SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND CASH DIVIDEND DECLARATION

for the 12 months ended 28 February 2022

Newpark

NEWPARK REIT LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2015/436550/06)
JSE share code: NRL • ISIN: ZAE000212783
(Approved as a REIT by the JSE)
("**Newpark**" or "**the company**" or "**the group**")

DIRECTORS

S Shaw-Taylor (Chairperson) **, SP Fifield (Chief Executive Officer), AJ Wilson (Financial Director), DT Hirschowitz *, KM Ellerine *, BD van Wyk *, RC Campbell **, TS Sishuba **

** Non-executive director* *** Independent non-executive director*

REGISTERED OFFICE

51 West Street, Houghton, Gauteng, 2198
PO Box 3178, Houghton, Gauteng, 2041

COMPANY SECRETARY

CIS Company Secretaries Proprietary Limited

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited

DESIGNATED ADVISOR

Java Capital

WEBSITE

www.newpark.co.za

The consolidated financial statements have been audited by the company's independent auditors.

DIRECTORS' COMMENTARY

NATURE OF BUSINESS

Newpark REIT Limited ("**Newpark**" or "**the company**" or "**the group**") is a property holding and investment company that holds high-quality commercial and industrial properties.

PROPERTY PORTFOLIO

Newpark's property portfolio consists of four properties. Two are located in the heart of Sandton, Gauteng, namely the JSE Building which has 18 163 m² of gross lettable area ("**GLA**") and an adjoining mixed-use property known as 24 Central, which has 15 641 m² of GLA. A further property is situated in Linbro Business Park which has 12 387 m² of GLA and the fourth property is situated in Crown Mines and has 11 277 m² of GLA. The combined valuations of these properties, prepared by the registered property valuer, are performed annually at the group's year-end. The latest valuation as at 28 February 2022 was R1,33 billion.

INVESTMENT STRATEGY

Whilst Newpark's mandate is relatively broad, the focus remains on securing property assets that deliver strong underlying cash flows. Three of Newpark's four assets are buildings that are let to single tenants of good credit quality on secure leases. This provides a high degree of stability to Newpark's cash flows, whilst the remaining asset allows for upside potential via asset management activities. The intention is to continue with the current portfolio of stable, income producing properties and to supplement it with some additional assets that offer value.

COMMENTARY ON RESULTS

The company's board of directors ("**board**") is pleased to present the group's results for the year under review.

Newpark's vision is to build a portfolio of high-quality property assets that is capable of withstanding economic stress, and yet is able to offer attractive returns from both a capital and income perspective. The solid underpin provided by a combination of assets that have sound property fundamentals and a high-quality tenant mix, has proven its worth amidst very difficult operating conditions. Focus on growing the portfolio over the past two years has been secondary to management of the existing assets, and whilst potential acquisitions were considered, Newpark was unable to find the value that it required in order to execute on any transactions.

Newpark's balance sheet continues to remain financially healthy with a satisfactory gearing level with a loan-to-value ratio of 33,6% (F2021: 34,6%).

The challenging economic environment coupled with the outlook on future rental rates, continues to impact valuations, particularly in the office and retail space, and a fair value adjustment which resulted in a decrease of R24 million to the property value.

Largely as a result of active asset management on the retail component of 24 Central, the group's vacancies decreased during the period to 10,6% (F2021: 13,5%).

Other than the replacement of certain tenants that ceased trading in the mixed-use segment, the tenant profile has remained largely the same with the majority of the tenants (72%) in the portfolio having leases that are renewable in 2025 and 2026.

Revenue for the financial year ended 28 February 2022 ("**the financial year**") was R110,0 million (F2021: R111,8 million), down 1,6%. Operating profit before fair value adjustments was R77,3 million (F2021: R82,9 million), down 6,8% (F2021: down 7,0%). After allowing for fair value adjustments and the net cost of finance, the total comprehensive profit for the financial year was R26,88 million (F2021: R17,09 million), up 57,3% (F2021: up 40,5%), representing earnings of 26,884 cents per share ("**cps**") (F2021: 17,089 cps).

Cash generated from operations ("**CGO**") for the financial year increased by 18,22% from R80,4 million to R95,1 million, mainly as a result of rental escalation, reduced vacancies and reduced impact of COVID-19 on operations.

The board declared a final cash dividend of 25,24943 cps (F2021: 20,25025 cps) (interim dividend: 21,66324 cps (F2021: 19,63100 cps)). The total dividend for the financial year is 46,91 cps (F2021: 39,88 cps) (100,6% of funds from operations "**FFO**") and represents an increase of 17,63% (F2021: decrease of 0,4%) over the 39,88 cps declared in the prior year (100% of FFO).

FUNDING

A refinance of Newpark's facilities was carried out in February 2021, aligning the funding to the underlying investment profile.

For the financial year ended 2022, 80% of the interest rate risk had been hedged with interest rate swaps expiring between 2022 and 2024, with the balance of the interest rate risk being hedged through a zero-cost collar. This strategy has limited Newpark's ability to immediately benefit from the unforeseen decrease in interest rates brought about by the deterioration in economic conditions as a consequence of the COVID-19 pandemic. From 1 June 2022 for the next 24 months, 65% of Newpark's borrowings will be hedged at an average rate of 6,52% per annum before banker's margin. The board has noted that this is below the previously stated target of 70%, but after considering Newpark's relatively low gearing ratio of 34% and the current unfavourable hedging environment, the board is comfortable with the current level of hedging and will continue to monitor the position.

Funds from operations per share ("**FFOPS**")

The group, in addition to IFRS-based performance measures, reports on FFOPS (which is the equivalent of distributable earnings), a financial measurement which is aligned with REIT best practice. The calculation of FFO and FFOPS is provided below.

Funds from operations

	2022 R'000	2021 R'000
Profit per IFRS statement of comprehensive income (SOCI) attributable to the shareholders	**26 884**	17 086
Adjusted for:		
Accounting/specific adjustments:	**39 917**	9 173
– Fair value adjustments to investment property	**24 316**	6 510
– Straight-line and incentive operating leases adjustment	**15 601**	2 663
Hedging items:	**(20 173)**	13 622
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	**(20 173)**	13 622
FFO	**46 628**	39 881
Number of shares outstanding at end of period (net of treasury shares) ('000)	**100 000**	100 000
FFO per share (cents)	**46,63**	39,88
Dividend per share (cents)	**46,91**	39,88
– Interim dividend (declared 5 October 2021) (cents)	**21,66**	19,63
– Final dividend (declared 17 May 2022) (cents)	**25,25**	20,25

Year-on-year Newpark's net asset value per share has decreased by 4,5% to R8,45 from R8,85.

SECTORAL SPLIT	GLA %	Gross rentals %
Based on:		
Mixed use (office and retail)	22,1	15,7
Office	31,6	57,1
Industrial	41,2	25,0
Storage	5,1	2,2
	100,0	**100,0**

LEASE EXPIRY PROFILE AND VACANCIES	GLA %	Gross rentals %
Based on:		
Vacant	10,6	4,9
Feb 2023	0,1	0,6
Feb 2024	2,8	2,0
Feb 2025	25,8	20,4
Feb 2026	38,1	61,9
Feb 2027	22,5	10,0
>Feb 2027	–	–

FACILITIES	Amount R'000	Rate %
Expiry May 2023 (facility A) – floating rate	300 000	Three-month JIBAR +1,95
Expiry May 2025 (facility B) – floating rate	150 000	Three-month JIBAR +2,35
Expiry May 2023 (facility C) – floating rate	50 000	Prime -1,15
Total floating rate position	**500 000**	

The group's borrowings facilities from Rand Merchant Bank ("**RMB**"), totalling R500 million, are subject to the following covenant measures:

Interest cover ratio measured as EBITDA : Net Interest Charged

a. Covenant required >1.6 times

b. Actual measurement on 28 February 2022 = 2,0 times (headroom in EBITDA of R18,9 million)

Covenant measure met.

Loan to Value measured as Borrowings : Immovable Asset Value (expressed as %) ("**LTV**")

a. Covenant required <45%

b. Actual measurement on 28 February 2022 = 33,6% (headroom of R151,7 million)

Covenant measure met.

Secured properties LTV measured as outstanding facilities: secured property valuation

a. Covenant required <40%

b. Actual measurement on 28 February 2022 = 33,7% (headroom of R83,6 million)

Covenant measure met.

Secured properties interest cover measured as secured property net income: secured properties interest payable

a. Covenant required >1,7 times

b. Actual measurement on 28 February 2022 = 2,1 times (headroom of R18,6 million)

Covenant measure met.

HEDGE INSTRUMENTS OVER ABOVE FACILITIES	Amount R'000	Hedges of three-month JIBAR base-rate %
Hedge 4: rate swap – started 2017/6/30 / expires 2022/5/31 (to roll into hedge 6)	135 000	8,085
Hedge 5: rate swap – started 2020/4/10 / expires 2022/5/31	230 000	7,993
Hedge 6: rate swap – started 2022/6/1 / expires 2024/6/1	135 000	7,990
Hedge 7a: interest rate cap – started 2019/5/23 / expires 2022/5/23	135 000	8,550
Hedge 7b: interest rate floor – started 2019/5/23 / expires 2022/5/23	135 000	7,000
Hedge 8: forward rate swap – started 2022/6/1 / expires 2024/11/29	150 000	5,190
All-in cost of debt		**9,833**

Newpark secured two interest rate swaps at 18 January 2016 (for R135 million) and 10 April 2020 (for R230 million), respectively. The interest rate swaps secured with RMB have the effect that 81% of the floating portion of the current rate on the RMB facility is swapped for a fixed base rate of 8,085% (R135 million) and 7,993% (R230 million) respectively, before the RMB margin of 1,95% and 2,35%. The two interest rate swaps expire on 31 May 2022. The group also secured an interest rate swap forward at a rate of 5,190% on a nominal amount of R150 million (see hedge 8 above) to start on 1 June 2022. Interest on all the derivative instruments mentioned above is payable quarterly.

The all-in weighted average cost of funding is 9,833% (2021: 9,171%) and the average hedge-term is 1,38 years. It is the board's policy to hedge at least 70% of the exposure to interest rate risk and Newpark currently has 81% of its exposure hedged with swaps and the balance of the exposure covered with a zero-cost collar.

SUMMARY OF FINANCIAL PERFORMANCE

	28 February 2022	28 February 2021
Shares in issue	**100 000 001**	100 000 001
Net asset value per share	**R8,45**	R8,85
Loan-to-value ratio *	**33,6%**	34,6%
Gross property operating expense ratio	**22,0%**	20,4%

* *The loan-to-value ratio is calculated by dividing interest-bearing borrowings (including derivative instruments) net of cash on hand by the total of investment properties.*

CHANGES TO THE BOARD OF DIRECTORS

During the year we said farewell to Howard Turner who retired as an independent non-executive director and chairman of the Audit and Risk and Social and Ethics Committees on 24 November 2021, and Dries Ferreira who resigned as the financial director with effect from 10 January 2022 in order to pursue a new opportunity. Howard and Dries both provided valuable input in their roles over a number of years and we wish them well for the future.

Roy Campbell (appointed 25 November 2021) and Alan Wilson (appointed 1 January 2022) joined the board to replace Howard and Dries, respectively, and we look forward to benefitting from the insights that they bring with their experience.

OUTLOOK

Newpark will continue to focus on the management of its existing assets and will remain alert to any potential acquisitions that are in keeping with the stated strategy. The group is well-positioned to capitalise on opportunities that are likely to present themselves in a suppressed real estate market.

The group is budgeting for growth in FFOPS for the year ending 28 February 2023 of in excess of 15%, being at least 53,61 cps compared to the FFOPS for the year ended 28 February 2022 of 46,63 cps. A corresponding increase in the dividend per share for the year ending 28 February 2023 is budgeted.

The forecast is based on the assumption that no further deterioration in the macro-economic environment will prevail, no material tenant default will occur, operating cost increases will not exceed inflation and no changes will be made to the property portfolio. This forecast has not been audited or reviewed by the company's auditors.

CONDENSED CONSOLIDATED

STATEMENT OF FINANCIAL POSITION

as at 28 February 2022

	Notes	GROUP 2022 R'000	GROUP 2021 R'000
ASSETS			
Non-current assets			
Investment properties	4	**1 222 376**	1 246 775
Investment in subsidiaries		**–**	–
Straight-line lease asset		**102 361**	115 316
Lease incentive		**6 616**	9 262
		1 331 353	1 371 353
Current assets			
Trade and other receivables		**7 932**	6 120
Amounts due from group companies		**–**	–
Lease incentive		**2 647**	2 647
Cash and cash equivalents		**10 860**	4 087
		21 439	12 854
Total assets		**1 352 792**	1 384 207
EQUITY AND LIABILITIES			
Equity			
Share capital		**619 918**	619 918
Capital reorganisation reserve		**180 412**	180 412
Retained income		**60 694**	75 723
		861 024	876 053
Liabilities			
Non-current liabilities			
Bank borrowings		**450 000**	450 000
Derivative financial instruments		**1 354**	29 633
		451 354	479 633
Current liabilities			
Amounts due to group companies		**–**	–
Derivative financial instruments		**8 106**	–
Trade and other payables		**32 308**	28 521
		40 414	28 521
Total liabilities		**491 768**	508 154
Total equity and liabilities		**1 352 792**	1 384 207

CONDENSED CONSOLIDATED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2022

	Notes	GROUP 28 February 2022 R'000	GROUP 28 February 2021 R'000
Revenue		**109 964**	111 800
Other income		**–**	–
Property operating expenses		**(27 633)**	(23 299)
Administrative expenses		**(5 034)**	(5 552)
Net loss from fair value adjustment on investment property		**(24 316)**	(6 510)
Net gain/(loss) from fair value adjustment of financial instruments at fair value through profit or loss		**20 173**	(13 622)
Operating profit		**73 154**	62 817
Finance income		**316**	605
Finance costs		**(46 586)**	(46 336)
Profit before taxation		**26 884**	17 086
Taxation		**–**	–
Profit for the period		**26 884**	17 086
Other comprehensive income		**–**	–
Total comprehensive income for the period		**26 884**	17 086
Earnings per share information (expressed in cents per share)			
Basic earnings per share (cents)	5	**26,88**	17,09
Diluted earnings per share (cents)	5	**26,88**	17,09

CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2022

	Share capital R'000	Share issue costs R'000	Total share capital R'000	Capital reorganisation reserve R'000	Retained income/(loss) R'000	Restated Total equity R'000
GROUP						
Balance at 1 March 2020	625 000	(5 082)	619 918	180 412	94 012	894 342
Profit for the period	–	–	–	–	17 086	17 086
Dividends	–	–	–	–	(35 375)	(35 375)
Balance at 1 March 2021	**625 000**	**(5 082)**	**619 918**	**180 412**	**75 723**	**876 053**
Profit for the period	**–**	**–**	**–**	**–**	**26 884**	**26 884**
Dividends	**–**	**–**	**–**	**–**	**(41 913)**	**(41 913)**
Balance at 28 February 2022	**625 000**	**(5 082)**	**619 918**	**180 412**	**60 694**	**861 024**

CONDENSED CONSOLIDATED

STATEMENT OF CASH FLOWS

for the year ended 28 February 2022

	GROUP	
	28 February 2022 R'000	28 February 2021 R'000
Cash flows from operating activities		
Cash generated from operations	**95 102**	80 442
Finance income	**316**	605
Finance costs	**(46 586)**	(46 336)
Net cash generated from operating activities	**48 832**	34 711
Cash flows from investing activities		
Purchase of furniture and fittings	**(146)**	(445)
Loans to subsidiaries repaid	**–**	–
Net cash utilised by investing activities	**(146)**	(445)
Cash flows from financing activities		
Loans from subsidiaries advanced	**–**	–
Loans from subsidiaries repaid	**–**	–
Dividends paid	**(41 913)**	(35 375)
Bank borrowings repaid	**–**	(2 000)
Net cash utilised by financing activities	**(41 913)**	(37 375)
Total cash and cash equivalents movement for the reporting period	**6 773**	(3 109)
Cash and cash equivalents at the beginning of the reporting period	**4 087**	7 196
Total cash and cash equivalents at the end of the reporting period	**10 860**	4 087

SIGNIFICANT FINANCIAL STATEMENT NOTES

for the year ended 28 February 2022

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The summarised audited consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements and the requirements of the Companies Act 71 of 2008 of South Africa applicable to summary financial statements. The JSE Listings Requirements require reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("**IFRS**"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting. The accounting policies applied in the preparation of these financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements, except for the adoption of the new standards.

The summarised audited consolidated financial statements were compiled by Alan Wilson *(CA(SA); CFA Charterholder)*, the financial director.

The directors are not aware of any matters or circumstances arising subsequent to the year-end that require any additional disclosure or adjustment to the financial statements.

The summarised audited consolidated financial statements for the twelve months ended 28 February 2022 have been extracted from audited information. The directors of Newpark take full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying audited consolidated financial statements. The annual financial statements were audited by BDO South Africa Inc. and the valuation of investment properties was noted as a key audit matter. An unmodified audit opion has been issued on the audited consolidated financial statements for the year ended 28 February 2022. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying audited consolidated financial statements, both of which are available for inspection at Newpark's registered office and on the company's website: http://www.newpark.co.za/pdf/annual_reports/FY2022AFS.pdf.

2. NEW STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT FINANCIAL PERIOD

In the current period, the group has adopted the following standards and interpretations that are effective for the current financial period and that are relevant to its operations:

IFRS 16 – Leases Further Amendment – COVID-19-Related Rent Concessions beyond 30 June 2021

In March 2021 the IASB issued "COVID-19-Related Rent Concessions beyond 30 June 2021", in which the application was extended to also include rent concessions related to payments originally due on or before 30 June 2022.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. The amendments did not have an effect on the group's annual financial statements.

IFRS 16 – Leases (Amendment – COVID-19-Related Rent Concessions)

The adjustments made to IFRS 16 relates to lessees and not lessors and, therefore, had no impact on the group's financial statements.

The effective date of the amendment is for years beginning on or after 1 June 2020.

for the year ended 28 February 2022

3. SEGMENT INFORMATION

The appointed chief operating decision-maker ("**CODM**") within the group is the group executive committee ("**EXCO**"). This is because it is EXCO's responsibility to meet on a frequent basis to review budgets and to assess the operating performance of its operating segments.

The information provided to EXCO summarises financial data and information by property. At 28 February 2022, the group is organised into four main operating segments:

a. Mixed use (office, retail and storage)

b. Head office

c. Office

d. Industrial

The segment information provided to EXCO for the operating segments for the period ended 28 February 2022 has been provided below.

	Mixed use (retail and office) R'000	Mixed use (storage) R'000	Office R'000	Industrial R'000	Head office R'000	Total R'000
2022						
Revenue	**22 704**	**–**	**56 530**	**30 730**	**–**	**109 964**
Other income	**–**	**–**	**–**	**–**	**–**	**–**
Property operating expenses	**(20 401)**	**(104)**	**(3 077)**	**(3 822)**	**–**	**(27 404)**
Administrative expenses	**–**	**–**	**–**	**–**	**(5 034)**	**(5 034)**
Depreciation	**(229)**	**–**	**–**	**–**	**–**	**(229)**
Fair value adjustments	**(69 403)**	**–**	**24 821**	**20 266**	**20 173**	**(4 143)**
Finance income	**98**	**–**	**–**	**–**	**218**	**316**
Finance expense	**–**	**–**	**–**	**–**	**(46 586)**	**(46 586)**
Profit before taxation	**(67 231)**	**(104)**	**78 274**	**47 174**	**(31 229)**	**26 884**
2021						
Revenue	24 759	–	56 597	30 444	–	111 800
Other income	–	–	–	–	–	–
Property operating expenses	(17 299)	(246)	(2 380)	(3 102)	–	(23 027)
Administrative expenses	–	–	–	–	(5 552)	(5 552)
Depreciation	(272)	–	–	–	–	(272)
Fair value adjustments	(28 759)	–	23 695	(1 446)	(13 622)	(20 132)
Finance income	515	–	–	–	90	605
Finance expense	–	–	–	–	(46 336)	(46 336)
Profit before taxation	(21 056)	(246)	77 912	25 896	(65 420)	17 086

for the year ended 28 February 2022

3. SEGMENT INFORMATION (continued)

The amounts provided to EXCO with respect to total assets are measured in a manner consistent with that in the statement of financial position. These assets are allocated based on the operations of the segment.

	Mixed use R'000	Office R'000	Industrial R'000	Head office R'000	Total R'000
2022					
Investment property	**329 223**	**646 241**	**246 912**	**–**	**1 222 376**
Straight-line lease asset	**3 777**	**74 496**	**24 088**	**–**	**102 361**
Lease incentive	**–**	**9 263**	**–**	**–**	**9 263**
Trade and other receivables	**7 896**	**–**	**36**	**–**	**7 932**
Cash and cash equivalents	**–**	**–**	**130**	**10 730**	**10 860**
Total assets per the consolidated financial statements	**340 896**	**730 000**	**271 166**	**10 730**	**1 352 792**
2021					
Investment property	398 708	621 421	226 646	–	1 246 775
Straight-line lease asset	5 292	82 670	27 354	–	115 316
Lease incentive	–	11 909	–	–	11 909
Trade and other receivables	6 120	–	–	–	6 120
Cash and cash equivalents	–	–	–	4 087	4 087
Total assets per the consolidated financial statements	410 120	716 000	254 000	4 087	1 384 207

The amounts provided to EXCO with respect to total liabilities are measured in a manner consistent with that in the statement of financial position.

	Mixed use R'000	Office R'000	Industrial R'000	General R'000	Total R'000
2022					
Bank borrowings	**–**	**–**	**–**	**450 000**	**450 000**
Derivative financial instruments	**–**	**–**	**–**	**9 460**	**9 460**
Trade and other payables	**5 085**	**15 515**	**555**	**11 153**	**32 308**
Total liabilities per the consolidated financial statements	**5 085**	**15 515**	**555**	**470 613**	**491 768**
2021					
Bank borrowings	–	–	–	450 000	450 000
Derivative financial instruments	–	–	–	29 633	29 633
Trade and other payables	3 606	13 338	606	10 971	28 521
Total liabilities per the consolidated financial statements	3 606	13 338	606	490 604	508 154

4. INVESTMENT PROPERTIES

GROUP	2022 Cost/ valuation R'000	2022 Accumulated depreciation R'000	2022 Carrying value R'000	2021 Cost/ valuation R'000	2021 Accumulated depreciation R'000	2021 Carrying value R'000
Investment property	**1 219 823**	**–**	**1 219 823**	1 244 139	–	1 244 139
Furniture and fixtures	**5 447**	**(2 894)**	**2 553**	5 301	(2 665)	2 636
Total	**1 225 270**	**(2 894)**	**1 222 376**	1 249 440	(2 665)	1 246 775

Reconciliation of investment properties

GROUP	Opening balance R'000	Additions R'000	Fair value adjustment R'000	Depreciation R'000	Closing balance R'000
2022					
Investment property	**1 244 139**	**–**	**(24 316)**	**–**	**1 219 823**
Furniture and fixtures	**2 636**	**146**	**–**	**(229)**	**2 553**
Total	**1 246 775**	**146**	**(24 316)**	**(229)**	**1 222 376**
2021					
Investment property	1 250 649	–	(6 510)	–	1 244 139
Furniture and fixtures	2 463	445	–	(272)	2 636
Total	1 253 112	445	(6 510)	(272)	1 246 775

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.

4. INVESTMENT PROPERTIES (continued)

Valuation reconciliation of Investment properties

	GROUP	
	2022 R'000	2021 R'000
JSE Building		
Portion 25 of Erf 7 Sandown Johannesburg, South Africa		
– Purchase price	**18 070**	18 070
– Fair value adjustment	**628 171**	603 351
– Straight-line lease asset	**74 496**	82 670
– Lease incentive	**9 263**	11 909
	730 000	716 000
24 Central (mainly office and retail)		
Portion 20 of Erf 7 Sandton Township, registration division IR, Province of Gauteng		
– Purchase price	**238 000**	238 000
– Fair value adjustment	**85 444**	154 847
– Straight-line lease asset	**3 777**	5 291
– Capitalised expenditure	**5 779**	5 862
	333 000	404 000
Linbro Business Park		
Portion 3 and 4 of Erf 9 Frankenwald Extension 3 (Linbro Business Park)		
– Purchase price	**127 858**	127 858
– Fair value adjustment	**24 207**	(652)
– Straight-line lease asset	**17 237**	20 096
– Capitalised expenditure	**698**	698
	170 000	148 000
Crown Mines		
Erven 1 and 2 Crown City, Extension 1		
– Purchase price	**85 044**	85 044
– Fair value adjustment	**9 104**	13 697
– Straight-line lease asset	**6 852**	7 259
	101 000	106 000

for the year ended 28 February 2022

4. INVESTMENT PROPERTIES (continued)

	GROUP	
	2022 R'000	**2021 R'000**
Fair value of investment property for accounting purposes		
Opening fair value of property assets	**1 374 000**	1 383 000
Gross fair value adjustment on investment property	**(24 316)**	(6 510)
Additions to fixtures and fittings	**146**	445
Depreciation	**(229)**	(272)
Acquisition of investment property	**–**	–
Straight-line lease asset and lease incentive movement	**(15 601)**	(2 663)
Property valuation	**1 334 000**	1 374 000
Less: Straight-line lease income adjustment (note 9)	**(102 361)**	(115 316)
Less: Lease incentive receivable (note 11)	**(9 263)**	(11 909)
Closing fair value of property assets	**1 222 376**	1 246 775

Securities

Mortgage bonds have been registered over investment properties with a fair value of R1 222 376 682 (2021: R1 246 775 493) as security for interest-bearing liabilities at a nominal value amounting to R500 000 000 (2021: R500 000 000).

Details of valuation

The properties were valued on 28 February 2022 using the discounted cash flow of future income streams method. The valuation of the properties were performed by an independent valuer, Peter Parfitt of Quadrant Properties Proprietary Limited, who is a registered valuer in terms of section 19 of the Property Valuers Professional Act, No. 47 of 2000.

4. INVESTMENT PROPERTIES (continued)

The key assumptions and unobservable inputs used by the company in determining fair value were as follows:

2022	Mixed use %	Office %	Industrial %
Discount rate	**14,50**	**13,50**	**14,13**
Exit capitalisation rate	**9,75**	**8,75**	**9,25**
Capitalised rate	**9,50**	**8,50**	**9,00**
Growth rate	**7,56**	**5,00**	**4,28**
Vacancy rate	**1,0**	**0,2**	**0,5**

2021	Mixed use %	Office %	Industrial %
Discount rate	15,00	14,00	15,00
Exit capitalisation rate	9,75	8,75	10,25
Capitalised rate	9,50	8,50	9,25
Growth rate	5,50	6,05	5,75

Investment property is required to be fair valued with sufficient regularity that the value is representative of the fair value. All properties were valued by an independent valuer and are carried at the specified value.

Measurement of fair value

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, testing this for reasonableness by comparing the resultant Rand rate per m^2 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 tenants' credit quality and their lease terms.

for the year ended 28 February 2022

5. EARNINGS PER SHARE

	GROUP	
	2022 R'000	2021 R'000
Basic earnings per share		
Basic earnings		
Profit attributable to shareholders	**26 884**	17 086
Weighted average number of ordinary shares in issue	**100 000 001**	100 000 001
Basic earnings per share		
From continuing operations (cents per share)	**26,88**	17,09
Diluted earnings per share		
There are no dilutive instruments in issue.		
Profit attributable to shareholders	**26 884**	17 086
Weighted average number of ordinary shares in issue	**100 000 001**	100 000 001
Diluted earnings per share (cents per share)	**26,88**	17,09
Headline earnings per share		
Headline earnings is calculated as follows:		
Profit attributable to shareholders	**26 884**	17 086
Adjusted for:		
Change in fair value of investment property	**24 316**	6 510
	51 201	23 596
Weighted average number of ordinary shares in issue	**100 000 001**	100 000 001
Headline earnings per share (cents per share)		
From continuing operations (cents per share)	**51,20**	23,60

The weighted average number of shares has been calculated as 100 000 001 (2021: 100 000 001) weighted for the full financial year to 28 February 2022, resulting in 100 000 001 (2021: 100 000 001) shares.

6. PAYMENT OF FINAL DIVIDEND

The board has approved and notice is hereby given of the final gross cash dividend of 25,24943 cents per share for the year ended 28 February 2022.

The dividend is payable to Newpark's shareholders in accordance with the timetable set out below:

	2022
Last date to trade *cum* dividend	Tuesday, 7 June
Shares trade *ex* dividend	Wednesday, 8 June
Record date	Friday, 10 June
Payment date	Monday, 13 June

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 June 2022 and Friday, 10 June 2022, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 13 June 2022. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 13 June 2022.

In accordance with Newpark's status as a REIT, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("**Income Tax Act**"). The dividend will be deemed to be a dividend for South African tax purposes, in terms of section 25BB of the Income Tax Act.

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

a) a declaration that the dividend is exempt from dividends tax; and

b) a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

6. PAYMENT OF FINAL DIVIDEND (continued)

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Any dividends received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("**DTA**") between South Africa and the country of residence of the shareholders. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 20,19954 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied upon if the non-resident shareholder has submitted the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

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

b) a written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted, if applicable.

Shares in issue at the date of declaration of dividend: 100 000 001

Newpark's income tax reference number: 9114003149.

7. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of these results.

8. GOING CONCERN

The group has committed and available liquidity facilities amounting to R50 million.

The strong tenant profile on the three single-tenanted properties supports a resilient income profile. Almost all tenants have resumed operations post-lockdown restrictions. The lockdown had the largest impact on the group's mixed use property tenants.

The board has considered the current realities of the operating environment and has stress-tested the group's liquidity and solvency against worse-case scenario outcomes, albeit highly unlikely, and the group still remains liquid and solvent. Therefore, the directors believe that the group has adequate financial resources to continue in operation for the ensuing 12-month period and accordingly the consolidated financial statements have been prepared on a going concern basis. The directors, after taking into account the fact that current liabilities exceed current assets, have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

for the year ended 28 February 2022

9. RELATED PARTIES

	2022 R'000	2021 R'000
Professional services		
JAI Ferreira	**333**	671
SP Fifield	**500**	1 269
AJ Wilson	**50**	–

By order of the board

Simon Fifield
Chief executive officer

Alan Wilson
Financial director

Johannesburg
18 May 2022

ANNEXURE 1 –

SA REIT ASSOCIATION BEST PRACTICE DISCLOSURES

for the 12 months ended 28 February 2022

Newpark

NEWPARK REIT LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2015/436550/06)
JSE share code: NRL • ISIN: ZAE000212783
(Approved as a REIT by the JSE)
("**Newpark**" or "**the company**" or "**the group**")

The second edition of the SA REIT Association's ("**SAREIT**") Best Practice Recommendations was published during November 2019. This document recommends the disclosure of certain non-IFRS financial measurements and is effective for all members for reporting periods commencing on or after 1 January 2020. SA REIT encourages full compliance with best practice recommendations and suggests an annexure to be published with the integrated report.

Newpark implemented these best practice recommendations for the first time during the 2021 financial year.

1. FUNDS FROM OPERATIONS (FFO) PER SHARE (based on SAREIT determination of FFO)

for the 12 months ended 28 February 2022

	2022 R'000	2021 R'000
Profit per IFRS statement of comprehensive income (SOCI) attributable to the shareholders	**26 884**	17 086
Adjusted for:		
Accounting/specific adjustments:	**39 917**	9 173
– Fair value adjustments to investment property	**24 316**	6 510
– Straight-line and incentive operating leases adjustment	**15 601**	2 663
Hedging items:	**(20 173)**	13 622
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	**(20 173)**	13 622
FFO	**46 628**	39 881
Number of shares outstanding at end of period (net of treasury shares) ('000)	**100 000**	100 000
FFO per share (cents)	**46,63**	39,88
Dividend per share (cents)	**46,91**	39,88
– Interim dividend (declared 5 October 2021) (cents)	**21,66**	19,63
– Final dividend (declared 17 May 2022) (cents)	**25,25**	20,25

** The final dividend declared is R284 390 or 0,6% higher than FFO.*

1. FUNDS FROM OPERATIONS (FFO) PER SHARE (based on SAREIT determination of FFO) (continued)

for the 12 months ended 28 February 2022

Reconciliation between SAREIT FFO and cash from operating activities

	2022 R'000	2021 R'000
FFO	**46 628**	39 881
Adjustments		
Working capital adjustment		
– Trade receivables	**(6 516)**	(1 989)
– Trade payables	**3 787**	(3 450)
Impairment of trade receivables	**4 704**	(3)
Depreciation of property, plant and equipment	**229**	272
Net cash from operating activities	**48 832**	34 711

2. NET ASSET VALUE (SAREIT NAV)

	2022 R'000	2021 R'000
NAV attributable to the parent at 28 February	**861 024**	876 053
Adjustments:		
Dividend to be declared	**(25 249)**	(20 250)
Fair value of certain derivative financial instruments	**9 460**	29 633
SAREIT NAV	**845 235**	885 436
Shares outstanding		
Number of shares in issue at period end (net of treasury shares) ('000)	**100 000**	100 000
Dilutive number of shares in issue ('000)	**100 000**	100 000
SAREIT NAV per share (R)	**8,45**	8,85

3. COST TO INCOME RATIO (determined in terms of SAREIT guidelines)

	2022 R'000	2021 R'000
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	**27 633**	23 299
Cost	**27 633**	23 299
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**110 382**	104 179
Utility and operating recoveries per IFRS income statement	**15 183**	10 285
Gross rental income	**125 565**	114 464
Cost-to-income ratio (%)	**22,0**	20,4

4. ADMINISTRATIVE COST-TO-INCOME RATIO (determined in terms of SAREIT guidelines)

	2022 R'000	2021 R'000
Expenses		
Administrative expenses as per IFRS income statement	**5 034**	5 552
Administrative cost	**5 034**	5 552
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**110 382**	104 179
Utility and operating recoveries per IFRS income statement	**15 183**	10 284
Gross rental income	**125 565**	114 464
Administrative cost-to-income ratio (%)	**4,0**	4,9

5. GLA VACANCY RATE

	2022 R'000	2021 R'000
Gross lettable area of vacant space	**6 097**	7 803
Gross lettable area of total property portfolio	**57 468**	57 761
GLA vacancy rate (%)	**10,6**	13,5

6. COST OF DEBT

	2022 %	2021 %
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	**6,30**	5,73
Pre-adjusted weighted average cost of debt	**6,30**	5,73
Adjustments:		
Impact of interest rate derivatives	**3,53**	3,44
All-in weighted average cost of debt	**9,83**	9,17

7. LOAN-TO-VALUE

	2022 R'000	2021 R'000
Gross debt	**450 000**	450 000
Less: Cash and cash equivalents	**(10 860)**	(4 087)
Add: Derivative financial instruments	**9 460**	29 633
Net debt	**448 600**	475 546
Total assets – per Statement of Financial Position	**1 352 792**	1 384 207
Less:		
– Cash and cash equivalents	**(10 860)**	(4 087)
– Trade and other receivables	**(7 932)**	(6 120)
Carrying amount of property-related assets	**1 334 000**	1 374 000
Loan-to-value (%)	**33,6**	34,6

8. GROSS INITIAL YIELD

	2022 R'000	2021 R'000
Gross initial yield		
Investment property	**1 334 000**	1 374 000
Grossed up property value	**1 334 000**	1 374 000
Property income		
Contractual cash rentals	**121 156**	108 290
Annualised net rental	**121 156**	108 290
Gross initial yield (%)	**9,08**	7,88

9. PROPERTY DISCLOSURES

as of and for the 12 months ended 28 February 2022

The table below sets out the details of the properties within the property portfolio.

Property name	Physical address	Sector	Land area m²	Nature	Weighted average rental per m² (R/m²)	Rentable area (GLA) m²	Vacancy (% of group rental area)	Valuation as at 28 February 2022 R'000
JSE Building	One Exchange Square, 2 Gwen Lane, Sandown, 2196 Gauteng	Office	5 659	Prime grade offices	*	18 163,00	–	730 000
24 Central	6 Gwen Lane, Sandown, Sandton, 2196 Gauteng	Mixed use (mainly office and retail)	17 679	A grade offices	104,29	15 641,04	10,6	333 000
Linbro Business Park	Portion 3 and 4 of Erf 9 Frankenwald Extension 3 Township (Linbro Business Park)	Industrial	23 511	B grade industrial	*	12 387,00	–	170 000
Crown Mines	Erven 1 and 2 Crown City Extension 1	Industrial	21 023	B+ grade industrial	*	11 277,00	–	101 000
Total					**175,19**	**57 468,04**	**10,6**	**1 334 000**

* *As the JSE building, Linbro Business Park and Crown Mines are single tenanted buildings in the property portfolio, the weighted average rental per m² as at 28 February 2022 has been included in the weighted average rental per m² for the group.*

All four of the properties are 100% owned by the group.

9. PROPERTY DISCLOSURES (continued)

Analysis of the properties

An analysis of the properties in respect of geographic, sectoral, tenant, vacancy and lease expiry profiles as at 28 February 2022 is provided in the tables below.

Lease expiry profile

GLA	TOTAL m²	Mixed use m²	Office m²	Industrial m²	Storage m²
Vacant	6 096,92	3 170,38	–	–	2 926,54
Feb 2023	57,00	57,00	–	–	–
Feb 2024	1 635,06	1 635,06	–	–	–
Feb 2025	14 812,00	2 425,00	–	12 387,00	–
Feb 2026	21 909,00	3 746,00	18 163,00	–	–
Feb 2027	12 958,06	1 681,06	–	11 277,00	–
> Feb 2027	–	–	–	–	–

Gross rental as a percentage of total gross income	TOTAL %	Mixed use %	Office %	Industrial %	Storage %
Vacant	4,9	2,7	–	–	2,2
Feb 2023	0,6	0,6	–	–	–
Feb 2024	2,0	2,0	–	–	–
Feb 2025	20,4	3,3	–	17,1	–
Feb 2026	61,9	4,8	57,1	–	–
Feb 2027	10,1	2,3	–	7,8	–
> Feb 2027	–	–	–	–	–

Geographic profile

All of the properties are located in Gauteng.

	Based on GLA %	Based on gross rental %	Vacancy profile based on GLA %	GLA m²
Sectoral profile				
Office	31,6	57,1	–	18 163,0
Mixed use (retail and office)	22,1	15,7	5,5	12 714,5
Industrial	41,2	25,0	–	23 664,0
Mixed use (storage)	5,1	2,2	5,1	2 926,5
Total	**100,0**	**100,0**	**10,6**	**57 468,0**

9. PROPERTY DISCLOSURES (continued)

	GLA m^2	GLA %	Gross rental for the 28 February 2022 period R'000
Tenant profile			
A	46 560,9	81,0	114 683
B	714,0	1,3	3 069
C	4 096,2	7,1	7 575
Vacant	6 096,9	10,6	–
	57 468,0	100,0	125 327

For the tenant profile table, the following key is applicable:

A. Large international and national tenants, large listed tenants, government and major franchisees. These are the JSE Limited, Saudi Arabian Airlines Inc., Vida E Café Proprietary Limited, MTN Limited, TLS South Africa Trading Proprietary Limited (UK and Belgian Visa), CCI South Africa Proprietary Limited, Hellermann Tyton Proprietary Limited and Bidvest – Bidvest Afcom Proprietary Limited.

B. National tenants, smaller listed tenants, franchisees and medium to large professional firms. These are Solo – Ndlondlobala Holdings Proprietary Limited and Urban Crust – Tijuana Restaurant Proprietary Limited.

C. Other local tenants and sole proprietors. These are Club Sublime CC (Taboo), Juju Lounge CC (Cocoon/BOA), ATM Solutions Proprietary Limited and AU999 Commodities Proprietary Limited, Greenhouse Sandton Proprietary Limited (Greenhouse), Wagyu South Africa Proprietary Limited (Monach and Roadhouse) and Borghini CC (Luca's).

Top 10 tenants by gross rental revenue

	Sector	Gross rental revenue for the 28 February 2022 period R'000
Tenants and advertisers		
JSE	Office	*
HellermannTyton	Industrial	*
Bidvest Afcom	Industrial	*
Top three tenants		**99 206**
CCI South Africa	Mixed use (retail and office)	8 396
Boo! Out Of Home Media	Mixed use (advertising)	2 930
TLS	Mixed use (retail and office)	2 833
Solo Restaurant	Mixed use (retail and office)	2 785
Monach and Roadhouse	Mixed use (retail and office)	1 685
Greenhouse	Mixed use (retail and office)	1 004
AU999 Commodities	Mixed use (retail and office)	854
		119 693

* *As the JSE building, Linbro Business Park and Crown Mines are single tenanted buildings in the property portfolio, the gross income for the period for these three properties are presented as a total value.*

9. PROPERTY DISCLOSURES (continued)

	2022 R'000	2021 R'000
JSE Building		
Portion 25 of Erf 7 Sandown Johannesburg, South Africa		
– Purchase price	**18 070**	18 070
– Fair value adjustment	**628 171**	630 351
– Straight-line lease asset	**74 496**	82 670
– Lease incentive	**9 263**	11 909
	730 000	716 000
24 Central (mainly office and retail)		
Portion 20 of Erf 7 Sandton Township, registration division IR, Province of Gauteng		
– Purchase price	**238 000**	238 000
– Fair value adjustment	**85 444**	154 847
– Straight-line lease asset	**3 777**	5 291
– Capitalised expenditure	**5 779**	5 862
	333 000	404 000
Linbro Business Park		
Portion 3 and 4 of Erf 9 Frankenwald Extension 3 (Linbro Business Park)		
– Purchase price	**127 858**	127 858
– Fair value adjustment	**24 207**	(652)
– Straight-line lease asset	**17 237**	20 096
– Capitalised expenditure	**698**	698
	170 000	148 000
Crown Mines		
Erven 1 and 2 Crown City, Extension 1		
– Purchase price	**85 044**	85 044
– Fair value adjustment	**9 104**	13 697
– Straight-line lease asset	**6 852**	7 259
	101 000	106 000

9. PROPERTY DISCLOSURES (continued)

	2022 R'000	2021 R'000
Fair value of investment property for accounting purposes		
Opening fair value of property assets at 1 March	**1 374 000**	1 383 000
Gross fair value adjustment on investment property	**(24 316)**	(6 510)
Additions to fixtures and fittings	**146**	445
Depreciation	**(229)**	(272)
Acquisition of investment property	**–**	–
Straight-line lease asset and lease incentive movement	**(15 601)**	(2 663)
Property valuation	**1 334 000**	1 374 000
Less: Straight-line lease income adjustment	**(102 361)**	(115 316)
Less: Lease incentive receivable	**(9 263)**	(11 909)
Closing fair value of property assets at 28 February	**1 222 376**	1 246 775

The key assumptions and unobservable inputs used by the group in determining fair values were as follows:

2022	Mixed use %	Office %	Industrial %
Discount rate	**14,50**	**13,50**	**14,13**
Exit capitalisation rate	**9,75**	**8,75**	**9,25**
Capitalised rate	**9,50**	**8,50**	**9,00**
Growth rate	**7,56**	**5,00**	**4,28**

2021	Mixed use %	Office %	Industrial %
Discount rate	15,00	14,00	15,00
Exit capitalisation rate	9,75	8,75	10,25
Capitalised rate	9,50	8,50	9,25
Growth rate	5,50	6,05	5,75

9. PROPERTY DISCLOSURES (continued)

Other property disclosures

	Average rental escalation %	Average remaining lease length period in years at year-end	Gross rental for the 28 February 2022 period R'000	Acquisition date of property
Sectoral profile				
JSE Building (office)	8,25	3,5	*	3 February 2016
24 Central (Mixed use)	7,57	2,7	23 286	3 February 2016
Linbro Business Park (Industrial)	8,34	2,8	*	28 February 2017
Crown Mines (Industrial)		4,8	*	28 February 2017

* *As the JSE building, Linbro Business Park and Crown Mines are single tenanted buildings in the property portfolio, the gross income for the period for these three properties is R99 206 in total.*

Newpark

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