Newpark

SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND CASH DIVIDEND

for the 12 months ended 28 February 2023

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) **, AF Benatar (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 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 16 056 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 2023 was R1,38 billion.

INVESTMENT STRATEGY

Newpark's investment strategy is to seek well-located prime commercial, industrial and retail properties in South Africa, which provide a high-quality, sustainable earnings base with the potential for capital appreciation within the medium- to long-term.

COMMENTARY OF RESULTS

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

Newpark's balance sheet continues to remain financially healthy with a loan-to-value ratio of 30,9% (F2022: 33,6%).

Improved operation at 24 Central together with asset management initiatives on Newpark's single-tenanted assets have positively impacted property valuations and resulted in a fair value increase of R65,9 million (4,87%) to the value of the assets relative to the previous year.

Revenue for the financial year ended 28 February 2023 ("**the financial year**") was R126,7 million (F2022: R110,0 million), up 15,2%. Operating profit before fair value adjustments was R88,6 million (F2022: R77,3 million), up 14,6% (F2022: down 6,8%). After allowing for fair value adjustments and the net cost of finance, the total comprehensive profit for the financial year was R130,7 million (F2022: R26,9 million), up 386,0% (F2022: up 57,3%), representing earnings of 130,65 cents per share ("**cps**") (F2022: 26,88 cps).

Cash generated from operations ("**CGO**") for the financial year increased by 0,7% from R95,1 million to R95,7 million, mainly as a result of rental escalations, which were offset by maintenance costs and the negative rental reversion incurred on the extension of the lease of the Crown Mines industrial property.

The board declared a final cash dividend of 42,19 cps (F2022: 25,25 cps). The total dividend for the financial year is 67,19 cps (F2022: 46,91 cps) representing 100% of funds from operations ("**FFO**") and is an increase of 43,23% (F2022: increase of 17,63%) over the 46,91 cps declared in respect of the prior year (100,6% of FFO).

FUNDING

Newpark's revolving credit facility and R300 million of its term loan facilities, that were due to mature in May 2023, were refinanced during the financial year. The term loan was replaced by two separate facilities of R150 million, which mature in November 2025 and November 2027, respectively, at margins that are largely in line with those of the previous facilities. The revolving credit facility is now available until November 2027. The refinancing of the maturing debt has significantly improved the liquidity position for Newpark in the short- and medium-term.

In addition to the refinancing, three of the interest rate hedges matured during the year, which decreased the hedging of Newpark's borrowings to 63% at year-end. Although this is below the board's previously stated hedging target of 70%, the board is comfortable with the current level in light of the relatively low gearing ratio of 30,9% and the current unfavourable hedging environment. The board will continue to monitor Newpark's position in the context of dynamic market conditions.

The reduction in the interest rate hedges decreased the overall financing costs relative to the prior year, despite the increasing interest rate environment.

Newpark's hedged borrowings are contracted at an average interest rate of 6,52% per annum before banker's margin until June 2024.

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 FFOPS is provided below.

FFOPS

	2023 R'000	2022 R'000
Profit per IFRS statement of comprehensive income attributable to the shareholders	**130 652**	26 884
Adjusted for:		
Accounting/specific adjustments:	**(47 845)**	39 917
– Fair value adjustments to investment property	**(65 873)**	24 316
– Straight-line and incentive operating leases adjustment	**18 028**	15 601
Hedging items:	**(15 612)**	(20 173)
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	**(15 612)**	(20 173)
Free funds from operations	**67 195**	46 628
Number of shares outstanding at end of period (net of treasury shares) ('000)	**100 000**	100 000
FFOPS (cents)	**67,19**	46,63
Dividend per share (cents)	**67,19**	46,91
– Interim dividend (declared 5 October 2022) (cents)	**25,00**	21,66
– Final dividend (declared 17 May 2023) (cents)	**42,19**	25,25

SECTORAL PROFILE	GLA %	Gross rentals %
Mixed use (office and retail)	22,7	14,1
Office	31,4	58,9
Industrial	40,9	24,9
Mixed use (storage)	5,1	2,1
	100,0	**100,0**

LEASE EXPIRY PROFILE AND VACANCIES	GLA %	Gross rentals %
Vacant	10,7	5,0
Feb 2024	1,4	0,9
Feb 2025	24,7	19,9
Feb 2026	32,3	60,4
Feb 2027	11,5	6,5
Feb 2028	–	–
>Feb 2028	19,5	7,3

FACILITIES	Amount R'000	Rate %
Expiry May 2025 (facility B) – floating rate	150 000	Three-month JIBAR +2,35
Expiry Nov 2025 (facility C) – floating rate	50 000	Prime -1,30
Expiry Nov 2025 (facility D) – floating rate	150 000	Three-month JIBAR +1,85
Expiry Nov 2027 (facility E) – floating rate	150 000	Three-month JIBAR +2,10
Total available facilities	**500 000**	

The group's borrowing facilities from 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 2023 = 2,2 times (headroom in EBITDA of R25,2 million)

Covenant measure met.

LTV measured as Borrowings : Immovable Asset Value (expressed as %)

a. Covenant required <45%

b. Actual measurement on 28 February 2023 = 31,4% (headroom of R188,5 million)

Covenant measure met.

Secured properties LTV measured as outstanding facilities: secured property valuation

a. Covenant required <40%

b. Actual measurement on 28 February 2023 = 32,6% (headroom of R102,8 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 2023 = 2,8 times (headroom of R45,5 million)

Covenant measure met.

HEDGE INSTRUMENTS OVER ABOVE FACILITIES	**Amount R'000**	**Hedges of three-month JIBAR base-rate %**
Hedge 6: rate swap – to start 2022/6/01 / expires 2024/6/01	135 000	7,990
Hedge 8: forward rate swap – to start 2022/6/01 / expires 2024/11/29	150 000	5,190

All-in weighted average cost of debt as at 28 February 2023 is 8,959%.

During the period, two interest rate swaps and the interest rate cap and floor instruments matured. These were replaced by two interest rate swaps, with nominal values of R135 million and R150 million, respectively, which commenced on 1 June 2022. The interest rate swaps secured with RMB have the effect that 63% of the floating portion of the current rate on the RMB facility is swapped for a fixed base rate of 7,990% (R135 million) and 5,190% (R150 million), respectively, before the RMB margin of 2,35%, 1,85% and 2,10% on the term facilities. The two interest rate swaps expire on 1 June 2024 and 29 November 2024, respectively.

The all-in weighted average cost of funding is 8,959% (2022: 9,833%) and the average hedge-term is 1,51 years.

SUMMARY OF FINANCIAL PERFORMANCE AND POSITION

	28 February 2023	**28 February 2022**
Shares in issue	**100 000 001**	100 000 001
Net asset value per share	**R8,93**	R8,45
Loan-to-value ratio *	**30,9%**	33,6%
Gross property operating expense ratio	**21,3%**	22,0%

* *The loan-to-value ratio is calculated by dividing interest-bearing borrowings net of cash on hand and derivatives by the total property value.*

CHANGES TO THE BOARD OF DIRECTORS

During the year we said farewell to Simon Fifield who resigned as the Chief Executive Officer on 31 October 2022 in order to pursue new opportunities. Simon was a founding member of Newpark and has served as CEO since its listing in 2016. We thank Simon for his invaluable leadership and contributions over the years and wish him well for the future. Auri Benatar (appointed 1 November 2022) joined the board to replace Simon and the board looks forward to benefitting from his insights and experience.

OUTLOOK

Newpark will continue to focus on the management of its existing assets with the lease renewals of the remaining single tenanted buildings remaining a key management priority with 57% of leases by GLA due to expire in 2025 and 2026.

The group will remain alert to any potential acquisitions that are in keeping with its stated investment strategy and is well-positioned to capitalise on opportunities that are likely to present themselves in a suppressed real estate market.

The group is budgeting FFOPS for the year ending 28 February 2024 to be between 63,83 and 70,55 cents per share, being within 5% of FFOPS for the year ended 28 February 2023 of 67,19 cents, with the assumption that any negative rental reversions that may arise due to lease renewals at certain of the single-tenanted buildings are offset by rental income growth at the balance of the portfolio.

The dividend per share for the year ending 28 February 2024 is budgeted to be in line with FFOPS for the year.

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 2023

	Notes	GROUP 2023 R'000	GROUP 2022 R'000
ASSETS			
Non-current assets			
Investment properties	4	**1 288 404**	1 222 376
Investment in subsidiaries		**–**	–
Straight-line lease asset		**86 979**	102 361
Lease incentive		**3 970**	6 616
Derivative financial instruments		**6 152**	–
		1 385 505	1 331 353
Current assets			
Trade and other receivables		**5 483**	7 932
Amounts due from group companies		**–**	–
Lease incentive		**2 647**	2 647
Cash and cash equivalents		**16 618**	10 860
		24 748	21 439
Total assets		**1 410 253**	1 352 792
EQUITY AND LIABILITIES			
Equity			
Share capital		**619 918**	619 918
Capital reorganisation reserve		**180 412**	180 412
Retained income		**141 097**	60 694
		941 427	861 024
Liabilities			
Non-current liabilities			
Bank borrowings		**450 000**	450 000
Derivative financial instruments		**–**	1 354
		450 000	451 354
Current liabilities			
Derivative financial instruments		**–**	8 106
Trade and other payables		**18 826**	32 308
		18 826	40 414
Total liabilities		**468 826**	491 768
Total equity and liabilities		**1 410 253**	1 352 792

CONDENSED CONSOLIDATED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2023

		GROUP	
	Notes	28 February 2023 R'000	28 February 2022 R'000
Revenue		**126 671**	109 964
Property operating expenses		**(30 821)**	(27 633)
Administrative expenses		**(7 292)**	(5 034)
Net gain/(loss) from fair value adjustment on investment property		**65 873**	(24 316)
Net gain/(loss) from fair value adjustment of financial instruments at fair value through profit or loss		**15 612**	20 173
Operating profit		**170 043**	73 154
Finance income		**628**	316
Finance costs		**(40 019)**	(46 586)
Profit before taxation		**130 652**	26 884
Taxation		**–**	–
Profit for the period		**130 652**	26 884
Other comprehensive income		**–**	–
Total comprehensive income for the period		**130 652**	26 884
Earnings per share information (expressed in cents per share)			
Basic earnings per share (cents)	5	**130,65**	26,88
Diluted earnings per share (cents)	5	**130,65**	26,88
Headline earnings per share (cents)	5	**64,78**	51,20

CONDENSED CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2023

	Share capital R'000	Share issue costs R'000	Total share capital R'000	Capital reorganisation reserve R'000	Retained income/(loss) R'000	Total equity R'000
GROUP						
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 1 March 2022	**625 000**	**(5 082)**	**619 918**	**180 412**	**60 694**	**861 024**
Profit for the period	**–**	**–**	**–**	**–**	**130 652**	**130 652**
Dividends	**–**	**–**	**–**	**–**	**(50 249)**	**(50 249)**
Balance at 28 February 2023	**625 000**	**(5 082)**	**619 918**	**180 412**	**141 097**	**941 427**

CONDENSED CONSOLIDATED

STATEMENT OF CASH FLOWS

for the year ended 28 February 2023

	GROUP	
	28 February 2023 R'000	28 February 2022 R'000
Cash flows from operating activities		
Cash generated from operations	**95 745**	95 102
Finance income	**628**	316
Finance costs	**(40 019)**	(46 586)
Net cash generated from operating activities	**56 354**	48 832
Cash flows from investing activities		
Purchase of furniture and fittings	**(347)**	(146)
Loans advanced to subsidiaries	**–**	–
Net cash utilised by investing activities	**(347)**	(146)
Cash flows from financing activities		
Loans from subsidiaries advanced	**–**	–
Loans from subsidiaries repaid	**–**	–
Dividends paid	**(50 249)**	(41 913)
Bank borrowings repaid	**–**	–
Net cash utilised by financing activities	**(50 249)**	(41 913)
Total cash and cash equivalents movement for the reporting period	**5 758**	6 773
Cash and cash equivalents at the beginning of the reporting period	**10 860**	4 087
Total cash and cash equivalents at the end of the reporting period	**16 618**	10 860

SIGNIFICANT FINANCIAL STATEMENT NOTES

for the year ended 28 February 2023

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**") 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 2023 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 opinion has been issued on the audited consolidated financial statements for the year ended 28 February 2023. 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/FY2023AFS.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:

Annual Improvements to IFRS: 2018 – 2020 Cycle

In May 2020, the IASB issued minor amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards, IFRS 9 – Financial Instruments, and the Illustrative Examples accompanying IFRS 16 – Leases.

The effective date of the amendment is for years beginning on or after 1 January 2022. The group has adopted these amendments during the 2023 financial period.

The amendments have not had a material impact on the group's annual financial statements.

Conceptual Framework for Financial Reporting (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

The effective date of the amendment is for years beginning on or after 1 January 2022. The group has adopted these amendments during the 2023 financial period.

The amendments have not had a material impact on the group's annual financial statements.

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss-making and is, therefore, recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.

The effective date of the amendment is for years beginning on or after 1 January 2022. The group has adopted these amendments during the 2023 financial period.

The amendments have not had a material impact on the group's annual financial statements.

IAS 16 – Property, Plant and Equipment

In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.

The effective date of the amendment is for years beginning on or after 1 January 2022. The group has adopted these amendments during the 2023 financial period.

The amendments have not had a material impact on the group's annual financial statements.

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 2023, 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 2023 has been provided below.

	Mixed use (retail and office) R'000	Office R'000	Industrial R'000	Head office R'000	Total R'000
2023					
Revenue	**39 338**	**56 410**	**30 923**	**–**	**126 671**
Other income	**–**	**–**	**–**	**–**	**–**
Property operating expenses	**(24 356)**	**(2 169)**	**(4 104)**	**–**	**(30 629)**
Administrative expenses	**–**	**–**	**–**	**(7 292)**	**(7 292)**
Depreciation	**(192)**	**–**	**–**	**–**	**(192)**
Fair value adjustments	**(9 308)**	**56 370**	**18 811**	**15 612**	**81 485**
Finance income	**259**	**–**	**–**	**370**	**628**
Finance expense	**–**	**–**	**–**	**(40 019)**	**(40 019)**
Profit before taxation	**5 741**	**110 611**	**45 630**	**(31 330)**	**130 652**
2022					
Revenue	22 704	56 530	30 730	–	109 964
Other income	–	–	–	–	–
Property operating expenses	(20 505)	(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	(67 335)	78 274	47 174	(31 229)	26 884

for the year ended 28 February 2023

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
2023					
Investment property	**320 070**	**702 611**	**265 723**	**–**	**1 288 404**
Straight-line lease asset	**5 929**	**60 773**	**20 277**	**–**	**86 979**
Lease incentive	**–**	**6 617**	**–**	**–**	**6 617**
Trade and other receivables	**4 351**	**1 095**	**37**	**–**	**5 483**
Derivative financial instruments	**–**	**–**	**–**	**6 152**	**6 152**
Cash and cash equivalents	**–**	**–**	**170**	**16 448**	**16 618**
Total assets per the consolidated financial statements	**330 350**	**771 096**	**286 207**	**22 600**	**1 410 253**
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

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
2023					
Bank borrowings	**–**	**–**	**–**	**450 000**	**450 000**
Derivative financial instruments	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**5 391**	**1 197**	**675**	**11 563**	**18 826**
Total liabilities per the consolidated financial statements	**5 391**	**1 197**	**675**	**461 563**	**468 826**
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

for the year ended 28 February 2023

4. INVESTMENT PROPERTIES

	2023			2022		
GROUP	Cost/ valuation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost/ valuation R'000	Accumulated depreciation R'000	Carrying value R'000
Investment property	**1 285 696**	**–**	**1 285 696**	1 219 823	–	1 219 823
Furniture and fixtures	**5 794**	**(3 086)**	**2 708**	5 447	(2 894)	2 553
Total	**1 291 490**	**(3 086)**	**1 288 404**	1 225 270	(2 894)	1 222 376

Reconciliation of investment properties

GROUP	Opening balance R'000	Additions R'000	Fair value adjustment R'000	Depreciation R'000	Closing balance R'000
2023					
Investment property	**1 219 823**	**–**	**65 873**	**–**	**1 285 696**
Furniture and fixtures	**2 553**	**347**	**–**	**(192)**	**2 708**
Total	**1 222 376**	**347**	**65 873**	**(192)**	**1 288 404**
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

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	
	2023 R'000	2022 R'000
JSE Building		
Portion 25 of Erf 7 Sandown Johannesburg, South Africa		
– Purchase price	**18 070**	18 070
– Fair value adjustment	**684 540**	628 171
– Straight-line lease asset	**60 773**	74 496
– Lease incentive	**6 617**	9 263
	770 000	730 000
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	**76 137**	85 444
– Straight-line lease asset	**5 929**	3 777
– Capitalised expenditure	**5 934**	5 779
	326 000	333 000
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	**39 685**	24 207
– Straight-line lease asset	**12 760**	17 237
– Capitalised expenditure	**698**	698
	181 000	170 000
Crown Mines		
Erven 1 and 2 Crown City, Extension 1		
– Purchase price	**85 044**	85 044
– Fair value adjustment	**12 438**	9 104
– Straight-line lease asset	**7 518**	6 852
	105 000	101 000

4. INVESTMENT PROPERTIES (continued)

	GROUP	
	2023 R'000	2022 R'000
Fair value of investment property for accounting purposes		
Opening fair value of property assets	**1 334 000**	1 374 000
Gross fair value adjustment on investment property	**65 873**	(24 316)
Additions to fixtures and fittings	**347**	146
Depreciation	**(192)**	(229)
Acquisition of investment property	**–**	–
Straight-line lease asset and lease incentive movement	**(18 028)**	(15 601)
Property valuation	**1 382 000**	1 334 000
Less: Straight-line lease income adjustment	**(86 979)**	(102 361)
Less: Lease incentive receivable	**(6 617)**	(9 263)
Closing fair value of property assets	**1 288 404**	1 222 376

Securities

Mortgage bonds have been registered over investment properties with a fair value of R1 288 404 138 (2022: R1 222 376 682) as security for interest-bearing liabilities at a nominal value amounting to R500 000 000 (2022: R500 000 000).

Details of valuation

The properties were valued on 28 February 2023 using the discounted cash flow of future income streams method. The valuation of the properties was 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.

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

2023	Mixed use %	Office %	Industrial %
Discount rate	**15,25**	**13,75**	**14,13**
Exit capitalisation rate	**10,25**	**8,75**	**9,50**
Capitalisation rate	**9,75**	**8,50**	**9,25**
Growth rate	**8,56**	**4,51**	**3,92**
Initial vacancy rate	**27,27**	**0,00**	**0,00**

4. INVESTMENT PROPERTIES (continued)

2022	Mixed use %	Office %	Industrial %
Discount rate	14,50	13,50	14,13
Exit capitalisation rate	9,75	8,75	9,25
Capitalisation rate	9,50	8,50	9,00
Growth rate	7,56	3,63	4,28
Initial vacancy	25,00	0,00	0,00

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.

Inter-relationship between key unobservable inputs and fair value measurements

The sensitivities of the relevant inputs discussed are disclosed in note 4 of the annual financial statements.

for the year ended 28 February 2023

5. EARNINGS PER SHARE

	GROUP 2023 R'000	GROUP 2022 R'000
Basic earnings per share		
Basic earnings		
Profit attributable to shareholders	**130 652**	26 884
Weighted average number of ordinary shares in issue	**100 000 001**	100 000 001
Basic earnings per share		
From continuing operations (cents per share)	**130,65**	26,88
Diluted earnings per share		
There are no dilutive instruments in issue.		
Profit attributable to shareholders	**130 652**	26 884
Weighted average number of ordinary shares in issue	**100 000 001**	100 000 001
Diluted earnings per share (cents per share)	**130,65**	26,88
Headline earnings per share		
Headline earnings is calculated as follows:		
Profit attributable to shareholders	**130 652**	26 884
Adjusted for:		
Change in fair value of investment property	**(65 873)**	24 316
	64 779	51 201
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)	**64,78**	51,20

The weighted average number of shares has been calculated as 100 000 001 (2022: 100 000 001) weighted for the full financial year to 28 February 2023, resulting in 100 000 001 (2022: 100 000 001) shares.

6. PAYMENT OF FINAL DIVIDEND

The board has approved and notice is hereby given of the final gross dividend of 42,19497 cents per share for the year ended 28 February 2023.

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

	2023
Last date to trade cum dividend	Tuesday, 6 June 2023
Shares trade ex dividend	Wednesday, 7 June 2023
Record date	Friday, 9 June 2023
Payment date	Monday, 12 June 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 June 2023 and Friday, 9 June 2023, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 12 June 2023. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 12 June 2023.

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 33,75597 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. RELATED PARTIES

	2023 R'000	2022 R'000
Professional services		
Tygon Capital Proprietary Limited	**117**	–
Capensis Real Estate Proprietary Limited	**333**	500
Azalea Capital Proprietary Limited	**370**	50
Renlia Developments Proprietary Limited	**824**	–

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.

The board has considered the current realities of the operating environment and has stress-tested the group's liquidity and solvency against various outcomes. 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 have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its cash requirements over the ensuing 12-month period. 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.

9. 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 this report.

By order of the board

Auri Benatar
Chief executive officer

Alan Wilson
Financial director

Johannesburg
18 May 2023

ANNEXURE 1 –
SA REIT ASSOCIATION BEST PRACTICE DISCLOSURES

for the 12 months ended 28 February 2023

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 PER SHARE (“FFOPS”)

for the 12 months ended 28 February 2023

	2023 R’000	2022 R’000
Profit per IFRS statement of comprehensive income attributable to the shareholders	**130 652**	26 884
Adjusted for:		
Accounting/specific adjustments:	**(47 845)**	39 917
– Fair value adjustments to investment property	**(65 873)**	24 316
– Straight-line and incentive operating leases adjustment	**18 028**	15 601
Hedging items:	**(15 612)**	(20 173)
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	**(15 612)**	(20 173)
Funds from operations	**67 195**	46 628
Number of shares outstanding at end of period (net of treasury shares) (‘000)	**100 000**	100 000
FFOPS (cents)	**67,19**	46,63
Dividend per share (cents)	**67,19**	46,91
– Interim dividend (declared 5 October 2022) (cents)	**25,00**	21,66
– Final dividend (declared 17 May 2023) (cents)	**42,19**	25,25

** The final dividend declared is in line with FFO.*

1. FUNDS FROM OPERATIONS PER SHARE ("FFOPS") (continued)

for the 12 months ended 28 February 2023

Reconciliation between funds from operations ("FFO") and cash from operating activities

	2023 R'000	2022 R'000
FFO	**67 195**	46 628
Adjustments		
Working capital adjustment		
– Trade receivables	**2 449**	(6 516)
– Trade payables	**(13 482)**	3 787
Impairment of trade receivables	**–**	4 704
Depreciation of property, plant and equipment	**192**	229
Net cash from operating activities	**56 354**	48 832

2. NET ASSET VALUE

	2023 R'000	2022 R'000
NAV attributable to the parent at 28 February	**941 427**	861 024
Adjustments:		
Dividend to be declared	**(42 195)**	(25 249)
Fair value of certain derivative financial instruments	**(6 152)**	9 460
NAV	**893 080**	845 235
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
NAV per share (R)	**8,93**	8,45

continued

3. COST TO INCOME RATIO

	2023 R'000	2022 R'000
Expenses		
Property operating expenses per IFRS income statement (includes municipal expenses)	**30 821**	27 633
Cost	**30 821**	27 633
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**124 716**	110 382
Utility and operating recoveries per IFRS income statement	**19 983**	15 183
Gross rental income	**144 700**	125 565
Cost-to-income ratio (%)	**21,3**	22,0

4. ADMINISTRATIVE COST-TO-INCOME RATIO

	2023 R'000	2022 R'000
Expenses		
Administrative expenses as per IFRS income statement	**7 292**	5 034
Administrative cost	**7 292**	5 034
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**124 716**	110 382
Utility and operating recoveries per IFRS income statement	**19 983**	15 183
Gross rental income	**144 700**	125 565
Administrative cost-to-income ratio (%)	**5,0**	4,0

continued

5. GLA VACANCY RATE

	2023 m²	2022 m²
Gross lettable area of vacant space	**6 170**	6 097
Gross lettable area of total property portfolio	**57 883**	57 468
GLA vacancy rate (%)	**10,7**	10,6

6. COST OF DEBT

	2023 %	2022 %
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	**9,55**	6,30
Pre-adjusted weighted average cost of debt	**9,55**	6,30
Adjustments:		
Impact of interest rate derivatives	**(0,59)**	3,53
All-in weighted average cost of debt	**8,96**	9,83

7. LOAN-TO-VALUE

	2023 R'000	2022 R'000
Gross debt	**450 000**	450 000
Less: Cash and cash equivalents	**(16 618)**	(10 860)
Add: Derivative financial instruments	**(6 152)**	9 460
Net debt	**427 230**	448 600
Total assets – per Statement of Financial Position	**1 410 253**	1 352 792
Less:		
– Derivative financial assets	**(6 152)**	–
– Cash and cash equivalents	**(16 618)**	(10 860)
– Trade and other receivables	**(5 483)**	(7 932)
Carrying amount of property-related assets	**1 382 000**	1 334 000
Loan-to-value (%)	**30,9**	33,6

8. GROSS INITIAL YIELD

	2023 R'000	2022 R'000
Gross initial yield		
Investment property	**1 382 000**	1 334 000
Grossed up property value	**1 382 000**	1 334 000
Property income		
Contractual cash rentals	**127 263**	121 156
Annualised net rental	**127 263**	121 156
Gross initial yield (%)	**9,21**	9,08

9. PROPERTY DISCLOSURES

as of and for the 12 months ended 28 February 2023

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

Property name	Physical address	Sector	Land area m^2	Nature	Weighted average net rental per month (R/m^2)	Rentable area (GLA) m^2	Vacancy (% of group rental area)	Valuation as at 28 February 2023 R'000
JSE Building	One Exchange Square, 2 Gwen Lane, Sandown, 2196 Gauteng	Office	5 659	Prime grade offices	*	18 163,0	–	770 000
24 Central	6 Gwen Lane, Sandown, Sandton, 2196 Gauteng	Mixed use (mainly office and retail)	17 679	A grade offices, retail and storage	95,83	16 056,2	10,7	326 000
Linbro Business Park	Portion 3 and 4 of Erf 9 Frankenwald Extension 3 Township (Linbro Business Park)	Industrial	23 511	B grade industrial	*	12 387,0	–	181 000
Crown Mines	Erven 1 and 2 Crown City Extension 1	Industrial	21 023	B+ grade industrial	*	11 277,0	–	105 000
Total					**185,49**	**57 883,2**	**10,7**	**1 382 000**

* *As the JSE building, Linbro Business Park and Crown Mines are single tenanted buildings in the property portfolio, the weighted average rental per m^2 as at 28 February 2023 has been included in the weighted average rental per m^2 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 2023 is provided in the tables below.

Lease expiry profile

GLA	TOTAL m²	Mixed use m²	Office m²	Industrial m²	Storage m²
Vacant	6 169,8	3 437,3	–	–	2 732,5
Feb 2024	791,0	791,0	–	–	–
Feb 2025	14 285,2	1 704,2	–	12 387,0	194,0
Feb 2026	18 675,0	512,0	18 163,0	–	–
Feb 2027	6 685,3	6 685,3	–	–	–
Feb 2028	–	–	–	–	–
> Feb 2028	11 277,0	–	–	11 277,0	–

Gross rental as a percentage of total gross income	TOTAL %	Mixed use %	Office %	Industrial %	Storage %
Vacant	5,0	3,0	–	–	2,0
Feb 2024	0,9	0,9	–	–	–
Feb 2025	19,9	2,1	–	17,7	0,1
Feb 2026	60,4	1,5	58,9		–
Feb 2027	6,5	6,5	–	–	–
Feb 2028	–	–	–	–	–
> Feb 2028	7,3	–	–	7,3	–

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	31,4	58,9	–	18 163,0
Mixed use (retail and office)	22,7	14,1	5,9	13 129,7
Industrial	40,9	24,9	–	23 664,0
Mixed use (storage)	5,1	2,1	4,8	2 926,5
Total	**100,0**	**100,0**	**10,7**	**57 883,2**

9. PROPERTY DISCLOSURES (continued)

	GLA m²	GLA %	Gross rental for the 28 February 2023 period R'000
Tenant profile			
A	48 222,2	83,3	118 683
B	737,9	1,3	2 200
C	2 753,3	4,7	5 045
Vacant	6 169,8	10,7	–
	57 883,2	100,0	125 721

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, Vida E Café Proprietary Limited, MTN Limited, TLS South Africa Trading Proprietary Limited (UK and Belgian Visa), CCI South Africa Proprietary Limited, Boo Out of Home Media 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 Saudi Arabian Airlines Inc..

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

Top 10 tenants by gross rental revenue

	Sector	Gross rental revenue for the 28 February 2023 period R'000
Tenants and advertisers		
JSE	Office	*
HellermannTyton	Industrial	*
Bidvest Afcom	Industrial	*
Top three tenants		**104 566**
CCI South Africa	Mixed use (retail and office)	4 147
Boo! Out Of Home Media	Mixed use (advertising)	3 937
Solo Restaurant	Mixed use (retail and office)	1 913
TLS	Mixed use (retail and office)	1 424
Monarch and Roadhouse	Mixed use (retail and office)	1 336
Greenhouse	Mixed use (retail and office)	1 317
BOA/Cocoon	Mixed use (retail and office)	1 194
		119 835

* *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)

	2023 R'000	2022 R'000
JSE Building		
Portion 25 of Erf 7 Sandown Johannesburg, South Africa		
– Purchase price	**18 070**	18 070
– Fair value adjustment	**684 540**	628 171
– Straight-line lease asset	**60 773**	74 496
– Lease incentive	**6 617**	9 263
	770 000	730 000
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	**76 137**	85 444
– Straight-line lease asset	**5 929**	3 777
– Capitalised expenditure	**5 934**	5 779
	326 000	333 000
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	**39 685**	24 207
– Straight-line lease asset	**12 760**	17 237
– Capitalised expenditure	**698**	698
	181 000	170 000
Crown Mines		
Erven 1 and 2 Crown City, Extension 1		
– Purchase price	**85 044**	85 044
– Fair value adjustment	**12 438**	9 104
– Straight-line lease asset	**7 518**	6 852
	105 000	101 000

9. PROPERTY DISCLOSURES (continued)

	2023 R'000	2022 R'000
Fair value of investment property for accounting purposes		
Opening fair value of property assets at 1 March	**1 334 000**	1 374 000
Gross fair value adjustment on investment property	**65 873**	(24 316)
Additions to fixtures and fittings	**347**	146
Depreciation	**(192)**	(229)
Acquisition of investment property	**–**	–
Straight-line lease asset and lease incentive movement	**(18 028)**	(15 601)
Property valuation	**1 382 000**	1 334 000
Less: Straight-line lease income adjustment	**(86 979)**	(102 361)
Less: Lease incentive	**(6 617)**	(9 263)
Closing fair value of property assets at 28 February	**1 288 404**	1 222 376

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

2023	Mixed use %	Office %	Industrial %
Discount rate	**15,25**	**13,75**	**14,13**
Exit capitalisation rate	**10,25**	**8,75**	**9,50**
Capitalisation rate	**9,75**	**8,50**	**9,25**
Growth rate	**8,56**	**4,51**	**3,92**
Initial vacancy	**27,27**	**0,00**	**0,00**

2022	Mixed use %	Office %	Industrial %
Discount rate	14,50	13,50	14,13
Exit capitalisation rate	9,75	8,75	9,25
Capitalisation rate	9,50	8,50	9,00
Growth rate	7,56	3,63	4,28
Initial vacancy	25,00	0,00	0,00

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 2023 period R'000	Acquisition date of property
Sectoral profile				
JSE Building (office)	8,25	2,5	*	3 February 2016
24 Central (Mixed use)	6,30	2,3	21 155	3 February 2016
Linbro Business Park (Industrial)	8,34	1,8	*	28 February 2017
Crown Mines (Industrial)		6,8	*	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 R104 566 103 in total.*

The average rental escalation based on rentable area is 7,9%.

Newpark

www.newpark.co.za