Superstore Properties Limited

Fairness Opinion

In Respect of the Takeover Offers from:

- **Classic Collectives Limited**
- **CNP Holdings Limited**

November 2021

Index

Section **Page**

Appendix

1. Introduction

1.1 Superstore Properties Limited

Superstore Properties Limited (**Superstore** or the **Company**) is a widely-held unlisted property investment company which owns 2 commercial properties in Christchurch and Tauranga.

Superstore is managed by FSS Management Limited (**FSS** or the **Manager**) in accordance with a management agreement dated 1 January 2021 (the **Management Agreement**).

FSS is owned by Superstore (41%), First NZ Properties Limited (45%) and Springs Road Property Limited (14%).

Superstore currently has 2,095,000 ordinary shares on issue held by 344 shareholders.

The Company's shares are not quoted on any stock exchange but are able to be traded on the Syndex online trading platform.

A profile of Superstore is set out in section 3.

1.2 Takeover Offers

Superstore has recently received 2 offers for shares in the Company.

Classic Collectives Limited (**CCL**) has made an unsolicited offer dated 27 October 2021 to acquire 100% of Superstore's shares (the **CCL Offer**).

CNP Holdings Limited (**CNP**) has given notice that it will make an unsolicited offer dated 6 November 2021 to acquire 100,000 shares, representing 4.77% of the Company's shares, with the discretion to accept oversubscriptions of up to a further 450,000 shares (21.48%) totalling 550,000 shares (26.25% of the Company's shares on issue) (the **CNP Offer**).

1.3 CCL Offer

The key terms of the CCL Offer are:

- an offer price of $7.50 cash per share (the **CCL Offer Price**)
- the offer closes on 10 December 2021 (unless extended by CCL by up to a total period of 60 days from 27 October 2021)
- the offer is conditional on the following conditions:
  - CCL receiving acceptances to the CCL Offer which, when taken together with any shares already held or controlled by CCL, will result in CCL holding or controlling 100% of the shares in the Company (or such lesser percentage exceeding 50% as CCL may determine at its absolute discretion (the **Minimum Acceptance Condition**))
  - CCL undertaking all due diligence that it deems appropriate (at its absolute discretion) and its approval of such due diligence (at its absolute discretion), to be satisfied within 30 working days after satisfaction of the Minimum Acceptance Condition (or by 23 December 2021 if earlier) (the **Due Diligence Condition**)

  - no action, claim, litigation, arbitration or other legal proceedings against Superstore are commenced, instituted or threatened up to 23 December 2021
  - no action, claim, litigation, prosecution or other form of proceedings are notified or commenced against Superstore or CCL in respect of the CCL Offer
  - no liquidator, receiver, receiver and manager, statutory manager, voluntary administrator or similar official is appointed in respect of Superstore or any of its assets
- the CCL Offer Price will be paid no later than 30 days after the later of:
  - the date on which the CCL Offer becomes unconditional
  - the date on which CCL receives the acceptance of the offer
- the CCL Offer Price must be paid by 25 January 2022.

1.4 Classic Collectives Limited

CCL is wholly owned by Collective Property Holdings Limited (**CPHL**).

The directors of CCL are:

- Hugh Cooney
- Peter Cooney
- Matt Lagerberg
- Daniel Watkins.

CCL and CPHL are part of the Classic group of companies (the **Classic Group**). The Classic Group was established in 1996 by Peter Cooney and Matt Lagerberg. It employs more than 300 staff, with its headquarters based in Tauranga.

The Classic Group operates throughout New Zealand in residential and commercial property development and investment markets:

- Classic Developments has developed more than 4,000 lots to date and has a current land supply of more than 3,000 sections
- Classic Builders has built more than 6,000 homes to date.

The Classic Group has partnered with local and central Government on a number of projects to date and has participated in the KiwiBuild initiative in Tauranga and Christchurch.

It recently announced the Koha Ake partnership with NZ Super Fund which aims to develop and market a range of over 3,000 sites for new homes across New Zealand.

1.5 CNP Offer

The key terms of the CCL Offer are:

- an offer price of $7.55 cash per share (the **CNP Offer Price**)
- the offer closes on 7 December 2021

- the offer is conditional on the following conditions:
  - no changes to Superstore's shares (such as reclassifications, subdivision, consolidation, buyback or alteration to the rights attached to the shares)
  - the Superstore business is carried on in the normal and ordinary course
  - the formal execution of the lease renewal by PlaceMakers as tenant of the 319 Cranford Street, Christchurch property
  - none of Superstore's assets are disposed of
  - no asset of Superstore is materially destroyed or damaged
  - there is no alteration to Superstore's constitution
  - no liquidator, receiver, receiver and manager, administrator (voluntary or otherwise), statutory manager or similar official is appointed in respect of Superstore or any of its assets
  - no resolution is passed for any amalgamation or liquidation of Superstore and Superstore is not involved in any merger, share buyback or scheme of arrangement
  - there being no event, change, circumstance or condition that has occurred on or after 6 November 2021 that has had, or could reasonably be expected to have, in the opinion of CNP, a material adverse effect on Superstore
  - no proceedings being notified, threatened or commenced against Superstore after 6 November 2021
  - no Superstore assets are subject to any option, forfeiture or termination, transfer, any right of pre-emption or any other right that could be adverse to Superstore or CNP in the event of an increase in CNP's shareholding in Superstore
  - no event of default, potential event of default, repayment event, prepayment event or event of review (however described) under any agreement or instrument to which Superstore is subject occurring, or will occur, as a consequence of an increase in CNP's shareholding in Superstore
  - there is no order issued by any New Zealand court, regulator or other legal restraint or prohibition making implementation of the offer void, unenforceable or illegal
  - the S&P / NZX 50 Index does not close below 12,500 on any day between 28 October 2021 and 27 January 2022
  - the S&P / NZX All Real Estate Index does not close below 1,775 on any day between 28 October 2021 and 27 January 2022
- the CNP Offer Price will be paid no later than 27 January 2022.

1.6 CNP Holdings Limited

CNP is wholly owned by Paget Capital Management Limited (**PCML**). CNP's sole director is Craig Priscott.

PCML is owned by interests associated with Mr Priscott. PCML's sole director is Mr Priscott.

PCML owns 6,000 shares in Superstore (representing 0.29% of the Company's shares on issue).

1.7 Purpose of the Report

The provisions of the Takeovers Code (the **Code**) do not apply to Superstore as its revenue is less than $15 million and its assets are less than $30 million and therefore the Company is not deemed to be a code company.

John Murray, the Company's independent director (the **Independent Director**), has engaged Simmons Corporate Finance to prepare a Fairness Opinion on the CCL Offer and the CNP Offer (referred to collectively as the **2 Offers**).

The Independent Director has requested that the Fairness Opinion evaluate the 2 Offers in the same manner as an Independent Adviser's Report prepared under the provisions of the Code.

Simmons Corporate Finance issues this Fairness Opinion to the Independent Director to assist the Company's shareholders in forming their own opinion on whether or not to accept the CCL Offer or the CNP Offer. We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the fairness and merits of the 2 Offers in relation to each shareholder. This report on the fairness and merits of the 2 Offers is therefore necessarily general in nature.

The Fairness Opinion is not to be used for any other purpose without our prior written consent.

1.8 Summary of Opinion

The CCL Offer is a full takeover offer for 100% of the Company's shares at $7.50 cash per share.

The CNP Offer is a partial takeover offer for between 4.77% and 26.25% of the Company's shares at $7.55 cash per share.

Both the CCL Offer and the CNP Offer provide a liquidity event for shareholders where they will receive either $7.50 or $7.55 cash for each share that they accept into the respective offer.

A comparison of the 2 Offers is set out below.

Comparison of CCL Offer and CNP Offer		
	CCL Offer	**CNP Offer**
Nature of Offer	Full offer	Partial offer
% of shares sought	100.00%	4.77% (with the discretion to accept up to 26.25%)
Offer Price	$7.50	$7.55
Minimum acceptance level	50.01%	Not applicable
Maximum acceptance level	100.00%	26.25%
Conditions	Minimum Acceptance Condition Due Diligence Condition Limited protective conditions	Extensive protective conditions
Offer date	27 October 2021	6 November 2021
Closing date	10 December 2021 (unless extended)	7 December 2021
Last possible date for payment	25 January 2022	27 January 2022

Factors that shareholders should consider when deciding whether to accept either the CCL Offer or the CNP Offer include:

- the CCL Offer is an offer for 100% of the shares in Superstore and therefore provides shareholders with an opportunity to completely exit their investment in the Company if they wish to. The CCL Offer requires shareholders who wish to accept the offer to accept all of their shares into the offer. Shareholders are not permitted to accept only some of their shares into the offer
- the CNP Offer is an offer for 4.77% of the shares in Superstore (with the discretion for CNP to accept up to 26.25% of the shares) and therefore does not necessarily provide an opportunity for a complete exit (although shareholders with small parcels of shares may possibly be able to have all of their shares accepted into the offer)
- we assess the full underlying value of Superstore's shares to be in the range of \$8.66 to \$9.15 per share on an ex-dividend (**ex-div**) basis as at the present date. The assessed value range excludes the fully imputed gross dividend of \$0.40 per share declared by the Board on 26 October 2021. The dividend is payable on 9 November 2021 to all shareholders who held shares in the Company at 5pm on 26 October 2021
- both the CCL Offer Price of \$7.50 per share and the CNP Offer Price of \$7.55 per share are below our assessed valuation range
- the CNP Offer Price of \$7.55 per share is \$0.05 per share (0.7%) higher than the CCL Offer Price of \$7.50 per share
- the CCL Offer Price of \$7.50 per share represents a premium of 67% over the \$4.50 price at which the Company's shares last traded on 24 September 2021 and the CNP Offer Price of \$7.55 per share represents a premium of 68%. However, trading in the Company's shares is extremely thin and therefore the recent share transactions do not necessarily represent a strong indication of the fair market value of Superstore's shares
- both of the offers are subject to a number of conditions. However, 2 of the CCL Offer conditions provide significant impediments to the likelihood of the CCL Offer being declared unconditional:
  - under the Minimum Acceptance Condition, if CCL is not successful in achieving an acceptance level greater than 50% of the Company's shares, then the CCL Offer cannot proceed and no shareholders' shares will be acquired by CCL
  - the ability for CCL to undertake a due diligence review of Superstore under the Due Diligence Condition is dependent on the Company's board of directors (the **Board**) permitting CCL to undertake the due diligence review. There is no obligation under law for the Board to permit CCL to undertake the due diligence review. If, for whatever reason, the Board decides not to permit CCL to undertake the due diligence review, the Due Diligence Condition will not be met. CCL will then need to decide whether to waive the Due Diligence Condition or let the CCL Offer lapse
- if the CCL Offer is successful, CCL will have control of Superstore. It will be able to control the outcome of (most) shareholder voting and determine the composition of the Board
- if the CNP Offer is successful, it would (at most) control 26.54% of the Company's shares (including the shares currently held by PCML). This would allow it to block special resolutions but it would not be able to determine the full composition of the Board

- it is possible, but highly unlikely in our view, that both the CCL Offer and the CNP Offer could succeed. For this to occur, CCL would need to alter the Minimum Acceptance Condition to an acceptance level less than 100% (but greater than 50%)
- the likelihood of an alternative takeover offer is uncertain.

The main advantage for shareholders of accepting either the CCL Offer or the CNP Offer is that they will be able to realise cash of $7.50 or $7.55 respectively for each of their shares accepted into the respective offers. This represents an exit opportunity for shareholders which is not readily available anywhere else as the Company's shares are not quoted on any stock exchange and trading on the Syndex online trading platform is extremely thin.

The main disadvantage of accepting the CCL Offer or the CNP Offer is that shareholders will not participate in any potential appreciation in the value of the Company's shares as a result of increases in the value of the Company's property portfolio. As previously stated, we assess the full underlying value of Superstore's shares to be in the range of $8.66 to $9.15 per share (ex-div) as at the present date. Shareholders should however take into consideration that the Company's shares are illiquid and therefore there may be difficulties in monetising any increase in the value of Superstore through the sale of their shares.

2. Evaluation of the Fairness and Merits of the CCL Offer and the CNP Offer

2.1 Basis of Evaluation

We have prepared our Fairness Opinion as if the 2 Offers were made under the Code.

The Code requires an evaluation of the *merits* of a transaction.

There is no legal definition of the term *merits* in New Zealand in either the Code or in any statute dealing with securities or commercial law.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel *Guidance Note on Independent Advisers* dated 11 March 2021
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

We are of the view that an assessment of the merits of the 2 Offers should focus on:

- the rationale for the CCL Offer and the CNP Offer
- the assessed value of Superstore's shares and the value of the consideration to be received by shareholders
- the implications of the conditions attached to the CCL Offer and the CNP Offer
- the likelihood of alternative offers or alternative transactions
- the advantages and disadvantages for shareholders of accepting the CCL Offer or the CNP Offer
- the implications for shareholders of not accepting the CCL Offer or the CNP Offer.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Rationale for the CCL Offer and the CNP Offer

Neither CCL nor CNP have set out the rationale for their offers in their respective offer documents nor have they articulated their respective rationale in detail to the Board.

We note that CCL and CNP are not obligated to state their rationale for the 2 Offers.

It is possible that CCL and / or CNP may see incremental value in Superstore that is not reflected in the Company's financial statements and / or in the prices that the Company's shares have traded at.

It is also possible that CCL may feel that it can enhance the value of Superstore by managing and operating the Company differently and / or by restructuring the Company's capital base.

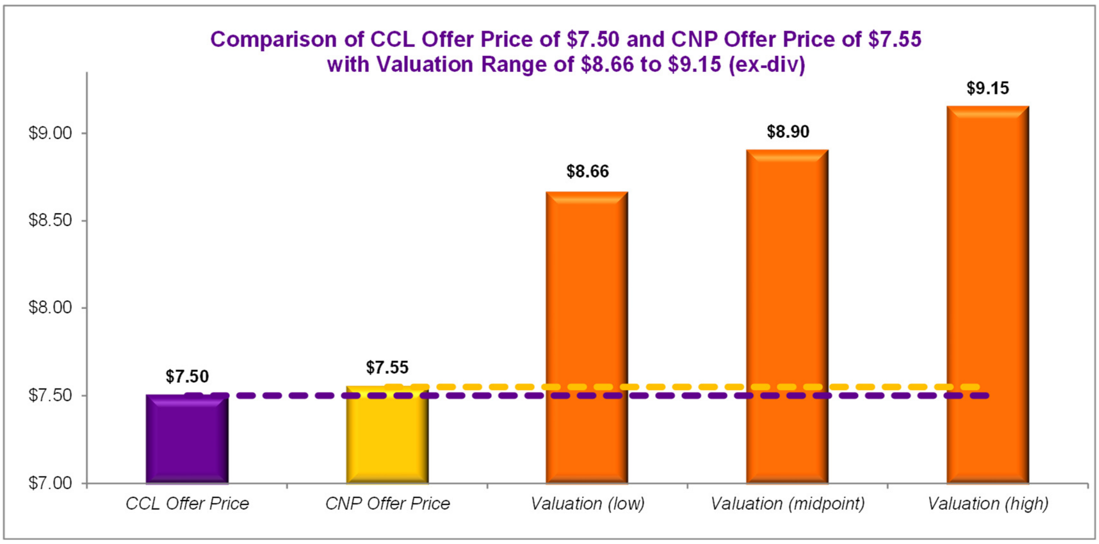
2.3 Value of Superstore's Shares

In our opinion, the full underlying value of Superstore is in the range of $8.66 to $9.15 per share (ex-div) as at the present date, as set out in section 4.

The assessed value range excludes the fully imputed gross dividend of $0.40 per share declared by the Board on 26 October 2021. The net dividend of $0.268 per share is payable in cash on 9 November 2021 to all shareholders who held shares in the Company at 5pm on 26 October 2021.

The assessed value range is for 100% of Superstore based on its current strategic and operational initiatives and therefore reflects the value of control. However, it excludes the value of any synergies that an acquirer may derive from acquiring full control of Superstore.

Both the CCL Offer Price of $7.50 cash per share and the CNP Offer Price of $7.55 cash per share are below our assessed valuation range.



2.4 Superstore's Share Price Compared with the Offer Prices

The Company's shares last traded on Syndex on 24 September 2021 when 2,000 shares traded at $4.50.

The respective offer prices are at a significant premium to the last trade price of $4.50:

- the CCL Offer Price of $7.50 per share represents a premium of 67%
- the CNP Offer Price of $7.55 per share represents a premium of 68%.

We note that trading in the Company's shares is extremely thin. Trading on Syndex only commenced on 12 July 2021. Prior to that, the former manager of the Company facilitated share trading between shareholders.

In our view, the illiquid nature of the shares means that the observed trading share prices are unlikely to be a totally reliable indicator of the fair market value of Superstore's shares.

2.5 Potential Synergies

CCL Offer

If the CCL Offer is successful, CCL will hold more than 50% of the Company's shares and will exert a significant degree of control over the Company.

In our view, the financial synergies that would be available to CCL arising from the acquisition of Superstore would be limited.

There would be a reduction in the level of administration costs that would be incurred in respect of share registry costs and possibly audit costs.

CCL could choose to manage Superstore itself and terminate the Management Agreement and reduce the Company's Board structure. This could lead to further cost savings, but these are difficult to quantify without knowing CCL's intentions.

CNP Offer

If the CNP Offer is successful, CNP will control (at most) 26.54% of the Company's shares (including the shares PCML currently owns).

In our view, the financial synergies that would be available to CNP would be negligible as CNP would not be able to singlehandedly exercise any significant level of control over the affairs of the Company.

2.6 Conditions of the CCL Offer

Minimum Acceptance Condition

CCL is seeking to acquire 100% of the shares in Superstore. However, under the Minimum Acceptance Condition, CCL may declare the CCL Offer unconditional if it receives acceptances for more than 50% of the Company's shares and the other conditions of the CCL Offer are either satisfied or waived by CCL.

It is probable that CCL will waive the Minimum Acceptance Condition in respect of the 100% acceptance level as CNP's shareholder PCML owns 6,000 shares and CNP has stated that PCML will not accept the CCL Offer.

CCL cannot waive the Minimum Acceptance Condition in respect of receiving acceptances for more than 50% of the Company's shares.

If CCL is not successful in achieving the greater than 50% minimum acceptance level, then the CCL Offer cannot proceed and no shareholders' shares will be acquired by CCL.

If CCL is not successful in achieving the greater than 50% minimum acceptance level, it may or may not choose to make an alternative offer, potentially with an increased CCL Offer Price.

Due Diligence Condition

The Due Diligence Condition stipulates that CCL requires to undertake due diligence on Superstore, at its discretion. The scope of the due diligence review and the approval of the findings of the due diligence review are entirely at CCL's discretion.

This condition provides CCL with the ability to thoroughly review Superstore's operations and to withdraw its offer for any reason whatsoever by 23 December 2021.

CCL can waive the Due Diligence Condition at its discretion.

While CCL has included the Due Diligence Condition in the CCL Offer, there is no obligation under law for Superstore to permit CCL to undertake a due diligence review of the Company. So, if for whatever reason the Board decides not to permit CCL to undertake the due diligence review, the Due Diligence Condition will not be met. CCL will then need to decide whether to waive the Due Diligence Condition or let the CCL Offer lapse.

Other Conditions

The other conditions of the CCL Offer are protective conditions for CCL's benefit, relating to actions and claims against Superstore and CCL and Superstore's business operations. CCL can waive these conditions at its discretion.

Conditions of this nature are common in change of control transactions such as takeover offers. We do not consider any of these other conditions represent a major impediment to the CCL Offer being implemented.

Condition Date

The latest date on which CCL can declare the CCL Offer unconditional is 23 December 2021.

2.7 Conditions of the CNP Offer

All of the conditions of the CNP Offer are protective conditions for CNP's benefit. The protective conditions are more extensive than the CCL Offer protective conditions.

CNP can waive any of the conditions at its discretion.

While the CNP Offer protective conditions are more extensive, we do not consider any of the conditions represent a major impediment to the CNP Offer being implemented.

2.8 Potential Outcomes of the CCL Offer

CCL Secures 100% of the Shares

If, as a result of the CCL Offer, CCL secures 100% of the shares in Superstore, CCL will wholly own Superstore and will have absolute control over the Company.

However, it is highly unlikely that CCL will secure 100% of the shares as CNP has stated that its shareholder PCML will not accept the CCL Offer.

CCL Secures Less Than 100% and More Than 50% of the Shares

If CCL receives acceptances for more than 50% but less than 100% of the shares, and CCL declares the CCL Offer unconditional, then those shareholders who did not accept the CCL Offer will remain shareholders in Superstore, which will be controlled by CCL:

- CCL will control appointments to the Board
- CCL will control the outcome of any ordinary resolution (greater than 50% of votes cast acceptance level) and depending on its shareholding level, may be able to control the outcome of any special resolution (75% of votes cast acceptance level) put to shareholders

- the attraction of Superstore as a takeover target will be limited
- depending on CCL's level of shareholding after the CCL Offer has closed, CCL may decide to make another takeover offer at a later date (often referred to as a "mop up" offer). However, there is no certainty that such a mop up offer would occur and it is possible that such an offer could be at a discount to the current offer. It is also possible that a mop up offer could be at a premium to the current CCL Offer Price
- non-accepting shareholders may face a change in the Company's dividend policy.

If CCL holds at least 75% of the Company's shares, it will be able to effect the liquidation of the Company if it wished to. As set out in section 4.6, we assess the value of Superstore under a liquidation scenario to be in the range of $9.14 to $9.15 per share (ex-div). This value is 22% higher than the CCL Offer Price of $7.50.

CCL Secures 50% or Less of the Shares

If the Minimum Acceptance Condition is not met, then the CCL Offer cannot proceed and no shareholders' shares will be acquired by CCL.

2.9 Potential Outcomes of the CNP Offer

CNP is seeking to acquire 100,000 shares (4.77%) with the discretion to accept oversubscriptions of up to a further 450,000 shares (21.48%) totalling 550,000 shares (26.25%).

When combined with PCML's 6,000 shares (0.29%), CNP may control (at most) 26.54% of the Company's shares. This will enable CNP to singlehandedly block special resolutions but it will not be able to singlehandedly determine the outcome of ordinary resolutions.

2.10 Likelihood of Alternative Takeover Offers is Unknown

We are advised by the Independent Director that as at the date of this report, he is not aware of any definitive alternative takeover offer or alternative transaction impacting the control of the Company other than the CCL Offer and the CNP Offer.

However, there is nothing to preclude another entity making a takeover offer for Superstore in competition with the CCL Offer and the CNP Offer.

For the sake of completeness, we note that if an alternative takeover offer was made, then those shareholders who had already accepted either the CCL Offer or the CNP Offer would not be able to accept those shares into the alternative takeover offer until the CCL Offer or the CNP Offer respectively lapsed.

2.11 Likelihood of Either CCL or CNP Increasing Their Respective Offer Prices

We are not aware of any intention on CCL's part to increase its CCL Offer Price. However, CCL justified the $7.50 CCL Offer Price based on the Company's asset values as at 31 March 2021. Superstore commissioned up to date valuations of its property portfolio in light of the CCL Offer and the revised valuations are $6.675 million higher than as at 31 March 2021. The updated valuations are discussed in section 4.5.

Similarly, we are not aware of any intention on CNP's part to increase its CNP Offer Price. However, it should be noted that the CNP Offer was made after the CCL Offer and with the knowledge of the updated valuations. CNP priced its offer at $0.05 per share above the CCL Offer Price.

2.12 Advantages of Accepting the CCL Offer or the CNP Offer

CCL Offer

The CCL Offer provides an opportunity for shareholders to realise cash of $7.50 per share for all of their investment in an illiquid share.

We note that a term of the CCL Offer is that shareholders may accept the offer in respect of all of their shares but they cannot accept only some of their shares into the offer.

CNP Offer

The CNP Offer provides an opportunity for shareholders to realise cash of $7.55 per share for some of their shares or possibly all of their shares.

The CNP Offer is for 100,000 shares. If CNP receives total acceptances in excess of 100,00 shares, it may accept oversubscriptions at its sole discretion up to a further 450,000 shares. If there are oversubscriptions, CNP will deal with all acceptances at its sole discretion.

The Company's constitution allows the Board to refuse to register transfers which would see a shareholder left with less than 1,000 shares. Therefore shareholders wishing to accept the CNP Offer should:

- accept all of their shares into the offer if they own less than 1,000 shares or wish to sell all of their shares, or
- accept such number of their shares into the offer so as to ensure that they still hold at least 1,000 shares following the completion of the offer.

2.13 Disadvantages of Accepting the CCL Offer or the CNP Offer

By accepting the CCL Offer, shareholders will cease to hold an interest in Superstore and therefore forgo the possibility that the value of the Company's property portfolio may increase in time and may be reflected in an increase in Superstore's share price.

The same applies to accepting the CNP Offer, although it may be possible for shareholders to accept some of the shares into the CNP Offer and retain the remainder of their shares.

However, shareholders should bear in mind that Superstore's shares are illiquid and therefore even if the value of the Company increases, this may not be fully reflected in any share price that a seller may be able to negotiate with a purchaser – if indeed a purchaser exists.

2.14 Implications of Not Accepting the CCL Offer or the CNP Offer

CCL Offer

If the CCL Offer is declared unconditional, then those shareholders who do not accept the CCL Offer will continue as shareholders in Superstore and will be subject to the issues set out in section 2.8 *Potential Outcomes – CCL Secures Less Than 100% and More Than 50% of the Shares*.

CCL may decide to make a takeover offer for the remaining shares in the Company at a later date. We are not aware of any intention on CCL's part at this point in time to make such a "mop up" offer. However, if such a takeover offer did occur, it is possible that the offer could be at a price that is lower or higher than the CCL Offer Price.

CNP Offer

If the CNP Offer is declared unconditional, then those shareholders who do not accept the CNP Offer will continue as shareholders in Superstore and will be subject to the issues set out in section 2.9.

2.15 Acceptance or Rejection of the CCL Offer or the CNP Offer

Acceptance or rejection of the CCL Offer or the CNP Offer is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile, liquidity preference, tax position and other factors. In particular, taxation consequences may vary across shareholders. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

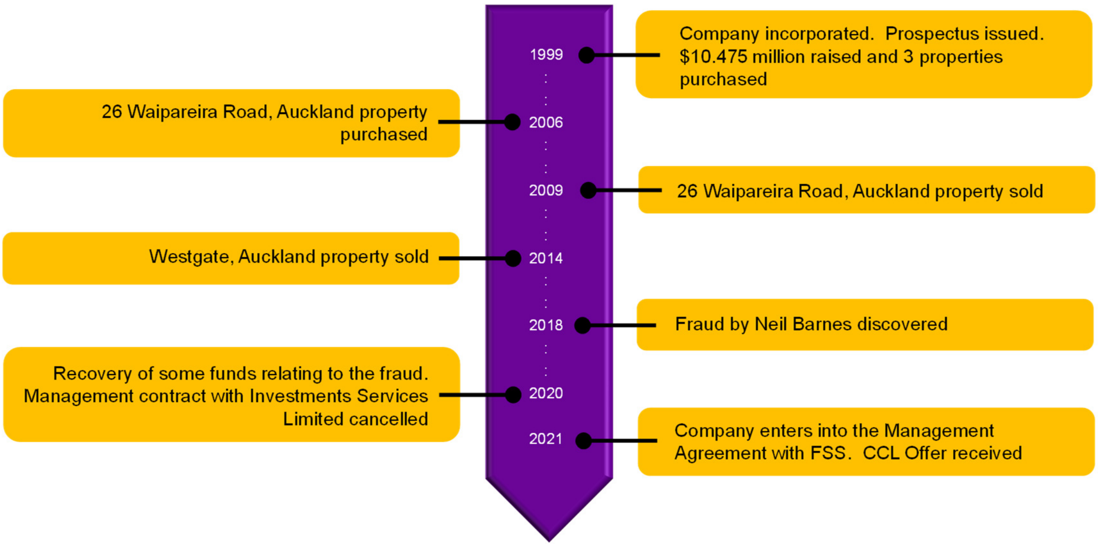
3. Profile of Superstore

3.1 Background and History

Superstore was incorporated on 25 January 1999.

The Company issued a prospectus on 15 February 1999, seeking to raise $10.475 million through the issue of shares and mortgage bonds. The capital was used to part fund the acquisition of 3 retail properties located at Westgate (Auckland), Tauranga and Christchurch.

Key events in the Company's history are set out below.



3.2 Property Portfolio

Superstore's property portfolio consists of 2 commercial properties located in Tauranga and Christchurch.

483 Cameron Road, Tauranga	
Address	483 Cameron Road Tauranga
Tenant	The Warehouse Limited
Property overview	The property was built in 1998. It is a bulk retail property consisting of retail space, storage and office and retail mezzanine areas. The property is located on the main arterial route of Cameron Road, approximately 1.5 km south of the Tauranga CBD. It provides 5,051 m^2 of retail and storage space, with a significant area of covered and open car parking for 230 vehicles.
Tenancy details	
– Commencement date	October 2014
– Lease term	10.5 years, expiring March 2025
– Rights of renewal	3 x 4 years each
– Contract base rent	$864,783
– Improvements rent	$36,033
– Outgoing recovery	$176,785
Valuation (1 Oct 2021)	$18,200,000

319 Cranford Street, Christchurch	
Address	319 Cranford Street St Albans Christchurch
Tenant	Fletcher Distribution Limited (PlaceMakers)
Property overview	The property is a purpose-built trade store facility built in 1998 for PlaceMakers. Building upgrades and alterations were undertaken in 2013. The property is situated to the western side of Cranford Street, abutting the recently completed Christchurch Northern Arterial Extension. This forms part of a small pocket of commercial / industrial activity property within the mixed-use suburb of St Albans, approximately 4 km to the north of the Christchurch central business district (**CBD**). The property is a substantial site of 1.5195 hectares with ample onsite car parking provision. The property comprises 2 traditional late 1990s warehouses providing a total of 4,359 m^2 of retail, drive-through, office and storage space.
Tenancy details	
– Commencement date	Originally 7 February 2013 plus renewal term from 7 February 2022
– Lease term	9 years plus renewal term of 6 years to run contemporaneously
– Rights of renewal	2 x 6 years each
– Contract base rent	$625,236
– Improvements rent	$46,884
– Outgoing recovery	$119,882
Valuation (6 Oct 2021)	$12,125,000

The Cranford Street property requires repairs to its floor due to cracks. The replacement of the earthquake damaged drive-through concrete floor and adjacent driveway has been agreed with insurers. Superstore is negotiating the additional replacement of the retail area concrete floor as this has also deteriorated.

Structural assessments and level surveys are awaited. The actual repair of the floors will be difficult to complete whilst the tenant is in occupation, so a settlement is being agreed so that the work can be carried out later.

The Company's properties are valued by CVAS Limited (**Colliers**) for each annual balance date. Superstore has commissioned Colliers to assess the current market value of the 2 properties given the CCL Offer (the **Colliers October Valuations**).

3.3 Directors

The directors of Superstore are:

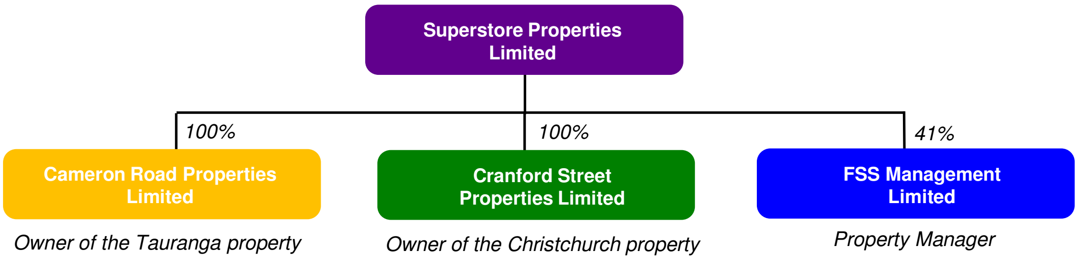
- John Murray, independent chair (appointed 28 September 2020)
- Damien Prendergast (appointed 7 May 2020, reappointed 28 September 2020).

5 directors have recently resigned from the Board:

- Craig Dennis (appointed 7 May 2020, resigned 28 September 2020)
- David Penrose (appointed 5 May 2020, resigned 28 September 2020)
- Michael Millar (appointed 25 January 1999, resigned 12 May 2020)
- Paul Mephan (resigned 21 April 2020)
- Gillian Bishop (appointed 14 April 2020, resigned 7 May 2020).

3.4 Group Structure

Superstore's group structure is set out below.



3.5 Management Agreement

Superstore has no employees. All of its management and day to day operational activities are outsourced to FSS under the Management Agreement.

FSS has 3 part time employees:

- Paul Rosanowski, project manager
- Richard Eberlein, property manager
- Kathryn Brownlie, administration manager.

The key terms of the Management Agreement are:

- the agreement can be terminated by either party by giving at least 90 days written notice
- FSS will provide Superstore with the following non-financial services:
  - carry out the day to day management and administration of the Company
  - arrange for the issue of share certificates, management of the share register and payment of distributions in respect of Superstore's shares
  - arrange for the operation of a secondary market for Superstore's shares
  - procure the filing of all returns for the Company with the IRD and the Companies Office
  - arrange for the preparation and audit of Superstore's financial statements
  - instruct such accountants, auditors, solicitors, valuers and other consultants or advisers as deemed necessary
- FSS will provide Superstore with the following financial services:
  - arrange finance for Superstore's activities in consultation with the Company
  - procure and supervise the acquisition, management (including tenants, accounts and buildings) and eventual sale of the properties owned or to be owned by Superstore
  - operate all bank accounts
  - do or perform such other acts or things which the Company may reasonably request in connection with the investment and administrative management of Superstore and its properties

- a management fee of 9.0% of Superstore's net rental from the properties plus GST
- if Superstore requests FSS to undertake any matters relating to its properties which are outside the specified services, Superstore will pay a time and attendance fee to FSS at a rate of $120 per hour plus GST.

Prior to entering into the Management Agreement, Superstore was managed by Investments Services Limited (**ISL**) up to 31 December 2020.

3.6 Capital Structure and Shareholders

Superstore currently has 2,095,000 ordinary shares on issue held by 344 shareholders.

The names, number of shares and percentage holding of the 10 largest holders of ordinary shares as at 14 October 2021 are set out below.

Superstore's 10 Largest Holders of Ordinary Shares

Shareholder	No. of Ordinary Shares Held	%
ISL	400,000	19.09%
A & J Enterprises 2006 Limited (**A & J**)	307,000	14.65%
John Armour	61,000	2.91%
Catherine Rickards	56,000	2.67%
Manatu Limited	47,000	2.24%
Robert Trotter	47,000	2.24%
Gweneth Sanders	39,000	1.86%
DO & PA Bradley	39,000	1.86%
Lesley Morris	22,000	1.05%
Carol Belcher	22,000	1.05%
Subtotal	1,040,000	49.64%
Others (334 shareholders)	1,055,000	50.36%
Total	2,095,000	100.00%

Source: Superstore

ISL is the former manager of Superstore (up to 31 December 2020). ISL is owned by Michael Millar, Andrea Millar and Grant Uridge. Mr Millar is a former director of Superstore. He resigned from the Board on 12 May 2020. Mr Millar also holds 12,000 shares (0.57%) in his own name.

A & J is owned by Damien Prendergast and Rebecca Prendergast. Mr Prendergast is a director of Superstore.

PCML (the owner of CNP) currently holds 6,000 shares (0.29%).

3.7 Barnes Fraud and High Court Proceedings

On or about March 2018, a fraud by (then) director Neil Barnes was discovered within the Company by new director and chief executive officer of ISL Paul Mephan (the **Barnes Fraud**).

The quantum of the Barnes Fraud was determined to be $793,631. The misappropriated funds related to:

- money owing to the IRD for dividend withholding tax – $710,066
- amounts owed for unclaimed distributions and other payments – $83,565.

Legal action was taken against Mr Barnes and some of his assets were recovered and sold. To date, $330,013 has been recovered from Mr Barnes.

In 2020 Company shareholder Craig Priscott became involved and threatened a derivative action by the Company if the newly appointed directors (Damien Prendergast, Craig Dennis and John Murray) did not act.

Following a legal review of Mr Priscott's claims, Superstore initiated High Court proceedings against Michael Millar (as first defendant) and ISL (as second defendant).

The claims alleged against Mr Millar are for breach of his director's and fiduciary duties and are alleged against ISL for fraud, in negligence and for breach of contract.

The total value of the claims is approximately $475,000 plus interest and costs.

The defendants have filed statements of defence denying the claims. In addition, ISL has counterclaimed for losses suffered because of Superstore's alleged repudiation of the ISL management agreement totalling approximately $367,000 plus interest and costs.

Superstore has filed a defence to the counterclaim denying any repudiation.

The proceedings are at a preliminary stage. Legal action is currently in the discovery phase.

We are advised by the Independent Director that the parties are attempting to settle the matter by way of mediation.

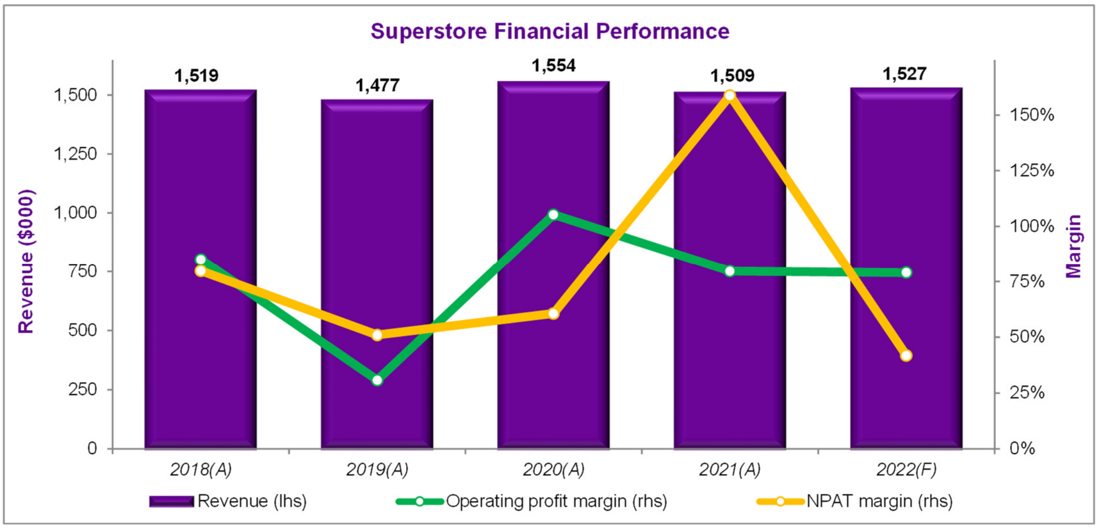
3.8 Financial Performance

A summary of Superstore's recent financial performance is set out below.

Summary of Superstore Financial Performance					
	Year to 31 Mar 18 (Audited) $000	Year to 31 Mar 19 (Audited) $000	Year to 31 Mar 20 (Audited) $000	Year to 31 Mar 21 (Audited) $000	Year to 31 Mar 22 (Forecast) $000
Income	1,519	1,477	1,554	1,509	1,527
Expenses	(227)	(1,022)	81	(307)	(320)
Operating profit	1,292	455	1,635	1,202	1,207
Finance costs (net)	(414)	(418)	(383)	(296)	(320)
Fair value gain on investment properties	580	950	(50)	1,700	-
NPBT	1,458	987	1,202	2,606	887
Income tax expense	(246)	(233)	(259)	(209)	(248)
NPAT	1,212	754	943	2,397	639
EPS	$0.58	$0.36	$0.45	$1.14	$0.31
DPS	$0.37	-	$0.48	$0.20	$0.50

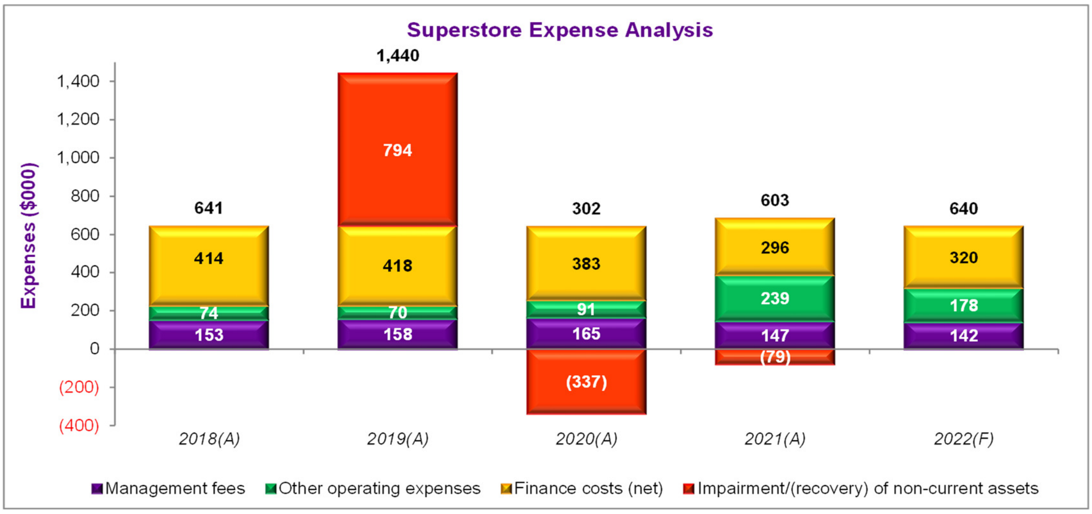
NPBT: Net profit before tax
NPAT: Net profit after tax
EPS: Earnings per share
DPS: Dividends per share (gross)

Source: Superstore audited financial statements and 2022 forecast



Income each year consists of rental income, net of lease incentives.

An analysis of Superstore's expenses for the past 4 financial years and its forecast for the 2022 financial year is set out in the following graph.



Superstore's main ongoing operating expenses are finance costs and management fees.

Finance costs have ranged between approximately $0.3 million and $0.4 million each year and represent interest costs on the $9.9 million loan facility provided by ANZ Bank New Zealand Limited (**ANZ**).

Management fees equate to approximately 10% of income each year. Up to 31 December 2020, the ISL management fees were calculated based on a percentage of asset values. The FSS management fee commenced on 1 January 2021 and is calculated based on 9.0% of net rental. In addition, FSS can be paid a time and attendance fee for additional services it undertakes at Superstore's request.

Impairment of non current assets relates to the Barnes Fraud:

- an impairment allowance of $0.79 million was recorded in 2019
- $0.25 million was recovered in 2020 from Mr Barnes
- $0.08 million was recovered in 2021 from Mr Barnes.

Unrealised gains / losses on the property portfolio have been recorded each year:

- 2018 – a $0.58 million gain
- 2019 – a $0.95 million gain
- 2020 – a $0.05 million loss
- 2021 – a $1.7 million gain.

The forecast for the 2022 financial year is based on Superstore's actual results for the 6 months to 30 September 2021 and its forecast for the 6 months to 31 March 2022.

The key assumptions in the forecast are:

- there are no acquisitions or disposals of properties in the financial year
- rental income is as per the leases
- operating expenses total $0.32 million for the year. This includes management fees of $0.14 million, legal fees of $0.06 million and directors' fees of $0.06 million
- finance costs amount to $0.32 million for the year.

The forecast for the 2022 financial year does not include any unrealised gains on the property portfolio. As set out in section 4.5, the Colliers October Valuations are $6.675 million higher than the value of the 2 properties as at 31 March 2021.

The Board resolved on 26 October 2021 to pay a fully imputed gross dividend of $0.40 per share. The net dividend of $0.268 per share will be paid on 9 November 2021 in cash to all holders of shares who were registered as shareholders as at 5pm on 26 October 2021.

Given that the ex-date of the dividend is 26 October 2021 and the CCL Offer is dated 27 October 2021 and the CNP Offer is dated 6 November 2021, even if a shareholder accepts either the CCL Offer or the CNP Offer, they will be entitled to receive and retain the dividend.

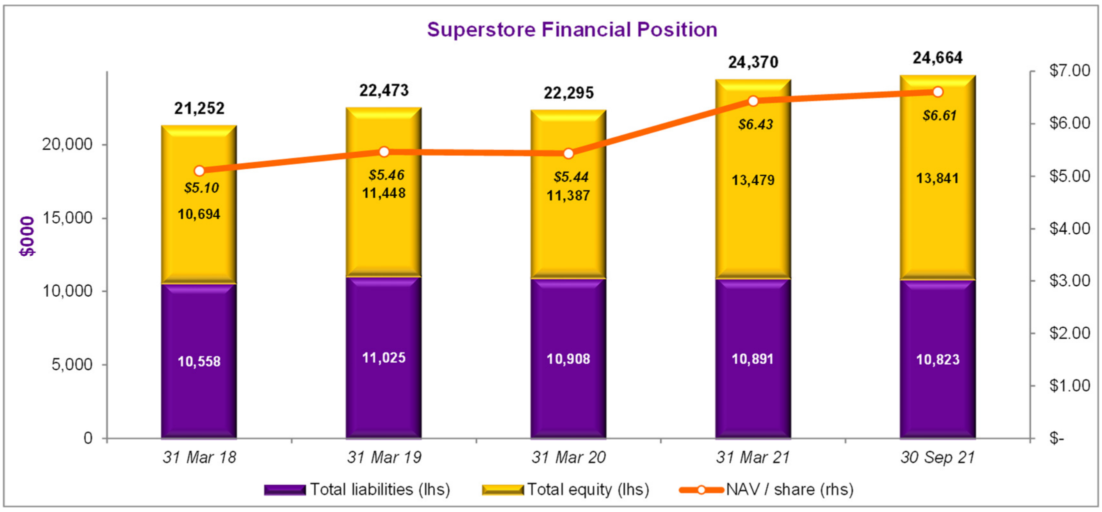
3.9 Financial Position

A summary of Superstore's recent financial position is set out below.

Summary of Superstore Financial Position					
	As at 31 Mar 18 (Audited) $000	As at 31 Mar 19 (Audited) $000	As at 31 Mar 20 (Audited) $000	As at 31 Mar 21 (Audited) $000	As at 30 Sep 21 (Unaudited) $000
Cash and bank	198	109	343	598	815
Trade and other receivables	4	364	2	2	-
Other current assets	-	-	-	38	117
Current assets	202	473	345	638	932
Investment properties	21,050	22,000	21,950	23,650	23,650
Investment in associates	-	-	-	39	39
Other non current assets	-	-	-	43	43
Non current assets	21,050	22,000	21,950	23,732	23,732
Total assets	21,252	22,473	22,295	24,370	24,664
Trade and other payables	(111)	(345)	(150)	(104)	(36)
Loans	(9,924)	-	(9,924)	-	-
Current liabilities	(10,035)	(345)	(10,074)	(104)	(36)
Loans	-	(9,924)	-	(9,924)	(9,924)
Deferred tax	(523)	(756)	(834)	(863)	(863)
Non current liabilities	(523)	(10,680)	(834)	(10,787)	(10,787)
Total liabilities	(10,558)	(11,025)	(10,908)	(10,891)	(10,823)
Net assets	10,694	11,448	11,387	13,479	13,841
NAV	$5.10	$5.46	$5.44	$6.43	$6.61

NAV: Net asset value per share

Source: Superstore audited financial statements and 30 September 2021 management accounts



The Company's current assets consist mainly of cash, along with rent rebates.

Superstore uses Colliers as its independent registered valuer. The audited annual financial statements reflect the independently assessed market values of the property portfolio at the respective dates.

The carrying value of the property portfolio was $23.65 million as at 31 March 2021 and 30 September 2021. The 30 September 2021 management accounts reflect the 31 March 2021 carrying values of the 2 properties. The Colliers October Valuations assess the value of the 2 properties to be $30.325 million.

Investment in associates represents Superstore's 41% interest in FSS.

The Company's current liabilities consist of trade and other payables.

Non current liabilities consist of:

- borrowings in the form of a secured term loan facility from ANZ which is repayable on 31 October 2022. The facility is supported by first mortgages over the Company's properties, a general security agreement over the Company's assets and cross-guarantees and indemnities from Superstore group members
- deferred tax, arising primarily from timing differences on the depreciation of the 2 properties.

Total equity of $13.8 million as at 30 September 2021 consisted of:

- $2.1 million of issued and paid up capital
- $11.7 million of retained earnings.

3.10 Cash Flows

A summary of Superstore's recent cash flows is set out below.

Summary of Superstore Cash Flows

	Year to 31 Mar 18 (Audited) $000	Year to 31 Mar 19 (Audited) $000	Year to 31 Mar 20 (Audited) $000	Year to 31 Mar 21 (Audited) $000
Net cash flow from operating activities	838	908	736	521
Net cash used in investing activities	-	-	-	(41)
Net cash used in financing activities	(775)	(997)	(502)	(225)
Net increase / (decrease) in cash held	63	(89)	234	255
Opening cash balance	135	198	109	343
Closing cash balance	198	109	343	598

Source: Superstore audited financial statements

Financing activities cash flows have mainly been in respect of dividends paid and associated withholding taxes.

3.11 Share Price History

There is limited liquidity in the Company's shares. They are not quoted on any stock exchange but since July 2021 have been able to be traded on the Syndex online trading platform.

The limited number of shares traded in the past 4 years have been in the price range of $4.00 (2,000 shares on 25 July 2018) to $4.50 (2,000 shares on 24 September 2021).

4. Valuation of Superstore

4.1 Introduction

The CCL Offer is a full takeover offer for all of the Company's shares. In such circumstances, we are of the view that the appropriate basis upon which to evaluate the fairness of the CCL Offer is to compare the CCL Offer Price of $7.50 per share with the full underlying value of Superstore on a standalone basis, pro-rated across all shares.

Such an approach attributes full control value to Superstore under its current strategic and operational initiatives, but excludes the value of any synergies that may accrue to a specific acquirer. The resulting value exceeds the price at which we would expect minority interests in Superstore to trade in the absence of the CCL Offer.

This approach is in line with one of the Code's core foundations that all shareholders be treated equally and is consistent with Rule 57(4) of the Code (which deals with specific circumstances when an expert determination is required in respect of compulsory acquisition), which seeks to avoid issues of premia or discounts for minority shareholdings.

4.2 Standard of Value

We have assessed the fair market value of 100% of the shares in Superstore.

Fair market value is defined as the price that a willing but not anxious buyer, with access to all relevant information and acting on an arm's length basis, would be prepared to pay to a willing but not anxious seller in an open, unrestricted and stable market.

4.3 Basis of Valuation

In general terms it is recognised that the value of a share represents the present value of the net cash flows expected therefrom. Cash flows can be in the form of either dividends and share sale proceeds or a residual sum derived from the liquidation of the business.

There are a number of methodologies used in valuing shares and businesses. The most commonly applied methodologies include:

- discounted cash flow (**DCF**)
- capitalisation of earnings
- net assets or estimated proceeds from an orderly realisation of assets.

Each of these valuation methodologies is applicable in different circumstances. The appropriate methodology is determined by a number of factors including the future prospects of the business, the stage of development of the business and the valuation practice or benchmark usually adopted by purchasers of the type of business involved.

The DCF method is the fundamental valuation approach used to assess the present value of future cash flows, recognising the time value of money and risk. The value of an investment is equal to the value of future free cash flows (**FCF**) arising from the investment, discounted at the investor's required rate of return.

The capitalisation of earnings method is an adaptation of the DCF method. It requires an assessment of the maintainable earnings of the business and a selection of a capitalisation rate (or earnings multiple) appropriate to that particular business for the purpose of capitalising the earnings figure.

An assets based methodology is often used in circumstances where the assets of a company have a market value independent of the profitability of the company that owns them. A valuation based on an orderly realisation of assets is normally restricted to instances where the investor holds sufficient control to effect a sale of the assets and / or there is some indication that an orderly realisation is contemplated.

4.4 Valuation Approach

Our preferred valuation approach is the DCF method. However, in the absence of robust long term financial forecasts that have been approved by the Board, it is not possible to undertake a meaningful DCF analysis of Superstore.

We have therefore assessed the value of Superstore using the following valuation methodologies:

- sum of the parts (**SOTP**)
- net realisable value (**NRV**)
- capitalisation of dividends.

We have assessed the reasonableness of the valuation outcomes by comparing the implied valuation multiples with the observed multiples for comparable companies.

4.5 SOTP Valuation Assessment

Methodology

The SOTP approach assumes that Superstore can and will continue as a going concern. It involves assessing:

- the current market value of all of Superstore's assets
- the current market value of all of Superstore's liabilities (both on and off balance sheet)
- the net present value (**NPV**) of all of Superstore's obligations not reflected in the liabilities (eg its ongoing management costs and the costs associated with the CCL Offer).

The SOTP approach is an adaption of the DCF approach. It is premised on the basis that:

- the current market values of Superstore's assets are the NPV of the assets' FCF
- the current market values of Superstore's liabilities are the NPV of the FCF associated with those liabilities and obligations.

We have assessed the underlying value of Superstore's shares by aggregating the values of the Company's component assets and liabilities as follows:

- investment properties based upon the Colliers October Valuations
- the value of Superstore's other assets and liabilities has been based upon our estimates of their realisable values
- the fully imputed gross dividend of $0.40 per share ($0.268 per share net dividend and $0.02 per share resident withholding tax (**RWT**)) payable on 9 November 2021 is taken into account
- Superstore's maintainable ongoing level of corporate overheads has been capitalised at an appropriate multiple to arrive at the NPV for the head office function
- the Company's costs associated with the CCL Offer have been deducted.

Property Portfolio

We have adopted the Colliers October Valuations as the basis for assessing the value of the property portfolio. The Colliers October Valuations total $30.325 million and are summarised below.

483 Cameron Road, Tauranga	
Valuation date	1 Oct 2021
Valuation	$18,200,000
Basis of valuation	Market value subject to existing tenancies and occupational rights
Assessment approach	Discounted cash flow Capitalisation approach
Vacancy rate	Nil
Weighted average lease duration	3.5 years
Rental value / m^2	$170
Capitalisation rate	4.75%
Discount rate	5.75%
Terminal yield	5.0%
Net market rent	$857,830
Net passing rent	$864,783

Source: Colliers October Valuation

319 Cranford Street, Christchurch	
Valuation date	6 Oct 2021
Valuation	$12,125,000
Basis of valuation	Market value subject to existing tenancies and occupational rights
Assessment approach	Discounted cash flow Capitalisation approach
Vacancy rate	Nil
Weighted average lease duration	6.34 years
Rental value / m^2	$148
Capitalisation rate	5.25%
Discount rate	5.75%
Terminal yield	5.75%
Net market rent	$644,219
Net passing rent	$625,236

Source: Colliers October Valuation

We have reviewed the Colliers October Valuations and are of the view that the valuation approaches applied by Colliers are appropriate and that Colliers' valuation assessments totalling $30.325 million are reasonable.

The Colliers October Valuations are $6.675 million higher than the value of the 2 properties as at 31 March 2021.

Other Assets and Liabilities

We have adopted the carrying values for the Company's other assets and liabilities as at 30 September 2021, other than in respect of the deferred tax liability.

Our SOTP valuation is predicated on the basis that Superstore continues as a going concern and that the current property portfolio is retained (effectively into perpetuity). In such circumstances, the deferred tax liability (arising from the recovery of depreciation claimed for tax purposes) will never crystallise. Therefore this liability is ignored for valuation purposes.

High Court Proceedings

As set out in section 3.7, Superstore has initiated High Court proceedings against Michael Millar (alleging breach of director's and fiduciary duties) and ISL (alleging fraud, negligence and breach of contract). The total value of the claims is approximately $475,000 plus interest and costs.

ISL has counterclaimed for losses suffered because of Superstore's alleged repudiation of the ISL management agreement, claiming approximately $367,000 plus interest and costs.

The defendants have denied the claims and Superstore has denied the counterclaim.

We are advised by the Independent Director that the parties are attempting to settle the matter by way of mediation.

Given the uncertainty at the date of this report as to the likely outcome of a High Court hearing on the claims and the counterclaim or mediation on the matter, we have ascribed no value (either positive or negative) to the High Court proceedings.

November 2021 Dividend

The Board resolved on 26 October 2021 to pay a fully imputed gross dividend of $0.40 per share. The total net dividend payment plus associated RWT amounts to $0.603 million. The net dividend of $0.268 per share will be paid to shareholders on 9 November 2021.

Corporate Overheads

As set out in section 3.8, Superstore's corporate overheads (excluding the Barnes Fraud related costs and recoveries and finance costs) have ranged between approximately $0.2 million to $0.4 million over the past 4 financial years and are forecast to be approximately $0.3 million in the 2022 financial year.

We have taken the forecast 2022 corporate overheads of approximately $0.3 million to best represent Superstore's level of future maintainable corporate overheads.

We have capitalised the maintainable corporate overheads at a pre tax multiple of 7.0x to 8.0x (based on our assessment of the Company's cost of capital) to derive the NPV of capitalised corporate overheads in the range of approximately $2.2 million to $2.6 million.

Cost of the 2 Offers

We are advised by Superstore that the costs associated with responding to the 2 Offers will likely be in the range of $65,000 to $75,000. These costs cover legal advice, the costs associated with this report, property valuation costs and Board costs.

Valuation Assessment

Based on the above, we assess the value of Superstore's shares to be in the range of $8.66 to $8.82 per share (ex-div) as at the present date using the SOTP approach.

SOTP Valuation Assessment				
	As at 30 Sep 21 (Unaudited) $000	Basis	Low $000	High $000
Cash	815	*1*	815	815
Receivables	160	*1*	160	160
Properties	23,650	*2*	30,325	30,325
Investment in FSS	39	*1*	39	39
Creditors and accruals	(36)	*1*	(36)	(36)
Loans	(9,924)	*1*	(9,924)	(9,924)
Deferred tax	(863)	*3*	-	-
Net assets	13,841		21,379	21,379
High Court proceedings			-	-
9 November 2021 dividend			(603)	(603)
Capitalised corporate costs			(2,560)	(2,240)
2 Offers costs			(75)	(65)
Value of 100% of shares (ex-div)			18,141	18,471
No. of shares (000)			2,095	2,095
Value per share (ex-div)			$8.66	$8.82

1 30 September 2021 management accounts
2 Colliers October Valuations
3 Deferred tax liability is assumed not to crystallise

4.6 NRV Valuation Assessment

Methodology

The NRV approach derives a value for the shares by assessing the residual cash distribution that would be made to shareholders after:

- selling all of Superstore's assets in a timely manner
- repaying all liabilities, including tax liabilities that may arise from the sale of assets
- allowing for costs involved in liquidating the Company.

We have assessed the NRV of Superstore based upon an orderly sale of the Company's assets over the next 6 to 12 months, allowing for the costs required to realise the assets and wind-up the Company.

In applying the NRV valuation approach, we note that we are not aware of any intention on the Board's part to sell all or any of the Company's assets or to liquidate Superstore. Accordingly, our NRV valuation assessment must be viewed as hypothetical only.

Property Portfolio

We have assessed the NRV of the property portfolio based on the Colliers October Valuations.

In our view, the 2 properties would be relatively easy to sell within (say) 2 to 4 months in the current commercial property market. We have assessed the NRV of the 2 properties based on the Colliers October Valuations less an allowance of 2% for selling costs (marketing and agent's commission).

This equates to an NRV of approximately $29.7 million for the 2 properties.

Other Assets and Liabilities

We have adopted the carrying values for the Company's other assets and liabilities as at 30 September 2021.

Based on the assessed NRV of the 2 properties, we assess the tax payable by Superstore upon the sale of the 2 properties to be approximately $0.9 million, being 28% corporate tax on approximately $3.1 million of depreciation recovered.

High Court Proceedings

Given the uncertainty at the date of this report as to the likely outcome of a High Court hearing on the claims by Superstore against Mr Millar and ISL and the counterclaim by ISL against the Company or mediation on the matter, we have ascribed no value (either positive or negative) to the High Court proceedings.

November 2021 Dividend

The Board resolved on 26 October 2021 to pay a fully imputed gross dividend of $0.40 per share. The total net dividend plus associated RWT amounts to $0.603 million. The net dividend of $0.268 per share will be paid to shareholders on 9 November 2021.

Cost of the 2 Offers

We are advised by Superstore that the costs associated with responding to the 2 Offers will likely be in the range of $65,000 to $75,000.

Liquidation Costs

We estimate the costs associated with liquidating Superstore would be in the range of $75,000 to $90,000. These costs cover legal costs and accounting costs.

Valuation Assessment

Based on the above, we assess the value of Superstore's shares to be in the range of $9.14 to $9.15 per share (ex-div) as at the present date using the NRV approach.

NRV Valuation Assessment				
	As at 30 Sep 21 (Unaudited) $000	**Basis**	**Low $000**	**High $000**
Cash	815	*1*	815	815
Receivables	160	*1*	160	160
Properties	23,650	*2*	29,719	29,719
Investment in FSS	39	*1*	39	39
Creditors and accruals	(36)	*1*	(36)	(36)
Loans	(9,924)	*1*	(9,924)	(9,924)
Deferred tax	(863)	*3*	(863)	(863)
Net assets	13,841		19,910	19,910
High Court proceedings			-	-
9 November 2021 dividend			(603)	(603)
2 Offers costs			(75)	(65)
Liquidation costs			(90)	(75)
Value of 100% of shares (ex-div)			19,141	19,166
No. of shares (000)			2,095	2,095
Value per share (ex-div)			$9.14	$9.15

1 30 September 2021 management accounts
2 Colliers October Valuations less 2% selling costs
3 Based on assessed tax liability

4.7 Capitalisation of Dividends Valuation Assessment

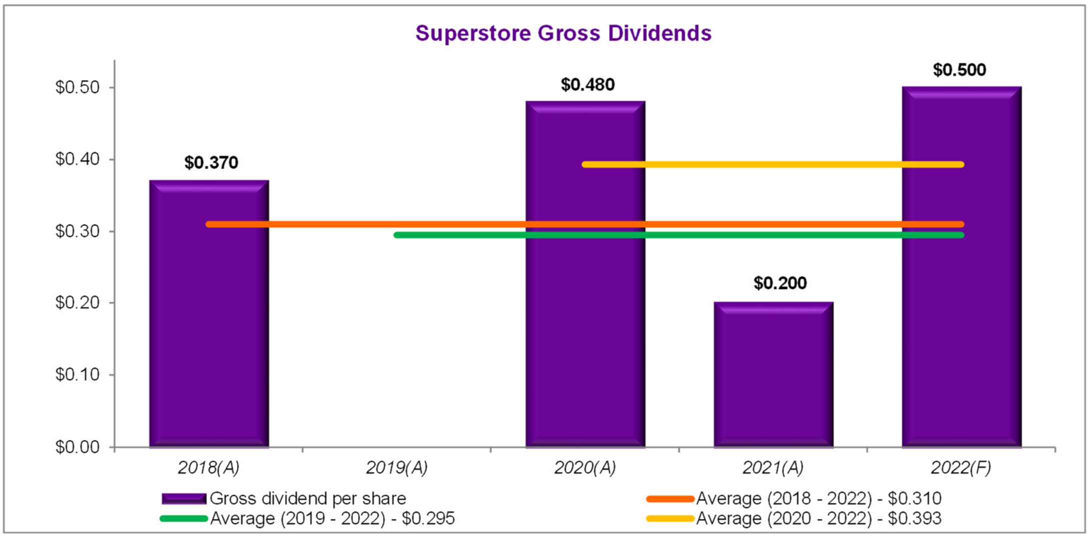
Methodology

The capitalisation of dividends approach requires an assessment of the maintainable dividends of the business and a selection of a capitalisation rate (dividend yield) appropriate to that particular business for the purpose of capitalising the dividend.

Maintainable Dividends

Superstore has paid gross dividends in 3 of the past 4 years ranging from $0.20 per share in the 2021 financial year to $0.48 per share in the 2020 financial year.

The Company will pay a gross dividend of $0.40 per share on 9 November 2021. This is in addition to the gross dividend of $0.10 per share paid on 11 May 2021.

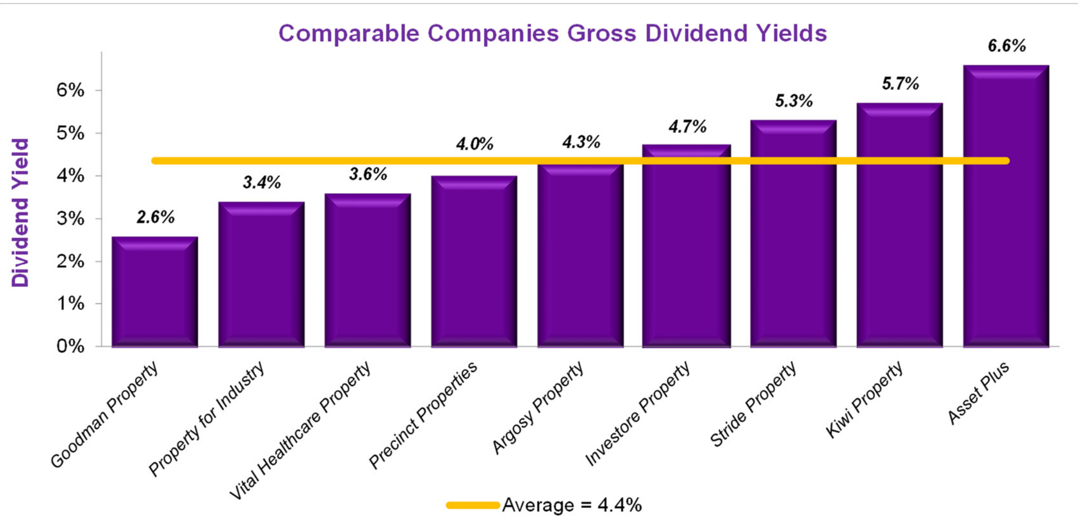


The average gross dividend paid over the 2020, 2021 and 2022 financial years equates to $0.393 per share.

We assess Superstore's maintainable gross dividend to be in the vicinity of $0.393 per share (based on the 3 year average).

Gross Dividend Yield

Set out at Appendix I is an analysis of historic gross dividend yields for 10 property investment companies listed on the NZX Main Board.



Source: NZX Company Research, data as at 2 November 2021

The gross dividend yields range from 2.6% to 6.6% at an average of 4.4% and a median of 4.4%.

We have applied the average observed dividend yield of 4.4% for the valuation of Superstore.

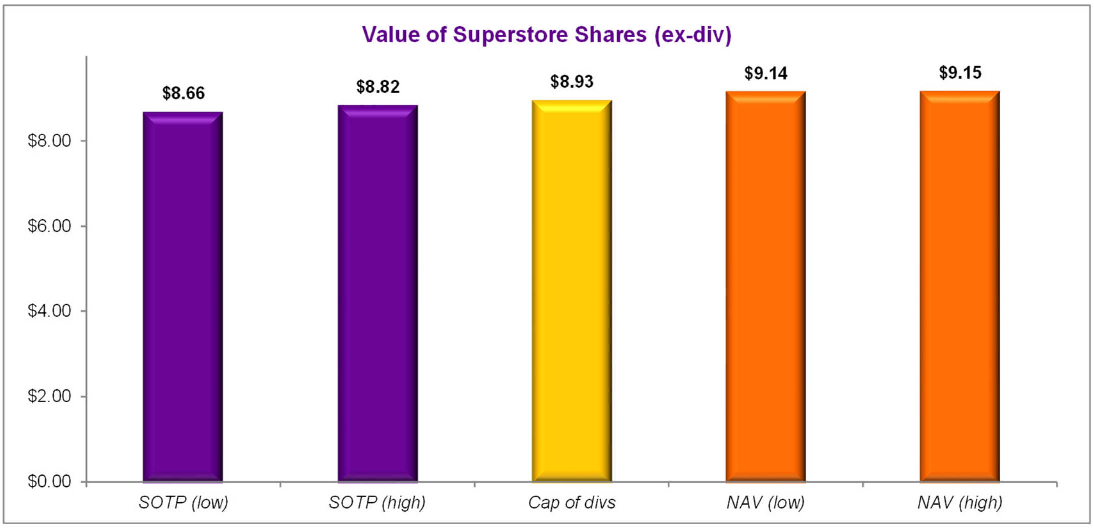
Valuation Assessment

Based on the above, we assess the value of Superstore's shares to be in the vicinity of $8.93 per share as at the present date using the capitalisation of dividends approach.

Capitalisation of Dividends Valuation Assessment	
	$
Maintainable gross dividend per share	0.393
Gross dividend yield	4.4%
Value per share	8.93

4.8 Value of Superstore Shares

We assess the fair market value of Superstore's shares to be in the range of $8.66 to $9.15 per share (ex-div) as at the present date under the 3 valuation approaches.



4.9 Implied Valuation Multiples

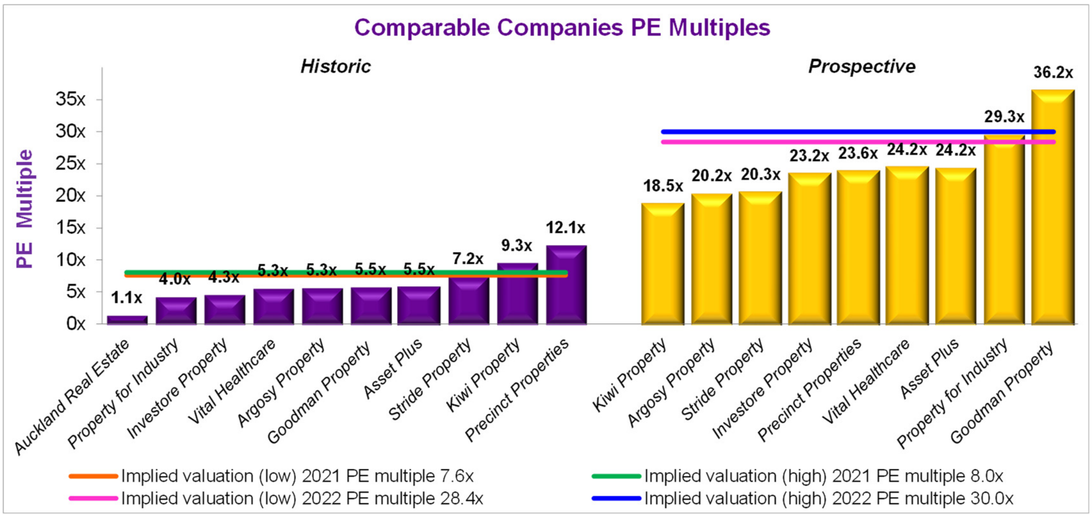
The assessed value range of $8.66 to $9.15 per share (ex-div) implies price earnings (**PE**) and NAV multiples as set out below. The PE multiples are based on Superstore's actual results for the 2021 financial year and its forecast for the 2022 financial year. The NAV multiples are based on Superstore's NAV as at 30 September 2021, adjusted for the Colliers October Valuations and the 9 November 2021 dividend.

Implied Valuation Multiples				
	31 March 2021 (Actual)		31 March 2022 (Forecast)	
	Low	High	Low	High
Value per share (ex-div)	$8.66	$9.15	$8.66	$9.15
PE multiple	7.6x	8.0x	28.4x	30.0x
NAV multiple	0.9x	1.0x	0.9x	1.0x

In the absence of publicly available data in respect of recent transactions involving companies that are truly comparable with Superstore, we have compared the implied valuation multiples with observed multiples for comparable listed New Zealand companies. However, this analysis can only provide an indication of reasonableness as the companies listed on the NZX Main Board are not directly comparable with Superstore due to their size and / or the diversity of their operations.

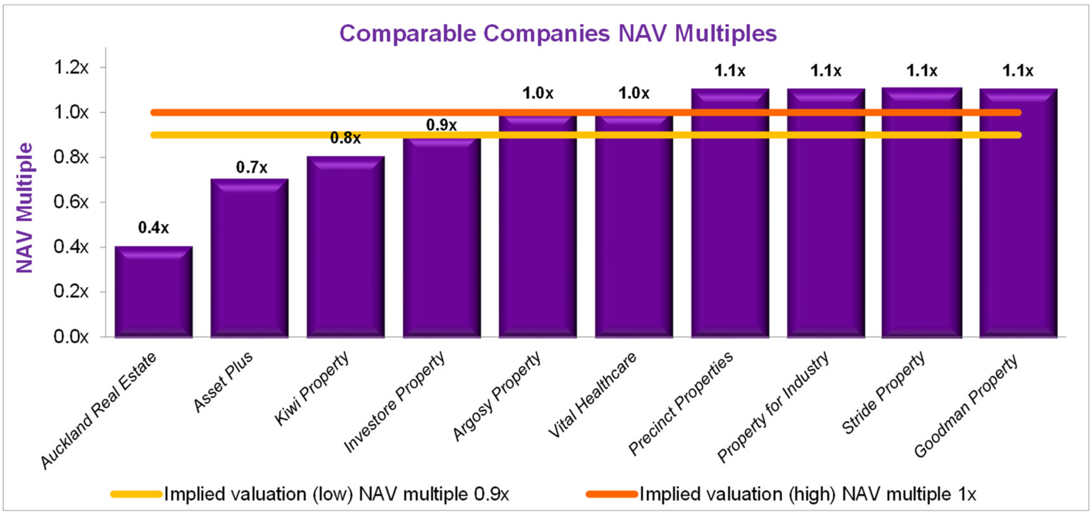
Set out at Appendix I is an analysis of historic and prospective PE multiples and historic NAV multiples for 10 property investment companies listed on the NZX Main Board. The companies are considerably larger than Superstore and have more diverse operations.

The observed PE and NAV multiples are based on trading prices for minority parcels and as such do not include any premium for control.



Source: S&P Capital IQ, data as at 2 November 2021

The historic PE multiples range from 1.1x to 12.1x at an average of 5.9x and a median of 5.4x. The prospective PE multiples range from 18.5x to 36.2x at an average of 24.4x and a median of 23.6x. The prospective PE multiples do not reflect any unrealised gains on the property portfolios.



Source: S&P Capital IQ, data as at 2 November 2021

The historic NAV multiples range from 0.4x to 1.2x at an average of 0.9x and a median of 1.0x.

Given the comparative size of Superstore to the comparable companies and the lack of liquidity in its shares, we consider the implied valuation multiples to be reasonable.

4.10 Conclusion

We assess the fair market value of 100% of the shares in Superstore to be in the range of $8.66 to $9.15 per share (ex-div) as at the present date.

The valuation represents the full underlying standalone value of Superstore based on its current strategic and operational initiatives. The value range exceeds the prices at which we would expect minority interests in Superstore to trade, if an active market existed for the shares, at the present time in the absence of a change of control transaction.

5. Sources of Information, Reliance on Information, Disclaimer and Indemnity

5.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the CCL Offer dated 27 October 2021
- the CNP Offer dated 6 November 2021
- the Management Agreement
- the Superstore board minutes and resolutions from April 2017 to August 2021
- the Superstore annual reports for the years ended 31 March, 2018 to 2021
- the Superstore management accounts for the 6 months ended 30 September 2021
- the Superstore budget for the year ended 31 March 2022
- the Superstore forecast for the year ended 31 March 2022
- the Colliers valuations as at 31 March 2021 and the valuation updates as at 1 and 6 October 2021
- share price data and shareholder data from Superstore
- the Superstore prospectus dated 15 February 1999
- comparable company data from S&P Capital IQ and NZX Company Research
- publicly available information regarding the New Zealand property industry.

During the course of preparing this report, we have had discussions with and / or received information from the Independent Director and the Manager.

The Independent Director has confirmed that we have been provided for the purpose of this Fairness Opinion with all information relevant to the CCL Offer and the CNP Offer that is known to him and that all the factual information provided by Company contained in this report is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is necessary for the purpose of preparing this Fairness Opinion.

In our opinion, the information set out in this Fairness Opinion is sufficient to enable the Independent Director and the Company's shareholders to understand all the relevant factors and to make an informed decision in respect of the 2 Offers.

5.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Superstore and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Superstore. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

5.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Superstore will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Superstore and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

5.4 Indemnity

Superstore has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of this report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Superstore has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law, Simmons Corporate Finance shall reimburse such costs.

6. Qualifications and Expertise, Independence, Declarations and Consents

6.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFINZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

6.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Superstore, FSS, CCL, the Classic Group, CNP or Mr Priscott or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the 2 Offers.

Simmons Corporate Finance has not had any part in the formulation of the CCL Offer or the CNP Offer or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the CCL Offer or the CNP Offer. We will receive no other benefit from the preparation of this report.

6.3 Declarations

An advance draft of this report was provided to the Independent Director for his comments as to factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

6.4 Consents

We consent to the issuing of this report in the form and context in which it is to be sent to Superstore's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

Peter Simmons
Director
Simmons Corporate Finance Limited
3 November 2021

Appendix I

Comparable Companies Trading Multiples

Trading Multiples						
Company	Market Capitalisation ($m)	PE Multiple		NAV Multiple	Gross Dividend Yield
		Historic	Prospective		
Argosy Property	1,301	5.3x	20.2x	1.0x	4.4%
Asset Plus	120	5.5x	24.2x	0.7x	6.7%
Auckland RET	63	1.1x	n/a	0.4x	n/m
Goodman Property	3,402	5.5x	36.2x	1.2x	2.6%
Investore Property	707	4.3x	23.2x	0.9x	4.6%
Kiwi Property	1,813	9.1x	18.5x	0.8x	5.6%
Precinct Properties	2,568	12.1x	23.6x	1.1x	3.9%
Property for Industry	1,468	4.0x	29.3x	1.1x	3.4%
Stride Property	1,088	7.2x	20.3x	1.1x	5.3%
Vital Healthcare	1,659	5.3x	24.2x	1.0x	3.5%
Minimum	63	1.1x	18.5x	0.4x	2.6%
Average	1,419	5.9x	24.4x	0.9x	4.4%
Median	1,384	5.4x	23.6x	1.0x	4.4%
Maximum	3,402	12.1x	36.2x	1.2x	6.6%

n/m: Not meaningful
n/a: Not available

Source: NZX Company Research and S&P Capital IQ, data as at 2 November 2021

Argosy Property Limited

Argosy Property Limited's portfolio currently consists of 55 properties comprising industrial, office and retail properties. The company's properties are primarily located in Auckland and Wellington. The firm was formerly known as ING Property Trust and Argosy Property Trust. Argosy Property Limited is based in Auckland.

Asset Plus Limited

Asset Plus Limited invests in retail, commercial and industrial properties located throughout New Zealand. Its portfolio currently consists of 5 properties. The properties are managed by Centuria NZ, which is based in Auckland. The company was formerly known as The National Property Trust and NPT Limited. Asset Plus Limited was founded in 1994.

Auckland Real Estate Trust

Auckland Real Estate Trust invests in commercial real estate. Its property portfolio consists of 7 Auckland CBD properties and one in Chicago, USA. Auckland Real Estate Trust was formerly called Quattro Plus Real Estate and is based in Sydney, Australia.

Goodman Property Trust

Goodman Property Trust is a real estate investment trust externally managed by Goodman (NZ) Limited. Its portfolio consists of industrial property and business space. Goodman Property Trust was founded in April 1999 and is based in Auckland.

Investore Property Limited

Investore Property Limited owns a portfolio of over 40 large format retail properties that operate in the supermarket, building materials / hardware and general merchandise categories. The company was founded in 2015 and is based in Auckland.

Kiwi Property Group Limited

Kiwi Property Group Limited is one of New Zealand's largest listed diversified property companies, investing in mixed-use, retail and office space. The company was formerly known as Kiwi Income Property Trust. Kiwi Property Group Limited was formed in 1992 and is based in Auckland.

Precinct Properties New Zealand Limited

Precinct Properties New Zealand Limited specialises in the investment and operation of commercial premium office properties and is one of the largest owners of premium inner-city business space in Auckland and Wellington.

Property for Industry Limited

Property For Industry Limited invests in industrial properties located across New Zealand. It currently has a portfolio of 96 properties. Property For Industry Limited was founded in 1994 and is based in Auckland.

Stride Property Group

Stride Property Group is an NZX listed stapled group comprising Stride Property Limited and Stride Investment Management Limited. Stride Property Limited is a real estate investment firm specialising in co-investments and investments in office, retail and industrial real estate properties. Stride Investment Management Limited is a specialist real estate investment manager. Stride Property Group is based in Auckland.

Vital Healthcare Property Trust

Vital Healthcare Property Trust specialises in investments in healthcare properties in New Zealand and Australia. It undertakes acquisition or development of medical or healthcare-related properties such as surgical and medical facilities, geriatric and continuing care facilities primary healthcare facilities and health support facilities. It was formerly known as ING Medical Properties Trust and Calan Healthcare Properties Trust.