cash savings	**(3 560)**	**–**	–
Interest earned on call accounts	**(265)**	**–**	–
	(3 825)	**–**	–

26.3 Tax paid

	Group	Company	
	2017	**2017**	2016
	R'000	**R'000**	R'000
Balance payable/receivable beginning of the period	**–**	**–**	–
Taxation per the Income Statement			
Taxation overpayment	**(11)**	**–**	–
Balance payable/receivable end of the period	**(11)**	**–**	–

27. Capital commitments

	Group 2017 R'000	Company 2017 R'000	Company 2016 R'000
Contracted for acquisition of new land and buildings	**22 000**	**–**	–
Authorised tenant installations	**1 400**	**–**	–
Contracted for expansion to existing property	**56 000**	**–**	–
	79 400	**–**	–

28. Related parties

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

Key management of the company is the executive and non-executive directors as disclosed in note 23 as well as in the directors' report.

Investments in and amounts owing by related parties are detailed in notes 9 and 10.

Remuneration paid to directors, executive and non-executive, is set out in note 23.

Details of directors' interest in the ordinary shares of the company are provided in the director's report.

Details relating to share-based payments of key management are disclosed in note 33.

Details of expenses being settled by a related party are detailed in note 24.

Details of property acquisition from related parties are detailed in note 2.

	2017 R'000
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)	50
– Rental received – Kitchen Emporium (close family member of executive director)	51

29. 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.

	Transfer date R'000	Acquisition value R'000
The group took transfer of the following properties after period end:		
– Selective House, Tygervalley	14 Mar 17	13 200
– 142 Edward Street, Tygervalley	1 Mar 17	41 200

The group entered into agreements to acquire the following properties:

	Notes	Expected transfer date R'000	Acquisition value R'000	Debt funding R'000	Equity funding R'000
– 2 Long Street, Cape Town	1	1 Jul 17	389 000	210 000	179 000
– 15 on Orange, Cape Town	2	1 Jul 17	298 000	175 000	123 000
– Mega Park, Bellville	3	1 Jun 17	379 157	224 000	155 157
– Virgin Active George, George	4	1 Jul 17	22 000	12 000	10 000
			1 088 157	621 000	467 157

29. Subsequent events (continued)

Note 1 – Equity funding will consist of a capital raise by way of placing Spear shares on the general market after Competition Commission approval is received. The Competition Commission approval was received on 24 May 2017.

Note 2 – Equity funding will consist of a capital raise by way of placing Spear shares on the general market after Competition Commission approval is received. The Competition Commission approval was received on 25 April 2017.

Note 3 – Equity funding will consist of a direct issue of Spear shares to the seller after Competition Commission approval is received. The Competition Commission approval was received on 6 June 2017.

Note 4 – The remaining R10 000 000 of the Virgin Active George property will be settled in cash and has been included in the capital commitments note in the financial statements (note 27).

30. Financial asset by category

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

	Note	Loans and receivables R'000	Total R'000
Group – 2017			
Trade and other receivables	12	**8 092**	**8 092**
Cash and cash equivalents	14	**12 632**	**12 632**
Other financial assets	10	**1 714**	**1 714**
		22 438	**22 438**

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

	Note	Loans and receivables R'000	Total R'000
Company – 2016			
Loan to related party	11	0.10	0.10
		0.10	0.10

31. Financial liability by category

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

	Note	Financial liabilities at amortised cost R'000	Fair value through profit and loss R'000	Non-financial instruments R'000	Total R'000
Group – 2017					
Financial liabilities	16	478 453	–	–	478 453
Loans from related party	11	3 881	–	–	3 881
Deferred revenue		–	–	2 703	2 703
Trade and other payables	17	19 765	–	1 789	21 554
		502 099	–	4 492	506 591
Company – 2017					
Loans from related party	11	8	–	–	8
		8	–	–	8

32. 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.

32. Fair value disclosures (continued)

	Group	Company	
	2017	2017	2016
	R'000	R'000	R'000
Levels of fair value measurements			
Assets			
Investment properties (Level 3)	1 445 715	–	–
Total assets at fair value	**1 445 715**	**–**	0
Liabilities			
Bank borrowings (Level 3)	478 453	–	–
Loan from related party (Level 3)	3 881	8	–
Trade and other payables (Level 3)	21 554	–	–
Total liabilities at fair value	**503 888**	**8**	–

Refer to note 7 for the reconciliation of investment properties from opening to closing balance.

The key input to the valuation of investment property is the capitalisation rate. Capitalisation rates used to determine the fair value of investment properties were risk-adjusted for all factors that influence the sustainability of cash flows from each property. Capitalisation rates varied between 8% and 9.25%.

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

	Group	Company	
	2017	2017	2016
	R'000	R'000	R'000
Sensitivity analysis to capitalisation rates			
Increase in fair value if capitalisation rates are decreased by 0.5%	79 531	–	–
Decrease in fair value if capitalisation rates are increased by 0.5%	(79 531)	–	–
	(0.00)	–	–

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

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 so that the value is representative of the fair value. Per JSE requirements a third of investment properties is required to be valued by an independent valuer on an annual basis and the remaining two thirds is valued by management. Independent valuations were performed on all properties with effective date 1 October 2016 and the directors determined that the valuation is a fair representation of the fair value of the properties as at the period ending 28 February 2017.

At period end management performed internal valuations on all the investment properties and where it was noted that the internal valuations differed materially from the previous valuations performed by the independent valuer, the necessary fair value adjustments were made.

32. Fair value disclosures (continued)

Valuation techniques

Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental and expense growth rates, vacant periods, lease incentive costs such as rent-free periods and other costs not recovered from tenants. The expected net cash flows are discounted using a discount rate. The discount rate applied is derived using an appropriate capitalisation rate and adding a growth rate based on market-related rentals. This is tested for reasonableness by comparing the resultant Rand rate per m2 against comparative sales of similar properties in similar locations. Amongst other factors, the capitalisation rate estimation considers the quality of the building, its location, the tenant's credit quality and their lease terms.

As at 1 October 2016, the key assumptions and unobservable inputs used by the company in determining fair value were as follows:

Inter-relationship between key unobservable inputs and fair value measurements

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

- expected market rental growth was higher/(lower);
- expected expense growth was lower/(higher);
- vacant periods were shorter/(longer);
- the occupancy rate was higher/(lower);
- rent-free periods were shorter/(longer);
- discount rate was lower/(higher); and
- reversionary capitalisation rate was lower/(higher).

32. Fair value disclosures (continued)

	Note	Discount rate %	Capitalisation rate %	Fair value of property 28 February 2017 R'000
List of properties				
1. 1 Paarden Eiland Rd, Paarden Eiland		13.75	8.75	**23 340**
2. 28 Marine Drive, Paarden Eiland		13.75	8.75	**36 880**
3. 30 Marine Drive, Paarden Eiland		14.00	9.00	**13 921**
4. 142 Bree Street, Cape Town CBD	1			**73 880**
5. Viking Business Park, Epping		14.00	9.00	**75 094**
6. Nampak Liquids, Epping		13.50	8.50	**71 015**
7. Bloemhof Building, Tygervalley		13.75	8.75	**55 450**
8. Omnipark, Tygervalley		14.25	9.25	**21 502**
9. Manhattan Plaza, Tygervalley		13.75	8.75	**72 972**
10. Sterling Place		14.00	9.00	**43 272**
11. The Forum, Tygervalley		14.25	9.25	**8 041**
12. Plum Park		13.75	8.75	**27 199**
13. 12 Pickwick Road		13.50	8.50	**22 777**
14. 1 Beacon Way, Distell		13.75	8.75	**80 049**
15. 8 Sandown Road		13.75	8.75	**8 544**
16. 12 Sandown Road		13.75	8.75	**4 604**
17. 10 Mill Street, Newlands (Care Cross)		13.50	8.50	**57 542**
18. Biella Building, Bella Rosa Village, Rosendal		13.75	8.75	**25 632**
19. Blackheath Warehouse		13.50	8.50	**84 937**
20. Tanker Services, Atlas Gardens		14.00	9.00	**23 647**
21. Sable Square Shopping Centre		13.50	8.50	**241 897**
22. Pembury Lodge, Melrose		13.20	8.20	**80 901**
23. Burger King Strand		13.00	8.00	**4 095**
24. UES Commercial, retail and residential section		13.75	8.75	**84 032**
25. UES Hotel, Double Tree by Hilton		*13.50*	*8.50*	**204 492**
				1 445 715

Note 1
We have applied the comparable sales method in order to determine the market value of the land.
We were advised of the two most recent sales in the city bowl as follows:
Site D (to be registered as Erf 171453) located on the foreshore of the CBD. The site measures approximately 3 500m^2 and sold in the latter part of 2015 for R80 000 000 to Southern Sun for an extension of their Cullinan Hotel. According to published information, it has bulk rights of 15 500m^2. On this basis the sale price equates to R5 161/m^2.
Site B (to be registered as Erf 165639) located on the foreshore of the CBD. The site measures approximately 3 932m^2 and sold on auction on 7 September 2016 for R86 500 000 to Growthpoint. According to published information, it has bulk rights of 17 500m^2. On this basis the sale price equates to R4 934/m^2.

Both these sites are zoned General Business.
We have applied the comparable sales method in order to determine the market value of the land.
This is a well-known office building in the heart of the Cape Town CBD.
We are advised that the subject property has bulk rights of 21 000m^2; this valuation is subject to town planner's confirmation of this. After considering the above sales, profiling the subject site, we have applied a value of R3 500/m^2 to the subject site, resulting in a value as follows:
– Permissible bulk 21 000m^2 @ R3 500/m^2 = R73 500 000

33 Share-based payment reserve

Description of executive share plan

The group operates a conditional share plan, which 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. The beneficiaries under the scheme are executive directors as well as the key employees employed at date of listing. Shares awarded to non-executive directors have no conditions other than the loan owing to the founders for the subscription of the shares to the Trust.

At the date of listing, the founding shareholders of the REIT sold shares in the REIT to certain employees. This was executed via the property trust that sold the core properties to the REIT in exchange for REIT shares (note 7). The shares were not issued by the REIT to the participants. The trust then sold shares on loan account to these employees, with the shares retained as security for the loans. The exercise price and interest on the loan are payable to the founders of the company and therefore no amounts will flow to and from the group.

The loans bear interest at 9% per annum and are repayable from distributions at each distribution declaration date. Any distribution that the participants are entitled to will be utilised to settle interest outstanding and capital, if in excess. If the distribution does not fully settle the interest outstanding at payment date, the excess interest will be capitalised.

As the loan account granted to employees is secured by the shares issued, in substance the shares are regarded as not having been issued. The employees therefore have a European call option against the trust, whereby they will call on the trust to sell them the shares should the market value of the shares exceed the share strike price. The shares have been valued using the Black Scholes method.

The effect of all conditional shares granted is not taken into account when calculating diluted earnings and diluted headline earnings per share as in substance the shares are options, rather than the form.

The total amount expensed to profit or loss is determined by reference to the fair value of the equity instruments granted to the employees (i.e. the fair value of the options). There are no market performance conditions. 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 full expense relating to non-executive directors was recognised at grant date.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense on a straight-line basis over the vesting period, with a corresponding adjustment to the share-based payment reserve, with the following assumptions:

Assumptions

	Group 1	Group 2	Group 3	Group 4
Number of shares	460 000	100 000	100 000	300 000
Grant date	11/11/2016	11/11/2016	11/11/2016	11/11/2016
Vesting date	10/11/2019	10/11/2019	11/11/2016	11/11/2016
Vesting period	3 years	3 years		
Exercise date	10/11/2021	10/11/2021	10/11/2021	10/11/2021
Strike price	5	5	5	5
Market price	9.6	9.6	9.6	9.6
Interest rate	10.00%	10.00%	10.00%	10.00%
Volatility	23%	23%	23%	23%
Performance factor	90%	90%	90%	90%

33. Share-based payment reserve (continued)

Detail of grants

The details of conditional shares awarded are set out below:

Name	Grant date	Issue price	Number of conditional shares	Number of conditional shares
Group 1				
Staff employed at listing date				
Staff employed at listing date	11/11/2016	5.00	460 000	–
Group 2				
Executive directors				
Christiaan Barnard	11/11/2016	5.00	100 000	
Group 3				
Non-executive directors				
Jalal Allie	11/11/2016	5.00	–	100 000
Group 4				
Non-executive directors				
Brian Goldberg	11/11/2016	2.67	–	300 000
Total conditional shares awarded and balance at 28 February 2017			**560 000**	**400 000**

	2017 R'000
Reconciliation of share-based payment reserve	
Opening balance	**–**
Expense recognised in profit or loss	**3 939**
Closing balance	**3 939**

34. Contingent liability

Spear Holdco Proprietary Limited, a wholly-owned subsidiary of the group, provided a guarantee to a shareholder, ILET "Ikamva Labantu Empowerment Trust", 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 the 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 R23.5 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.

Notes to the Financial Statements (continued)

for the 4-month period ended 28 February 2017

35. Property analysis

	Location Cape Town	Sector	Gross lettable area	Average rental per m²	Value 28 February 2017	Date of last external valuation 1 October 2016
1 Paarden Eiland Rd, Paarden Eiland	Paarden Eiland	Industrial	5 538	32.09	23 340	22 160
28 Marine Drive, Paarden Eiland	Paarden Eiland	Retail	7 282	44.74	36 880	36 650
30 Marine Drive, Paarden Eiland	Paarden Eiland	Retail	2 764	52.97	13 921	13 850
142 Breë Street, Cape Town CBD	Cape Town	Commercial	3 025	110.70	73 880	73 500
Viking Business Park, Epping	Epping	Retail	9 320	68.07	75 094	71 000
Nampak Liquids, Epping	Epping	Industrial	15 450	33.79	71 015	70 650
Bloemhof Building, Tygervalley	Tygervalley	Commercial	4 233	90.10	55 450	55 115
Omnipark, Tygervalley	Tygervalley	Commercial	2 249	86.81	21 502	21 330
Manhattan Plaza, Tygervalley	Tygervalley	Commercial	4 744	134.82	72 972	72 000
Sterling Place	Tygervalley	Commercial	4 061	101.98	43 272	43 050
The Forum, Tygervalley	Tygervalley	Retail	668	96.27	8 041	8 000
Plum Park	Constantia	Commercial	2 035	122.73	27 199	26 963
12 Pickwick Road	Woodstock	Industrial	2 516	70.91	22 777	22 660
1 Beacon Way, Distell	Parow	Industrial	16 170	35.43	80 049	80 900
8 Sandown Road	Blouberg	Retail	600	122.96	8 544	8 500
12 Sandown Road	Blouberg	Residential	400	92.33	4 604	4 580
10 Mill Street, Newlands (Care Cross)	Newlands	Commercial	2 902	155.75	57 542	57 246
Biella Building, Rosendal	Rosendal	Commercial	1 935	119.11	25 632	25 500
Blackheath Warehouse	Blackheath	Industrial	22 315	27.13	84 937	84 500
Tanker Services, Atlas Gardens	Atlas Gardens	Industrial	9 972	17.74	23 647	23 525
Sable Square Shopping Centre	Century City	Retail	27 503	92.04	241 897	259 250
Burger King Strand	Strand	Commercial	300	107.00	4 095	3 863
UES Commercial, retail and residential	Woodstock	Commercial	11 339	121.38	84 032	84 031
UES Hotel, Double Tree by Hilton	Woodstock	Hospitality	7 182	68.48	204 492	165 639
	Location Gauteng					
Pembury Lodge, Melrose	Melrose	Residential	8 000	64.28	80 901	79 091
			172 503		1 445 715	1 413 553

35. Property analysis (continued)

Tenant profile	Number of tenants	Number of tenants %
A – Large nationals, large listed and government	49	18
B – Smaller international and national tenants	173	64
C – Other local tenants and sole proprietors	50	18
	272	**100**

	Gross lettable area (m²)	Gross lettable area %	Number of tenants	Number of tenants %
A – Large nationals, large listed and government	104 844	60.78	49	18
B – Smaller international and national tenants	40 999	23.77	173	64
C – Other local tenants and sole proprietors	19 987	11.59	50	18
Parking and storage	5 089	2.95	–	–
Vacant	1 584	0.92	0	0
	172 503	**100**	**272**	**100**

Geographical split	Revenue R'000	Revenue %	Gross lettable area (m²)	Gross lettable area %
Gauteng	2 098	3.30	8 000	4.64
Western Cape	61 410	96.70	164 503	95.36
	63 508	100.00	172 503	100.00

Sectoral split and vacancy profile	Revenue R'000	Gross lettable area (m²)	Vacant area (m²)	Vacancy %
Industrial	10 997	73 818	–	0.00
Commercial	16 572	40 559	861	2.12
Retail	20 342	38 320	723	1.89
Hospitality	13 346	11 339	–	0.00
Residential	2 251	8 467	–	0.00
	63 508	**172 503**	**1 584**	**0.92**

35. Property analysis (continued)

	Industrial %	Commercial %	Retail %	Hospitality %	Residential %	Total %
Lease expiry profile						
Lease expiry profile based on GLA						
Vacant	0	2	2	0	0	1
Monthly	0	0	3	0	0	1
Expiry in the year to 28 February 2018	17	13	19	0	4	15
Expiry in the year to 28 February 2019	47	27	15	0	1	29
Expiry in the year to 28 February 2020	7	14	10	0	0	9
Expiry in the year to 28 February 2021	26	25	26	0	0	23
Thereafter	3	19	25	100	95	22
	100	**100**	**100**	**100**	**100**	**100**

	Industrial %	Commercial %	Retail %	Hospitality %	Residential %	Total %
Lease expiry profile based on revenue						
Monthly	0	1	4	0	0	1
Expiry in the year to 28 February 2018	12	13	26	0	5	16
Expiry in the year to 28 February 2019	42	29	12	0	2	22
Expiry in the year to 28 February 2020	13	13	10	0	0	10
Expiry in the year to 28 February 2021	28	28	28	0	0	25
Thereafter	5	16	20	100	93	26
	100	**100**	**100**	**100**	**100**	**100**

Weighted average escalations and yields	Note	**Escalation %**	**Yields %**
Industrial		7	8.8
Office		8	6.4
Retail		8	9.5
Hospitality	1		20.0
Residential		9	7.5
Average annualised property yield			8.4

Note 1:
Lease with 3rd party operator is based on a fixed (60% of budgeted EBITDA) and variable (95% of actual EBITDA less fixed rental) that is agreed annually.

36. Shareholder analysis

	Number of shareholders	% of total share-holding	Shares held	% held
Shareholder spread				
1 – 1 000 shares	54	8.61	22 391	0.02
1 001 – 10 000 shares	284	45.30	1 296 893	1.32
10 001 – 100 000 shares	202	32.22	6 740 530	6.86
100 001 – 1 000 000 shares	74	11.80	20 933 142	21.31
1 000 001 shares and over	13	2.07	69 233 996	70.48
	627	**100.00**	**98 226 952**	**100.00**
Shareholder type				
Non-public shareholders				
Directors and associates of the company (direct holdings)	10	1.59	1 100 556	1.12
Directors and associates of the company (indirect holdings)	11	1.75	50 508 857	51.42
Spear Holdco Proprietary Limited	1	0.16	464 591	0.47
	22	3.51	52 074 004	53.01
Public shareholders	605	96.49	46 152 948	46.99
	627	**100.00**	**98 226 952**	**100.00**

Shareholding greater than 5%

	Beneficiary	Shares held	% of total held
Holding name			
BPSS JER/Huntress CI Nominees Limited	CEO	20 807 264	21.18
Mtshobela Capital Holdings Proprietary Limited	Charmain	20 807 264	21.18
Evlah Investments	MD	7 314 329	7.45
		48 928 857	**49.8**

Total number of shareholders	**627**
Total number of shares in issue	**98 226 952**

Share price performance	
List price on 11 November 2016	9.00
Closing price 28 February 2017	9.60
Closing high for the period	9.70
Closing low for the period	9.00
Number of shares issued	98 226 952
Volume traded during period	2 261 916
Ratio of volume traded to shares issued (%)	2.30
Rand value traded during the period	21 169 531

Blackheath Distribution Centre

Shareholder's Diary

Annual General Meeting	11 August 2017
Interim reporting period	31 August 2017
Financial year end	28 February 2018

Notice of Annual General Meeting

SPEAR REIT LIMITED
(previously Arrow 2 Investments Proprietary 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")

Notice is hereby given of the annual general meeting of shareholders of Spear REIT Limited ("Spear" or "the company") to be held at Double Tree by Hilton, 31 Brickfield Road, Upper Eastside, Woodstock, Cape Town, 7925 on Friday, 11 August 2017 at 11:00 ("the AGM").

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

Agenda

– Presentation of the audited financial statements of the company, including the reports of the directors and the audit and risk committee for the period ended 28 February 2017. The integrated report, of which this notice forms part, contains the consolidated financial statements and the aforementioned reports. The 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.

– 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 13 (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 14 to be adopted, at least 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof.

1. Retirement, re-election and confirmation of appointment of directors

1.1 Ordinary resolution number 1
"Resolved that Mr A Varachhia, 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 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."

1.3 Ordinary resolution number 3
"Resolved that Mr QM Rossi, 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."

1.4 Ordinary resolution number 4
"Resolved that Mr C Barnard, 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."

1.5 Ordinary resolution number 5
"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."

1.6 Ordinary resolution number 6
"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."

1.7 Ordinary resolution number 7
"Resolved that Mr N Kjellstrom-Matseke, 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."

1.8 Ordinary resolution number 8
"Resolved that Mr CS McCarthy's appointment as director, in terms of the memorandum of incorporation of the company, be and is hereby confirmed."

The reason for ordinary resolution numbers 1 to 7 (inclusive) is that the memorandum of incorporation of the company, the Listings Requirements of the JSE Limited ("JSE") and, to the extent applicable, the South African Companies Act, 71 of 2008, as amended ("the Companies Act"), require that all directors rotate at the first annual general meeting of the company and, being eligible, may offer themselves for re-election as directors.

The reason for ordinary resolution number 8 is that the memorandum of incorporation of the company and the Listings Requirements of the JSE require that any director appointed by the board of the company be confirmed by the shareholders at the AGM. A brief curriculum vitae of each of the directors up for re-election and confirmation to the board appears on page 5 to 6 of the Integrated report.

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 9
"Resolved that Mr JE Allie, 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 10
"Resolved that Mr BL Goldberg, 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 11

"Resolved that Mr N Kjellstrom-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."

The reason for ordinary resolution numbers 9 to 11 (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 12

"Resolved that Grant Thornton Cape Inc. be and is hereby re-appointed as auditor of the company for the ensuing year on the recommendation of the audit and risk committee of the company."

The reason for ordinary resolution number 12 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the annual general meeting of the company, as required by the Companies Act.

4. Non-binding endorsement of Spear's remuneration policy

Ordinary resolution number 13

"Resolved that the shareholders endorse, by way of a non-binding advisory vote, the company's remuneration policy as set out on pages 24 to 27 of this Integrated report."

The reason for ordinary resolution number 13 is that the King Code of governance principles ("King III") recommends that the remuneration policy of the company be endorsed through a non-binding advisory vote by shareholders.

5. General authority to issue ordinary shares for cash

Ordinary resolution number 14

"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 Listings Requirements of 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;
- the general issues of shares for cash under this authority may not exceed, in the aggregate, 15% 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, shares issued to the Spear REIT Limited Share Purchase and Option Scheme Trust ("the Trust") or options granted by the trust in accordance with the Listings Requirements shall not diminish the number of ordinary shares that comprise the 15% of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 15% of the company's issued ordinary share capital (net of treasury shares) amounts to 21 996 963 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 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 Security Exhange News Service ("SENS").

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 Listings Requirements and the memorandum of incorporation of the company. Accordingly, the reason for ordinary resolution number 13 is to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements and the memorandum of incorporation of the company.

For this resolution to be adopted, at least 75% of the shareholders present in person or by proxy and entitled to vote on this resolution at the AGM must cast their vote in favour of this resolution.

- 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.

6. 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 on the basis set out below, provided that this authority will only be valid until the next annual general meeting of the company:

Proposed annual remuneration	
Chairman of the board	R400 000
Chairman/committee member (per attendance)	R7 000/R5 000
Board member (not serving on a committee)	R50 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 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.

7. Inter-company financial assistance
7.1 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" or "inter-related" will herein have the meaning attributed to it 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 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.

7.2 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" or "inter-related" will herein have the meaning attributed to it 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 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 raised 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 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 resolution 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);
- 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;
- 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.

8. Share repurchases by the company and its subsidiaries

Special resolution number 4: Share buy-back by Spear and its subsidiaries

"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 Listings Requirements of the JSE, 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;
- 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 purchase, that the company has 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 company and its subsidiaries ("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 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 Listings Requirements."

The reason for and effect of special resolution number 4 is to grant the directors a general authority in terms of its memorandum of incorporation and the 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.

9. 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 company and its subsidiaries ("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 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 company 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.

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 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 page 16 of the Integrated report of which this notice 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 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 is Friday, 7 July 2017.

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, 4 August 2017, with the last day to trade being Tuesday, 1 August 2017.

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. 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 a certificated shareholder or own-name registered dematerialised shareholder who wishes 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 on Thursday, 9 August 2017, provided that any form of proxy not delivered to the transfer secretaries by this time may be handed to the chairman of the AGM prior to the commencement of the AGM, at any time before the appointed proxy exercises any shareholder rights at the AGM.

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.

By order of the board

Per Rene Cheryl Stober
Company secretary

13 July 2017
Cape town

Double Tree by Hilton Hotel Cape Town – Upper Eastside

Form of Proxy

SPEAR REIT LIMITED
(previously Arrow 2 Investments Proprietary Limited)
(Incorporated in the Republic of South Africa)
(Registration number 2015/407237/06)
(Share Code: SEA, ISIN ZAE000228995)
("Spear" or "the Company")

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

For use at the annual general meeting of ordinary shareholders of the company to be held at Double Tree by Hilton, 31 Brickfield Road, Upper Eastside, Woodstock, Cape Town, 7925 at 11:00, on Friday, 11 August 2017, ("the AGM")..

I/We, the undersigned .... (full name in block letters)

of ....(please print address)

being the registered holder of .... ordinary shares hereby appoint:

1. .... of ....or failing him/her

2. .... of ....or failing him/her

3. the chairperson of the annual general meeting,

As my proxy to vote for me/us at the AGM for the purpose 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 A Varachhia as director			
Ordinary resolution number 2: Retirement and re-election of Mr MN Flax as director			
Ordinary resolution number 3: Retirement and re-election of Mr QM Rossi as director			
Ordinary resolution number 4: Retirement and re-election of Mr C Barnard as director			
Ordinary resolution number 5: Retirement and re-election of Mr BL Goldberg as director			
Ordinary resolution number 6: Retirement and re-election of Mr JE Allie as director			
Ordinary resolution number 7: Retirement and re-election of Mr N Kjellstrom-Matseke as director			
Ordinary resolution number 8: Confirmation of Mr CS McCarthy's appointment as director			
Ordinary resolution number 9: To reappoint Mr JA Allie as member of the audit and risk committee			
Ordinary resolution number 10: To reappoint Mr BL Goldberg as member of the audit and risk committee			
Ordinary resolution number 11: To reappoint Mr N Kjellstrom-Matseke as member of the audit and risk committee			
Ordinary resolution number 12: To reappoint Grant Thornton Inc. as the auditor of the company			
Ordinary resolution number 13: Non-binding advisory vote on remuneration policy			
Ordinary resolution number 14: 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 acquisition of shares in a related or inter-related company			
Special resolution number 4: Share buy-back by Spear and its subsidiaries			

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

Signed at ....on this.. day of 2017

Member's signature..

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.

PLEASE READ THE NOTES ON THE REVERSE SIDE.

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 to be received by the transfer secretaries of the company, Computershare Investor Services (Pty) Ltd (PO Box 61051, Marshalltown, 2107), by not later than 11:00 on Thursday, 9 August 2017, provided that any form of proxy not delivered to the transfer secretaries by this time may be handed to the chairman of the AGM prior to the commencement of the AGM, at any time before the appointed proxy exercises any shareholder rights at the AGM.
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.

Corporate Information

Directorate and Administration
Directors of Spear
Abubaker Varachhia * (Chairman)
Michael Naftali Flax (Chief Executive Officer)
Quintin Michael Rossi (Managing Director)
Christiaan Barnard (Financial Director)
Brian Leon Goldberg *#
Jalaloodien Ebrahim Allie *# (Lead Independent Director)
Niclas Kjellström-Matseke *#
* Non-executive
# Independent

Spear REIT Limited
Registered office:
5th Floor
Double Tree by Hilton at the Upper Eastside
31 Brickfield Road
Woodstock, Cape Town, 8010
(PO Box 50, Observatory, 7935)

Contact details
Tel: 021 404 0580
info@spearprop.co.za
www.spearprop.co.za

Company Secretary
Rene Cheryl Stober

Transfer Secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

Independent Reporting Accountants and Auditors
Grant Thornton Cape Incorporated
6th Floor, 123 Hertzog Boulevard
Foreshore, Cape Town, 8001
(PO Box 2275, Cape Town, 8000)

Sponsor
PSG Capital Proprietary Limited
1st Floor, Ou Kollege Building
35 Kerk Street, Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

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

Bankers
Nedbank Limited
Investec Limited

SPEAR
REIT LIMITED

5th Floor, Double Tree by Hilton at the Upper Eastside,
31 Brickfield Road, Woodstock, 8010, Cape Town

info@spearprop.co.za

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