First NZ Properties Limited

Fairness Opinion

In Respect of the Unsolicited Offer from CNP Investment Holdings LP

February 2022

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Section **Page**

Appendix

1. Introduction

1.1 First NZ Properties Limited

First NZ Properties Limited (**First NZ** or the **Company**) is a widely-held unlisted property investment company which owns a commercial property in Christchurch and one in Palmerston North.

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

Up until 31 December 2020, First NZ was managed by Investment Services Limited (**ISL**).

First NZ currently has 4,065,452 ordinary shares on issue held by 248 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 First NZ is set out in section 3.

1.2 CNP Investment Holdings LP Offer

CNP Initial Offer

On 14 October 2021, CNP Holdings Limited (**CNPHL**) wrote to the Company's shareholders, attaching an unsolicited offer to acquire 200,000 shares in First NZ, representing 4.92% of the Company's shares on issue, with the discretion to accept oversubscriptions of up to a further 750,000 shares (18.45%) totalling 950,000 shares (23.37% of the Company's shares on issue) at an offer price of $4.50 per share (the **CNP Initial Offer**). The offer price was adjusted to $4.4136 following the payment of a $0.0864 per share net dividend by the Company on 9 November 2021.

CNPHL acquired approximately 23.3% of First NZ's shares pursuant to the CNP Initial Offer. The shares were acquired by CNPHL's associated entity CNP Investment Holdings LP (**CNPLP**).

CNPLP also acquired additional First NZ shares outside the CNP Initial Offer framework. These purchases included the acquisition of 144,609 shares (3.56%) at $4.61 per share on 20 and 24 December 2021 from 2 shareholders who were categorised as "wholesale investors".

In total, CNPLP and its associates now collectively hold 1,168,468 shares in First NZ, representing 28.74% of the Company's shares on issue.

CNP Follow-up Offer

CNPLP wrote to the Company's shareholders on 5 February 2022, attaching an unsolicited offer to acquire 750,000 shares in First NZ, representing 18.45% of the Company's shares on issue, with the discretion to accept oversubscriptions of up to a further 2,000,000 shares (49.20%) totalling 2,750,000 shares (67.64% of the Company's shares on issue) (the **CNP Follow-up Offer**).

The key terms of the CNP Follow-up Offer are:

- an offer price of $4.61 cash per share, less all gross distributions / dividends (but excluding imputation credits) per share paid or declared by First NZ between 24 January 2022 and the payment date (which will be no later than 31 March 2022) (the **Offer Price**)
- the offer closes on 9 March 2022
- the offer is conditional on the following conditions:
  - no changes to First NZ's shares (such as reclassifications, subdivision, consolidation, buyback or alteration to the rights attached to the shares)
  - the First NZ business is carried on in the normal and ordinary course
  - none of First NZ's assets are disposed of
  - no asset of First NZ is materially destroyed or damaged
  - there is no alteration to First NZ's constitution
  - no liquidator, receiver, receiver and manager, administrator (voluntary or otherwise), statutory manager or similar official is appointed in respect of First NZ or any of its assets
  - no resolution is passed for any amalgamation or liquidation of First NZ and First NZ 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 5 February 2022 that has had, or could reasonably be expected to have, in the opinion of CNPLP, a material adverse effect on First NZ. This would include any independent report received by First NZ on the cost of the seismic works at the Company's 15 Sheffield Street, Christchurch property concluding that the cost of the seismic works required to increase the new building standard (**NBS**) to 67% or greater is materially higher than the current estimate of $2.08 million
  - no proceedings being notified, threatened or commenced against First NZ after 5 February 2022
  - no First NZ assets are subject to any option, forfeiture or termination, transfer, any right of pre-emption or any other right that could be adverse to First NZ or CNPLP in the event of an increase in CNPLP's shareholding in First NZ
  - 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 First NZ is subject occurring, or will occur, as a consequence of an increase in CNPLP's shareholding in First NZ
  - 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 11,750 on any day between 5 February 2022 and 31 March 2022
  - the S&P / NZX All Real Estate Index does not close below 1,775 on any day between 5 February 2022 and 31 March 2022

- the CNP Follow-up Offer Price will be paid no later than 31 March 2022 (the **Payment Date**).

1.3 CNP Investment Holdings LP / CNP Holdings Limited

CNPLP is a limited partnership that was registered on 15 December 2021.

CNPLP's general partner is CNP Holdings GP Limited (**CNPGP**). CNPGP is wholly owned by Craig Priscott, who is also the company's sole director.

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

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

1.4 Regulatory Requirements

CNPLP must comply with the provisions of the Financial Markets Conduct Regulations 2014 in making the CNPLP Follow-up Offer.

The provisions of the Takeovers Code (the **Code**) do not apply to First NZ 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.

1.5 Purpose of the Report

John Murray, the Company's independent director (the **Independent Director**), has engaged Simmons Corporate Finance to prepare a Fairness Opinion on the CNP Follow-up Offer.

The Independent Director has requested that the Fairness Opinion evaluate the CNP Follow-up Offer 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 CNP Follow-up 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 CNP Follow-up Offer in relation to each shareholder. This report on the fairness and merits of the CNP Follow-up Offer is therefore necessarily general in nature.

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

1.6 Summary of Opinion

CNPLP and its associates currently hold 28.74% of the Company's shares. The CNP Follow-up Offer is an unsolicited partial takeover offer for between 18.45% and 67.64% of the Company's shares at $4.61 cash per share.

The CNP Follow-up Offer provides a liquidity event for shareholders where they will receive $4.61 cash for each share that is accepted into the offer.

Factors that shareholders should consider when deciding whether to accept the CNP Follow-up Offer include:

- the CNP Follow-up Offer is an offer for 18.45% of the shares in First NZ (with the discretion for CNP to accept up to 67.64% 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 First NZ's shares to be in the range of $5.32 to $6.82 per share as at the present date. The assessed valuation range does not take into account the contingent liability faced by First NZ in respect of proceedings issued against the Company's wholly owned subsidiary Symonds110 Limited in respect of the sale of the 110 Symonds Street, Auckland property in 2019
- the Offer Price of $4.61 per share is 13% to 32% below our assessed valuation range
- the Offer Price of $4.61 per share represents a premium of 5% over the $4.41 offer price under the CNP Initial Offer and is equivalent to the price paid by CNPLP in 2 off-market share acquisitions in December 2021 from 2 shareholders categorised as "wholesale investors"
- 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 First NZ's shares
- the CNP Follow-up Offer is subject to a number of conditions. However, in our view the conditions do not provide a significant impediment to the likelihood of the offer being declared unconditional
- if the CNP Follow-up Offer is successful, CNPLP and its associates will control between 47.19% and 96.38% of the Company's shares. At the lower shareholding level of 47.19%, CNPLP will have effective control of First NZ while at the upper level of 96.38%, CNPLP will have absolute control of the Company
- CNPLP has stated that if it does gain effective control of First NZ, it is considering effecting operational changes to the Company that may result in First NZ becoming a higher risk investment which does not pay dividends in the foreseeable future while it pursues a growth strategy
- the likelihood of an alternative takeover offer is uncertain but is considered remote given that CNPLP and its associates collectively hold 28.74% of the Company's shares.

The main advantage for shareholders of accepting the CNP Follow-up Offer is that they will be able to realise cash of $4.61 for each of their shares accepted into the offer. 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 CNP Follow-up 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 First NZ's shares to be in the range of $5.32 to $6.82 per share 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 First NZ through the sale of their shares.

2. Evaluation of the Fairness and Merits of the CNP Follow-up Offer

2.1 Basis of Evaluation

We have prepared our Fairness Opinion as if the CNP Follow-up Offer was 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 CNP Follow-up Offer should focus on:

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

CNPLP has set out its rationale for the CNP Follow-up Offer in the *Letter to First NZ Shareholders from CNP Investment Holdings LP* included in the offer document.

The key matters raised by CNPLP are:

- CNPLP currently holds a significant minority interest in First NZ (28.74%)
- CNPLP is seeking effective control of First NZ to protect its investment
- CNPLP believes that a shareholding in the vicinity of 30% to 40% may deliver it effective control of the Company and allow it to control the appointment of First NZ's board of directors (the **Board**)

- assuming it gains effective control, CNPLP's plans for First NZ include:
  - reconstituting the Board to ensure CNPLP's appointees are in the majority
  - reviewing the Company's dividend policy to determine whether earnings should be retained to fund growth and address the litigation issues discussed in sections 3.6 and 3.7 rather than being paid out as dividends
  - pushing the Company forward more aggressively, with a higher risk tolerance, including seeking out new investments and / or churning the existing portfolio
  - reviewing the Company's capital structure to determine whether debt should be employed and / or new equity raised to fund acquisitions.

CNPLP states that the anticipated effect of these changes would be that First NZ will become a higher risk investment which does not pay dividends in the foreseeable future while it pursues a growth strategy.

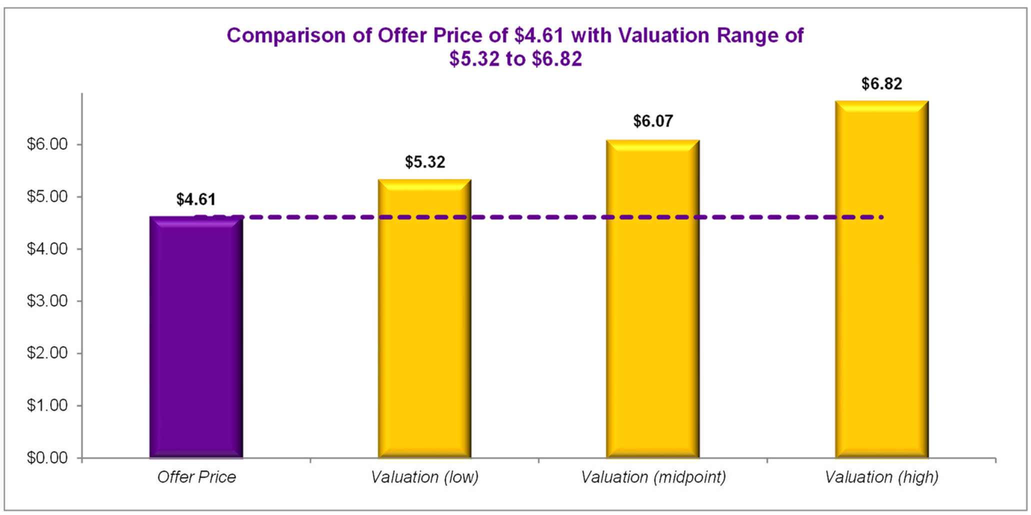
In our view, this is an important consideration that shareholders should take into account when deciding whether or not to accept the CNP Follow-up Offer.

2.3 Value of First NZ's Shares Compared with the Offer Price of $4.61

In our opinion, the full underlying value of First NZ is in the range of $5.32 to $6.82 per share as at the present date, as set out in section 4.

This value is for 100% of First NZ 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 First NZ.

The Offer Price of $4.61 cash per share is below our assessed valuation range.



The CNP Follow-up Offer is a partial offer for up to 67.64% of the shares in the Company. If the CNP Follow-up Offer is successful, CNPLP will hold effective control of First NZ. Depending on the level of oversubscriptions accepted, CNPLP may hold absolute control of the Company.

The Offer Price of $4.61 equates to a discount of 13% to 32% off our assessed valuation range of $5.32 to $6.82 for 100% of First NZ's shares.

2.4 First NZ's Share Price Compared with the Offer Price of $4.61

The Company's shares last traded on Syndex on 20 January 2022 when a total of 22,969 shares traded at $4.41 per share.

The Offer Price of $4.61 represents a premium of 5% over $4.41.

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.

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 First NZ's shares.

2.5 Potential Synergies

In our view, the financial synergies that would be available to CNPLP arising from the acquisition of up to a further 67.64% of First NZ would be negligible. Following the completion of the CNP Follow-up Offer, there would unlikely be any significant reduction in the level of administration costs and there is no indication on the part of CNPLP that it would seek to have the Board terminate the Management Agreement and replace FSS as Manager.

However, as stated in section 2.2, CNPLP has stated that if it were to gain effective control of First NZ, it plans to enact operational changes to the Company that may result in First NZ becoming a higher risk investment which does not pay dividends in the foreseeable future while it pursues a growth strategy.

2.6 Conditions of the CNP Follow-up Offer

All of the conditions of the CNP Follow-up Offer are protective conditions for CNPLP's benefit.

CNPLP can waive any of the conditions at its discretion.

Conditions of this nature are common in change of control transactions such as takeover offers. While the CNP Follow-up Offer protective conditions are extensive, we do not consider any of these conditions represent a major impediment to the CNP Follow-up Offer being implemented.

There is no minimum acceptance level condition.

2.7 Potential Outcomes

CNPLP is seeking to acquire 750,000 shares (18.45%) with the discretion to accept oversubscriptions of up to a further 2,000,000 shares (49.20%), totalling 2,750,000 shares (67.64%).

CNPLP and its associates currently hold 1,168,468 shares in the Company, representing 28.74% of the shares on issue. As these is no minimum acceptance level condition, the CNP Follow-up Offer may result in CNPLP controlling between 28.74% and 96.38% of the Company's shares.

Impact of the CNP Follow-up Offer on Shareholding Levels					
	CNPLP		Other Shareholders		Total
	No. of Shares	%	No. of Shares	%	No. of Shares
Current	1,168,468	28.74%	2,896,984	71.26%	4,065,452
Minimum offer[1]	750,000	18.45%	(750,000)	(18.45%)	-
Post minimum offer	1,918,468	47.19%	2,146,984	52.81%	4,065,452
Oversubscriptions[2]	2,000,000	49.20%	(2,000,000)	(49.20%)	-
Post oversubscriptions	3,918,468	96.38%	146,984	3.62%	4,065,452

1 Assumes the 750,000 shares sought are accepted into the CNP Follow-up Offer
2 Assumes the 2,000,000 oversubscription shares are accepted into the CNP Follow-up Offer

At its current shareholding level of 28.74%, CNPLP is not able to singlehandedly:

- block or pass ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders)
- pass special resolutions (which require the approval of 75% of the votes cast by shareholders).

CNPLP is currently able to singlehandedly block special resolutions.

If 750,000 shares are accepted into the CNP Follow-up Offer, CNPLP will hold a 47.19% shareholding in the Company. While technically a 47.19% shareholding will not enable CNPLP to singlehandedly block or pass ordinary resolutions, in reality it probably will because a number of shareholders in widely-held companies (such as First NZ) tend not to vote on resolutions and hence the relative weight of each shareholding increases. However, CNPLP would highly unlikely be able to singlehandedly pass special resolutions with just a 47.19% shareholding.

The Company's constitution stipulates that a person may be appointed or removed as a director at any time by ordinary resolution. Therefore CNPLP's potential shareholding of 47.19% is highly likely to enable it to singlehandedly appoint or remove a director.

If 2,000,000 oversubscription shares are accepted into the CNP Follow-up Offer, CNPLP will hold a 96.38% shareholding and have absolute control of the Company. It will be able to singlehandedly block or pass any ordinary resolution and special resolution that it is permitted to vote on.

2.8 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.

However, there is nothing to preclude another entity making a takeover offer for First NZ in competition with the CNP Follow-up Offer.

Having said that, we consider the possibility of a competing takeover offer to be remote given that CNPLP and its associates collectively currently hold 28.74% of the Company's shares.

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

2.9 Likelihood of CNPLP Increasing the Offer Price is Unknown

We are not aware of any intention on CNPLP's part to increase its offer price. However, CNPLP justified the $4.61 Offer Price primarily based on the recent acquisition of a total of 144,609 shares at $4.61 per share from 2 shareholders who were categorised as "wholesale investors". CNPLP is also aware of the Company's asset values disclosed at the time of the CNP Initial Offer in October 2021 and the Fairness Opinion that was prepared in respect of the CNP Initial Offer.

First NZ has commissioned up to date valuations of its property portfolio in light of the CNP Follow-up Offer and the revised valuations are $0.15 million higher than as at October 2021. The updated valuations are discussed in section 4.5.

2.10 Advantages of Accepting the CNP Follow-up Offer

The CNP Follow-up Offer provides an opportunity for shareholders to realise cash of $4.61 per share for some of their shares or possibly all of their shares.

The CNP Follow-up Offer is for 750,000 shares. If CNPLP receives total acceptances in excess of 750,000 shares, it may accept oversubscriptions at its sole discretion up to a further 2,000,000 shares. If there are oversubscriptions, CNPLP 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 3,000 shares. Therefore shareholders wishing to accept the CNP Follow-up Offer should:

- accept all of their shares into the offer if they own less than 3,000 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 3,000 shares following the completion of the offer.

2.11 Disadvantages of Accepting the CNP Follow-up Offer

By accepting the CNP Follow-up Offer, shareholders will either cease to hold an interest in First NZ or hold a smaller shareholding in First NZ (depending on the number of their shares accepted into the offer) 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 First NZ's share price.

However, shareholders should bear in mind that the First NZ 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.

2.12 Implications of Not Accepting the CNP Follow-up Offer

If the CNP Follow-up Offer is declared unconditional, then those shareholders who do not accept the CNP Follow-up Offer will continue as shareholders in First NZ with CNPLP as a significant shareholder holding up to 96.38% of the Company's shares.

CNPLP may decide to make one or more further takeover offers for additional shares in the Company at a later date. We are not aware of any intention on CNPLP's part at this point in time to make such an 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 Offer Price. We note that the CNP Initial Offer in October 2021 was priced $4.50 per share and the CNP Follow-up Offer in February 2022 is priced at $4.61 per share.

2.13 Acceptance or Rejection of the CNP Follow-up Offer

Acceptance or rejection of the CNP Follow-up 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 First NZ

3.1 Background and History

The Company was incorporated on 23 August 1995 as Foodstore Properties Limited by Farmers Mutual Group.

The Company changed its name to First NZ Properties Limited on 3 November 2004.

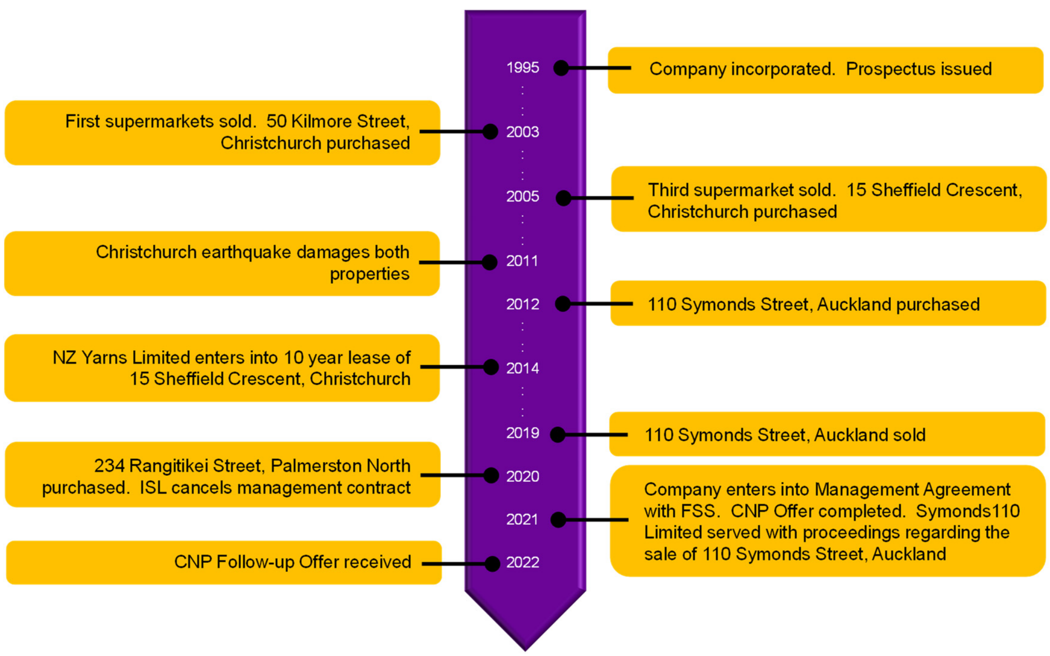
The Company issued a prospectus on 5 October 1995, seeking to raise $6 million through the issue of shares. The capital was used to part fund the acquisition of 3 Foodtown supermarket properties located at Blockhouse Bay, Te Atatu and Birkenhead in Auckland.

The 3 supermarket properties were sold between 2003 and 2005. A high-rise office building at 50 Kilmore Street, Christchurch was purchased in 2003 followed by a property at 15 Sheffield Crescent, Christchurch in 2005.

The Christchurch earthquake caused damage to both buildings and the 50 Kilmore Street, Christchurch property had an insurance payout on it which led to the purchase of 110 Symonds Street, Auckland in 2012.

110 Symonds Street, Auckland was sold in 2019 and 234 Rangitikea Street, Palmerston North was purchased in 2020.

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



3.2 Property Portfolio

First NZ's property portfolio consists of 2 commercial properties located in Christchurch and Palmerston North.

15 Sheffield Crescent, Christchurch	
Address	15 Sheffield Crescent Burnside Christchurch 8053
Tenant	NZ Yarns Limited
Property overview	The property comprises a large industrial manufacturing building complex situated in a progressive niche industrial district of Christchurch located 7.4 km north west of the central business district (**CBD**). The building was originally constructed in various stages from 1975 with major extensions completed during the early 1980s. The large manufacturing complex provides a range of factory and warehouse accommodation which is specialised in some areas and incorporates offices and amenities, together with expansive grounds and extensive car parking and yard areas. The property provides 14,285 m^2 of lettable accommodation and is situated on a 2.9937 hectare site.
Tenancy details	
– Commencement date	21 November 2014
– Lease term	10 years
– Rights of renewal	4 x 3 years
– Contract base rent	$1,051,279
– Outgoing recovery	$214,279
Valuation (1 Feb 2022)	$9,660,000

Seismic repairs are required for the property and the building is uninsurable in the meantime. Urgent work to remedy critical structural weaknesses as outlined in the *Detailed Seismic Assessment* report prepared by Lewis & Barrow Limited dated 26 June 2020 has been completed. Completion of this work brings the seismic capacity above the previous 20% NBS, but not up to 34% NBS. Further strengthening work is required to bring the building up from 34% NBS to 67% NBS. The estimated cost to achieve 67% NBS is in the vicinity of $2.08 million.

234 Rangitikei Street, Palmerston North	
Address	234 Rangitikei Street Palmerston North
Tenant	Harvey Norman, Uncle Bills (Price Busters), Bed Bath and Beyond
Property overview	The property comprises a modern large format retail development situated on the northern fringe of the Palmerston North CBD. The property comprises 2 separate buildings. The northern building is entirely occupied by Harvey Norman and has frontage to Rangitikei Street. The southern building has been partitioned into 3 shops occupied by Bed Bath and Beyond (which has been subleased to Postie Plus) and Uncle Bills. The buildings are separated by a central car park and circulation area. The property provides 4,083 m^2 of lettable accommodation and is situated on a 8,094 m^2 site.
Tenancy details	
– Commencement date	26 October 2016 / 1 April 2021 / 1 February 2020
– Lease term	5 years / 6 years / 6.8 years
– Rights of renewal	1 x 5 years / 1 x 6 years / 2 x 5 years
– Contract base rent	$856,724
– Outgoing recovery	$150,692
Valuation (1 Feb 2022)	$14,900,000

The Company’s properties are valued by CVAS Limited (**Colliers**) for each annual balance date. First NZ commissioned Colliers to assess the current market value of the 2 properties at the time of the CNP Initial Offer (the **Colliers October 2021 Valuations**) and following the receipt of the CNP Follow-up Offer (the **Colliers February 2022 Valuations**).

3.3 Directors

The directors of First NZ are:

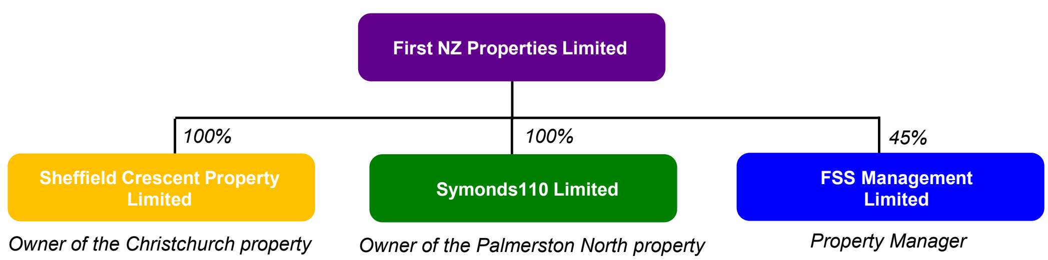
- John Murray, independent chair (appointed 28 September 2020)
- Damien Prendergast (appointed 7 May 2020, reappointed 28 September 2020).

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 23 August 1995, resigned 12 May 2020)
- Paul Mephan (appointed 13 February 2018, resigned 21 April 2020)
- Gillian Bishop (appointed 14 April 2020, resigned 7 May 2020).

3.4 Group Structure

First NZ’s group structure is set out below.



3.5 Management Agreement

First NZ 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 First NZ 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 First NZ's shares
  - arrange for the operation of a secondary market for First NZ'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 First NZ's financial statements
  - instruct such accountants, auditors, solicitors, valuers and other consultants or advisers as deemed necessary
- FSS will provide First NZ with the following financial services:
  - arrange finance for First NZ'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 First NZ
  - 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 First NZ and its properties
- a management fee of 9.0% of First NZ's net rental from the properties plus GST
- if First NZ requests FSS to undertake any matters relating to its properties which are outside the specified services, First NZ will pay a time and attendance fee to FSS at a rate of $120 per hour plus GST.

The Management Agreement was varied in December 2021 to permit the termination of the agreement if there is a change in the controlling interest of First NZ.

Prior to entering into the Management Agreement, First NZ was managed by ISL up to 31 December 2020.

Capital Structure and Shareholders

First NZ currently has 4,065,452 ordinary shares on issue held by 248 shareholders.

The names, number of shares and percentage holding of the 10 largest holders of ordinary shares as at 28 January 2022 are set out below.

First NZ's 10 Largest Holders of Ordinary Shares

Shareholder	No. of Shares Held	%
CNPLP, CNPHL and PCML	1,168,468	28.74%
ISL	280,997	6.91%
A & J Enterprises 2006 Limited (**A & J**)	217,385	5.35%
Harbour View Investments Limited	147,000	3.62%
Manatu Limited	78,401	1.93%
G Heath Trust	77,175	1.90%
Michael Millar	61,178	1.50%
HJP Land Trust	60,000	1.48%
Neil Barnes	50,802	1.25%
J R & D Bensemann	50,000	1.23%
Subtotal	2,191,406	53.90%
Others (238 shareholders)	1,874,046	46.10%
Total	4,065,452	100.00%

Source: First NZ

ISL is the former manager of First NZ (up to 31 December 2020). ISL is owned by Michael Millar, Andrea Millar and Grant Uridge. Mr Millar is a former director of First NZ. He resigned from the Board on 12 May 2020. Mr Millar also holds 61,178 shares (1.50%) in his own name.

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

3.6 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 $966,339. The misappropriated funds related to:

- money owing to the IRD for dividend resident withholding tax (**RWT**) and goods and services tax – $727,124
- amounts owed for lease incentives, management fee / opex washups, unclaimed distributions and other payments – $239,215.

Legal action was taken against Mr Barnes and some of his assets were recovered and sold. To date, $404,295 has been recovered from Mr Barnes.

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

Following a legal review of Mr Priscott's claims, First NZ initiated High Court (Nelson registry) proceedings in December 2020 against Michael Millar (as first defendant), ISL (as second defendant) and Paul Mephan (as third defendant).

The claims relate to the fraud and undisclosed payments made to ISL for fees paid to ISL on the sale of property owned by First NZ and the management of First NZ's imputation credit account.

The total value of the claims was approximately $2.4 million plus interest and costs.

The defendants filed statements of defence denying the claims. In addition, ISL counterclaimed for losses suffered because of First NZ's alleged repudiation of the ISL management agreement totalling approximately $115,000 plus interest and costs.

First NZ filed a defence to the counterclaim denying any repudiation.

The parties attended mediation in November 2021. While the matter did not settle at mediation, progress was made on refining the issues in dispute.

We are advised by the Independent Director that the parties have now reached agreement on a partial settlement, whereby First NZ will receive $850,667.74 on 25 February 2022.

3.7 110 Symonds Street, Auckland Legal Claim

As set out in section 3.4, First NZ wholly owns Symonds110 Limited, the entity which previously owned the property situated at 110 Symonds Street, Auckland.

On 7 December 2021, New Zealand Property Management Limited (**NZPML**) and 110 Symonds St. Limited (**110SSL**) filed proceedings in the High Court in Auckland against Symonds110 Limited, Michael Millar, Paul Mephan and ISL.

The claim against Symonds110 Limited is in relation to the sale of the 110 Symonds Street property and in particular the fact that the property contains an amount of aluminium composite panel (**ACP**) cladding.

The claim alleges Auckland City Council (**ACC**) had ascertained that the property included a significant amount of ACP cladding likely to contain a polyethylene core, that this is combustible and as a result there were a number of fire safety compliance issues that needed to be addressed to maintain ongoing compliance with the building code and the standard of building fire safety systems and egress provisions of the building warrant of fitness.

It is alleged that this information was provided to Symonds110 Limited in a letter from ACC.

The sale and purchase agreement for the sale of the property contained warranties that:

- information provided by Symonds110 Limited to NZPML and 110SSL was true, not misleading, complete, accurate and correct in all material respects
- Symonds110 Limited had not received any notice from any third party directly affecting the property
- Symonds110 Limited was not in material breach of any obligation affecting the property
- Symonds110 Limited had not knowingly or deliberately withheld from NZPML and 110SSL any information which could reasonably be expected to be material in the context of the property.

It was also a term of the sale and purchase agreement that NZPML and 110SSL would undertake a due diligence investigation. We are advised by the Independent Director that NZPML and 110SSL asked a number of due diligence questions in relation to the property between January and March 2019 and responses were provided to NZPML and 110SSL.

It is alleged that Symonds110 Limited did not disclose or admit the existence of, or otherwise note the contents of the ACC letter regarding the ACP cladding.

NZPML confirmed the sale and purchase agreement as unconditional on 29 March 2019 and settlement was completed on 16 October 2019.

The claim alleges as against Symonds110 Limited that the failure to disclose the ACC letter amounts to a breach of the obligations under the sale and purchase agreement by breaching the warranties given.

A claim is also made that the failure to give accurate responses to the due diligence questions amounts to misleading or deceptive conduct pursuant to the Fair Trading Act 1986.

The claim does not specify the actual losses suffered by NZPML and 110SSL. It is however alleged that loss will be suffered by reason of the cost of the remedial work to the building required to reduce or eliminate the risk of fire, loss of rental income and other losses such as increase in insurance premiums, costs of building safety assessments and costs as a consequence of undertaking remedial work.

We are advised by the Independent Director that the allegations are not accepted by First NZ and the litigation is to be defended, both in terms of liability and also the quantum of the claim (and the need to replace the ACP cladding). Symonds110 Limited filed its statement of defence on 10 February 2022.

3.8 Financial Performance

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

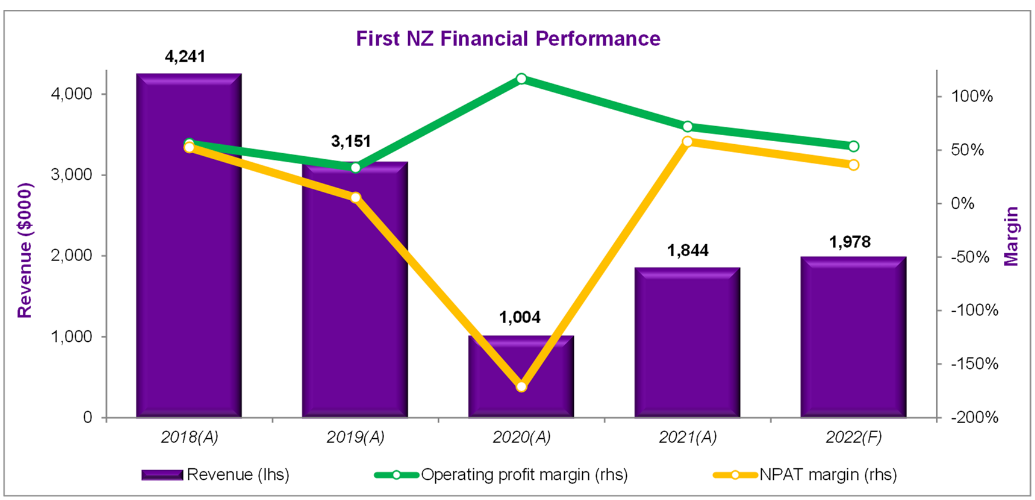
Summary of First NZ Financial Performance

	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	4,241	3,151	1,004	1,844	1,978
Expenses	(1,867)	(2,090)	167	(518)	(918)
Operating profit	2,374	1,061	1,171	1,326	1,060
Finance costs (net)	(807)	(812)	(138)	6	10
Fair value gain on investment properties	1,100	276	(2,870)	70	-
NPBT	2,667	525	(1,837)	1,402	1,070
Income tax expense	(439)	(346)	(168)	(334)	(355)
Discontinued operations	-	-	288[1]	-	-
NPAT	2,228	179	(1,717)	1,068	715
EPS	$0.55	$0.04	($0.42)	$0.26	$0.18
DPS	$0.40	$0.15	$0.31	$0.30	$0.22

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

1 After tax

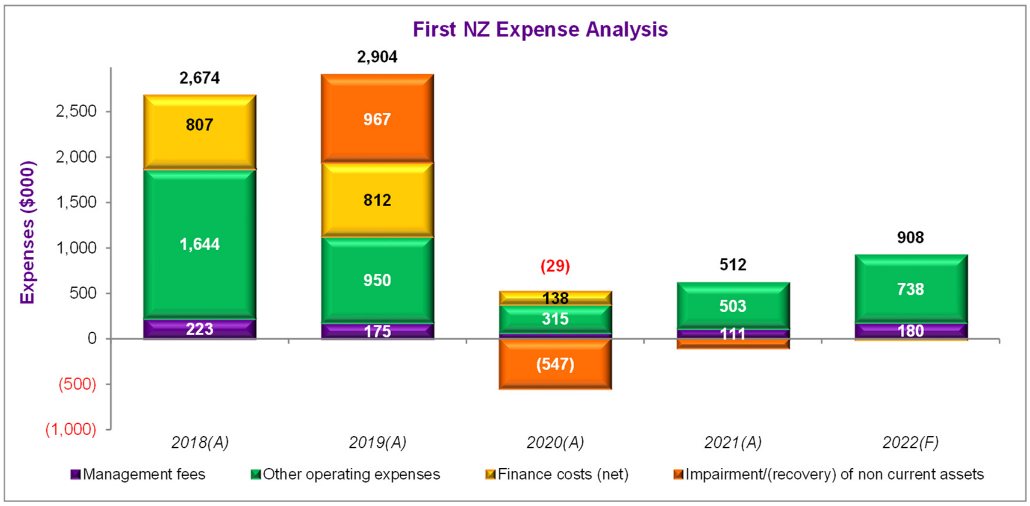
Source: First NZ audited financial statements and 2022 forecast



Income each year consists of rental income, net of lease incentives as well as service charge income recovered from tenants:

- income decreased by $1.1 million in the 2019 financial year due to lower rental revenue
- income decreased by $2.1 million in the 2020 financial year due to the sale of 110 Symonds Street, Auckland in September 2019. Discontinued operations earnings of $0.3 million in the 2020 financial year related to the 110 Symonds Street, Auckland property
- income increased by $0.8 million in the 2021 financial year due to the purchase of 234 Rangitikei Street, Palmerston North in May 2020.

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



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

Finance costs were approximately $0.8 million in the 2018 and 2019 financial years, representing interest costs on the $18.9 million loan facility provided by ANZ Bank New Zealand Limited (**ANZ**). The loan facility was repaid in September 2019 when 110 Symonds Street, Auckland was sold.

Management fees equate to 6% to 7% of income each year. Up to 31 December 2020, ISL's management fees were calculated based on 6.5% of lease rentals plus a performance fee of 5% of any gain arising from the sale of a property. The FSS management fees commenced on 1 January 2021 and are 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 First NZ's request.

Other operating expenses in the 2018 and 2019 financial years included significant levels of repairs and maintenance and rates.

Impairment of non current assets relates to the Barnes Fraud:

- an impairment allowance of $1.0 million was recorded in 2019
- $0.3 million was recovered in 2020 from Mr Barnes
- $0.1 million was recovered in 2021 from Mr Barnes.

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

- 2018 – a $1.1 million gain
- 2019 – a $0.3 million gain
- 2020 – a $2.9 million loss
- 2021 – a $0.1 million gain.

The forecast for the 2022 financial year is based on First NZ's actual results for the 10 months to 31 January 2022 and its forecast for the 2 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 $0.9 million for the year. This includes management fees of $0.18 million, legal fees and other professional expenses of $0.29 million and directors' fees of $0.1 million
- finance costs are negligible as the Company has no borrowings.

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 February 2022 Valuations are $3.23 million higher than the value of the 2 properties as at 31 March 2021.

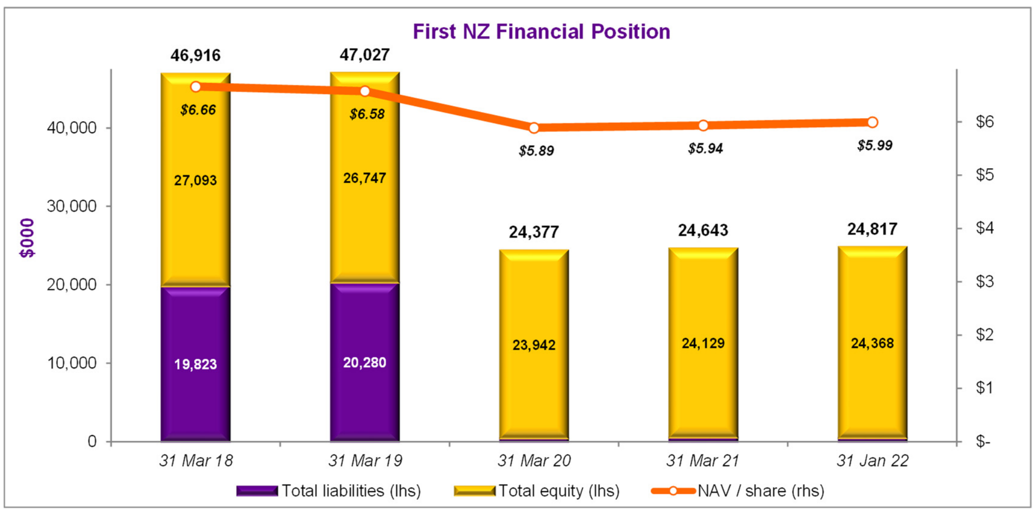
3.9 Financial Position

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

Summary of First NZ 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 31 Jan 22 (Unaudited) $000
Cash and bank	995	207	2,835	430	524
Trade and other receivables	81	659	202	306	382
Investment property	-	33,943	-	-	-
Term deposit	-	-	12,000	2,502	2,506
Current assets	1,076	34,809	15,037	3,238	3,412
Investment properties	45,840	12,210	9,340	21,330	21,330
Investment in associates	-	-	-	42	42
Other non current assets	-	8	-	33	33
Non current assets	45,840	12,218	9,340	21,405	21,405
Total assets	46,916	47,027	24,377	24,643	24,817
Trade and other payables	(540)	(997)	(51)	(105)	(40)
Loans	(18,899)	-	-	-	-
Current liabilities	(19,439)	(997)	(51)	(105)	(40)
Loans	-	(18,899)	-	-	-
Deferred tax	(384)	(384)	(384)	(409)	(409)
Non current liabilities	(384)	(19,283)	(384)	(409)	(409)
Total liabilities	(19,823)	(20,280)	(435)	(514)	(449)
Net assets	27,093	26,747	23,942	24,129	24,368
NAV	$6.66	$6.58	$5.89	$5.94	$5.99

NAV: Net asset value per share

Source: First NZ audited financial statements and 31 January 2022 management accounts



The Company's current assets consist mainly of term deposits with ANZ and cash, along with rent rebates and income tax receivable.

The investment property held for sale of $33.9 million as at 31 March 2019 represented 110 Symonds Street, Auckland, which was sold for $34.4 million in September 2019.

First NZ 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 $21.33 million as at 31 March 2021 and 31 January 2022. The 31 January 2022 management accounts reflect the 31 March 2021 carrying values of the 2 properties. The Colliers February 2022 Valuations assess the value of the 2 properties to be $24.56 million.

Investment in associates represents First NZ's 45% interest in FSS.

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

Non current liabilities consist of deferred tax, arising primarily from timing differences on the depreciation of the 2 properties.

The $18.9 million ANZ loan facility was repaid in September 2019.

Total equity of $24.4 million as at 31 January 2022 consisted of:

- $4.1 million of issued and paid up capital
- $20.3 million of retained earnings.

3.10 Cash Flows

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

Summary of First NZ 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	1,164	284	420	847
Net cash from / (used in) investing activities	-	(45)	22,407	(2,467)
Net cash used in financing activities	(1,180)	(1,026)	(20,199)	(785)
Net increase / (decrease) in cash held	(16)	(787)	2,628	(2,405)
Opening cash balance	1,010	994	207	2,835
Closing cash balance	994	207	2,835	430

Source: First NZ audited financial statements

Cash flows in the 2020 financial year included:

- $34.4 million received from the sale of 110 Symonds Street, Auckland
- $12.0 million placed on term deposit with ANZ
- $18.9 million of ANZ borrowings repaid.

Cash flows in the 2021 financial year included:

- $9.5 million received from the ANZ term deposit
- $11.9 million spent on the purchase of 234 Rangitikei Street, Palmerston North (including costs) in May 2020.

Other 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 $3.75 (2 trades in 2021) to $4.70 (a number of trades in 2017 and 2018).

The most recent trade on Syndex prior to the CNP Initial Offer (announced on 14 October 2021) was 15,375 shares at $3.95 on 9 September 2021.

Following the CNP Initial Offer, there have been 5 trades:

- 25 November 2021: 9,878 shares at $4.35 per share
- 20 January 2022: 10,000 shares at $4.41 per share
- 20 January 2022: 5,000 shares at $4.41 per share
- 20 January 2022: 2,969 shares at $4.41 per share
- 20 January 2022: 5,000 shares at $4.41 per share.

CNPLP has undertaken a number of off-market acquisitions since the announcement of the CNP Initial Offer on 14 October 2021. Of particular note were 2 recent large acquisitions from shareholders categorised as "wholesale investors" at the Offer Price of $4.61 per share:

- 20 December 2021: 80,296 shares
- 24 December 2021: 64,313 shares.

4. Valuation of First NZ

4.1 Introduction

The CNP Follow-up Offer is an unsolicited offer for up to 67.64% 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 CNP Follow-up Offer is to compare the offer price of $4.61 per share with the full underlying value of First NZ on a standalone basis, pro-rated across all shares.

Such an approach attributes full control value to First NZ 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 First NZ to trade in the absence of the CNP Follow-up 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 First NZ.

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 First NZ.

We have therefore assessed the value of First NZ 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 First NZ can and will continue as a going concern. It involves assessing:

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

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

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

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

- investment properties based upon the Colliers February 2022 Valuations
- the value of First NZ's other assets and liabilities has been based upon our estimates of their realisable values
- First NZ'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 CNP Follow-up Offer have been deducted.

Property Portfolio

We have adopted the Colliers February 2022 Valuations as the basis for assessing the value of the property portfolio. The Colliers February 2022 Valuations total $24.56 million and are summarised below.

15 Sheffield Street, Christchurch	
Valuation date	1 Feb 2022
Valuation	$9,660,000
Basis of valuation	Market value subject to existing tenancies and occupational rights
Assessment approach	Discounted cash flow Capitalisation approach
Vacancy rate	4.9%
Weighted average lease duration	2.75 years
Rental value / m^2	$942
Capitalisation rate	7.75%
Discount rate	8.75%
Terminal yield	8.0%
Net market rent	$1,002,757
Net passing rent	$1,051,279

Source: Colliers February 2022 Valuation and October 2021 Valuation

As stated in section 3.2, seismic repairs are required for the property to bring the building up to 67% NBS. The Colliers February 2022 Valuation of $9.66 million is on an "as is" basis. Colliers assesses the value of the property assuming 67% NBS at $13.45 million. Deductions are made from this value for $2.08 million of strengthening costs and a 15% allowance ($1.71 million) for the property not having earthquake insurance cover.

The Colliers February 2022 valuation of $9.66 million is the same value as per the Colliers October 2021 Valuation.

234 Rangitikei Street, Palmerston North	
Valuation date	1 Feb 2022
Valuation	$14,900,000
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	4.85 years
Rental value / m^2	$3,854
Capitalisation rate	5.75%
Discount rate	7.0%
Terminal yield	6.0%
Net market rent	$845,293
Net passing rent	$865,532

Source: Colliers February 2022 Valuation and October 2021 Valuation

The Colliers February 2022 Valuation of $14.9 million is $0.15 million higher than the Colliers October 2021 Valuation.

We have reviewed the Colliers February 2022 Valuations and are of the view that the valuation approaches applied by Colliers are appropriate and that Colliers' valuation assessments totalling $24.56 million are reasonable.

The Colliers February 2022 Valuations are $3.23 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 31 January 2022, other than in respect of the deferred tax liability.

Our SOTP valuation is predicated on the basis that First NZ 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 3.6, First NZ initiated High Court proceedings against Michael Millar, Paul Mephan and ISL (alleging fraud and undisclosed payments). The total value of the claims was approximately $2.4 million plus interest and costs.

ISL counterclaimed for losses suffered because of First NZ's alleged repudiation of the ISL management agreement, claiming approximately $115,000 plus interest and costs.

The defendants denied the claims and First NZ denied the counterclaim.

We are advised by the Independent Director that the parties have now partially settled the matter and that First NZ will receive $850,667.74 on 25 February 2022. We have ascribed no additional value to the matter.

110 Symonds Street, Auckland Legal Claim

As set out in section 3.7, NZPML and 110SSL have filed proceedings alleging a warranty breach by Symonds110 Limited in respect of the property's ACP cladding that NZPML and 110SSL said was material to their decision to purchase.

The allegations are not accepted by First NZ and the litigation is to be defended, both in terms of liability and also the quantum of the claim (and the need to replace the ACP cladding).

Given the uncertainty at the date of this report as to the likely outcome of the claim against First NZ, we have ascribed no negative value to the matter.

Corporate Overheads

As set out in section 3.8, First NZ's corporate overheads (excluding the Barnes Fraud related costs and recoveries and finance costs) have ranged between approximately $0.4 million and $1.9 million over the past 4 financial years and are forecast to be approximately $0.9 million in the 2022 financial year (including approximately $0.3 million of legal fees and other professional expenses).

We have taken the forecast 2022 corporate overheads, adjusted for a normalised level of legal fees and other professional expenses and repairs and maintenance, to best represent First NZ's level of future maintainable corporate overheads. This equates to $0.5 million.

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 $3.5 million to $4.0 million.

Cost of the CNP Follow-up Offer

We are advised by First NZ that the costs associated with responding to the CNP Follow-up Offer will likely be in the range of $50,000 to $60,000. 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 First NZ's shares to be in the range of $6.10 to $6.23 per share as at the present date using the SOTP approach.

SOTP Valuation Assessment

	As at 31 Jan 22 (Unaudited) $000	Basis	Low $000	High $000
Cash	524	*1*	524	524
Term deposit	2,506	*1*	2,506	2,506
Receivables	415	*1*	415	415
Properties	21,330	*2*	24,560	24,560
Investment in FSS	42	*1*	42	42
Creditors and accruals	(40)	*1*	(40)	(40)
Deferred tax	(409)	*3*	-	-
Net assets	24,368		28,007	28,007
High Court proceedings			851	851
110 Symonds Street legal claim			-	-
Capitalised corporate costs			(4,000)	(3,500)
CNP Follow-up Offer costs			(60)	(50)
Value of 100% of shares			24,798	25,308
No. of shares (000)			4,065	4,065
Value per share			$6.10	$6.23

1 31 January 2022 management accounts
2 Colliers February 2022 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 First NZ'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 First NZ 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 First NZ. 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 February 2022 Valuations.

In our view, the 2 properties would be relatively easy to sell within (say) 3 to 6 months in the current commercial property market. We have assessed the NRV of the 2 properties based on the Colliers February 2022 Valuations less an allowance of 2% for selling costs (marketing and agent's commission).

This equates to an NRV of approximately $24.1 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 31 January 2022.

Based on the assessed NRV of the 2 properties, we assess the tax payable by First NZ upon the sale of the 2 properties to be approximately $0.4 million, being 28% corporate tax on approximately $1.5 million of depreciation recovered.

High Court Proceedings

We are advised by the Independent Director that the parties have now partially settled the matter and that First NZ will receive $850,667.74 on 25 February 2022. We have ascribed no additional value to the matter.

110 Symonds Street Legal Claim

Given the uncertainty at the date of this report as to the likely outcome of the claim against First NZ, we have ascribed no negative value to the matter.

Cost of the CNP Follow-up Offer

We are advised by First NZ that the costs associated with responding to the CNP Follow-up Offer will likely be in the range of $50,000 to $60,000.

Liquidation Costs

We estimate the costs associated with liquidating First NZ would be in the range of $175,000 to $200,000. These costs cover Company administrative costs, legal costs and accounting costs.

Valuation Assessment

Based on the above, we assess the value of First NZ's shares to be in the range of $6.81 to $6.82 per share as at the present date using the NRV approach.

NRV Valuation Assessment

	As at 31 Jan 22 (Unaudited) $000	Basis	Low $000	High $000
Cash	524	*1*	524	524
Term deposit	2,506	*1*	2,506	2,506
Receivables	415	*1*	415	415
Properties	21,330	*2*	24,069	24,069
Investment in FSS	42	*1*	42	42
Creditors and accruals	(40)	*1*	(40)	(40)
Deferred tax	(409)	*3*	(409)	(409)
Net assets	24,368		27,107	27,107
High Court proceedings			851	851
110 Symonds Street legal claim			-	-
CNP Follow-up Offer costs			(60)	(50)
Liquidation costs			(200)	(175)
Value of 100% of shares			27,698	27,733
No. of shares (000)			4,065	4,065
Value per share			$6.81	$6.82

1 31 January 2022 management accounts
2 Colliers February 2022 Valuations less 2% selling costs
3 Based on assessed tax liability

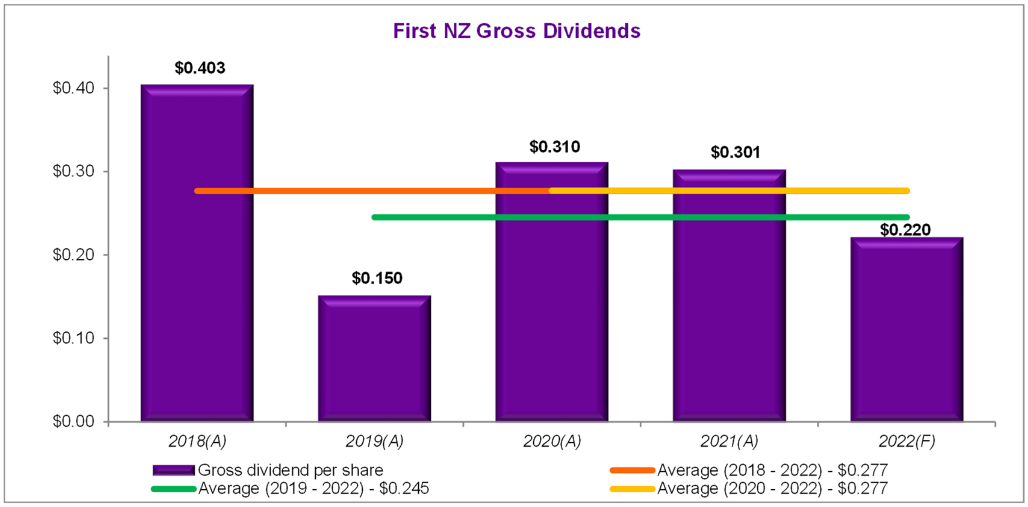
4.7 Capitalisation of Dividends Valuation Assessment

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 Gross Dividends

First NZ has paid gross dividends in the past 4 years ranging from $0.15 per share in the 2019 financial year to $0.403 per share in the 2018 financial year.



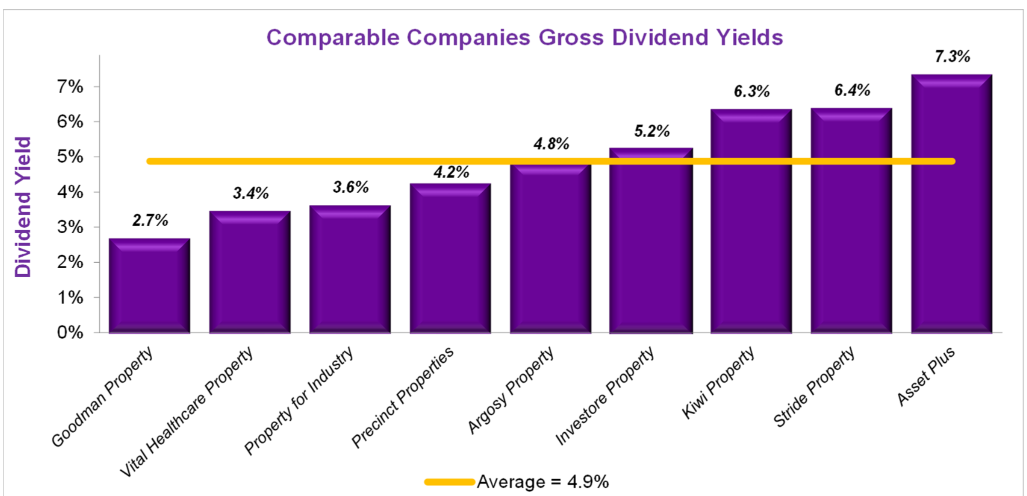
The average gross dividend paid:

- over the 2018 to 2022 financial years equates to $0.277 per share
- over the 2021 and 2022 financial years equates to $0.261 per share.

We assess First NZ's maintainable gross dividend to be in the range of $0.261 per share (based on the average of 2021 and 2022 gross dividends) to $0.277 per share (based on the average of 2018 to 2022 gross dividends).

Gross Dividend Yield

Set out at Appendix I is an analysis of historic gross dividend yields for 9 property investment companies listed on the NZX Main Board.



Source: NZX Company Research, data as at 22 February 2022

The gross dividend yields range from 2.7% to 7.3% at an average of 4.9% and a median of 4.8%.

We have applied the average observed dividend yield of 4.9% for the valuation of First NZ.

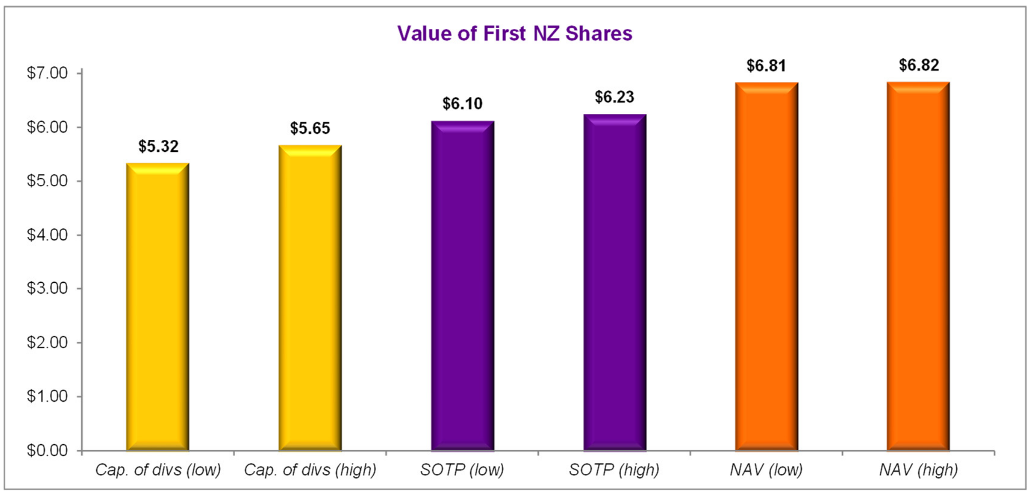
Valuation Assessment

Based on the above, we assess the value of First NZ's shares to be in the range of $5.32 to $5.65 per share as at the present date using the capitalisation of dividends approach.

Capitalisation of Dividends Valuation Assessment		
	Low $	**High $**
Maintainable gross dividend per share	0.261	0.277
Gross dividend yield	4.9%	4.9%
Value per share	5.32	5.65

4.8 Value of First NZ Shares

We assess the fair market value of First NZ's shares to be in the range of $5.32 to $6.82 per share as at the present date under the 3 valuation approaches.



4.9 Implied Valuation Multiples

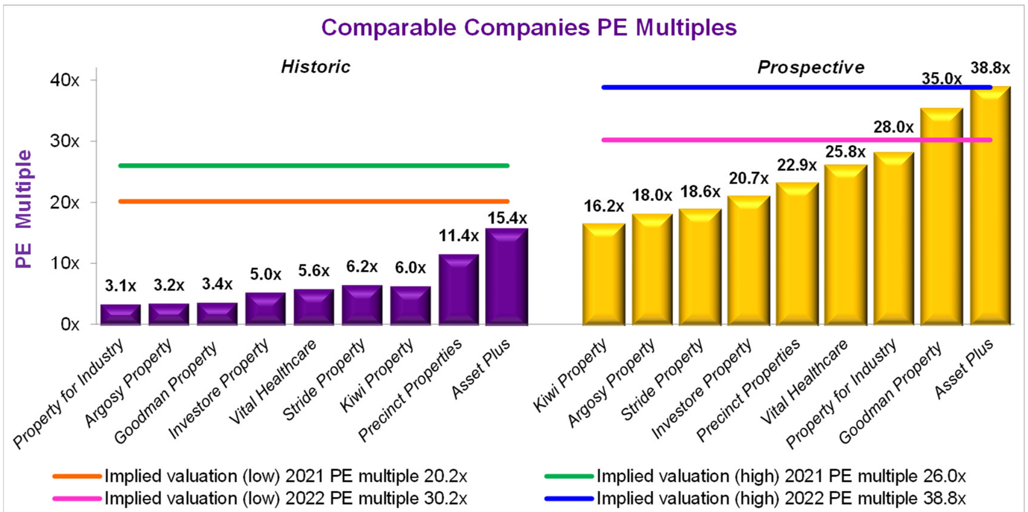
The assessed value range of $5.32 to $6.82 per share implies price earnings (**PE**) and NAV multiples as set out below. The PE multiples are based on First NZ's actual results for the 2021 financial year and its forecast for the 2022 financial year. The NAV multiples are based on First NZ's NAV as at 31 January 2022, adjusted for the Colliers February 2022 Valuations.

Implied Valuation Multiples				
	31 March 2021 (Actual)		**31 March 2022 (Forecast)**	
	Low	**High**	**Low**	**High**
Value per share	$5.32	$6.82	$5.32	$6.82
PE multiple	20.2x	26.0x	30.2x	38.8x
NAV multiple	0.8x	1.0x	0.8x	1.0x

In the absence of publicly available data in respect of recent transactions involving companies that are truly comparable with First NZ, 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 First NZ due to their size and / or the diversity of their operations.

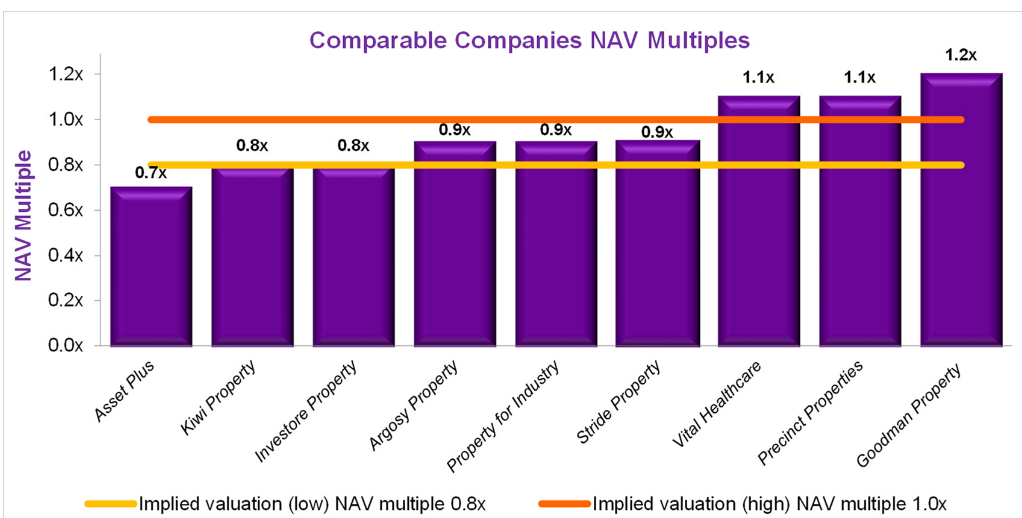
Set out at Appendix I is an analysis of historic and prospective PE multiples and historic NAV multiples for 9 property investment companies listed on the NZX Main Board. The companies are considerably larger than First NZ and have more diverse operations.

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 22 February 2022

The historic PE multiples range from 3.1x to 15.4x at an average of 6.6x and a median of 5.6x. The prospective PE multiples range from 16.2x to 38.8x at an average of 24.9x and a median of 22.9x. The prospective PE multiples do not reflect any unrealised gains on property portfolios.



Source: S&P Capital IQ, data as at 22 February 2022

The historic NAV multiples range from 0.7x to 1.2x at an average of 0.9x and a median of 0.9x.

Given the comparative size of First NZ 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 First NZ to be in the range of $5.32 to $6.82 per share as at the present date.

The valuation represents the full underlying standalone value of First NZ based on its current strategic and operational initiatives. The value range exceeds the prices at which we would expect minority interests in First NZ 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 CNP Follow-up Offer dated 5 February 2022
- the CNP Initial Offer dated 14 October 2021
- the Management Agreement
- the First NZ board minutes and resolutions from January 2014 to January 2022
- the First NZ annual reports for the years ended 31 March, 2018 to 2021
- the First NZ management accounts for the 10 months ended 31 January 2022
- the First NZ budget for the year ended 31 March 2022
- the First NZ forecast for the year ended 31 March 2022
- the Colliers valuations as at 31 March 2021 and the valuation updates as at 13 and 26 October 2021 and 1 February 2022
- share price data and shareholder data from First NZ
- the First NZ management report dated 3 February 2022
- the First NZ prospectus dated 5 October 1995
- 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 CNP Follow-up 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 CNP Follow-up Offer.

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 First NZ 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 First NZ. 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 First NZ 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 First NZ 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

First NZ 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. First NZ 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 First NZ, FSS, CNPLP or Mr Priscott or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the CNP Follow-up Offer.

Simmons Corporate Finance has not had any part in the formulation of the CNP Follow-up 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 CNP Follow-up 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 First NZ'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
23 February 2022

Appendix I

Comparable Companies Trading Multiples

Trading Multiples					
Company	Market Capitalisation ($m)	PE Multiple Historic	PE Multiple Prospective	NAV Multiple	Gross Dividend Yield
Argosy Property	1,195	3.2x	18.0x	0.9x	4.8%
Asset Plus	105	15.4x	38.8x	0.7x	7.3%
Goodman Property	3,437	3.4x	35.0x	1.2x	2.7%
Investore Property	637	5.0x	20.7x	0.8x	5.2%
Kiwi Property	1,735	6.0x	16.2x	0.8x	6.3%
Precinct Properties	2,505	11.4x	22.9x	1.1x	4.2%
Property for Industry	1,406	3.1x	28.0x	0.9x	3.6%
Stride Property	1,064	6.2x	18.6x	0.9x	6.4%
Vital Healthcare	1,784	5.6x	25.8x	1.1x	3.4%
Minimum	105	3.1x	16.2x	0.7x	2.7%
Average	1,541	6.6x	24.9x	0.9x	4.9%
Median	1,406	5.6x	22.9x	0.9x	4.8%
Maximum	3,437	15.4x	38.8x	1.2x	7.3%

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

Source: NZX Company Research and S&P Capital IQ, data as at 22 February 2022

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.

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.