

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")



PROVISIONAL SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 28 FEBRUARY 2017

DIRECTORS' COMMENTARY**Nature of Business**

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

Property portfolio

Newpark's property portfolio consists of four properties. Two are located in the heart of Sandton, Gauteng, namely the JSE 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. One property is situated in Linbro Park which has 12,317 m² of GLA and one property is situated in Crown Mines which has 11,277 m² of GLA. The combined independent valuations of these properties as at 28 February 2017 was R1,34 billion.

Strategy

Newpark's investment strategy is to seek well positioned prime commercial 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 (5 years to 20 years). 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.

Distributable Earnings and Commentary on results

Distributable earnings for the full year of 49,56 cents per share is in line with the guidance provided on listing of 49,47 cents per share. The board has declared a final dividend of 24,56 cents per share after having declared an interim dividend of 25,00 cents per share.

Year on year Newpark has increased its net asset value per share from R8,05 to R8,75, an increase of 8,7%.

Acquisitions

As announced on SENS on 23 February 2017, Newpark acquired two industrial properties situated in prime locations with high quality tenants, triple net leases and long lease expiry profiles through the acquisition of I.M.P. Properties Proprietary Limited ("IMP") and IMP's related companies, Formprops 61 Proprietary Limited ("Formprops") and CP Finance Proprietary Limited ("CP Finance").

The acquisition is consistent with Newpark's investment strategy of acquiring high quality commercial properties that offer superior capital growth and that are earnings accretive. The properties have a blended acquisition yield of 9.7%, a weighted average lease expiry profile of 8.5 years (based on income) and average rental escalations of 8.4%.

Sectoral split, Lease expiry profile and Vacancies

SECTORAL SPLIT	GLA	Gross Rentals
Based on:		
Mixed use	9.4%	15.8%
Office	49.1%	63.8%
Industrial	41.5%	20.4%
	100.0%	100.0%
LEASE EXPIRY PROFILE (unaudited)		
Based on:	GLA	Gross Rentals
Vacant	4.6%	5.7%
Feb 2018	7.5%	3.2%
Feb 2019	6.8%	12.4%
Feb 2020	5.4%	6.9%
Feb 2021	0.2%	0.3%
Feb 2022	1.2%	2.1%
> Feb 2022	74.3%	69.4%
	100.0%	100.0%

Funding

	Amount R'millions	Margin over Jibar
Facility drawn down		
Expiry August 2020 (facility 1)	270	1.65%
Expiry March 2017 ^A (facility 2)	231	1.95%
	Amount R'millions	Hedges base-rate
Interest rate applicable		
Interest rate swap 1	135	8.52%
Interest rate swap 2	230	7.70%
Interest rate cap	135	10.17%
Both the swap 1 and cap expire in January 2019		
The swap 2 expires in April 2020 and has been put in place subsequent to year-end on 10 April 2017		
^A Refer note 7 below		

The RMB facilities at year-end are secured by a first mortgage bond over fixed property with a carrying value of R1 016 758 947. The RMB facility 1 is repayable in August 2020. Newpark has an interest rate swap 1 and interest rate cap on this facility. The interest rate cap has the effect that 50% of the interest on the RMB facility is capped at a base rate of 10.17%. In addition, the interest rate swap 1 secured with RMB has the effect that in respect of the remaining 50% of the interest on the RMB facility, the floating portion of the current rate is swapped for a fixed rate of 8.52%, before the RMB margin of 1.65%. The interest rate swap 1 and cap expire on 18 January 2019 and interest is payable quarterly.

The RMB facility 2 (bridge loan) was repayable in March 2017. Newpark has an interest rate swap 2 on this facility. The floating rate of the facility 2 is swapped for a fixed rate of 7.70%, before the RMB margin of 1.95%. The interest rate swap 2 expires on 10 April 2020 and interest is payable quarterly.

Subsequent to the reporting period the RMB facility 2 of R230 881 700 was restructured into a 3 year term loan facility of R500 000 000, consolidating Newpark's existing RMB facility 1 (a 3 year term loan of R270 000 000), on 24 May 2017. The consolidated term loan facility has a full capital redemption in May 2020. The term loan remains fully hedged as outlined above.

Percentage of debt hedged

The all-in weighted average cost of funding is 9.71% and the average hedge-term is 2.5 years. It is the board's policy to hedge at least 70% of the exposure to interest rate risk and Newpark currently has 73,1% of its exposure to interest rate risk hedged.

Summary of financial performance

	28 February 2017	29 February 2016
Shares in issue	100,000,001	100,000,001
Net asset value per share	R8.75	R8.05
Loan-to-value ratio *	33.5%	22.3%
Gross property operating expense ratio	20.6%	34.9%

*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.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Audited 28 February 2017 (R'000)	Audited Restated 29 February 2016 (R'000)	Audited Restated 28 February 2015 (R'000)
Assets				
Non-current assets				
Investment properties	note 3	1 234 246	982 308	739 591
Straight-line lease asset		87 758	57 550	40 637
Derivative financial instruments		-	699	-
Lease incentive		19 849	22 496	17 124
		1 341 853	1 063 053	797 352
Current Assets				
Trade and other receivables		4 834	6 157	6 718
Lease incentive		2 647	2 647	2 647
Current tax receivable		-	-	865
Cash and cash equivalent		50 746	32 217	1 231
Total Current Assets		58 227	41 021	11 461
Total Assets		1 400 080	1 104 074	808 813
Equity and Liabilities				
Equity				
Share capital		619 918	620 006	1
Reserves		180 412	180 412	-
Retained income		75 023	4 826	452 918
		875 354	805 244	452 919
Liabilities				
Non-Current Liabilities				
Bank borrowings		270 000	270 000	198 290
Deferred tax		-	-	100 029
Derivative financial instruments		3 078	-	-
		273 078	270 000	298 319
Current liabilities				
Trade and other payables		20 611	28 830	10 176
Current portion of bank borrowings		230 882	-	-
Loans from shareholders		-	-	47 400
Receiver of revenue		155	-	-
Total Liabilities		524 726	298 830	355 894
Total Equity and Liabilities		1 400 080	1 104 074	808 813
Net asset value per share		R8,75	R8,05	.*

* Newpark not listed during 2015

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months ended 28 February 2017 (R'000)	Audited Restated 12 months ended 29 February 2016 (R'000)
Revenue	109 663	95 185
Property operating expenses	(22 699)	(33 206)
Other income	-	100
Administrative expenses	(3 096)	(6 000)
Net gain from fair value adjustment on investment property	37 980	241 825
Net change in fair value of financial instruments at fair value through profit or loss	(3 777)	699
Operating profit	118 071	298 603
Finance income	3 316	1 161
Finance costs	(26 190)	(22 191)
Profit before taxation	95 196	277 573
Taxation	-	100 122
Profit for the period	95 196	377 695
Other comprehensive income	-	-
Total comprehensive income	95 196	377 695

Earnings per share information (cents per share)

Basic earnings per share	note 5	95.20	416.24
Diluted earnings per share	note 5	95.20	416.24

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Audited	Share capital (R'000)	Share issue costs (R'000)	Total share capital (R'000)	Capital reorganisation reserve (R'000)	Restated Retained (loss)/income (R'000)	Restated Total equity (R'000)
Balance at 1 March 2015	1	-	1	-	452 918	452 919
Profit for the period	-	-	-	-	377 695	377 695
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	377 695	377 695
Issue of shares	625 000	(4 994)	620 006	-	-	620 006
Capital reorganisation	(1)	-	(1)	180 412	(180 474)	(63)
Dividends	-	-	-	-	(645 313)	(645 313)
Total contributions by and distributions to owners of company recognised directly in equity	624 999	(4 994)	620 005	180 412	(825 787)	(25 370)
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
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	95 196	95 196
Share issue costs	-	(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 28 February 2017	625 000	(5 082)	619 918	180 412	75 024	875 354

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 28 February 2017 (R'000)	Audited Restated 29 February 2016 (R'000)
Cash flows from operating activities		
Cash generated from operations	64 967	48 223
Finance income	3 316	1 161
Finance costs	(26 191)	(22 191)
Taxation received	-	958
Net cash from operating activities	42 092	28 151
Cash flows from investing activities		
Purchase of furniture and fixtures	(1 509)	(1 100)
Acquisition of Investment property	(229 032)	-
Acquisition of investment in subsidiary	1 183	(62)
Net cash from investing activities	(229 358)	(1 162)
Cash flows from financing activities		
(Costs associated with share issue)/ Issue of shares	(88)	62 500
Repayment of shareholders' loan	-	(47 400)
Dividends paid	(24 999)	(83 813)
Bank borrowings advanced	230 882	270 000
Bank borrowings repaid	-	(198 290)
Net cash from financing activities	205 795	3 997
Total cash and cash equivalent movement for the period	18 529	30 986
Cash and cash equivalents at beginning of period	32 217	1 231
Total cash and cash equivalents at end of period	50 746	32 217
Additional info on cash flow:		
Cash generated from operations before working capital changes	72 890	29 009
Working capital changes	(7 923)	19 214
Cash generated from operations	64 967	48 223

SIGNIFICANT FINANCIAL STATEMENT NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The provisional summarised audited consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements and the requirements of the Companies Act 71 of 2008 of South Africa applicable to summary financial statements. The JSE Listings Requirements require provisional 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 provisional summarised audited 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 year-end that require any additional disclosure or adjustment to the financial statements.

The provisional summarised audited consolidated financial statements for the twelve months ended 28 February 2017 have been extracted from audited information but is not itself audited. The directors of Newpark take full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying audited consolidated financial statements. The annual financial statements were audited by PricewaterhouseCoopers Inc. and an unmodified audit opinion has been issued on the audited consolidated financial statements for the financial year ended

28 February 2017. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they

should obtain a copy of that report together with the accompanying audited consolidated financial statements, both of which are available for inspection at Newpark's registered office.

2. SEGMENTAL ANALYSIS

Segmental information

At 28 February 2017, the group is organised into three main operating segments:

- Mixed use
- Office
- Industrial

28 February 2017	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

29 February 2016	Mixed use (R'000)	Office (R'000)	General (R'000)	Total (R'000)
Revenue	58 160	37 025	-	95 185
Property operating expenses	(21 896)	(11 320)	-	(33 206)
Other income	-	-	100	100
Administrative expenses	-	-	(6 000)	(6 000)
Fair value adjustments	122 782	119 043	699	242 524
	159 046	144 758	(5 201)	298 603

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

28 February 2017	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

29 February 2016	Mixed use (R'000)	Office (R'000)	General (R'000)	Total (R'000)
Investment property	471 510	510 798	-	982 308
Straight-line lease asset	3 490	54 060	-	57 550
Derivative financial instruments	-	699	-	699
Lease incentive	-	25 143	-	25 143
Trade and other receivables	6 028	29	100	6 157
Cash & cash equivalents	-	-	32 217	32 217
	481 028	590 729	32 317	1 104 074

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.

28 February 2017	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

29 February 2016

	Mixed use (R'000)	Office (R'000)	General (R'000)	Total (R'000)
Bank borrowings	-	270 000	-	270 000
Trade & other payables	1 521	23 166	4 143	28 830
	1 521	293 166	4 143	298 830

	Audited 12 months ended 28 February 2017 (R'000)	Audited Restated 12 months ended 29 February 2016 (R'000)
Distributable income		
Headline earnings	57 216	46 092
Adjusted for:		
Change in fair value of investment property as a result of amortisation of straight-line lease asset and tax thereof	(14 078)	(26 762)
Change in fair value of investment property as a result of amortisation lease incentive and tax thereof	2 647	2 647
Deferred tax movement	-	
Fair value adjustment of financial derivative instruments and the tax thereof	3 777	(503)
	49 562	21 474
Weighted average number of ordinary shares in issue ('000)	100 000	100 000
Distributable income per share (cents per share)	49,56	21,47
Interim dividend	25,00	-
Final dividend	24,56	21,47

3. Investment properties

For the year under review the property value includes movement made up 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 fixtures.

	28 February 2017 (R'000)			29 February 2016 (R'000)		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Investment property	1 231 629	-	1 231 629	980 747	-	980 747
Furniture and fittings	3 839	(1 222)	3 514	2 330	(769)	1 561
Total	1 235 469	(1 222)	1 234 246	983 077	(769)	982 308

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 fixtures	1 561	1 509	-	(453)	2 617
Total	982 308	214 411	37 980	(453)	1 234 246

Reconciliation of investment properties - 29 February 2016

	Opening balance	Additions	Fair value adjustments	Depreciation	Closing balance
Investment property	738 923	-	241 825	-	980 747
Furniture and fixtures	669	1 100	-	(208)	1 561
Total	739 591	1 100	241 825	(208)	982 308

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.

	28 February 2017 (R'000)	29 February 2016 (R'000)
JSE Building		
Portion 25 of Erf 7 Sandown Johannesburg, South Africa		
-Purchase price	18 070	18 070
-Fair value adjustment	603 930	573 491
	622 000	591 561
24 Central		
Portion 20 of Erf 7 Sandton Township, registration division IR, Province of Gauteng		
-Purchase price	238 000	238 000
-Fair value adjustment	249 465	234 021
-Net capitalised expenditure	4 035	1 418
	491 500	473 439
Linbro Park		
Portion 3 of Erf 9 Frankenwald Ext3 Johannesburg, South Africa		
-Purchase price	143 427	-
-Fair value adjustment	1 573	-
	145 000	-
Crown Mines		
Erven 1 and 2 Crown City Extension 1		
-Purchase price	85 605	-
-Fair value adjustment	395	-
	86 000	-

	28 February 2017 (R'000)	29 February 2016 (R'000)
Fair value of investment property for accounting purposes		
Opening fair value of property assets	1 065 000	800 000
Gross fair value adjustment on investment property	37 980	241 825
Additions to furniture & fittings	1 509	1 100
Depreciation	(453)	(208)
Acquisition of investment property	212 902	-
Acquisition of straight-line assets	16 130	-
Straight-line lease asset and lease incentive movement	11 433	22 283
Property valuation	1 344 500	1 065 000
Less: straight-line lease income adjustment	(87 758)	(57 549)
Less: lease incentive receivable	(22 496)	(25 142)
Closing fair value of property assets	1 234 246	982 308

Securities

Mortgage bonds have been registered over investment properties with a fair value of R1 016 758 947 (February 2016: R982 308 223) as security for interest bearing liabilities at a nominal value amounting to R500 881 700 (February 2016: R270 000 000).

Details of valuation

The properties were 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.

At the 28 February 2017, 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	14,50%	14,25%	15,00%
Exit capitalisation rate	9,00%	8,50%	9,87%
Capitalised rate	8,50%	8,25%	9,30%

Investment property is required to be fair valued with sufficient regularity that the value is representative of the fair value.

Measurement of fair value

Valuation techniques:

Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental and expense growth rates, vacant periods, lease incentive costs such as rent-free periods and other costs not recovered from tenants. The expected net cash flows are discounted using a discount rate. The discount rate applied is derived using an appropriate capitalisation rate and adding a growth rate based on market-related rentals, testing this for reasonableness by comparing the resultant Rand rate per m² against comparative sales of similar properties in similar locations. Amongst other factors, the capitalisation rate estimation considers the quality of the property, its location, the tenants' credit quality and their lease terms.

Inter-relationship between key unobservable inputs and fair value measurements:

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

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

4. Acquisition of investment properties

On 21 February 2017, the group acquired two investment properties (refer note 3 above for descriptions) for a total purchase consideration of R229 031 297, including the costs directly associated with the acquisition of the properties.

The investment properties are held in IMP and IMP's related wholly owned subsidiaries, Formprops and CP Finance. These two industrial properties are situated in prime locations with high quality tenants, triple net leases and long lease expiry profiles. The first year of ownership will deliver a neutral contribution to both earnings and distributions, but is expected to be both earnings and distribution enhancing from year two onwards.

Property name	Address and geographical location	Sector	Total GLA (m ²)	Net operating Income (R'000)	Purchase price (R'000)
Linbro Park	Portion 3 and 4 of Erf 9 Frankenwalk Extension 3 Township (Linbro Business Park)	Industrial	12 317	14 590	143 427
Crown Mines	Erven 1 and 2 Crown City Extension 1	Industrial	11 277	7 452	85 605
Total			23 594	22 042	229 031

5. Earnings per share

	Audited 12 months ended 28 February 2017 (R'000)	Audited Restated 12 months ended 29 February 2016 (R'000)
Basic earnings per share		
Profit attributable to shareholders	95 196	377 695
Weighted average number of ordinary shares in issue ('000)	100 000	90 740
Basic earnings per share (cents per share)	95,20	416,24
Diluted earnings per share		
There are no dilutive instruments in issue		
Profit attributable to shareholders	95 196	377 695
Weighted average number of ordinary shares in issue ('000)	100 000	90 740
Basic diluted earnings per share (cents per share)	95,20	416,24
Headline earnings per share		
Profit attributable to shareholders	95 196	377 695
Adjusted for:		
Change in fair value of investment property and tax thereof	(37 980)	(331 603)
	57 216	46 092
Weighted average number of ordinary shares in issue ('000)	100 000	90 740
Headline earnings per share (cents per share)	57,22	50,80

6. Payment of final dividend

The board has approved and notice is hereby given of the final gross dividend of 24,56209 cents per share for the six months ended 28 February 2017. The interim dividend paid on 7 November 2016 amounted to 24,99884 cents per share.

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:	Monday, 12 June
Shares trade <i>ex</i> dividend:	Tuesday, 13 June
Record date:	Thursday, 15 June
Payment date:	Monday, 19 June

Share certificates may not be dematerialised or rematerialised between Tuesday, 13 June 2017 and Thursday, 15 June 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) 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. 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 19.64967 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, 19 June 2017. Certificated shareholders’ dividend payments will be paid to certificated shareholders’ bank accounts on or about, Monday, 19 June 2017.

Shares in issue at the date of declaration of dividend: 100,000,001
Newpark’s income tax reference number: 9114003149.

7. Events after the reporting period

The funding facilities of the group have been consolidated after the reporting period as set out in the funding note above. The initial RMB fees were reduced subsequent to year-end to the numbers listed in the funding note above and all of these corrections were brought to book in the F2017 period reported on in this set of financial statements.

Other than the matter outlined above the directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

8. Related parties

Relationships

Subsidiary	Newpark Towers Proprietary Limited
Former shareholders of subsidiary	BD Van Wyk Ellerine Bros Proprietary Limited Ellwain Investments Proprietary Limited FHP Manager Proprietary Limited Renlia Developments Proprietary Limited

	GROUP 28 February 2017 (R'000)	GROUP 29 February 2016 (R'000)
Interest paid to related parties		
BD Van Wyk	-	35
Ellerine Bros Proprietary Limited	-	548
Ellwain Investments Proprietary Limited	-	548
Renlia Developments Proprietary Limited	-	376
Newpark Towers Proprietary Limited	-	-
	-	1 057
Professional services – WellCapital (Pty) Ltd (JAI Ferreira director)	200	-

9. 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 provisions of the Income Tax Act which specifies that a REIT is not subject to tax. The underlying assumption which must support the recognition of any income tax or deferred tax asset or liability must be that 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 29 February 2016 (R'000)	Reported 29 February 2016 (R'000)	Difference (R'000)
Statement of financial position			
Non-current assets			
Deferred tax	-	55	(55)
Equity			
Opening retained income	-	-	-
Retained income	4 826	(9 759)	14 585
Non-current liabilities			
Deferred tax	-	(14 640)	(14 640)
Statement of profit or loss and other comprehensive income			
Taxation income	100 122	85 537	14 585

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 have 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 29 February 2016 (R'000)	Reported 29 February 2016 (R'000)	Difference (R'000)
Statement of financial position			
Non-current assets			
Straight-line lease asset	57 550	44 823	12 727
Current assets			
Straight-line lease asset	-	12 727	(12 727)
Statement of financial position			
Non-current assets			
Straight-line lease asset	40 638	23 726	16 912
Current assets			
Straight-line lease asset	-	16 912	(16 912)

Changes to the board

Effective 31 August 2016, Ron Hill resigned as the financial director of the Company and Dries Ferreira was appointed as financial director effective 1 September 2016. The board would like to thank Ron for his valuable contribution in establishing Newpark as a REIT. The board also welcomes Stewart Shaw-Taylor to the board. Stewart joined the board on 1 February 2017.

By order of the board.

Simon Fifield
Chief Executive Officer

Dries Ferreira
Financial Director

Johannesburg
25 May 2017

DIRECTORS

G D Harlow (Chairman) **, S P Fifield (Chief Executive Officer), JAI 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

REGISTERED OFFICE

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WEBSITE

www.newpark.co.za

COMPANY SECRETARY

CIS Company Secretaries Proprietary Limited

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited

DESIGNATED ADVISOR

Java Capital