

## NEWPARK REIT LIMITED

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



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## ACQUISITION OF I.M.P. PROPERTIES PROPRIETARY LIMITED AND ITS RELATED COMPANIES

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### INTRODUCTION AND RATIONALE

Newpark is pleased to announce its 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**"), on the terms more fully detailed below, which entities own two industrial properties situated in prime locations with high quality tenants, triple net leases and long lease expiry profiles.

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 property portfolio has 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%.

### SALIENT TERMS OF THE ACQUISITION

An agreement (the "**acquisition agreement**") was entered into on 21 February 2017 between Newpark, as the purchaser, Isaac Menashe, as the seller, (the "seller") in terms of which with effect from 21 February 2017 (the "**acquisition effective date**") Newpark has acquired all of the shares in and shareholders claims against IMP.

The purchase consideration payable by Newpark to the seller was an amount of R113 750 000 paid in cash on the acquisition effective date.

IMP in turn owned –

- 50% of the issued share capital in Formprops; and
- 55% of the issued share capital in CP Finance.

Subsequent to signature of the acquisition agreement, -

- an agreement was entered into on 21 February 2017 between Newpark, IMP, RMB Property Holdco 3 Proprietary Limited ("**RMB Prop Holdco**"), FirstRand Bank Limited ("**RMB**"), Formprops and Eris Investment Holdings Proprietary Limited ("**Eris**") in terms of which with effect from 22 February 2017 ("**Formprops effective date**") –
  - o IMP has subscribed for 10 shares in Formprops for an aggregate subscription price of R75 000 000 paid in cash;
  - o Formprops has used the proceeds received from the issue of new shares in Formprops to repurchase all of the shares held by Eris and RMB Prop Holdco in Formprops (less any securities transfer tax thereon) and to settle the amounts outstanding as at the Formprops effective date owing by Formprops to RMB in respect of RMB's loan facility to Formprops in an initial amount of R8 000 000 (the "**RMB debt**");

thus constituting Formprops a wholly owned subsidiary of IMP, and thus Newpark;

- an agreement was entered into on 21 February 2017 between Newpark, IMP, CP Finance and Eris in terms of which with effect from 22 February 2017 ("**CP Finance Effective Date**")–
  - o IMP has subscribed for 10 shares in CP Finance for an aggregate subscription price of R38 250 000 paid in cash;

- o CP Finance has used the proceeds received from the issue of new shares in CP Finance to repurchase all of the shares held by Eris in CP Finance (less any securities transfer tax thereon);

thus constituting CP Finance a wholly owned subsidiary of IMP, and thus Newpark.

The aggregate purchase consideration for the shares in and claims against IMP and the minority interests in Formprops and CP Finance of approximately R227 000 000 (including the RMB debt to be repaid in an approximate amount of R8 000 000) will be indirectly settled initially through a bridging loan and ultimately by way of a combination of debt and equity.

The purchase consideration payable for the shares and claims in IMP will be subject to the following adjustments (up or down, as the case may be) which will be determined based on the preparation of audited financial statements as at the acquisition effective date –

- any refunds or payments of VAT or other tax to/by IMP after the acquisition effective date in respect of periods between the acquisition effective date and not more than 2 years prior thereto;
- a proportionate share of any refunds or payments of VAT or other tax to/by Formprops or CP Finance after the acquisition effective date in respect of periods between the acquisition effective date and not more than 2 years prior thereto;
- a proportionate share of any rent paid to Formprops or CP Finance after the acquisition effective date for any period prior thereto or rent paid to Formprops or CP Finance prior to the acquisition effective date for any period thereafter, as the case may be;
- any differences in the financial position of IMP that arise as a result of the audited financial statements as at the acquisition effective date to be prepared by IMP's auditors and those unaudited management accounts for the same period furnished to Newpark for the purpose of its due diligence.

The purchase consideration payable for the repurchase shares in Formprops and CP Finance will be subject to the following adjustments (up or down, as the case may be) which will be determined based on an adjustment account to be prepared by the respective auditors of Formprops and CP Finance, as the case may be –

- 50% in respect of Formprops and 45% in respect of CP Finance, of any refunds or payments of VAT or other tax to/by Formprops or CP Finance, as the case may be, after the Formprops effective date or the CP Finance effective date, as the case may be, in respect of periods between that effective date and not more than 2 years prior thereto;
- 50% in respect of Formprops and 45% in respect of CP Finance, of any rent paid to Formprops or CP Finance after the Formprops effective date or the CP Finance effective date, as the case may be, for any period prior thereto or rent paid to Formprops or CP Finance prior to the Formprops effective date or the CP Finance effective date, as the case may be, for any period thereafter, as the case may be;
- 50% in respect of Formprops and 45% in respect of CP Finance, of any expenses paid by Formprops or CP Finance, as the case may be, after the Formprops effective date or the CP Finance effective date, as the case may be, for any period prior thereto.

The agreements include warranties, undertakings and indemnities which are normal for transactions of that nature.

In accordance with paragraph 10.21 to Schedule 10 of the JSE Listings Requirements, Newpark will ensure that no provisions contained in the Memorandum of Incorporation's of either IMP, Formprops or CP Finance will frustrate Newpark in any way from compliance with its obligations in terms of the JSE Listings Requirements.

## DETAILS OF THE PORTFOLIO

Property name	Address and geographical location	Sector	Total GLA (m <sup>2</sup> )	Net rental (per m <sup>2</sup> )	Net operating income	Purchase price (R)
Linbro Park	Portion 3 and 4 of Erf 9 Frankenwalk Extension 3 Township (Linbro Business Park)	Industrial	12 317	R98.71	R14 589 970	142 000 000
Crown Mines	Erven 1 and 2 Crown City Extension 1	Industrial	11 277	R55.07	R7 451 700	85 000 000
<b>Total</b>			<b>23 594</b>		<b>22 041 670</b>	<b>227 000 000</b>

The value of the net assets of the acquisition is R227 000 000.

## VALUATION

No independent valuations have been carried out and the value of the shares in and claims against IMP and the minority interests in Formprops and CP Finance of approximately R227 000 000 was arrived at by the board of directors of Newpark.

## CATEGORISATION

The transaction is classified as a category 2 transaction in terms of the JSE Listings Requirements and accordingly will not require the approval of Newpark shareholders.

23 February 2017

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Designated advisor

JAVACAPITAL