

NEWPARK REIT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2015/436550/06)

JSE share code: NRL ISIN: ZAE000212783

(Approved as a REIT by JSE)

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



CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 AUGUST 2022

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 15,641 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 2022 was R1,33 billion and is in line with the independent valuation conducted by a registered property valuer as at 28 February 2022.

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 combination of assets that have sound property fundamentals and a high-quality tenant mix, has proven its worth amidst very difficult operating conditions. Growth of the portfolio took a backseat in the previous year as the focus was on the management of the existing assets, with a particular focus on 24 Central. The results of these efforts and the removal of COVID-19 restrictions are reflected in the improved performance of the assets and 24 Central in particular.

Newpark's balance sheet continues to remain financially healthy with a satisfactory loan-to-value level of 33,1% (FY2022: 33,6%).

Revenue for the six-months ended 31 August 2022 was R59,5 million, up 16,0% compared to H1 F2021, and operating profit before fair value adjustments was R42,8 million (up 13,9%). After allowing for fair value adjustments and the net cost of finance, the total comprehensive profit for the interim period was R37,0 million (H1 F2021: R19,7 million), representing a profit of 37,031 cents per share ("**cps**") (H1 F2021: 19,726 cps).

Funds from operations ("**FFO**") was R31,17 million (up 43,9%), amounting to 31,17 cps (H1 F2021: 21,66 cps).

Improvements in trading at 24 Central, resulted in increased rental revenues and advertising and parking income, a significant factor contributing to the improved performance. The cancellation of the leases of two non-performing retail tenants was off-set by an office tenant taking additional space and extending their overall lease. This resulted in the Group's vacancy factor improving to 9,6% (FY2022: 10,6%).

A positive amendment to the lease of one of Newpark's industrial tenants was entered into, and although this will result in an upfront rental reduction, the lease has been extended by a further three years. The lease amendment underpins the valuation of the property at 31 August 2022.

Despite the increasing interest rate environment, the maturing of certain interest rate hedges resulted in a reduction in the Group's weighted average funding cost, which also contributed to improved profitability. Hedges remain in place for 63,3% of the Group's interest rate exposure.

The interim dividend for the reporting period of 25,00 cps (H1 F2020: 21,66 cps) represents an increase of 15,4% over the prior year interim dividend and 80,2% of FFOPS.

FUNDS FROM OPERATIONS (“FFO”)

In addition to International Financial reporting Standards (“IFRS”) performance measurements, the Group uses FFOPS, which equates to distributable income per share. The calculation of FFOPS is provided below.

	Six months 31 August 2022 R'000	Six months 31 August 2021 R'000	Year ended 28 February 2022 R'000
Profit per IFRS statement of comprehensive income (SOCl)	37 031	19 726	26 884
<i>Adjusted for:</i>			
Accounting/ specific adjustments:	(5 864)	1 937	19 744
-Fair value adjustment to investment property	-	-	24 316
- Fair value impact of straight-lining operating leases	8 895	7 434	15 601
-Fair value adjustments on derivative financial instruments for hedging	(14 759)	(5 497)	(20 173)
FFO	31 167	21 663	46 628
Number of shares outstanding at end of period ('000)	100 000	100 000	100 000
FFOPS	31,17	21,66	46,63
Dividend per share	25,00	21,66	46,91
-Interim dividend per share (cents)	25,00	21,66	21,66
-Final dividend per share (cents)	-	-	25,25

Newpark’s net asset value per share as at 31 August 2022 was R8.43, a decrease of 0,2% from R8.45 at 28 February 2022.

SECTORAL SPLIT		
Based on:	GLA	Gross Rentals
Mixed use (retail and office)	22,1%	14,3%
Mixed use (storage)	5,1%	2,2%
Office	31,6%	58,7%
Industrial	41,2%	24,8%
	100,0%	100,0%
LEASE EXPIRY PROFILE & VACANCIES		
Based on:	GLA	Gross Rentals
Vacant	9,6%	4,6%
Feb 2023	0,1%	0,3%
Feb 2024	2,5%	1,7%
Feb 2025	24,2%	19,8%
Feb 2026	32,5%	60,2%
Feb 2027	11,5%	6,1%
> Feb 2027	19,6%	7,2%
	100,0%	100,0%

The lease expiry profile indicates that 73,5% of the leases, by gross rental, will be up for renewal in the 2026 financial year and beyond. The lease of one of the triple net single tenants has been extended, while another triple net single tenant is nearing the completion of a large refurbishment project, indicating their ongoing commitment to the property.

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	

Discussions regarding the refinancing of facilities maturing in 2023 are well advanced and expected to be renewed by the end of the current financial year.

The Group's facilities from Rand Merchant Bank, totalling R500 million, are subject to the following covenant measures, all of which have been met as of 31 August 2022:

Interest cover ratio measured as EBITDA : Net Interest Charged:

- a. Covenant required >1,6 times
- b. Actual measurement on 31 August 2022 = 2,5 times (headroom in EBITDA of R18,9 million)

Secured properties interest cover measured as secured property net income: secured properties interest payable

- a. Covenant required >1,7 times
- b. Actual measurement on 31 August 2022 = 2,6 times (headroom of R19,1 million)

Loan to Value ("LTV") measured as Borrowings : Immovable Asset Value (expressed as %)

- a. Covenant required <45%
- b. Actual measurement on 31 August 2022 = 33,1% (headroom of R157,7 million)

Secured properties LTV measured as outstanding facilities: secured property valuation

- a. Covenant required <40%
- b. Actual measurement on 31 August 2022 = 33,8% (headroom of R82,1 million)

Hedging

	Amount	Hedges of 3-month Jibar
Hedge instruments	R'000	base-rate
Hedge 6: rate swap – to start 2022/6/01 / expires 2024/6/01	135 000	7,99%
Hedge 8: Rate swap forward – to start 2022/6/1 / expires 2024/11/29	150 000	5,19%
Weighted average base rate at 31 August 2022 – 6,24%		

As at 31 August 2022, 63,3% of Newpark's drawn debt exposure is hedged by two interest rate swaps which mature in 2024. The level of hedging varies depending on the level of utilisation of the R50 million revolving credit facility, with the minimum hedge ratio being 57,0% should the full revolving facility be drawn down. Current cash flow forecasts don't envisage the full facility being used at any stage in the current financial year and the hedged ratio is expected to remain above 60%.

The weighted average cost of funding at 31 August 2022 is 8,328% (9,833% at 28 February 2022) and the weighted average term to maturity for the hedges is 2,0 years.

SUMMARY OF FINANCIAL POSITION AND PERFORMANCE

	31 August 2022	31 August 2021	28 February 2022
Shares in issue	100,000,001	100,000,001	100,000,001
Net asset value per share	R8,43	R8,78	R8,45
Loan-to-value ratio *	33,5%	34,2%	33,6%
FFOPS/Distributable earnings per share **	31,17	21,66	46,63
Gross property operating expense ratio	20,5%	17,6%	22,0%

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

** Determined from distributable earnings divided by weighted average number of shares in issue.

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 and conservative debt policy.

Although the Board is mindful of the current weak economic environment and how this may impact our tenants, specifically in the mixed-use segment, the removal of COVID-19 restrictions has improved the ability of a number of tenants to operate normally and this is expected to continue to positively contribute to the performance of the portfolio. This is supported by the increased rental on additional space taken by a key office tenant at 24 Central, as well as advertising and parking income anticipated from the property.

The upfront rental reduction resulting from the amended single tenant lease agreement came into effect from 1 August 2022 and will impact FFOPS by 1,53 cents per share in the current financial year.

Over the next year to eighteen months Newpark will look to secure lease renewals and extensions for various key tenants in its portfolio, with the objective of improving the weighted average lease expiry of the portfolio.

Debt providers have been engaged with regard to the refinancing of the portion of the Group's borrowings which matures in May 2023. Newpark will continue to maintain conservative gearing levels, particularly in light of the rising interest rate environment.

The Group is budgeting for growth in FFOPS for the year ending 28 February 2023 in excess of 15%, being at least 53,61 cents per share, compared to the FFOPS for the year ended 28 February 2022 of 46,63 cents per share. Newpark expects a corresponding percentage increase in the dividend per share for the year ending 28 February 2023.

The forecast is based on the assumption that:

- there will be no material deterioration in the macro-economic environment;
- 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 2022 (R'000)	Unaudited 31 August 2021 (R'000)	Audited 28 February 2022 (R'000)
Assets				
Non-current assets				
Investment properties	note 3	1 222 292	1 246 748	1 222 376
Straight-line lease asset		94 789	109 204	102 361
Lease incentive		5 293	7 940	6 616
Derivative financial instruments		5 299	-	-
		1 327 673	1 363 892	1 331 353
Current Assets				
Trade and other receivables		6 111	4 924	7 932
Lease incentive		2 647	2 647	2 647
Cash and cash equivalents		3 753	10 454	10 860
Total Current Assets		12 511	18 025	21 439
Total Assets		1 340 184	1 381 917	1 352 792
Equity and Liabilities				
Equity				
Share capital		619 918	619 918	619 918
Reserves		180 412	180 412	180 412
Retained income		72 476	75 199	60 694
		872 806	875 530	861 024
Liabilities				
Non-Current Liabilities				
Bank borrowings		150 000	453 650	450 000
Derivative financial instruments		-	24 137	1 354
		150 000	477 787	451 354
Current liabilities				
Current portion of bank borrowings		300 000	-	-
Derivative financial instruments		-	-	8 106
Trade and other payables		17 378	28 600	32 308
Total Current Liabilities		317 378	28 600	40 414
Total Liabilities		467 378	506 387	491 768
Total Equity and Liabilities		1 340 184	1 381 917	1 352 792

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 31 August 2022 (R'000)	Unaudited 31 August 2021 (R'000)	Audited 28 February 2022 (R'000)	
Revenue	59 464	51 249	109 964	
Property operating expenses	(14 019)	(10 360)	(27 633)	
Administrative expenses	(2 681)	(3 330)	(5 034)	
Operating profit before fair value adjustments	42 764	37 559	77 297	
Net loss from fair value adjustment on investment property	-	-	(24 316)	
Net changes in fair value of financial instruments at fair value through profit or loss	14 759	5 497	20 173	
Operating profit	57 523	43 056	73 154	
Finance income	229	114	316	
Finance costs	(20 721)	(23 444)	(46 586)	
Profit before taxation	37 031	19 726	26 884	
Taxation	-	-	-	
Profit for the period	37 031	19 726	26 884	
Other comprehensive income	-	-	-	
Total comprehensive income	37 031	19 726	26 884	
Earnings per share (cents per share)				
Basic earnings per share	note 4	37,03	19,73	26,88
Diluted earnings per share	note 4	37,03	19,73	26,88

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 2021	625 000	(5 082)	619 918	180 412	75 723	876 053
Profit for the period	-	-	-	-	26 884	26 884
Dividend distributions to owners of company recognised directly in equity	-	-	-	-	(41 913)	(41 913)
Balance at 1 March 2022	625 000	(5 082)	619 918	180 412	60 694	861 024
Unaudited						
Profit for the period	-	-	-	-	37 031	37 031
Dividend distributions to owners of company recognised directly in equity	-	-	-	-	(25 249)	(25 249)
Balance at 31 August 2022	625 000	(5 082)	619 918	180 412	72 476	872 806

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 31 August 2022 (R'000)	Unaudited 31 August 2021 (R'000)	Audited 28 February 2022 (R'000)
Cash flows from operating activities			
Cash generated from operations	38 644	46 385	95 102
Finance income	229	114	316
Finance costs	(20 721)	(23 444)	(46 586)
Net cash generated from operating activities	18 152	23 055	48 832
Cash flows from investing activities			
Purchase of furniture and fittings	(11)	(86)	(146)
Net cash utilised by investing activities	(11)	(86)	(146)
Cash flows from financing activities			
Dividends paid	(25 249)	(20 249)	(41 913)
Bank borrowings advanced	-	3 649	-
Bank borrowings repaid	-	-	-
Net cash utilised by financing activities	(25 249)	(16 600)	(41 913)
Total cash and cash equivalent movement for the period	(7 108)	6 368	6 773
Cash and cash equivalents at beginning of period	10 860	4 087	4 087
Total cash and cash equivalents at end of period	3 752	10 454	10 860
Additional info on cash flow:			
Cash generated from operations before working capital changes	51 753	45 108	97 831
Working capital changes	(13 109)	1 277	(2 729)
Cash generated from operations	38 644	46 385	95 102

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

The condensed unaudited consolidated financial statements for the six months ended 31 August 2022 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 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 Alan Wilson 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 2022, 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 2022 has been provided below.

31 August 2022 (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	15 740	-	28 185	15 539	-	59 464
Property operating expenses	(10 872)	(26)	(803)	(2 224)	-	(13 925)
Administrative expenses	-	-	-	-	(2 681)	(2 681)
Depreciation	(94)	-	-	-	-	(94)
Operating profit before fair value adjustments	4 774	(26)	27 382	13 315	(2 681)	42 764

28 February 2022 (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	22 704	-	56 530	30 730	-	109 964
Property operating expenses	(20 401)	(104)	(3 077)	(3 822)	-	(27 404)
Administrative expenses	-	-	-	-	(5 034)	(5 034)
Depreciation	(229)	-	-	-	-	(229)
Operating profit before fair value adjustments	2 074	(104)	53 453	26 908	(5 034)	77 297

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 2022 (unaudited)

	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Investment property	329 139	646 241	246 911	-	1 222 292
Straight-line lease asset	3 777	69 072	21 940	-	94 789
Lease incentive	-	7 940	-	-	7 940
Derivative financial instruments	-	-	-	5 299	5 299
Trade & other receivables	6 075	-	37	-	6 111
Cash & cash equivalents	-	-	53	3 700	3 753
Total assets	338 991	723 253	252 561	10 454	1 340 184

28 February 2022 (audited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Investment property	329 223	646 241	246 912	-	1 222 376
Straight-line lease asset	3 777	74 496	24 088	-	102 361
Lease incentive	-	9 263	-	-	9 263
Derivative financial instruments	-	-	-	-	-
Trade & other receivables	7 896	-	36	-	7 932
Cash & cash equivalents	-	-	130	10 730	10 860
Total assets	340 896	730 000	271 166	10 730	1 352 792

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

31 August 2022 (unaudited)	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	-	-	-	-	-
Trade and other payables	4 186	844	2 586	9 762	17 378
Total liabilities	4 186	844	2 586	459 762	467 378

28 February 2022 (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 2022 (R'000)			Audited 28 February 2022 (R'000)		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Investment properties	1 219 823	-	1 219 823	1 219 823	-	1 219 823
Furniture and fittings	5 458	(2 989)	2 469	5 447	(2 894)	2 553
Total	1 225 281	(2 989)	1 222 292	1 225 270	(2 894)	1 222 376

Reconciliation of investment properties – 31 August 2022

	Opening balance	Additions	Fair value adjustments	Depreciation	Closing balance
Investment properties	1 219 823	-	-	-	1 219 823
Furniture and fittings	2 553	11	-	(94)	2 469
Total	1 222 376	11	-	(94)	1 222 292

Reconciliation of investment properties - 28 February 2022

	Opening balance	Additions	Fair value adjustments	Depreciation	Closing balance
Investment properties	1 244 139	-	(24 316)	-	1 219 823
Furniture and fittings	2 636	146	-	(229)	2 553
Total	1 246 775	146	(24 316)	(229)	1 222 376

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

	31 August 2022 (R'000)	28 February 2022 (R'000)
JSE Building		
Portion 25 of Erf 7 Sandown Johannesburg, South Africa		
-Purchase price	18 070	18 070
-Fair value adjustment	628 171	628 171
-Straight-line of lease asset	69 072	74 496
-Lease-incentive	7 940	9 263
	723 253	730 000
24 Central		
Portion 20 of Erf 7 Sandton Township, registration division IR, Province of Gauteng		
-Purchase price	238 000	238 000
-Fair value adjustment	85 444	85 444
-Straight-line of lease asset	3 777	3 777
-Net capitalised expenditure	5 695	5 779
	332 916	333 000
Linbro Park		
Portion 3 of Erf 9 Frankenwald Ext3 Johannesburg, South Africa		
-Purchase price	127 858	127 858
-Fair value adjustment	24 208	24 207
-Straight-line of lease asset	15 272	17 237
-Net capitalised expenditure	698	698
	168 036	170 000
Crown Mines		
Erven 1 and 2 Crown City Extension 1		
-Purchase price	85 044	85 044
-Fair value adjustment	9 104	9 104
-Straight-line of lease asset	6 668	6 852
	100 816	101 000
	31 August 2022 (R'000)	28 February 2022 (R'000)
Fair value of investment properties for accounting purposes		
Opening fair value of property assets	1 334 000	1 374 000
Fair value adjustment on investment properties	-	(24 316)
Additions to furniture and fittings	11	146
Depreciation	(94)	(229)
Straight-line lease asset and lease incentive movement	(8 895)	(15 601)
Property valuation	1 325 021	1 334 000
Less: straight-line lease income adjustment	(94 789)	(102 361)
Less: lease incentive receivable	(7 940)	(9 263)
Closing carrying value of property assets	1 222 292	1 222 376

Securities

Mortgage bonds at a nominal value of R500 000 000 (February 2022: R500 000 000) have been registered over investment properties with a fair value of R1 222 291 831 (February 2022: R1 222 376 682) as security for interest bearing liabilities.

Details of valuation

The valuation of the properties at 31 August 2022 is a directors valuation taking into account the independent valuation at 28 February 2022, and any material adjustment in value that may have been necessary relating to the interim period.

The valuations of the properties at 28 February 2022, 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 2022, the key assumptions and unobservable inputs used by the Company in determining fair value were as follows:

These assumptions were based on current market conditions and are still believed to be applicable.

	Mixed use	Office	Industrial
Discount rate	14,50%	14,50%	14,50%
Exit capitalisation rate	9,75%	9,75%	9,75%
Capitalised rate	9,50%	8,50%	9,00%
Growth rate	7,56%	5,00%	4,28%

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 2022, remained materially consistent with the independent valuations performed as at 28 February 2022.

4. EARNINGS PER SHARE

	Unaudited 31 August 2022	Unaudited 31 August 2021	Audited 28 February 2022
Basic earnings per share			
Profit attributable to shareholders (R'000)	37 031	19 726	26 884
Weighted average number of ordinary shares in issue ('000)	100 000	100 000	100 000
Basic earnings per share (cents per share)	37,03	19,73	26,88
Diluted earnings per share			
There are no dilutive instruments in issue			
Profit attributable to shareholders (R'000)	37 031	19 726	26 884
Weighted average number of ordinary shares in issue ('000)	100 000	100 000	100 000
Basic diluted earnings per share (cents per share)	37,03	19,73	26,88
Headline earnings per share			
Profit attributable to shareholders (R'000)	37 031	19 726	26 884
Adjusted for:			
Change in fair value of investment property and tax thereof (R'000)	-	-	24 316
	37 031	19 726	51 201
Weighted average number of ordinary shares in issue ('000)	100 000	100 000	100 000
Headline earnings per share (cents per share)	37,03	19,73	51,20

The weighted average number of shares has been calculated as 100 000 001 (2022: 100 000 001) weighted for the period to 31 August 2022, resulting in 100 000 001 (2022: 100 000 001) shares.

5. PAYMENT OF INTERIM DIVIDEND

The Board has approved, and notice is hereby given of the gross interim dividend of 25 cents per share for the six months ended 31 August 2022.

The dividend is payable to Newpark's shareholders in accordance with the timetable set out below:	2022
Last date to trade <i>cum</i> dividend:	Tuesday, 25 October
Shares trade <i>ex</i> dividend:	Wednesday, 26 October
Record date:	Friday, 28 October
Payment date:	Monday, 31 October

Share certificates may not be dematerialised or rematerialised between Wednesday, 26 October 2022 and Friday, 28 October 2022, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 31 October 2022. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 31 October 2022.

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 20,0000 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. All tenants have resumed operations post-lockdown restrictions. The lockdown had the largest impact on the Group's mixed use property tenants, but this is not expected to have any material ongoing impact.

The Board has considered the current operating environment and has stress-tested the Group's liquidity and solvency against reasonable assumptions. The Board has assessed the Group's ability to refinance the debt facilities due to mature in 2023 and is satisfied that there is reasonable certainty that the facilities will be renewed in the normal course of business. The board believes that the Group has adequate financial resources to continue in operation for the ensuing twelve-month period and, 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 2022 (R'000)	31 August 2021 (R'000)	28 February 2022 (R'000)
Professional services – Capensis Real Estate (Pty) Ltd (SP Fifield is a director)	250	250	500
Professional services – Azalea Capital (Pty) Ltd (AJ Wilson is a director)	150	-	50
Professional services – WellCapital (Pty) Ltd (JAI Ferreira is a director)	-	200	333

9. CHANGES TO THE BOARD

On 13 July 2022, shareholders were advised of Simon Fifield's intention to resign as chief executive officer ("CEO") of the Company with effect from 1 November 2022. Auri Benatar will be appointed as CEO with effect from the same date.

By order of the board
Simon Fifield
 Chief Executive Officer

Alan Wilson
 Financial Director

Johannesburg
 4 October 2022

DIRECTORS

S P Fifield (Chief Executive Officer), A J Wilson (Financial Director), B D van Wyk *, D T Hirschowitz*, KM Ellerine*, R C Campbell **, S Shaw-Taylor**, T S Sishuba**

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

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COMPANY SECRETARY

CIS Company Secretaries Proprietary Limited

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited

DESIGNATED ADVISOR

Java Capital

DATE OF PUBLICATION

5 October 2022

ANNEXURE 1**SA REIT ASSOCIATION BEST PRACTICE GUIDELINES DISCLOSURES FOR THE SIX MONTHS ENDED 31 AUGUST 2022**

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. The disclosures recommended by the SA REIT Association are included below using the common terminology of the SA REIT association.

1. Funds from Operations (FFO) per share

	Six months 31 August 2022 R'000	Six months 31 August 2021 R'000	Year ended 28 February 2022 R'000
Profit per IFRS statement of comprehensive income	37 031	19 726	26 884
<i>Adjusted for:</i>			
Accounting/ specific adjustments:	(5 864)	1 937	19 744
- Fair value adjustment to investment property	-	-	24 316
- Straight-line and incentive operating leases adjustment	8 895	7 434	15 601
- Fair value adjustments on derivative financial instruments for hedging	(14 759)	(5 497)	(20 173)
FFO	31 167	21 663	46 628
Number of shares outstanding at end of period ('000)	100 000	100 000	100 000
FFO per share (cents)	31,17	21,66	46,63
Dividend per share (cents)	25,00	21,66	46,91
-Interim dividend per share (cents)	25,00	21,66	21,66
-Final dividend per share (cents)	-	-	25,25

Reconciliation between Cash from operations and FFO

FFO	31 167	21 663	46 628
<i>Adjustments</i>			
Working capital adjustment			
Trade receivables	1 821	1 195	(6 516)
Trade payables	(14 930)	82	3 787
Impairment of trade receivables	-	-	4 704
Depreciation of property plant and equipment	94	115	229
Net cash from operating activities	18 152	23 055	48 832

2. Net Asset Value (NAV)

	Six months 31 August 2022 R'000	Six months 31 August 2021 R'000	Year ended 28 February 2022 R'000
Reported NAV attributable to the shareholders	872 806	875 530	861 024
<i>Adjustments:</i>			
Dividend to be declared	(25 000)	(21 663)	(25 249)
Fair value of derivative financial instruments	(5 299)	24 137	9 460
NAV	842 507	878 004	845 235
Shares outstanding			
Number of shares in issue at period end (net of treasury shares) ('000)	100 000	100 000	100 000
Dilutive number of shares in issue ('000)	100 000	100 000	100 000
NAV per share (R)	8,43	8,78	8,45

3. Cost to income

	Six months 31 August 2022 R'000	Six months 31 August 2021 R'000	Year ended 28 February 2022 R'000
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)	14 019	10 306	27 633
Operating costs	14 019	10 306	27 633
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	58 903	50 654	110 382
Utility and operating recoveries per IFRS income statement	9 455	8 029	15 183
Gross rental income	68 358	58 683	125 565
Cost-to-income ratio (%)	20,5	17,6	22,0

4. Administrative cost-to-income ratio

	Six months 31 August 2022 R'000	Six months 31 August 2021 R'000	Year ended 28 February 2022 R'000
Expenses			
Administrative expenses as per IFRS income statement	2 681	3 330	5 034
Administrative costs	2 681	3 330	5 034
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	58 903	50 654	110 382
Utility and operating recoveries per IFRS income statement	9 455	8 029	15 183
Gross rental income	68 358	58 683	125 565
Administrative cost-to-income ratio (%)	3,9	5,7	4,0

5. GLA vacancy rate

	Six months 31 August 2022 R'000	Six months 31 August 2021 R'000	Year ended 28 February 2022 R'000
Gross lettable area of vacant space	5 502	6 414	6 097
Gross lettable area of total property portfolio	57 468	57 761	57 468
GLA vacancy rate (%)	9,6	11,1	10,6

6. Cost of debt

	Six months 31 August 2022 %	Six months 31 August 2021 %	Year ended 28 February 2022 %
<i>Variable interest-rate borrowings</i>			
Floating reference rate plus weighted average margin	7,86	5,77	6,30
Pre-adjusted weighted average cost of debt	7,86	5,77	6,30
Adjustments:			
Impact of interest rate derivatives	0,47	3,45	3,53
All-in weighted average cost of debt:	8,33	9,22	9,83

7. Loan-to-value

	Six months 31 August 2022 R'000	Six months 31 August 2021 R'000	Year ended 28 February 2022 R'000
Gross debt	450 000	453,650	450,000
<i>Less:</i>			
Cash and cash equivalents	(3 753)	(10 454)	(10 860)
<i>Add/(deduct):</i>			
Derivative financial instruments	(5 299)	24 137	9 460
Net debt	440 948	467 333	448 600
Total assets – per Statement of Financial Position	1 340 184	1 384 207	1 352 792
<i>Less:</i>			
Derivative financial asset	(5 299)	-	-
Cash and cash equivalents	(3 753)	(4 087)	(10 860)
Trade and other receivables	(6 111)	(6 120)	(7 932)
Carrying amount of property-related assets	1 325 021	1 366 539	1 334 000
Loan-to-value (%)	33,3	34,2	33,6

8. Gross initial yield

	Six months 31 August 2022 R'000	Six months 31 August 2021 R'000	Year ended 28 February 2022 R'000
Investment properties	1 325 021	1 366 539	1 334 000
Grossed up property value	1 325 021	1 366 539	1 334 000
Property income			
Contractual cash rentals for 12 months forward	122 988	101 308	121 156
Annualised net rental	122 988	101 308	121 156
Net initial yield	9,30	7,41	9,08

9. Property disclosures

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

Property name	Physical address	Sector	Weighted average rental per m ² (R/m ²)	Rentable area (GLA) m ²	Vacancy (% GLA)	Valuation as at 31 August 2022 R'000
JSE Building	One Exchange Square, 2 Gwen Lane, Sandown, 2196 Gauteng	Office	*	18 163,00	–	723 253
24 Central	6 Gwen Lane, Sandown, Sandton, 2196 Gauteng	Mixed use (office, retail and storage)	102,45	15 641,04	9,6%**	332 916
Linbro Business Park	Portion 3 and 4 of Erf 9 Frankenwald Extension 3 Township (Linbro Business Park)	Industrial	*	12 387,00	–	168 036
Crown Mines	Erven 1 and 2 Crown City Extension 1	Industrial	*	11 277,00	–	100 816
Total			175,08	57 468,04	9,6%	1 325 021

* 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 31 August 2022 has been included in the weighted average rental per m² for the Group.

** of total m²

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

Analysis of the properties

An analysis of the properties in respect of geographic, sectoral, tenant, vacancy and lease expiry profiles as at 28 February 2022 is provided in the tables below.

Lease expiry profile

GLA	TOTAL	Mixed use	Office	Industrial	Storage
Vacant	5 501.70	2 575.16	-	-	2 926.54
Feb 2023	57.00	57.00	-	-	-
Feb 2024	1 433.06	1 433.06	-	-	-
Feb 2025	13 916.00	1 529.00	-	12 387.00	-
Feb 2026	18 675.00	512.00	18 163.00	-	-
Feb 2027	6 608.28	6 608.28	-	-	-
> Feb 2027	11 277.00	-	-	11 277.00	-

Gross rental as a percentage of total gross income	TOTAL %	Mixed use %	Office %	Industrial %	Storage %
Vacant	4,6	2,5	-	-	2,2
Feb 2023	0,3	0,3	-	-	-
Feb 2024	1,7	1,7	-	-	-
Feb 2025	19,8	2,2	-	-	-
Feb 2026	60,2	1,5	58,7	17,6	-
Feb 2027	6,1	6,1	-	-	-
> Feb 2027	7,2	-	-	7,2	-

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	31,6	58,7	0,0	18 163,0
Mixed use (retail and office)	22,1	14,3	4,5	12 714,5
Industrial	41,2	24,8	0,0	23 664,0
Mixed use (storage)	5,1	2,2	5,1	2 926,5
Total	100,0	100,0	9,6	57 468,0

	GLA m ²	GLA %	Gross rental for period ended 31 August 2022 R'000
Tenant profile			
A	48 254.1	83.97	54 446
B	512.0	0.89	926
C	3 200.2	5.57	3 531
Vacant	5 501.7	9.57	–
	57 468.0	100.0	58 903

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, Africa Trading Proprietary Limited (UK and Belgian Visa), CCI South Africa Proprietary Limited, Hellermann Tyton Proprietary Limited and Bidvest Afcom Proprietary Limited.
- B. National tenants, smaller listed tenants, franchisees and medium to large professional firms. This is Solo – Ndlondlobala Holdings Proprietary Limited.
- C. Other local tenants and sole proprietors. These are Juju Lounge CC (Cocoon/ BOA), ATM Solutions Proprietary Limited and AU999 Commodities Proprietary Limited, Greenhouse Sandton Proprietary Limited (Greenhouse), Wagyu South Africa Proprietary Limited (Monarch and Roadhouse) and Borghini CC (Luca's).

Top 10 tenants by gross rental revenue

Tenant	Sector	Gross rental revenue for the 31 August 2022 period R'000
JSE	Office	*
Hellermann Tyton	Industrial	*
Bidvest	Industrial	*
Top three tenants		50 924
CCI South Africa	Mixed use (retail and office)	1 938
Boo! Out Of Home Media	Mixed use (retail and office)	1 507
Solo Restaurant	Mixed use (retail and office)	926
TLS	Mixed use (retail and office)	735
Monarch and Roadhouse	Mixed use (retail and office)	671
Greenhouse	Mixed use (retail and office)	599
BOA	Mixed use (retail and office)	597
Total (before impact of straight lining)		57 897

* 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 2022 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 2022 R'000	Six months 31 August 2021 R'000	Year ended 28 February 2022 R'000
JSE Building			
Portion 25 of Erf 7 Sandown Johannesburg, South Africa			
– Purchase price	18 070	18 070	18 070
– Fair value adjustment	628 171	603 350	628 171
– Straight-line of lease asset	69 072	79 912	74 496
– Lease incentive	7 940	10 587	9 263
	723 253	711 918	730 000
24 Central (mainly office and retail)			
Portion 20 of Erf 7 Sandton Township, registration division IR, Province of Gauteng			
– Purchase price	238 000	238 000	238 000
– Fair value adjustment	85 444	154 847	85 444
– Straight-line of lease asset	3 777	3 453	3 777
– Capitalised expenditure	5 695	5 834	5 779
	332 916	402 135	333 000
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	24 208	(652)	24 207
– Straight-line of lease asset	15 272	18 663	17 237
– Capitalised expenditure	698	698	698
	168 036	146 567	170 000
Crown Mines			
Erven 1 and 2 Crown City, Extension 1			
– Purchase price	85 044	85 044	85 044
– Fair value adjustment	9 104	13 697	9 104
– Straight-line of lease asset	6 668	7 178	6 852
	100 816	105 919	101 000

	Six months 31 August 2022 R'000	Six months 31 August 2021 R'000	Year ended 28 February 2022 R'000
Fair value of investment property for accounting purposes			
Opening fair value of property assets	1 334 000	1 374 000	1 374 000
Gross fair value adjustment on investment property	-	(6 116)	(24 316)
Additions to fixtures and fittings	11	86	146
Depreciation	(94)	(115)	(229)
Straight-line lease asset and lease incentive movement	(8 895)	(1 317)	(15 601)
Property valuation	1 325 021	1 366 538	1 334 000
Less: Straight-line lease income adjustment	(94 789)	(109 205)	(102 361)
Less: Lease incentive receivable	(7 940)	(10 586)	(9 263)
Closing fair value of property assets	1 222 292	1 246 747	1 222 376

At 31 August 2022, the key assumptions and unobservable inputs used by the Company in determining fair value were as follows:

31 August 2022

	Mixed use %	Office %	Industrial %
Discount rate	14,50%	14,50%	14,50%
Exit capitalisation rate	9,75%	9,75%	9,75%
Capitalised rate	9,50%	8,50%	9,00%
Growth Rate	7,56%	5,00%	4,28%

Other property disclosures

	Average rental escalation %	Average lease length period in years at period end	Gross rental for the 28 February 2022 period R'000	Acquisition date of property
Sectoral profile				
JSE Building (office)	8,25	3,0	*	3 February 2016
24 Central (Mixed use)	7,40	2,7	19 744	3 February 2016
Linbro Business Park (Industrial)		2,3	*	28 February 2017
Crown Mines (Industrial)	8,34	7,3	*	28 February 2017

* As the JSE building, Linbro Park and Crown Mines are single tenanted buildings in the property portfolio, the gross rental income for the period for these three properties is R50 924 million in total.

The average rental escalation based on rentable area is 8,1%.