

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 2017****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 property known as 24 Central, which has 15,083 m² of GLA. A further property is situated in Linbro Business Park which has 12,317 m² of GLA and the fourth property is situated in Crown Mines which has 11,277 m² of GLA. The combined independent valuations of these properties are performed annually at the group's year-end. The latest valuation as at 28 February 2017 was R1.34 billion.

Strategy

Newpark's investment strategy is to seek well positioned prime commercial and industrial properties which provide quality cash flows with the potential of upward rating on lease renewals and/or redevelopment opportunities within the medium to long-term. In addition to the core business of acquiring and developing physical assets in South Africa, Newpark will explore the potential for investment into listed real estate securities that offer good value in certain offshore markets.

Commentary on results

The board is pleased to present the group's results for the six months period under review, which is in line with the guidance provided. The tenant profile has remained largely the same and no acquisitions or disposals were made during this period.

Distributable Earnings

Distributable earnings for the six months to 31 August 2017 grew by 6.6% to 26.65 cents per share (H1 F2017: 25.00 cents per share). Accordingly, the board has declared an interim dividend of 26.64973 cents per share.

Sectoral split and Lease expiry profile

SECTORAL SPLIT		
Based on:	GLA	Gross Rentals
Mixed use	26.5%	38.6%
Office	32.0%	39.7%
Industrial	41.5%	21.7%
	100.0%	100.0%
LEASE EXPIRY PROFILE		
Based on:	GLA	Gross Rentals
Vacant	4.8%	2.3%
Feb 2018	5.7%	8.0%
Feb 2019	7.6%	7.2%
Feb 2020	4.8%	4.3%
Feb 2021	0.4%	1.9%
Feb 2022	2.9%	2.2%
> Feb 2022	73.8%	74.1%
	100.0%	100.0%

Funding

	Amount R'000	Margin
Facilities		
Expiry May 2020 (facility 1A)	450 000	3-month Jibar+1.95% [9.292%]
Expiry May 2020 (facility 1B)	50 000	Prime-1.28% [8.970%]
TOTAL	500 000	
	Amount	Hedges of 3-month Jibar
Hedge instruments	R'000	base-rate
Hedge 1: rate swap – amended on 2017/6/30, replaced by Hedge 4	135 000	8.52%
Hedge 2: rate cap – expires 2019/1/18	135 000	8.52%
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	135 000	7.993%

Two separate RMB facilities were restructured on 24 May 2017 into a 3-year Term Loan Facility (facility 1A) of R450 000 000 maturing in May 2020 and a Revolving Credit Facility (facility 1B) of R50 000 000 maturing in May 2020. The new consolidated facilities are secured mainly by mortgage bonds together with a cession of the leases over the four properties. The term loan remains appropriately hedged as outlined above.

Interest rate & Percentage of debt hedged

The all-in weighted average cost of funding is 9.681% (28 February 2017: 9.708%) and the average hedge-term is 2.9 years. It is the board's policy to hedge at least 70% of the exposure to interest rate risk and Newpark currently has 73% of its exposure hedged.

Summary of financial performance

	31 August 2017	31 August 2016	28 February 2017
Shares in issue	100,000,001	100,000,001	100,000,001
Net asset value per share	R8.75	R8.34	R8.75
Loan-to-value ratio *	33.3%	20.8%	33.5%
Gross property operating expense ratio	17.0%	17.6%	20.6%

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

Outlook

The board is confident that Newpark will deliver growth of 6,5% to 7,5% in distributable income per share for FY 2018. The forecast is based on the assumption that a stable macro-economic environment will prevail, no material tenant default will occur and operating cost increases will not exceed inflation. This forecast has not been audited or reviewed by the Company's auditors.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 31 August 2017 (R'000)	Unaudited restated 31 August 2016 (R'000)	Audited 28 February 2017 (R'000)
Assets				
Non-current assets				
Investment properties	note 3	1 235 407	983 329	1 234 246
Straight-line lease asset		95 580	65 602	87 758
Lease incentive		18 526	21 173	19 849
		1 349 513	1 070 104	1 341 853
Current Assets				
Trade and other receivables		7 754	5 989	4 834
Straight-line lease asset		1 080	-	-
Lease incentive		2 647	2 647	2 647
Cash and cash equivalents		49 723	47 338	50 746
Total Current Assets		61 204	55 974	58 227
Total Assets		1 410 717	1 126 078	1 400 080
Equity and Liabilities				
Equity				
Share capital		619 918	619 918	619 918
Reserves		180 412	180 412	180 412
Retained income		74 980	33 464	75 024
		875 310	833 794	875 354
Liabilities				
Non-Current Liabilities				
Bank borrowings		500 000	500 000	500 000
Derivative financial instruments		12 723	3 078	3 078
		512 723	503 078	503 078
Current liabilities				
Trade and other payables		22 684	20 212	20 611
Current portion of bank borrowings		-	-	230 882
Receiver of revenue		-	-	155
Total Current Liabilities		22 684	20 212	251 648
Total Liabilities		535 407	292 284	524 726
Total Equity and Liabilities		1 410 717	1 126 078	1 400 080

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 August 2017 (R'000)	Unaudited 6 months ended 31 August 2016 (R'000)	Audited 12 months ended 28 February 2017 (R'000)	
Revenue	71 086	54 993	109 663	
Property operating expenses	(12 051)	(10 861)	(22 699)	
Administrative expenses	(2 944)	(1 374)	(3 096)	
Net gain from fair value adjustment on investment property	-	-	37 980	
Net change in fair value of financial instruments at fair value through profit or loss	(9 645)	(2 772)	(3 777)	
Operating profit	46 446	39 986	118 071	
Finance income	1 438	1 568	3 316	
Finance costs	(23 521)	(12 916)	(26 190)	
Profit before taxation	24 363	28 638	95 196	
Taxation	155	-	-	
Profit for the period	24 518	28 638	95 196	
Other comprehensive income	-	-	-	
Total comprehensive income	24 518	28 638	95 196	
Earnings per share information (cents per share)				
Basic earnings per share	note 4	24.52	28.64	95.20
Diluted earnings per share	note 4	24.52	28.64	95.20

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 (loss)/income (R'000)	Total equity (R'000)
Audited						
Balance at 1 March 2016	625 000	(4 994)	620 006	180 412	4 826	805 244
Profit for the period	-	-	-	-	95 196	95 196
Total comprehensive income for the period	-	-	-	-	95 196	95 196
Costs associated with issue of shares	-	(88)	(88)	-	-	(88)
Dividends	-	-	-	-	(24 999)	(24 999)
Total contributions by and distributions to owners of company recognised directly in equity	-	(88)	(88)	-	(24 999)	(25 086)
Balance at 1 March 2017	625 000	(5 082)	619 918	180 412	75 024	875 354
Unaudited						
Profit for the period	-	-	-	-	24 518	24 518
Total comprehensive income for the period	-	-	-	-	24 518	24 518
Dividend distributions to owners of company recognised directly in equity	-	-	-	-	(24 562)	(24 562)
Balance at 31 August 2017	625 000	(5 082)	619 918	180 412	74 980	875 310

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 31 August 2017 (R'000)	Unaudited 6 months ended 31 August 2016 (R'000)	Audited 12 months ended 28 February 2017 (R'000)
Cash flows from operating activities			
Cash generated from operations	47 885	27 654	64 967
Finance income	1 438	1 568	3 316
Finance costs	(23 521)	(12 916)	(26 191)
Net cash from operating activities	25 802	16 306	42 092
Cash flows from investing activities			
Purchase of furniture and fittings	(1 381)	(1 185)	(1 509)
Acquisition of Investment property	-	-	(229 032)
Acquisition of investment in subsidiary	-	-	1 183
Net cash from investing activities	(1 381)	(1 185)	(229 358)
Cash flows from financing activities			
(Costs associated with share issue)/ Issue of shares	-	-	(88)
Dividends paid	(24 562)	-	(24 999)
Bank borrowings advanced	-	-	230 882
Bank borrowings repaid	(882)	-	-
Net cash from financing activities	(25 444)	-	205 795
Total cash and cash equivalent movement for the period	(1 023)	15 121	18 529
Cash and cash equivalents at beginning of period	50 746	32 217	32 217
Total cash and cash equivalents at end of period	49 723	47 338	50 746
Additional info on cash flow:			
Cash generated from operations before working capital changes	48 733	36 104	72 890
Working capital changes	(848)	(8 450)	(7 923)
Cash generated from operations	47 885	27 654	64 967

SIGNIFICANT FINANCIAL STATEMENT NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed unaudited consolidated financial statements for the six months ended 31 August 2017 have been prepared in accordance with the requirements of the JSE Listings Requirements and the requirements of 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, the 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

Segmental information

At 31 August 2017, the group is organised into three main operating segments:

- Mixed use (mainly office and retail)
- Office
- Industrial

The executive committee ("EXCO") is the chief operating decision maker of the group. The information contained in the segment analysis is measured in a manner consistent with the information disclosed in the statement of comprehensive income and the statement of financial position.

31 August 2017 (unaudited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Revenue	27 443	28 235	15 408	-	71 086
Property operating expenses	(10 461)	-	(1 590)	-	(12 051)
Administrative expenses	-	-	-	(2 944)	(2 944)
Net change in fair value of financial instruments at fair value through profit or loss	-	-	-	(9 645)	(9 645)
Operating profit	16 981	28 235	13 819	(12 589)	46 446

31 August 2016 (unaudited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Revenue	26 705	28 288	-	-	54 993
Property operating expenses	(10 861)	-	-	-	(10 861)
Administrative expenses	-	-	-	(1 374)	(1 374)
Fair value adjustments	(1 257)	(1 515)	-	-	(2 772)
Operating profit	14 587	26 773	-	(1 374)	39 986

28 February 2017 (audited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Revenue	52 565	56 592	506	-	109 663
Property operating expenses	(22 699)	-	-	-	(22 699)
Administrative expenses	-	-	-	(3 096)	(3 096)
Fair value adjustments	16 768	19 244	1 969	(3 777)	34 203
Operating profit	46 634	75 836	2 475	(6 873)	118 071

The amounts provided to the executive committee ("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 2017 (unaudited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Investment property	488 637	531 603	215 167	-	1 235 407
Straight-line lease asset	3 465	73 920	19 275	-	96 660
Lease incentive	-	21 173	-	-	21 172
Trade & other receivables	7 705	-	50	-	7 755
Cash & cash equivalents	-	-	-	49 723	49 723
	499 807	626 696	234 491	49 723	1 410 717

31 August 2016 (unaudited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Investment property	469 713	513 616	-	-	983 329
Straight-line lease asset	3 726	61 876	-	-	65 602
Lease incentive	-	23 820	-	-	23 820
Trade and other receivables	5 605	-	-	384	5 989
Cash & cash equivalents	-	-	-	47 338	47 338
	479 044	599 312	-	47 722	1 126 078

28 February 2017 (audited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Investment property	487 773	531 603	214 870	-	1 234 246
Straight-line lease asset	3 727	67 901	16 130	-	87 758
Lease incentive	-	22 496	-	-	22 496
Trade & other receivables	3 562	-	1 272	-	4 834
Cash & cash equivalents	-	-	-	50 746	50 746
	495 062	622 000	232 272	50 746	1 400 080

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 2017 (unaudited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Bank borrowings	-	-	-	500 000	500 000
Derivative financial instruments	-	-	-	12 723	12 723
Trade and other payables	4 299	16 265	331	1 788	22 684
	4 299	16 265	331	514 511	535 407

31 August 2016 (unaudited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Bank borrowings	-	270 000	-	-	270 000
Derivative financial instruments	-	2 072	-	-	2 072
Trade & other payables	4 104	15 557	-	551	20 212
	4 104	287 629	-	551	292 284

28 February 2017 (audited)	Mixed use (R'000)	Office (R'000)	Industrial (R'000)	General (R'000)	Total (R'000)
Bank borrowings	-	270 000	230 882	-	500 882
Derivative financial instruments	-	3 078	-	-	3 078
Trade and other payables	2 002	15 755	1 667	1 188	20 611
Receiver of revenue	-	-	155	-	155
	2 002	288 833	232 704	1 188	524 726

Distributable income	Unaudited 6 months ended 31 August 2017 (R'000)	Unaudited 6 months ended 31 August 2016 (R'000)	Audited 12 months ended 28 February 2017 (R'000)
Headline earnings (refer note 4)	24 518	28 638	57 216
Adjusted for:			
Change in fair value of investment property as a result of amortisation of straight-line lease asset and tax thereof	(8 902)	(6 958)	(14 078)
Change in fair value of investment property as a result of amortisation of lease incentive and tax thereof	1 323	1 323	2 647
Fair value adjustment of financial derivative instruments and the tax thereof	9 645	1 996	3 777
Deferred tax and other non-cash movements	66	-	-
	26 650	24 999	49 562
Actual number of ordinary shares in issue ('000)	100 000	100 000	100 000
Reconciliation to dividend per share:			
Distributable income per share (cents per share)	26,65	25,00	49,56
- Interim dividend per share	26,65	25,00	25,00
- Final dividend per share	n/a	n/a	24.56

3. Investment properties

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

	31 August 2017 (R'000)			28 February 2017 (R'000)		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Investment property	1 232 530	-	1 232 530	1 231 629	-	1 231 629
Furniture and fittings	4 320	(1 443)	2 877	3 839	(1 222)	3 514
Total	1 236 850	(1 443)	1 235 407	1 235 469	(1 222)	1 234 246

Reconciliation of investment properties – 31 August 2017

	Opening balance	Additions	Fair value adjustments	Depreciation	Closing balance
Investment property	1 231 629	-	-	-	1 231 629
Furniture and fittings	2 617	1 381	-	(220)	3 778
Total	1 234 246	1 381	-	(220)	1 235 407

Reconciliation of investment properties - 28 February 2017

	Opening balance	Additions	Fair value adjustments	Depreciation	Closing balance
Investment property	980 747	212 902	37 980	-	1 231 629
Furniture and fittings	1 561	1 509	-	(453)	2 617
Total	982 308	214 411	37 980	(453)	1 234 246

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 2017 (R'000)	28 February 2017 (R'000)
Fair value of investment property for accounting purposes		
Opening fair value of property assets	1 344 500	1 065 000
Gross fair value adjustment on investment property	-	37 980
Additions to furniture and fittings	1 381	1 509
Depreciation	(220)	(453)
Acquisition of investment property	-	212 902
Acquisition of straight-line assets	-	16 130
Straight-line lease asset and lease incentive movement	7 579	11 433
Property valuation	1 353 240	1 344 500
Less: straight-line lease income adjustment (non-current)	(95 580)	(87 758)
Less: straight-line lease income adjustment (current)	(1 080)	-
Less: lease incentive receivable (non-current)	(18 526)	(19 849)
Less: lease incentive receivable (current)	(2 647)	(2 647)
Closing carrying value of property assets	1 235 407	1 234 246

Securities

Mortgage bonds have been registered over investment properties with a fair value of R1 235 407 469 (February 2017: R1 016 758 947) as security for interest bearing liabilities at a nominal value amounting to R500 000 000 (February 2017: R271 000 000).

Details of valuation

The properties were last valued on 28 February 2017 using the discounted cash flow of future income streams method. The valuations of the properties were 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.

Refer to the annual financial statements as at 28 February 2017 for the details relating to the year-end valuation.

4. Earnings per share

	Unaudited 6 months ended 31 August 2017 (R'000)	Unaudited restated 6 months ended 31 August 2016 (R'000)	Audited 12 months ended 28 February 2017 (R'000)
Basic earnings per share			
Profit attributable to shareholders	24 518	28 638	95 196
Weighted average number of ordinary shares in issue ('000)	100 000	100 000	100 000
Basic earnings per share (cents per share)	24,52	28,64	95,20
Diluted earnings per share			
There are no dilutive instruments in issue			
Profit attributable to shareholders	24 518	28 638	95 196
Weighted average number of ordinary shares in issue ('000)	100 000	100 000	100 000
Basic diluted earnings per share (cents per share)	24,52	28,64	95,20
Headline earnings per share			
Profit attributable to shareholders	24 518	28 638	95 196
Adjusted for:			
Change in fair value of investment property and tax thereof	-	-	(37 980)
	24 518	28 638	57 216
Weighted average number of ordinary shares in issue ('000)	100 000	100 000	100 000
Headline earnings per share (cents per share)	24,52	28,64	57,22

5. Payment of interim dividend

The board has approved and notice is hereby given of the interim gross dividend of 26,64973 cents per share for the six months ended 31 August 2017.

The dividend is payable to Newpark's shareholders in accordance with the timetable set out below:	2017
Last date to trade <i>cum</i> dividend:	Tuesday, 31 October
Shares trade <i>ex</i> dividend:	Wednesday, 1 November
Record date:	Friday, 3 November
Payment date:	Monday, 6 November

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 November 2017 and Friday, 3 November 2017, both days inclusive.

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 declaration that the dividend is exempt from dividends tax; and
- 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. On 22 February 2017 the dividends withholding tax was increased from 15% to 20% and accordingly, 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 21.31978 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.

The dividend will be transferred to dematerialised shareholders’ CSDP accounts/broker accounts on Monday, 6 November 2017. Certificated shareholders’ dividend payments will be paid to certificated shareholders’ bank accounts on or about, Monday, 6 November 2017.

Shares in issue at the date of declaration of dividend: 100,000,001

Newpark’s income tax reference number: 9114003149.

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. Related parties

	31 August 2017 (R’000)	29 February 2016 (R’000)
Professional services – WellCapital (Pty) Ltd (JAI Ferreira director)	224	200

8. Prior period errors

Error 1:

The recognition of deferred tax and income tax in the accounting records of Newpark REIT Limited and its group-company was inconsistent with the underlying assumption which must support the recognition of any income tax or deferred tax asset or liability the manner in which the asset or liability will be realised in the ordinary course of business. With Newpark group being classified as a REIT, and also expecting to maintain its classification as a REIT as a result of the intention to declare distributions in line with the requirements of section 25BB of the Income Tax Act, it is therefore not correct to recognise any tax balance on the statement of financial position. The change to REIT status was confirmed during the 2016 financial period and therefore these changes would have had to be accounted for in the 2016 financial period. There was no impact recorded for the 2015 financial period as the REIT status was achieved in 2016 only.

The correction of the errors results in adjustments as follows:

	Restated 31 August 2016 (R'000)	Reported 31 August 2016 (R'000)	Difference (R'000)
Statement of financial position			
Non-current assets			
Deferred tax	-	1 150	(1 150)
Equity			
Retained income	33 464	17 719	15 745
Non-current liabilities			
Deferred tax	-	(16 895)	16 895
Statement of profit or loss and other comprehensive income			
Taxation expense	-	(1 160)	1 160

Error 2:

The recognition of a current portion of the straight-line lease asset was incorrectly recorded in the financial statements. The principle of disclosing a current portion of straight-line lease assets is to disclose the portion of the straight-line lease asset that will realise in cash in the next 12 months. None of the straight-line lease assets had any unwinding portion and accordingly the correct disclosure between current and non-current was adopted for the this set of financial statements as no portion of the straight-line lease assets should have been disclosed as current during the comparative periods.

The correction of the errors results in adjustments as follows:

	Restated 31 August 2016 (R'000)	Reported 31 August 2016 (R'000)	Difference (R'000)
Statement of financial position			
Non-current assets			
Straight-line lease asset	65 602	49 226	16 376
Current assets			
Straight-line lease asset	-	16 376	(16 376)

By order of the board.
Simon Fifield
Chief Executive Officer

Dries Ferreira
Financial Director

Johannesburg
16 October 2017

DIRECTORS

G D Harlow (Chairman) **, S P Fifield (Chief Executive Officer), J A I Ferreira (Financial Director), B D van Wyk *, D T Hirschowitz*, K M Ellerin*, H C Turner **, D I Sevel ** S Shaw-Taylor**

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

There were no changes to the board of directors during this period.

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