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**")

Newpark

PROVISIONAL SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 12 MONTH PERIOD ENDED 29 FEBRUARY 2016

DIRECTORS REPORT

Nature of Business

Newpark is a property holding and investment company that is currently invested in A-grade commercial properties situated in the heart of Sandton.

Newpark listed on the Alternative Exchange of the JSE on 3 February 2016. Following the successful private placing of 10 000 000 ordinary shares at R6.25 per share, the number of shares in issue after the R62.5 million capital raising increased to 100 000 001.

Newpark's property portfolio consists of two buildings located in the heart of Sandton, Gauteng, namely the JSE which has 18,162m^2 of gross lettable area ("**GLA**") and an adjoining building known as 24 Central, which has 15,089m^2 GLA. The combined independent valuations of these properties as at 29 February 2016 was R1,065 million.

Change in Auditors

The group changed auditors from Grant Thornton to PricewaterhouseCoopers Inc. effective 3 March 2016.

PricewaterhouseCoopers Inc. will continue in office as auditors in accordance with section 90 of the Companies Act 71 of 2008, subject to approval of the shareholders at the upcoming annual general meeting.

Results

In accordance with the Pre-Listing Statement ("**PLS**"), the board of directors of Newpark ("**the Board**") has not declared a dividend for the 1 month period ended 29 February 2016.

Strategy

Newpark's investment strategy is to seek well positioned prime commercial properties which provide quality cash flows with the potential of upward rating on lease renewals and/or redevelopment opportunities within the medium to long-term (5 to 20 years).

Acquisitions and Developments

Apart from the acquisition of the entire issued share capital of Newpark Towers Proprietary Limited ("**Newpark Towers**"), Newpark made no further acquisitions and no developments took place during the period under review.

Vacancies and Arrears

There were no vacancies in the property portfolio as at 29 February 2016. No bad debts were incurred nor is it considered necessary to provide for any potential bad debts.

Funding

During the period Newpark Towers accepted a facility from Rand Merchant Bank of R271 million of which R270 million has been drawn down, and repaid both the Standard Bank loan of R198 million and shareholders loans of R47 million.

Facility drawn down	Amount R'millions	Margin over Jibar
Expiry August 2020	270	1.65%

Interest rate applicable	Amount R'millions	Rate
Interest rate swap	135	8.52%
Interest rate cap	135	10.17%
Both the swap and cap expire in January 2019		

The RMB facility is secured by a first mortgage bond over fixed property with a carrying value of R 982 308 223 and currently attracts a floating rate of three-month JIBAR plus 1.65%. The RMB facility is repayable in August 2020. Newpark secured an interest rate swap and interest rate cap on this facility on 18 January 2016. The interest rate cap has the effect that 50% of the interest on the RMB facility is capped at a rate of 10.17%. In addition, the interest rate swap secured with RMB has the effect that in respect of the remaining 50% of the interest on the RMB facility, the floating portion of the current rate is swapped for a fixed rate of 8.52%, before the RMB margin of 1.65%. The interest rate swap and cap expire on 18 January 2019 and interest is payable quarterly.

Percentage of debt hedged

The all-in weighted average cost of funding is 9.42% and the average hedge-term is 2.9 years. It is the board's policy to hedge at least 70% of the exposure to interest rate risk.

Summary of financial performance

	29 February 2016
Shares in issue	100,000,001
Net asset value per share	R7.91
Loan-to-value ratio *	22.3%
Gross property operating expense ratio	34.9%

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

CAPITAL REORGANISATION – NEWPARK TOWERS ACQUISITION

On 3 February 2016 Newpark acquired 100% of the share capital of Newpark Towers. This did not result in a substantive economic change and merely resulted in a change in the structure of the group.

Newpark Towers' assets and liabilities are ultimately controlled by the same parties both before and after the transaction. IFRS 3 specifically states that a combination of entities or businesses under common control is excluded from the scope of IFRS 3. There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. In developing a policy for capital reorganisation transactions, Newpark considered the guidance issued by other standard setting bodies which use a similar conceptual framework to develop accounting standards.

Newpark has elected to use the predecessor accounting method, which is based on equivalent US GAAP and UK GAAP guidance for common control transactions. Predecessor accounting does not require the acquirer to restate assets and liabilities to their fair values. The acquirer, i.e. Newpark incorporated the predecessor carrying values. No goodwill arises in applying the predecessor accounting method.

In accordance with the predecessor method, any difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) is recognised in a separate reserve within equity called the capital reorganisation reserve.

Outlook

The Board is confident that Newpark will deliver on its PLS forecasts of a distribution of 49.47 cents per share for the year ended 28 February 2017. The forecast is based on the assumption that a stable macro-economic environment will prevail and operating cost increases will not be above inflation. This forecast has not been audited or reviewed by the Company's auditors.

By order of the board.

Simon Fifield
Managing Director

Ron Hill
Financial Director

Johannesburg
31 May 2016

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 29 February 2016 (R'000)	**Audited 28 February 2015 Restated (R'000)**
Assets		
Non-current assets		
Investment properties	982 308	739 591
Straight-line lease asset	44 823	23 726
Deferred tax	55	-
Derivative financial instruments	699	-
Lease incentive	22 496	17 124
	1 050 381	**780 441**
Current Assets		
Trade and other receivables	6 157	6 718
Straight-line lease asset	12 727	16 912
Current tax receivable	-	865
Lease incentive	2 647	2 647
Cash and cash equivalent	32 217	1 231
Total Current Assets	**53 748**	**28 373**
Total Assets	**1 104 129**	**808 814**
Equity and Liabilities		
Equity		
Share capital	620 006	1
Reserves	180 412	-
Retained (loss)/income	(9 759)	452 918
	790 659	**452 919**
Liabilities		
Non-Current Liabilities		
Bank borrowings	270 000	198 290
Deferred tax	14 640	100 029
	284 640	**298 319**
Current liabilities		
Loans from shareholders	-	47 400
Trade and other payables	28 830	10 175
	28 830	**57 575**
Total Liabilities	**313 470**	**355 894**
Total Equity and Liabilities	**1 104 129**	**808 813**

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months ended 29 February 2016 (R'000)	Audited 14 months ended 28 February 2015 Restated (R'000)
Revenue	95 185	91 001
Property operating expenses	(33 206)	(29 822)
Other income	100	-
Administrative expenses	(6 000)	(93)
Operating profit	**56 079**	**61 086**
Finance income	1 161	300
Fair value adjustments	242 524	(42 854)
Finance costs	(22 191)	(22 950)
Profit / (loss) before taxation	**277 573**	**(4 418)**
Taxation	85 537	(2 667)
Profit / (loss) for the period	**363 110**	**(7 085)**
Other comprehensive income	-	-
Total comprehensive income / (loss) for the period	**363 110**	**(7 085)**
Earnings per share (cents)		
Per share information		
Basic earnings per share*	400.17	(7.87)
Diluted earnings per share*	400.17	(7.87)

* Subsequent to the publication of the trading statement on 25 May 2016, the Board, in consultation with the Company's auditors, have revised the calculation of the weighted average number of shares in issue to more appropriately reflect the substance of the Newpark Towers acquisition, resulting in the consolidation of Newpark Towers for the full financial period ended 29 February 2016. The trading statement utilised the weighted average number of shares in issue calculated as the total number of shares in issue as at 29 February 2016, weighted for a period of one month (being the date of listing to 29 February 2016), resulting in 7 397 260 shares being used in the EPS calculation. Whereas, the revised weighted average number of shares contained herein has been calculated as 90 000 001 shares (being the underlying shares attributable to the pre-existing Newpark Towers shareholders) weighted for the full financial year, plus the additional 10 000 000 shares issued on listing, weighted to 29 February 2016, resulting in 90 739 727 shares being used in the EPS calculation (2015: 90 000 001 shares).

RECONCILIATION OF PROFIT FOR THE PERIOD TO HEADLINE EARNINGS

	12 months ended 29 February 2016 (R'000)	14 Months ended 28 February 2015 Restated (R'000)
Earnings	363,110	(7,085)
Less: Change in fair value of property net of tax	(331,603)	34,862
Headline Earnings	**31,507**	**27,777**
Less: Current year lease straight lining net of tax	(12,177)	(20,804)
Derivative financial instrument fair value adjustment net of tax	(503)	-
Add: Lease incentive charge	2,647	2,715
Distributable Income (cents)	**21,474**	**9,689**
Headline earnings per ordinary share*	34.72	30.86
Distributable income per share	21.47	10.77

Newpark has no dilutionary instruments in issue.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 12 months ended 29 February 2016 (R'000)	Audited 14 months ended 28 February 2015 Restated (R'000)
Net cash from operating activities	28 151	(7 180)
Net cash from investing activities	(1 162)	(334)
Cash flows from financing activities		
Proceeds on share issue	62 500	-
Repayment of shareholder loans	(47 400)	-
Dividends paid	(82 813)	-
Bank borrowings advanced	270 000	5 887
Bank borrowings repaid	(198 290)	-
Net cash from financing activities	3 997	5 887
Total cash and cash equivalent movement for the year	30 986	(1 627)
Cash and cash equivalent at the beginning of the year	1 231	2 858
Total cash and cash equivalent at the end of the year	**32 217**	**1 231**

SUMMARISED 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)
Balance at 1 March 2015 restated	1	-	1	-	452 918	452 919
Profit for the period	-	-	-	-	363 110	363 110
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**363 110**	**363 110**
Issue of shares	625 000	(4 994)	620 006	-	-	620 006
Capital reorganisation	(1)	-	(1)	180 412	(180 474)	(63)
Dividends	-	-	-	-	(645 313)	(645 313)
Total contributions by and distributions to owners of company recognised directly in equity	**624 999**	**(4 994)**	**620 005**	**180 412**	**(825 787)**	**(25 370)**
Balance at 29 February 2016	**625 000**	**(4 994)**	**620 005**	**180 412**	**(9 759)**	**790 659**

SECTORAL SPLIT	**GLA**	**Gross Rentals**
Based on:		
Retail	15.03%	15.76%
Office	84.97%	84.24%

LEASE EXPIRY PROFILE (unaudited)

Based on:	**GLA**	**Gross Rentals**
Vacant		
Feb 2016	0.00%	0.07%
Feb 2017	8.44%	3.45%
Feb 2018	13.98%	10.69%
Feb 2019	13.00%	10.02%
Feb 2020	6.99%	6.14%
> Feb 2020	57.59%	69.63%
	100%	100%

SEGMENTAL ANALYSIS

Segmental information

The appointed Chief Operating Decision Maker 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 29 February 2016, the group is organised into two main operating segments:

- 24 Central
- JSE

	24 Central (R'000)	**JSE (R'000)**	**Total (R'000)**
2016			
Revenue	58 160	37 025	95 185
Property operating expenses	(21 896)	(11 320)	(33 206)
Fair value adjustments	123 481	119 043	242 524
	159 745	**144 758**	**302 503**
2015			
Revenue	66 769	24 232	91 001
Property operating expenses	(29 822)	-	(29 822)
Fair value adjustments	(3 724)	(39 130)	(42 854)
	33 223	**(14 898)**	**18 325**

NOTES

PREPARATION, ACCOUNTING POLICIES AND AUDIT OPINION

The provisional summarised audited consolidated financial statements have been prepared in accordance with the requirements of the JSE Listings Requirements and the requirements of the Companies Act 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 the audited consolidated financial statements, from which the provisional summarised audited consolidated financial statements were derived, are in terms of IFRS.

The provisional summarised consolidated financial statements were compiled under the supervision of Ron Hill, 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.

This provisional summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office.

The directors take full responsibility for the preparation of this provisional summarised report and for ensuring that the financial information has been correctly extracted from the underlying audited annual financial statements.

SIGNIFICANT FINANCIAL STATEMENT NOTES

Investment properties

The valuation of investment properties was determined principally using discounted cash flow projections, based on estimates of future cash flows, supported by the terms of any existing lease contracts and by external evidence such as current market rentals for similar properties in the same location and condition, and using discount rates that reflects current market assessments, of the uncertainty in the amount and timing of the cash flows. The future rental rates were estimated depending on the actual location, type and quality of the properties and taking into account market data and projections at the valuation date, as well as the expiry of existing lease agreement.

Related parties

Relationships

Subsidiary	Newpark Towers Proprietary Limited
Former shareholders of subsidiary	B Van Wyk Ellerine Bros Proprietary Limited Ellwain Investments Proprietary Limited FHP Manager Proprietary Limited Renlia Developments Proprietary Limited

	GROUP 29 February 2016 (R'000)	**GROUP 28 February 2015 (R'000)**	**COMPANY 29 February 2016 (R'000)**
Related party balances			
Loan accounts owing to related parties			
Barry Daniel Van Wyk	-	1 100	-
Ellerine Bros Proprietary Limited	-	17 237	-
Ellwain Investments Proprietary Limited	-	17 237	-
Renlia Developments Proprietary Limited	-	11 826	-
	-	**47 400**	**-**
Interest paid to related parties			
Barry Daniel Van Wyk	35	-	-
Ellerine Bros Proprietary Limited	548	-	-
Ellwain Investments Proprietary Limited	548	-	-
Renlia Developments Proprietary Limited	376	-	-
Newpark Towers Proprietary Limited	-	-	41
	1 057	**-**	**41**

PRIOR PERIOD ERRORS

The up-front payment of the lease incentive was expensed in full upon payment in order to extinguish the related liability at the due date being August 2015. No adjustment was processed in order to straight-line the up-front payment of the lease incentive over the remaining term of the lease. The correction of the errors results in adjustments as follows:

	28 February 2015 (R'000)	**1 January 2014 (R'000)**
Statement of financial position		
Current assets		
Increase in lease	19 771	5 812
Equity		
Increase in opening retained income	(5 812)	
Increase in retained income		(5 812)
Non-current liabilities		
Increase in deferred tax	(3 804)	
Statement of profit or loss and other comprehensive income		
Increase in revenue	(13 959)	
Increase in taxation	3 804	

The straight-line lease asset and the lease incentive receivable were not taken into account in determining the fair value of investment property. The correction of the errors results in adjustments as follows:

	28 February 2015 (R'000)	1 January 2014 (R'000)
Statement of financial position		
Current assets		
Decrease in investment properties	(61 077)	(18 224)
Equity		
Decrease in opening retained income	14 825	
Decrease in retained income		14 825
Non-current liabilities		
Decrease in deferred tax	11 390	3 398
Statement of profit or loss and other comprehensive income		
Decrease in fair value adjustment	42 854	
Decrease in taxation	(7 991)	

DIRECTORS

G D Harlow (Chairman) **, S P Fifield (Chief Executive Officer), R R Hill (Financial Director), B D van Wyk *, D T Ellerine*, K M Ellerine*, H C Turner **, D I Sevel **

* Non-executive director

** Independent non-executive director

REGISTERED OFFICE

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WEBSITE

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COMPANY SECRETARY

CIS Company Secretaries Proprietary Limited

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited

SPONSOR

Java Capital