

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 JSE)

("Newpark" or "the Company" or "the Group")



CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 AUGUST 2020 AND CHANGE TO THE BOARD

DIRECTORS' COMMENTARY**Nature of Business**

Newpark is a property holding and investment company that is currently invested in A-grade 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 property known as 24 Central, which has 15,654 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 which 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 29 February 2020 was R1.38 billion.

Strategy

Newpark's investment strategy is to seek well positioned prime commercial and industrial properties which provide quality cash flows with the potential of upward reversions on lease renewals and/or redevelopment opportunities within the medium to long-term.

Commentary on results

The company's board of directors ("board") is pleased to present the group's results for the six months ended 31 August 2020, which incorporate the impact of the national lockdown. The group was adversely impacted mainly in its mixed use building, 24 Central which suffered increased vacancies and reduced rentals as a result of financial support provided to tenants. In addition, the group's expected credit loss provision was increased by R3,2 million.

Newpark's statement of financial position remains robust with satisfactory a loan-to-value ratio ("LTV") of 35,4%* (FY2020: 32,7%). The group's vacancies increased during the period to 13,7% (FY2020: 12,1%; prior comparable period H1 FY2020: 11,9%). Revenue for the six months was R56,0 million (down 8,2% on the prior comparative period), which realised an operating profit before fair value adjustments of R41,2 million (down 12,5%). After allowing for net cost of finance the group's profit amounted to R18,1 million (down 28,6%) and after allowing for the impact of the fair value adjustments relating to interest rate hedges the group incurred a total comprehensive loss of R9,6 million (down 152,1%).

Besides the vacancies in the mixed use segment, the tenant profile has remained largely the same and no acquisitions or disposals were made during this period.

* The LTV ratio includes the fair value of the hedges recorded in the statement of financial position as part of the net loans definition.

Distributable earnings per share and dividend per share

Distributable earnings per share and dividend per share for the six months to 31 August 2020 declined by 19,3% to 19,63 cents per share (H1 FY2020: 24,32 cents per share). Accordingly, the board of directors has declared an interim dividend of 19,630838 cents per share.

SECTORAL SPLIT		
Based on:	GLA	Gross Rentals
Mixed use (storage)	5,1%	2,2%
Mixed use (retail and office)	22,1%	22,1%
Office	31,6%	51,7%
Industrial	41,2%	24,0%
	100,0%	100,0%

LEASE EXPIRY PROFILE & VACANCIES

Based on:	GLA	Gross Rentals
Vacant	13,7%	11,7%
Feb 2021	3,1%	4,0%
Feb 2022	1,9%	2,8%
Feb 2023	0,0%	0,0%
Feb 2024	0,6%	1,1%
Feb 2025	23,4%	16,8%
> Feb 2025	57,3%	63,6%
	100,0%	100,0%

Funding

	Amount R'000	Margin
Facilities		
Facility A - Expiry May 2023	300 000	3-month Jibar+1,95%
Facility B - Expiry May 2025	150 000	3-month Jibar+2,35%
Facility C - Expiry May 2023	50 000	Prime-1,15%
TOTAL	500 000	
	Amount R'000	Hedges of 3-month Jibar base-rate
Hedge instruments		
Hedge 3: rate swap – expired 2020/4/10 (rolled into Hedge 5)	230 000	7,70%
Hedge 4: rate swap – started 2017/6/30 / expires 2022/5/31*	135 000	8,085%
Hedge 5: rate swap – to start 2020/4/10 / expires 2022/5/31	230 000	7,993%
Hedge 6: rate swap – to start 2022/6/01 / expires 2024/6/01	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%
* rolls into hedge 6		

The group has three separate RMB facilities structured into a 3-year Term Loan Facility (Facility A) of R300 000 000 maturing in May 2023, a Revolving Credit Facility (Facility C) of R50 000 000 maturing in May 2023 and a 5-year Term Loan facility (Facility B) for R150 000 000 maturing in May 2025. The consolidated facilities are secured by mortgage bonds together with a cession of the leases over the four properties. The term loan remains appropriately hedged as outlined above.

Interest rate & Percentage of debt hedged

The all-in weighted average cost of funding is 9,197% (28 February 2020: 9,675%) and the average hedge-term is 2,75 years. It is the Board's policy to hedge at least 70% of the exposure to interest rate risk and Newpark currently has 80% of its facilities hedged with swap-instruments with the balance covered with a zero-cost collar comprising of a cap and a floor. The floor of the zero-cost collar has been reached with the result that the group is not currently benefiting from rates lower than 7%.

Summary of financial performance

	31 August 2020	31 August 2019	29 February 2020
Shares in issue	100,000,001	100,000,001	100,000,001
Net asset value per share	R8,69	R9,25	R8.94
Loan-to-value ratio *	35,4%	32,7%	32,7%
Gross property operating expense ratio	20,7%	17,7%	25,6%

*The loan-to-value ratio is calculated by dividing interest bearing borrowing, including the carry value of market-to-market interest rate hedges, net of cash on hand by the total of investment property.

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.

Rental collections for the first 7 months of the new financial year were 79% of that originally budgeted. Assuming no further material COVID-19 related impacts on tenants, the board expects this percentage to increase as we progress toward a normalised trading environment in due course.

The board is mindful of the current uncertainty in the economic environment resulting from the COVID-19 pandemic and how this could potentially further impact our tenants in the mixed-use (retail, office and storage) segment and the industrial segments. At this point in time, the uncertainty generated by the pandemic makes reliable forecasting extremely difficult and the board has thus determined not to give guidance on distributable earnings and dividends for the full year ending on 28 February 2021.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 31 August 2020 (R'000)	Unaudited 31 August 2019 (R'000)	Audited 29 February 2020 (R'000)
Assets				
Non-current assets				
Investment properties	note 3	1 253 182	1 279 821	1 253 112
Straight-line lease asset		115 122	113 824	115 332
Lease incentive		10 586	13 233	11 909
		1 378 890	1 406 878	1 380 353
Current Assets				
Trade and other receivables		8 089	5 086	4 128
Lease incentive		2 647	2 647	2 647
Cash and cash equivalents		8 843	6 757	7 196
Total Current Assets		19 579	14 490	13 971
Total Assets		1 398 469	1 421 368	1 394 324
Equity and Liabilities				
Equity				
Share capital		619 918	619 918	619 918
Reserves		180 412	180 412	180 412
Retained income		68 641	124 652	94 012
		868 971	924 982	894 342
Liabilities				
Non-Current Liabilities				
Bank borrowings		454 415	-	452 000
Derivative financial instruments		43 736	14 945	16 011
		498 151	14 945	468 011
Current liabilities				
Bank borrowings		-	452 000	-
Trade and other payables		31 347	29 441	31 971
Total Current Liabilities		31 347	481 441	31 971
Total Liabilities		529 498	496 386	499 982
Total Equity and Liabilities		1 398 469	1 421 368	1 394 324

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 August 2020 (R'000)	Unaudited 6 months ended 31 August 2019 (R'000)	Audited 12 months ended 29 February 2020 (R'000)
Revenue	56 027	61 024	127 129
Other income	-	-	755
Property operating expenses	(11 603)	(10 800)	(32 530)
Administrative expenses	(3 285)	(3 227)	(6 139)
Operating profit before fair value adjustments	41 139	46 997	89 215
Net gain from fair value adjustment on investment property	-	-	(25 772)
Net change in fair value of financial instruments at fair value through profit or loss	(27 725)	(6 881)	(7 948)
Operating profit	13 414	40 116	55 495
Finance income	49	713	1 499
Finance costs	(23 090)	(22 353)	(44 838)
(Loss)/ profit before taxation	(9 627)	18 476	12 156
Taxation	-	-	-
(Loss)/ Profit for the period	(9 627)	18 476	12 156
Other comprehensive income	-	-	-
Total comprehensive (loss)/ income	(9 627)	18 476	12 156

Earnings per share information (cents per share)

Basic (loss)/ earnings per share	note 4	(9,63)	18,48	12,16
Diluted (loss)/ earnings per share	note 4	(9,63)	18,48	12,16

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (R'000)	Share issue costs (R'000)	Total share capital (R'000)	Capital reorganisation reserve (R'000)	Retained (loss)/income (R'000)	Total equity (R'000)
Audited						
Balance at 1 March 2019	625 000	(5 082)	619 918	180 412	124 526	924 856
Profit for the period	-	-	-	-	12 156	12 156
Dividend distributions to owners of company recognised directly in equity	-	-	-	-	(42 670)	(42 670)
Balance at 1 March 2020	625 000	(5 082)	619 918	180 412	94 012	894 342
Unaudited						
Loss for the period	-	-	-	-	(9 627)	(9 627)
Dividend distributions to owners of company recognised directly in equity	-	-	-	-	(15 744)	(15 744)
Balance at 31 August 2020	625 000	(5 082)	619 918	180 412	68 641	868 971

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 31 August 2020 (R'000)	Unaudited 6 months ended 31 August 2019 (R'000)	Audited 12 months ended 28 February 2020 (R'000)
Cash flows from operating activities			
Cash generated from operations	38 223	45 777	90 915
Finance income	49	713	1 499
Finance costs	(23 090)	(22 353)	(44 280)
Net cash generated from operating activities	15 182	24 137	48 134
Cash flows from investing activities			
Purchase of furniture, fixture and plant	(206)	(1 671)	(909)
Net cash utilised by investing activities	(206)	(1 671)	(909)
Cash flows from financing activities			
Dividends paid	(15 744)	(18 350)	(42 670)
Bank borrowings advanced	2 415	-	-
Bank borrowings repaid	-	(6 500)	(6 500)
Net cash utilised by financing activities	(13 329)	(24 850)	(49 170)
Total cash and cash equivalent movement for the period	1 647	(2 384)	(1 945)
Cash and cash equivalents at beginning of period	7 196	9 141	9 141
Total cash and cash equivalents at end of period	8 843	6 757	7 196
Additional info on cash flow:			
Cash generated from operations before working capital changes	42 808	46 142	87 794
Working capital changes	(4 585)	(365)	3 121
Cash generated from operations	38 223	45 777	90 915

SIGNIFICANT FINANCIAL STATEMENT NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed unaudited consolidated financial statements for the six months ended 31 August 2020 have been prepared in accordance with the JSE Listings Requirements and the Companies Act 71 of 2008 of South Africa. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (“IFRS”), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial 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.

The condensed unaudited consolidated financial statements were compiled by Dries Ferreira CA(SA), the Company’s financial director.

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

The directors take full responsibility for the preparation of this interim condensed report and for ensuring that the financial information has been correctly extracted from the underlying unaudited financial statements. These condensed unaudited consolidated interim financial statements have not been reviewed by the Company’s auditors.

2. SEGMENTAL ANALYSIS

Segmental information

At 31 August 2020, the Group is organised into three main operating segments:

- Mixed use (mainly office and retail)
- Office
- Industrial

The executive committee (“EXCO”) is the chief operating decision maker of the group. The information contained in the segment analysis is measured in a manner consistent with the information disclosed in the statement of comprehensive income and the statement of financial position.

31 August 2020 (unaudited)

	Mixed use (retail and office) (R'000)	Mixed use (storage) (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Revenue	13 849	-	28 299	13 879	-	56 027
Property operating expenses	(10 022)	(172)	-	(1 273)	-	(11 467)
Administrative expenses	-	-	-	-	(3 285)	(3 285)
Depreciation	(136)	-	-	-	-	(136)
Operating profit before fair value adjustments	3 691	(172)	28 299	12 606	(3 285)	41 139

31 August 2019 (unaudited)

	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Revenue	17 560	28 066	15 398	-	61 024
Property operating expenses	(9 006)	-	(1 610)	-	(10 616)
Administrative expenses	-	-	-	(3 227)	(3 227)
Depreciation	(184)	-	-	-	(184)
Operating profit before fair value adjustments	8 370	28 066	13 788	(3 227)	46 997

29 February 2020 (audited)	Mixed use (retail and office) (R'000)	Mixed use (storage) (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Revenue	39 859	-	56 413	30 857	-	127 129
Other income	-	-	-	-	755	755
Property operating expenses	(28 615)	(344)	-	(3 212)	-	(32 171)
Administrative expenses	-	-	-	-	(6 139)	(6 139)
Depreciation	(359)	-	-	-	-	(359)
Operating profit before fair value adjustments	10 885	(344)	56 413	27 645	(5 384)	89 215

The amounts provided to the 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.

31 August 2020 (unaudited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Investment property	427 366	597 725	228 091	-	1 253 182
Straight-line lease asset	2 704	85 422	26 996	-	115 122
Lease incentive	-	13 233	-	-	13 233
Trade & other receivables	8 089	-	-	-	8 089
Cash & cash equivalents	-	-	-	8 843	8 843
	438 159	696 380	255 087	8 843	1 398 469

31 August 2019 (unaudited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Investment property	421 433	620 752	237 636	-	1 279 821
Straight-line lease asset	1 301	86 011	26 512	-	113 824
Lease incentive	-	15 880	-	-	15 880
Trade & other receivables	5 086	-	-	-	5 086
Cash & cash equivalents	-	-	-	6 757	6 757
	427 820	722 643	264 148	6 757	1 421 368

29 February 2020 (audited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Investment property	427 296	597 725	228 091	-	1 253 112
Straight-line asset	2 704	85 719	26 909	-	115 332
Lease incentive	-	14 556	-	-	14 556
Trade and other receivables	4 128	-	-	-	4 128
Cash and cash equivalents	-	-	-	7 196	7 196
	434 128	698 000	255 000	7 196	1 394 324

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

31 August 2020 (unaudited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Bank borrowings	-	-	-	454 415	454 415
Derivative financial instruments	-	-	-	43 736	43 736
Trade and other payables	4 186	15 146	565	11 450	31 347
	4 186	15 146	565	509 601	529 498

31 August 2019 (unaudited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Bank borrowings	-	-	-	452 000	452 000
Derivative financial instruments	-	-	-	14 945	14 945
Trade and other payables	2 728	15 225	511	10 977	29 441
	2 728	15 225	511	477 922	496 386

29 February 2020 (audited)

	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Bank borrowings	-	-	-	452 000	452 000
Derivative financial instruments	-	-	-	16 011	16 011
Trade and other payables	5 257	15 023	560	11 131	31 971
	5 257	15 023	560	479 142	499 982

3. Investment properties

For the six months under review the property value includes movement consisting of the increase in straight lining of the lease assets and the decrease in lease incentives, as well as additions and depreciation relating to furniture and fittings.

	Unaudited 31 August 2020 (R'000)			Audited 29 February 2020 (R'000)		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Investment property	1 250 649	-	1 250 649	1 250 649	-	1 250 649
Furniture and fittings	5 062	(2 529)	2 533	4 856	(2 393)	2 463
Total	1 255 711	(2 529)	1 253 182	1 255 505	(2 393)	1 253 112

Reconciliation of investment properties – 31 August 2020

	Opening balance	Additions	Fair value adjustments	Depreciation	Closing balance
Investment property	1 250 649	-	-	-	1 250 649
Furniture and fittings	2 463	206	-	(136)	2 533
Total	1 253 112	206	-	(136)	1 253 182

Reconciliation of investment properties - 29 February 2020

	Opening balance	Additions	Fair value adjustments	Depreciation	Closing balance
Investment property	1 276 421	-	(25 772)	-	1 250 649
Furniture and fittings	1 913	909	-	(359)	2 463
Total	1 278 334	909	(25 772)	(359)	1 253 112

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.

	31 August 2020 (R'000)	29 February 2020 (R'000)
JSE Building		
Portion 25 of Erf 7 Sandown Johannesburg, South Africa		
-Purchase price	18 070	18 070
-Fair value adjustment	579 655	579 655
-Straight-line of lease asset	85 422	85 719
-Lease-incentive	13 233	14 556
	696 380	698 000
24 Central		
Portion 20 of Erf 7 Sandton Township, registration division IR, Province of Gauteng		
-Purchase price	238 000	238 000
-Fair value adjustment	183 607	183 607
-Straight-line of lease asset	2 704	2 704
-Net capitalised expenditure	5 759	5 689
	430 070	430 000
Linbro Park		
Portion 3 of Erf 9 Frankenwald Ext3 Johannesburg, South Africa		
-Purchase price	127 858	127 858
-Fair value adjustment	2 094	2 094
-Straight-line of lease asset	20 019	20 350
-Net capitalised expenditure	698	698
	150 669	151 000
Crown Mines		
Erven 1 and 2 Crown City Extension 1		
-Purchase price	85 044	85 044
-Fair value adjustment	12 397	12 397
-Straight-line of lease asset	6 977	6 559
	104 418	104 000

	31 August 2020 (R'000)	29 February 2020 (R'000)
Fair value of investment property for accounting purposes		
Opening fair value of property assets	1 383 000	1 407 000
Gross fair value adjustment on investment property	-	(25 772)
Additions to furniture and fittings	206	909
Depreciation	(136)	(359)
Straight-line lease asset and lease incentive movement	(1 533)	1 222
Property valuation	1 381 537	1 383 000
Less: straight-line lease income adjustment	(115 122)	(115 332)
Less: lease incentive receivable	(13 233)	(14 556)
Closing carrying value of property assets	1 253 182	1 253 112

Securities

Mortgage bonds at a nominal value of R500 000 000 (February 2020: R500 000 000) have been registered over investment properties with a fair value of R1 253 181 856 (February 2020: R1 253 112 314) as security for interest bearing liabilities.

Details of valuation

The properties were last valued on 29 February 2020 using the discounted cash flow of future income streams method. The valuations of the properties were performed by a registered 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.

Refer to the annual financial statements as at 29 February 2020 for the details relating to the year-end valuation.

4. Earnings per share

	Unaudited 6 months ended 31 August 2020 (R'000)	Unaudited 6 months ended 31 August 2019 (R'000)	Audited 12 months ended 29 February 2020 (R'000)
Basic earnings per share			
(Loss)/ profit attributable to shareholders	(9 627)	18 476	12 156
Weighted average number of ordinary shares in issue ('000)	100 000	100 000	100 000
Basic earnings per share (cents per share)	(9,63)	18,48	12,16
Diluted earnings per share			
There are no dilutive instruments in issue			
(Loss)/ profit attributable to shareholders	(9 627)	18 476	12 156
Weighted average number of ordinary shares in issue ('000)	100 000	100 000	100 000
Basic diluted earnings per share (cents per share)	(9,63)	18,48	12,16
Headline earnings per share			
(Loss)/ profit attributable to shareholders	(9 627)	18 476	12 156
Adjusted for:			
Change in fair value of investment property and tax thereof	-	-	25 772
	(9 627)	18 476	37 928
Weighted average number of ordinary shares in issue ('000)	100 000	100 000	100 000
Headline (Loss)/ earnings per share (cents per share)	(9,63)	18,48	37,93

5. Distributable earnings per share

In addition to the performance measured set out in note 4 above, the group uses dividend per share (“DPS”) as an alternative performance measure. DPS is a non-IFRS measure and must not be seen to replace or dilute the importance of the IFRS-based performance measures disclosed in this report, but rather to enhance the reported information for the users of the financial statements. In order to better understand the DPS performance measure a reconciliation is provided below.

	Unaudited 6 months ended 31 August 2020 (R'000)	Unaudited 6 months ended 31 August 2019 (R'000)	Audited 12 months ended 29 February 2020 (R'000)
Distributable earnings			
Headline (loss)/ earnings (refer note 4)	(9 627)	18 476	37 928
Adjusted for:			
Change in fair value of investment property as a result of amortisation of straight-line lease asset and tax thereof	210	(2 361)	(3 869)
Change in fair value of investment property as a result of amortisation of lease incentive and tax thereof	1 323	1 323	2 647
Fair value adjustment of financial derivative instruments and the tax thereof	27 725	6 881	7 948
Deferred tax and other non-cash movements	-	-	-
Distributable earnings	19 631	24 319	44 654
Actual number of ordinary shares in issue ('000)	100 000	100 000	100 000
Reconciliation to dividend per share:			
Dividend per share (cents per share)	19,63	24,32	40,06
- Interim dividend per share	19,63	24,32	24,32
- Final dividend per share	n/a	n/a	15,74

6. Payment of interim dividend

The board has approved, and notice is hereby given of the interim gross dividend of 19,630838 cents per share for the six months ended 31 August 2020.

The dividend is payable to Newpark's shareholders in accordance with the timetable set out below:	2020
Last date to trade <i>cum</i> dividend:	Tuesday, 27 October
Shares trade <i>ex</i> dividend:	Wednesday, 28 October
Record date:	Friday, 30 October
Payment date:	Monday, 2 November

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 October 2020 and Friday, 30 October 2020, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 2 November 2020. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 2 November 2020.

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.

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 15,704670 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: 9506934174.

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 this report.

8. Related parties

	31 August 2020 (R'000)	29 February 2020 (R'000)
Professional services – Capensis Real Estate (Pty) Ltd (SP Fifield is a director)	843	1 269
Professional services – WellCapital (Pty) Ltd (JAI Ferreira is a director)	371	503

9. Change to the board

The board is pleased to announce that Mr Thanduxolo Selby Sishuba has been appointed as an independent non-executive director and member of the audit and risk committee of the company with effect from 8 October 2020.

Thando, who has a Bachelor of Science Honours Degree and a Masters degree, has extensive experience in property asset management and is currently the Head of Sanlam SA Direct Properties. He has previously served as a director on a number of boards and committees, including Texton Property Fund and the Pivotal Property Fund.

The board welcomes Thando and looks forward to his valued contribution to the Company.

By order of the board.

Simon Fifield
Chief Executive Officer

Dries Ferreira
Financial Director

Johannesburg
7 October 2020

DIRECTORS

S P Fifield (Chief Executive Officer), J A I Ferreira (Financial Director), B D van Wyk *, D T Hirschowitz*, K M Ellerine*, H C Turner **, S Shaw-Taylor**

* Non-executive director

** Independent non-executive director

REGISTERED OFFICE

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WEBSITE

www.newpark.co.za

COMPANY SECRETARY

CIS Company Secretaries Proprietary Limited

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited

DESIGNATED ADVISOR

Java Capital, 6th Floor, 1 Park Lane, Wierda Valley, Sandton, 2196