

Springs Road Property Limited

Fairness Opinion

In Respect of the Unsolicited Offer from CNP Investment Holdings LP

March 2022

Index

Section	Page
1. Introduction	1
2. Evaluation of the Fairness and Merits of the CNP Offer	5
3. Profile of Springs Road	11
4. Valuation of Springs Road.....	20
5. Sources of Information, Reliance on Information, Disclaimer and Indemnity	31
6. Qualifications and Expertise, Independence, Declarations and Consents	33
 Appendix	
I. Comparable Companies Trading Multiples.....	34

1. Introduction

1.1 Springs Road Property Limited

Springs Road Property Limited (**Springs Road** or the **Company**) is a widely-held unlisted property investment company which owns a commercial property in Auckland.

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

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

Springs Road currently has 2,890,000 ordinary shares on issue held by 107 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 Springs Road is set out in section 3.

1.2 CNP Investment Holdings LP Offer

On 24 February 2022, CNP Investment Holdings LP (**CNP**) wrote to the Company's shareholders, attaching an unsolicited offer to acquire 150,000 shares in Springs Road, representing 5.19% of the Company's shares on issue, with the discretion to accept oversubscriptions of up to a further 650,000 shares (22.49%), totalling 800,000 shares (27.68% of the Company's shares on issue) at an offer price of \$1.30 per share (the **CNP Offer**).

The key terms of the CNP Offer are:

- an offer price of \$1.30 cash per share, less all gross distributions / dividends (but excluding imputation credits) per share paid or declared by Springs Road between 24 January 2022 and the payment date (which will be no later than 30 April 2022) (the **Offer Price**)
- the offer closes on 27 March 2022
- the offer is conditional on the following conditions:
 - no changes to Springs Road's shares (such as reclassifications, subdivision, consolidation, buyback or alteration to the rights attached to the shares)
 - the Springs Road business is carried on in the normal and ordinary course
 - none of Springs Road's assets are disposed of
 - no asset of Springs Road is materially destroyed or damaged
 - there is no alteration to Springs Road's constitution
 - no liquidator, receiver, receiver and manager, administrator (voluntary or otherwise), statutory manager or similar official is appointed in respect of Springs Road or any of its assets

- no resolution is passed for any amalgamation or liquidation of Springs Road and Springs Road 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 24 February 2022 that has had, or could reasonably be expected to have, in the opinion of CNP, a material adverse effect on Springs Road
- no proceedings being notified, threatened or commenced against Springs Road after 24 February 2022
- no Springs Road assets are subject to any option, forfeiture or termination, transfer, any right of pre-emption or any other right that could be adverse to Springs Road or CNP in the event of an increase in CNP's shareholding in Springs Road
- 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 Springs Road is subject occurring, or will occur, as a consequence of an increase in CNP's shareholding in Springs Road
- 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 11,700 on any day between 24 February 2022 and 30 April 2022
- the S&P / NZX All Real Estate Index does not close below 1,775 on any day between 24 February 2022 and 30 April 2022
- the CNP Offer Price will be paid no later than 30 April 2022 (the **Payment Date**).

1.3 CNP Investment Holdings LP

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

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

CNP is associated with CNP Holdings Limited (**CNPHL**). 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.

CNP and its associates collectively currently hold 48,000 shares in the Company (1.66%).

CNP has recently made unsolicited offers for shares in:

- First NZ on 14 October 2021 (through CNPHL) and 5 February 2022
- Superstore on 6 November 2021.

First NZ and Superstore share common governance and management with Springs Road.

1.4 Regulatory Requirements

CNP must comply with the provisions of the Financial Markets Conduct Regulations 2014 in making the CNP Offer.

The provisions of the Takeovers Code (the **Code**) do not apply to Springs Road 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 Offer.

The Independent Director has requested that the Fairness Opinion evaluate the CNP 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 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 Offer in relation to each shareholder. This report on the fairness and merits of the CNP 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

CNP and its associates currently hold 1.66% of the Company's shares. The CNP Offer is an unsolicited partial takeover offer for between 5.19% and 27.68% of the Company's shares at \$1.30 cash per share.

The CNP Offer provides a liquidity event for shareholders where they will receive \$1.30 cash for each share that is accepted into the offer.

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

- the CNP Offer is an offer for 5.19% of the shares in Springs Road (with the discretion for CNP to accept up to 27.68% 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 Springs Road's shares to be in the range of \$1.45 to \$2.08 per share as at the present date
- the Offer Price of \$1.30 per share is 10% to 38% below our assessed valuation range
- minority interests in a company generally trade at a discount to the pro rata value of the company as a whole. Discounts in the range of 10% to 40% are often applied to minority interests to reflect the lack of control that minority parcels of shares are able to exert of a company's affairs

- a shareholding of (up to) 27.68% would represent a significant minority interest in the Company. Accordingly, if a minority discount were to be applied to our valuation range of \$1.45 to \$2.08 per share, the discount would be at the lower end of the observed discount range of 10% to 40%
- the Offer Price of \$1.30 per share represents a premium of:
 - 8% over the \$1.20 price paid by CNP in 2 off-market share acquisitions in December 2021 from 2 shareholders categorised as “wholesale investors”
 - 31% over the last traded share price of \$0.99 on 16 December 2021 (prior to the notification of the CNP Offer)
 - 4% over the last traded share price of \$1.25 on 22 February 2022 (following the notification of the CNP Offer)
- 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 Springs Road’s shares
- the CNP 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 Offer is successful, CNP and its associates will control between 6.85% and 29.34% of the Company’s shares. At the upper level of 29.34%, CNP will be able to block special resolutions but it would not be able to determine the full composition of the Company’s board of directors (the **Board**). Accordingly, CNP would not be in a position to exert significant control and influence over the affairs of Springs Road
- the likelihood of an alternative takeover offer is uncertain.

The main advantage for shareholders of accepting the CNP Offer is that they will be able to realise cash of \$1.30 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 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. As previously stated, we assess the full underlying value of Springs Road’s shares to be in the range of \$1.45 to \$2.08 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 Springs Road through the sale of their shares.

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

2.1 Basis of Evaluation

We have prepared our Fairness Opinion as if the CNP 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 Offer should focus on:

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

CNP has set out its rationale for the CNP Offer in the *Letter to Springs Road Shareholders from CNP Investment Holdings LP* included in the offer document.

The key matters raised by CNP are:

- CNP has recently made offers to the shareholders of First NZ and Superstore, who share common governance and management with Springs Road
- the CNP Offer provides Springs Road shareholders with an exit opportunity
- CNP's shareholder activism has benefited all Springs Road shareholders.

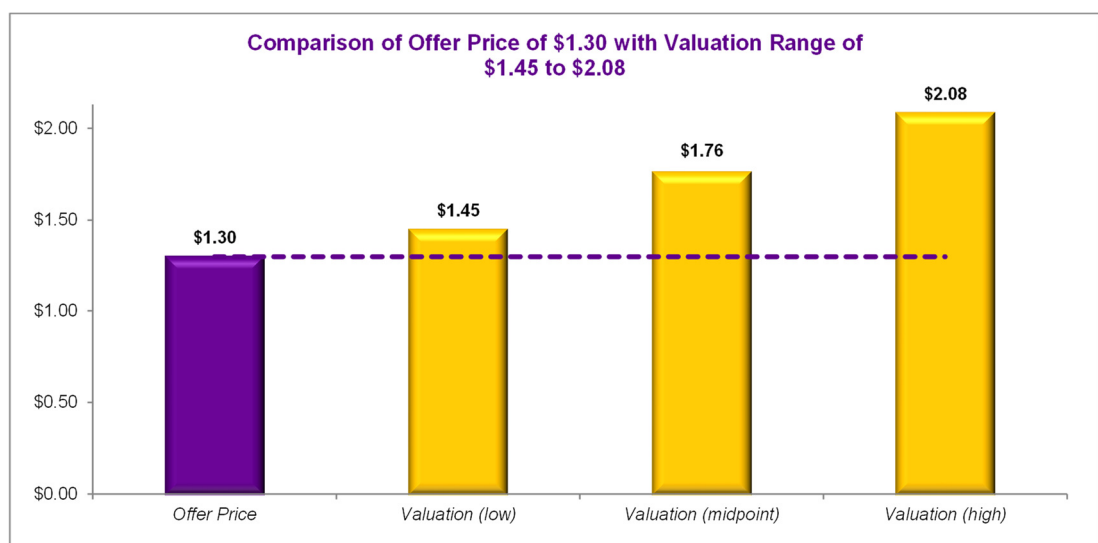
While not explicitly stated, it is possible that CNP may see incremental value in Springs Road that is not reflected in the Company's financial statements and / or in the prices that the Company's shares have traded at.

2.3 Value of Springs Road's Shares Compared with the Offer Price of \$1.30

In our opinion, the full underlying value of Springs Road is in the range of \$1.45 to \$2.08 per share as at the present date, as set out in section 4.

This value is for 100% of Springs Road 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 Springs Road.

The Offer Price of \$1.30 cash per share is below our assessed valuation range.



The CNP Offer is a partial offer for up to 27.68% of the shares in the Company.

Shareholdings representing a minority interest in a company generally trade at a discount to the pro rata value of the company as a whole, recognising the lack of control that minority parcels are able to exert over the company's affairs. Share prices observed on stock markets represent prices for minority interests.

Discounts in the range of 10% to 40% are often applied to minority interests to reflect this lack of control. The amount of the discount applied is dependent upon the size of the parcel of shares being valued and other factors influencing control.

The Offer Price of \$1.30 equates to a discount of 10% to 38% off our assessed valuation range of \$1.45 to \$2.08 for 100% of Springs Road's shares.

2.4 Springs Road's Share Price Compared with the Offer Price of \$1.30

Prior to the notification of the CNP Offer, the Company's shares last traded on Syndex on 16 December 2021 when 10,000 shares traded at \$0.99 per share. The Offer Price of \$1.30 represents a premium of 31% over \$0.99.

A total of 35,000 shares have been traded on Syndex since October 2021 at a volume weighted average share price (**VWAP**) of \$1.01. The Offer Price of \$1.30 represents a premium of 29% over the VWAP of \$1.01.

CNP acquired 45,000 shares at \$1.20 per share in December 2021 from 2 shareholders who were categorised as "wholesale investors". The Offer Price of \$1.30 represents a premium of 8% over \$1.20.

Following the notification of the CNP Offer, 10,000 shares traded at \$1.25 per share on 22 February 2022. The Offer Price of \$1.30 represents a premium of 4% over \$1.25.

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 Springs Road's shares.

2.5 Potential Synergies

In our view, the financial synergies that would be available to CNP arising from the acquisition of up to 27.68% of Springs Road would be negligible. A maximum shareholding of 27.68% would not enable CNP to singlehandedly exercise any significant level of control and influence over the affairs of Springs Road.

Following the completion of the CNP Offer, there would unlikely be any significant reduction in the level of administration costs and there is no indication on the part of CNP that it would seek to have the Board terminate the Management Agreement and replace FSS as Manager.

2.6 Conditions of the CNP Offer

All of the conditions of the CNP Offer are protective conditions for CNP's benefit.

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

There is no minimum acceptance level condition.

2.7 Potential Outcomes

CNP is seeking to acquire 150,000 shares (5.19%) with the discretion to accept oversubscriptions of up to a further 650,000 shares (22.49%), totalling 800,000 shares (27.68%).

CNP and its associates collectively currently hold 48,000 shares in the Company, representing 1.66% of the shares on issue. As there is no minimum acceptance level condition, the CNP Offer may result in CNP controlling between 1.66% and 29.34% of the Company's shares.

Impact of the CNP Offer on Shareholding Levels					
	CNP		Other Shareholders		Total
	No. of Shares	%	No. of Shares	%	No. of Shares
Current	48,000	1.66%	2,842,000	98.34%	2,890,000
Minimum offer ¹	150,000	5.19%	(150,000)	(5.19%)	-
Post minimum offer	198,000	6.85%	2,692,000	93.15%	2,890,000
Oversubscriptions ²	650,000	22.49%	(650,000)	(22.49%)	-
Post oversubscriptions	848,000	29.34%	2,042,000	70.66%	2,890,000

¹ Assumes the 150,000 shares sought are accepted into the CNP Offer
² Assumes the 650,000 oversubscription shares are accepted into the CNP Offer

At its current shareholding level of 1.66%, CNP is not able to singlehandedly block or pass:

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

If 150,000 shares are accepted into the CNP Offer, CNP will hold a 6.85% shareholding in the Company. Its ability to influence the outcome of shareholder voting will not change to any significant degree.

If 650,000 oversubscription shares are accepted into the CNP Offer, CNP will hold a 29.34% shareholding and will be able to singlehandedly block a special resolution. However, it will not be able to singlehandedly block or pass an ordinary resolution or pass a special resolution.

The Company's constitution stipulates that a person may be appointed or removed as a director at any time by ordinary resolution. CNP's maximum potential shareholding of 29.34% will not enable it to singlehandedly appoint or remove a director.

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 Springs Road in competition with 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 the CNP Offer would not be able to accept those shares into the alternative takeover offer until the CNP Offer lapsed.

2.9 Likelihood of CNP Increasing the Offer Price is Unknown

We are not aware of any intention on CNP's part to increase its offer price. However, CNP justified the \$1.30 Offer Price primarily based on the December 2021 acquisition of a total of 45,000 shares at \$1.20 per share from 2 shareholders who were categorised as "wholesale investors". CNP is also aware of the Company's asset values disclosed in the 2021 annual report.

Springs Road has commissioned an up to date valuation of its property in light of the CNP Offer and the revised valuation is \$1.5 million higher than as at 31 March 2021. The updated valuation is discussed in section 4.5.

2.10 Advantages of Accepting the CNP Offer

The CNP Offer provides an opportunity for shareholders to realise cash of \$1.30 per share for some of their shares or possibly all of their shares.

The CNP Offer is for 150,000 shares. If CNP receives total acceptances in excess of 150,000 shares, it may accept oversubscriptions at its sole discretion up to a further 650,000 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 3,000 shares. Therefore shareholders wishing to accept the CNP 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 Offer

By accepting the CNP Offer, shareholders will either cease to hold an interest in Springs Road or hold a smaller shareholding in Springs Road (depending on the number of their shares accepted into the offer) and therefore forgo the possibility that the value of the Company's property may increase in time and may be reflected in an increase in Springs Road's share price.

However, shareholders should bear in mind that the Springs Road 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 Offer

If the CNP Offer is declared unconditional, then those shareholders who do not accept the CNP Offer will continue as shareholders in Springs Road with CNP as a significant shareholder holding up to 29.34% of the Company's shares.

CNP 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 CNP'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 CNP's offer for shares in First NZ in October 2021 was at a price of \$4.50 per share. CNP's subsequent offer for shares in First NZ in February 2022 was at a price of \$4.61 per share.

2.13 Acceptance or Rejection of the CNP Offer

Acceptance or rejection of 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.

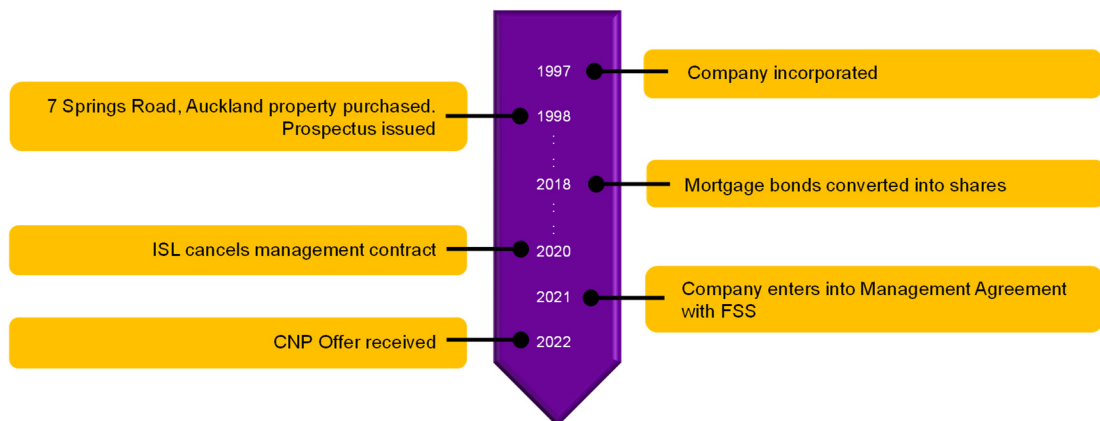
3. Profile of Springs Road

3.1 Background and History

The Company was incorporated on 2 December 1997 by Farmers Mutual Group.

The Company issued a prospectus on 23 January 1998, seeking to raise approximately \$2.9 million through the issue of shares and 20 year mortgage bonds. The capital was used to part fund the acquisition of the 7 Springs Road, Auckland property.

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



3.2 Property Portfolio

Springs Road's property portfolio consists of one commercial property located in Auckland.

7 Springs Road, Auckland	
Address	7 Springs Road East Tamaki Auckland
Tenants	Counties Manukau DHB Kingslea School Café Concepts
Property overview	<p>The property comprises a 4 level office development originally constructed for Lion Nathan in 1985 with large areas of open carparking.</p> <p>The building incorporates 4 levels of secondary office accommodation along with basement level storage facilities. There is also an annex building to the rear utilised as a kitchen.</p> <p>The property is located on the northern junction between the main arterial routes of Springs Road and East Tamaki Road providing a high profile position.</p> <p>The property provides 3,993 m² of lettable accommodation and is situated on a 10.104 hectare site.</p>
Tenancy details	
– Commencement date	5 Apr 2018 / 1 Dec 2020 / 1 Feb 2015
– Lease term	6 years / 1.08 years / 7 years
– Rights of renewal	1 x 3 years / 1 x 1 year / 1 x 7 + 1 x 5 years
– Contract base rent	\$359,485 / \$45,000 / \$75,923
– Outgoing recovery	100% of property related expenses on a pro rata basis
Valuation (1 Feb 2022)	\$9,500,000

Up until 31 December 2021, Skills NZ leased a portion of the ground floor and 10 car park spaces.

The Company has recently leased the first floor to Armourguard.

The Company recently engaged consulting engineers to assess the property's new building standard (**NBS**) rating and methods of improving the seismic capabilities of the building. Building consent has been received but has required significant additional improvements to achieve updated fire escape and accessibility compliance. A \$0.89 million budget has been allowed for the work, which will bring the building up to greater than 67% NBS.

The Company's property is valued by CVAS Limited (**Colliers**) for each annual balance date. Springs Road commissioned Colliers to assess the current market value of the property on 21 October 2021 (the **Colliers October 2021 Valuation**) and 1 February 2022 following the receipt of the CNP Offer (the **Colliers February 2022 Valuation**).

3.3 Directors

The directors of Springs Road 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 (resigned 12 May 2020)
- Paul Mephan (resigned 21 April 2020)
- Gillian Bishop (appointed 14 April 2020, resigned 7 May 2020).

3.4 Management Agreement

Springs Road 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 Springs Road 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 Springs Road's shares

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

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

Capital Structure and Shareholders

Springs Road currently has 2,890,000 ordinary shares on issue held by 107 shareholders.

The names, number of shares and percentage holding of the 10 largest holders of ordinary shares as at 14 February 2022 are set out below.

Springs Road's 10 Largest Holders of Ordinary Shares		
Shareholder	No. of Shares Held	%
A & J Enterprises 2006 Limited (A & J)	522,800	18.09%
Colleen Prendergast	119,000	4.12%
Gweneth Sandes	115,000	3.98%
Carol Belcher	115,000	3.98%
Lesley Morris	115,000	3.98%
Prudent Investments Limited	100,000	3.46%
Francis Saxton	85,800	2.97%
Ceinwen Jensen	80,000	2.77%
Leo & Alison McDonald Trust	70,000	2.42%
ISL	65,000	2.25%
Subtotal	1,387,600	48.01%
Others (97 shareholders)	1,502,400	51.99%
Total	2,890,000	100.00%

Source: Springs Road

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

Colleen Prendergast is Damien Prendergast's mother.

ISL is the former manager of Springs Road (up to 31 December 2020). ISL is owned by Michael Millar, Andrea Millar and Grant Uridge. Mr Millar is a former director of Springs Road. He resigned from the Board on 12 May 2020. Mr Millar also holds 20,000 shares (0.69%) in his own name.

CNP and its associates collectively hold 48,000 shares (1.66%).

3.5 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 \$277,976. The misappropriated funds related to:

- money owing to the IRD for dividend resident withholding tax (**RWT**) and goods and services tax – \$142,032
- amounts owed for lease incentives, management fee / opex washups, unclaimed distributions and other payments – \$135,944.

Legal action was taken against Mr Barnes and some of his assets were recovered and sold. To date, \$116,294 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, Springs Road 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.

The total value of the claims was approximately \$0.65 million plus interest and costs.

The defendants filed statements of defence denying the claims. In addition, ISL counterclaimed for losses suffered because of Springs Road's alleged repudiation of the ISL management agreement totalling approximately \$41,000 plus interest and costs.

Spring Road 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 (which fully settles the Barnes Fraud), whereby Springs Road received \$162,500.09 on 25 February 2022 from ISL. Springs Road's other pleaded claims against the defendants (including relating to undisclosed payments made to ISL) are being amended and the proceedings will continue to progress through the High Court.

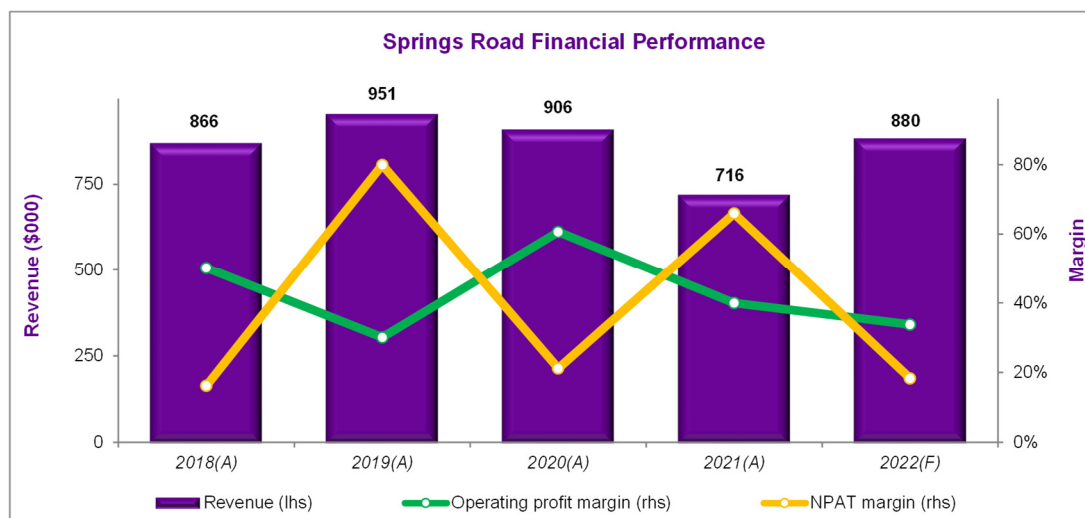
3.6 Financial Performance

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

Summary of Springs Road 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	866	951	906	716	880
Expenses	(432)	(665)	(357)	(430)	(583)
Operating profit	434	286	549	286	297
Finance costs (net)	(194)	(95)	(74)	(61)	(55)
Fair value gain on investment properties	-	700	(210)	301	-
NPBT	240	891	265	526	242
Income tax expense	(100)	(131)	(73)	(54)	(81)
NPAT	140	760	192	472	161
EPS	\$0.05	\$0.26	\$0.07	\$0.16	\$0.06
DPS	\$0.08	\$-	\$0.17	\$0.05	\$0.09

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

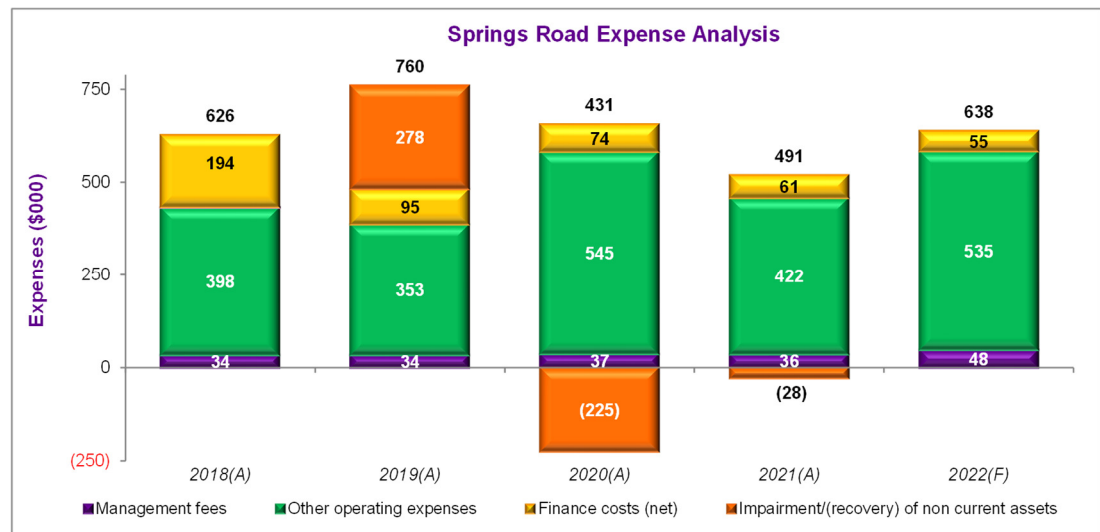
Source: Springs Road audited financial statements and 2022 forecast



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

Income decreased by approximately \$0.2 million in the 2021 financial year due to lower rental revenue arising from COVID-19 related rent rebates and the end of a tenancy.

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



Springs Road's main ongoing operating expenses are repairs and maintenance, finance costs and management fees.

Finance costs were approximately \$0.2 million in the 2018 financial year (including approximately \$0.1 million in respect of the \$2.3 million of mortgage bonds which were converted into shares in January 2018) and \$0.1 million in the 2019 to 2021 financial years, representing interest costs on the \$1.9 million loan facility provided by ANZ Bank New Zealand Limited (**ANZ**).

Management fees equate to 4% to 5% of income each year. Up to 31 December 2020, ISL's management fees were calculated based on 0.5% of the net capital value 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 Springs Road's request.

Other operating expenses in the 2020 financial year included \$0.15 million in respect of the replacement of the air conditioning cooling tower and light fittings on 2 floors.

Impairment of non current assets relate to the Barnes Fraud:

- an impairment allowance of \$0.28 million was recorded in 2019
- \$0.14 million of the impairment allowance was reversed and \$0.09 million was recovered in 2020 from Mr Barnes
- \$0.03 million was recovered in 2021 from Mr Barnes.

Unrealised gains / losses on the property have been recorded each year (other than in 2018):

- 2019 – a \$0.7 million gain
- 2020 – a \$0.2 million loss
- 2021 – a \$0.3 million gain.

The forecast for the 2022 financial year is based on Springs Road'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 \$0.6 million for the year. This includes management fees of \$0.05 million, legal fees and other professional expenses of \$0.07 million and directors' fees of \$0.03 million
- finance costs are \$0.06 million.

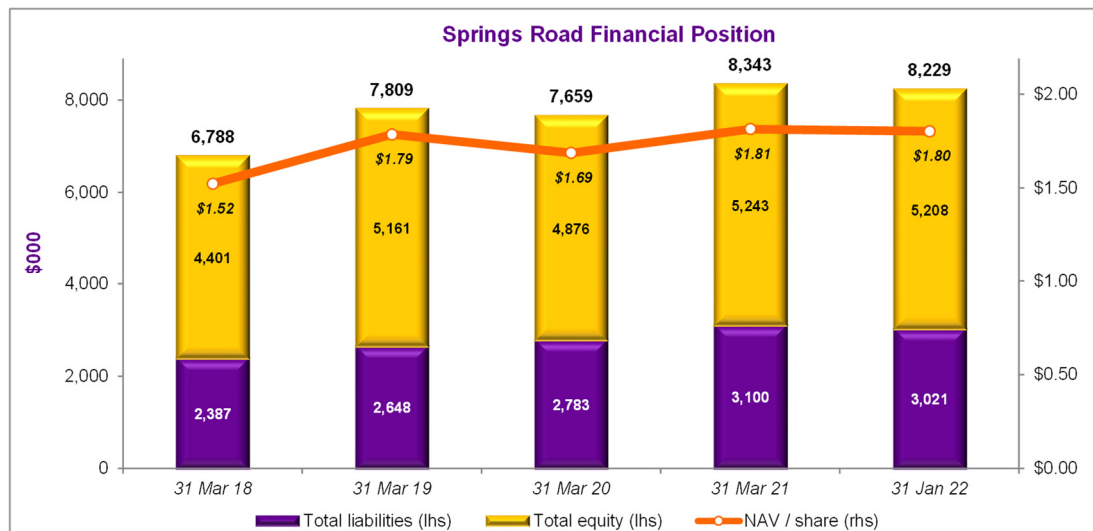
The forecast for the 2022 financial year does not include any unrealised gains on the property portfolio. As set out in section 4.5, the Colliers February 2022 Valuation is \$1.5 million higher than the value of the property as at 31 March 2021.

The forecast also does not take into account the settlement of the Barnes Fraud.

3.7 Financial Position

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

Summary of Springs Road 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	66	369	238	297	149
Trade and other receivables	22	40	21	33	67
Current assets	88	409	259	330	216
Investment property	6,700	7,400	7,400	8,000	8,000
Investment in associates	-	-	-	13	13
Non current assets	6,700	7,400	7,400	8,013	8,013
Total assets	6,788	7,809	7,659	8,343	8,229
Trade and other payables	(57)	(186)	(52)	(111)	(32)
Provisions	-	-	(210)	(450)	(450)
Loans	(1,950)	(1,950)	(1,938)	(1,925)	(1,925)
Current liabilities	(2,007)	(2,136)	(2,200)	(2,486)	(2,407)
Deferred tax (net)	(380)	(512)	(583)	(614)	(614)
Non current liabilities	(380)	(512)	(583)	(614)	(614)
Total liabilities	(2,387)	(2,648)	(2,783)	(3,100)	(3,021)
Net assets	4,401	5,161	4,876	5,243	5,208
NAV	\$1.52	\$1.79	\$1.69	\$1.81	\$1.80
NAV: Net asset value per share					
Source: Springs Road audited financial statements and 31 January 2022 management accounts					



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

Springs Road uses Colliers as its independent registered valuer. The audited annual financial statements reflect the independently assessed market value of the property at the respective dates.

The carrying value of the property was \$8.0 million as at 31 March 2021 and 31 January 2022. The 31 January 2022 management accounts reflect the 31 March 2021 carrying value of the property. The Colliers February 2022 Valuation assesses the value of the property to be \$9.5 million.

Investment in associates represents Springs Road's 14% interest in FSS.

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

Provisions of \$0.45 million as at 31 March 2021 and 31 January 2022 represent the budgeted costs to bring the building up to greater than 67% NBS. This budget has now been increased to \$0.89 million.

The \$1.93 million ANZ loan facility is repayable on 29 February 2024. The loan is secured by a first ranking mortgage over the 7 Springs Road, Auckland property plus a first ranking general security agreement over all present and after acquired property.

Non current liabilities consist of deferred tax arising from timing differences on the depreciation of the property.

Total equity of \$5.2 million as at 31 January 2022 consisted of:

- \$2.9 million of issued and paid up capital
- \$2.3 million of retained earnings.

3.8 Cash Flows

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

Summary of Springs Road 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	162	482	245	220
Net cash used in investing activities	-	-	-	(73)
Net cash used in financing activities	(231)	(179)	(376)	(88)
Net increase / (decrease) in cash held	(69)	303	(131)	59
Opening cash balance	135	66	369	238
Closing cash balance	66	369	238	297

Source: Springs Road audited financial statements

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

3.9 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 most recent trades on Syndex prior to the CNP Offer were:

- 16 December 2021: 10,000 shares at \$0.99 per share
- 15 December 2021: 10,000 shares at \$1.28 per share
- 24 November 2021: 10,000 shares at \$0.75 per share
- 14 October 2021: 5,000 shares at \$1.00 per share.

The VWAP of the 35,000 shares traded between 14 October 2021 and 16 December 2021 was \$1.01.

CNP has undertaken 2 recent off-market acquisitions from shareholders categorised as "wholesale investors":

- 24 December 2021: 40,000 shares at \$1.20 per share
- 20 December 2021: 5,000 shares at \$1.20 per share.

10,000 shares traded at \$1.25 per share on 22 February 2022 (after notification of the CNP Offer).

4. Valuation of Springs Road

4.1 Introduction

The CNP Offer is an unsolicited offer for up to 27.68% 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 Offer is to compare the offer price of \$1.30 per share with the full underlying value of Springs Road on a standalone basis, pro-rated across all shares.

Such an approach attributes full control value to Springs Road 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 Springs Road to trade in the absence of the CNP 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 Springs Road.

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 Springs Road.

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

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

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

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

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

- investment property based upon the Colliers February 2022 Valuation
- the value of Springs Road's other assets and liabilities has been based upon our estimates of their realisable values
- Springs Road'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 Offer have been deducted.

Property

We have adopted the Colliers February 2022 Valuation as the basis for assessing the value of the property. The Colliers February 2022 Valuation amounts to \$9.5 million and is summarised below.

7 Springs Road, Auckland	
Valuation date	1 Feb 2022
Valuation	\$9,500,000
Basis of valuation	Market value subject to existing tenancies and occupational rights
Assessment approach	Discounted cash flow Capitalisation approach
Vacancy rate	36.2%
Weighted average lease duration	1.4 years
Rental value / m ²	\$2,003
Capitalisation rate	6.75%
Discount rate	6.5%
Terminal yield	7.0%
Net market rent	\$912,605
Net passing rent	\$630,856
<i>Source: Colliers February 2022 Valuation</i>	

The Colliers February 2022 Valuation of \$9.5 million is the same value as per the Colliers October 2021 Valuation.

We are advised by the Independent Director that Springs Road has received various offers for the property at prices which support the Colliers February 2022 Valuation.

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 building costs provision and the deferred tax liability.

A provision of \$0.45 million was recorded as at 31 January 2022, representing the budgeted costs to bring the building up to greater than 67% NBS. We are advised that the budget has recently been increased to \$0.89 million.

Our SOTP valuation is predicated on the basis that Springs Road continues as a going concern and that the current property 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 3.5, Springs Road initiated High Court proceedings against Michael Millar, Paul Mephan and ISL (alleging fraud and undisclosed payments). The total value of the claims was approximately \$0.65 million plus interest and costs.

ISL counterclaimed for losses suffered because of Springs Road's alleged repudiation of the ISL management agreement, claiming approximately \$41,000 plus interest and costs.

The defendants denied the claims and Springs Road denied the counterclaim.

We are advised by the Independent Director that the parties have now partially settled the matter (which fully settles the Barnes Fraud) and that Springs Road received \$162,500.09 on 25 February 2022 from ISL. While Springs Road's other pleaded claims against the defendants are being amended and the proceedings will continue to progress through the High Court, we have ascribed no additional value to the matter for the purposes of our valuation assessment.

Corporate Overheads

As set out in section 3.6, Springs Road's corporate overheads (excluding the Barnes Fraud related costs and recoveries and finance costs) have ranged between approximately \$0.4 million and \$0.6 million over the past 4 financial years and are forecast to be approximately \$0.6 million in the 2022 financial year (including approximately \$0.07 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 Springs Road's level of future maintainable corporate overheads. This equates to \$0.4 million.

We have capitalised the maintainable corporate overheads at a pre tax multiple of 6.0x to 7.0x (based on our assessment of the Company's cost of capital) to derive the NPV of capitalised corporate overheads in the range of approximately \$2.4 million to \$2.8 million.

Cost of the CNP Offer

We are advised by Springs Road that the costs associated with responding to the CNP Offer will likely be in the range of \$60,000 to \$65,000. 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 Springs Road's shares to be in the range of \$1.45 to \$1.59 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	149	1	149	149
Receivables	67	1	67	67
Property	8,000	2	9,500	9,500
Investment in FSS	13	1	13	13
Payables	(32)	1	(32)	(32)
Provisions	(450)	3	(890)	(890)
Loans	(1,925)	1	(1,925)	(1,925)
Deferred tax	(614)	4	-	-
Net assets	<u>5,208</u>		<u>6,882</u>	<u>6,882</u>
High Court proceedings			163	163
Capitalised corporate costs			(2,800)	(2,400)
CNP Offer costs			(65)	(60)
Value of 100% of shares			<u>4,180</u>	<u>4,585</u>
No. of shares (000)			2,890	2,890
Value per share			<u>\$1.45</u>	<u>\$1.59</u>

1 31 January 2022 management accounts
2 Colliers February 2022 Valuation
3 Based on revised budget
4 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 Springs Road'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 Springs Road 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 Springs Road. Accordingly, our NRV valuation assessment must be viewed as hypothetical only.

Property

We have assessed the NRV of the property based on the Colliers February 2022 Valuation.

In our view, the property 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 property based on the Colliers February 2022 Valuation less an allowance of 2% for selling costs (marketing and agent's commission).

This equates to an NRV of approximately \$9.3 million for the property.

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 the revised budget for provisions.

Based on the assessed NRV of the property, we assess the tax payable by Springs Road upon the sale of the property to be approximately \$0.6 million, being 28% corporate tax on approximately \$2.2 million of depreciation recovered.

High Court Proceedings

We are advised by the Independent Director that the parties have now partially settled the matter (which fully settles the Barnes Fraud) and that Springs Road received \$162,500.09 on 25 February 2022 from ISL. While Springs Road's other pleaded claims against the defendants are being amended and the proceedings will continue to progress through the High Court, we have ascribed no additional value to the matter for the purposes of our valuation assessment.

Cost of the CNP Offer

We are advised by Springs Road that the costs associated with responding to the CNP Offer will likely be in the range of \$60,000 to \$65,000.

Liquidation Costs

We estimate the costs associated with liquidating Springs Road would be in the range of \$160,000 to \$180,000. These costs cover Company administrative costs, legal costs and accounting costs.

Valuation Assessment

Based on the above, we assess the value of Springs Road's shares to be in the range of \$2.07 to \$2.08 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	149	1	149	149
Receivables	67	1	67	67
Property	8,000	2	9,310	9,310
Investment in FSS	13	1	13	13
Payables	(32)	1	(32)	(32)
Provisions	(450)	3	(890)	(890)
Loans	(1,925)	1	(1,925)	(1,925)
Deferred tax	(614)	4	(614)	(614)
Net assets	<u>5,208</u>		<u>6,078</u>	<u>6,078</u>
High Court proceedings			163	163
CNP Offer costs			(65)	(60)
Liquidation costs			(180)	(160)
Value of 100% of shares			<u>5,996</u>	<u>6,021</u>
No. of shares (000)			2,890	2,890
Value per share			<u>\$2.07</u>	<u>\$2.08</u>

1 31 January 2022 management accounts
2 Colliers February 2022 Valuation less 2% selling costs
3 Based on revised budget
4 Based on assessed tax liability

4.7 Capitalisation of Dividends Valuation Assessment

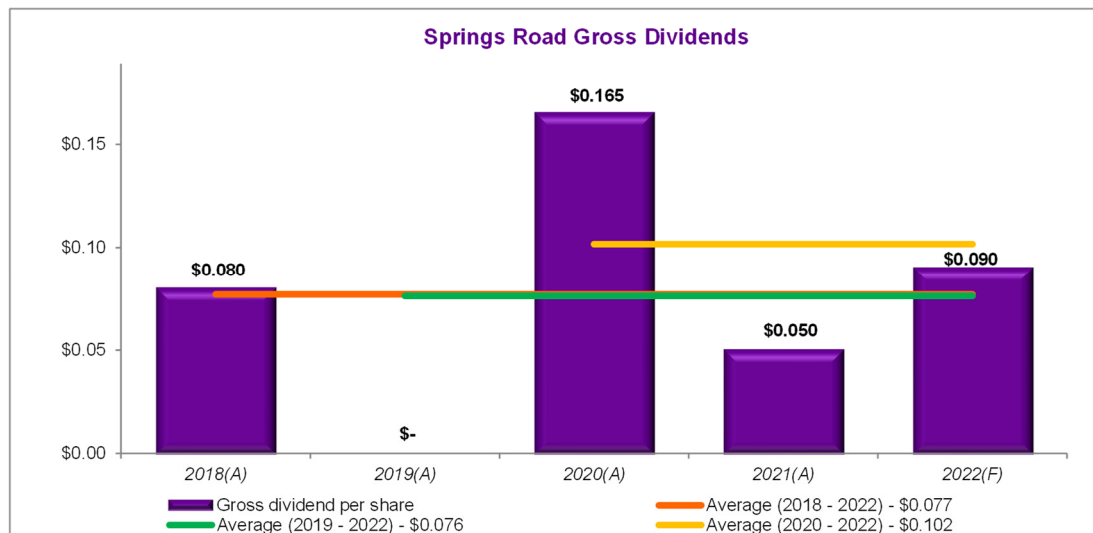
Methodology

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

Springs Road has paid gross dividends on its ordinary shares in the past 4 years ranging from \$0.05 per share in the 2021 financial year to \$0.165 per share in the 2020 financial year.

No dividend was paid in the 2019 financial year due to the Barnes Fraud.

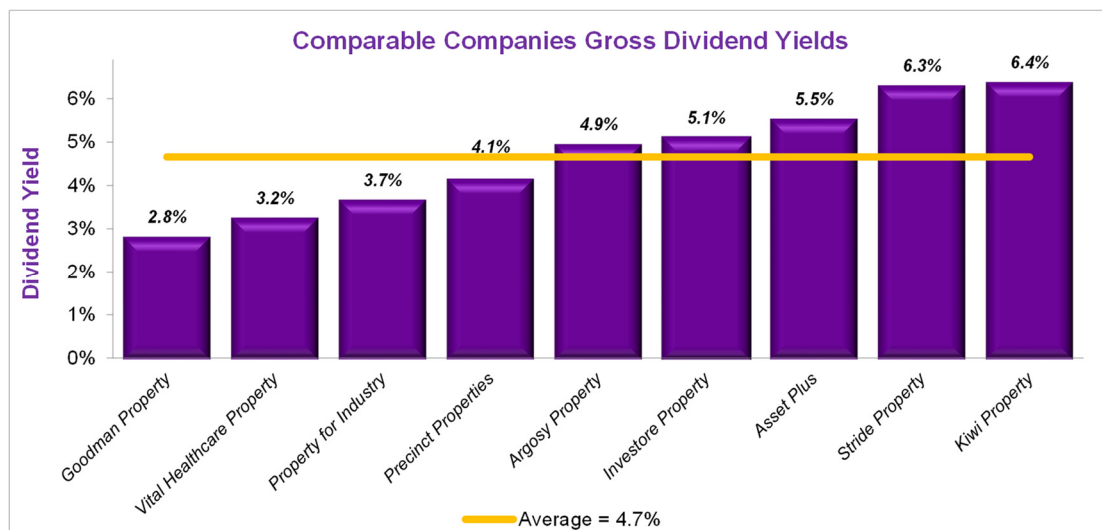


The average gross dividend per ordinary share paid over the 2018 to 2022 financial years equates to \$0.077 per share.

We assess Springs Road's maintainable gross dividend to be in the range of \$0.077 per share (based on the average of 2018 to 2022 gross dividends) to \$0.09 per share (based on the 2022 gross dividend).

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 7 March 2022

The gross dividend yields range from 2.8% to 6.4% at an average of 4.7% and a median of 4.9%.

We have applied the average observed dividend yield of 4.7% for the valuation of Springs Road.

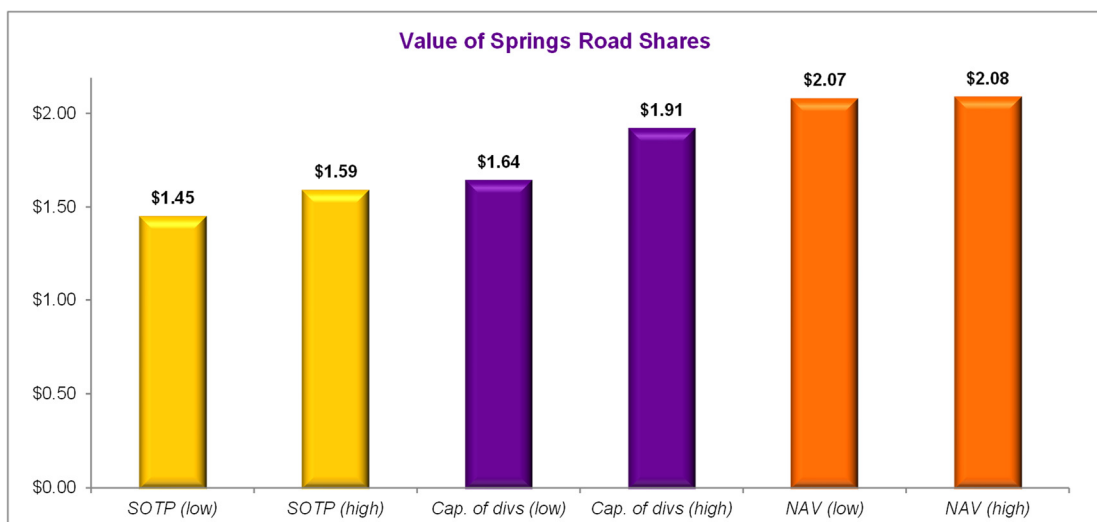
Valuation Assessment

Based on the above, we assess the value of Springs Road's shares to be in the range of \$1.64 to \$1.91 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	0.077	0.090
Gross dividend yield	4.7%	4.7%
Value per share	<u>1.64</u>	<u>1.91</u>

4.8 Value of Springs Road Shares

We assess the fair market value of Springs Road's shares to be in the range of \$1.45 to \$2.08 per share as at the present date under the 3 valuation approaches.



4.9 Implied Valuation Multiples

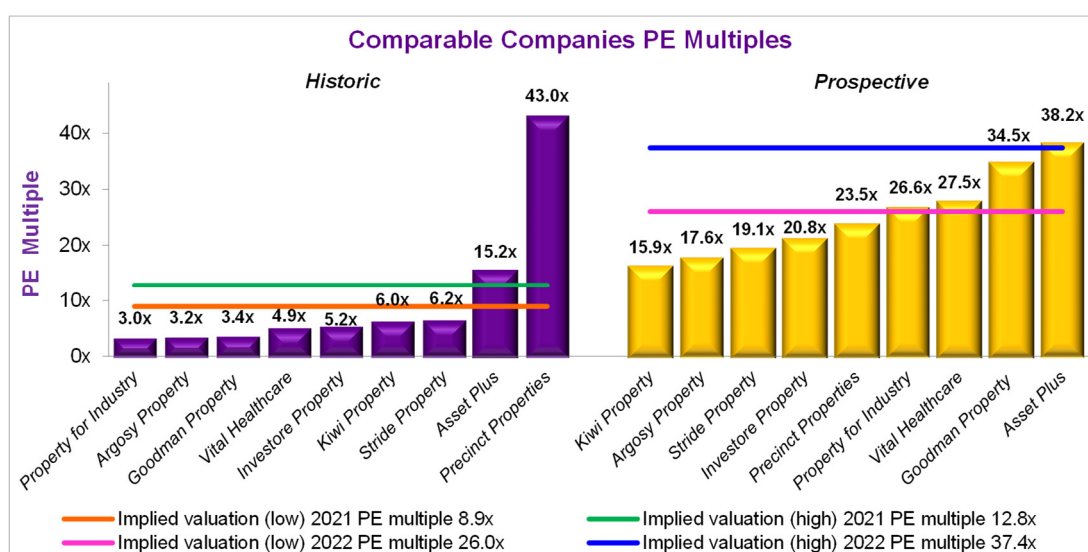
The assessed value range of \$1.45 to \$2.08 per share implies price earnings (PE) and NAV multiples as set out below. The PE multiples are based on Springs Road's actual results for the 2021 financial year and its forecast for the 2022 financial year. The NAV multiples are based on Springs Road's NAV as at 31 January 2022, adjusted for the Colliers February 2022 Valuation.

Implied Valuation Multiples				
	31 March 2021 (Actual)		31 March 2022 (Forecast)	
	Low	High	Low	High
Value per share	\$1.45	\$2.08	\$1.45	\$2.08
PE multiple	8.9x	12.8x	26.0x	37.4x
NAV multiple	0.6x	0.9x	0.6x	0.9x

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

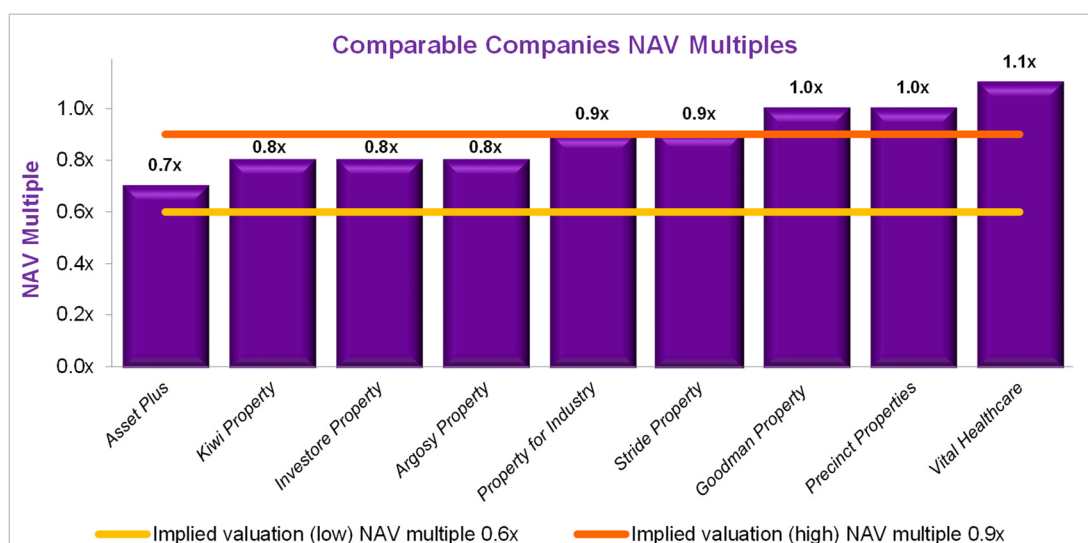
Set out at Appendix I is an analysis of historic and prospective PE multiples and historic NAV multiples for 9 property investment companies listed on the NZX Main Board. The companies are considerably larger than Springs Road and have more diverse operations.

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 7 March 2022

The historic PE multiples range from 3.0x to 43.0x at an average of 10.0x and a median of 5.2x. The prospective PE multiples range from 15.9x to 38.2x at an average of 24.9x and a median of 23.5x. The prospective PE multiples do not reflect any unrealised gains on property portfolios.



Source: S&P Capital IQ, data as at 7 March 2022

The historic NAV multiples range from 0.7x to 1.1x at an average of 0.9x and a median of 0.9x.

Given the comparative size of Springs Road 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 Springs Road to be in the range of \$1.45 to \$2.08 per share as at the present date.

The valuation represents the full underlying standalone value of Springs Road based on its current strategic and operational initiatives. The value range exceeds the prices at which we would expect minority interests in Springs Road 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 Offer dated 24 February 2022
- the Management Agreement
- the Springs Road annual reports for the years ended 31 March, 2018 to 2021
- the Springs Road management accounts for the 10 months ended 31 January 2022
- the Springs Road forecast for the year ended 31 March 2022
- the Colliers valuations as at 31 March 2021 and the valuation updates as at 21 October 2021 and 1 February 2022
- share price data and shareholder data from Springs Road
- the Springs Road management report dated 3 February 2022
- the Springs Road prospectus dated 23 January 1998
- 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 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 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 Springs Road 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 Springs Road. 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 Springs Road 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 Springs Road 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

Springs Road 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. Springs Road 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), INFENZ (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 Springs Road, FSS, CNP or Mr Priscott or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the CNP Offer.

Simmons Corporate Finance has not had any part in the formulation of 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 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 Springs Road'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
8 March 2022

Appendix I

Comparable Companies Trading Multiples

Trading Multiples					
Company	Market Capitalisation (\$m)	PE Multiple		NAV Multiple	Gross Dividend Yield
		Historic	Prospective		
Argosy Property	1,175	3.2x	17.6x	0.8x	4.9%
Asset Plus	105	15.2x	38.2x	0.7x	5.5%
Goodman Property	3,388	3.4x	34.5x	1.0x	2.8%
Investore Property	644	5.2x	20.8x	0.8x	5.1%
Kiwi Property	1,696	6.0x	15.9x	0.8x	6.4%
Precinct Properties	2,521	43.0x	23.5x	1.0x	4.1%
Property for Industry	1,365	3.0x	26.6x	0.9x	3.7%
Stride Property	1,080	6.2x	19.1x	0.9x	6.3%
Vital Healthcare	1,897	4.9x	27.5x	1.1x	3.2%
Minimum	105	3.0x	15.9x	0.7x	2.8%
Average	1,541	10.0x	24.9x	0.9x	4.7%
Median	1,365	5.2x	23.5x	0.9x	4.9%
Maximum	3,388	43.0x	38.2x	1.1x	6.4%
n/m: Not meaningful					
n/a: Not available					
Source: NZX Company Research and S&P Capital IQ, data as at 7 March 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.