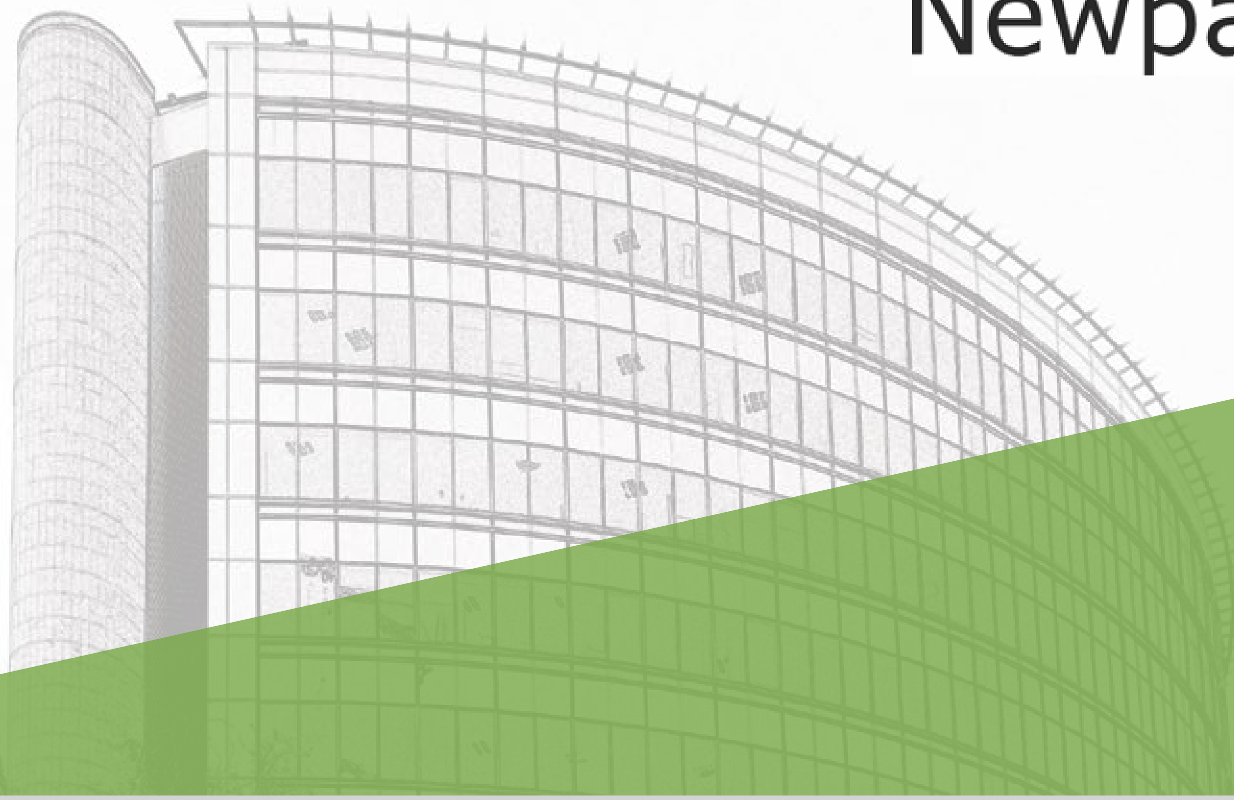
Newpark



2019
integrated report

CONTENTS


24 CENTRAL
NEDBANK CIB
WHEN YOU LOOK AT THE WORLD DIFFERENTLY, CITIES CAN DRAW POWER FROM THE SUN.
From aspiring

NEWPARK REIT

Newpark REIT Limited ("Newpark" or "company" or "group") is a South African-based REIT. Its investment strategy is to seek well-positioned prime commercial and industrial properties which provide quality cash flows with the potential for upward re-rating on lease renewals and/or redevelopment opportunities within the medium- to long-term (five years to 20 years).

AT A GLANCE

Four quality properties:

- Two in the Sandton CBD
- One in Linbro Business Park
- One in Crown City

57 015m² GLA

R1,41 billion portfolio

Listed on 3 February 2016 as a Diversified REIT on the JSE's Alternative Exchange

FINANCIAL HIGHLIGHTS

for the year ended 28 February 2019

Shares in issue	100 000 001
Net asset value per share	R9,25
Loan-to-value ratio *	31,9%
Gross property operating expense ratio	19,4%

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

ABOUT THIS REPORT

Key data

Newpark REIT Limited
Registration number: 2015/436550/06
JSE share code: NRL • ISIN: ZAE000212783
(Approved as REIT by the JSE)

Context

Newpark is pleased to present its fourth integrated report for the year ended 28 February 2019.

Newpark owns two prime commercial properties in Sandton, namely the JSE building and the adjacent 24 Central, an industrial property in Linbro Business Park and an industrial property in Crown City, through its wholly-owned subsidiaries, Newpark Towers Proprietary Limited ("Newpark Towers") and I.M.P. Properties Proprietary Limited ("I.M.P"). Property management for 24 Central is outsourced to JHI with the remaining three properties, all being 'triple-net' leases, managed internally.

This integrated report is primarily aimed at shareholders and providers of capital. The integrated report aims to present a balanced, understandable review of the business and provide an integrated assessment of the company's ability to create value over time.

Materiality

Materiality assessments have been applied in determining the content and disclosure in the report, ensuring that the report is both concise and relevant to Newpark's shareholders. Material issues are considered to be those that could affect the company's ability to create value over time and are likely to have a significant impact on the current and projected revenue and profitability of the business.

The company aims to adopt the guidelines outlined in the International Integrated Reporting Council's ("IIRC") Framework as appropriate in future years. The IIRC Framework includes reporting in terms of the six capitals of value creation, being financial, intellectual, human, manufactured, social and relationship, and natural capital.

Basis of preparation

This report, including the Annual Financial Statements, has been prepared taking account of the following:

- International Financial Reporting Standards ("IFRS");
- SAICA – financial reporting guides as issued by the Accountancy Practices Committee;
- Companies Act, No. 71 of 2008 ("Companies Act");
- JSE Listings Requirements;
- King IV™ Report on Corporate Governance for South Africa 2016 ("King IV™"); and
- Consideration of certain principles contained in the IIRC's Integrated Reporting Framework.

Assurance

The company's external auditor, BDO South Africa Incorporated, has provided assurance on the annual financial statements and expressed an unqualified audit opinion. The financial statements have been prepared by Dries Ferreira, the financial director of Newpark. The content of the integrated report has been reviewed by the board of directors of the company ("board") and the audit and risk committee but has not been externally assured.

Corporate information

Newpark's executive directors are the CEO, Simon Fifield and the financial director, Dries Ferreira. They can be contacted at 51 West Street, Houghton Estate, Houghton, Johannesburg or on tel: 011 483 4700.

The company's independent non-executive chairperson is Gary Harlow. For additional contact details please see the inside back cover.

Newpark welcomes feedback and any suggestions for the company's future reports. Please forward any comments to Simon Fifield or Dries Ferreira at info@newpark.co.za.

Forward-looking statements

This integrated report includes forward-looking statements that take account of inherent risks and uncertainties and, if one or more of these risks materialise, or should the underlying assumptions prove incorrect, actual results may be different from those anticipated. Words such as believe, anticipate, intend, seek, will, plan, could, may, endeavour, project and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements apply only as of the date on which they are made, and Newpark does not undertake to update or revise any of them, whether as a result of new information, future events, or otherwise.

Any forward-looking statements have been neither reviewed nor reported on by the company's auditors, BDO South Africa Incorporated.

Statement of responsibility

The audit and risk committee and the board acknowledge their responsibility to ensure the integrity of this integrated report.

The annual financial statements included in this integrated report have been audited by the external auditors.

Gary Harlow	Simon Fifield	Howard Turner
Chairperson	*CEO*	*Chairperson audit and risk committee*

GROUP OVERVIEW

Newpark is a property holding and investment company focused on building a portfolio of well-positioned prime commercial and industrial properties that offers an attractive return from both a capital and income perspective.

Newpark currently holds a R1,41 billion portfolio, comprising two prime commercial buildings in the Sandton CBD and two industrial buildings in Linbro Business Park and Crown City, respectively, and is looking to acquire further similar assets in pursuit of its investment objectives.

Newpark is led by a team of individuals with significant experience and successful track records in the property industry.

The company's independent property valuer is Peter Parfitt of Quadrant Properties Proprietary Limited.

Governance structure

The governance structures are set out below.

Due to the size and maturity of the company, in the period under review and for the current year, the board undertakes the role of the nominations committee.

Newpark REIT board

Non-executive directors
Dionne Hirschowitz
Kevin Ellerine
Barry van Wyk

Executive directors
Simon Fifield (CEO)
Dries Ferreira (FD)

Independent non-executive directors
Gary Harlow (Chairperson)
Howard Turner
David Sevel
Stewart Shaw-Taylor

Audit and risk committee
Howard Turner (Chairperson)
Gary Harlow
David Sevel

Investment committee
Gary Harlow (Chairperson)
Barry van Wyk
Dionne Hirschowitz
Kevin Ellerine
Stewart Shaw-Taylor

Remuneration committee
David Sevel (Chairperson)
Howard Turner
Dionne Hirschowitz

Social and ethics committee
Howard Turner (Chairperson)
David Sevel
Kevin Ellerine

Newpark currently holds a

R1,41 billion

portfolio and is looking to acquire more assets

Group and operational structure

Newpark REIT Limited

Newpark Towers Proprietary Limited (100% ownership)
- JSE Building
- 24 Central

I.M.P. Properties Proprietary Limited (100% ownership)
- Linbro Park Property*
- Crown Mines Property*

** Properties held through wholly-owned subsidiaries*

PORTFOLIO OVERVIEW

Sectoral profile

	Based on GLA %	Based on gross rental %	Vacancy profile based on GLA %	GLA m^2
Mixed use (office and retail)	**26,6**	**31,7**	**15,7**	**15 188,2**
Office	**31,9**	**46,2**	**0,0**	**18 163,0**
Industrial	**41,5**	**22,1**	**0,0**	**23 664,0**
	100,0	**100,0**	**15,7**	**57 015,2**

	GLA m^2	Tenant profile based on GLA %
A	**42 518,2**	**74,6**
B	**2 548,4**	**4,5**
C	**2 981,6**	**5,2**
Vacant	**8 967,1**	**15,7**
	57 015,3	**100,0**

A-grade tenants include:

large international and national tenants, large listed tenants, government and major franchisees. These are the JSE Limited, Saudi Arabian Airlines Inc., Vida E Café Proprietary Limited and MTN Limited.

B-grade tenants include:

national tenants, smaller listed tenants, franchisees and medium to large professional firms. These are News Café, Moyo Urban and The Baron.

C-grade tenants include:

other local tenants and sole proprietors. These are TP South Africa Trading Proprietary Limited (Australian, UK and Belgian Visa), Thirty Four Degrees South Marketing Proprietary Limited, Club Sublime CC (Taboo), Juju Lounge CC (Cocoon), Panini Brothers, Rockets Express Proprietary Limited, ATM Solutions Proprietary Limited, Lexy's Health Eatery and AU999 Commodities.

Lease expiry profile

Unaudited

GLA	TOTAL	Mixed use	Office	Industrial
Vacant	8 967,06	8 967,06	–	–
Feb 2020	3 361,67	3 361,67	–	–
Feb 2021	131,56	131,56	–	–
Feb 2022	2 146,42	2 146,42	–	–
Feb 2023	108,90	108,90	–	–
Feb 2024	142,63	142,63	–	–
> Feb 2024	42 157,00	330,00	18 163,00	23 664,00

Gross rental	TOTAL	Mixed use	Office	Industrial
Vacant	20 529 947,06	20 529 947,06	–	–
Feb 2020	8 324 893,23	8 324 893,23	–	–
Feb 2021	389 366,26	389 366,26	–	–
Feb 2022	7 145 091,85	7 145 091,85	–	–
Feb 2023	543 461,53	543 461,53	–	–
Feb 2024	649 510,80	649 510,80	–	–
> Feb 2024	84 530 827,20	1 104 742,60	56 434 282,63	26 991 801,96

Segment analysis

Property name	Physical address	Sector	Weighted average rental per m² (R/m²)	Rentable area (GLA) m²	Vacancy (% of rentable area)	Valuation as at 28 February 2019 R'000
JSE Building	One Exchange Square, 2 Gwen Lane, Sandown, 2196	Office	*	18 163,00	–	**722 000**
24 Central	6 Gwen Lane, Sandown, 2196	Mixed use (office and retail)	144,92	15 188,24	15,7	**422 000**
Linbro Park	Portion 3 and 4 of Erf 9 Frankenwald Extension	Industrial	*	12 387,00	–	**161 000**
Crown Mines	Erven 1 and 2 Crown City Extension 1	Industrial	*	11 277,00	–	**102 000**
Total			**154,82**	**57 015,24**	**15,7**	**1 407 000**

** As the JSE Building, Linbro Park and Crown Mines are single tenanted buildings in the property portfolio, the weighted average rental per m² as at 28 February 2019 has been included in the weighted average rental per m² for the group.*

The properties were valued at 28 February 2019 by Peter Parfitt of Quadrant Properties Proprietary Limited, who is an independent, registered professional valuer in terms of the Property Valuers Profession Act, No. 47 of 2000.

Other information

The forward average annualised property yield was 8,08% at 28 February 2019.

STRATEGIC OVERVIEW

Newpark's strategy is to deliver capital and distribution growth to shareholders by investing in well-positioned prime commercial and industrial properties, which provide quality cash flows with the potential for upward re-rating on lease renewals and/or redevelopment opportunities within the medium- to long-term.

OUR BUSINESS MODEL

HOW NEWPARK CREATES VALUE

INPUTS		OUTPUTS
FINANCIAL CAPITAL		
Equity	R925 million	Income and capital growth for shareholders
Long- and short-term borrowings	R459 million	
Cash generated from operations for the year ended 28 February 2019	R95 million	
Efficient systems, controls and processes		
MANUFACTURED CAPITAL		
A-grade properties in Sandton CBD, Linbro Park and Crown City		Enhanced portfolio Well-managed portfolio of properties generating growing income
INTELLECTUAL CAPITAL		
Executive and non-executive directors with extensive industry expertise and experience Sound governance structures Regulatory compliance		Optimal investment decisions Transparent disclosure
HUMAN CAPITAL		
Properly constituted board and sub-committees with appropriate experience and independence Remuneration policy aimed at attracting and retaining key staff		Retention of key employees Attracting top talent
SOCIAL AND RELATIONSHIP CAPITAL		
Established symbiotic relationship with major tenants and other business partners Established social and ethics committee		Enduring relationships with tenants and partners Positive contribution to wider South African society
NATURAL CAPITAL		
Efficient use of constrained resources such as water and electricity		Waste recycling and reduction in the carbon footprints

STRATEGIC FOCUS

- Managing assets responsibly to deliver capital and distribution growth to shareholders
- Providing access to funding essential for operations and the group's ability to create value
- Investing in strategic nodes to maximise returns
- Maintaining properties to enhance their value and continually deliver on tenants' expectations

STAKEHOLDER ENGAGEMENT

The board believes that establishing strong partnerships with the company's stakeholders are crucial to managing the risks and capitalising on the opportunities arising from its business activities. Key stakeholders are groups who have an impact on Newpark's business strategy and are materially impacted by its business activities. Newpark is committed to ensuring timeous, effective and transparent communication with shareholders and other stakeholders as set out below.

Key stakeholders	Key issues	How Newpark engages	Responsibility
Shareholders	• Distribution consistency • Consistent investment performance • Strategy execution • Portfolio growth • Capital appreciation • Risk management • Accessibility of executives • Timeous information	• Investor publications • Circulars, annual and interim results reporting • SENS announcements • Integrated report • AGM • Newpark's website	• Board of Directors • CEO • FD
Financiers	• Capital management • Sustainability • Investment performance • Cash generation • Corporate governance and compliance • Risk management	• Agreed reporting • Regular meetings • Integrated report	• CEO • FD • Newpark asset managers
Business partners and suppliers	• Professional working relationships • An understanding of the group's performance standards and requirements • Timely payment • Fair business practices	• Fosters a culture of teamwork • Regular meetings • Service level agreements or terms of reference, which include performance expectations	• CEO • FD • Newpark asset managers and senior management
Tenants	• Property management • Reasonable rentals and escalations • Good upkeep and maintenance of buildings	• Asset and property management meet with the tenants on a regular basis and conduct regular site visits to Newpark's properties	• Asset and property managers
Independent valuers	• Reliable and timeous information	• Regular information flow • Formal and ad hoc meetings	• CEO • FD • Investment committee chairperson

STRATEGIC OVERVIEW

continued

Key stakeholders	Key issues	How Newpark engages	Responsibility
Government and regulators	• Compliance • Taxation • Adherence to JSE Listings Requirements • Company legislation • Utility issues • Rates clearances • Zoning	• Engages with local authorities both directly and via its property managers and external consultants	• Management • Outsourced property administrators • External consultants
Industry associations	• Introduction of new legislation • Global and local trends	• Responsible corporate citizenship	• Newpark managers belong to industry bodies including SAPOA and SA Shopping Centre Council
Communities	• Socio-economic development • Environmental impact and the environment	• Management • Property managers • Executives • Property managers	• Regular evaluation of the group's impact on society

LEADERSHIP AND GOVERNANCE

Newpark is committed to upholding the highest standards of ethics, transparency and good governance while pursuing wealth and value creation. The board is the focal point of good governance, exercising sound judgement and leading with integrity.

CHAIRPERSON AND CEO'S REPORT

It is our pleasure to present Newpark's fourth integrated report.

Newpark's vision is to build a portfolio of high quality property assets that offers attractive returns from both a capital and income perspective. The platform that has been established is a sound one, and when combined with a highly disciplined investment approach, positions Newpark well for sensible growth when appropriate opportunities arise.

Over the past year, the prevailing economic and political landscape in South Africa has been characterised by high levels of uncertainty and has thus not been conducive to the deployment of capital. A number of acquisition opportunities continue to be assessed, whilst management's focus has largely been on dealing with letting issues at 24 Central. This exercise takes time, but we are confident that the long-term benefits will ultimately prove worthwhile and that the business will be well positioned to capitalise on opportunities when the cycle does eventually turn.

Investment strategy

Whilst Newpark's mandate is relatively broad, the focus remains on well-positioned prime commercial and industrial properties which provide quality cash flows with the potential for upward re-rating on lease renewals and/or redevelopment opportunities within the medium- to long-term (five years to 20 years).

Market conditions

Market conditions over the past year have been extremely difficult, with little to get excited about from an acquisition perspective, and much work going into the existing portfolio. The year ahead seems muted and we do not see any material improvement in the operating environment in the short- to medium-term. The South African economy has structural constraints which will take some time to resolve. Opportunities are expected to be exceptions, not the rule.

From an interest rate perspective, the initial positive impact of Ramaphoria in early 2018 was short-lived with long-term swap rates peaking at just over 8% in August. Although rates have trended downwards since then, the spread between five-year swaps and USD/ZAR (which historically has been negligible) has widened, and a correction is anticipated.

Within a generally bleak macro-economic landscape, we are hopeful that, as a consolation, some good acquisition opportunities may present themselves and are confident that Newpark is well positioned to capitalise on such opportunities should they arise.

Results

Newpark's balance sheet remains robust with healthy gearing levels improving from 33,3% to 32,7% during the current year.

Revenue for the financial year was R127,9 million (down 6,3%), which realised an operating profit before fair value adjustments of R95,5 million (down 7,9%) and, after allowing for fair value adjustments and the net cost of finance, resulted in total comprehensive income of R72,0 million (down 6,9%). Earnings were 72,02 cents per share (F2018: 79,79 cents per share) and distributable earnings reduced by 18,0% to 43,30 cents per share (F2018: 52,80 cents per share), both of which are consistent with the projections provided.

Funding

The group's funding is well structured and aligned to the underlying investment profile.

Consistent with the board's interest rate risk management policy, 80% of the interest rate risk has been hedged with interest rate swaps expiring in 2022.

Portfolio performance

Newpark is fortunate that three of its four assets are let to single tenants of good standing. This has served the business very well over the difficult times that we are currently experiencing. 24 Central, which is a multi-tenanted office building in Sandton, has, however, come under extreme pressure, as have similar assets in this particular node. The portfolio vacancy of 15,7% (by GLA), can be entirely attributed to 24 Central and significant effort is going into trying to remedy this situation.

Governance structure

Newpark prides itself on adhering to the highest benchmarks of corporate governance, and on the commitment of its leadership to both the business and these high standards. The attendance record of all meetings of the board and various sub-committees bear testimony to this commitment and is particularly pleasing to note. This report sets out the robust governance structures that were implemented ahead of the listing on the JSE, and which are adhered to.

Sustainability and B-BBEE

Newpark is serious about managing its business in a sustainable manner and prides itself on fulfilling its responsibility to act as a good corporate citizen. Obviously, this philosophy encompasses the financial performance and risk management of the group, which it strictly adheres to, but importantly it also extends to the social and environmental spheres and the impact that Newpark is able to have on society and the environment.

During the year, Newpark commenced discussions with a number of appropriately empowered potential partners, and we are hopeful of concluding a transaction in due course.

Prospects

Newpark will continue to focus on a disciplined approach to the acquisition of high quality properties that offer meaningful growth in both capital and income. In the year ahead, the emphasis will be on filling the 24 Central vacancy, introducing an appropriately empowered partner into Newpark's shareholder base and searching for acquisitions that offer value.

The board is mindful of the current pressures experienced by tenants in the mixed-use (retail and office) segment, manifesting in higher than desired vacancies for the short-term. Notwithstanding this, Newpark has budgeted to deliver growth of 6,0% to 8,0% on its 2019 year distributions, and more importantly, be well positioned for above average growth thereafter.

The forecast is based on the assumption that a stable macro-economic environment will prevail, no material tenant defaults will occur and operating cost increases will not exceed inflation. This forecast has not been audited or reviewed by the company's auditors.

Finally, we would like to extend our appreciation to our fellow directors for their sound advice, valued guidance and unflagging commitment over the past year.

Gary Harlow
Chairperson

Simon Fifield
CEO

DIRECTORATE

Executive directors

Simon Peter Fifield (43)
Chief executive officer

BSc Survey, MSc Survey,
CFA Charterholder

Appointed: 7 January 2016

Simon has had a lengthy career in the property market. In 2017, he relinquished his executive responsibilities at RMB Westport, a real estate development fund which he co-founded, that is focused on property development in sub-Saharan Africa. Prior to RMB Westport, Simon worked at RMB for 12 years, where he gained experience in the Structured Finance, Private Equity and Global Markets businesses before establishing himself in the Investment Banking Division where he headed the Real Estate Investment Banking business for seven years. He has been a member of the FirstRand Bank Property Finance Credit Committee, the IBD Investment Committee as well as the RMB Westport Investment Committee. Before joining RMB, Simon worked as a land surveyor and engineer, both in South Africa and the United Kingdom.

Dries (J.A.I.) Ferreira (41)
Financial director

BCom (Hons), CA(SA), Harvard PLD

Appointed: 1 September 2016

Dries graduated from the University of Port Elizabeth (now NMU) and later qualified as a Chartered Accountant (SA) after completing his articles with PwC (Johannesburg and Montreal). He gained experience in financial and executive management in various listed industrial groups. He was appointed group chief financial officer and executive director of DAWN Limited in 2007, a listed industrial and logistics group. He furthered his skills-base by successfully completing the Harvard Programme for Leadership Development in Boston, USA.

Independent non-executive directors

Gary David Harlow (61)
Chairperson, Independent non-executive director

BBusSci (Hons) (UCT), FCMA, CGMA, CA(SA)

Appointed: 7 January 2016

Gary graduated from the University of Cape Town in 1979, qualifying as a Chartered Accountant (SA) in 1982, an Associate of the Chartered Institute of Management Accountants (UK) in 1983 and as a Fellow of the Institute of Chartered Management Accountants (UK) in 1996. He forged his early career in merchant banking and was a founding director of Thebe Investment Corporation in 1992, one of South Africa's first prominent black-owned investment companies. He was appointed group chief executive officer of Unihold Limited, a listed industrial, IT and telecommunications group in 1996. In 2001, he led a management buy-out and delisting of Unihold.

Gary remains executive chairperson of the group, with its primary focus now on commercial and industrial property. Gary has served on numerous private and public company boards. He is an independent non-executive director of Blue Label Telecoms Limited and chairperson of its investment committee and remuneration committee.

Howard Charles Turner (76)
Independent non-executive director

CA(SA) SEP (Stanford)

Appointed: 7 January 2016

Howard is a qualified chartered accountant and was the managing partner of Coopers and Lybrand, Johannesburg and a member of the Coopers and Lybrand National Executive Committee. Howard was deputy chief executive officer of Group Five Limited until he retired from this role in 2004. Howard was also a member of the board of Consol Limited and chairperson of the audit and corporate governance committee. He was the chairperson of the board of the Automobile Association of South Africa from 2007 to 2015 and was the chairperson of the board of Iliad Africa Limited from 2005 to 2013.

Independent non-executive directors (continued)

David Ivor Sevel (69)
Independent non-executive director

PLE

Appointed: 7 January 2016

David is a managing member of Zenagis Properties 1002 CC (1985 to present). He has been involved in all aspects of the property market for the last 31 years, including broking, letting and developments, working nationally with independent clients as well as listed funds.

Stewart Shaw-Taylor (67)
Independent non-executive director

CA(SA)

Appointed: 1 February 2017

Stewart has more than 35 years' experience in investment banking and real estate. Prior to his retirement from Standard Bank, he was head of Real Estate Investments: Corporate and Investment Banking, responsible for the equity-related real estate activities undertaken by the division. He currently serves on a number of listed and unlisted boards.

Non-executive directors

Dionne Traci Hirschowitz (née Ellerine) (51)
Non-executive director

BCom LLB

Appointed: 7 December 2015

Dionne has a BCom LLB from Wits University and thereafter was admitted as an Attorney of the Supreme Court of South Africa. She lived in London for 11 years where she worked at Stenham Property managing commercial property investments for offshore clients. On her return to South Africa she was appointed as a director of Ellerine Bros. Proprietary Limited, which is involved in equity and property investments.

Kevin Murray Ellerine (50)
Non-executive director

National Diploma in Company Administration

Appointed: 7 December 2015

Kevin joined the family business, Ellerine Holdings, in 1991 as merchandise manager. In 1993, he became property manager of Ellerine Bros. Proprietary Limited and was appointed managing director of the property division in 2000, where he remains today. He serves on the boards of numerous property and private equity companies in which Ellerine Bros. Proprietary Limited is invested.

Barry Daniel Van Wyk (52)
Non-executive director

CA(SA)

Appointed: 7 December 2015

Barry is a founding shareholder of Newpark Towers Proprietary Limited and is involved with numerous property ventures focused on the office, industrial and residential sectors within Gauteng. He has also been an independent non-executive director of Resilient REIT Limited since its listing in 2002. Prior to this, he was an executive director at Group Five Limited and managing director of Group Five Developments.

CORPORATE GOVERNANCE REPORT

Newpark is committed to upholding the highest standards of ethics, transparency and good governance while pursuing wealth and value creation. The board is the focal point of good governance exercising sound judgement and leading with integrity. It is committed to implementing governance principles and practices, as are sensible for Newpark, in accordance with the recommendations of King IV™. Independent corporate governance consultants were engaged to ensure that all directors are fully conversant with best practice and current thinking with regard to corporate governance. All directors are required to attend a formal director induction programme at the Institute of Directors in Southern Africa.

Ethical leadership

Newpark is committed to maintaining the highest standards of ethics and business conduct. The board is the focal point of the group's values and ethics, which reflects the directors' belief in free and fair dealings and, with commitment to compliance with all relevant laws and regulations. The directors' good standing and reputation in the business community validates this commitment. The group has implemented a code of ethics ("the Code") that stipulates, among other things, that:

- all stakeholders must act in good faith with skill and care;
- bribery in any form is not tolerated;
- conflicts of interest must be declared; and
- compliance with all relevant and applicable legislation is of the utmost importance.

All employees working on the portfolio have been made aware of their responsibilities as set out in the Code. The social and ethics committee is responsible for reviewing the Code annually.

The board confirms that it is not aware of any transgressions of the Code during the year under review and that no issues of non-compliance have arisen. No fines or prosecutions have been levied against the group during the period under review.

The board

Members

Executive directors

Simon Fifield (CEO)

Dries Ferreira (FD)

Independent non-executive directors

Gary Harlow (Chairperson)

Howard Turner

David Sevel

Stewart Shaw-Taylor

Non-executive directors

Dionne Hirschowitz

Kevin Ellerine

Barry van Wyk

Newpark's board comprises two executive directors and seven non-executive directors, of whom four, including the chairperson of the board, Gary Harlow, are independent. The responsibilities of the independent non-executive chairperson, the CEO, and the remaining independent non-executive, non-executive and executive directors, are strictly separated to ensure that no director can exercise unfettered decision-making. The non-executive directors and the independent non-executive directors contribute a wide range of relevant industry skills, knowledge and experience, to the board's decision-making processes. Ultimate control of the group rests with the board, while the executives are responsible for the proper execution of the group strategy. To achieve this, the board determines the objectives of the group and sets the philosophy for investments, performance and ethical standards. Quarterly board meetings are held with additional meetings convened, when necessary.

Newpark's executive directors do not have fixed-term contracts and have a notice period, for termination or resignation, of three calendar months. There is no restraint of trade period in place in respect of executive directors. In terms of the company's Memorandum of Incorporation ("MOI"), one-third of the directors must be re-elected annually.

Functions and responsibilities of the board

A formal board charter is in place. This sets out the board's responsibilities and the authorities that govern the actions of the board and its directors with a view to ensuring the sustainability of the company. The board confirms that it is responsible for ensuring the following functions as set out in the board charter:

- Maintaining good corporate governance and the implementation of the code of corporate practices and conduct as set out in recommendations of King IV™.
- Ensuring that the group performs at an acceptable level and that its affairs are conducted in a responsible and professional manner.
- Upholding the board's responsibilities to all stakeholders.

Although certain responsibilities are delegated to committees or executives, the board acknowledges that it is not discharged from its obligations with regard to these matters. The board acknowledges its responsibilities, as set out in the board charter, in the following areas:

- Adoption of strategic plans and ensuring that these plans are carried out by the executives.
- Monitoring of operational performance of the business against predetermined budgets and targets.
- Monitoring performance at both operational and executive level.
- Ensuring that the group complies with all relevant laws, regulations and codes of business practice.
- The development of a policy and plan that provides for an effective system and process of risk management.
- Ensuring a clear division of responsibilities at board level to ensure a balance of power and authority.
- Ensuring the integrity of the group's integrated report.
- Appointing the chief executive officer.
- Establishing a framework for the delegation of authority.

Independence of the board

Newpark ensures the independence of the board through the following practices:

- Appointment of an independent non-executive director as chairperson.
- Clear separation of the roles of chairperson and CEO.
- Appointment of a minimum of three independent non-executive directors.
- The audit and risk committee comprises only independent non-executive directors, while the remuneration committee and social and ethics committee comprise a majority of independent non-executive directors.
- The audit and risk committee, investment committee, remuneration committee and social and ethics committee are chaired by independent non-executive directors.
- No service contracts are in place in respect of non-executive directors.
- All directors have access to the advice and services of the company secretary and, with prior agreement from the chairperson, all directors are entitled to seek independent professional advice concerning the affairs of the group at the group's expense.

The independence of the independent non-executive directors was assessed and all were deemed to meet the requirements of independence in terms of the recommendations of King IV™. The continued independence of these directors will be annually evaluated and confirmed.

Nominations

The board is collectively responsible for the identification, assessment and appointment of new directors, in a formal and transparent manner that is free from the dominance of any one particular shareholder. Any new appointees must possess the requisite skills to make a meaningful contribution to board deliberations and to enhance the composition of the board.

Due to the size of the group, the board does not currently deem it necessary to establish a nominations committee.

Directors' personal interests

A full list of directors' interests is maintained and directors, at the beginning of each board meeting, are required to confirm that the list is correct. Directors recuse themselves from any discussion and decision in which they have a material financial interest.

Attendance at meetings

The attendance at meetings are recorded in the table below.

Newpark board meeting attendance for the year ended 28 February 2019

	Date of meeting				
Name	**22 May 2018**	**17 Jul 2018**	**9 Oct 2018**	**25 Jan 2019**	**Total**
Executive directors					
SP Fifield	√	√	√	√	**4/4**
JAI Ferreira	√	√	√	√	**4/4**
Non-executive directors					
G Harlow (Chairperson)	√	√	√	√	**4/4**
H Turner	√	√	√	√	**4/4**
D Sevel	√	√	x	√	**3/4**
B van Wyk	√	√	√	√	**4/4**
DT Hirschowitz	√	√	√	√	**4/4**
KM Ellerine	√	√	√	√	**4/4**
S Shaw-Taylor	√	√	x	√	**3/4**

Audit and risk committee

Members: Howard Turner (Chairperson), Gary Harlow and David Sevel

As Gary Harlow is the chairperson of the board and a member of the audit and risk committee, his dual role will be tabled for shareholder approval at every annual general meeting of the company.

Invitees: CEO, FD, company secretary and the external auditors

The committee meets at least three times per year. Special meetings are convened as and when required.

Meeting attendance

Attendance at audit and risk committee meetings by the directors during the period 1 March 2018 to 28 February 2019 is outlined below:

Newpark audit and risk committee meeting attendance register for the year ended 28 February 2019

	Date of meeting				
Name	22 May 2018	9 Oct 2018	16 Oct 2018	25 Jan 2019	Total
H Turner (Chairperson)	√	√	√	√	**4/4**
G Harlow	√	√	√	√	**4/4**
D Sevel	√	x	√	√	**3/4**

Role and responsibilities of the audit and risk committee report

The audit and risk committee is governed by a charter, which was approved by the board and is reviewed annually. The board makes appointments to the committee, which are subject to approval by shareholders annually at the company's annual general meeting. The board has determined that the committee members have the skills and experience necessary to contribute meaningfully to the committee's deliberations. The committee members have unfettered access to all information, documents and explanations required in the discharge of their duties and to the external auditors. The audit and risk committee is responsible for reviewing the finance function of the company on an annual basis.

The primary role of the audit and risk committee is:

- overseeing the audit process and relations with the external auditors;
- assisting the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and internal control processes;
- ensuring that an effective plan for risk management is implemented;
- overseeing the preparation of accurate financial reports and statements in compliance with all applicable legal requirements and accounting standards;
- ensuring compliance with good governance practices;
- nomination of independent external auditors; and
- ensuring the integrity of financial reporting.

The committee is responsible for the company's systems of internal, financial and operational controls. The executive directors are charged with the responsibility of determining the adequacy, extent and operation of these systems. Comprehensive reviews and testing of the effectiveness of the internal control systems in operation are performed by the appointed asset and property managers in conjunction with external audits conducted by external practitioners (whose work will be overseen by, and reported to, the audit and risk committee). These systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements, to safeguard, verify and maintain accountability of the company's assets, and to identify and minimise the likelihood of significant fraud, potential liability, loss and material misstatement, while complying with applicable laws and regulations.

Due to the size of the company, the board does not currently consider it necessary to maintain a full-time internal audit function. This position will be reviewed and assessed on an annual basis. The board has mandated the audit and risk committee to initiate internal audit investigations as and when deemed necessary.

The audit and risk committee may authorise the engagement of the external auditors for non-audit services after consideration of the following:

- the essence of the work to be performed may not be of a nature that any reasonable and informed observer would construe as being detrimental to good corporate governance or in conflict with that normally undertaken by the accountancy profession.
- the nature of the work being performed will not affect the independence of the appointed external auditors in undertaking the normal audit assignments; and
- the work being done may not conflict with any requirement of International Financial Reporting Standards or principles of good corporate governance.

The audit and risk committee must consider, on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director and the company must confirm this by reporting to shareholders in its integrated report that the audit and risk committee has complied with its obligations.

The committee is an integral component of the risk management process and reviews the activities relating to control over significant risks and the implementation of risk management strategies and policies.

The committee has reviewed and confirms that the company has complied with the risk management policy which is in accordance with industry practice and specifically prohibits Newpark from entering into any derivative transactions that are not in the normal course of the company's business.

Internal financial and operating controls

A framework of financial reporting, internal and operating control has been established by the board to provide reasonable assurance of accurate and timeous reporting of business information, safeguarding of group assets, compliance with relevant laws and regulations and financial information and general operation. The committee has reviewed and is satisfied with the effectiveness of the internal financial and operating controls, the process of risk management and the monitoring of governance and legal compliance within the group.

Combined assurance

Newpark's combined assurance model is based on three levels of assurance for all significant risks. Level one is management assurance instigated by the outsourced property administrators. Level two is internal assurance, achieved through oversight by executive management of the group. Level three is external assurance achieved through the oversight by the independent non-executive directors and the external auditors. By adopting this approach, the group considers that it is doing everything reasonably practicable to give assurance that risks are mitigated and that effective controls are in place.

Investment committee

Members: Gary Harlow (Chairperson), Barry van Wyk, Dionne Hirschowitz, Kevin Ellerine and Stewart Shaw-Taylor

Invitees: CEO, FD

An investment committee charter that governs the investment committee's responsibilities and duties was approved and adopted by the board in FY 2016. All members of this committee have extensive experience and technical expertise in the office, retail and industrial property sectors.

The investment committee considers all acquisitions, disposals and capital expenditure for recommendation to the board. The committee's meetings are ad hoc, and non-formal in nature and recommendations on investment responsibilities and duties are made to the board, which is the ultimate decision-maker on investments.

Remuneration committee

Background statement

Members: David Sevel (Chairperson), Howard Turner and Dionne Hirschowitz

Invitees: CEO, FD and company secretary

Meeting attendance

The remuneration committee met once during the year, on 15 May 2018, and all members were present.

A charter governs the committee's responsibilities and duties.

Annual general meeting – voting on remuneration

In terms of the Companies Act, fees of non-executive directors for their services as directors must be submitted for approval by special resolution by shareholders within the two years preceding payment. Additionally, resolutions to cast non-binding advisory votes in respect of the remuneration policy and the remuneration implementation report should be presented to shareholders.

At the annual general meeting held on 9 October 2018, these resolutions were presented to shareholders. Non-binding advisory resolutions number 1 and 2 (remuneration policy and remuneration implementation report) as well as special resolution number 3 (non-executive directors' remuneration) were passed by 100% of the 93 536 540 votes that were presented/represented at the annual general meeting, being 94% of the total number of Newpark shares that could have been voted at the annual general meeting.

The remuneration policy records the measures that the board commits to take in the event that either the remuneration policy or the remuneration implementation report, or both, be voted against by 25% or more of the voting rights exercised, which measures provide for taking steps in good faith and with best reasonable effort to:

- enter into an engagement process to ascertain the reasons for the dissenting votes; and
- appropriately address legitimate and reasonable objections and concerns raised, which may include amending the remuneration policy, or clarifying and adjusting remuneration governance and/or processes.

Summary of remuneration policy

The committee is responsible for the group's remuneration policy, specifically pertaining to the executive directors. The committee is tasked with ensuring that directors and executives are remunerated fairly and responsibly. The committee considers the mix of fixed remuneration as well as short-term and long-term incentives. Incentives are based on targets that are stretching, verifiable and relevant.

Remuneration of non-executive directors, who do not receive incentive awards, is reviewed and recommended by the committee to the shareholders for approval at the annual general meeting.

For emoluments paid during the 2019 financial year, please refer to note 31 to the financial statements.

The proposed emoluments of the non-executive directors for the 2020 financial period are set out in the table below.

The directors are remunerated by Newpark. Other than fees paid to the company secretary in respect of company secretarial services, Capensis Real Estate (a related party to the CEO) for asset management services and WellCapital (a related party to the financial director) for accounting services, the company has not entered into any contracts relating to directors and/or managerial remuneration, secretarial and technical fees and restraint payments.

Remuneration implementation report

The remuneration policy resulted in a fixed reward structure whereby the CEO and FD receive quarterly payments. No variable remuneration was paid during the year under review. Both the CEO and FD delivered against the pre-defined objectives linked to the fixed remuneration and details of remuneration paid are disclosed in note 31 to the financial statements.

Non-executive directors' fees for the year ended 28 February 2019 and proposed fees for 2020:

	Directors' annual fees	
Position	2019 Actual R	2020 Proposed R
Chairperson of the board	**252 810**	267 979
Non-executive member of the board	**168 540**	178 652
Audit and risk committee chairperson	**50 562**	53 596
Audit and risk committee member	**33 708**	35 730
Remuneration committee chairperson	**33 708**	35 730
Remuneration committee member	**22 472**	23 820
Social and ethics committee chairperson	**33 708**	35 730
Social and ethics committee member	**22 472**	23 820
Investment committee chairperson	**16 854**	17 865
Investment committee member	**11 236**	11 910

David Sevel
Remuneration committee chairperson

Social and ethics committee

Members: Howard Turner (Chairperson), David Sevel and Kevin Ellerine

Invitees: CEO, FD

The social and ethics committee is a statutory committee focused on monitoring compliance with labour legislation as well as corporate social responsibilities, corporate citizenship, the impact of the company's activities on the environment, health and safety and customer relations. The committee executes the duties assigned to it by the Companies Act as well as any additional duties assigned to it by the board of directors. A charter governs the committee's responsibilities and duties.

Social and ethics committee report

The board is committed to the spirit and principles of broad-based black economic empowerment (B-BBEE), including socio-economic development objectives.

The committee assists the board in ensuring that there are appropriate strategies and policies in place to progress transformation.

The committee seeks to address any and all issues pertaining to the transformation of the group into an organisation that is not only relevant in the context of a democratic South Africa, but also to ensure that the composition of the group is fully representative of the cultural landscape that is prevalent in the country. Newpark seeks to implement, through careful and considered processes, measures that do not detract from the group's long-term goal of delivering sustainable returns to all shareholders and stakeholders alike.

The group has taken the decision to adopt a holistic approach to empowerment, addressing skills development, employment equity promotion in the workplace, procurement practices which support developing businesses and suppliers, enterprise creation and equity ownership in the group.

In order for the group to remain competitive, enhance profitability and ensure its long-term sustainability, it is imperative that it not only complies with the requirements of the Broad-Based Black Economic Empowerment Act and related Codes of Good Practice (the Codes), but that the implementation of transformation objectives is done in such a manner so as to bring meaningful economic participation to a broad base of historically disadvantaged individuals through economic exposure and the sharing of wealth creation resulting from the group's economic activities.

Newpark has embarked on its journey to become a compliant B-BBEE company. The group will be performing its third scorecard assessment during the 2020 financial year based on the Property Sector codes which were Gazetted during June 2017.

The group is pursuing an increased focus on transformation and, to this end, a policy has been drafted which aligns with the principles of the Property Sector codes.

Transformation goals and objectives pertain to equal opportunity employment, diversity management, recruitment and selection, rewards and benefits, leadership development and training.

The focus in the coming year will be to assess the viability and establish targets for each of the five elements as measured by the Codes.

The board, furthermore, wishes to outline its commitment to the improvement of its B-BBEE scorecard. This must, however, be seen in the context of the current economic realities around identifying affordable options that can serve the needs of redress and, at the same time, not lead to a disproportionate cost for existing shareholders. The key to unlocking this improvement is actively pursued in the same context of growing the group's portfolio of assets, addressing the lack of shareholder-spread and continuously assessing the group's readiness for employing full-time employees from designated cultural-groups. The growth mandate remains subject to available opportunities that satisfy the board's investment criteria.

CORPORATE GOVERNANCE REPORT

continued

The group's rating relating to its second scorecard assessment measures the group as a level-8 contributor. The objective of the board is for the group to be recognised as a Compliant Contributor within the medium term.

B-BBEE scorecard for F2019

Element	Weighting	Score
Ownership	33	–
Management control	11	–
Enterprise and supplier development	43	1,83
Socio-economic development	2	–
Economic development	5	–
Youth employment service initiative	3	–
Overall score	**97**	**1,83**
Adjusted for REIT	**132/97x4,69**	**2,57**

Meeting attendance

Attendance at social and ethics committee meetings by the directors during the period 1 March 2018 to 28 February 2019 is outlined below:

Newpark social and ethics committee meeting attendance for the year ended 28 February 2019

	Date of meeting	
Name	9 Oct 2018	Total
H Turner (Chairperson)	√	**1/1**
K Ellerine	√	**1/1**
D Sevel	√	**1/1**

Howard Turner
Social and ethics committee chairperson

Company secretary

The board has direct access to the company secretary, CIS Company Secretaries Proprietary Limited, who provides guidance and assistance in line with the requirements outlined in the Companies Act, King IV™ and the JSE Listings Requirements.

The independence, competence, qualifications and experience of the company secretary is subject to annual evaluation by the board. For the period under review, the board considered the competence, qualifications and experience of the company secretary and is satisfied that the company secretary is deemed fit to continue in the role as company secretary for Newpark.

The company secretary's relationship with the board has been assessed and is considered to be at arm's length.

Information technology governance

The board is ultimately responsible for IT governance. The financial director oversees the information technology function, attends the executive committee meetings and reports to the CEO. The risks and controls over information technology assets and data are considered by the audit and risk committee.

Dealing in securities by the directors

Dealing in the group's securities by directors and group officials is regulated and monitored, as required by the JSE Listings Requirements and the group's policy. Newpark maintains a closed period from the end of a financial reporting period to the date of publication of the financial results.

Promotion of Access to Information Act

There were no requests for information lodged with the group in terms of the Promotion of Access to Information Act, No. 2 of 2000, during the period under review.

Diversity policy

The group is committed to actively managing diversity as a means of enhancing the company's performance by recognising and utilising the contribution of diverse skills and talent of its directors. Diversity may result from a range of factors including age, gender, ethnicity, cultural background, race or other personal factors.

The policy applies to the board. It does not apply to diversity in relation to employees of Newpark, which is covered by the company's employment equity policy, according to South African labour legislation.

The board has adopted a diversity policy at board level and will report annually, in the corporate governance section of the integrated report, on the process it has used in relation to board appointments. The committee will review the policy annually, which will include an assessment of the effectiveness of the policy.

The board diversity targets are as follows:

- The target for race diversity has not been set, but the board is of the view that there should be a balance of historically disadvantaged candidates and white representation on the board. A race diversity target of 25% historically disadvantaged directors has been set, to be achieved over an appropriate time frame and aligned to the group's acquisition profile.
- The target for gender diversity has not been set, but the board is of the view that there should be a balance of male and female representation on the board. A gender diversity target of 25% female directors has been set, to be achieved over an appropriate time frame and aligned to the group's acquisition profile.

RISK MANAGEMENT

The board retains overall responsibility for risk management and for the definition of the company's overall risk strategy and tolerance, having considered the recommendations of the audit and risk committee.

Risk	Impact	Mitigation strategies
Investment property portfolio		
Inability to source suitable properties to acquire	• Inability to grow the portfolio	• Regular interaction with key people in the industry
Damage to investment property	• Financial loss to the company and reduced asset value	• Comprehensive insurance policy based on replacement value of investment property • Regular review of insurance policy and insured values • Performing regular maintenance on properties
Operational performance		
Vacancies and rental default	• Reduced profitability and returns to stakeholders • Declining property valuations, reduced net asset values and risk of breach of financial covenants	• Strong focus on tenant relationships to ensure retention • Targeted leasing strategy • Early renewal negotiations • Effective credit control procedures for defaulting tenants
Negative rental-reversions	• Declining property valuations • Reduced earnings and cash flows • Reduced distributions	• Negotiating long-term leases • Sourcing A-grade tenants • Regular upgrades of facilities
Financing		
Interest rate risk	• Increased cost of borrowings will reduce shareholder value	• Maintain appropriate level of fixed interest rates and hedging
Failure to secure funds for acquisitions	• Inability to grow the portfolio	• Regular interaction with investors and bankers to ensure the availability of equity and/or debt for funding of acquisitions
Governance		
Non-compliance with regulations, e.g. JSE Listings Requirements	• Imposition of censures by the JSE • Suspension or termination of the company's listing	• Active monitoring by corporate sponsors and company secretary
Reputational risk	• Loss of investor confidence and share price volatility	• Regular communication with stakeholders

Risk	Impact	Mitigation strategies
Skills and systems		
Loss or operational inadequacy of key staff and advisers	• Reduced operational capability and consequential impact on shareholder value	• Relationships with key advisers governed by appropriately termed contracts • Ability to replace advisers in the event of failure • Attractive remuneration and working environment in place to encourage retention of key staff
Information technology ("IT") failure	• Loss of revenue as a result of loss of data • Impact on the company's reputation in the event that the data is not recovered promptly	• Support of appropriately skilled IT resources and contractors

KING IV™ APPLICATION REGISTER 2019

Newpark has benchmarked the company's governance practices against the principles of King IV™. This King IV™ application register explains the extent to which Newpark complies with King IV™.

King IV™ principle	Application
Governance outcome: Ethical culture	
PRINCIPLE 1: Ethical leadership The governing body should lead ethically and effectively.	The board has approved a Code of Conduct for Newpark and ensures that its own and management's conduct set the example for how the company's values are conducted. Measures are in place to ensure that all board members have sufficient working knowledge of the organisation, its industry, its operating context and all key laws, rules, codes and standards.
PRINCIPLE 2: Organisation values, ethics and culture The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The board ensures compliance with the Code of Conduct is integrated into the strategy and operations of Newpark. The group's ethics are contained in its vision; strategies and operations; its decisions and conduct; and the way it treats its internal and external stakeholders. This Code of Conduct is supported by a Code of Ethics approved annually. The code provides guidance on ethical conduct in all areas and across all activities of the business.
PRINCIPLE 3: Responsible corporate citizenship The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The board takes responsibility for and oversees how Newpark promotes socio-economic development opportunities and promotes opportunities for underprivileged social groupings. A social and ethics committee was constituted during the FY 2016 in terms of South Africa's Companies Act requirements.
Governance outcome: Performance and value creation	
PRINCIPLE 4: Strategy, implementation and performance The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The board challenges and signs off on management's proposed strategies in terms of the group's purpose, business value drivers and the legitimate interests of our stakeholders. Management has processes in place to define and align the group's short-, medium- and long-term macro-economic, financial, operational and strategic objectives with its risk appetite. The board considers sustainability to be a business opportunity and recognises that all our capital resources are interconnected – as one capital resource is increased or created, another is depleted. The board and management endeavour to balance the use of capital resources to support future sustainability. Policies and operational plans approved by the board include financial, ethical, compliance, sustainability, performance and risk measures.

King IV™ principle	Application
PRINCIPLE 5: Reports and disclosure The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.	Newpark's integrated report shares the collective thinking applied to material issues impacting on the group's ability to create long-term value. The report aims to provide a balanced and succinct view of Newpark's financial and non-financial performance in accordance with the IIRC framework. It provides information on Newpark's strategies for growth, efficiency, quality, sustainability, corporate governance and accountability. Our preparation of this report was guided by the principle of materiality. A matter is considered material if it can substantively affect the group's ability to create and sustain value over the short-, medium- or long-term. After determining material matters, we assess these against the need to provide Newpark's actual and potential providers of capital with a concise 360˚ view of the business.
Governance outcome: Adequate and effective control	
PRINCIPLE 6: Role of the governing body The governing body should serve as the focal point and custodian of corporate governance in the organisation.	The board's role, responsibilities, membership requirements and procedural conduct are documented in a board charter that is reviewed from time to time. The board has approved a protocol that allows all directors to access any company information they might require.
PRINCIPLE 7: Composition of the governing body The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	When determining the number of directors needed, the board considers factors such as the appropriate mix of business, commercial and industry experience and skills. We also decide on the optimum combination of executive, non-executive and independent non-executive members. Prospective members of the board are independently and thoroughly assessed in line with JSE guidelines. The Newpark board considers this present mix of two executive directors, three non-executive directors and four independent non-executive directors as optimal and compliant with JSE requirements.
PRINCIPLE 8: Committees of the governing body The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	The board has established a stable and balanced distribution of skills, experience and role allocation through all its committees in terms of paragraph 3.84(c) of the JSE Listings Requirements. A set policy stipulates a clear balance of power and authority at board level, to ensure that no one director has unfettered powers of decision-making. The board of directors performs the function and responsibility of the nominations committee. A social and ethics committee was constituted during the 2016 financial year in terms of the Companies Act.

King IV™ principle	Application
PRINCIPLE 9: Performance evaluations The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	The board determines its own role, functions, duties and performance criteria as well as that for directors and board committees. An annual effectiveness self-evaluation is undertaken in respect of the board and its sub-committees and, for the year under review, the board satisfied itself that it and its sub-committees operated effectively. In addition, the chairperson also ensures the board operates effectively by regularly engaging with the non-executive directors on their performance and other matters that may need to be raised with executive directors. Any pertinent matters of concern are conveyed by the chairperson to the chief executive officer (CEO) and the financial director.
PRINCIPLE 10: Delegation to management The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	The CEO, Mr Simon Fifield, was appointed by the board on 7 January 2016 and is responsible for executing strategy and the day-to-day business of the company. The CEO is not a member of the remuneration committee or the audit and risk committee. Newpark utilises an approved Delegation of Authority (DoA) framework to assist in maintaining proper delegation of authority. The framework indicates matters reserved for the board and those delegated to management. The board is satisfied that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised. Newpark complies with the provisions of the Companies Act in relation to the appointment and removal of the company secretary. The role and function of the company secretary is formalised.
PRINCIPLE 11: Risk and opportunity governance The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.	The board is ultimately responsible for setting the risk appetite of the group, identifying strategic risks and opportunities and managing these. This responsibility for risk governance is expressed in the board charter and risk policy and plan. The board ensures that appropriate risk management programmes are in place and monitors their implementation against key risk indicators. The board has approved and oversees policy that articulates and gives effect to its set direction on risk. Each group operation maintains a risk register listing identified risks, which risk register is evaluated on an ongoing basis. Each year the board evaluates the company's risks against current realities and resets risk tolerances as necessary. The board has delegated the management of risk to the group's management team, which executes this responsibility through processes within an established risk management policy and governance framework.

King IV™ principle	Application
PRINCIPLE 12: Technology and information governance The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The board is responsible for IT governance. The financial director directs, controls and measures the IT activities and processes of the group. Internal IT controls are assessed by the audit and risk committee on behalf of the board. Obsolete technology and information are disposed of responsibly, with due regard to its environmental impact and information security. The information governance strategy is aligned to Newpark's business needs and sustainability objectives and complies with the Protection of Personal Information Act ("POPI") and the POPI Regulations, which were published on 14 December 2018.
PRINCIPLE 13: Compliance governance The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The board ensures compliance with all relevant South African legislation. It also ensures compliance with the JSE Listings Requirements and King IV™. The group also recognises and utilises the IIRC's framework and the Global Reporting Initiative (GRI) guidelines for establishing and reporting on non-financial capitals and sustainability.
PRINCIPLE 14: Remuneration governance The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.	The group's remuneration philosophy seeks to reward executive directors and other senior management for individual and group performance. It recognises that these individuals can significantly impact the group's performance over the short-, medium- and long-term. The group's remuneration policy provides a framework for remuneration to attract, retain and motivate employees to achieve the strategic objectives of the organisation, within its risk appetite and risk management framework. The remuneration committee assists the board in approaching and administering remuneration. The remuneration committee comprises only non-executive directors, which monitors and strengthens the credibility of the group's executive remuneration system.
PRINCIPLE 15: Assurance The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The board has approved a charter that mandates the audit and risk committee to oversee internal controls established not only for financial matters, but also for operational, compliance and sustainability issues.
Governance outcome: Trust, good reputation and legitimacy	
PRINCIPLE 16: Stakeholders In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Stakeholders are assessed as part of Newpark's risk management process. Stakeholders have been identified as a key strategic pillar, therefore, stakeholder risks and concerns are carefully considered when reviewing and refining strategy. The CEO and the financial director engage with investors and analysts at corporate level. The board also engages with shareholders at the annual general meeting and on an ad hoc basis, when required.

ANNUAL FINANCIAL STATEMENTS

Newpark's financial position remains robust with healthy gearing levels. The group's funding is well structured and aligned to the underlying investment profile.

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

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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 consolidated 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.

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, 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.

The directors have reviewed the group and company's cash flow forecasts for the year to 28 February 2020 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 foreseeable future.

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 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 43 to 46.

The financial statements set out on pages 35 to 106, which have been prepared on the going concern basis, were approved by the board of directors on 22 May 2019 and were signed on its behalf by:

Gary Harlow	**Simon Fifield**	**Dries Ferreira**
Chairperson	*CEO*	*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 2019 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

22 May 2019

AUDIT AND RISK COMMITTEE REPORT

for the year ended 28 February 2019

The committee comprises three independent non-executive directors, Howard Turner (Chairperson), Gary Harlow and David Sevel. A short curriculum vitae for each of these directors has been set out on pages 15 and 16 of the integrated report, demonstrating their suitable and relevant skills and experience.

The committee aims to meet three times a year. Special meetings are convened as required. The external auditors and executive management are invited to attend every meeting. The committee's duties are set out on pages 20 and 21.

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 BDO South Africa Incorporated and Stephen Shaw, the designated auditor, are independent of the company and also confirms that their appointment is in accordance with paragraph 3.86 of the JSE Listings Requirements.

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

The committee considered the 2018 JSE Report on Proactive Monitoring, issued on 20 February 2019, and has taken the appropriate action to apply the findings. Accounting policies, previously reported in note 1 as a single note, have been placed within the relevant notes to the consolidated financial statements, where possible. This application renders the accounting policies more appropriate and entity-specific, in alignment with the JSE Report on Proactive Monitoring in relation to accounting policies.

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 2019, 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)(iii) of the JSE Listings Requirements, the committee further confirms that the company has established appropriate financial reporting procedures and that those procedures are operational.

Howard Turner
Audit and risk committee chairperson

DIRECTORS' REPORT

for the year ended 28 February 2019

The directors have pleasure in presenting their report on the consolidated financial statements of Newpark and the group for the year ended 28 February 2019.

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 A-grade 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 Alt^X 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 our opinion, 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

5. DIVIDENDS

The following dividends were declared by Newpark in respect of the year ended 28 February 2019:

- Dividend number 9 was an interim dividend of R24 948 590,25. The dividend was declared on 9 October 2018 to the shareholders recorded in the register of the company as at 2 November 2018 and paid on 5 November 2018.
- Dividend number 10 is the final dividend for the 2019 financial year amounting to R18 349 506,16. The dividend was declared on 21 May 2019 and shareholders recorded in the register of the company as at 14 June 2019 will receive the cash distribution on 18 June 2019.

6. DIRECTORS

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

Directors	Designation
GD Harlow	Chairperson, independent non-executive director
SP Fifield	Chief executive director
JAI Ferreira	Financial director
BD van Wyk	Non-executive director
DT Hirschowitz	Non-executive director
KM Ellerine	Non-executive director
HC Turner	Independent non-executive director
DI Sevel	Independent non-executive director
S Shaw-Taylor	Independent non-executive director

7. DIRECTORS' INTERESTS IN SHARES

As at 28 February 2019, the directors held the following direct and indirect interests in the company:

28 February 2019	Beneficial holdings		Non-beneficial holdings			
	Direct	Indirect	Direct	Indirect	TOTAL	%
SP Fifield	55 000	180 000	–	–	235 000	0,2
GD Harlow	–	350 000	–	–	350 000	0,3
S Shaw-Taylor	800 000	–	–	–	800 000	0,8
BD van Wyk	50 000	27 836 189	–	–	27 886 189	27,9
DT Hirschowitz	–	34 010 013	–	–	34 010 013	34,1
KM Ellerine	–	30 223 564	–	–	30 223 564	30,2
HC Turner	390 000	–	–	–	390 000	0,4
	1 295 000	92 599 766	–	–	93 894 766	93,9

28 February 2018	Beneficial holdings		Non-beneficial holdings			
	Direct	Indirect	Direct	Indirect	TOTAL	%
SP Fifield	55 000	180 000	–	–	235 000	0,2
GD Harlow	–	350 000	–	–	350 000	0,3
S Shaw-Taylor	800 000	–	–	–	800 000	0,8
BD van Wyk	30 000	27 760 689	–	–	27 790 689	27,8
DT Hirschowitz	–	34 010 013	–	–	34 010 013	34,0
KM Ellerine	–	30 223 564	–	–	30 223 564	30,2
HC Turner	390 000	–	–	–	390 000	0,4
	1 275 000	92 524 266	–	–	93 799 266	93,8

There has been no change to the directors' interest in shares between the end of the financial year and the date of approval of the annual financial statements.

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.

10. GOING CONCERN

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future 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 foreseeable cash requirements.

The directors are not aware of any material changes that may adversely impact the group. The directors are also 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

In order to reduce operating costs and following a formal tender process, BDO South Africa Incorporated has been appointed as auditors in place of PriceWaterhouseCoopers Inc., in accordance with section 90 of the Companies Act, subject to approval of the shareholders at the upcoming annual general meeting. Stephen Shaw will be the individual registered auditor who will undertake 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 Gillian Mary Prestwich BA FCIS, has been appointed as the company secretary.

As required by the JSE Listings Requirements, the board has satisfied itself that the company secretary, together with Ms Prestwich, 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 Dries Ferreira CA(SA).

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 2018 reporting period for the group is comparable to the 2019 reporting period.

17. ANALYSIS OF SHAREHOLDERS

Shareholders' spread analysis as at 28 February 2019	Number of shares	%
1 – 1 000 shares	3 585	0,00
1 001 – 10 000 shares	34 013	0,03
10 001 – 100 000 shares	862 559	0,86
100 001 – 1 000 000 shares	5 198 134	5,20
1 000 001 shares and over	93 901 710	93,91
	100 000 001	**100,00**

Shareholders with an interest of 5% or more in shares	Number of shares	%
Ellwain Investments Proprietary Limited	32 116 788	32,12
Renlia Developments Proprietary Limited	24 725 944	24,73
Ellvest Proprietary Limited	19 270 074	19,27
Ellerine Group Investments Proprietary Limited	12 846 715	12,85
	88 959 521	**88,97**

Public and non-public shareholders	Number of shareholders	% of total	Number of shares	% of total
Public shareholders	62	82,67	6 105 235	6,11
Non-public shareholders:				
Directors and their associates	13	17,33	93 894 766	93,89
Total	**75**	**100,00**	**100 000 001**	**100,00**

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 47 to 106, which comprise the consolidated and separate statements of financial position as at 28 February 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the 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 2019, 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 the 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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B). 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 and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property – refer note 8	
The Group's investment properties represent the majority of its assets and are accounted for using the fair value model. The valuation of these properties are based on a combined discounted cash flow method and income capitalisation rate method and not on quoted prices in active markets. The valuation requires significant estimates to be made by valuers and management and this is therefore considered a key audit matter. Refer to note 8 to the financial statements for further information on the valuations.	Management obtains external independent valuations for all properties in a 3 year cycle. In the current financial period, all properties were externally valued. Our audit procedures included among others: • We confirmed the independence of management's expert (the valuer) including assessing their experience with similar properties, qualifications and competence. • We read the valuation reports for the properties valued by the independent valuation expert in the current year and confirmed 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 and separate financial statements. In addition, we have satisfied ourselves that the techniques used by the valuer have been applied consistently. • The forecast revenue applied in the 1st year of both the discounted cash flow (DCF) model and income capitalisation model was assessed for reasonability. This was performed by agreeing the forecast revenue to the amounts used in the DCF and income capitalisation models. The inputs, used to generate the revenue forecast, were agreed to underlying contracts and compared to the current year revenue for reasonability. • The projected property expenses applied in the 1st year of both the DCF model and income capitalisation model was assessed for reasonability. This was performed by comparison to 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 to underlying lease information and available industry data for similar investment properties. • We assessed the reasonability of the discount and capitalisation rates applied by comparing to available industry data in the Rode and SAPOA reports for similar investment properties • We evaluated whether disclosures in the financial statements related to the valuation of properties is in accordance with International Financial Reporting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Integrated Report, 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. The other information does not include the consolidated and the 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 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, 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.
- 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, related safeguards.

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 one year.

BDO South Africa Inc.

BDO South Africa Incorporated Registered Auditors

Stephen Shaw
Director
Registered Auditor

22 May 2019

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

BDO South Africa Incorporated
Registration number: 1995/002310/21
Practice number: 905526
VAT number: 4910148685

National Executive: PR Badrick • HN Bhaga-Muljee • S Dansie • BJ de Wet • I Hashim • HCS Lopes (Johannesburg Office Managing Partner) • SM Somaroo • Dr FD Schneider • ME Stewart (Chief Executive) • IM Scott • R Teixeira • MS Willimott

The company's principal place of business is at 52 Corlett Drive, Illovo, Johannesburg, where a list of directors' names is available for inspection. BDO South Africa Incorporated, a South African personal liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

STATEMENT OF FINANCIAL POSITION

as at 28 February 2019

		GROUP		COMPANY	
	Notes	2019 R'000	2018 R'000	2019 R'000	2018 R'000
ASSETS					
Non-current assets					
Investment properties	8	**1 278 334**	1 261 766	**–**	–
Investment in subsidiary	9	**–**	–	**921 149**	921 149
Straight-line lease asset	10	**111 463**	99 984	**–**	–
Lease incentive	12	**14 556**	17 203	**–**	–
		1 404 353	1 378 953	**921 149**	921 149
Current assets					
Trade and other receivables	13	**3 960**	6 182	**–**	–
Amounts due from group companies	18	**–**	–	**111 928**	114 397
Current tax receivable		**–**	2 273	**–**	–
Lease incentive	12	**2 647**	2 647	**–**	–
Cash and cash equivalents	14	**9 141**	1 720	**5**	3
		15 748	12 822	**111 933**	114 400
Total assets		**1 420 101**	1 391 775	**1 033 082**	1 035 549
EQUITY AND LIABILITIES					
Equity					
Share capital	15	**619 918**	619 918	**619 918**	619 918
Reserves	16	**180 412**	180 412	**180 412**	180 412
Retained income		**124 526**	103 598	**15 646**	23 514
		924 856	903 928	**815 976**	823 844
Liabilities					
Non-current liabilities					
Bank borrowings	17	**458 500**	453 400	**–**	–
Derivative financial instruments	11	**8 063**	11 050	**–**	–
		466 563	464 450	**–**	–
Current liabilities					
Amounts due to group companies	18	**–**	–	**216 507**	211 345
Trade and other payables	19	**28 682**	23 397	**599**	360
		28 682	23 397	**217 106**	211 705
Total liabilities		**495 245**	487 847	**217 106**	211 705
Total equity and liabilities		**1 420 101**	1 391 775	**1 033 082**	1 035 549

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2019

		GROUP		COMPANY	
	Notes	12 months ended 28 February 2019 R'000	12 months ended 28 February 2018 R'000	12 months ended 28 February 2019 R'000	12 months ended 28 February 2018 R'000
Revenue	20	**127 901**	136 450	**54 800**	90 263
Property operating expenses	21	**(26 612)**	(26 571)	**–**	–
Administrative expenses	21	**(5 800)**	(6 177)	**(1 013)**	(2 683)
Net gain from fair value adjustment on investment property	23	**16 903**	25 383	**–**	–
Net change in fair value of financial instruments at fair value through profit or loss	23	**2 987**	(7 972)	**–**	–
Operating profit		**115 379**	121 113	**53 787**	87 580
Finance income	22	**1 235**	1 884	**9 160**	10 301
Finance costs	24	**(44 592)**	(45 639)	**(19 721)**	(20 477)
Profit before taxation		**72 022**	77 358	**43 226**	77 404
Taxation	25	**–**	2 428	**–**	–
Profit for the period		**72 022**	79 786	**43 226**	77 404
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the period		**72 022**	79 786	**43 226**	77 404
Earnings per share information (expressed in cents per share)					
Basic earnings per share (cents)	26	**72,02**	79,79		
Diluted earnings per share (cents)	26	**72,02**	79,79		

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2019

	Share capital R'000	Share issue costs R'000	Total share capital R'000	Capital reorganisation reserve R'000	Restated Retained income/(loss) R'000	Restated Total equity R'000
GROUP						
Balance at 1 March 2017	625 000	(5 082)	619 918	180 412	75 024	875 354
Profit for the period	–	–	–	–	79 786	79 786
Distributions	–	–	–	–	(51 212)	(51 212)
Balance at 1 March 2018	**625 000**	**(5 082)**	**619 918**	**180 412**	**103 598**	**903 928**
Profit for the period	**–**	**–**	**–**	**–**	**72 022**	**72 022**
Distributions	**–**	**–**	**–**	**–**	**(51 094)**	**(51 094)**
Balance at 28 February 2019	**625 000**	**(5 082)**	**619 918**	**180 412**	**124 526**	**924 856**
Notes	15	15	15	16		

	Share capital R'000	Share issue costs R'000	Total share capital R'000	Capital reorganisation reserve R'000	Restated Retained (loss)/income R'000	Restated Total equity R'000
COMPANY						
Balance at 1 March 2017	625 000	(5 082)	619 918	180 412	(2 679)	797 652
Profit for the period	–	–	–	–	77 404	77 404
Distributions	–	–	–	–	(51 212)	(51 212)
Balance at 1 March 2018	**625 000**	**(5 082)**	**619 918**	**180 412**	**23 514**	**823 844**
Profit for the period	**–**	**–**	**–**	**–**	**43 226**	**43 226**
Distributions	**–**	**–**	**–**	**–**	**(51 094)**	**(51 094)**
Balance at 28 February 2019	**625 000**	**(5 082)**	**619 918**	**180 412**	**15 646**	**815 976**
Notes	15	15	15	16		

STATEMENT OF CASH FLOWS

for the year ended 28 February 2019

	Notes	GROUP 12 months ended 28 February 2019 R'000	GROUP 12 months ended 28 February 2018 R'000	COMPANY 12 months ended 28 February 2019 R'000	COMPANY 12 months ended 28 February 2018 R'000
Cash flows from operating activities					
Cash generated from operations	27	**94 535**	96 000	**54 026**	87 485
Finance income		**1 235**	1 884	**9 160**	10 301
Finance costs		**(44 592)**	(45 639)	**(19 721)**	(20 477)
Tax received	28	**2 273**	–	**–**	–
Net cash generated from operating activities		**53 451**	52 245	**43 465**	77 309
Cash flows from investing activities					
Purchase of furniture and fittings	8	**(36)**	(2 578)	**–**	–
Loans to subsidiaries	18	**–**	–	**2 469**	(952)
Net cash utilised by investing activities		**(36)**	(2 578)	**2 469**	(952)
Cash flows from financing activities					
Loans from subsidiaries	29	**–**	–	**5 162**	(25 158)
Distributions paid		**(51 094)**	(51 212)	**(51 094)**	(51 212)
Bank borrowings advanced	29	**5 100**	–	**–**	–
Bank borrowings repaid	29	**–**	(47 481)	**–**	–
Net cash utilised by financing activities		**(45 994)**	(98 693)	**(45 932)**	(76 370)
Total cash and cash equivalents movement for the period		**7 421**	(49 026)	**2**	(13)
Cash and cash equivalents at the beginning of the period		**1 720**	50 746	**3**	16
Total cash and cash equivalents at the end of the period	14	**9 141**	1 720	**5**	3

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2019

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. These policies have been consistently applied to all years presented, unless otherwise stated.

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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa.

Functional currency

The functional currency of Newpark REIT Limited is ZAR.

Income and cash flow statements

The group presents its statement of comprehensive income by nature of expense. The group reports cash flows from operating activities using the indirect method. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the group's business activities.

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.

Capital reorganisation reserve

Newpark REIT Limited has elected to use the predecessor accounting method, which is based on equivalent US GAAP and UK GAAP guidance for common control transactions. Predecessor accounting does not require the acquirer to restate assets and liabilities to their fair values. The acquirer, i.e. Newpark 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 include:

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.

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. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

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.

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.

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 2019. The net cash flows were discounted using the swap curve as at 28 February 2019.

Residual values and useful lives of assets

Residual values and useful lives of tangible assets are assessed on an annual basis. Estimates and judgements in this regard are based on the historical experience and expectations of the manner in which the assets are to be used, together with the expected proceeds likely to be realised when the assets are disposed of at the end of their useful lives. Such expectations could change over time and, therefore, impact both the depreciation charges and carrying values of tangible assets in the future.

1.5 Financial instruments

Classification

From 1 March 2018, financial instruments held by the group are classified in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), 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.

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
Related party loans payable/receivable	Stated at amortised cost using the effective interest method
Financial liabilities	Non-derivative financial liabilities not at fair value through profit and loss are recognised at amortised cost using the effective interest method
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.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment

From 1 March 2018, the group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. A significant increase in credit risk 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 13 for further details.

Defaulting trade receivables are "non-performing" for more than 90 days.

The group's write-off policy determines that a trade receivable be derecognised only if all avenues of recovery have been exhausted.

1.6 Financial instruments: IAS 39 Comparatives

The following accounting policy was applied until 28 February 2018:

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss – held for trading.
- Financial assets at amortised cost.
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments, which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set-off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

At each reporting date the group assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against administrative expenses.

1.7 Impairment of non-financial assets

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.

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 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 2019, the group is organised into three main operating segments:

a. Mixed use (office and retail)

b. Office

c. Industrial

The segment information provided to EXCO for the operating segments for the period ended 28 February 2019 has been provided below.

	Mixed use R'000	Office R'000	Industrial R'000	General R'000	Total R'000
2019					
Revenue	**40 531**	**56 576**	**30 794**	**–**	**127 901**
Property operating expenses	**(23 555)**	**–**	**(3 057)**	**–**	**(26 612)**
Administrative expenses	**–**	**–**	**–**	**(5 800)**	**(5 800)**
Fair value adjustments	**(44 466)**	**46 600**	**14 769**	**2 987**	**19 890**
Finance income	**997**	**–**	**–**	**238**	**1 235**
Finance expense	**(280)**	**–**	**–**	**(44 312)**	**(44 592)**
Profit before taxation	**(26 773)**	**103 176**	**42 506**	**(46 887)**	**72 022**
2018					
Revenue	49 108	56 568	30 773	–	136 450
Property operating expenses	(23 286)	–	(3 285)	–	(26 571)
Administrative expenses	–	–	–	(6 177)	(6 177)
Fair value adjustments	(24 464)	42 548	7 299	(7 972)	17 411
Finance income	433	–	–	1 451	1 884
Finance expense	(281)	–	–	(45 358)	(45 639)
Profit before taxation	1 510	99 116	34 787	(58 056)	77 358

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.

2. SEGMENT INFORMATION (continued)

	Mixed use R'000	Office R'000	Industrial R'000	General R'000	Total R'000
2019					
Investment property	**419 946**	**620 752**	**237 636**	**–**	**1 278 334**
Straight-line asset	**2 054**	**84 045**	**25 364**	**–**	**111 463**
Lease incentive	**–**	**17 203**	**–**	**–**	**17 203**
Trade and other receivables	**3 960**	**–**	**–**	**–**	**3 960**
Cash and cash equivalents	**–**	**–**	**–**	**9 141**	**9 141**
Total assets per the consolidated financial statements	**425 960**	**722 000**	**263 000**	**9 141**	**1 420 101**
2018					
Investment property	464 748	574 151	222 867	–	1 261 766
Straight-line asset	252	77 999	21 733	–	99 984
Lease incentive	–	19 849	–	–	19 849
Trade and other receivables	6 182	–	–	–	6 182
Receiver of revenue			2 273	–	2 273
Cash and cash equivalents	–	–	–	1 720	1 720
Total assets per the consolidated financial statements	471 182	672 000	246 873	1 720	1 391 775

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
2019					
Bank borrowings	**–**	**–**	**–**	**458 500**	**458 500**
Derivative financial instruments	**–**	**–**	**–**	**8 063**	**8 063**
Trade and other payables	**2 416**	**14 727**	**486**	**11 053**	**28 682**
Total liabilities per the consolidated financial statements	**2 416**	**14 727**	**486**	**477 616**	**495 245**
2018					
Bank borrowings	–	–	–	453 400	453 400
Derivative financial instruments	–	–	–	11 050	11 050
Trade and other payables	3 398	19 206	19	774	23 397
Total liabilities per the consolidated financial statements	3 398	19 206	19	465 224	487 847

2. SEGMENT INFORMATION (continued)

	GROUP		COMPANY	
	2019 R'000	**2018 R'000**	**2019 R'000**	**2018 R'000**
Distributable profit				
Distributable profit is calculated as follows:				
Profit attributable to shareholders	**72 022**	79 786	**–**	–
Adjusted for:				
Changes in fair value of investment property	**(16 903)**	(25 383)	**–**	–
Headlines earnings	**55 119**	54 403		
Adjusted for:				
Change in fair value of investment property as a result of amortisation of straight-line lease assets and the tax consequence thereof	**(11 479)**	(12 226)	**–**	–
Change in fair value of investment property as a result of amortisation of lease incentive	**2 647**	2 647	**–**	–
Fair value adjustment of financial derivative instrument and the tax consequences thereof	**(2 987)**	7 972	**–**	–
	43 300	52 796	**–**	–
Number of ordinary shares in issue	**100 000 001**	100 000 001	**–**	–
Distributable income per share (cents per share)	**43,30**	52,80	**–**	–

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective and adopted in the current period

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

IFRS 15 – Revenue from contracts with customers

The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

The effective date of the standard was for years beginning on or after 1 January 2018.

The group has adopted the interpretation for the first time in the 2019 annual financial statements. The amendment did not have a material impact on the group's consolidated financial statements.

3. NEW STANDARDS AND INTERPRETATIONS (continued)

3.1 Standards and interpretations effective and adopted in the current period (continued)

Amendment to IFRS 15 – Revenue from contracts with customers

The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself.

The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

The effective date of the standard was for years beginning on or after 1 January 2018.

The group has adopted the interpretation for the first time in the 2019 annual financial statements. The amendment did not have a material impact on the group's consolidated financial statements.

IFRS 9 – Financial Instruments

This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

The effective date of the standard was for years beginning on or after 1 January 2018.

The group has adopted the standard for the first time in the 2019 annual financial statements.

The impact of the standard is set out in note 4 Changes in Accounting Policy.

IAS 40, 'Investment property' – Transfers of investment property

These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

The effective date of the standard is for years beginning on or after 1 January 2018.

The group has adopted the standard for the first time in the 2019 consolidated financial statements. The amendment did not have a material impact on the group's consolidated financial statements.

3. NEW STANDARDS AND INTERPRETATIONS (continued)

3.2 Standards and interpretations not yet effective

Standards and interpretations that are not yet effective for the current financial period and that are relevant to its operations:

IFRS 16 – Leases

This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The effective date of the standard is for years beginning on or after 1 January 2019.

The group expects to adopt the amendment for the first time in the 2020 consolidated financial statements. It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Uncertainty over Income Tax Treatments

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

The effective date of the interpretation is for years beginning on or after 1 January 2019.

The group will adopt the interpretation for the first time in the 2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the group's annual financial statements.

Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The group expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

Prepayment Features with Negative Compensation – Amendment to IFRS 9

3. NEW STANDARDS AND INTERPRETATIONS (continued)

3.2 Standards and interpretations not yet effective (continued)

The narrow-scope amendment covers two issues:

- The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities.
- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The group expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

4. CHANGES IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 – Financial Instruments

In the current year, the group has applied IFRS 9 – Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 – Financial Instruments and introduces new requirements for:

1) the classification and measurement of financial assets and financial liabilities,

2) impairment for financial assets and 3) general hedge accounting. Details of the impact on the company's financial statements are described below.

The group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. IFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules did not have a material impact on the group's consolidated financial statements and therefore no adjustments were recognised in the opening statement of financial position on 1 March 2018.

Classification and measurement of financial assets

Debt instruments

Debt instruments classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

4. CHANGES IN ACCOUNTING POLICY (continued)

Classification and measurement of financial assets (continued)

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the company to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets in certain circumstances.

In the case of intercompany loans, the expected credit loss is assessed on a regular basis. The loans, in all instances, are backed by fixed property with fair value in excess of the loan outstanding.

As at 1 March 2018, the directors reviewed and assessed the group's existing financial assets for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 March 2018 and the identified impairment loss on trade and other receivables, contract assets and cash and cash equivalents was immaterial.

Refer to note 13 for further details of the company's impairment policy.

Classification and measurement of financial liabilities

The application of IFRS 9 has had no impact on the classification and measurement of the group's financial liabilities.

Reconciliation of the reclassifications and remeasurements of financial assets as a result of adopting IFRS 9

The following table presents a summary of the financial assets as at 1 March 2018. The table reconciles the movement of financial assets from their IAS 39 measurement categories and into their new IFRS 9 measurement categories.

	Previous measurement: IAS 39 R'000	New measurement category: IFRS 9 – Amortised cost R'000	Remeasurement changes adjustment to equity R'000
GROUP			
Previously – Loans and receivables			
Trade and other receivables	**6 182**	**6 182**	–
Cash and cash equivalents	**1 720**	**1 720**	–
	7 902	**7 902**	–

4. CHANGES IN ACCOUNTING POLICY (continued)

	Previous measurement: IAS 39 R'000	New measurement category: IFRS 9 – Amortised cost R'000	Remeasurement changes adjustment to equity R'000
COMPANY			
Previously – Loans and receivables			
Cash and cash equivalents	**3**	**3**	–
	3	**3**	–

Reconciliation of the reclassifications and remeasurements of financial liabilities as a result of adopting IFRS9

The following table presents a summary of the financial liabilities as at 1 March 2018. The table reconciles the movement of financial liabilities from their IAS 39 measurement categories and into their new IFRS 9 measurement categories.

	Previous measurement: IAS 39 R'000	New measurement category: IFRS 9 – Amortised cost R'000	New measurement category: IFRS 9 – Fair value R'000	Remeasurement changes adjustment to equity R'000
GROUP				
Previously – Amortised cost				
Bank borrowings	**(453 400)**	**(453 400)**	–	–
Trade and other payables	**(22 059)**	**(22 059)**	–	–
Derivatives	**(11 050)**	–	**(11 050)**	–
	(486 549)	**(475 459)**	**(11 050)**	–

	Previous measurement: IAS 39 R'000	New measurement category: IFRS 9 – Amortised cost R'000	Remeasurement changes adjustment to equity R'000
COMPANY			
Previously – Amortised cost			
Amounts due to group company	**(211 345)**	**(211 345)**	–
Trade and other payables	**(360)**	**(360)**	–
	(211 705)	**(211 705)**	–

The reclassifications of the financial instruments on adoption of IFRS 9 did not result in any changes to measurements.

4. CHANGES IN ACCOUNTING POLICY (continued)

Financial impact of initial application of IFRS 9

The initial application of IFRS 9 did not have any impact on assets, liabilities or equity or cash flows for the current and prior year.

Impact on profit or loss, other comprehensive income and total comprehensive income

Impact on profit or loss for the period

The implementation of IFRS 9 had no impact on the group or company's profit or loss.

5. 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 15 and 16, debt, which includes the borrowings disclosed in note 17, as well as cash and cash equivalents disclosed in note 14 as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of distributions 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.

5. RISK MANAGEMENT (continued)

The gearing ratio at 2019 and 2018 respectively were as follows:

	Notes	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Total borrowings					
Amount due to group company	18	**–**	–	**216 507**	211 345
Bank borrowings	17	**458 500**	453 400	**–**	–
Less: Cash and cash equivalents	14	**(9 141)**	(1 720)	**(5)**	(3)
Net debt		**449 359**	451 680	**216 502**	211 342
Total equity		**924 856**	903 928	**815 976**	824 113
Total capital		**1 374 215**	1 355 608	**1 032 478**	1 035 455
Gearing ratio		**33%**	33%	**21%**	20%

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate 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 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 two and five years R'000
GROUP		
At 28 February 2019		
Bank borrowings (including interest)	**44 625**	**473 688**
Trade and other payables	**27 366**	**–**
Derivatives	**8 063**	**–**
At 28 February 2018		
Bank borrowings (including interest)	46 836	512 601
Trade and other payables	22 059	–
Derivatives	11 050	–

5. RISK MANAGEMENT (continued)

	Less than one year R'000	Between two and five years R'000
COMPANY		
At 28 February 2019		
Trade and other payables	**599**	**–**
Amounts due to group company	**216 507**	**–**
At 28 February 2018		
Trade and other payables	360	–
Amounts due to group company	211 345	–

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 2019, 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 caps. Such interest rate swaps and caps have the economic effect of converting borrowings from floating rates to fixed rates and capping 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 2019, 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 R935 000 (2018: R884 000) higher/lower, 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	
	2019 %	2018 %	2019 %	2018 %
Cash and cash equivalents up to R50 million through RCF	**9,54**	9,48	**6,70**	6,20
Bank borrowings up to R500 million	**9,54**	9,48	**–**	–

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 "Baa3" 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.

5. RISK MANAGEMENT (continued)

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

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Financial instruments				
FNB/RMB (Rating – Baa3)	**9 141**	1 720	**5**	3

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 Baa3.

Financial assets exposed to credit risk at year-end were as follows:

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Cash and cash equivalents	**9 141**	1 720	**5**	3
Trade and other receivables	**3 960**	6 182	**–**	–

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.

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.

5. 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.

Levels of fair value measurements

		GROUP		COMPANY	
	Notes	2019 R'000	2018 R'000	2019 R'000	2018 R'000
ASSETS					
Investment properties (level 3)	8	**1 278 334**	1 261 766	**–**	–
Derivative financial instruments (level 2)	11	**–**	–	**–**	–
Total assets at fair value		**1 278 334**	1 261 766	**–**	–
LIABILITIES					
Derivative financial instruments (level 2)	11	**8 063**	11 050	**–**	–
Total liabilities at fair value		**8 063**	11 050	**–**	–

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

5. RISK MANAGEMENT (continued)

Sensitivity analysis of level 3 fair value estimates

	Notes	GROUP Increase R'000	GROUP Decrease R'000	COMPANY Increase R'000	COMPANY Decrease R'000
2019					
ASSETS					
Observable input – 25bps change in discount rate:					
Investment properties	8				
– 24 Central property		**(15 077)**	**10 679**	**–**	**–**
– JSE building		**(18 883)**	**25 990**	**–**	**–**
– Linbro Park building		**(3 762)**	**4 424**	**–**	**–**
– Crown Mines property		**(1 155)**	**4 573**	**–**	**–**
Total for level 3 assets at fair value		**(38 877)**	**45 666**	**–**	**–**
Observable input – 25bps change in exit capitalisation rate:					
Investment properties	8				
– 24 Central property		**(7 830)**	**3 001**	**–**	**–**
– JSE building		**(6 604)**	**12 950**	**–**	**–**
– Linbro Park building		**(1 274)**	**1 806**	**–**	**–**
– Crown Mines property		**537**	**2 787**	**–**	**–**
Total for level 3 assets at fair value		**(15 171)**	**20 544**	**–**	**–**
Observable input – 25bps change in capitalisation rate:					
Investment properties	8				
– 24 Central property		**(15 077)**	**10 679**	**–**	**–**
– JSE building		**(18 883)**	**25 990**	**–**	**–**
– Linbro Park building		**(3 762)**	**4 424**	**–**	**–**
– Crown Mines property		**(1 155)**	**4 573**	**–**	**–**
Total for level 3 assets at fair value		**(38 877)**	**45 666**	**–**	**–**
LIABILITIES					
Bank borrowings (100bps change in interest rate)		**(935)**	935	**–**	–
Total for level 3 liabilities at fair value	17	**(935)**	935	**–**	**–**

5. RISK MANAGEMENT (continued)

	Notes	GROUP Increase R'000	GROUP Decrease R'000	COMPANY Increase R'000	COMPANY Decrease R'000
2018					
ASSETS					
Observable input – 25bps change in exit discount rate:					
Investment properties	8				
– 24 Central property		7 253	(7 253)	–	–
– JSE building		10 985	(10 985)	–	–
– Linbro Park building		2 843	(2 843)	–	–
– Crown Mines property		1 446	(1 446)	–	–
Total for level 3 assets at fair value		22 527	(22 527)	–	–
Observable input – 25bps change in exit capitalisation rate:					
Investment properties	8				
– 24 Central property		14 048	(16 048)	–	–
– JSE building		20 734	(20 734)	–	–
– Linbro Park building		3 695	(3 695)	–	–
– Crown Mines property		2 608	(2 608)	–	–
Total for level 3 assets at fair value		41 085	(41 085)	–	–
Observable input – 25bps change in exit capitalisation rate:					
Investment properties (25bps change in discount rate)	8				
– 24 Central property		5 375	(5 375)	–	–
– JSE building		8 427	(8 427)	–	–
– Linbro Park building		1 870	(1 870)	–	–
– Crown Mines property		840	(840)	–	–
Total for level 3 assets at fair value		16 512	(16 512)	–	–
LIABILITIES					
Bank borrowings (100bps change in interest rate)		884	(884)	–	–
Total for level 3 liabilities at fair value	17	884	(884)	–	–

6. FINANCIAL ASSETS BY CATEGORY

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

GROUP	Financial assets at amortised cost R'000	Fair value through profit or loss R'000	Total R'000
2019			
Trade and other receivables	**3 960**	**–**	**3 960**
Cash and cash equivalents	**9 141**	**–**	**9 141**
	13 101	**–**	**13 101**
2018			
Trade and other receivables	6 182	–	6 182
Cash and cash equivalents	1 720	–	1 720
	7 902	–	7 902

COMPANY	Fair value through profit or loss R'000	Total R'000
2019		
Cash and cash equivalents	**5**	**5**
Amounts due from group companies	**111 928**	**111 928**
	111 933	**111 933**
2018		
Cash and cash equivalents	3	3
Amounts due from group companies	114 397	114 397
	114 400	114 400

7. FINANCIAL LIABILITIES BY CATEGORY

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

GROUP	Financial liabilities at amortised cost R'000	Financial liabilities at fair value R'000	Total R'000
2019			
Bank borrowings	**458 500**	**–**	**458 500**
Trade and other payables	**27 366**	**–**	**27 366**
Derivative	**–**	**8 063**	**8 063**
	485 866	**8 063**	**493 929**
2018			
Bank borrowings	453 400	–	453 400
Trade and other payables	22 059	–	22 059
Derivative	–	11 050	11 050
	475 459	11 050	486 509

COMPANY	Financial liabilities at amortised cost R'000	Total R'000
2019		
Amounts due to group company	**216 507**	**216 507**
Trade and other payables	**599**	**599**
	217 106	**217 106**
2018		
Amounts due to group company	211 345	211 345
Trade and other payables	360	360
	211 705	211 705

8. INVESTMENT PROPERTIES

ACCOUNTING POLICIES

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.

Fair value measurement on property under development is only applied if the fair value is considered to be reliably measurable.

It may sometimes be difficult to determine reliably the fair value of the investment property under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the following factors, amongst others:

- The provisions of the development contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar developments.

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.

8. INVESTMENT PROPERTIES (continued)

ACCOUNTING POLICIES (continued)

Changes in fair values are recognised in the statement of 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 comprehensive income within net fair value gain on investment property.

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 for profit and 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.

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.

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.

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 8). See note 20 for the recognition of rental income.

8. INVESTMENT PROPERTIES (continued)

GROUP	2019 Cost/ valuation R'000	2019 Accumulated depreciation R'000	2019 Carrying value R'000	2018 Cost/ valuation R'000	2018 Accumulated depreciation R'000	2018 Carrying value R'000
Investment property	**1 276 421**	**–**	**1 276 421**	1 259 518	–	1 259 518
Furniture and fixtures	**3 947**	**(2 034)**	**1 913**	3 911	(1 663)	2 249
Total	**1 280 368**	**(2 034)**	**1 278 334**	1 263 429	(1 663)	1 261 766

Reconciliation of investment properties

GROUP	Opening balance R'000	Additions R'000	Fair value adjustment R'000	Depreciation R'000	Closing balance R'000
2019					
Investment property	**1 259 518**	**–**	**16 903**	**–**	**1 276 421**
Furniture and fixtures	**2 249**	**36**	**–**	**(372)**	**1 913**
Total	**1 261 766**	**36**	**16 903**	**(372)**	**1 278 334**
2018					
Investment property	1 231 629	2 505	25 383	–	1 259 518
Furniture and fixtures	2 617	72	–	(440)	2 249
Total	1 234 246	2 578	25 383	(440)	1 261 766

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.

8. INVESTMENT PROPERTIES (continued)

	GROUP		COMPANY	
	2019 R'000	**2018 R'000**	**2019 R'000**	**2018 R'000**
JSE Building				
Portion 25 of Erf 7 Sandown Johannesburg, South Africa				
– Purchase price	**18 070**	18 070	**–**	–
– Fair value adjustment	**602 682**	556 081	**–**	–
– Straight-line of lease asset	**84 045**	77 999	**–**	–
– Lease incentive	**17 203**	19 850	**–**	–
	722 000	672 000	**–**	–
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	**176 808**	221 274	**–**	–
– Straight-line of lease asset	**2 054**	252	**–**	–
– Capitalised expenditure	**5 138**	5 474	**–**	–
	422 000	465 000	**–**	–
Linbro Park				
Portion 3 and 4 of Erf 9 Frankenwald Extension 3 (Linbro Business Park)				
– Purchase price	**127 858**	127 858	**–**	–
– Fair value adjustment	**12 350**	4 562	**–**	–
– Straight-line of lease asset	**20 094**	18 482	**–**	–
– Capitalised expenditure	**698**	698	**–**	–
	161 000	151 600	**–**	–
Crown Mines				
Erven 1 and 2 Crown City, Extension 1				
– Purchase price	**85 044**	85 044	**–**	–
– Fair value adjustment	**11 686**	7 956	**–**	–
– Straight-line of lease asset	**5 270**	3 251	**–**	–
	102 000	93 000	**–**	–

8. INVESTMENT PROPERTIES (continued)

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Fair value of investment property for accounting purposes				
Opening fair value of property assets	**1 381 600**	1 344 500	**–**	–
Gross fair value adjustment on investment property	**16 903**	25 383	**–**	–
Additions to fixtures and fittings	**36**	2 578	**–**	–
Depreciation	**(372)**	(440)	**–**	–
Acquisition of investment property	**–**	–	**–**	–
Straight-line lease asset and lease incentive movement	**8 833**	9 579	**–**	–
Property valuation	**1 407 000**	1 381 600	**–**	–
Less: Straight-line lease income adjustment (note 10)	**(111 463)**	(99 984)	**–**	–
Less: Lease incentive receivable (note 12)	**(17 203)**	(19 850)	**–**	–
Closing fair value of property assets	**1 278 334**	1 261 766	**–**	–

Securities

Mortgage bonds have been registered over investment properties with a fair value of R1 278 333 718 (2018: R1 261 766 278) as security for interest-bearing liabilities at a nominal value amounting to R500 000 000 (2018: R500 000 000). Refer to note 17.

Details of valuation

The properties were valued on 28 February 2019 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.

At 28 February 2019, the key assumptions and unobservable inputs used by the company in determining fair value were as follows:

	Mixed use %	Office %	Industrial %
Discount rate	**14,75**	**14,25**	**15,00**
Exit capitalisation rate	**9,25**	**8,75**	**10,00**
Capitalised rate	**8,75**	**8,25**	**9,00**

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.

8. INVESTMENT PROPERTIES (continued)

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

The estimated fair value would increase/(decrease) if:

- expected market rental growth was higher/(lower);
- expected expense growth was lower/(higher);
- vacant periods were shorter/(longer);
- the occupancy rate was higher/(lower);
- rent-free periods were shorter/(longer);
- discount rate was lower/(higher); and
- reversionary capitalisation rate was lower/(higher).

9. INVESTMENT IN SUBSIDIARY

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.

9. INVESTMENT IN SUBSIDIARY (continued)

Name of company	Holding 2019 %	Carrying amount 2019 R'000	Carrying amount 2018 R'000
As per statement of financial position	–	**921 149**	921 149
Newpark Towers Proprietary Limited	**100,0**	**805 413**	805 413
I.M.P. Properties Proprietary Limited – shares value:	**100,0**	**115 736**	115 736
– Value of loan acquired as part of investment property company	–	**113 250**	113 250
– Total purchase price of investment property	–	**228 986**	228 986

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.

10. 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	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Reconciliation of movements				
Carrying value at the beginning of the period	**99 984**	87 758	–	–
Acquisitions	–	–	–	–
Current period movements	**11 479**	12 226	–	–
Net carrying value at the end of the period	**111 463**	99 984	–	–
Non-current asset	**111 463**	99 984	–	–
Current asset	–	–	–	–
	111 463	99 984	–	–

11. DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICIES

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of interest rate swaps and interest rate caps, 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.

Fair value is a market-based measurement and is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

A financial instrument's categorisation within a three-level valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are defined as follows:

- **Level 1** – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- **Level 2** – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- **Level 3** – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Derivative assets and liabilities

The fair value of interest rate swaps and interest rate caps 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 and interest rate cap 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

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Interest rate swaps and interest rate caps are classified as level 2.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Internal models with significant observable market parameters (level 2):				
Interest rate swap and interest rate cap liability	**(8 063)**	(11 050)	**–**	–

Interest rate swaps and interest rate cap

The notional principal amount of the interest rate swap contracts at 28 February 2019 was R365 000 000 (2018: R365 000 000).

The notional principal amount of the interest rate cap contract at 28 February 2019 was for Rnil (2018: R135 000 000) at a capped JIBAR rate of 8,52%. The cap expired during January 2019.

At 28 February 2019, the fixed base interest rate is 8,52%, and 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 current three swap contracts have fixed rates of 8,085%, 7,700% and 7,993%.

12. 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.

The lease incentive is recognised as a reduction of rental income on a straight-line basis over the period.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Reconciliation of movements				
Carrying value at beginning of the period	**19 850**	22 496	**–**	–
Current period movement	**(2 647)**	(2 647)	**–**	–
Carrying value at end of the period	**17 203**	19 850	**–**	–
Non-current asset	**14 556**	17 203	**–**	–
Current asset	**2 647**	2 647	**–**	–
	17 203	19 850	**–**	–

13. 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 when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Financial instruments				
Trade receivables	**7 847**	6 931	**–**	–
Allowance for credit losses	**(4 979)**	(3 000)	**–**	–
Other receivables	**200**	–	**–**	–
Accrued income	**619**	1 711	**–**	–
Prepayments	**273**	540	**–**	–
	3 960	6 182	**–**	–
Fair value of trade and other receivables				
Trade and other receivables	**3 960**	6 182	**–**	–

Categorisation of trade and other receivables

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

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
At amortised cost	**3 960**	6 182	**–**	–

13. 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 and risk is mitigated by insurance of accounts receivable balances. 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 but also incorporates forward-looking information and general economic conditions of the industry as at the reporting date.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

The loss allowance provision is determined as follows:

	2019		2018	
GROUP	Estimated gross carrying amount at default R'000	Loss allowance R'000	Estimated gross carrying amount at default R'000	Loss allowance R'000
Current	**1 033**	**(364)**	1 305	–
Between 30 and 60 days past due	**1 464**	**(750)**	1 367	(729)
Between 60 and 90 days past due	**1 387**	**(1 068)**	1 104	(589)
More than 90 days past due	**3 963**	**(2 797)**	3 155	(1 682)
	7 847	**(4 979)**	6 931	(3 000)

The application of the forward-looking information together with the deterioration in the general economic conditions of the industry resulted in an increase in the loss allowance.

13. 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	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Opening balance in accordance with IAS 39 Financial Instruments:	**(3 000)**	(1 238)	**–**	–
Adjustments upon application of IFRS 9	**–**	–	**–**	–
Opening balance in accordance with IFRS 9	**(3 000)**	(1 238)	**–**	–
Increase in loss allowance recognised in profit or loss during the year	**(3 797)**	(1 762)	**–**	–
Receivables written off during the year as uncollectable	**1 818**	–	**–**	–
Closing balance	**(4 979)**	(3 000)	**–**	–

Credit risk disclosures for comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are not considered to be impaired. At 28 February 2018, R1 472 233 were past due but not impaired.

The ageing of trade receivables is as follows:

	GROUP	COMPANY
	2019 R'000	2019 R'000
Fully performing: 0 -30 days	**1 305**	–
Past due: 31 – 90 days	**1 154**	–
Past due: 91 – 120 days	**307**	–
Past due: more than 120 days	**1 165**	–
	3 931	–

Trade and other receivables impaired

As of 28 February 2018, trade and other receivables of R3 000 000 were impaired and provided for.

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.

13. TRADE AND OTHER RECEIVABLES (continued)

Currencies

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

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Rand	**3 960**	6 182	**–**	–

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

14. 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 and subsequently recorded at fair value.

Cash and cash equivalents consist of:

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Bank balances	**9 141**	1 720	**5**	3

Facilities

As at 28 February 2019, the company had banking facilities in place of R500 000 000 with RMB of which a total of R458 500 000 has been drawn down (note 17).

Interest on the special deposit account held with RMB is earned at a rate of prime less 1,90%.

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.

14. CASH AND CASH EQUIVALENTS (continued)

Credit rating

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
RMB/FNB (Rating – Baa3)	**9 141**	1 720	**5**	3

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 Baa3.

Currencies

The carrying amount of cash and cash equivalents is denominated in the following currency:

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Rand	**9 141**	1 720	**5**	3

15. 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	
	2019 number	**2018 number**	**2019 number**	**2018 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
Issued				
100 000 001 (2018: 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

16. 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. 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.

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

17. 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.

17. BANK BORROWINGS (continued)

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Held at amortised cost				
Non-current				
Rand Merchant Bank loan	**458 500**	453 400	**–**	–

Rand Merchant Bank (RMB)

The consolidated term loan facility has a bullet repayment during May 2020. The deal facilitation fee amounted to R1 702 000 (capitalised to the cost of the investment property) and the debt raising fee amounted to R840 400 (capitalised to the principle debt and will be amortised over the term loan period of three years.

The RMB facility is secured by a first mortgage bond over fixed property with a carrying value of R1 259 518 529 and currently attracts a floating rate of three-month JIBAR plus 1,95% on the first R450 million and a floating rate of prime less 1,28% on the remaining R50 million loan respectively. The blended floating rate amounts to 9,087% before the hedging instruments are applied to the borrowings profile. The RMB facility is repayable in May 2022.

Newpark secured two interest rate swaps at 18 January 2016 (for R135 million) and 10 April 2017 (for R230 million) respectively. In addition, the interest rate swaps secured with RMB has the effect that in respect of the remaining 80% of the interest on the RMB facility, the floating portion of the current rate is swapped for a fixed base rate of 8,085% (R135 million) and 7,700% (R230 million) respectively, before the RMB margin of 1,95%. The two interest rate swaps expire on 31 May 2022. Interest on all the derivative instruments mentioned above is payable quarterly.

The R500 million RMB facility includes a R50 million Revolving Credit Facility which is used to optimise the interest cost of Newpark Group.

The all-in weighted average cost of funding is 9,573% (28 February 2018: 9,478%) and the average hedge-term is 3,25 years. It is the board's policy to hedge at least 70% of the exposure to interest rate risk and Newpark currently has 80% of its exposure hedged.

Facilities	Amount R'000	Rate %
Expiry May 2020 (facility 1A) – floating rate	450 000	Three-month JIBAR+1,95
Expiry May 2020 (facility 1B) – floating rate	50 000	Prime -1,28
Total floating rate position	**500 000**	

17. BANK BORROWINGS (continued)

Hedge instruments over above facilities	Amount R'000	Hedges of three-month JIBAR base-rate %
Hedge 3: rate swap – expires 2020/4/10 (rolls into Hedge 5)	230 000	7,70
Hedge 4: rate swap – started 2017/6/30 / expires 2022/5/31	135 000	8,085
Hedge 5: rate swap – to start 2020/4/10 / expires 2022/5/31	230 000	7,993
All-in cost of debt (including margin)		**9,573**

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 2017	50 746	(230 882)	(270 000)	(450 136)
Cash flows	(49 026)	–	–	(49 026)
Borrowings restructured	–	230 882	(230 000)	882
Borrowings repaid	–	–	46 600	46 600
Net cash/(debt) at 28 February 2018	1 720	–	(453 400)	(451 680)
Cash flows	7 421	–	–	7 421
Borrowings advanced	–	–	(5 100)	(5 100)
Borrowings repaid	–	–	–	–
Net cash/(debt) at 28 February 2019	**9 141**	**–**	**(458 500)**	**(449 359)**
COMPANY				
Net cash/(debt) at 1 March 2017	16	(236 503)	–	(236 487)
Cash flows	(13)	–	–	(13)
Borrowings repaid	–	25 158	–	25 158
Net cash/(debt) at 28 February 2018	3	(211 345)	–	(211 342)
Cash flows	2	–	–	2
Borrowings advanced	–	(5 162)	–	(5 162)
Net cash/(debt) at 28 February 2019	**5**	**(216 507)**	**–**	**(216 502)**

17. BANK BORROWINGS (continued)

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Fair value of bank borrowings				
Bank borrowings	**458 500**	453 400	**–**	–
Currencies				
The carrying amounts of bank borrowings at amortised cost are denominated in the following currency:				
Rand	**458 500**	453 400	**–**	–

18. AMOUNT DUE (TO)/FROM SUBSIDIARIES

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.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Subsidiary				
I.M.P. Properties Proprietary Limited	**–**	–	**111 928**	114 397
Newpark Towers Proprietary Limited	**–**	–	**(216 507)**	(211 345)
The above amounts are unsecured, carry interest linked to prime and are repayable on demand.				
Fair value of amount due to group company				
Amounts due from group companies	**–**	–	**111 928**	114 397
Amounts due to group company	**–**	–	**(216 507)**	(211 345)
Currencies				
The carrying amounts of amounts due (to)/from group companies are denominated in the following currencies:				
Rand	**–**	–	**111 928**	114 397
Rand	**–**	–	**(216 507)**	(211 345)

18. AMOUNT DUE (TO)/ FROM SUBSIDIARIES (continued)

Split between non-current and current portions

	GROUP		COMPANY	
	2019 R'000	**2018 R'000**	**2019 R'000**	**2018 R'000**
Current assets	**–**	–	**111 928**	114 397
Current liabilities	**–**	–	**(216 507)**	(211 345)

Exposure to credit risk

Loans receivable and payable 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. The credit risk has been assessed as low and no provision for impairment was deemed necessary.

Exposure to currency risk

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

19. 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	
	2019 R'000	**2018 R'000**	**2019 R'000**	**2018 R'000**
Financial instruments				
Accrued audit fees	**490**	357	**–**	–
Accrued interest	**10 401**	10 577	**–**	–
Deposits received	**1 817**	1 387	**–**	–
JSE tenant expenditure	**8 050**	8 629	**–**	–
Other payables	**6 608**	1 109	**599**	360
Non-financial instruments				
Value-added tax	**1 316**	1 338	**–**	–
	28 682	23 397	**599**	360
Currencies				
The carrying amounts of trade and other payables are denominated in the following currency:				
Rand	**28 682**	23 397	**599**	360

20. REVENUE

ACCOUNTING POLICIES

Revenue comprises gross rental revenue including all recoveries from tenants, excluding VAT. Rental revenue from investment property is recognised in the statements of comprehensive income on a straight-line basis over the term of the lease. 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 operating costs from tenants and the recovery of these costs comprise revenue.

Revenue also comprises dividend income received from subsidiary companies.

20. REVENUE (continued)

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Rental income	**124 502**	126 871	**54 800**	90 263
Straight-line adjustment of lease income	**6 046**	12 226	**–**	–
Straight-line lease incentive	**(2 647)**	(2 647)	**–**	–
	127 901	136 450	**54 800**	90 263

21. EXPENSES BY NATURE

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Administrative expenses	**5 800**	6 177	**1 013**	2 683
Property operating expenses	**26 612**	26 571	**–**	–
Total property operating and administrative expenses	**32 412**	32 748	**1 013**	2 683
Property operating expenses				
Administration and management fees	**1 277**	1 173	**–**	–
Repairs and maintenance	**1 084**	2 025	**–**	–
Doubtful recoveries	**–**	1 762	**–**	–
Movement in credit loss allowance	**1 818**	–	**–**	–
Utilities	**16 036**	16 857	**–**	–
Insurance	**268**	260	**–**	–
Depreciation	**372**	440	**–**	–
Cleaning	**1 074**	1 143	**–**	–
Security	**1 846**	1 731	**–**	–
Other expenses	**2 837**	1 181	**–**	–
Total property expenses	**26 612**	26 571	**–**	–
Administrative expenses				
Directors' fees and costs	**2 231**	2 125	**2 231**	2 125
Annual duty	**–**	5	**–**	2
Audit fees	**618**	434	**618**	744
Administration costs and fees	**2 755**	2 903	**1 970**	1 957
Management fees received	**–**	–	**(3 900)**	(2 327)
Bank charges	**62**	47	**2**	1
Legal fees	**92**	543	**92**	140
Sundry expenses	**42**	120	**–**	41
Total administrative expenses	**5 800**	6 177	**1 013**	2 683

22. 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 24.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Interest revenue				
Bank	**238**	1 447	**1**	2
Trade and other receivables	**997**	437	**–**	–
Intergroup loans	**–**	–	**9 159**	10 299
	1 235	1 884	**9 160**	10 301

23. FAIR VALUE ADJUSTMENTS

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Net gain from fair value adjustment on investment property	**16 903**	25 383	**–**	–
Net change in fair value of financial instruments at fair value through profit or loss	**2 987**	(7 972)	**–**	–
	19 890	17 410	**–**	–

24. FINANCE COSTS

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Bank fees capitalised against loan amortised	**280**	281	**–**	–
Bank borrowings	**41 318**	43 134	**–**	–
Interest paid interest rate swap	**2 993**	2 219	**–**	–
Other	**1**	5	**–**	–
Intergroup loans	**–**	–	**19 721**	20 477
	44 592	45 639	**19 721**	20 477

25. 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 distributions made in line with the holding company's distribution 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, No. 58 of 1962 ("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 distributions declared meet the requirements of a qualifying distribution for the purposes of section 25BB of the Income Tax Act.

25. 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 distributions are approved by the group's directors.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Major components of the tax (income)/expense				
Current				
Local income tax – recognised in current tax for prior periods	**–**	(2 428)	**–**	–
Deferred				
Originating and reversing temporary differences	**–**	–	**–**	–
	–	(2 428)	**–**	–
Reconciliation of the tax expense				
Reconciliation between accounting profit/(loss) and tax expense.				
Accounting profit/(loss) before tax	**72 022**	77 357	**(11 573)**	77 404
Tax at the applicable tax rate of 28% (2018: 28%)	**20 166**	21 660	**(3 241)**	21 673
Tax effect of adjustments on taxable income				
Prior year distribution accrued to prior year tax calculation	**–**	–	**–**	(6 890)
Fair value adjustment not subject to tax	**(5 569)**	(4 875)	**–**	–
Straight-line and lease incentive movements not subject to tax	**(2 473)**	(2 682)	**–**	–
Distribution	**(12 124)**	(14 783)	**3 221**	(14 783)
S25BB limitation applied	**–**	680	**–**	–
Dividends to be declared to shareholders	**–**	–	**(20)**	–

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 2019.

26. EARNINGS PER SHARE

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Basic earnings per share				
Basic				
Profit attributable to shareholders	**72 022**	79 786	**43 226**	77 404
Weighted average number of ordinary shares in issue	**100 000 001**	100 000 001	**100 000 001**	100 000 001
Basic earnings per share (cents per share)	**72,02**	79,79		
Diluted earnings per share				
There are no dilutive instruments in issue.				
Profit attributable to shareholders	**72 022**	79 786	**43 226**	77 404
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)	**72,02**	79,79		
Headline earnings per share				
Headline earnings is calculated as follows:				
Profit attributable to shareholders	**72 022**	79 786	**43 226**	77 404
Adjusted for:				
Change in fair value of investment property as a result of appreciation in property value and the tax consequence thereof	**(16 903)**	(25 383)	**–**	–
	55 119	54 403	**43 226**	77 404
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)	**55,12**	54,40		

The weighted average number of shares has been calculated as 100 000 001 (2018: 100 000 001) weighted for the full financial year to 28 February 2019, resulting in 100 000 001 (2018: 100 000 001) shares.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
27. CASH GENERATED FROM OPERATIONS				
Profit/(loss) before taxation	**72 022**	77 358	**43 226**	77 404
Adjustments for:				
Depreciation	**372**	440	**–**	–
Finance income	**(1 235)**	(1 884)	**(9 160)**	(10 301)
Finance costs	**44 592**	45 639	**19 721**	20 477
Fair value adjustments – derivatives	**(2 987)**	7 972	**–**	–
Fair value adjustments – investment property	**(16 903)**	(25 383)	**–**	–
Straight-line lease assets	**(11 479)**	(12 226)	**–**	–
Lease incentive	**2 647**	2 647	**–**	–
Changes in working capital:				
Trade and other receivables	**2 221**	(1 348)	**–**	–
Trade and other payables	**5 285**	2 786	**239**	(95)
Amount due to group company	**–**	–	**–**	–
	94 535	96 000	**54 026**	87 485
28. TAX RECEIVED				
Balance at the beginning of the year	**(2 273)**	(2 273)	**–**	–
Current tax for the year recognised in profit or loss (refer note 25)	**–**	–	**–**	–
Balance at the end of the year	**–**	2 273	**–**	–
Tax received	**2 273**	–	**–**	–
	–	–	**–**	–

29. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2019	Opening balance R'000	Income or expenses in profit or loss R'000	Cash flow R'000	Closing balance R'000
GROUP				
Borrowings	**453 400**	**–**	**5 100**	**458 500**
	453 400	**–**	**5 100**	**458 500**

2018	Opening balance R'000	Restructuring of loan R'000	Cash flow R'000	Closing balance R'000
GROUP				
Borrowings	270 000	230 882	(47 481)	453 400
	270 000	230 882	(47 481)	453 400

2019	Opening balance R'000	Income or expenses in profit or loss R'000	Cash flow R'000	Closing balance R'000
COMPANY				
Amounts due to group companies	**211 345**	**–**	**5 162**	**216 507**
	211 345	**–**	**5 162**	**216 507**

2018	Opening balance R'000	Income or expenses in profit or loss R'000	Cash flow R'000	Closing balance R'000
COMPANY				
Amounts due to group companies	236 503	–	(25 158)	211 345
	236 503	–	(25 158)	211 345

30. RELATED PARTIES

Relationships

Subsidiaries

Formprop Properties Proprietary Limited

Newpark Tower Proprietary Limited

I.M.P. Properties Proprietary Limited

CP Finance Properties Proprietary Limited

Other related parties

Capensis Real Estate Proprietary Limited

	GROUP		COMPANY	
	2019 R'000	**2018 R'000**	**2019 R'000**	**2018 R'000**
Related party balances				
Amounts due from/(to) related parties				
Newpark Tower Proprietary Limited	**–**	–	**(216 507)**	(211 345)
I.M.P. Properties Proprietary Limited	**–**	–	**111 928**	114 397
Related party transactions				
Interest paid to related parties				
Newpark Towers Proprietary Limited	**–**	–	**19 721**	20 447
Interest received from related parties				
I.M.P. Properties Proprietary Limited	**–**	–	**(9 159)**	(10 299)
Professional services				
JAI Ferreira	**700**	660	**–**	–
SP Fifield	**1 590**	1 500	**–**	–
Management fees paid to/received from related parties				
Newpark Tower Proprietary Limited	**–**	–	**3 176**	1 886
Formprop Properties Proprietary Limited	**–**	–	**480**	292
CP Finance Properties Proprietary Limited	**–**	–	**244**	149

31. DIRECTORS' EMOLUMENTS

12 months ended 28 February 2019	Board member fees R'000	Advisory R'000	Total 2019 R'000
Non-executive directors			
GD Harlow	**303**	**–**	**303**
HC Turner	**275**	**–**	**275**
DI Sevel	**258**	**–**	**258**
S Shaw-Taylor	**180**	**–**	**180**
DT Hirschowitz	**202**	**–**	**202**
KM Ellerine	**202**	**–**	**202**
BD van Wyk	**180**	**–**	**180**
Total	**1 600**	**–**	**1 600**
Executive directors			
SP Fifield	**393**	**1 197**	**1 590**
JAI Ferreira	**225**	**475**	**700**
Total	**618**	**1 672**	**2 290**

12 months ended 28 February 2018	Board member fees R'000	Advisory R'000	Total 2018 R'000
Non-executive directors			
GD Harlow	286	–	286
HC Turner	260	–	260
DI Sevel	244	–	244
S Shaw-Taylor	170	–	170
DT Hirschowitz	191	–	191
KM Ellerine	191	–	191
BD van Wyk	160	–	160
Total	1 511	–	1 511
Executive directors			
SP Fifield	371	1 129	1 500
JAI Ferreira	212	448	660
Total	583	1 577	2 160

32. DETAILS OF PROPERTY PORTFOLIO

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

Property name	Physical address	Sector	Weighted average rental per m² (R/m²)	Rentable area (GLA) m²	Vacancy (% GLA)
JSE Building	One Exchange Square, 2 Gwen Lane, Sandown, 2196 Gauteng	Office	*	18 163,00	–
24 Central	6 Gwen Lane, Sandown, Sandton, 2196 Gauteng	Mixed use (office and retail)	144,92	15 188,24	15,7
Linbro Business Park	Portion 3 and 4 of Erf 9 Frankenwald Extension 3 Township (Linbro Business Park)	Industrial	*	12 387,00	–
Crown Mines	Erven 1 and 2 Crown City Extension 1	Industrial	*	11 277,00	–
Total			**154,82**	**57 015,24**	**15,7**

* *As the JSE Building, Linbro Park and Crown Mines are single tenanted buildings in the property portfolio, the weighted average rental per m² as at 28 February 2019 has been included in the weighted average rental per m² for the group.*

32. DETAILS OF PROPERTY PORTFOLIO (continued)

24 Central: This is a prime grade, high-quality finish commercial office property with 20% retail (restaurant) support aspect. Footprint is generally a hexagonal structure with attached parking and outside dining facilities on the ground floor. There is multi-volume open internal atrium space and offices are located on four floors above this.

Analysis of the properties

An analysis of the properties in respect of geographic, sectoral, tenant, vacancy and lease expiry profiles as at 28 February 2019 is provided in the tables below.

Geographic profile

All of the properties are located in Gauteng.

	Based on GLA %	Based on gross rental %	Vacancy profile based on GLA %	GLA m^2
Sectoral profile				
Mixed use (office and retail)	26,6	31,7	15,7	15 188,2
Office	31,9	46,2	0,0	18 163,0
Industrial	41,5	22,1	0,0	23 664,0
Total	**100,00**	**100,00**	**15,7**	**57 015,2**

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	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Minimum lease payments				
Within one year	**97 369**	92 920	**–**	–
Later than one year, but within five years	**544 494**	513 640	**–**	–
Later than five years	**79 880**	196 827	**–**	–

32. DETAILS OF PROPERTY PORTFOLIO (continued)

	Based on GLA %	GLA m^2
Tenant profile		
A	74,6	42 518,2
B	4,5	2 548,4
C	5,2	2 981,6
Vacant	15,7	8 967,1
Total	**100,00**	**57 015,3**

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

A. Large international and national tenants, large listed tenants, government and major franchisees. These are the JSE Limited, Saudi Arabian Airlines Inc., Vida E Café Proprietary Limited and MTN Limited.

B. National tenants, smaller listed tenants, franchisees and medium to large professional firms. These are News Café, Moyo Urban and The Baron.

C. Other local tenants and sole proprietors. These are TP South Africa Trading Proprietary Limited (Australian, UK and Belgian Visa), Thirty Four Degrees South Marketing Proprietary Limited, Club Sublime CC (Taboo), Juju Lounge CC (Cocoon), Panini Brothers, Rockets Express Proprietary Limited, ATM Solutions Proprietary Limited, Lexy's Health Eatery and AU999 Commodities.

Rental per square meter and rental escalation

The weighted average rental per square metre of the 24 Central as at 28 February 2019 is R144,92/m^2. The weighted average rental escalation, based on existing leases by GLA, for the properties is 8,20%.

33. GOING CONCERN

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going-concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

34. 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.

SHAREHOLDER INFORMATION

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Newpark REIT Limited

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

Notice is hereby given that the annual general meeting of shareholders of Newpark will be held at Unit 9A, 1st Floor, 3 Melrose Boulevard, Melrose Arch, on Tuesday, 16 July 2019 at 12:00 ("**the annual general meeting**") for the purposes of:

- receiving and adopting the audited consolidated annual financial statements of the company and the group for the year ended 28 February 2019 and incorporating the directors' report and the audit and risk committee report. A copy of the complete consolidated annual financial statements of the company for the preceding financial year may be obtained from the company's registered office at 51 West Street, Houghton Estate, Johannesburg, 2001, or is available on the company's website at www.newpark.co.za;
- transacting any other business as may be transacted at an annual general meeting of shareholders of a company including the reappointment of the auditors and the re-election of retiring directors; and
- considering and, if deemed fit, adopting, with or without modification, the special and ordinary resolutions set out below:

IMPORTANT DATES

	2019
Record date for purposes of receiving this notice	Friday, 14 June
Last day to trade in order to be eligible to participate in and vote at the annual general meeting	Tuesday, 2 July
Record date for purposes of voting at the meeting ("**voting record date**")	Friday, 5 July
Annual general meeting held at 12:00 on	Tuesday, 16 July
Results of annual general meeting released on SENS on	Tuesday, 16 July

Kindly note that in terms of section 62(3)(e) of the Companies Act No. 71 of 2008 ("**the Companies Act**"):

- a shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, participate in and vote at the meeting in the place of the shareholder;
- a proxy need not also be a shareholder of the company;
- meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in the annual general meeting; and
- the chairperson must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a proxy for a shareholder) has been reasonably verified.

Forms of identification include valid identity documents, drivers' licenses and passports.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements, which includes the external independent auditor's report, the audit and risk committee report and the directors' report for the year ended 28 February 2019, have been distributed as required and will be presented to shareholders at the annual general meeting.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

The report by the company's social and ethics committee included on pages 24 and 25 of the integrated report will serve as the social and ethics committee's report to the company's shareholders on the matters within its mandate at the annual general meeting. Any specific questions to the social and ethics committee may be sent to the company secretary prior to the annual general meeting.

1. ORDINARY RESOLUTION NUMBER 1:

RE-ELECTION OF DIRECTOR

Mr Gary Harlow retires by rotation and, being eligible, offers himself for re-election as non-executive director of the company.

"Resolved that the re-election of Mr Gary Harlow as independent non-executive director to the company be confirmed."

An abridged *curriculum vitae* of Mr Gary Harlow is included in the integrated report of which this notice forms part.

The company's board of directors has considered Mr Gary Harlow's past performance and contribution to the company and recommends that he be re-elected as a director of the company.

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

2. ORDINARY RESOLUTION NUMBER 2:

RE-ELECTION OF DIRECTOR

Mr Barry van Wyk retires by rotation and, being eligible, offers himself for re-election as non-executive director of the company.

"Resolved that the re-election of Mr Barry van Wyk as independent non-executive director to the company be confirmed."

An abridged *curriculum vitae* of Mr Barry van Wyk is included in the integrated report of which this notice forms part.

The company's board of directors has considered Mr Barry van Wyk's performance and contribution to the company and recommends that he be re-elected as a director of the company.

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

3. ORDINARY RESOLUTION NUMBER 3:

RE-ELECTION OF DIRECTOR

Mr Dries Ferreira retires by rotation and, being eligible, offers himself for re-election as executive director and financial director of the company.

"Resolved that the re-election of Mr Dries Ferreira as executive director and financial director to the company be confirmed."

An abridged curriculum vitae of Mr Dries Ferreira is included in the integrated report of which this notice forms part.

The company's board of directors has considered Mr Dries Ferreira's performance and contribution to the company and recommends that he be re-elected as a director of the company.

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

4. ORDINARY RESOLUTION NUMBERS 4.1 TO 4.3:

RE-APPOINTMENT OF MEMBERS OF THE AUDIT AND RISK COMMITTEE

4.1 Ordinary resolution number 4.1:

Re-appointment of Mr Howard Charles Turner as a member of the audit and risk committee

Re-appointment of Mr Howard Charles Turner as a member of the audit and risk committee

"Resolved that in terms of section 94(2) of the Companies No. Act 71 of 2008, Mr Howard Charles Turner, an independent non-executive director, be re-appointed as a member and chairperson of the audit and risk committee."

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

4.2 Ordinary resolution number 4.2:

Re-appointment of Mr David Ivor Sevel as a member of the audit and risk committee

"Resolved that in terms of section 94(2) of the Companies No. Act 71 of 2008, Mr David Ivor Sevel, an independent non-executive director, be re-appointed as a member of the audit and risk committee."

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

4.3 Ordinary resolution number 4.3:

Re-appointment of Mr Gary David Harlow as a member of the audit and risk committee

"Resolved that in terms of section 94(2) of the Companies Act No. 71 of 2008, and subject to the passing of ordinary resolution number 1, Mr Gary David Harlow, an independent non-executive director, be re-appointed as a member of the audit and risk committee, whose dual role as chairperson of the board and member of the audit and risk committee is hereby specifically approved."

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

5. ORDINARY RESOLUTION NUMBER 5:

APPOINTMENT OF AUDITORS

"Resolved that BDO South Africa Incorporated, together with Mr Stephen Shaw, being the designated audit partner, be appointed as the auditors of the company."

The audit and risk committee has nominated for appointment as auditors of the company under section 90 of the Companies Act No. 71 of 2008, BDO South Africa Incorporated. The audit and risk committee has evaluated the suitability and performance of BDO South Africa Incorporated together with Mr Stephen Shaw, and recommends their appointment as the external auditors of the group in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements.

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

6. ORDINARY RESOLUTION NUMBER 6:

GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

"Resolved that the directors of the company be and are hereby authorised by way of a general authority to issue shares in the capital of the company for cash, as and when they in their discretion deem fit, subject to the Companies Act No. 71 of 2008, the Memorandum of Incorporation of the company, the JSE Listings Requirements, when applicable, and the following limitations, namely that:

a. the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such options, securities or rights that are convertible into a class already in issue;

b. any such issue will be made to "public shareholders" and not "related parties", as defined in the JSE Listings Requirements;

c. the total aggregate number of shares which may be issued for cash in terms of this authority may not exceed 50 000 000 shares, being 50% (fifty percent) of the company's issued shares as at the date of notice of this annual general meeting. Accordingly, any shares issued under this authority prior to this authority lapsing shall be deducted from the 50 000 000 shares the company is authorised to issue in terms of this authority for the purpose of determining the remaining number of shares that may be issued in terms of this authority;

d. in the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;

e. this authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;

f. an announcement containing full details of the issue, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 (thirty) days prior to the date that the issue is agreed in writing and an explanation, including supporting documentation (if any), of the intended use of the funds will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) of the number of shares in issue prior to the issue; and

g. in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed to by the directors of the company."

For the avoidance of doubt, all issues of shares for cash and all issues of options and convertible securities granted or issued for cash must, in addition to aforegoing provisions, be in accordance with the JSE Listings Requirements.

In order for ordinary resolution number 5 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution in accordance with the JSE Listings Requirements.

7. ORDINARY RESOLUTION NUMBER 7:

SPECIFIC AUTHORITY TO ISSUE SHARES PURSUANT TO A REINVESTMENT OPTION

"Resolved that, in addition to the authority set out in ordinary resolution number 6 (irrespective of whether authority on resolution number 6 is passed or not) and subject to the provisions of the Companies Act No. 71 of 2008, the company's Memorandum of Incorporation and the JSE Listings Requirements, the directors be and are hereby authorised by way of a specific standing authority to allot and issue shares, as and when they deem appropriate, for the exclusive purpose of affording shareholders opportunities from time to time to elect to reinvest their distributions in new shares of the company pursuant to a reinvestment option."

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

8. NON-BINDING ADVISORY RESOLUTION NUMBER 1:

NON-BINDING ADVISORY VOTE ON REMUNERATION POLICY

"Resolved that, in accordance with the principles of the King IV™ report on governance ("**King IV™**"), and through a non-binding advisory vote, the company's remuneration policy as further detailed on page 23 of the integrated report of which this notice forms part, be and is hereby endorsed.

9. NON-BINDING ADVISORY RESOLUTION NUMBER 2:

NON-BINDING ADVISORY VOTE ON REMUNERATION IMPLEMENTATION REPORT

"Resolved that, in accordance with the principles of the King IV™, and through a non-binding advisory vote, the company's remuneration implementation report as further detailed on page 23 of the integrated report of which this notice forms part, be and is hereby endorsed.

In the event that 25% or more of the shareholders vote against either or both non-binding advisory resolutions 1 and 2, the board is committed to engaging actively with dissenting shareholders in this regard in order to address all legitimate and reasonable objections or concerns.

10. SPECIAL RESOLUTION NUMBER 1:

FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED PARTIES

"Resolved as a special resolution that, to the extent required by section 45 of the Companies Act No. 71 of 2008 ("**the Companies Act**"), the board of directors of the company may, subject to compliance with the requirements of the company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, authorise the company to provide direct or indirect financial assistance in terms of section 45 of the Companies Act by way of loans, guarantees, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related (as defined in the Companies Act) to the company for any purpose or in connection with any matter, such authority to endure until the next annual general meeting of the company."

Reason for and effect of special resolution number 1

The company would like the ability to provide financial assistance, if necessary, in accordance with section 45 of the Companies Act. This authority is necessary for the company to provide financial assistance in appropriate circumstances. Under the Companies Act, the company requires the special resolution referred to above to be adopted, provided that the board of directors of the company is satisfied that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company and, immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test contemplated in the Companies Act. In the circumstances and in order to ensure, *inter alia,* that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution number 1. Therefore, the reason for, and effect of, special resolution number 1 is to permit the company to provide direct or indirect financial assistance (within the meaning attributed to that term in section 45 of the Companies Act) to the entities referred to in special resolution number 1 above.

This resolution will require the support of at least 75% of the voting rights exercised on it in order for it to be adopted.

11. SPECIAL RESOLUTION NUMBER 2:

SHARE REPURCHASES

"Resolved as a special resolution that the company or any of its subsidiaries be and are hereby authorised by way of a general authority to acquire shares issued by the company, in terms of sections 46 and 48 of the Companies Act No. 71 of 2008 ("**the Companies Act**") and in terms of the JSE Listings Requirements being that:

a. any acquisition of shares shall be implemented through the order book of the JSE and without prior arrangement between the company and the counterparty;

b. this general authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing this special resolution;

c. the company (or any subsidiary) is duly authorised by its Memorandum of Incorporation to do so;

d. acquisitions of shares in the aggregate in any one financial year may not exceed 20% (or 10% where the acquisitions are effected by a subsidiary) of the company's issued ordinary share capital as at the date of passing this special resolution;

e. in determining the price at which shares issued by the company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired will be 10% of the weighted average of the market value on the JSE over the five business days immediately preceding the repurchase of such shares;

f. at any point in time the company (or any subsidiary) may appoint only one agent to effect repurchases on its behalf;

g. repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme is in place (where the dates and quantities of shares to be repurchased during the prohibited period are fixed) and has been submitted in writing to the JSE prior to the commencement of the prohibited period;

h. an announcement will be published as soon as the company or any of its subsidiaries have acquired shares constituting on a cumulative basis, 3% of the number of shares in issue prior to the acquisition pursuant to which the aforesaid threshold is reached and for each 3% in aggregate acquired thereafter, containing full details of such acquisitions; and

i. the board of directors of the company must resolve that the repurchase is authorised, the company and its subsidiaries have passed the solvency and liquidity test, as set out in section 4 of the Companies Act, and since that test was performed, there have been no material changes to the financial position of the group."

In accordance with the JSE Listings Requirements the directors record that although there is no immediate intention to effect a repurchase of the shares of the company, the directors will utilise this general authority to repurchase shares as and when suitable opportunities present themselves, which may require expeditious and immediate action. The directors undertake that, after considering the maximum number of shares that may be repurchased and the price at which the repurchases may take place pursuant to the share repurchase general authority, for a period of 12 months after the date of notice of this annual general meeting:

- the company and the group will, in the ordinary course of business, be able to pay its debts;
- the consolidated assets of the company and the group fairly valued in accordance with International Financial Reporting Standards, will exceed the consolidated liabilities of the company and the group fairly valued in accordance with International Financial Reporting Standards; and
- the company's and the group's share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, some of which may appear elsewhere in the integrated report, is provided in terms of paragraph 11.26 of the JSE Listings Requirements for purposes of this general authority:

- Major beneficial shareholders – page 42.
- Capital structure of the company – page 88.

Directors' responsibility statement

The directors whose names appear on pages 15 and 16 of the integrated report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the Companies Act and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the integrated report of which this notice forms part, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for the financial period ended 28 February 2019 and up to the date of this notice.

Reason for and effect of special resolution 2

The reason for and effect of special resolution 2 is to afford the directors of the company (or a subsidiary of the company) general authority to effect a repurchase of the company's shares on the JSE.

This resolution will require the support of at least 75% of the voting rights exercised on it in order for it to be adopted.

12. SPECIAL RESOLUTION NUMBER 3:

APPROVAL OF NON-EXECUTIVE DIRECTORS' FEES

"Resolved, as a special resolution, that the fees payable by the company to each of the non-executive directors for their services as directors (in terms of section 66 of the Companies Act No. 71 of 2008) be and are hereby approved with effect from 1 March 2019 for a period of one year from the passing of this resolution or until its renewal, whichever is the earliest, as follows:

Board chairperson	R267 979 per annum
Non-executive director	R178 652 per annum
Audit and risk committee chairperson	R53 596 per annum
Audit and risk committee member	R35 730 per annum
Investment committee chairperson	R17 865 per annum
Investment committee member	R11 910 per annum
Remuneration committee chairperson	R35 730 per annum
Remuneration committee member	R23 820 per annum
Social and ethics committee chairperson	R35 730 per annum
Social and ethics committee member	R23 820 per annum

The above amounts exclude VAT payable where applicable.

This resolution will require the support of at least 75% of the voting rights exercised on it in order for it to be adopted.

13. ORDINARY RESOLUTION NUMBER 8:

SIGNATURE OF DOCUMENTATION

"Resolved that any director of the company or the company secretary be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of ordinary resolutions numbers 1 to 8, non-binding resolutions 1 and 2 and special resolutions number 1 to 3 which are passed by the shareholders with and subject to the terms thereof."

This resolution will require the support of more than 50% of the voting rights exercised on it in order for it to be adopted.

Voting and proxies

Any person attending or participating in the annual general meeting must present reasonably satisfactory identification and the person presiding at the annual general meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder/as a proxy for a shareholder) has been reasonably verified.

A shareholder of the company entitled to attend, speak and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and to vote in his stead. The proxy need not be a shareholder of the company.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only.

On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share in the company held by such shareholder.

A form of proxy is enclosed for the convenience of certificated and own name dematerialised shareholders holding shares in the company who cannot attend the annual general meeting but wish to be represented thereat.

Such shareholders are requested to complete and return the attached form of proxy and lodge it with the Transfer Secretaries of the company, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) or by email to proxy@computershare.co.za, at least 48 hours prior to the date of the annual general meeting in order to allow for processing of the proxy forms. Alternatively, the form of proxy may be handed to the chairperson of the annual general meeting or the transfer secretaries present at the annual general meeting, prior to voting on any resolution proposed at the annual general meeting.

Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the shareholder subsequently decide to do so.

Dematerialised shareholders who have not elected own name registration in the sub-register of the company through a Central Securities Depository Participant ("**CSDP**") and who wish to attend the annual general meeting, must instruct the CSDP or broker to provide them with the necessary authority to attend.

Dematerialised shareholders who have not elected "own name" registration in the sub-register of the company through a CSDP and who are unable to attend, but wish to vote at the annual general meeting, must timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that shareholder and the CSDP or broker. Such shareholders are advised that they must provide their CSDP or broker with separate voting instructions in respect of their shares.

Electronic participation

The company has made provision for shareholders or their proxies to participate electronically in the annual general meeting by way of telephone conferencing. Should you wish to participate in the annual general meeting by telephone conference call as aforesaid, you, or your proxy, will be required to advise the company thereof by no later than 12:00 on Wednesday, 10 July 2019 by submitting via email to the Company Secretary at gillian.prestwich@computershare.co.za or faxed to +27 11 688 5279, for the attention of Gillian Prestwich, with the relevant contact details, including:

- an email address;
- cellular number and landline;
- full details of the shareholder's title to securities issued by the company and proof of identity;
- for certificated ordinary shares – copies of identity documents and share certificates; and
- for dematerialised ordinary shares – written confirmation from the shareholder's CSDP confirming the shareholder's title to the dematerialised ordinary shares.

Upon receipt of the required information the shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the annual general meeting. Shareholders must note that access to the electronic communication will be at the expense of the shareholders who wish to utilise the facility. Shareholders and their appointed proxies attending by conference call will not be able to cast their votes at the annual general meeting through this medium.

Forms of proxy may also be obtained on request from the company's registered office.

By order of the board

CIS Company Secretaries Proprietary Limited
Company secretary

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107

Registered office and business address

51 West Street, Houghton Estate, Johannesburg, 2001
PO Box 3178, Houghton, 2041

Transfer secretaries

Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107

22 May 2019

SHAREHOLDER INFORMATION

Shareholders' diary	2019
Financial year-end	28 February
Announcement of annual results	22 May
Integrated report released	21 June
Annual general meeting	16 July
Announcement of interim results	9 October

CORPORATE INFORMATION

Registered office

Newpark REIT Limited

(Registration number 2015/436550/06)
51 West Street
Houghton, 2198

(PO Box 3178, Houghton 2041)

Place and date of incorporation

Incorporated in South Africa on 7 December 2015

Company secretary

Gillian Mary Prestwich BA FCIS
CIS Company Secretaries Proprietary Limited
(Registration number 2006/024994/07)
15 Biermann Avenue
Rosebank 2196

(PO Box 61051, Marshalltown 2107)

Corporate advisor and bookrunner

Java Capital Proprietary Limited
(Registration number 2012/089864/07)
6A Sandown Valley Crescent
Sandown, Sandown 2196

(PO Box 582606, Saxonwold 2132)

Designated advisor

Java Capital Trustees and Sponsors Proprietary Limited
(Registration number 2006/005780/07)
6A Sandown Valley Crescent
Sandown 2196

(PO Box 522606, Saxonwold 2132)

Attorneys

Cliffe Dekker Hofmeyr Inc.
(Registration number 2008/018923/21)
11 Buitengracht Street
Cape Town 8001

(PO Box 695, Cape Town 8000)

Fullard Mayer Morrison Inc.
(Registration number 1999/026700/21)
4 Morris Street West
Rivonia, Johannesburg 2191

(PO Box 4475, Rivonia 2128)

Independent property valuer

Quadrant Properties Proprietary Limited
(Registration number 1995/003097/07)
16 North Road
Corner Jan Smuts Avenue
Dunkeld West 2196

(PO Box 1984, Parklands 2121)

Bankers

Rand Merchant Bank, a division of FirstRand Bank Limited (Registration number 1929/001225/06)
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton 2196

(PO Box 786273, Sandton 2146)

Transfer secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank 2196

(PO Box 61051, Marshalltown 2107)

FORM OF PROXY

NEWPARK REIT LIMITED

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

Where appropriate and applicable the terms defined in the notice of annual general meeting to which this form of proxy is attached and forms part of, bear the same meanings in this form of proxy.

For use by shareholders of the company holding certificated shares and/or dematerialised shareholders who have elected "own name" registration, nominee companies of Central Securities Depository participant's ("**CSDP**") and brokers' nominee companies, registered as such at the close of business on Friday, 5 July 2019 (the voting record date), at the annual general meeting to be held at Unit 9A, 1st Floor, 3 Melrose Boulevard, Melrose Arch, at 12:00 on Tuesday, 16 July 2019 (the annual general meeting) or any postponement or adjournment thereof.

If you are a dematerialised shareholder, other than with "own name" registration, do not use this form. Dematerialised shareholders, other than with "own name" registration, should provide instructions to their appointed CSDP or broker in the form as stipulated in the agreement entered into between the shareholder and the CSDP or broker.

I/We (full names in block letters please)

of (address)

being the holder/s of shares hereby appoint:

1. or failing him/her,
2. or failing him/her,
3. the chairperson of the annual general meeting, as my/our proxy to attend and speak and to vote for me/us and on my/our behalf at the annual general meeting and at any adjournment or postponement thereof, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed at the annual general meeting, and to vote on the resolutions in respect of the ordinary shares registered in my/our name(s), in the following manner:

	Number of votes		
	Shares		
	*For	*Against	*Abstain
Ordinary resolution number 1: Re-election of Gary Harlow as director			
Ordinary resolution number 2: Re-election of Barry van Wyk as director			
Ordinary resolution number 3: Re-election of Dries Ferreira as director			
Ordinary resolution number 4: Re-appointment of the members of the audit and risk committee:			
4.1 Howard Charles Turner (chairperson)			
4.2 David Ivor Sevel			
4.3 Gary David Harlow			
Ordinary resolution number 5: Appointment of auditors			
Ordinary resolution number 6: General authority to issue shares for cash			
Ordinary resolution number 7: Specific authority to issue shares pursuant to a reinvestment option			
Non-binding advisory resolution number 1: Endorsement of remuneration policy			
Non-binding advisory resolution number 2: Endorsement of remuneration implementation report			
Special resolution number 1: Financial assistance to related or inter-related parties			
Special resolution number 2: Share repurchases			
Special resolution number 3: Approval of non-executive directors' fees			
Ordinary resolution number 8: Signature of documentation			

One vote per share held by shareholders recorded in the register on the voting record date.

Mark "for", "against" or "abstain" as required. If no options are marked the proxy will be entitled to vote as he/she thinks fit.

Unless otherwise instructed, my/our proxy may vote or abstain from voting as he/she thinks fit.

Signed this day of 2019

Signature

Assisted by me (where applicable) (State capacity and full name)

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, vote and speak in his/ her stead. A proxy need not be a member of the company. Each shareholder is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in place of that shareholder at the annual general meeting.

Forms of proxy should be deposited at Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to PO Box 61051, Marshalltown, 2107 or by email to proxy@computershare.co.za. Shareholders are requested to furnish such forms to the transfer secretaries at least 48 hours prior to the meeting in order to allow for processing of the forms of proxy or handed to the transfer secretaries or the chairperson of the annual general meeting at any time prior to voting on any resolution proposed at the annual general meeting.

Please read the notes below

NOTES TO THE FORM OF PROXY

1. This form of proxy is only to be completed by those ordinary shareholders who are:

   a. holding ordinary shares in certificated form; or

   b. recorded in the sub-register in electronic form in their "own name";

   on the date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services Proprietary Limited, in order to vote at the annual general meeting being Friday, 5 July 2019, and who wish to appoint another person to represent them at the annual general meeting.

2. Certificated shareholders wishing to attend the annual general meeting have to ensure beforehand, with the transfer secretaries of the company (being Computershare Investor Services Proprietary Limited), that their shares are registered in their name.

3. Beneficial shareholders whose shares are not registered in their "own name", but in the name of another, for example, a nominee, may not complete a form of proxy, unless a form of proxy is issued to them by a registered shareholder, and they should contact the registered shareholder for assistance in issuing instructions on voting their shares, or obtaining a proxy to attend, speak, and, on a poll, vote at the annual general meeting.

4. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space, with or without deleting "the chairperson of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

5. A shareholder's instructions to the proxy must be indicated by means of a tick or a cross in the appropriate box provided. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of shares in respect of which you desire to vote. If (i) a shareholder fails to comply with the above; or (ii) gives contrary instructions in relation to any matter; or any additional resolution(s) which are properly put before the meeting; or (iii) the resolution listed in the form of proxy is modified or amended, the shareholder will be deemed to authorise the chairperson of the annual general meeting, if the chairperson is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the shareholders' votes exercisable thereat. If, however, the shareholder has provided further written instructions which accompany this form of proxy and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in (i) to (iii) above, then the proxy shall comply with those instructions.

6. The forms of proxy should be lodged at Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to PO Box 61051, Marshalltown, 2107 or emailed to proxy@computershare.co.za. Shareholders are requested to furnish such forms to the transfer secretaries at least 48 hours prior to the date of the annual general meeting in order to allow for processing of the forms of proxy. Alternatively, the form of proxy may be handed to the transfer secretaries or the chairperson of the annual general meeting at any time prior to voting on any proposed resolution at the annual general meeting.

7. The completion and lodgement of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. In addition to the aforegoing, a shareholder may revoke the proxy appointment by (i) cancelling it in writing or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the company.

8. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered in the required manner.

9. The chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes provided that, in respect of acceptances, he is satisfied as to the manner in which the shareholder(s) concerned wish(es) to vote.

10. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory/ies.

11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or Computershare Investor Services Proprietary Limited or waived by the chairperson of the annual general meeting.

12. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Computershare Investor Services Proprietary Limited.

13. Where there are joint holders of shares:

    13.1. any one holder may sign the form of proxy; and

    13.2. the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.

14. If duly authorised, companies and other corporate bodies who are shareholders of the company having shares registered in their own name may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of that representative. This notice will not be effective at the annual general meeting unless it is accompanied by a duly certified copy of the resolution or other authority in terms of which that representative is appointed and is received at Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, to reach the company by no later than 12:00 on Friday, 12 July 2019, or prior to the annual general meeting.

15. This form of proxy may be used at any adjournment or postponement of the annual general meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.

16. The aforegoing notes contain a summary of the relevant provisions of section 58 of the Companies Act 2008 (the Companies Act), as required in terms of that section. In addition, an extract from the Companies Act reflecting the provisions of section 58 of the Companies Act, is set out below, or prior to the annual general meeting.

Extract from the Companies Act

"58. Shareholder right to be represented by proxy

(1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to –

  (a) participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder; or

  (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.

(2) A proxy appointment –

  (a) must be in writing, dated and signed by the shareholder; and

  (b) remains valid for –

    (i) one year after the date on which it was signed; or

    (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c) or expires earlier as contemplated in subsection (8)(d).

(3) Except to the extent that the Memorandum of Incorporation of a company provides otherwise –

  (a) a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;

  (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and

  (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.

(4) Irrespective of the form of instrument used to appoint a proxy –

  (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;

  (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and

  (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by –

    (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and

    (ii) delivering a copy of the revocation instrument to the proxy, and to the company.

(5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of –

  (a) the date stated in the revocation instrument, if any; or

  (b) the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).

(6) If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to –

  (a) the shareholder; or

  (b) the proxy or proxies, if the shareholder has –

    (i) directed the company to do so, in writing; and

    (ii) paid any reasonable fee charged by the company for doing so.

(7) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.

(8) If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy –

  (a) the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;

  (b) the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must –

    (i) bear a reasonably prominent summary of the rights established by this section;

    (ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and

    (iii) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;

  (c) the company must not require that the proxy appointment be made irrevocable; and

  (d) the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).

(9) Subsection (8)(b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder."

DEFINITIONS

"Alt^X"	the Alternative Exchange of the JSE
"the board"	the board of directors of Newpark REIT
"Bridoon"	Bridoon Trade and Invest Proprietary Limited, a major shareholder of Newpark REIT
"CEO"	Chief Executive Officer, Simon Fifield, appointed 7 January 2016
"Companies Act"	the Companies Act, No. 71 of 2008 (as amended)
"Ellerine"	Ellerine Bros. Proprietary Limited, a major shareholder of Newpark
"Ellwain"	Ellwain Investments Proprietary Limited, a major shareholder of Newpark
"existing shareholders"	collectively, Ellerine, Ellwain, Renlia and Bridoon, being the existing shareholders of Newpark Towers prior to the listing of Newpark
"FD"	Financial Director, Dries Ferreira, appointed 1 September 2016
"GLA"	gross lettable area, measured in square metres
"government"	the Government of South Africa
"IBC"	inside back cover
"IFRS"	International Financial Reporting Standards
"Income Tax Act"	Income Tax Act, No. 58 of 1962 (as amended)
"independent property valuer" or "Quadrant Properties"	the independent property valuer of the company
"invited investors"	selected investors
"JSE Listing" or "listing"	the listing of all the company's issued shares on the JSE's Alt^X exchange as a "Diversified REIT" on 3 February 2016
"JSE"	JSE Limited, the South African securities exchange
"King IV™ Report"	King Report on Corporate Governance for South Africa 2016
"listing date"	3 February 2016, the date Newpark REIT Limited listed as a "Diversified REIT" on the JSE Alt^X exchange
JSE Listings Requirements"	the Listings Requirements, as issued by the JSE from time to time
"m^2"	square metres
"major subsidiaries"	a major subsidiary as defined in the JSE Listings Requirements, namely a subsidiary that represents 25% or more of the total assets or revenue of the consolidated group
"MOI"	the Memorandum of Incorporation of the company
"Newpark group" or "the group"	collectively, Newpark and its subsidiaries
"Newpark Towers" or "subsidiary"	Newpark Towers Proprietary Limited, a wholly-owned subsidiary of the company as of the listing date
"Newpark" or "the company"	Newpark REIT Limited

"private placement"	the private placement by Newpark to raise up to approximately R62,5 million by way of an offer to invited investors to subscribe for 10 000 000 private placement shares at the issue price of R6,25 per share on 3 February 2016
"properties" or "property portfolio"	24 Central and the JSE Building which, from the listing date, comprise the property portfolio of the company, an industrial building in Linbro Park and an industrial building in Crown Mines
"property manager" or "JHI"	JHI Properties Proprietary Limited
"property management"	the agreement entered into on 7 June 2010 between JHI agreement and Newpark Towers governing the provision by JHI of property management services to Newpark Towers in respect of the 24 Central property
"R" or "Rand" or "ZAR"	the South African Rand, the lawful currency of South Africa
"RMB"	Rand Merchant Bank, a division of FirstRand Bank Limited
"REIT"	Real Estate Investment Trust, a company listed on the JSE which has received REIT status in terms of the JSE Listings Requirements
"Renlia"	Renlia Developments Proprietary Limited, a major shareholder of Newpark
"SENS"	Stock Exchange News Service of the JSE
"subsidiary"	subsidiary of the company as of the listing date
"the period under review" or "the period"	the period from 1 March 2018 to 28 February 2019
"yield"	the distribution available to a holder of a share in any financial year divided by the market price of that share

GENERAL INFORMATION

Country of incorporation and domicile	South Africa	
Nature of business and principal activities	Property holding and investment company	
Company registration number	2015/436550/06	
JSE share code	NRL	
ISIN	ZAE000212783	
Registered office and business address	51 West Street Houghton 2198	
Postal address	PO Box 3178 Houghton 2041	
Directors	GD Harlow	*Chairperson, independent non-executive director*
	SP Fifield	*Chief executive director*
	JAI Ferreira	*Financial director*
	BD van Wyk	*Non-executive director*
	DT Hirschowitz	*Non-executive director*
	KM Ellerine	*Non-executive director*
	HC Turner	*Independent non-executive director*
	DI Sevel	*Independent non-executive director*
	S Shaw-Taylor	*Independent non-executive director*
Bankers	Rand Merchant Bank, a division of FirstRand Bank Limited	
Auditors	BDO South Africa Incorporated	
Secretary	CIS Company Secretaries Proprietary Limited	
Transfer secretaries	Computershare Investor Services Proprietary Limited	
Designation advisor	Java Capital Trustees and Sponsors Proprietary Limited	
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, no. 71 of 2008	
Preparer	The consolidated financial statements were independently compiled by Dries (JAI) Ferreira CA(SA)	
Issued	22 May 2019	

www.newpark.co.za