

NEWPARK REIT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2015/436550/06)

JSE share code: NRL ISIN: ZAE000212783

(Approved as a REIT by JSE)

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



SUMMARISED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 AUGUST 2021

DIRECTORS' COMMENTARY

NATURE OF BUSINESS

Newpark is a property holding and investment company that is currently invested in A-grade commercial and industrial properties.

PROPERTY PORTFOLIO

Newpark's property portfolio consists of four properties. Two are located in the heart of Sandton, Gauteng, namely the JSE Building which has 18,163 m² of gross lettable area ("GLA") and an adjoining mixed-use property known as 24 Central, which has 15,934 m² of GLA. The third property is situated in Linbro Business Park which has 12,387 m² of GLA and the fourth property in Crown Mines which has 11,277 m² of GLA. The combined valuation of these properties, undertaken by the directors at 31 August 2021 was R1,37 billion and is in line with the independent valuation conducted by a registered property valuer as at 28 February 2021.

STRATEGY

Newpark's investment strategy is to invest in well positioned prime properties which provide high-quality cash flows and have the potential for long-term capital growth.

COMMENTARY ON RESULTS

The Company's board of directors ("**Board**") is pleased to present the Group's interim results for the period under review.

The solid underpin provided by a portfolio of assets that have sound property fundamentals together with a quality tenant mix, has proven its worth amidst difficult operating conditions impacted by an underperforming economy and the COVID -19 pandemic. Management's focus during this interim period has been on protecting the Company's asset base and the retention of tenants with a particular focus on 24 Central.

Newpark's balance sheet continues to remain financially healthy with a satisfactory gearing level of 34,2% (2021: 34,6%).

Revenue for the six-months ended 31 August 2021 was R51,2 million, down 8,5% compared to H1 F2021, and operating profit before fair value adjustments was R37,6 million (down 8,7%). After allowing for fair value adjustments and the net cost of finance, the total comprehensive profit for the interim period was R19,7 million (H1 F2021 loss: R9,6 million), representing a profit of 19,726 cents per share ("**cps**") (H1 F2021 loss: 9,628 cps).

The return to profitability is a positive indication of a movement towards normality after the negative impact of the COVID-19 pandemic on the Company's performance in the previous financial year. Improvements were seen mainly in reduced vacancies and COVID-19 rental concessions. Other than for the mixed-use segment, the tenant profile has remained the same with the majority of these tenants having leases that are renewable during 2025 and beyond.

The Group's vacancy factor improved during the period to 11,1% (FY2020: 13,5%). The improvement relates to 1528m² of space let at 24 Central, which building is starting to see the benefit of the investment upgrade over the past years. Management has substantially upgraded 24 Central into a modern and fresh entertainment offering with Newpark and its tenants committing to spending in excess of R20 million on fitting out three new restaurants. These three exciting new tenant offerings are expected to be fully operational before the end of the calendar year. Furthermore, the Group, in collaboration with certain tenants, has initiated the upgrade of its Sandton Office segment at a budgeted cost of approximately R40 million, of which the Group's share is approximately R10 million.

The total interim dividend for the reporting period of 21,66 cps (H1 F2020: 19,63 cps) represents an increase of 10,4% over the prior comparative period.

FUNDS FROM OPERATIONS (“FFO”)

In addition to the IFRS performance measurements, the Group uses funds from operations per share (“**FFOPS**”) as an alternative performance measure. FFOPS is a non-IFRS measure and must not be seen to replace or dilute the importance of the IFRS-based performance measures disclosed in this report, but rather to enhance the reported information for the users of the financial statements. In order to better understand the FFOPS performance measure, a reconciliation is provided below.

	Six months 31 August 2021 R'000	Six months 31 August 2020 R'000	Year ended 28 February 2021 R'000
Profit per IFRS statement of comprehensive income (SOI)	19 726	(9 627)	17 089
<i>Adjusted for:</i>			
Accounting/ specific adjustments:	1 937	29 258	22 795
-Fair value adjustment to investment property	-	-	6 510
- Fair value impact of straight-lining operating leases	7 434	1 533	2 663
-Fair value adjustments on derivative financial instruments for hedging	(5 497)	27 725	13 622
FFO	21 663	19 631	39 881
Number of shares outstanding at end of period ('000)	100 000	100 000	100 000
FFOPS	21,66	19,63	39,88
Dividend per share	21.66	19,63	39,88
-Interim dividend per share	21,66	19,63	19,63
-Final dividend per share	-	-	20,25

Newpark’s net asset value per share as at 31 August 2021 was R8.78, a decrease of 1,0% from R8.85 at 28 February 2021.

SECTORAL SPLIT		
Based on:	GLA	Gross Rentals
Mixed use (retail and office)	22,5%	15,6%
Mixed use (storage)	5,1%	2,2%
Office	31,4%	56,1%
Industrial	41,0%	26,1%
	100,0%	100,0%
LEASE EXPIRY PROFILE & VACANCIES		
Based on:	GLA	Gross Rentals
Vacant	11,1%	6,4%
Feb 2022	4,6%	3,4%
Feb 2023	2,8%	1,9%
Feb 2024	0,9%	1,0%
Feb 2025	23,2%	18,2%
Feb 2026	32,3%	57,3%
> Feb 2026	25,1%	11,8%
	100,0%	100,0%

The lease expiry profile indicates that 80% of the leases will be up for renewal in the period 2025 and beyond. Certain of the large triple net single tenants have initiated large refurbishment projects, indicating their ongoing commitment to the properties.

Funding

	Amount	Margin
Facilities	R'000	
Expiry May 2023 (Facility A) – floating rate	300 000	3-month Jibar+1,95%
Expiry May 2025 (Facility B) – floating rate	150 000	3-month Jibar+2,35%
Expiry May 2023 (Facility C) – floating rate	50 000	Prime-1,28%
TOTAL	500 000	

The Group's facilities from Rand Merchant Bank, totalling R500 million, are subject to the following covenant measures:

- I. Interest cover ratio measured as EBITDA : Net Interest Charged:
 - a. Covenant required >1,6 times
 - b. Actual measurement on 31 August 2021 = 1,9 times (headroom in EBITDA of R7,7 million)
 Covenant measure met.

- II. Loan to Value measured as Borrowings : Immovable Asset Value (expressed as %) ("LTV")
 - a. Covenant required <45%
 - b. Actual measurement on 31 August 2021 = 34,2% (headroom of R147,6 million)
 Covenant measure met.

	Amount	Hedges of 3-month Jibar
Hedge instruments	R'000	base-rate
Hedge 4: rate swap – started 2017/6/30 / expires 2022/5/31 -(rolls into hedge 6)	135 000	8,085%
Hedge 5: rate swap – started 2020/4/10 / expires 2022/5/31	230 000	7,993%
Hedge 6: rate swap – to start 2022/6/01 / expires 2024/6/01	135 000	7,99%
Hedge 7a: interest rate cap – started 2019/5/23 / expires 2022/5/23	135 000	8,55%
Hedge 7b: interest rate floor – started 2019/5/23 / expires 2022/5/23	135 000	7,00%
Hedge 8: Rate swap forward – to start 2022/6/1 / expires 2024/11/29	150 000	5,19%
All-in cost of debt (including funding margins)		9,22%

As at 31 August 2021, 78% of Newpark's debt exposure is hedged with interest rate swaps:

- a. 29% expiring in May 2022; and
- b. 49% expiring in June 2024.

The remaining 22% of Newpark's debt exposure is hedged with a zero-cost collar (expiring in May 2022). The all-in weighted average cost of funding is 9,22% and the average hedge-term is 2,75 years. It is the board's policy to hedge at least 70% of the exposure to interest rate risk.

SUMMARY OF FINANCIAL PERFORMANCE

	31 August 2021	31 August 2020	28 February 2021
Shares in issue	100,000,001	100,000,001	100,000,001
Net asset value per share	R8,78	R8,93	R8,85
Loan-to-value ratio *	34,2%	35,4%	34,6%
Gross property operating expense ratio	17,6%	20,2%	20,4%

*The loan-to-value ratio is calculated by dividing interest bearing borrowing (including derivative financial instruments) net of cash on hand by the total value of investment property and is calculated in line with the SA REIT Best Practice guidelines.

Outlook

Newpark will continue to focus on the management of its existing assets and will remain alert to any potential acquisitions that are in keeping with the stated strategy. The Group is well positioned to capitalise on opportunities that are likely to present themselves in a suppressed real estate market.

The Board is mindful of the current weak economic environment and the potential impact on our tenants, specifically in the mixed-use (retail, office and storage) segment and the industrial segment. Notwithstanding this, and on the assumption that no further material relief is granted to tenants due to ongoing COVID-19 restrictions, the Group is budgeting for growth in FFOPS for the year ending 28 February 2022 of in excess of 15%, being at least 45,87 cents per share compared to the FFOPS for the year ended 28 February 2021 of 39,88 cents per share. A corresponding increase in the dividend per share for the year ending 28 February 2022 is anticipated.

The forecast is based on the assumption that no further deterioration in the macro-economic environment will prevail, no material tenant default will occur, operating cost increases will not exceed inflation and no changes will be made to the property portfolio. This forecast has not been audited or reviewed by the company's auditors.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 31 August 2021 (R'000)	Unaudited 31 August 2020 (R'000)	Audited 28 February 2021 (R'000)
Assets				
Non-current assets				
Investment properties	note 3	1 246 748	1 253 182	1 246 775
Straight-line lease asset		109 204	115 122	115 316
Lease incentive		7 940	10 586	9 262
		1 363 892	1 378 890	1 371 353
Current Assets				
Trade and other receivables		4 924	8 089	6 120
Lease incentive		2 647	2 647	2 647
Cash and cash equivalents		10 454	8 848	4 087
Total Current Assets		18 025	19 579	12 854
Total Assets		1 381 917	1 398 469	1 384 207
Equity and Liabilities				
Equity				
Share capital		619 918	619 918	619 918
Reserves		180 412	180 412	180 412
Retained income		75 199	68 641	75 723
		875 530	868 971	876 053
Liabilities				
Non-Current Liabilities				
Bank borrowings		453 650	454 415	450 000
Derivative financial instruments		24 137	43 736	29 633
		477 787	498 151	479 633
Current liabilities				
Trade and other payables		28 600	31 347	28 521
Total Current Liabilities		28 600	31 347	28 521
Total Liabilities		506 387	529 498	508 154
Total Equity and Liabilities		1 381 917	1 398 469	1 384 207

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 31 August 2021 (R'000)	Unaudited 31 August 2020 (R'000)	Audited 28 February 2021 (R'000)
Revenue	51 249	56 027	111 800
Property operating expenses	(10 360)	(11 603)	(23 299)
Administrative expenses	(3 330)	(3 285)	(5 552)
Operating profit before fair value adjustments	37 559	41 139	82 949
Net loss from fair value adjustment on investment property	-	-	(6 510)
Net changes in fair value of financial instruments at fair value through profit or loss	5 497	(27 725)	(13 622)
Operating profit	43 056	13 414	62 817
Finance income	114	49	605
Finance costs	(23 444)	(23 090)	(46 336)
Profit before taxation	19 726	(9 627)	17 086
Taxation	-	-	-
Profit for the period	19 726	(9 627)	17 086
Other comprehensive income	-	-	-
Total comprehensive income	19 726	(9 627)	17 086

Earnings per share information (cents per share)

Basic earnings per share	note 4	19,73	(9,63)	17,09
Diluted earnings per share	note 4	19,73	(9,63)	17,09

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (R'000)	Share issue costs (R'000)	Total share capital (R'000)	Capital reorganisation reserve (R'000)	Retained income (R'000)	Total equity (R'000)
Audited						
Balance at 1 March 2020	625 000	(5 082)	619 918	180 412	94 012	894 342
Profit for the period	-	-	-	-	17 086	17 086
Dividend distributions to owners of company recognised directly in equity	-	-	-	-	(35 375)	(35 375)
Balance at 1 March 2021	625 000	(5 082)	619 918	180 412	75 723	876 053
Unaudited						
Profit for the period	-	-	-	-	19 726	19 726
Dividend distributions to owners of company recognised directly in equity	-	-	-	-	(20 249)	(20 249)
Balance at 31 August 2021	625 000	(5 082)	619 918	180 412	75 199	875 530

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 31 August 2021 (R'000)	Unaudited 31 August 2020 (R'000)	Audited 28 February 2021 (R'000)
Cash flows from operating activities			
Cash generated from operations	46 385	38 223	80 442
Finance income	114	49	605
Finance costs	(23 444)	(23 090)	(46 336)
Net cash generated from operating activities	23 055	15 182	34 711
Cash flows from investing activities			
Purchase of furniture and fittings	(86)	(206)	(445)
Net cash utilised by investing activities	(86)	(206)	(445)
Cash flows from financing activities			
Dividends paid	(20 249)	(15 744)	(35 375)
Bank borrowings advanced	3 649	2 415	-
Bank borrowings repaid	-	-	(2 000)
Net cash utilised by financing activities	(16 600)	(13 329)	(37 375)
Total cash and cash equivalent movement for the period	6 368	1 647	(3 109)
Cash and cash equivalents at beginning of period	4 087	7 196	7 196
Total cash and cash equivalents at end of period	10 454	8 843	4 087
Additional info on cash flow:			
Cash generated from operations before working capital changes	45 108	42 808	85 861
Working capital changes	1 277	(4 585)	(5 439)
Cash generated from operations	46 385	38 223	80 422

SIGNIFICANT FINANCIAL STATEMENT NOTES**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The condensed unaudited consolidated financial statements for the six months ended 31 August 2021 have been prepared in accordance with the JSE Listings Requirements and the Companies Act 71 of 2008 of South Africa. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (“IFRS”), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting. The accounting policies applied in the preparation of these financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

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

The directors are not aware of any matters or circumstances arising subsequent to the period-end that require any additional disclosure or adjustment to the financial statements. The directors take full responsibility for the preparation of this interim condensed report and for ensuring that the financial information has been correctly extracted from the underlying unaudited financial statements. These condensed unaudited consolidated interim financial statements have not been reviewed by the Company’s auditors.

2. SEGMENTAL ANALYSIS

The appointed chief operating decision-maker (“**CODM**”) within the Group is the Group executive committee (“**EXCO**”). This is because it is EXCO’s responsibility to meet on a frequent basis to review budgets and to assess the operating performance of its operating segments.

The information provided to EXCO summarises financial data and information by property. At 31 August 2021, the group is organised into four main operating segments:

- a. Mixed-use (office and retail)
- b. Mixed-use (storage)
- c. Office
- d. Industrial

The segment information provided to EXCO for the operating segments for the period ended 31 August 2021 has been provided below.

31 August 2021 (unaudited)

	Mixed use (retail and office) (R'000)	Mixed use (storage) (R'000)	Office (R'000)	Industrial (R'000)	Head Office (R'000)	Total (R'000)
Revenue	7 798	-	28 298	15 153	-	51 249
Property operating expenses	(8 313)	(77)	(119)	(1 735)	-	(10 245)
Administrative expenses	-	-	-	-	(3 330)	(3 330)
Depreciation	(115)	-	-	-	-	(115)
Operating profit before fair value adjustments	(630)	(77)	28 179	13 418	(3 330)	37 559

28 February 2021 (audited)

	Mixed use (retail and office) (R'000)	Mixed use (storage) (R'000)	Office (R'000)	Industrial (R'000)	Head Office (R'000)	Total (R'000)
Revenue	24 759	-	56 597	30 444	-	111 800
Property operating expenses	(17 299)	(246)	(2 380)	(3 102)	-	(23 027)
Administrative expenses	-	-	-	-	(5 552)	(5 552)
Depreciation	(272)	-	-	-	-	(272)
Operating profit before fair value adjustments	7 188	(246)	54 217	27 342	(5 552)	82 949

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

31 August 2021 (unaudited)

	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Investment property	398 682	421 420	226 646	-	1 246 748
Straight-line lease asset	3 453	79 912	25 840	-	109 205
Lease incentive	-	10 586	-	-	10 586
Trade & other receivables	4 849	-	75	-	4 924
Cash & cash equivalents	-	-	-	10 454	10 454
Total assets	406 984	711 918	252 561	10 454	1 381 917

28 February 2021 (audited)

	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Investment property	398 708	621 421	226 646	-	1 246 775
Straight-line lease asset	5 292	82 670	27 354	-	115 316
Lease incentive	-	11 909	-	-	11 909
Trade & other receivables	6 120	-	-	-	6 120
Cash & cash equivalents	-	-	-	4 087	4 087
Total assets	410 120	716 000	254 000	4 087	1 384 207

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

31 August 2021 (unaudited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Bank borrowings	-	-	-	453 650	453 650
Derivative financial instruments	-	-	-	24 137	24 137
Trade and other payables	3 694	12 615	605	11 686	28 560
Total liabilities	3 694	12 615	605	489 473	506 387

28 February 2021 (audited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Bank borrowings	-	-	-	450 000	450 000
Derivative financial instruments	-	-	-	29 633	29 633
Trade and other payables	3 606	13 338	606	10 971	28 521
Total liabilities	3 606	13 338	606	490 604	508 154

3. INVESTMENT PROPERTIES

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

	Unaudited 31 August 2021 (R'000)			Audited 28 February 2021 (R'000)		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Investment property	1 244 139	-	1 244 139	1 244 139	-	1 244 139
Furniture and fittings	5 388	(2 780)	2 607	5 301	(2 665)	2 636
Total	1 249 527	(2 780)	1 246 748	1 249 440	(2 665)	1 246 775

Reconciliation of investment properties – 31 August 2021

	Opening balance	Additions	Fair value adjustments	Depreciation	Closing balance
Investment property	1 244 139	-	-	-	1 244 226
Furniture and fittings	2 636	86	-	(115)	2 607
Total	1 246 775	86	-	(115)	1 246 748

Reconciliation of investment properties - 28 February 2021

	Opening balance	Additions	Fair value adjustments	Depreciation	Closing balance
Investment property	1 250 649	-	(6 510)	-	1 244 139
Furniture and fittings	2 463	445	-	(272)	2 636
Total	1 253 112	445	(6 510)	(272)	1 246 775

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

	31 August 2021 (R'000)	28 February 2021 (R'000)
JSE Building		
Portion 25 of Erf 7 Sandown Johannesburg, South Africa		
-Purchase price	18 070	18 070
-Fair value adjustment	603 351	603 351
-Straight-line of lease asset	79 911	82 670
-Lease-incentive	10 586	11 909
	711 918	716 000
24 Central		
Portion 20 of Erf 7 Sandton Township, registration division IR, Province of Gauteng		
-Purchase price	238 000	238 000
-Fair value adjustment	154 847	154 847
-Straight-line of lease asset	3 453	5 291
-Net capitalised expenditure	5 834	5 862
	402 135	404 000
Linbro Park		
Portion 3 of Erf 9 Frankenwald Ext3 Johannesburg, South Africa		
-Purchase price	127 858	127 858
-Fair value adjustment	(652)	(652)
-Straight-line of lease asset	18 664	20 096
-Net capitalised expenditure	698	698
	146 467	148 000
Crown Mines		
Erven 1 and 2 Crown City Extension 1		
-Purchase price	85 044	85 044
-Fair value adjustment	13 697	13 697
-Straight-line of lease asset	7 179	7 259
	105 919	106 000
	31 August 2021 (R'000)	28 February 2021 (R'000)
Fair value of investment property for accounting purposes		
Opening fair value of property assets	1 374 000	1 383 000
Gross fair value adjustment on investment property	(6 116)	(6 510)
Additions to furniture and fittings	86	445
Depreciation	(115)	(272)
Straight-line lease asset and lease incentive movement	(1 317)	(2 633)
Property valuation	1 366 538	1 374 000
Less: straight-line lease income adjustment	(109 205)	(115 316)
Less: lease incentive receivable	(10 586)	(11 909)
Closing carrying value of property assets	1 246 747	1 246 775

Securities

Mortgage bonds at a nominal value of R500 000 000 (February 2020: R500 000 000) have been registered over investment properties with a fair value of R1 246 747 231 (February 2021: R1 246 775 493) as security for interest bearing liabilities.

Details of valuation

The valuation of the properties at 31 August 2021 is a directors valuation taking into account the independent valuation at 28 February 2021, and any material adjustment in value that may have been necessary relating to the interim period, due, inter alia, to the impact of the Covid-19 restrictions.

The valuations of the properties at 28 February 2021 based on the discounted cash flow of future income stream method were performed by a registered valuer, Peter Parfitt of Quadrant Properties Proprietary Limited, who is a registered valuer in terms of section 19 of the Property Valuers Professional Act, No 47 of 2000.

At 28 February 2021, the key assumptions and unobservable inputs used by the Company in determining fair value were as follows:

These assumptions are based on current market conditions.

	Mixed use	Office	Industrial
Discount rate	15,00%	14,00%	15,00%
Exit capitalisation rate	9,75%	8,75%	10,25%
Capitalised rate	9,50%	8,50%	9,25%
Growth rate	5,50%	6,05%	5,75%

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 property, its location, the tenants' credit quality and their lease terms.

The directors have assessed the various metrics critical to performing the valuations over the Group's properties and reached the conclusion that the fair values, measured at 31 August 2021, remained materially consistent with the independent valuations performed as at 28 February 2021.

4. EARNINGS PER SHARE

	Unaudited 31 August 2021	Unaudited 31 August 2020	Audited 28 February 2021
Basic earnings per share			
Profit attributable to shareholders (R'000)	19 726	(9 627)	17 089
Weighted average number of ordinary shares in issue ('000)	100 000	100 000	100 000
Basic earnings per share (cents per share)	19,73	(9,63)	17,09
Diluted earnings per share			
There are no dilutive instruments in issue			
Profit attributable to shareholders (R'000)	19 726	(9 627)	17 089
Weighted average number of ordinary shares in issue ('000)	100 000	100 000	100 000
Basic diluted earnings per share (cents per share)	19,73	(9,63)	17,09
Headline earnings per share			
Profit attributable to shareholders (R'000)	19 726	(9 627)	17 089
Adjusted for:			
Change in fair value of investment property and tax thereof (R'000)	-	-	6 510
	19 726	(9 627)	23 596
Weighted average number of ordinary shares in issue ('000)	100 000	100 000	100 000
Headline earnings per share (cents per share) (from continuing operations)	19,73	(9,63)	23,60

The weighted average number of shares has been calculated as 100 000 001 (2020: 100 000 001) weighted for the period to 31 August 2021, resulting in 100 000 001 (2021: 100 000 001) shares.

5. PAYMENT OF INTERIM DIVIDEND

The board has approved, and notice is hereby given of the final gross dividend of 21,66324 cents per share for the six months ended 31 August 2021.

The dividend is payable to Newpark's shareholders in accordance with the timetable set out below:	2021
Last date to trade <i>cum</i> dividend:	Tuesday, 26 October
Shares trade <i>ex</i> dividend:	Wednesday, 27 October
Record date:	Friday, 29 October
Payment date:	Monday, 1 November

Share certificates may not be dematerialised or rematerialised between Wednesday, 27 October 2021 and Friday, 29 October 2021, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 1 November 2021. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 1 November 2021.

In accordance with Newpark's status as a REIT, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("**Income Tax Act**"). The dividend will be deemed to be a dividend for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. This dividend is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders submitted the following forms to their Central Securities Depository Participant ("**CSDP**") or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

- a) a declaration that the dividend is exempt from dividends tax; and
- b) a written undertaking to inform the CSDP, broker or the Company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the Company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Any dividends received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("**DTA**") between South Africa and the country of residence of the shareholders. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 17,33059 cents per share. A reduced dividend withholding rate in terms of the applicable DTA, may only be relied upon if the non-resident shareholder, has submitted the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

- a) a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
- b) a written undertaking to inform their CSDP, broker or the Company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the Company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted, if applicable.

Shares in issue at the date of declaration of dividend: 100,000,001
Newpark's income tax reference number: 9506934174.

6. 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.

7. GOING CONCERN

The Group has committed and available liquidity facilities amounting to R50 million.

The strong tenant profile on the three single-tenanted properties supports a resilient income profile. Almost all tenants have resumed operations post COVID-19 restrictions which had the largest impact on the Group's mixed use property tenants.

The Board has considered the current operating environment and has stress-tested the Group's liquidity and solvency against reasonable assumptions. The Board believes that the Group has adequate financial resources to continue in operation for the ensuing twelve-month period. Accordingly, the consolidated financial statements have been prepared on a going concern basis. The directors are not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

8. RELATED PARTIES

	31 August 2021 (R'000)	31 August 2020 (R'000)	28 February 2021 (R'000)
Professional services – Capensis Real Estate (Pty) Ltd (SP Fifield is a director)	250	635	885
Professional services – WellCapital (Pty) Ltd (JAI Ferreira is a director)	200	252	452

By order of the board
Simon Fifield
 Chief Executive Officer

Dries Ferreira
 Financial Director

Johannesburg
 5 October 2021

DIRECTORS

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

* Non-executive director ** Independent non-executive director

REGISTERED OFFICE

51 West Street, Houghton, Gauteng, 2198
 P O Box 3178, Houghton, Gauteng, 2041

WEBSITE

www.newpark.co.za

COMPANY SECRETARY

CIS Company Secretaries Proprietary Limited

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited

DESIGNATED ADVISOR

Java Capital

DATE OF PUBLICATION

6 October 2021

ANNEXURE 1

SA REIT ASSOCIATION BEST PRACTICE GUIDELINES CALCULATIONS FOR THE SIX MONTHS ENDED 31 AUGUST 2021

The second edition of the SA REIT Association's Best Practice Recommendations were published during November 2019. This document recommends the disclosure of certain non-IFRS financial measurement and is effective for all SA REIT Association members for reporting periods commencing on or after 1 January 2020. The SA REIT Association encourages full compliance with best practice recommendations and suggest an annexure to be published with the Integrated report.

1. SA REIT Funds from Operations (FFO) per share

	Six months 31 August 2021 R'000	Six months 31 August 2020 R'000	Year ended 28 February 2021 R'000
Profit per IFRS statement of comprehensive income (SOI)	19 726	(9 627)	17 089
<i>Adjusted for:</i>			
Accounting/ specific adjustments:	1 937	29 258	22 795
-Fair value adjustment to investment property	-	-	6 510
- Fair value impact of straight-lining operating leases	7 434	1 533	2 663
-Fair value adjustments on derivative financial instruments for hedging	(5 497)	27 725	13 622
FFO	21 663	19 631	39 881
Number of shares outstanding at end of period ('000)	100 000	100 000	100 000
FFOPS	21,66	19,63	39,88
Dividend per share	21.66	19,63	39,88
-Interim dividend per share	21,66	19,63	19,63
-Final dividend per share	-	-	20,25

Reconciliation between Cash from operating expenses and SA REIT FFO

SA REIT FFO	21 663	19 631	39 881
Adjustments			
Working capital adjustment			
Trade receivables	1 195	(3 873)	(1 989)
Trade payables	82	(625)	(3 450)
Impairment of trade receivables	-	-	(3)
Depreciation of property plant and equipment	115	49	272
Net cash from operating activities	23 055	15 182	34 711

2. SA REIT Net Asset Value (SA REIT NAV)

	Six months 31 August 2021 R'000	Six months 31 August 2020 R'000	Year ended 28 February 2021 R'000
Reported NAV attributable to the parent	875 530	868 971	876 053
Adjustments:			
Dividend to be declared	(21 663)	(19 631)	(20 251)
Fair value of derivative financial instruments	24 137	43 736	29 633
SA REIT NAV:	878 004	893 076	885 436
Shares outstanding			
Number of shares in issue at period end (net of treasury shares)	100 000	100 000	100 000
Dilutive number of shares in issue	100 000	100 000	100 000
SA REIT NAV per share:	8,78	8,93	8,85

3. SA REIT cost to income

	Six months 31 August 2021 R'000	Six months 31 August 2020 R'000	Year ended 28 February 2021 R'000
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	10 306	11 603	23 299
Operating costs	10 306	11 603	23 299
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	50 654	52 389	104 179
Utility and operating recoveries per IFRS income statement	8 029	5 171	10 285
Gross rental income	58 683	57 560	114 463
SA REIT cost-to-income ratio	17,6%	20,2%	20,4%

4. SA REIT administrative cost-to-income ratio

	Six months 31 August 2021 R'000	Six months 31 August 2020 R'000	Year ended 28 February 2021 R'000
Expenses			
Administrative expenses as per IFRS income statement	3 330	3 285	5 552
Administrative costs	3 330	3 285	5 552
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	50 654	52 389	104 179
Utility and operating recoveries per IFRS income statement	8 029	5 171	10 285
Gross rental income	58 683	57 560	114 463
SA REIT administrative cost-to-income ratio	5,7%	5,7%	4,9%

5. SA REIT GLA vacancy rate

	Six months 31 August 2021 R'000	Six months 31 August 2020 R'000	Year ended 28 February 2021 R'000
Gross lettable area of vacant space	6 414	7 939	7 803
Gross lettable area of total property portfolio	57 761	57 761	57 761
SA REIT GLA vacancy rate	11,1%	13,7%	13,5%

6. SA REIT Cost of debt

	Six months 31 August 2021 R'000	Six months 31 August 2020 R'000	Year ended 28 February 2021 R'000
<i>Variable interest-rate borrowings</i>			
Floating reference rate plus weighted average margin	5,77%	6,14%	5,73%
Pre-adjusted weighted average cost of debt	5,77%	6,14%	5,73%
Adjustments:			
Impact of interest rate derivatives	3,45%	3,45%	3,45%
All-in weighted average cost of debt:	9,22%	9,59%	9,17%

7.

8. SA REIT loan-to-value

	Six months 31 August 2021 R'000	Six months 31 August 2020 R'000	Year ended 28 February 2021 R'000
Gross debt	453,650	454 415	450,000
Less:			
Cash and cash equivalents	(10 454)	(8 843)	(4 087)
Add:			
Derivative financial instruments	24 137	43 736	29 633
Net debt	467 333	489 308	475 546
Total assets – per Statement of Financial Position	1 384 207	1 398 468	1 384 207
Less:			
Cash and cash equivalents	(4 087)	(8 843)	(4 087)
Trade and other receivables	(6 120)	(8 089)	(6 120)
Carrying amount of property-related assets	1 366 539	1 381 536	1 374 000
SA REIT loan-to-value (“SA REIT LTV”)	34,2%%	35,4%	34,6%

9. Gross initial yield

	Six months 31 August 2021 R'000	Six months 31 August 2020 R'000	Year ended 28 February 2021 R'000
Investment property	1 366 539	1 381 536	1 374 000
Grossed up property value	1 366 539	1 381 536	1 374 000
Property income			
Contractual cash rentals	101 308	104 778	104 179
Annualised net rental	101 308	104 778	104 179
Net initial yield	7,41%	7,58%	7,58%

10. Property disclosures

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

Property name	Physical address	Sector	Land area (sqm)	Nature	Weighted average rental per m2 (R/m2)	Rentable area (GLA) m2	Vacancy (% GLA)	Valuation as at 28 February 2021 R'000
JSE Building	One Exchange Square, 2 Gwen Lane, Sandown, 2196 Gauteng	Office	5 659	Prime grade offices	*	18 163,00	–	716 000
24 Central	6 Gwen Lane, Sandown, Sandton, 2196 Gauteng	Mixed use (mainly office and retail)	17 679	A grade offices	95,32	15 934,28	11,1% (of total m ²)	404 000
Linbro Business Park	Portion 3 and 4 of Erf 9 Frankenwald Extension 3 Township (Linbro Business Park)	Industrial	23 511	B grade industrial	*	12 387,00	–	148 000
Crown Mines	Erven 1 and 2 Crown City Extension 1	Industrial	21 023	B+ grade industrial	*	11 277,00	–	106 000
Total					159,21	57 761,28	11,1%	1 374 000

* 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 2021 has been included in the weighted average rental per m² for the Group.

All four of the properties are 100% owned by the Group.

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 2021 is provided in the tables below.

Lease expiry profile

GLA	TOTAL	Mixed use	Office	Industrial	Storage
Vacant	6 414,21	3 487,67	–	–	2 926,54
Feb 2022	2 659,53	2 659,53	–	–	–
Feb 2023	1 549,91	1 549,91	–	–	–
Feb 2024	528,63	528,63	–	–	–
Feb 2025	13 422,00	1 035,00	–	12 387,00	–
Feb 2026	18 675,00	512,00	18 163,00	–	–
> Feb 2026	14 512,00	3 235,00	–	11 277,00	–

Gross rental as a percentage of total gross income	TOTAL %	Mixed use %	Office %	Industrial %	Storage %
Vacant	6,5	4,3	–	–	2,2
Feb 2022	3,4	3,4	–	–	–
Feb 2023	1,9%	1,9%	–	–	–
Feb 2024	1,0	1,0	–	–	–
Feb 2025	18,2	1,0	–	17,2	–
Feb 2026	57,3	1,2	56,1	–	–
> Feb 2026	11,8	2,9	–	8,9	–

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				
Office	31,4	56,1	0,0	18 163,0
Mixed use (retail and office)	22,5	15,6	6,0	13 007,7
Industrial	41,0	26,1	0,0	23 664,0
Mixed use (storage)	5,1	2,2	5,1	2 926,5
Total	100,0	100,0	11,1	57 761,2

	GLA m ²	GLA %	Gross rental for the 31 August 2021 period R'000
Tenant profile			
A	46 608,50	80,7	45 079
B	1 508,83	2,6	4 436
C	1 840,74	5,6	1 734
Vacant	7 803,21	11,1	–
	57 761,28	100,0	51 249

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, MTN Limited, CCI South Africa Proprietary Limited, Hellermann Tyton and Bidvest.
- B. National tenants, smaller listed tenants, franchisees and medium to large professional firms. These are Solo, Lexi's Healthy Eatery and Urban Crust.
- C. Other local tenants and sole proprietors. These are Club Sublime CC (Taboo), Juju Lounge CC (Cocoon/BOA), ATM Solutions Proprietary Limited and AU999 Commodities.

Top 10 tenants by gross rental revenue

Tenant	Sector	Gross rental revenue for the 31 August 2021 period R'000
JSE	Office	*
HellemanTyton	Industrial	*
Bidvest Afcom (Pty) Ltd	Industrial	*
Top three tenants		47 312
CCI South Africa	Mixed use (retail and office)	4 259
Boo Media	Mixed use (retail and office)	1 540
Solo Restaurant	Mixed use (retail and office)	1 523
TLS	Mixed use (retail and office)	1 138
News Cafe	Mixed use (retail and office)	1 003
AU999	Mixed use (retail and office)	444
Lexi's	Mixed use (retail and office)	306
Total (before impact of straight lining)		57 620

* As the JSE building, Linbro Park and Crown Mines are single tenanted buildings in the property portfolio, the gross income for the period for these three properties are presented as a total value.

Property valuation

The properties were valued on 28 February 2021 using the discounted cash flow of future income streams method. The valuation of the properties was performed by an independent valuer, Peter Parfitt of Quadrant Properties Proprietary Limited, who is a registered valuer in terms of section 19 of the Property Valuers Professional Act, No. 47 of 2000. The detail of the valuation values is stipulated in the tables below:

	Six months 31 August 2021 R'000	Six months 31 August 2020 R'000	Year ended 28 February 2021 R'000
JSE Building			
Portion 25 of Erf 7 Sandown Johannesburg, South Africa			
– Purchase price	18 070	18 070	18 070
– Fair value adjustment	603 350	579 655	630 351
– Straight-line of lease asset	79 912	85 422	82 670
– Lease incentive	10 587	13 233	11 909
	711 918	696 380	716 000
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	238 000
– Fair value adjustment	154 847	183 607	154 847
– Straight-line of lease asset	3 453	2 704	5 291
– Capitalised expenditure	5 834	5 759	5 862
	402 135	430 070	404 000
Linbro Park			
Portion 3 and 4 of Erf 9 Frankenwald Extension 3 (Linbro Business Park)			
– Purchase price	127 858	127 858	127 858
– Fair value adjustment	(652)	2 094	(652)
– Straight-line of lease asset	18 663	20 019	20 096
– Capitalised expenditure	698	698	698
	146 567	150 669	148 000
Crown Mines			
Erven 1 and 2 Crown City, Extension 1			
– Purchase price	85 044	85 044	85 044
– Fair value adjustment	13 697	12 397	13 697
– Straight-line of lease asset	7 178	6 977	7 259
	105 919	104 418	106 000

	Six months 31 August 2021 R'000	Six months 31 August 2020 R'000	Year ended 28 February 2021 R'000
Fair value of investment property for accounting purposes			
Opening fair value of property assets	1 374 000	1 383 000	1 407 000
Gross fair value adjustment on investment property	(6 116)	-	(25 772)
Additions to fixtures and fittings	86	206	909
Depreciation	(115)	(136)	(359)
Straight-line lease asset and lease incentive movement	(1 317)	(1 533)	1 222
Property valuation	1 366 538	1 366 538	1 383 000
Less: Straight-line lease income adjustment	(109 205)	(109 205)	(115 332)
Less: Lease incentive receivable	(10 586)	(10 586)	(14 556)
Closing fair value of property assets	1 246 747	1 246 747	1 253 112

At 31 August 2021, the key assumptions and unobservable inputs used by the Company in determining fair value were as follows:

31 August 2021

	Mixed use %	Office %	Industrial %
Discount rate	15,00	14,00	15,00
Exit capitalisation rate	9,75	8,75	10,25
Capitalised rate	9,50	8,50	9,25
Growth Rate	5,50	6,05	5,75

Other property disclosures

	Average rental escalation %	Average lease length period in years at period end	Gross rental for the 28 February 2021 period R'000	Acquisition date of property
Sectoral profile				
JSE Building (office)	8,25%	4,6	*	3 February 2016
24 Central (Mixed use)	8,73%	2,8	19 744	3 February 2016
Linbro Business Park (Industrial)	8,34%	3,8	*	28 February 2017
Crown Mines (Industrial)		5,8	*	28 February 2017

* As the JSE building, Linbro Park and Crown Mines are single tenanted buildings in the property portfolio, the gross income for the period for these three properties is R92 289 in total.