

ANNUAL FINANCIAL STATEMENTS



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The reports and statements set out below comprise the consolidated financial statements presented to the shareholders:

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LAWS OF INCORPORATION AND MEMORANDUM OF INCORPORATION

Newpark REIT Limited has been established and incorporated in compliance with the provisions of the Companies Act of South Africa and operates in conformity with its Memorandum of Incorporation.

LEVEL OF ASSURANCE

The consolidated and separate financial statements have been audited in compliance with Section 30 of the Companies Act of South Africa.

AUDITORS

BDO South Africa Incorporated
Registered auditors

PREPARER

The consolidated financial statements for the year ended 28 February 2023 were prepared by Mr Alan Wilson (CA(SA); CFA Charterholder) financial director.

PUBLISHED

18 May 2023

STATEMENT BY THE CEO AND FINANCIAL DIRECTOR

In compliance with paragraph 3.84(k) of the JSE Listings Requirements

Each of the directors, whose names are stated below, hereby confirm that –

- (a) the annual financial statements set out on pages 38 to 105, fairly present in all material respects the financial position, financial performance and cash flows of Newpark in terms of IFRS;
- (b) to the best of our knowledge and belief no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- (c) internal financial controls have been put in place to ensure that material information relating to Newpark and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- (d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls; and
- (e) where we are not satisfied, we have disclosed to the audit and risk committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- (f) we are not aware of any fraud involving directors.

Signed by the CEO and the Financial Director



Auri Benatar
CEO



Alan Wilson
Financial director

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors, whose names are stated below, hereby confirm the following:

The directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the group and company as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated financial statements.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading.

The directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the group and company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and company and all employees are required to maintain the highest ethical standards in ensuring the group and company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group and company is on identifying, assessing, managing and monitoring all known forms of risk across the group and company. While operating risk cannot be fully eliminated, the group and company endeavour to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The group and company's audit and risk committee plays an integral role in risk management as well as overseeing the group and company's integrated reporting.

The Code of Corporate Practices and Conduct has been integrated into the group and company's strategies and operations.

The directors are of the opinion, based on the information and explanations given by management and having fulfilled their role and function within the combined assurance model pursuant to principle 15 of the King Code™, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Should an event arise where the directors are not satisfied with the internal financial controls, the directors will disclose to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and will take the necessary remedial action. During the reporting period, the directors were satisfied with the internal financial controls and no remedial action was required.

The directors have reviewed the group and company's cash flow forecasts for the year to 28 February 2023 and, in the light of this review and the current financial position, they are satisfied that the group and company have or has access to adequate resources to continue in operational existence for the next 12 months.

The external auditors were given unrestricted access to all financial records and related data, including minutes of meetings of shareholders and the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The external auditors are responsible for independently auditing and reporting on the company's consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the group and company's external auditors and their report is presented on pages 46 to 49.

The financial statements set out on pages 39 to 105, which have been prepared on the going concern basis, were approved by the board of directors on 17 May 2023 and were signed on its behalf by:



Auri Benatar
CEO



Alan Wilson
Financial director

COMPANY SECRETARY'S CERTIFICATION

Declaration by the company secretary in respect of section 88(2)(e) of the Companies Act

In accordance with the provisions of section 88(2)(e) of the Companies Act, I certify that for the year ended 28 February 2023 the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a company in terms of the Companies Act, and that all such returns are true, correct and up to date.



CIS Company Secretaries Proprietary Limited

Company secretary

17 May 2023

AUDIT AND RISK COMMITTEE REPORT

for the year ended 28 February 2023

During the reporting period, the committee comprised three independent non-executive directors, Roy Campbell (chairperson), Thando Sishuba and Stewart Shaw-Taylor. There were no changes to the membership of the committee during the period. A short curriculum vitae for each of these directors has been set out on pages 16 and 17 of the integrated report, demonstrating their suitable and relevant skills and experience.

The committee aims to meet three times a year and special meetings are convened as required. Applicable to the year under review, the committee met in October 2022 and January and May 2023. The external auditors and executive management are invited to, and attend every meeting. The committee's duties are set out on pages 21 and 22.

In compliance with its oversight role in relation to the preparation of this report, the audit and risk committee has given due consideration to all factors and risks that may impact the integrity of the integrated report.

The audit and risk committee has satisfied itself that the external auditor, BDO South Africa Incorporated, Stephen Shaw, the designated audit partner and Garron Chaitowitz, who will replace Stephen Shaw as the designated auditor, are independent of the company and further confirms that the committee has assessed their suitability for appointment and that their appointments are in accordance with paragraphs 3.84(g) and 3.86 of the JSE Listings Requirements.

The committee confirms that it is satisfied that the financial director, Alan Wilson, is competent, appropriately qualified and experienced and that the finance function has adequate resources and sufficient expertise.

The committee considered the 2022 JSE Report on Proactive Monitoring of Financial Statements, issued on 4 November 2022, specifically Annexure 3, and has taken the appropriate action to apply the findings. In addition, the committee confirms that it is satisfied that the reporting complies with the SA REIT Best Practices guidelines.

The audit and risk committee recommended the integrated report to the board for approval.

The audit and risk committee recommended the annual financial statements for the year ended 28 February 2023 to the board for approval. The board has subsequently approved the annual financial statements, which will be presented for discussion and adoption at the forthcoming annual general meeting.

The audit and risk committee is satisfied that appropriate risk management processes are in place and has obtained combined assurance from the outsourced property administrators, executive management, the independent non-executive directors and the external auditor. The committee has monitored compliance with the company's risk management policy and confirms that the company has complied with the material aspects of the policy.

In accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, the committee further confirms that the group has established appropriate financial reporting procedures and that those procedures are operational.



Roy Campbell

Audit and risk committee chairperson

DIRECTORS' REPORT

for the year ended 28 February 2023

The directors have pleasure in presenting their report on the consolidated financial statements of Newpark and the group for the year ended 28 February 2023.

1. NATURE OF BUSINESS

Newpark was registered and incorporated as a public company on 7 December 2015. Newpark is a property holding and investment company that through its subsidiaries is invested in high-quality properties.

Newpark's investment strategy is to seek well-positioned prime properties that provide good yielding income flows with a potential of upward rating on lease renewals and/or re-development opportunities within the medium (5 – 10 years) to long-term (10 – 20 years).

The JSE granted Newpark a listing of all of its issued shares on the JSE in the "Diversified REITs" sector of the AltX of the JSE under the abbreviated name: "Newpark". JSE share code: NRL and ISIN: ZAE000212783 with effect from 3 February 2016.

2. TYPE OF COMPANY

Newpark is registered as a public company in terms of the Companies Act.

3. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act.

The operating results and state of affairs of the group and company are fully set out in the attached financial statements and do not, in the opinion of the directors, require any further comment.

**Registered office
and business address** 51 West Street
Houghton, 2198
Gauteng

Postal address PO Box 3178
Houghton, 2041
Gauteng

4. AUTHORISED AND ISSUED SHARE CAPITAL

Total number of ordinary shares	Number of shares
Authorised	2 000 000 000
Issued	100 000 001

DIRECTORS' REPORT

for the year ended 28 February 2023

continued

5. DIVIDENDS

The following dividends were declared by Newpark in respect of the year ended 28 February 2023:

- Dividend number 17 was an interim dividend of R25 000 000 (25,0000 cents per share). The dividend was declared on 4 October 2022 to the shareholders recorded in the register of the company as at 28 October 2022 and paid on 31 October 2022.
- Dividend number 18 is the final dividend for the 2023 financial year amounting to R42 194 966 (42,1950 cents per share). The dividend was declared on 17 May 2023 and shareholders recorded in the register of the company as at Friday, 9 June 2023 will receive the cash dividend distribution on Monday, 12 June 2023.

6. DIRECTORS

The directors in office at the date of this report are as follows:

Directors	Designation
S Shaw-Taylor	Independent non-executive chairperson
AF Benatar	Chief executive officer
AJ Wilson	Financial director
RC Campbell	Independent non-executive director
KM Ellerine	Non-executive director
DT Hirschowitz	Non-executive director
TS Sishuba	Independent non-executive director
BD van Wyk	Non-executive director

Changes to the board of directors and committees

Simon Fifield resigned as the chief executive officer of the company, effective 31 October 2022. Auri Benatar was appointed as chief executive officer on 1 November 2022.

DIRECTORS' REPORT

for the year ended 28 February 2023

continued

7. DIRECTORS' INTERESTS IN SHARES

As at 28 February 2023, the directors held the following direct and indirect interests in the company:

28 February 2023	Beneficial holdings		Non-beneficial holdings		TOTAL	%
	Direct	Indirect	Direct	Indirect		
S Shaw-Taylor	800 000	–	–	–	800 000	0,8
BD van Wyk *	50 000	30 793 344	–	–	30 843 344	30,8
DT Hirschowitz	–	28 905 110	–	–	28 905 110	28,9
KM Ellering	–	19 620 073	–	–	19 620 073	19,6
	850 000	79 318 527	–	–	80 168 527	80,1

* Barry van Wyk is the only director with shares pledged as security. 65% of the shares (20 000 000 Newpark shares) are pledged as security over a loan with an outstanding balance of R127 655 as at 28 February 2023.

There has been no change in the directors' interests in shares between the reporting date and the date of approval of the annual financial statements.

28 February 2022	Beneficial holdings		Non-beneficial holdings		TOTAL	%
	Direct	Indirect	Direct	Indirect		
SP Fifield	55 000	180 000	–	–	235 000	0,2
S Shaw-Taylor	800 000	–	–	–	800 000	0,8
BD van Wyk *	50 000	30 788 635	–	–	30 838 635	30,8
DT Hirschowitz	–	28 905 110	–	–	28 905 110	28,9
KM Ellering	–	19 620 073	–	–	19 620 073	19,6
	905 000	79 493 818	–	–	80 398 818	80,3

8. DIRECTORS' INTERESTS IN CONTRACTS

None of the directors of the company has, or had, any material beneficial interest, direct or indirect, in transactions that were effected by the group during the period.

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 integrated report.

DIRECTORS' REPORT

for the year ended 28 February 2023

continued

10. 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.

11. AUDITORS

BDO South Africa Incorporated have been re-appointed as auditors, in accordance with section 90 of the Companies Act. The designated auditor is Stephen Shaw. As this is the fifth year Stephen Shaw has been the designated auditor, it will be the last year for which he assumes responsibility for the audit.

12. LEVEL OF ASSURANCE

These financial statements have been audited by our external auditors BDO South Africa Incorporated in compliance with the applicable requirements of the Companies Act.

13. COMPANY SECRETARY

CIS Company Secretaries Proprietary Limited, represented by Bareng Huma, was the company secretary during the reporting period.

As required by the JSE Listings Requirements, the board has satisfied itself that the company secretary, together with Ms Huma, have appropriate qualifications, expertise and experience. In addition, the board has satisfied itself that there is an arm's length relationship with the company secretary, due to the fact that the company secretary is not a director of the company.

14. PREPARER

The financial statements were compiled by Alan Wilson CA(SA).

DIRECTORS' REPORT

for the year ended 28 February 2023

continued

15. LIQUIDITY AND SOLVENCY

The directors have performed the liquidity and solvency tests required by the Companies Act and confirm that these tests have been satisfied.

16. COMPARATIVES

The 2023 reporting period for the group is comparable to the 2022 reporting period.

17. ANALYSIS OF SHAREHOLDERS

Shareholders' spread analysis as at 28 February 2023	Number of shares	%
1 – 1 000 shares	3 346	0,00
1 001 – 10 000 shares	53 272	0,05
10 001 – 100 000 shares	520 363	0,52
100 001 – 1 000 000 shares	4 780 984	4,78
1 000 001 shares and over	94 642 036	94,64
	100 000 001	100,00

Shareholders with an interest of 5% or more in shares	Number of shares	%
Ellvest Proprietary Limited	19 270 074	19,27
Ellerine Group Investments Proprietary Limited	13 196 715	13,20
Ellwain Investments Proprietary Limited	32 116 788	32,12
Renlia Developments Proprietary Limited	27 550 759	27,55
	92 134 336	92,13

Public and non-public shareholders	Number of shareholders	% of total	Number of shares	% of total
Public shareholders	74	88,1	3 773 080	3,8
Non-public shareholders:				
Directors and their associates	9	10,7	80 168 527	80,1
Strategic (more than 5%)	1	1,2	16 058 394	16,1
Total	84	100,0	100 000 001	100,0

18. MEASUREMENTS FOR FINANCIAL RESULTS

Given that Newpark is a REIT, the directors are of the view that distribution per share is a more relevant measurement for financial results than earnings per share and headline earnings per share. Accordingly, in terms of paragraph 3.4(b)(vi) of the JSE Listings Requirements, Newpark has adopted distribution per share as its financial results measurement for trading statement purposes.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NEWPARK REIT LIMITED



Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Newpark REIT Limited (the group and company) set out on pages 50 to 105, which comprise the consolidated and separate statements of financial position as at 28 February 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Newpark REIT Limited as at 28 February 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of *Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

continued

We have determined that there are no key audit matters in respect of the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment property – refer note 7 (consolidated financial statements)</p> <p>The Group's investment properties represent the majority of its consolidated assets and are accounted for using the fair value model.</p> <p>The valuation of these properties are based on a combined discounted cash flow method and income capitalisation rate method.</p> <p>Management obtained external independent valuations for all properties in the current financial period.</p> <p>The valuation of investments properties was considered a matter of most significance in our audit of the consolidated financial statements of the current year due to the significance of the value of the investment properties to the group and the fact that the valuations required significant judgments and estimates to be made by the valuer and management.</p> <p>Refer to note 7 to the consolidated financial statements for further information on the valuations of the investment properties.</p>	<p>Our audit procedures included among others:</p> <ul style="list-style-type: none"> • We assessed the design and implementation of the relevant controls management has put in place with regard to the valuations. • We evaluated whether management's valuation expert (the valuer) had the necessary competence, capabilities and objectivity to undertake the valuations, with reference to his qualifications, membership and standing with professional bodies, and resources available to perform the valuations. We also obtained a signed declaration of his independence with regard to his dealings with management and performance of the valuations. • We critically interrogated the valuation reports for the properties valued by the valuer in the current year to assess whether the valuation approach was in accordance with International Financial Reporting Standards and suitable for use in determining the fair value of the investment properties for the purpose of the consolidated financial statements. In this regard we performed the following procedures: <ul style="list-style-type: none"> – We evaluated whether the techniques used by the valuer were applied consistently, and that such techniques employed were in accordance with the requirements of International Financial Reporting Standards and industry best practice. – We tested the mathematical accuracy of the valuations. – We assessed the forecast revenue applied in the first year of both the discounted cash flow (DCF) model and income capitalisation model for reasonability. In this regard, we agreed the inputs used to generate the revenue forecast to lease contracts and relevant market data. We also compared the inputs to the current year revenue information and assessed its reasonability. – We assessed the projected property expenses applied in the first year of both the DCF model and income capitalisation model for reasonability. In this regard, we compared the projected property expenses to the actual expenses in the current financial period. – We assessed the reasonability of revenue and expense growth rates in the DCF model subsequent to the initial forecast year against underlying lease information, available industry data for similar investment properties and our knowledge of the client. – We assessed the reasonability of the discount and capitalisation rates applied by comparing these to available industry data for similar investment properties. • We evaluated the adequacy of the disclosures in respect of the valuation of investment properties as contained in the consolidated financial statements against the requirements of International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT

continued

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Newpark REIT Limited Annual Financial Statements for the year ended 28 February 2023", which includes the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and /or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

continued

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and /or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Newpark REIT Limited for five years.



BDO South Africa Incorporated

Registered Auditors

SD Shaw

Director

Registered Auditor

18 May 2023

Wanderers Office Park

52 Corlett Drive

Illovo, 2196

STATEMENT OF FINANCIAL POSITION

as at 28 February 2023

	Notes	GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
ASSETS					
Non-current assets					
Investment properties	7	1 288 404	1 222 376	–	–
Investment in subsidiaries	8	–	–	921 149	921 149
Straight-line lease asset	9	86 979	102 361	–	–
Lease incentive	11	3 970	6 616	–	–
Derivative financial instruments	10	6 152	–	–	–
		1 385 505	1 331 353	921 149	921 149
Current assets					
Trade and other receivables	12	5 483	7 932	–	–
Amounts due from group companies	17	–	–	380 299	359 074
Lease incentive	11	2 647	2 647	–	–
Cash and cash equivalents	13	16 618	10 860	1	1
		24 748	21 439	380 300	359 075
Total assets		1 410 253	1 352 792	1 301 449	1 280 224
EQUITY AND LIABILITIES					
Equity					
Share capital	14	619 918	619 918	619 918	619 918
Capital reorganisation reserve	15	180 412	180 412	180 412	180 412
Retained income		141 097	60 694	39 493	22 547
		941 427	861 024	839 823	822 877
Liabilities					
Non-current liabilities					
Bank borrowings	16	450 000	450 000	450 000	450 000
Derivative financial instruments	10	–	1 354	–	–
		450 000	451 354	450 000	450 000
Current liabilities					
Derivative financial instruments	10	–	8 106	–	–
Trade and other payables	18	18 826	32 308	11 626	7 347
		18 826	40 414	11 626	7 347
Total liabilities		468 826	491 768	461 626	457 347
Total equity and liabilities		1 410 253	1 352 792	1 301 449	1 280 224

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2023

	Notes	GROUP		COMPANY	
		28 February 2023 R'000	28 February 2022 R'000	28 February 2023 R'000	Restated 28 February 2022 R'000
Revenue	19	126 671	109 964	92 193	63 453
Property operating expenses	20	(30 821)	(27 633)	–	–
Administrative expenses	20	(7 292)	(5 034)	(6 416)	(4 321)
Net gain/(loss) from fair value adjustment on investment property	22	65 873	(24 316)	–	–
Net gain/(loss) from fair value adjustment of financial instruments at fair value through profit or loss	22	15 612	20 173	–	–
Operating profit		170 043	73 154	85 777	59 132
Finance income	21	628	316	15 876	14 196
Finance costs	23	(40 019)	(46 586)	(34 458)	(26 415)
Profit before taxation		130 652	26 884	67 195	46 913
Taxation	24	–	–	–	–
Profit for the period		130 652	26 884	67 195	46 913
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		130 652	26 884	67 195	46 913
Earnings per share information (expressed in cents per share)					
Basic earnings per share (cents)	25	130,65	26,88	67,19	46,91
Diluted earnings per share (cents)	25	130,65	26,88	67,19	46,91
Headline earnings per share (cents)	25	64,78	51,20	67,19	46,91

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

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	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
COMPANY						
Balance at 1 March 2021	625 000	(5 082)	619 918	180 412	17 547	817 877
Profit for the period	–	–	–	–	46 913	46 913
Dividends	–	–	–	–	(41 913)	(41 913)
Balance at 1 March 2022	625 000	(5 082)	619 918	180 412	22 547	822 877
Profit for the period	–	–	–	–	67 195	67 195
Dividends	–	–	–	–	(50 249)	(50 249)
Balance at 28 February 2023	625 000	(5 082)	619 918	180 412	39 493	839 823

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STATEMENT OF CASH FLOWS

for the year ended 28 February 2023

	Notes	GROUP		COMPANY	
		28 February 2023 R'000	28 February 2022 R'000	28 February 2023 R'000	28 February 2022 R'000
Cash flows from operating activities					
Cash generated from operations	26	95 745	95 102	90 056	59 651
Finance income		628	316	–	8 669
Finance costs		(40 019)	(46 586)	(34 458)	(26 415)
Net cash generated from operating activities		56 354	48 832	55 598	41 905
Cash flows from investing activities					
Purchase of furniture and fittings	7	(347)	(146)	–	–
Loans advanced to subsidiaries	17	–	–	(5 349)	–
Net cash utilised by investing activities		(347)	(146)	(5 349)	–
Cash flows from financing activities					
Loans from subsidiaries advanced	27	–	–	–	–
Loans from subsidiaries repaid	27	–	–	–	–
Dividends paid		(50 249)	(41 913)	(50 249)	(41 913)
Bank borrowings repaid	27	–	–	–	–
Net cash utilised by financing activities		(50 249)	(41 913)	(50 249)	(41 913)
Total cash and cash equivalents movement for the reporting period					
		5 758	6 773	–	(8)
Cash and cash equivalents at the beginning of the reporting period		10 860	4 087	1	9
Total cash and cash equivalents at the end of the reporting period	13	16 618	10 860	1	1

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

1. ACCOUNTING POLICIES

Newpark REIT Limited (“**the company**”) and its subsidiaries, Newpark Towers Proprietary Limited and I.M.P. Properties Proprietary Limited (together “**the group**”), hold a major portfolio of investment properties in South Africa. The company is listed on the JSE.

1.1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and details of the group’s accounting policies are disclosed as part of each note to the financial statements. The accounting policies are consistent with prior year.

1.2 Basis of preparation

Statement of compliance

The consolidated financial statements of Newpark REIT Limited have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and IFRS Interpretations (“**IFRS IC**”), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa.

The financial statements were prepared on the historical cost basis with the exception of investment properties and derivatives.

Functional currency

The functional currency of Newpark REIT Limited is ZAR.

Income and cash flow statements

The group presents its statement of profit or loss and other comprehensive income by nature of expense. The group reports cash flows from operating activities using the indirect method.

1.3 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the consolidated financial statements of the group and all investees which are controlled by the group.

The group has control of an investee when it has power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor’s returns.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

Capital reorganisation reserve

Newpark REIT Limited has elected to use the predecessor accounting method. Predecessor accounting does not require the acquirer to restate assets and liabilities to their fair values. The acquirer, i.e., Newpark REIT Limited, 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 re-organisation reserve. The group's reserve was recognised during the 2016 period during the acquisition of the subsidiaries.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated financial statements. Significant judgements and estimation uncertainty include:

Significant judgment

Revenue recognition

The subsidiaries act as principle on their own account when recovering municipal and other operating costs from tenants and these costs comprise revenue. Subsidiaries are considered to act as agent when recovering other costs, not incurred in the ordinary course of business, that are incurred at the discretion and on behalf of the tenants under their direction and control.

Judgement is required to establish whether the costs recovered are in the ordinary course of business or not.

Estimation uncertainty

Impairment of trade receivables and amounts due by group company

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

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 contract 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 agreements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

Taxation

The context within which this note on Taxation must be read is that Newpark REIT Limited and therefore the group, is recognised as a REIT and tax and deferred tax assets and liabilities are accounted for accordingly.

Judgement is required in determining the provision for income taxes due to the complexity of legislation.

The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Derivative financial instruments

The valuation of derivative financial instruments was determined using the discount cash flow projections, based on estimates of future cash flows, supported by the terms of the relevant swap agreements and external evidence such as the ZAR 0– coupon perfect-fit swap curve (“**the swap curve**”). Future floating cash flows are determined using forward rates derived from the swap curve as at 28 February 2023. The net cash flows were discounted using the swap curve as at 28 February 2023.

1.5 Financial instruments

Classification

Financial instruments held by the group are classified in the following measurement categories:

- those to be measured subsequently at fair value, and
- those to be measured at amortised cost.

The classification depends on the group’s business model for managing the financial assets and liabilities and the contractual terms of the cash flows.

The group’s financial instruments consist mainly of loans receivable and payable, trade and other receivables, trade and other payables, cash, borrowings and derivative financial instruments.

Financial instruments are initially measured at fair value plus, in the case of financial instruments not measured at fair value through profit and loss, transaction costs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

Subsequent to initial recognition these instruments are measured as set out below:

Cash and cash equivalents	Carried at amortised cost
Trade and other receivables	Stated at amortised cost using the effective interest method less accumulated impairment losses
Trade and other payables	Stated at amortised cost using the effective interest method
Amounts due from group companies	Stated at amortised cost using the effective interest method, less accumulated impairment losses for receivables
Bank borrowings	Stated at amortised cost using the effective interest method less accumulated impairment losses
Derivative financial instruments	Derivative financial instruments are recognised initially and subsequently stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. Directly attributable transaction costs are recognised in profit or loss when incurred

For all financial instruments carried at amortised cost, where the financial effect of the time value of money is not considered to be material, discounting is not applied as the fair values of these instruments approximate their carrying values.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Impairment

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk, which would change the methodology from 12 months to lifetime impairment losses. A significant increase in credit risk is recognised in the form of an increased expected credit loss percentage when a loan's receivable payment profile changes and it is recategorised from "fully performing" into "partially performing" and/or into "non-performing".

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 12 for further details.

For intra-group balances outstanding, the credit risk is measured against each individual company's ability to service its debt as it falls due. Liquidity and solvency of each subsidiary are measured in context of its ability to pay its debt as it falls due.

Defaulting trade receivables and inter-group balances are "non-performing" for more than 90 days.

The group's write-off policy determines that a trade receivable or inter-group loan balances be derecognised when there is no reasonable prospect of recovery.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

1.6 Impairment of non-financial assets (investment in subsidiaries)

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.7 Leases

The group classifies each lease as either an operating lease or a finance lease based on the extent to which the lease transfers the risks and rewards incidental to ownership of an underlying asset.

A 'finance lease' is a lease that transfers substantially all of the risks and rewards incidental to ownership of an underlying asset; title to the asset may or may not transfer under such a lease. An 'operating lease' is a lease other than a finance lease. All of the group's lease agreements are classified as operating leases.

Before lease commencement, the group recognises an asset in its statement of financial position and leases that asset to a lessee under an operating lease, then the group does not derecognise the asset on lease commencement. Generally, future contractual rental payments from the lessee are recognised as receivables over the lease term as the payments become receivable. The asset subject to the operating lease is presented in the group's statement of financial position according to the nature of the underlying asset – e.g. Investment property.

Initial direct costs incurred by the group in arranging an operating lease are added to the carrying amount of the underlying asset and cannot be recognised immediately as an expense. These initial direct costs are recognised as an expense on the same basis as the lease income. This will not necessarily be consistent with the basis on which the underlying asset is depreciated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

2. SEGMENT INFORMATION

ACCOUNTING POLICIES

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group executive committee (“**EXCO**”) that makes strategic decisions.

The appointed CODM within the group is the group 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

2. 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective and adopted in the current period

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

3. NEW STANDARDS AND INTERPRETATIONS (continued)

3.2 Standards and interpretations not yet adopted or effective in the current period

IAS 1 – Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)

In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of 1 January 2022, however, in July 2020 this was deferred until 1 January 2023 as a result of the COVID-19 pandemic.

At the IFRS Interpretations Committee's December meeting, the Committee discussed the amendments due to feedback from stakeholders, which indicated that the requirements of the amendments may be unclear.

These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings.

The effective date of the amendment is for years beginning on or after 1 January 2023.

The group expects to adopt these amendments during the 2024 financial period.

The impact of these amendments is currently being assessed.

IAS 1 – Presentation of Financial Statements (Amendment – Disclosure of Accounting Policies)

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

The effective date of the amendment is for years beginning on or after 1 January 2023.

The group expects to adopt these amendments during the 2024 financial period.

The impact of these amendments is currently being assessed.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.

The effective date of the amendment is for years beginning on or after 1 January 2023.

The group expects to adopt these amendments during the 2024 financial period.

The impact of these amendments is currently being assessed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

4. RISK MANAGEMENT

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of equity, disclosed in notes 14 and 15, debt, which includes the borrowings disclosed in note 16, as well as cash and cash equivalents disclosed in note 13 as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt. The borrowings covenant per agreement with RMB is set out in note 16.

The gearing ratio at 2023 and 2022, respectively, was as follows:

		GROUP		COMPANY	
	Notes	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Total borrowings					
Amount due to group company	17		–		–
Bank borrowings	16	450 000	450 000	450 000	450 000
Less: Cash and cash equivalents	13	(16 618)	(10 860)	(1)	(1)
Net debt		433 382	439 140	449 999	449 999
Total equity		941 427	861 024	839 823	822 875
Total capital		1 374 809	1 300 164	1 298 822	1 272 874
Gearing ratio (%)		32	34	35	35

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

4. RISK MANAGEMENT (continued)

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including fair value risk, interest rate risk and cash flow risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by senior management under policies approved by the directors.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Management monitors rolling forecasts of the company's liquidity reserve on the basis of expected cash flow.

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

	Less than one year R'000	Between one and five years R'000
GROUP		
At 28 February 2023		
Bank borrowings	–	450 000
Interest on borrowings	42 975	96 751
Trade and other payables	18 826	–
Derivatives	–	–
At 28 February 2022		
Bank borrowings	–	450 000
Interest on borrowings	28 352	26 789
Trade and other payables	32 308	–
Derivatives	8 106	1 354

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

4. RISK MANAGEMENT (continued)

	Less than one year R'000	Between two and five years R'000
COMPANY		
At 28 February 2023		
Trade and other payables	11 626	–
Bank borrowings	–	450 000
Interest on bank borrowings	42 975	96 751
At 28 February 2022		
Trade and other payables	7 347	–
Bank borrowings	–	450 000
Interest on bank borrowings	28 352	26 789

Interest rate risk

The company's interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk which is partially offset by cash held at variable rates. During the 2023 financial year, the company's borrowings at variable rates were denominated in South African Rand.

The company manages its cash flow interest rate risk by using interest rate swaps and interest rate collar. Such interest rate swaps and collar have the economic effect of converting borrowings from floating rates to fixed rates and capping and flooring the amount of interest paid. Generally, the company raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the company borrowed at fixed rates directly. Under the interest rate swaps, the company agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

At 28 February 2023, if interest rates on borrowings and cash and cash equivalents balances had been 1% higher/lower with all other variables held constant, post-tax profit for the period would have been R1 112 500 (2022: R500 000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and cash and cash equivalent balances.

The average effective interest rates of financial instruments at the date of the statement of financial position, based on reports reviewed by key management personnel, were as follows:

	GROUP		COMPANY	
	2023 %	2022 %	2023 %	2022 %
Cash and cash equivalents up to R50 million through RCF	9,93	9,37	9,93	9,37
Bank borrowings up to R450 million	8,96	9,83	8,96	9,83

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

4. RISK MANAGEMENT (continued)

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks, only independently rated parties with a minimum rating of "Ba2" are accepted. If customers are independently rated, these ratings are used otherwise, if there is no independent rating, credit control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.

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

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Financial instruments				
FNB/RMB (Rating – Ba2)	16 618	10 860	1	1

The ratings were obtained from Moody's. The ratings are based on long-term investment horizons. The rating indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

Management does not expect any losses from non-performance by this counterparty. The company only transacts with banks that have a minimum rating of Ba2.

Financial assets exposed to credit risk at the reporting date were as follows:

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Cash and cash equivalents	16 618	10 860	1	1
Amounts due from group companies	–	–	380 299	359 074
Trade and other receivables	5 483	7 932	–	–

The trade and other receivables carrying amount is equal to its fair value. The credit risk rating of trade and other receivables is based on an internal credit risk management module. The trade and other receivables presented above are net of expected credit loss. Refer to note 12 for further details.

Foreign exchange risk

The group is not exposed to foreign exchange risk.

Price risk

The group is not exposed to equity price risk as there are no investments classified as available-for-sale in the statement of financial position. The group is not exposed to commodity price risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

4. RISK MANAGEMENT (continued)

Fair value estimation

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors.

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. See note 7, investment properties, for details on the application of this level.

Levels of fair value measurements

	Notes	GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
ASSETS					
Investment properties (level 3)	7	1 288 404	1 222 376	–	–
Derivative financial instruments (level 2)	10	6 152	–	–	–
Total assets at fair value		1 294 556	1 222 376	–	–
LIABILITIES					
Derivative financial instruments (level 2)	10	–	9 460	–	–
Total liabilities at fair value		–	9 460	–	–

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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continued

4. RISK MANAGEMENT (continued)

Sensitivity analysis of level 3 fair value estimates

	Notes	GROUP		COMPANY	
		Increase R'000	Decrease R'000	Increase R'000	Decrease R'000
2023					
ASSETS					
Observable input – 25bps change in discount rate:					
Investment properties	7				
– 24 Central property		(5 004)	5 108	–	–
– JSE building		(11 835)	12 085	–	–
– Linbro Business Park building		(2 638)	2 692	–	–
– Crown Mines property		(1 580)	1 612	–	–
Total for level 3 assets at fair value		(21 057)	21 497	–	–
Observable input – 25bps change in exit capitalisation rate:					
Investment properties	7				
– 24 Central property		(14 952)	20 607	–	–
– JSE building		(37 767)	48 757	–	–
– Linbro Business Park building		(8 413)	10 935	–	–
– Crown Mines property		(4 971)	6 440	–	–
Total for level 3 assets at fair value		(66 103)	86 739	–	–
Observable input – 25bps change in capitalisation rate:					
Investment properties	7				
– 24 Central property		(3 275)	3 438	–	–
– JSE building		(9 695)	10 265	–	–
– Linbro Business Park building		(1 820)	1 915	–	–
– Crown Mines property		(1 139)	1 202	–	–
Total for level 3 assets at fair value		(15 929)	16 820	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

4. RISK MANAGEMENT (continued)

	Notes	GROUP		COMPANY	
		Increase R'000	Decrease R'000	Increase R'000	Decrease R'000
Observable input – 100bps change in vacancy rate:					
Investment properties	7				
– 24 Central property		(8 293)	11 205	–	–
– JSE building		(10 340)	11 845	–	–
– Linbro Business Park building		(2 536)	2 925	–	–
– Crown Mines property		(1 747)	3 361	–	–
Total for level 3 assets at fair value		(22 916)	29 336	–	–
Observable input – 100bps change in growth rate:					
Investment properties	7				
– 24 Central property		15 701	(9 497)	–	–
– JSE building		35 801	(24 851)	–	–
– Linbro Business Park building		7 545	(7 165)	–	–
– Crown Mines property		4 998	(4 147)	–	–
Total for level 3 assets at fair value		64 045	45 660	–	–
Derivative financial instruments (100bps change in interest rate)		(4 373)	4 373	–	–
Total for level 2 assets at fair value		(4 373)	4 373	–	–
LIABILITIES					
Derivative financial instruments (100bps change in interest rate)		–	–	–	–
Total for level 2 liabilities at fair value	16	–	–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

4. RISK MANAGEMENT (continued)

	Notes	GROUP		COMPANY	
		Increase R'000	Decrease R'000	Increase R'000	Decrease R'000
2022					
ASSETS					
Observable input – 25bps change in discount rate:					
Investment properties	7				
– 24 Central property		(4 898)	5 001	–	–
– JSE building		(11 008)	11 240	–	–
– Linbro Business Park building		(2 479)	2 531	–	–
– Crown Mines property		(1 526)	1 558	–	–
Total for level 3 assets at fair value		(19 911)	20 330	–	–
Observable input – 25bps change in exit capitalisation rate:					
Investment properties	7				
– 24 Central property		(3 458)	3 640	–	–
– JSE building		(8 763)	9 279	–	–
– Linbro Business Park building		(1 761)	1 853	–	–
– Crown Mines property		(1 161)	1 230	–	–
Total for level 3 assets at fair value		(15 143)	16 002	–	–
Observable input – 25bps change in capitalisation rate:					
Investment properties	7				
– 24 Central property		(3 458)	3 640	–	–
– JSE building		(8 763)	9 279	–	–
– Linbro Business Park building		(1 761)	1 853	–	–
– Crown Mines property		(1 161)	1 230	–	–
Total for level 3 assets at fair value		(15 143)	16 002	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

4. RISK MANAGEMENT (continued)

	Notes	GROUP		COMPANY	
		Increase R'000	Decrease R'000	Increase R'000	Decrease R'000
Observable input – 100bps change in vacancy rate:					
Investment properties	7			–	–
– 24 Central property		(388)	388	–	–
– JSE building		(814)	162	–	–
– Linbro Business Park building		(2 310)	1 732	–	–
– Crown Mines property		(1 728)	432	–	–
Total for level 3 assets at fair value		(5 240)	2 714	–	–
Observable input – 100bps change in growth rate:				–	–
Investment properties	7			–	–
– 24 Central property		24 389	(23 164)	–	–
– JSE building		14 617	(13 869)	–	–
– Linbro Business Park building		5 310	(4 998)	–	–
– Crown Mines property		1 696	(1 624)	–	–
Total for level 3 assets at fair value		46 012	(43 655)	–	–
LIABILITIES				–	–
Derivative financial instruments (100bps change in interest rate)		(7 748)	7 748	–	–
Total for level 3 liabilities at fair value	16	(7 748)	7 748	–	–

Inputs to the valuation are disclosed in note 7.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

5. FINANCIAL ASSETS BY CATEGORY

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

	Financial assets at amortised cost R'000	Fair value through profit or loss R'000	Total R'000
GROUP			
2023			
Trade and other receivables	5 483	–	4 388
Cash and cash equivalents	16 618	–	16 618
Derivative	–	6 152	6 152
	22 101	6 152	28 253
2022			
Trade and other receivables	7 932	–	7 932
Cash and cash equivalents	10 860	–	10 860
Derivative	–	–	–
	18 792	–	18 792

	Financial assets at amortised cost R'000	Total R'000
COMPANY		
2023		
Cash and cash equivalents	1	1
Amounts due from group companies	380 299	380 299
	380 300	380 300
2022		
Cash and cash equivalents	1	1
Amounts due from group companies	359 074	359 074
	359 075	359 075

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

6. FINANCIAL LIABILITIES BY CATEGORY

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

	Financial liabilities at amortised cost R'000	Financial liabilities at fair value R'000	Non-financial liabilities at fair value R'000	Total R'000
GROUP				
2023				
Bank borrowings	450 000	–	–	450 000
Trade and other payables	16 917	–	1 909	18 826
Derivative	–	–	–	–
	466 917	–	1 909	468 826
2022				
Bank borrowings	450 000	–	–	450 000
Trade and other payables	31 089	–	1 219	32 308
Derivative	–	9 460	–	9 460
	481 089	9 460	1 219	491 768
COMPANY				
2023				
Bank borrowings	450 000	–	–	450 000
Trade and other payables	11 606	–	20	11 626
	461 606	–	20	461 626
2022				
Bank borrowings	450 000	–	–	450 000
Trade and other payables	7 317	–	30	7 347
	457 317	–	30	457 347

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

7. INVESTMENT PROPERTIES

Investment properties consist of the property asset (which is fair valued) and the associated furniture and fixtures (measured at depreciable cost).

ACCOUNTING POLICIES

Investment property assets

Property comprising of freehold land and buildings that is held for long-term rental yields or for capital appreciation or both, is classified as investment property. Investment property is recognised initially at cost, including transaction costs.

Borrowing costs incurred for the purpose of acquiring, developing or producing a qualifying investment property are classified as part of its cost. Borrowing costs are capitalised while acquisition or development is actively under way and cease once the asset is substantially complete or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value adjusted for carrying values of fixtures and fittings, allowance for future rental escalations and amortised upfront lease costs which are recognised as separate assets.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location and condition of the specific asset. If this information is not available, the group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional registered valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash flows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

When a part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from the future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in the statement of profit or loss and other comprehensive income. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from disposal.

When the group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of profit or loss and other comprehensive income within net fair value gain on investment property.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

7. INVESTMENT PROPERTIES (continued)

ACCOUNTING POLICIES (continued)

Furniture and fixtures

Furniture and fixtures are stated at historical cost less accumulated depreciation and impairment charges. Cost comprises the purchase price as well as any other directly attributable costs.

Depreciation is calculated at cost less expected residual value on the straight-line method, which is reviewed annually. The useful lives of fixtures and fittings range from five to six years.

Repairs and maintenance are charges to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Furniture and fittings are linked to specific properties. Consequently, any gains or losses on disposal are incorporated with the gains or losses on the disposal of the investment property.

In determining the value of the furniture and fixtures component the group considers the historic cost less accumulated depreciation as the depreciable replacement cost of furniture and fixtures.

The fair value portion of the valuation of the building is allocated to furniture and fittings using the depreciable replacement cost method, therefore the two different measurement basis under investment property and furniture and fittings.

The building is fair valued on the income approach based on the discounted cash flow basis, this fair value is allocated to the various components, furniture and fixtures being one of these components.

Group company is the lessor in an operating lease

Properties leased out under operating leases are included in investment property in the consolidated statement of financial position (note 7). See note 19 for the recognition of rental income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

7. INVESTMENT PROPERTIES (continued)

GROUP	2023			2022		
	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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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continued

7. INVESTMENT PROPERTIES (continued)

Valuation reconciliation of Investment properties

	GROUP		COMPANY	
	2023 R'000	2022 R'000	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	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

7. INVESTMENT PROPERTIES (continued)

	GROUP		COMPANY	
	2023 R'000	2022 R'000	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 (note 9)	(86 979)	(102 361)	–	–
Less: Lease incentive receivable (note 11)	(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). Refer to note 16.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

7. 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 m² against comparative sales of similar properties in similar locations. Amongst other factors, the capitalisation rate estimation considers the quality of the building, its location, the tenants' credit quality and their lease terms.

Inter-relationship between key unobservable inputs and fair value measurements

Refer note 4 setting out the sensitivities of the relevant inputs discussed.

8. INVESTMENT IN SUBSIDIARIES

ACCOUNTING POLICIES

Company consolidated financial statements

In the company's separate financial statements, investment in a subsidiary is carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

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8. INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Holding 2023 %	Carrying amount 2023 R'000	Carrying amount 2022 R'000
As per statement of financial position	–	921 149	921 149
– Newpark Towers Proprietary Limited – shares	100	805 413	805 413
– I.M.P. Properties Proprietary Limited – shares	100	115 736	115 736

The company acquired 100% of the shares of Newpark Towers Proprietary Limited, a South African property holding company, on 3 February 2016.

The company acquired 100% of the shares of I.M.P. Properties Proprietary Limited and its two subsidiaries, a South African property holding company, on 21 February 2017, together with the loan account, reflected in note 17, for a consideration of R113 250 215.

9. STRAIGHT-LINE LEASE ASSET

The operating lease asset arises as a result of the straight-line effect on lease rentals. It relates to the difference between the contractual and accrued rental income.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Reconciliation of movements				
Carrying value at the beginning of the reporting period	102 361	115 316	–	–
Acquisitions	–	–	–	–
Current period movements	(15 382)	(12 955)	–	–
Net carrying value at the end of the reporting period	86 979	102 361	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

10. DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICIES

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise. Derivatives are classified as financial assets at fair value through profit or loss – held for trading.

Fair valuation of financial instruments

The group uses fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures. Derivatives are financial instruments recorded at fair value on a recurring basis.

Additionally, from time to time, the group may be required to record other financial assets at fair value on a non-recurring basis. These non-recurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets. Information about the extent to which fair value is used to measure assets and liabilities, the valuation methodologies used and its effect on earnings is included in the note "Fair Value Measurements".

Fair value measurements

The company records derivative assets and liabilities at fair value.

The fair value of interest rate swaps is obtained from recognised derivative dealers.

The fair value is calculated using a model that incorporates the contractual terms of the swaps and caps in addition to other such market observable inputs as yield curve and volatility.

The fair value of the interest rate swap commitments is calculated using a model that incorporates current market prices, market conditions, option volatilities and the terms of the loans on which the commitments have been extended.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Interest rate swaps are classified as level 2.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Internal models with significant observable market parameters (level 2):				
Interest rate swap asset	6 152	–	–	–
Interest rate swap and interest rate cap liability	–	(9 460)	–	–

* The derivative liability is made up of a non-current portion of R1 354 053 and a current portion of R8 106 156.

Interest rate swaps and interest rate cap

The notional principal amount of the interest rate swap contracts at 28 February 2023 was R285 000 000 (2022: R365 000 000).

The main floating rate is three-month JIBAR. Gains and losses have been recognised in the statement of profit or loss and other comprehensive income. The two current swap contracts have fixed rates of 7,990% and 5,190%.

11. LEASE INCENTIVE

ACCOUNTING POLICIES

Group company is the lessor – lease incentives

In negotiating an operating lease with a current tenant, the group agreed to pay a portion of a pre-existing lease commitment of the tenant in order to incentivise the tenant to take up a long-term lease in relation to the group's single tenant building.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Reconciliation of movements				
Carrying value at beginning of the reporting period	9 263	11 909	–	–
Current period movement	(2 646)	(2 646)	–	–
Carrying value at end of the reporting period	6 617	9 263	–	–
Non-current asset	3 970	6 616	–	–
Current asset	2 647	2 647	–	–
	6 617	9 263	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

continued

12. TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICIES

Trade and other receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss. The group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within administrative expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in profit or loss.

Trade and other receivables are classified as financial assets at amortised cost.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Financial instruments				
Trade receivables	13 885	16 152	–	–
Allowance for credit losses	(10 407)	(10 920)	–	–
Other receivables	1 512	1 862	–	–
Accrued income	493	838	–	–
Non-financial instruments				
Value-added tax	–	–	–	–
	5 483	7 932	–	–
Fair value of trade and other receivables				
Trade and other receivables	5 483	7 932	–	–

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9 – Financial Instruments:

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
At amortised cost	5 483	7 932	–	–
Non-financial instruments	–	–	–	–
	5 483	7 932	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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continued

12. TRADE AND OTHER RECEIVABLES (continued)

Exposure to credit risk

In order to mitigate the risk of financial loss from defaults, the group has policies in place to ensure that sales of services are made to customers with an appropriate credit history. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 – Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors both generally as well as with reference to the specific tenants within the Newpark properties. Factors considered when assessing the expected credit losses include payment history, changes in tenant behaviour and preferences and general economic factors including consumer demand reflected in the trading performance of the tenants. The type of tenant also has a general observable trend throughout the market. These are just some of the factors being considered.

The loss allowance provision is determined as follows:

	2023		2022	
	Estimated gross carrying amount at default R'000	Loss allowance R'000	Estimated gross carrying amount at default R'000	Loss allowance R'000
GROUP				
Current	1 695	(374)	1 780	(742)
Between 30 and 60 days past due	281	(106)	1 709	(681)
Between 60 and 90 days past due	1 429	(1 175)	1 362	(734)
More than 90 days past due	10 480	(8 752)	11 301	(8 763)
	13 885	(10 407)	16 152	(10 920)

The application of the forward-looking information with particular reference to specific tenants resulted in an increase of the loss allowance. The deterioration in the general economic conditions of the industry did not result in a material increase of the loss allowance.

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continued

12. TRADE AND OTHER RECEIVABLES (continued)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Opening balance	(10 920)	(6 216)	–	–
Decrease in loss allowance and impairments recognised in profit or loss during the reporting period	513	(4 704)	–	–
Closing balance	(10 407)	(10 920)	–	–

In respect of the 2023 financial year, the reversal of tenant arrears includes R0,5 million relating to tenants with outstanding arrears which were expected to be recovered.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The group does not hold any collateral as security.

Expected credit loss on other receivables is expected to be immaterial.

Currencies

The carrying amount of trade and other receivables are denominated in the following currency:

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Rand	5 483	7 932	–	–

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13. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently recorded at amortised cost.

Cash and cash equivalents consist of:

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Bank balances	16 618	10 860	1	1

Facilities

As at 28 February 2023, the company had banking facilities in place of R500 000 000 with RMB of which a total of R450 000 000 has been drawn down (note 16).

Interest on the call deposit account held with RMB is earned at a rate of prime less 3,85%.

Guarantees

The group issued bank guarantees of R1 500 000 through RMB in favour of Eskom.

Credit quality of cash at bank

The credit quality of cash at bank can be assessed by reference to external credit ratings.

Credit rating

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
RMB/FNB (Rating – Ba2)	16 618	10 860	1	1

The ratings were obtained from Moody's. The ratings are based on long-term investment horizons. The rating indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

Management does not expect any losses from non-performance by this counterparty. The company only transacts with banks that have a minimum rating of Ba2.

Currencies

The carrying amounts of cash and cash equivalents are denominated in the following currency:

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Rand	16 618	10 860	1	1

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14. SHARE CAPITAL

ACCOUNTING POLICIES

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Ordinary shares are classified as equity.

	GROUP		COMPANY	
	2023 number	2022 number	2023 number	2022 number
Authorised				
Ordinary shares of no par value	2 000 000 000	2 000 000 000	2 000 000 000	2 000 000 000
Ordinary type A shares	1 000 000 000	1 000 000 000	1 000 000 000	1 000 000 000
Unissued ordinary shares are under the control of the directors.				
Issued				
100 000 001 (2022: 100 000 001) ordinary shares of no par value	625 000	625 000	625 000	625 000
Share issue costs	(5 081)	(5 081)	(5 081)	(5 081)
	619 918	619 918	619 918	619 918

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15. CAPITAL RE-ORGANISATION RESERVE

ACCOUNTING POLICIES

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 re-organisation transactions, Newpark REIT Limited considered the guidance issued by other standard setting bodies which use a similar conceptual framework to develop accounting standards.

The predecessor accounting method, which is based on equivalent US GAAP and UK GAAP guidance for common control transactions does not require the acquirer to restate assets and liabilities to their fair 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 re-organisation reserve. The value of this reserve will be analysed on an annual basis.

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

Newpark Towers Proprietary Limited's assets and liabilities are ultimately controlled by the same parties both before and after the transaction.

Recognised amounts of identifiable assets acquired and liabilities assumed:

	GROUP	COMPANY
	2016 R'000	2016 R'000
Total purchase consideration	624 938	624 938
Book value of identifiable assets and liabilities acquired under common control	805 350	805 350
Capital re-organisation reserve	180 412	180 412

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16. BANK BORROWINGS

ACCOUNTING POLICIES

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Held at amortised cost				
Non-current				
Rand Merchant Bank loan	450 000	450 000	450 000	450 000
Total	450 000	450 000	450 000	450 000

Rand Merchant Bank (RMB)

The loan covenants stipulate an interest cover ratio (EBITDA: Net interest charged) of 1,6 times, a Loan to Value measured ("LTV") of 45%, a secured properties LTV of 40%, and a secured properties interest cover ratio of 1,7 times. Further details on the performance against the covenants is provided below.

During the period, the RMB Term Loan Facility (facility A) of R300 000 000 which was due to mature in May 2023, was restructured into two separate facilities of R150 000 000 each (Facility D and Facility E). Facility D will mature in November 2025 and Facility E will mature in November 2027. Revolving Credit Facility (facility C) of R50 000 000, which was due to mature in May 2023, was also restructured and will now mature in November 2025. The restructure arrangements were agreed with RMB and implemented on 1 December 2022. Facility B for R150 000 000, which matures in May 2025 and was implemented on 1 June 2020, remains in place.

The group has available liquidity facilities amounting to R50 million. Despite a worse-case scenario assumption the group comfortably remains liquid and solvent.

The RMB facilities are secured by a first mortgage bond over fixed property with a carrying value of R1 288 404 138 and currently attracts a floating rate of three-month JIBAR plus 2,35% on the first R150 million, a floating rate of three-month JIBAR plus 1,85% on the next R150 million, a floating rate of three-month JIBAR plus 2,10% on the next R150 million and a floating rate of prime less 1,30% on the remaining R50 million loan, respectively. The blended floating rate amounts to 9,53% before the hedging instruments are applied to the borrowings profile.

The South African Reserve Bank (SARB) has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa, however, there is currently no indication of when the designated successor rate will be made available.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

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16. BANK BORROWINGS (continued)

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.

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	

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 2022/6/1 / expires 2024/11/29	150 000	5,190

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

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16. BANK BORROWINGS (continued)

Net debt reconciliation

	Cash and cash equivalents R'000	Borrowings due within 1 year R'000	Borrowings due after 1 year R'000	Total net debt R'000
GROUP				
Net cash/(debt) at 1 March 2021	4 087	–	(450 000)	(445 913)
Cash flows	6 773	–	–	6 773
Borrowings repaid	–	–	–	–
Net cash/(debt) at 1 March 2022	10 860	–	(450 000)	(439 130)
Cash flows	5 758	–	–	5 758
Borrowings repaid	–	–	–	–
Net cash/(debt) at 28 February 2023	16 618	–	(450 000)	(433 382)
COMPANY				
Net cash/(debt) at 1 March 2021	9	–	(450 000)	(449 991)
Cash flows	(8)	–	–	(8)
Net cash/(debt) at 1 March 2022	1	–	(450 000)	(449 999)
Cash flows	–	–	–	–
Net cash/(debt) at 28 February 2023	1	–	(450 000)	(449 999)

The carrying value of bank borrowings approximates fair value and all borrowings are denominated in Rands.

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16. BANK BORROWINGS (continued)

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.

17. AMOUNT DUE (TO)/FROM GROUP COMPANIES

ACCOUNTING POLICIES

These include amounts due by/(to) the holding company and the subsidiary company and are recognised initially at fair value plus direct transaction costs.

Amounts due by group companies are classified as financial assets at amortised cost.

Amounts due to group companies are classified as financial liabilities measured at amortised cost.

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17. AMOUNT DUE (TO)/FROM GROUP COMPANIES (continued)

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Subsidiary				
I.M.P. Properties Proprietary Limited	–	–	111 884	111 964
Newpark Towers Proprietary Limited	–	–	268 415	247 110
The above amounts are unsecured, carry interest at a variable rate and are repayable on demand.				
Currencies				
The carrying amounts of amounts due (to)/from group companies are denominated in the following currencies:				
Rand	–	–	380 299	359 074

Split between non-current and current portions

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Current assets	–	–	380 299	359 074
Current liabilities	–	–	–	–

Exposure to credit risk

Loans receivable are subject to the impairment provisions of IFRS 9 – Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans receivable is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

The maximum exposure to credit risk at the reporting date is the fair value of loans receivable mentioned above. The identified impairment loss was immaterial.

The credit risk on the intergroup loans are assessed regularly. The existing loans to other group companies are backed by investment property with fair values in excess of the loans outstanding. An independent, external evaluation of the investment properties are performed annually which specifically takes into account future cash flows directly associated with each property and the tenants occupancy of the property. The credit risk has been assessed as low (stage one) and there are no expected credit losses.

Exposure to currency risk

The carrying amounts of loans receivable are denominated in South African Rands.

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for the year ended 28 February 2023

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18. TRADE AND OTHER PAYABLES

ACCOUNTING POLICIES

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Financial instruments				
Accrued audit fees	739	665	739	665
Accrued interest	10 572	10 409	10 319	6 602
Deposits received	2 620	2 246	–	–
JSE tenant expenditure	–	14 910	–	–
Other payables	2 986	2 859	548	50
Non-financial instruments				
Value-added tax	1 909	1 219	20	30
	18 826	32 308	11 626	7 347
Currencies				
The carrying amounts of trade and other payables are denominated in the following currency:				
Rand	18 826	32 308	11 626	7 347

19. REVENUE

ACCOUNTING POLICIES

Revenue comprises gross rental revenue including advertising space and recoveries from tenants of municipal and operating costs and are recognised excluding VAT. Rental revenue from investment property is recognised in the statements of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Recoveries are recognised on an accrual basis when the costs are incurred. Lease incentives granted are recognised as an integral part of the total rental income over the lease period. Turnover rentals are recognised on the accrual basis.

The subsidiaries act as a principal on its own account when recovering municipal and operating costs from tenants and the recovery of these costs comprise revenue. Subsidiaries are considered to act as an agent when recovering any other costs, not in the ordinary course of business, that are incurred at the discretion and on behalf of the tenants under their direction and control.

Revenue also comprises dividend income received from subsidiary companies.

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19. REVENUE (continued)

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Rental income	124 716	107 309	–	–
Dividend and management fee received from related parties	–	–	92 193	63 453
Recoveries	19 983	15 183	–	–
Advertising *	–	3 073	–	–
Straight-line adjustment of lease income	(15 382)	(12 955)	–	–
Amortisation of lease incentive	(2 646)	(2 646)	–	–
	126 671	109 964	92 193	63 453

Revenue was categorised and accounted for as follows:

Type of revenue	Separate goods or services	IFRS 16	IFRS 15	Fixed/variable	Point in time/over time
2023					
Rental income (operating lease income)	✓	✓		Fixed	n/a
Indirect recovery of operating costs	x	✓		Fixed	n/a
Recoveries: direct recovery of rates, water, electricity, sewerage	✓		✓	Variable	Over time
Advertising *	✓	✓		Variable	Over time
2022					
Rental income (operating lease income)	✓	✓		Fixed	n/a
Indirect recovery of operating costs	x	✓		Fixed	n/a
Recoveries: direct recovery of rates, water, electricity, sewerage	✓		✓	Variable	Over time
Advertising	✓		✓	Variable	Over time

* Advertising contracts concluded for the current period represent rental agreements and advertising revenue has, therefore, been treated in accordance with IFRS 16.

The group holds well-positioned, prime commercial and industrial properties that offer an attractive return from both capital and income perspectives. Based on their portfolio, the risk of tenant groups is lower.

The group provided the JSE, an A grade tenant occupying 31% of the group's GLA, with a lease incentive of R20 million, realised over an 8-year period, which ends in August 2025. Furthermore, the group also provide rent abatements (rent-free months in order for tenants to establish their business) to some of their tenants.

There are no buy-back agreements, residual value guarantee or variable lease payments within the group to mitigate.

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	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
20. EXPENSES BY NATURE				
Administrative expenses	7 292	5 034	6 416	4 321
Property operating expenses	30 821	27 633	–	–
Total property operating and administrative expenses	38 113	32 667	6 416	4 321
Property operating expenses				
Administration and management fees	1 891	1 425	–	–
Repairs and maintenance	6 213	5 338	–	–
Impairments and write-offs	–	4 740	–	–
Utilities	18 065	13 775	–	–
Insurance	369	301	–	–
Depreciation	192	229	–	–
Cleaning	1 298	893	–	–
Security	1 419	912	–	–
Other expenses	1 348	20	–	–
Total property expenses	30 795	27 633	–	–
Administrative expenses				
Directors' fees and costs	2 182	1 934	2 182	1 934
Annual duty	2	2	2	2
Audit fees	753	683	753	683
Administration costs and fees *	4 008	2 110	3 229	1 420
Bank charges	146	121	133	109
Legal fees	117	150	79	144
Sundry expenses	84	34	38	29
Total administrative expenses	7 292	5 034	6 416	4 321

* Intergroup management fees charged by the company to its subsidiaries were previously set off against administrative expenses in the company's reporting. Management fees are now shown as revenue to better reflect the administrative expenses for the company. The prior year amounts have been restated to align with the current reporting. There is no net impact on operating profit or cash flow for the company. There is no impact from a group perspective.

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21. FINANCE INCOME

ACCOUNTING POLICIES

Interest income and expense are recognised within “finance income” and “finance costs” in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

This accounting policy also applies to note 23.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Interest revenue				
Bank	345	218	1	–
Trade and other receivables	283	98	24	–
Intergroup loans	–	–	15 851	14 196
	628	316	15 876	14 196
22. FAIR VALUE ADJUSTMENTS				
Net gain/(loss) from fair value adjustment on investment property	65 873	(24 316)	–	–
Net profit/(loss) from fair value adjustments on financial instruments at fair value through profit or loss	15 612	20 173	–	–
	81 485	(4 143)	–	–
23. FINANCE COSTS				
Bank fees capitalised against loan amortised	–	–	–	–
Bank borrowings	34 458	26 415	34 458	26 415
Interest paid interest rate swap	5 561	20 171	–	–
Intergroup loans	–	–	–	–
	40 019	46 586	34 458	26 415

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24. TAXATION

ACCOUNTING POLICIES

In accordance with the holding company's status as a REIT and the subsidiary companies' status as a Controlled Property Company ("CPC"), the dividend distributions made in line with the holding company's dividend policy meet the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). In determining the tax obligation of the company, the "qualifying distribution" is deducted from taxable profits insofar that it does not create an assessed loss.

The context within which the income tax policy must be read is that the holding company and therefore the group, is recognised as a REIT and tax and deferred tax assets and liabilities are accounted for accordingly.

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets and liabilities

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for the carry-forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

No deferred tax is recognised on the fair value adjustments to investment property. These assets are realised through sale and as such do not attract capital gains tax in terms of section 25BB of the Income Tax Act.

Income tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period after deduction of "qualifying distributions" in terms of section 25BB of the Income Tax Act, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

In accordance with the group's status as a REIT, the dividend distributions declared meet the requirements of a qualifying distribution for the purposes of section 25BB of the Income Tax Act.

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24. TAXATION (continued)

ACCOUNTING POLICIES (continued)

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Dividend distribution

Dividend distributions to the group's shareholders are recognised as a liability in the company financial statements in the period in which the dividend distributions are approved by the group's directors.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Major components of the tax (income)/expense				
Current				
Local income tax – recognised in current tax for prior periods	–	–	–	–
Deferred				
Originating and reversing temporary differences	–	–	–	–
	–	–	–	–
Reconciliation of the tax expense				
<i>Reconciliation between accounting profit/(loss) and tax expense</i>				
Accounting profit before tax	130 652	26 884	67 195	46 913
Tax at the applicable tax rate of 28% (2022: 28%)	36 582	7 528	18 815	13 136
Tax effect of adjustments on taxable income				
Fair value adjustment not subject to tax	(22 816)	1 160	–	–
Straight-line and lease incentive movements not subject to tax	5 048	4 368	–	–
Dividend distribution	(18 650)	(13 135)	(18 815)	(13 136)
Other	(164)	79	–	–
Taxable income	–	–	–	–
Assessed loss brought forward	–	–	–	–
Tax payable/loss carried forward	–	–	–	–

In determining the tax obligation of the group, the “qualifying distribution” is deducted from taxable profits insofar that it does not create an assessed loss and therefore no provision has been raised for 2023.

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	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
25. EARNINGS PER SHARE				
Basic earnings per share				
Basic earnings				
Profit attributable to shareholders	130 652	26 884	67 195	46 913
Weighted average number of ordinary shares in issue	100 000 001	100 000 001	100 000 001	100 000 001
Basic earnings per share				
From continuing operations (cents per share)	130,65	26,88	67,19	46,91
Diluted earnings per share				
There are no dilutive instruments in issue.				
Profit attributable to shareholders	130 652	26 884	67 195	46 913
Weighted average number of ordinary shares in issue	100 000 001	100 000 001	100 000 001	100 000 001
Diluted earnings per share (cents per share)	130,65	26,88	67,19	46,91
Headline earnings per share				
Headline earnings is calculated as follows:				
Profit attributable to shareholders	130 652	26 884	67 195	46 913
<i>Adjusted for:</i>				
Change in fair value of investment property	(65 873)	24 316	–	–
	64 779	51 201	67 195	46 913
Weighted average number of ordinary shares in issue	100 000 001	100 000 001	100 000 001	100 000 001
Headline earnings per share (cents per share)				
From continuing operations (cents per share)	64,78	51,20	67,19	46,91

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

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	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
26. CASH GENERATED FROM OPERATIONS				
Profit before taxation	130 652	26 884	67 195	46 913
Adjustments for:				
<i>Items disclosed separately in cash flow statement:</i>				
Finance income	(628)	(316)	(15 876)	(14 196)
Finance costs	40 019	46 586	34 458	26 415
<i>Non-cash items:</i>				
Depreciation	192	229	–	–
Fair value adjustments – derivatives	(15 612)	(20 173)	–	–
Fair value adjustments – investment properties	(65 873)	24 316	–	–
Impairment (including write off) of trade receivables	–	4 704	–	–
Change in straight-line lease asset	15 382	12 955	–	–
Change in lease incentive	2 646	2 646	–	–
Changes in working capital:				
Trade and other receivables	2 449	(6 516)	–	–
Trade and other payables	(13 482)	3 787	4 279	519
	95 745	95 102	90 056	59 651

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27. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Opening balance R'000	Advanced loan cash inflow R'000	Repaid loan cash outflows R'000	Closing balance R'000
2023				
GROUP				
Borrowings	450 000	196 850	(196 850)	450 000
	450 000	196 850	(196 850)	450 000

	Opening balance R'000	Cash inflows R'000	Cash outflows R'000	Closing balance R'000
2022				
GROUP				
Borrowings	450 000	56 200	(56 200)	450 000
	450 000	56 200	(56 200)	450 000

	Opening balance R'000	Income or expenses in profit or loss R'000	Non-cash RMB loan movements between related parties R'000	Repaid loan cash outflows R'000	Closing balance R'000
2023					
COMPANY					
Borrowings	450 000	–	–	–	450 000
	450 000	–	–	–	450 000

	Opening balance R'000	Income or expenses in profit or loss R'000	Advanced loan cash inflows R'000	Repaid loan cash outflows R'000	Closing balance R'000
2022					
COMPANY					
Borrowings	450 000	–	–	–	450 000
	450 000	–	–	–	450 000

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for the year ended 28 February 2023

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28. RELATED PARTIES

Relationships

Subsidiaries

Formprops 61 Properties Proprietary Limited

Newpark Towers Proprietary Limited

I.M.P. Properties Proprietary Limited

CP Finance Proprietary Limited

Other related parties

Capensis Real Estate Proprietary Limited (common director SP Fifield)

Tygon Capital Proprietary Limited (common director AF Benatar)

Renlia Developments Proprietary Limited (common director BD Van Wyk)

Azalea Capital Proprietary Limited (common director AJ Wilson)

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Related party balances				
Amounts due from/(to) related parties				
Newpark Towers Proprietary Limited	–	–	268 415	247 110
I.M.P. Properties Proprietary Limited	–	–	111 884	111 964
Related party transactions				
Interest paid to related parties				
Newpark Towers Proprietary Limited	–	–	–	–
Interest received from related parties				
I.M.P. Properties Proprietary Limited	–	–	(4 687)	(4 194)
Newpark Towers Proprietary Limited	–	–	(11 163)	(10 002)
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	–	506	–
Management fees (paid to)/received from related parties				
Newpark Towers Proprietary Limited	–	–	3 891	3 891
Formprops 61 Properties Proprietary Limited	–	–	587	587
CP Finance Proprietary Limited	–	–	299	299

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29. DIRECTORS' EMOLUMENTS

	Board member fees R'000	Professional services R'000	Total 2023 R'000
12 months ended 28 February 2023			
Non-executive directors			
RC Campbell	293	–	293
T Sishuba	215	–	215
S Shaw-Taylor	322	–	322
DT Hirschowitz	227	–	227
KM Ellerine	215	–	215
BD van Wyk	239	824	1 063
Total	1 511	824	2 335
Executive directors			
SP Fifield	233	333	566
AF Benatar	167	117	284
AJ Wilson	246	370	616
Total	646	820	1 466
12 months ended 28 February 2022			
Non-executive directors			
HC Turner	220	–	220
RC Campbell	67	–	67
T Sishuba	215	–	215
S Shaw-Taylor	322	–	322
DT Hirschowitz	236	–	236
KM Ellerine	215	–	215
BD van Wyk	248	–	248
Total	1 523	–	1 523
Executive directors			
SP Fifield	350	500	850
JAI Ferreira	167	333	500
AJ Wilson	33	50	83
Total	550	883	1 433

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

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30. DETAILS OF PROPERTY PORTFOLIO

Leasing arrangements

Minimum lease payments receivable under non-cancellable operating leases of investment property not recognised in the financial statements are as follows:

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Minimum lease payments				
Within 1 year	127 067	119 641	–	–
Between 1 to 2 years	131 496	126 131	–	–
Between 2 to 3 years	66 837	130 355	–	–
Between 3 to 4 years	16 359	63 461	–	–
Between 4 to 5 years	12 837	12 486	–	–
Later than 5 years	25 510	–	–	–

31. 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.

32. 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.