Simmons CORPORATE FINANCE

G3 Group Limited

Independent Adviser's Report

In Respect of the Proposed Acquisition of Shares by Wilshire Investments LP and the Buyback Program

September 2017

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report
- has no direct or indirect pecuniary or other interest in the proposed transactions considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this Independent Adviser's Report.

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1. Introduction

1.1 Background

G3 Group Limited (**G3 Group** or the **Company**) provides document management products and services in New Zealand and Australia, tourist collateral products in the United Kingdom (**UK**) and postal products and services in New Zealand.

G3 Group's shares are listed on NXT Market operated by NZX Limited (**NZX**).

The Company's market capitalisation was $34.0 million as at 13 September 2017 and its audited total equity was $2.7 million as at 31 March 2017.

A profile of G3 Group is set out in section 3.

1.2 Proposed Privatisation

Delisting

G3 Group announced on 23 June 2017 that it had received a proposal from Christian Family Trust Limited (**CFT**), the Company's largest shareholder, to delist G3 Group from the NXT Market (the **Delisting**).

CFT is wholly owned by G3 Group co-founder and director Evan Christian. It currently holds 20,948,584 ordinary shares, representing 39.45% of G3 Group's ordinary shares on issue. In addition, CFT has lent 100,000 ordinary shares (0.19%) to First NZ Capital Securities Limited, the market maker under the NXT Market Rules. These shares are held by FNZ Custodians Limited (**FNZ**). Accordingly, CFT currently controls 21,048,584 ordinary shares in the Company (39.64%).

Privatisation

In addition to the Delisting, CFT proposes to privatise G3 Group (the **Privatisation**). The Privatisation will be effected through 3 steps.

Share Acquisitions

Wilshire Investments LP (**Wilshire**), an entity associated with Evan Christian, will acquire the 43,047,167 ordinary shares held or controlled by CFT, JBT Trustee Limited and JDB Trustee Services Limited (together **JDB**) and June Be bono (the **Share Acquisitions**). This represents 81.07% of G3 Group's ordinary shares on issue:

- CFT controls 21,048,584 ordinary shares (39.64%)
- JDB currently holds 20,565,250 ordinary shares (38.73%). JDB holds the shares on behalf of interests associated with G3 Group co-founder and director Jason Butler. In addition, JDB has lent 100,000 ordinary shares (0.19%) to the market maker. These shares are held by FNZ
- June Be bono currently holds 1,333,333 ordinary shares (2.51%). Ms Be bono is Jason Butler's mother.

Wilshire will acquire the G3 Group shares from CFT, JDB and Ms Be bono in consideration for an equivalent limited partnership interest (ie one Wilshire limited partner interest for each G3 Group share acquired).

Mr Christian will have effective control over Wilshire (and therefore the combined G3 Group voting interests) through Wilshire GP Limited (**WGPL**), the general partner of Wilshire. Mr Christian controls WGPL.

Minorities Buyback

G3 Group will offer to buy back the 1,597,000 shares held by 67 small independent shareholders (other than Mark Brightwell (the Company's former chief executive officer) and Augustine Trustee Limited (**Augustine**), the vendors of the Formfile business (the **Formfile Vendors**) and the redeemable preference shares (**RPSs**) on issue) at a price of $0.75 per share (the **Buyback Price**) (the **Minorities Buyback**).

ESOP Buyback

G3 Group will offer to vary and buy back the 5,366,662 shares in G3 Group's employee share ownership plan (the **ESOP**) from 11 directors and employees at the Buyback Price of $0.75 per share, which will be applied to repay the outstanding loans of a similar amount (the **ESOP Buyback**).

An analysis of the Company's shareholders eligible to participate in the Minorities Buyback and the ESOP Buyback is set out in Appendix I.

We refer to the Delisting, the Share Acquisitions, the Minorities Buyback and the ESOP Buyback collectively as the **Privatisation Transactions**.

1.3 Impact of the Privatisation Transactions on Voting Control

The Company's shareholders not associated with Wilshire, CFT, JDB or Ms Be bono (the **Non-associated Shareholders**) currently collectively hold 18.93% of the Company's total shares on issue.

The Share Acquisitions will result in Wilshire increasing its control of the voting rights in G3 Group from nil to 81.07%.

The Minorities Buyback will result in Wilshire increasing its control of the voting rights in G3 Group to up to 83.58%, depending on the number of shares bought back.

The ESOP Buyback will result in Wilshire increasing its control of the voting rights in G3 Group to up to 93.31%, depending on the number of shares bought back.

The levels of voting rights held by Wilshire and the Non-associated Shareholders before and after the Privatisation Transactions are set out below.

Impact of the Privatisation Transactions on Shareholding Levels

	Wilshire		CFT / JDB / Be bono		Non-associated Shareholders		Total
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares
Current	-	-%	43,047,167	81.07%	10,052,229	18.93%	53,099,396
Share Acquisitions	43,047,167	81.07%	(43,047,167)	(81.07%)	-	-	-
Post the Share Acquisitions	43,047,167	81.07%	-	-	10,052,229	18.93%	53,099,396
Minorities Buyback	-	-	-	-	(1,597,000)[1]	(3.01%)	(1,597,000)[1]
Post the Minorities Buyback	43,047,167	83.58%	-	-	8,455,229	16.42%	51,502,396
ESOP Buyback	-	-	-	-	(5,366,662)[2]	(10.42%)	(5,366,662)[2]
Post the Privatisation Transactions	43,047,167	93.31%	-	-	3,088,567	6.69%	46,135,734

1 Assumes the maximum 1,597,000 shares are bought back under the Minorities Buyback
2 Assumes the maximum 5,366,662 shares are bought back under the ESOP Buyback

If the maximum shares are bought back under the Minorities Buyback and the ESOP Buyback, G3 Group will have 3 holders of ordinary shares:

- Wilshire – 43,047,167 ordinary shares (93.31%)
- Mark Brightwell and Augustine – 2,424,167 ordinary shares (5.25%)
- the Formfile Vendors – 664,401 ordinary shares (1.44%).

1.4 Special Meeting

The Company's shareholders will vote on 4 ordinary resolutions in respect of the Privatisation Transactions at the Company's annual meeting of shareholders on 29 September 2017:

- in respect of the Delisting (resolution 3.3 – the **Delisting Resolution**)
- in respect of the Share Acquisitions (resolution 3.4 - the **Share Acquisitions Resolution**)
- in respect of the Minorities Buyback (resolution 3.5 – the **Minorities Buyback Resolution**)
- in respect of the ESOP Buyback (resolution 3.6 – the **ESOP Buyback Resolution**).

We refer to the Delisting Resolution, the Share Acquisitions Resolution, the Minorities Buyback Resolution and the ESOP Buyback Resolution collectively as the **Privatisation Resolutions**.

Any shareholder who is deemed to be an associate of Wilshire is not permitted to vote on the Privatisation Resolutions. Furthermore:

- the Non-associated Shareholders who are eligible to participate in the Minorities Buyback are not permitted to vote on the Minorities Buyback Resolution
- the Non-associated Shareholders who are eligible to participate in the ESOP Buyback are not permitted to vote on the ESOP Buyback Resolution.

1.5 Regulatory Requirements

Fundamental Rule

G3 Group is a code company as defined by the Takeovers Code (the **Code**) and is subject to the provisions of the Code.

Rule 6 of the Code prohibits:

- a person and that person's associates who hold or control less than 20% of the voting rights in a code company from increasing their control of voting rights beyond 20%
- a person and that person's associates holding or controlling 20% or more of the voting rights in a code company from increasing their control of voting rights

unless the person and that person's associates comply with exceptions to this fundamental rule.

Share Acquisitions

One of the exceptions, set out in Rule 7(c) of the Code, enables a person and its associates to increase their holding or control of voting rights by an acquisition of shares if the acquisition is approved by an ordinary resolution of the code company.

The Share Acquisition will result in Wilshire increasing its control of the voting rights in G3 Group from nil to 81.07%.

Accordingly, the Non-associated Shareholders will vote at the Company's annual meeting on the Share Acquisitions Resolution.

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an acquisition under Rule 7(c).

This Independent Adviser's Report is to be included in, or accompany, the notice of meeting pursuant to Rule 15(h).

Minorities Buyback and ESOP Buyback

When a company buys back and cancels its shares, the percentage holding of any shareholder that does not participate in the buyback will increase. Consequently, if a company with a shareholder controlling in excess of 20% wishes to undertake a share buyback, it needs to rely upon an exemption to the Code.

The Takeovers Code (Class Exemptions) Notice (No 2) 2001, as amended by the Takeovers Code (Class Exemptions – Buybacks and Rule 16(b)) Amendment Notice 2010 (the **Buyback Exemptions**), sets out a general exemption for share buybacks.

Clause 4 of the Buyback Exemptions provides an exemption for a shareholder controlling (alone or with their associates) in excess of 20% of the voting rights in a code company to increase its voting control via a share buyback, provided the buyback has been approved by an ordinary resolution of shareholders (excluding shareholders who will rely on clause 4 of the Buyback Exemptions (and their associates)).

Clause 5 of the Buyback Exemptions provides an exemption that does not require shareholder approval, provided the shareholder reduces its percentage holding to pre-buyback levels within 6 months.

As set out in section 1.3, the Minorities Buyback may result in Wilshire increasing its voting rights from its current level of nil up to 83.58%.

Accordingly, the Non-associated Shareholders will vote on the Minorities Buyback Resolution which will permit Wilshire to retain any increase in the voting rights in the Company that they hold or control as a result of the Minorities Buyback up to a maximum of 83.58%.

Clause 3(g) of Schedule 1 of the Buyback Exemptions requires that the notice of meeting containing the resolution in respect of the Minorities Buyback must include or be accompanied by an Independent Adviser's Report that complies with Rule 18 of the Code.

As set out in section 1.3, the ESOP Buyback may result in Wilshire increasing its voting rights from its current level of nil up to 93.31%.

Accordingly, the Non-associated Shareholders will vote on the ESOP Buyback Resolution which will permit Wilshire to retain any increase in the voting rights in the Company that they hold or control as a result of the ESOP Buyback up to a maximum of 93.31%.

Clause 3(g) of Schedule 1 of the Buyback Exemptions requires that the notice of meeting containing the resolution in respect of the ESOP Buyback must include or be accompanied by an Independent Adviser's Report that complies with Rule 18 of the Code.

1.6 Purpose of the Report

The Company's directors not associated with Wilshire, CFT or JDB, being Rob Campbell and Steve Phillips (the **Independent Directors**) have engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the Share Acquisitions, the Minorities Buyback and the ESOP Buyback in accordance with Rule 18 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 30 August 2017 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to the Independent Directors for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the Share Acquisitions Resolution, the Minorities Buyback Resolution and the ESOP Buyback Resolution.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the Share Acquisitions, the Minorities Buyback and the ESOP Buyback in relation to each shareholder. This report on the merits of the Share Acquisitions, the Minorities Buyback and the ESOP Buyback is therefore necessarily general in nature.

This Independent Adviser's Report is not to be used for any other purpose without our prior written consent.

2. Evaluation of the Merits of the Privatisation Transactions

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the Share Acquisitions having regard to the interests of the Non-associated Shareholders.

Clause 3(g) of Schedule 1 of the Buyback Exemptions requires an evaluation of the merits of the Minorities Buyback and the ESOP Buyback and of Wilshire retaining any increase in its voting rights in the Company, having regard to the interests of the Non-associated Shareholders.

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

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

- the Takeovers Panel *Guidance Note on Independent Advisers and the Takeovers Code* dated 20 June 2017
- 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.

Given that the Share Acquisitions, the Minorities Buyback and the ESOP Buyback are integral components of the Privatisation, we are of the view that an assessment of the merits of the Share Acquisitions or the Minorities Buyback or the ESOP Buyback cannot be undertaken in isolation and need to be considered in conjunction with the merits of the Privatisation overall. Accordingly, we are of the view that an assessment of the merits of the Share Acquisitions, the Minorities Buyback and the ESOP Buyback should focus on:

- the rationale for the Privatisation
- the terms of the Share Acquisitions, the Minorities Buyback and the ESOP Buyback
- the alternatives to the Privatisation Transactions
- the financial impact of the Privatisation Transactions
- the impact of the Privatisation on the control of the Company
- the impact of the Privatisation on G3 Group's share price
- the benefits and disadvantages for Wilshire of the Privatisation
- the benefits and disadvantages for the Non–associated Shareholders of the Privatisation
- the implications if the Share Acquisitions Resolution, the Minorities Buyback Resolution and the ESOP Buyback Resolution are not approved.

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 Summary of the Evaluation of the Merits of the Privatisation Transactions

Our evaluation of the merits of the Privatisation is set out in detail in sections 2.3 to 2.13.

The Privatisation will result in Wilshire holding between 81.07% and 93.31% of the voting rights in the Company and G3 Group being delisted from the NXT Market.

The key positive aspect of the Privatisation is that the Non-associated Shareholders (other than Mr Brightwell and Augustine, the Formfile Vendors and the RPS holders) will have the opportunity to sell their shares for $0.75 per share under the Minorities Buyback and the ESOP Buyback.

This is extremely advantageous to the Non-associated Shareholders:

- the Privatisation provides a liquidity event for the Non-associated Shareholders which they otherwise would not be able to access. Trading in the Company's shares is extremely thin, with only 0.2% of the Company's shares having traded in the past year on 10 trading days. The shares last traded at $0.64 on 1 February 2017
- the Buyback Price is significantly higher than our assessment of the fair market value of the Company's shares, which we assess to be in the range of $0.16 to $0.20 per share and higher than the prices at which the Company's shares have traded at since 6 October 2016 (when 1,000 shares traded at $0.75 per share).

The key negative aspect of the Privatisation for Non-associated Shareholders who do not sell their shares via the Minorities Buyback or the ESOP Buyback is that Wilshire will gain significant control of the voting rights in the Company. However, CFT and JDB collectively already have the ability to determine the outcome of shareholding voting and exert significant influence over the Company's board of directors (the **Board**) and the Company's operations. Therefore, from a control perspective, the Non-associated Shareholders' position will not deteriorate to any significant degree.

The implications of any of the Share Acquisitions Resolution, the Minorities Buyback Resolution or the ESOP Buyback Resolution not being approved by the Non-associated Shareholders are that the respective transaction will not proceed. However, the Privatisation Resolutions are not interdependent and therefore one or more of the Privatisation Transactions may proceed if approved. If the Delisting proceeds, then the Non-associated Shareholders' shares will be even more illiquid then they currently are. Without the liquidity event offer by the Minorities Buyback and the ESOP Buyback, the Non-associated Shareholders will be in a worse position then they currently are.

In our opinion, after having regard to all relevant factors, the positive aspects of the Privatisation Transactions significantly outweigh the negative aspects from the perspective of the Non–associated Shareholders.

2.3 Rationale for the Privatisation

The Board does not consider it is appropriate for G3 Group to remain listed on the NXT Market for a number of reasons:

- the NXT Market has not achieved critical mass since its establishment. There are only 4 companies listed on the NXT Market (including G3 Group)
- the Company's shares have only occasionally traded. In the past year, only 0.2% of the Company's shares have traded on 10 days
- the costs of maintaining an NXT Market listing are significant. In the 2017 financial year, the costs associated with the listing (including the Independent Directors' fees and NZX listing fees) were in excess of $0.2 million.

We concur with the Board's views that the costs of being listed on the NXT Market are disproportionate when compared with the benefits that may be derived from the listing.

In the event that G3 Group is delisted, then the liquidity of the shares held by the Non-associated Shareholders will be further reduced. Accordingly, we consider the rationale for the Privatisation to be sound.

2.4 Terms of the Share Acquisitions

CFT, JDB and June Be bono have entered into Agreements for Sale and Purchase of Shares with Wilshire dated 31 August 2017 (the **Share Sale Agreements**) whereby they have agreed to sell all of their G3 Group ordinary shares in exchange for an equal number of limited partnership interests in Wilshire.

The Share Acquisitions are conditional on shareholder approval of the Share Acquisitions Resolution.

The Share Acquisitions represent a consolidation of Company co-founders Evan Christian's and Jason Butler's shareholdings in G3 Group into a single entity (Wilshire). CFT, JDB and June Be bono will have the same relative proportionate interest in Wilshire as they currently have in G3 Group. Thus from an economic perspective, they are each in no different a position to that prior to the Share Acquistions. However, Wilshire will be under the effective control of Mr Christian.

2.5 Terms of the Minorities Buyback and the ESOP Buyback

The key terms of the Minorities Buyback and the ESOP Buyback are:

- the Company proposes to buy back up to 1,597,000 ordinary shares under the Minorities Buyback and up to 5,366,662 ordinary shares under the ESOP Buyback
- the Company will pay $0.75 per share at the time of the purchase
- the consideration paid under the ESOP Buyback will be used to repay the outstanding loans on the shares
- the shares acquired under the Minorities Buyback and the ESOP Buyback will be cancelled.

Buyback Price

The shares will be bought back by G3 Group at $0.75 per share.

ESOP Shares Issue Price

The Buyback Price is the same as the price that the Company issued 6,933,327 ordinary shares to its independent directors and senior managers on 16 June 2015 under the ESOP.

It is also the price paid by the Company when it has bought back and cancelled 1,566,665 of these shares between 14 September 2016 and 7 September 2017 from 5 employees who are no longer employed by G3 Group.

Share Trading

An analysis of the Company's share price is set out in section 3.10. Trading in G3 Group's shares is extremely thin. The shares last traded on 1 February 2017 at $0.64.

On the day that the Privatisation was announced (23 June 2017), the Buyback Price of $0.75 per share represented:

- a 17% premium to the closing share price of $0.64 (based on the 1 February 2017 trade)
- a 19% premium to the 6 months volume weighted average share price (**VWAP**) of $0.63
- a 14% premium to the one year VWAP of $0.66.

The shares last traded above the Buyback Price on 13 September 2016, when 5,000 shares traded at $0.80 per share.

Valuation Assessment

Set out in section 4 is our assessment of the fair market value of G3 Group's shares.

In our opinion, the fair market value of the Company's shares is in the range of $0.16 to $0.20 per share at the present date.

The Buyback Price of $0.75 represents a premium of 275% to 369% over the assessed fair market value of the Company's shares.

Given that the Buyback Price is significantly above both the prices at which the Company's shares have traded in recent times and our assessment of the fair market value of the shares, we consider the Buyback Price to be fair to the Non-associated Shareholders who accept the respective buyback offers.

Repayment of ESOP Loans

Under the ESOP Buyback, the consideration paid for the shares will be used to repay the outstanding loans on the shares. The loans amount to $0.75 per share. Accordingly, the loans outstanding on the shares will be fully repaid.

Given the Company's current share price and lack of liquidity, the ESOP Buyback provides the applicable Non-associated Shareholders with the opportunity to fully extinguish a liability owing to the Company that they would unlikely be able to achieve through an on-market sale of their shares.

2.6 Alternatives to the Privatisation Transactions

As an alternative to the Privatisation Transactions, Wilshire could launch a full takeover offer under the provisions of the Code.

We presume Wilshire has not pursued this approach due to:

- a full takeover offer would potentially take longer to complete
- a full takeover offer is likely to be more expensive to undertake
- there is no certainty that the takeover offer would be successful
- in the event that Wilshire did not acquire 100% of the Company's shares under the takeover offer and Wilshire still wished to pursue the Delisting, then the Company would need to seek shareholder approval to effect the Delisting.

We consider the Minorities Buyback and the ESOP Buyback to be as appealing a transaction structure to the Non-associated Shareholders (other than Mr Brightwell and Augustine and the Formfile Vendors) as a full takeover offer at $0.75 per share would be. In fact, the Minorities Buyback and the ESOP Buyback would likely be more appealing as payment for the shares would likely be more prompt under a buy back than under a takeover offer.

Furthermore, we are of the view that if Wilshire were to make a full takeover offer, there would be no commercial or economic rationale to do so at $0.75 per share, given that we assess the fair market value of the Company's shares to be in the range of $0.16 to $0.20 as at the present date.

2.7 Financial Impact of the Privatisation Transactions

A summary of G3 Group's recent financial position is set out in section 3.8.

G3 Group's unaudited total equity as at 31 July 2017 was $3.7 million. It had $1.7 million of cash on hand and $9.0 million of interest bearing debt (**IBD**) at that date.

If G3 Group buys back the maximum 1,597,000 shares under the Minorities Buyback and 5,366,662 shares under the ESOP Buyback, it will outlay $5,222,747.

The $4,024,997 maximum outlay under the ESOP Buyback will be used to repay the loans totalling the same amount provided by G3 Group when it issued the shares under the ESOP on 16 June 2015.

Therefore the maximum net outlay for the Company will be $1,197,750 (being the maximum amount payable under the Minorities Buyback).

Based on the its financial position as at 31 July 2017, the Company has sufficient cash resources to fund the Minorities Buyback.

2.8 Impact on Control

Share Capital and Shareholders

G3 Group currently has 53,099,396 fully paid ordinary shares on issue held by 79 shareholders. The names, number of shares and percentage holding of the Company's shareholders are set out in Appendix I.

CFT and JDB currently collectively hold or control 78.56% of the Company's ordinary shares and the 10 largest shareholders collectively hold 96.01% of the Company's ordinary shares.

Shareholding Voting

CFT and JDB each currently have significant influence over the outcome of shareholding voting through their 39.64% and 38.92% respective shareholdings.

At present, CFT and JDB are each able to singlehandedly block special resolutions (which require the approval of 75% of the votes cast by shareholders). Neither CFT or JDB currently have the ability to singlehandedly pass special resolutions or pass or block ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders). However, if CFT and JDB were to vote in the same manner, then together their combined 78.56% voting rights could currently control the outcome of any ordinary resolutions and special resolutions that they were permitted to vote.

Following the Privatisation Transactions, Wilshire will control between 81.07% and 93.31% of the Company's voting rights (depending on the number of shares bought back under the Minorities Buyback and the ESOP Buyback).

Wilshire's ability to influence the outcome of shareholder voting on any resolution that it is permitted to vote on will be absolute. However, Mr Christian and Mr Butler already hold this ability collectively and the Share Acquisitions represent a consolidation of their shareholdings into a single entity. Thus from a Non-associated Shareholder's perspective, the Privatisation Transactions will have negligible impact on the control of shareholding voting.

Dominant Owner

When a shareholder reaches a shareholding of 90% or more of the shares in the company they are called a Dominant Owner under the Code and have the right to compulsorily acquire the remaining shares in the company from the remaining shareholders.

Therefore if Wilshire holds at least 90% of G3 Group's shares following the Privatisation Transactions, it will have the right to undertake a compulsory acquisition of the remaining shares.

Board Control

As set out in section 3.3, the Company currently has 4 directors, including Mr Christian and Mr Butler. Accordingly, Wilshire and its associates already have significant influence over the Board.

Operations

Wilshire and its associates already have significant influence over the operations of the Company through their Board representation.

2.9 Impact on Share Price and Liquidity

The Company's shares are listed on the NXT Market. The analysis in section 3.10 shows that G3 Group's shares are very thinly traded, with only 0.2% of the shares being traded in the past year on 10 days. The shares last traded on 1 February 2017.

The Privatisation Transactions will result in the Delisting and accordingly the Company's shares will no longer be listed on the NXT Market.

2.10 Key Benefits to Wilshire

The Share Acquisitions provide Wilshire with the opportunity to consolidate the shareholdings controlled by Mr Christian and Mr Butler into a single entity which will hold 81.07% of the Company's shares. The Minorities Buyback and the ESOP Buyback will increase Wilshire's shareholding level to up to 93.31% (depending on the number of shares bought back).

If Wilshire holds less than 90% of the Company's shares, it will be able to utilise the *creep* provisions of Rule 7(e) of the Code. The *creep* provisions enable entities that hold more than 50% and less than 90% of the voting securities in a code company to buy up to a further 5% of the code company's shares per annum without the need for shareholder approval.

If Wilshire holds 90% or more of the Company's shares and becomes a Dominant Owner, it will be able to compulsorily acquire the remaining shares in the Company.

2.11 Disadvantages to Wilshire

The key risks faced by the Company are set out in section 3.6. As Wilshire's ownership in G3 Group increases to up to 93.31%, so does its exposure to these risks.

2.12 Other Issues

Non–associated Shareholders' Approval is Required

Pursuant to Rule 7(c) of the Code, the Non–associated Shareholders must approve by ordinary resolution the Share Acquisitions and pursuant to the Buyback Exemptions, they must approve by ordinary resolutions the Minorities Buyback and the ESOP Buyback.

The Privatisation Transactions will not proceed unless the Non–associated Shareholders approve the respective Privatisation Resolutions.

Unlikely to Change the Possibility of a Takeover Offer

Given that CFT and JDB currently collectively hold 78.56% of the Company's shares, we consider the likelihood of a takeover offer for the Company from a third party to be limited.

As stated in section 2.5, we consider the structure of the Privatisation Transactions to be at least as appealing to the Non-associated Shareholders and more appealing to Wilshire than a takeover offer.

2.13 Implications of the Share Acquisitions Resolution, the Minorities Buyback Resolution and the ESOP Buyback Resolution not Being Approved

If the Share Acquisitions Resolution is not approved, then Wilshire will not be able to acquire the shares held by CFT, JDB and June Be bono. Mr Christian and Mr Butler would still be able to collectively exert significant control over shareholding voting, the Board and the Company's operations. The Delisting could still proceed and, if approved, the Minorities Buyback and / or the ESOP Buyback could proceed.

If the Minorities Buyback Resolution is not approved, then the Non-associated Shareholders eligible for the Minorities Buyback will not have the opportunity to sell their shares for $0.75 per share. We consider the opportunity for these shareholders to realise this price for their shares on-market to be negligible at this point in time. The Delisting could still proceed and, if approved, the Share Acquisitions and / or the ESOP Buyback could proceed.

If the ESOP Buyback Resolution is not approved, then the Non-associated Shareholders eligible for the ESOP Buyback will not have the opportunity to sell their shares for $0.75 per share and repay their loans in respect of those shares. We consider the opportunity for these shareholders to realise this price for their shares on-market to be negligible at this point in time. The Delisting could still proceed and, if approved, the Share Acquisitions and / or the Minorities Buyback could proceed.

2.14 Voting For or Against the Share Acquisitions Resolution, the Minorities Buyback Resolution and the ESOP Buyback Resolution

Voting for or against the Share Acquisitions Resolution, the Minorities Buyback Resolution and the ESOP Buyback Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

3. Profile of G3 Group

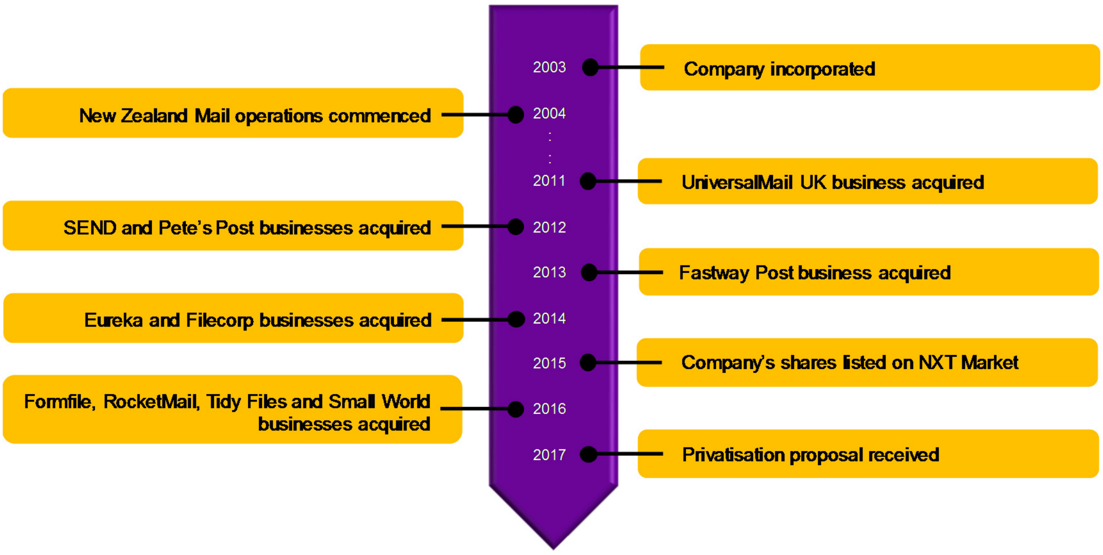
3.1 Background

The Company was incorporated on 15 December 2003 as Mail Holdings Limited. It changed its name to SEND Group Limited on 18 September 2012 and to G3 Group Limited on 31 March 2015.

The Company began operations in New Zealand in 2004 as a small mail operator under the *New Zealand Mail* brand.

The Company listed its 53,883,327 shares on the NXT Market on 18 June 2015 by way of a compliance listing.

The Company's key events are set out below.



3.2 Nature of Operations

G3 Group operates 3 principal business divisions:

- document and data management products and services in New Zealand and Australia
- tourist collateral products in the UK
- postal products and services in New Zealand.

Document and Data Management

New Zealand

G3 Group provides a range of document management products and services to enable businesses to manage and store their in-house documents and records:

- lateral filing systems
- document cataloguing software and labels
- drawer filing
- cabinets

- desk tidy rack
- filing accessories including clips, organisers etc.

These products and services are available direct through the Company's document management brands *Filecorp*, *Eureka* and *Daltons* or at leading office product retail outlets.

Australia

The *Formfile* Group specialises in document and data management including the conversion of physical paper documents into automated digital workflows.

Established 28 years ago in Melbourne, *Formfile* offers a complete suite of document and data management services to Australian businesses of all sizes, allowing them to more efficiently manage, maintain and access their vital business data.

Formfile provides specialist advice on best practice document workflows in both paper-based and digital formats. Documents and data are managed by *Formfile* either physically within one of *Formfile*'s storage facilities, onsite at a customer location or stored in a cloud-based digital environment.

UK Tourist Collateral Products

UniversalMail UK was established in 2009 and is a producer of tourist related souvenir products including bespoke postage stamps and wall decals.

An access agreement with Royal Mail enables any postcard bearing a *UniversalMail UK* postage stamp to be mailed through Royal Mail's network of red post boxes and post offices located throughout the UK.

New Zealand Postal Products and Services

The New Zealand postal market was deregulated in 1998, becoming one of the first in the world to see the development of domestic competition for the retailing and delivery of letters.

G3 Group has established a presence in many areas of the market through its operating companies. The Company is a party to an access agreement with NZ Post that provides G3 Group with wholesale access to NZ Post's postal network. NZ Post charges the Company a wholesale rate for that access.

New Zealand Mail was established in 2004 and is a specialist postal operator that caters primarily to business mail customers with a broad spectrum of professional requirements. *New Zealand Mail* also produces stamps for general mail that are available from leading retailers.

SEND provides a postal service that has a focus on delivering better value to clients through its ability to make use of the most appropriate delivery network for mail delivery depending on the client's needs and location. *SEND* has arrangements with alternative delivery networks such as the DX Mail network to drive additional flexibility for the postal market offerings of the group.

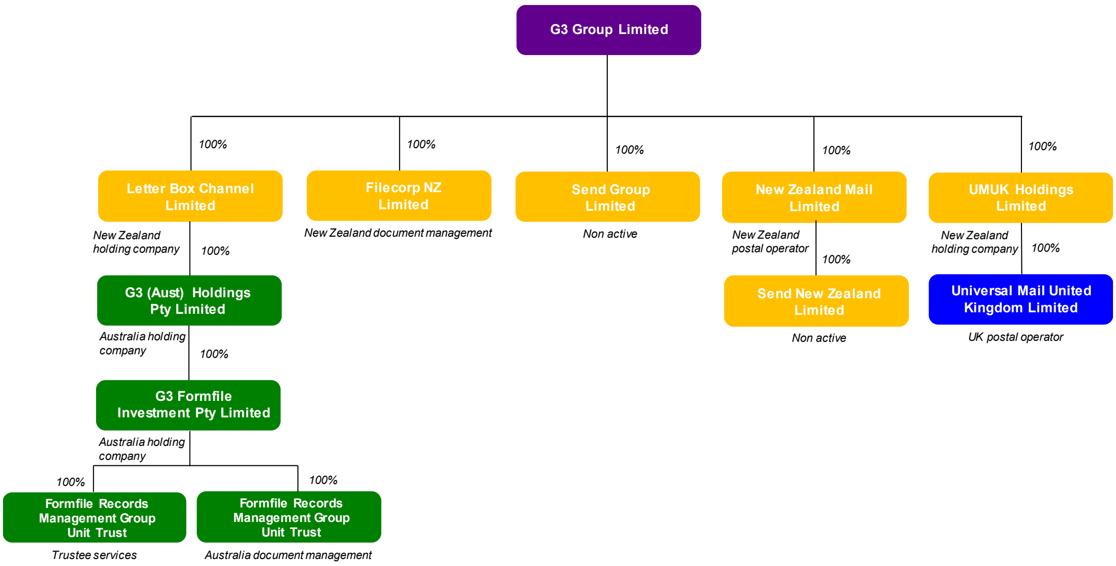
Pete's Post was one of the original competitors to NZ Post and has become a well known competitor brand in the postal market. The prepaid envelope portion of the *Pete's Post* business was acquired by the G3 Group in 2012.

Fastway Post provides an alternative retail network with over 180 retailers throughout New Zealand. *Fastway Post* was acquired from Fastway Couriers in 2013.

Rocket Mail provides professional mailing services to large and small businesses throughout New Zealand. Its complete mail-house offer includes data processing and content management, inkjet printing, laser printing, insertion, direct mailing, postal services (both domestic and international) as well as storage and fulfilment services.

Group Structure

G3 Group's group structure is set out below.



3.3 Directors and Senior Management

The directors of G3 Group are:

- Jason Butler, associated with JDB
- Rob Campbell, independent chair
- Evan Christian, associated with CFT
- Steve Phillips, independent.

G3 Group's senior management team consists of:

- Rob Alker – chief operating officer
- Les Harvey – chief financial officer.

3.4 Capital Structure and Shareholders

Ordinary Shares

G3 Group currently has 53,099,396 fully paid ordinary shares on issue held by 79 shareholders as set out in Appendix I.

The names, number of shares and percentage holding of the 10 largest shareholders as at 8 September 2017 are set out below.

G3 Group's 10 Largest Shareholders		
Shareholder	**No. of Shares Held**	**%**
CFT	20,948,584	39.45%
JDB	20,565,250	38.73%
Mark Brightwell and Augustine	2,424,167	4.57%
June Be bono	1,333,333	2.51%
Rob Campbell	1,333,333	2.51%
Rob Alker	1,333,333	2.51%
Paul Christian	990,000	1.86%
David Butler	717,332	1.35%
David Allan	666,666	1.26%
Dominic Bish	666,666	1.26%
Subtotal	50,978,664	96.01%
Others (69 shareholders)	2,120,732	3.99%
Total	53,099,396	100.00%

Source: NZX Company Research

CFT is controlled by G3 Group co-founder and director Evan Christian.

JDB holds the shares on behalf of interests associated with G3 Group co-founder and director Jason Butler.

Mark Brightwell was the Company's chief executive officer up until 14 May 2017.

Employee Share Ownership Plan

The Company established the ESOP on 24 April 2015. On 16 June 2015, G3 Group issued 6,933,327 ordinary shares to its independent directors and senior management at an issue price of $0.75 per share and provided $5.2 million of loans to enable payment of the issue price.

Recipients of shares under the ESOP included:

- Rob Campbell, independent chair – 1,333,333 shares
- Steve Phillips, independent director – 333,333 shares
- Mark Brightwell, former chief executive officer – 1,333,333 shares
- Rob Alker, chief operating officer – 1,333,333 shares.

Since then, the Company has bought back and cancelled 1,566,665 shares from employees who are no longer employed by G3 Group. The shares have been bought back at $0.75 per share and the proceeds have been used to repay the associated loans.

Redeemable Preference Shares

G3 Group issued 125,000 RPSs on 14 December 2016 to the vendors of the Small World business.

The RPSs are non-voting, not entitled to dividends and only participate in the Company's residual assets to the amount paid up on them. The RPSs may be converted into ordinary shares 60 days following the first and second anniversary of the Company's acquisition of the Small World business at a conversion price of $0.62 per share, subject to the Small World business meeting certain earnout targets.

3.5 Growth Strategy

G3 Group's growth strategy is based on:

- continuing to grow the existing business operations organically
- acquiring businesses which are complementary to the existing business operations
- increasing the Company's market share in the various markets it operates within
- entering new geographical markets
- acquiring high-technology businesses that focus on data management
- growing revenues and strengthening margins with a view to continuing to develop sustainable earnings before interest, tax, depreciation and amortisation (**EBITDA**) performance.

3.6 Key Issues Affecting the Company

The main industry and specific business factors and risks that the Company faces include:

- the trend of declining mail volumes due to the transition to electronic communications
- the termination of access agreements with NZ Post and Royal Mail would have a major adverse impact on *New Zealand Mail's* and *UniversalMail UK's* respective business operations
- country risks arising from possible changes in the political, regulatory and economic environments in the UK and Australia were the Company operates in
- foreign currency fluctuations may adversely affect earnings
- the Company may not be able to retain its key personnel
- the inability to adequately finance the Company's operations may stall the development and growth of its business.

3.7 Financial Performance

A summary of G3 Group's recent financial performance is set out below.

Summary of G3 Group Financial Performance

	Year to 31 Mar 15 (Audited) $000	Year to 31 Mar 16 (Audited) $000	Year to 31 Mar 17 (Audited) $000	Year to 31 Mar 18 (Forecast) $000
Revenue	40,527	43,945	51,971	50,416
Gross profit	8,754	10,399	12,804	11,002
EBITDA	3,692	4,339	5,290	4,522
EBIT	3,536	3,526	(7,545)	3,512
Profit / (loss) before Income tax	2,597	3,019	(8,271)	3,048
Profit / (loss) for the year after taxation	1,909	2,142	(9,272)	2,286

EBIT: Earnings before interest and tax

Source: G3 Group audited financial statements and 2018 forecast

G3 Group's main source of revenue is from its *New Zealand Mail* operations, representing 79% of the Company's revenue in the 2017 financial year and 77% of forecast revenue in the 2018 financial year.

Gross profit is after direct cost of sales and NZ Post and Royal Mail access costs. Gross margin has ranged between 22% and 25% in the past 3 years and is forecast to be 22% in the 2018 financial year.

G3 Group's main operating expenses are salaries and wages, representing 5% to 7% of revenue each year.

The Company's revenue in the 2015 financial year increased by 26%, driven mainly by growth in *New Zealand Mail* revenue which accounted for 87% of G3 Group's revenue. Gross margin was 22% in the 2015 financial year.

Revenue increased by 8% in the 2016 financial year, with new revenue from the Documents and Data Management division more than offsetting lower postal revenue. Gross margin improved to 24% due to higher margins being achieved by the Documents and Data Management division.

Revenue increased by 18% in the 2017 financial year, driven mainly by the acquisitions of the Formfile, RocketMail, Tidy Files and Small World businesses. Gross margin improved slightly to 25%. Expenses included a $11.7 million impairment charge in respect of *UniversalMail UK's* goodwill, resulting in a net loss after tax of $9.3 million for the year.

The forecast for the 2018 financial year is based on actual results for the 4 months ended 31 July 2017 and forecast results for the 8 months to 31 March 2018. The key assumptions in the forecast are:

- revenue decreasing by 3% to $50.4 million, driven primarily by a $2.2 million decrease in *New Zealand Mail* revenue from $40.8 million to $38.6 million
- gross margin of 22%
- operating expenses reducing by $1.1 million to $6.5 million
- EBITDA margin of 9%
- EBIT margin of 7%.

3.8 Financial Position

A summary of G3 Group's recent financial position is set out below.

Summary of G3 Group Financial Position

	As at 31 Mar 15 (Audited) $000	As at 31 Mar 16 (Audited) $000	As at 31 Mar 17 (Audited) $000	As at 31 Jul 17 (Unaudited) $000
Current assets	8,053	9,145	9,289	9,642
Non current assets	19,843	24,095	11,776	11,452
Total assets	27,896	33,240	21,065	21,094
Current liabilities	(14,685)	(10,404)	(9,741)	(8,840)
Non current liabilities	(3,272)	(10,301)	(8,581)	(8,566)
Total liabilities	(17,957)	(20,705)	(18,322)	(17,406)
Total equity	9,939	12,535	2,743	3,688

Source: G3 Group audited financial statements and management accounts for the 4 months ended 31 July 2017

G3 Group's main current assets are trade receivables and inventories.

G3 Group's main non current assets are intangible assets (in the form of acquired brands and customer relationships) and goodwill (arising from business acquisitions). A $11.7 million impairment charge in respect of the *UniversalMail UK* goodwill was recorded in the 2017 financial year.

Current liabilities consist mainly of trade and other payables and borrowings. Non current liabilities consist mainly of borrowings.

G3 Group had cash on hand of $1.7 million as at 31 July 2017 and $9.0 million of IBD at that date. IBD consisted mainly of secured bank loans.

3.9 Cash Flows

A summary of G3 Group's recent cash flows is set out below.

Summary of G3 Group Cash Flows

	Year to 31 Mar 15 (Audited) $000	Year to 31 Mar 16 (Audited) $000	Year to 31 Mar 17 (Audited) $000	Year to 31 Mar 18 (Forecast) $000
Net cash inflow from operating activities	3,365	2,433	2,995	1,465
Net cash outflow from investing activities	(1,208)	(3,066)	(1,387)	498
Net cash from (used in) financing activities	(3,779)	914	(1,944)	(1,953)
Net increase / (decrease) in cash	(1,622)	281	(336)	10
Opening cash balance	2,455	815	1,089	710
Effect of exchange rate movements	(18)	(7)	(43)	-
Closing cash balance	815	1,089	710	720

Source: G3 Group audited financial statements and 2018 forecast

Cash inflows from operating activities reflect the operating profits made by the Company each year.

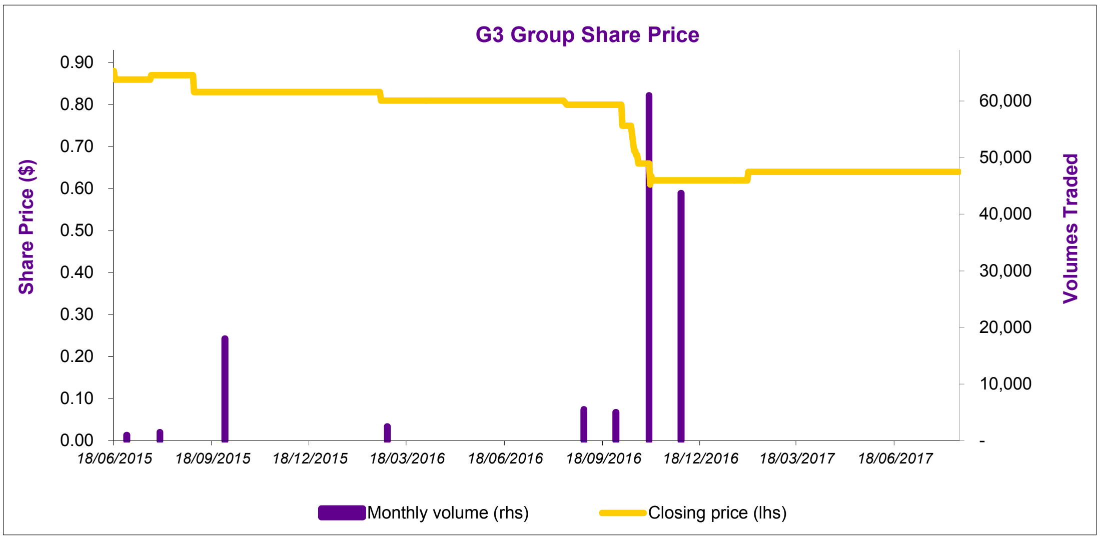
Cash outflows from investing activities mainly reflect:

- the acquisition of the Filecorp and Eureka businesses in the 2015 financial year
- the acquisition of the Formfile business in the 2016 financial year
- the acquisition of the RocketMail, Tidy Files and Small World businesses in the 2017 financial year.

Cash flows from financing activities mainly reflect IBD drawdowns / repayments.

3.10 Share Price History

Set out below is a summary of G3 Group's daily closing share price and daily volumes of shares traded from 18 June 2015 (when its shares were listed on the NXT Market) to 13 September 2017.



Source: NZX Company Research

During the period, G3 Group's shares have traded between $0.61 and $0.88 at a VWAP of $0.71.

Trading in the Company's shares is extremely thin, reflecting that 78.56% of the shares are currently held by CFT and JDB and the top 10 shareholders collectively hold 96.01% of the shares. The shares last traded on 1 February 2017 at $0.64. Only 0.2% of the Company's shares have traded in the past year on 10 days.

An analysis of recent VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) is up to 13 September 2017 set out below.

Share Trading up to 13 September 2017

Period	Low ($)	High ($)	VWAP ($)	Volume Traded (000)	Liquidity
1 month	n/a	n/a	n/a	n/a	n/a
3 months	n/a	n/a	n/a	n/a	n/a
6 months	n/a	n/a	n/a	n/a	n/a
12 months	0.61	0.75	0.65	122	0.2%

n/a: Not applicable as the shares did not trade

Source: NZX Company Research

4. Valuation of G3 Group

4.1 Introduction

As the Privatisation will result in Wilshire gaining significant control over G3 Group, we are of the view that the appropriate basis upon which to evaluate the fairness of the Buyback Price is to compare it with the full underlying value of G3 Group on a standalone basis, pro-rated across all shares.

4.2 Standard of Value

We have assessed the fair market value of 100% of the shares in G3 Group.

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 free cash flows (**FCF**), recognising the time value of money and risk. The value of an investment is equal to the value of 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

We have assessed the fair market value of G3 Group using the capitalisation of earnings method.

The capitalisation of earnings method that we have applied derives an assessment of the value of the core operating business, prior to considering how the business is financed or whether it has any significant surplus assets. This ungeared business value is commonly referred to as the enterprise value and represents the market value of the operating assets (i.e. operating working capital, fixed assets and intangible assets such as brand names, licences, know-how and general business goodwill) that generate the operating income of the business.

In order to assess the value of G3 Group's shares, we have added the value of cash and cash equivalents to the Company's enterprise value and deducted IBD.

4.5 Capitalisation of Earnings Valuation

Overview

We have assessed the Company's future maintainable earnings and have reviewed the market valuation and operational performance of comparable companies to derive a range of earnings multiples to apply to our assessed level of maintainable earnings.

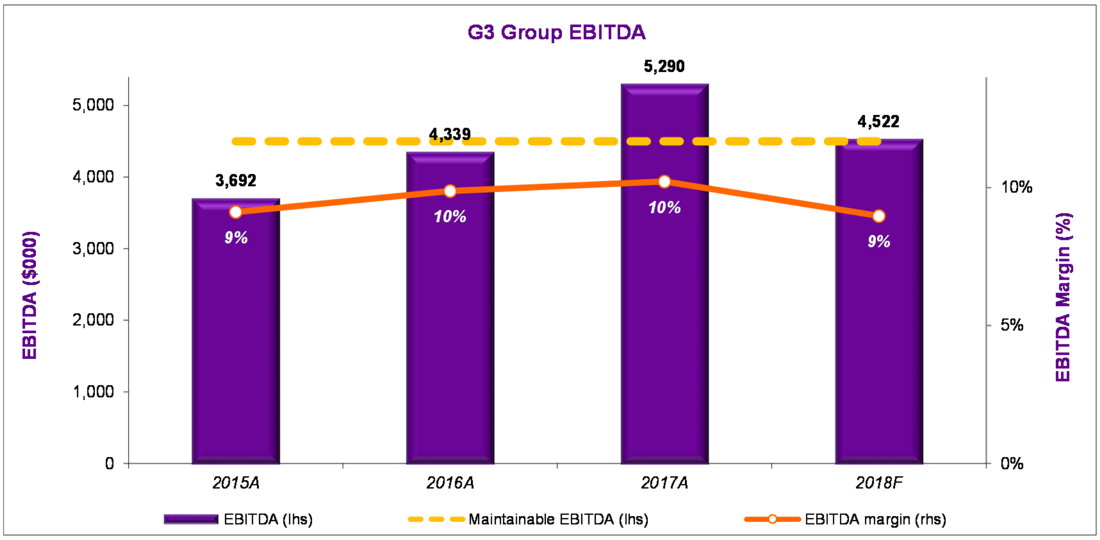
Future Maintainable Earnings

The evaluation of maintainable earnings involves an assessment of the level of profitability which (on average) the business can expect to generate in the future, notwithstanding the vagaries of the economic cycle.

The assessment of maintainable earnings is made after considering such factors as the risk profile of the business, the characteristics of the market in which it operates, its historical and forecast performance, non-recurring items of income and expenditure and known factors likely to impact on future operating performance.

We have used EBITDA as the measure of earnings. The use of EBITDA and EBITDA multiples is common in valuing businesses for acquisition purposes as it eliminates the effect of financial leverage which is ultimately in the control of the acquirer and also eliminates any distortions from the tax position of the business and differing accounting policies in respect of depreciation and the amortisation of intangible assets.

The graph below sets out G3 Group's reported EBITDA for the past 3 years and its forecast EBITDA for the 2018 financial year.



G3 Group's adjusted EBITDA has ranged from $3.7 million in the 2015 financial year to $5.3 million in the 2017 financial year and it is forecasting EBITDA of $4.5 million in the 2018 financial year.

Given the Company's numerous acquisitions over recent times, we have assessed maintainable EBITDA based on G3 Group's forecast EBITDA for the 2018 financial year of $4.5 million. We note that this approximates G3 Group's average EBITDA between the 2015 and 2018 financial years.

Earnings Multiple

Actual sales of comparable businesses can provide reliable support for the selection of an appropriate earnings multiple. In addition, we can infer multiples from other evidence such as minority shareholding trades for listed companies in New Zealand and overseas with similar characteristics to G3 Group or transactions involving businesses in the same industry.

However, there are a limited number of companies that are truly comparable with G3 Group who operate both mail and document management businesses.

Transaction Multiples

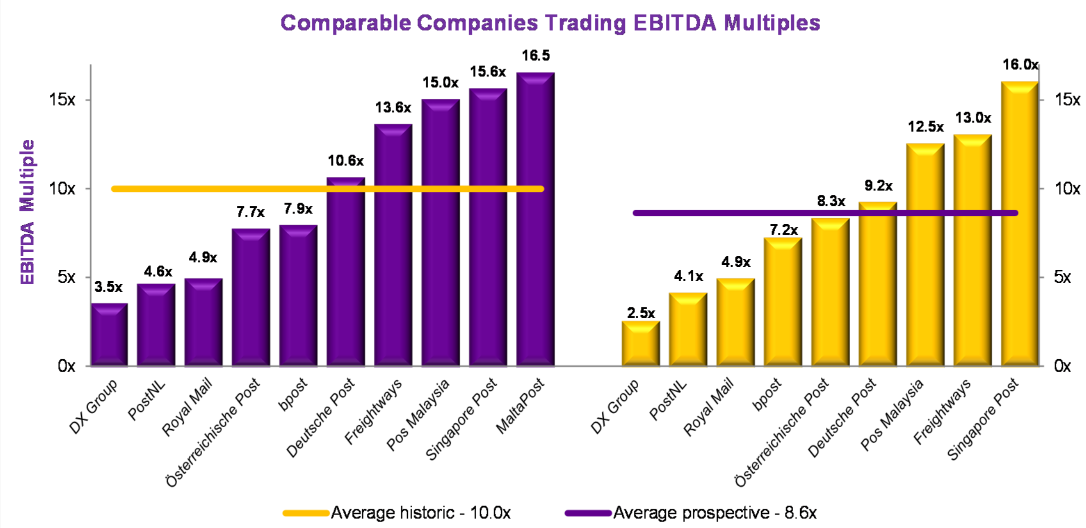
We were not able to identify any recent transactions involving businesses that are truly comparable with G3 Group.

Trading Multiples

In the absence of truly comparable listed companies, we have reviewed the historic and prospective EBITDA multiples for 10 listed companies operating in the mail services industry. This data is set out in Appendix I.

We consider companies operating in the mail services sector to be more appropriate for determining an EBITDA multiple for G3 Group as the *New Zealand Mail* operations represent approximately three quarters of the Company's revenue. We note that some of the selected comparable companies also undertake document management services.

The mail services sector companies' multiples are based on minority trades and as such do not include any premium for control.



Source: S&P Capital IQ, data as at 13 September 2017

The analysis shows that the historic EBITDA trading multiples range from 3.5x to 16.5x at an average of 10.0x and the prospective EBITDA trading multiples range from 2.5x to 16.0x at an average of 8.6x.

Conclusion

The mail services sector companies are significantly larger than G3 Group, have a more diverse range of operations, report much higher EBITDA margins and are a much more liquid investment. Accordingly, we are of the view that an appropriate EBITDA multiple for G3 Group would be significantly lower than that observed for the mail services sector companies on average.

We consider an appropriate prospective EBITDA multiple for G3 Group to be in the range of 3.5x to 4.0x.

Valuation Conclusion

We assess the value of G3 Group's business to be in the range of $15.8 million to $18.0 million as at the present date based on the capitalisation of earnings method.

Valuation of G3 Group Business		
	Low $000	**High $000**
Future maintainable EBITDA	4,500	4,500
EBITDA multiple	3.5x	4.0x
Value of G3 Group business	15,750	18,000

4.6 Valuation of G3 Group Shares

To derive the value of the G3 Group shares, the Company's cash and cash equivalents are added to the enterprise value and IBD is deducted.

The Company held cash and cash equivalents of $1.7 million as at 31 July 2017 and its IBD at that date totalled $9.0 million.

We assess the fair market value of 100% of the shares in G3 Group to be in the range of $8.5 million to $10.8 million as at the present date. This equates to a value of $0.16 to $0.20 per share.

Valuation of G3 Group Shares

	Low $000	High $000
Value of G3 Group business	15,750	18,000
Cash and cash equivalents	1,741	1,741
IBD	(8,988)	(8,988)
Value of G3 Group shares	8,503	10,753
Number of ordinary shares currently on issue	53,099,396	53,099,396
Value per ordinary share	$0.16	$0.20

The valuation represents the full underlying standalone value of G3 Group based on its current strategic and operational initiatives. The value exceeds the price at which we would expect minority interests in G3 Group to trade at the present time in the absence of a takeover offer.

4.7 Implied Multiples

The value range of $0.16 to $0.20 per share implies EBITDA, EBIT, price earnings (**PE**) and net assets multiples as set out below. The earnings multiples are based on G3 Group's actual results for the 2017 financial year and its forecast for the 2018 financial year.

Implied Multiples

	31 March 17 (Actual)		31 Mar 18 (Forecast)	
	Low	High	Low	High
EBITDA multiple	3.0x	3.4x	3.5x	4.0x
EBIT multiple	n/a	n/a	4.5x	5.1x
PE multiple	n/a	n/a	3.7x	4.7x
Net assets multiple [1]	2.3x	2.9x		

n/a: Not applicable as earnings were negative

1 Based on net assets as at 31 July 2017

We consider the implied multiples to be reasonable.

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 draft notice of annual meeting
- the Share Sale Agreements
- the G3 Group annual reports for the years ended 31 March, 2014 to 2017
- the G3 Group management accounts for the 4 months ended 31 July 2017
- the G3 Group forecast for the year ended 31 March 2018
- G3 Group's Board minutes between 6 May 2014 and 23 June 2017
- data in respect of G3 Group and comparable companies from NZX Company Research, S&P Capital IQ and publicly available sources.

During the course of preparing this report, we have had discussions with and / or received information from the Independent Directors and executive management of G3 Group and G3 Group's legal advisers.

The Independent Directors have confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the Privatisation Transactions that is known to them and that all the information 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 desirable for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information to be provided by G3 Group to the Non-associated Shareholders is sufficient to enable the Independent Directors and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Privatisation Transactions.

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 G3 Group 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 G3 Group. 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 G3 Group 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 G3 Group 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, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

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 our report.

We have had no involvement in the preparation of the notice of annual meeting issued by G3 Group and have not verified or approved the contents of the notice of annual meeting. We do not accept any responsibility for the contents of the notice of annual meeting except for this report.

5.4 Indemnity

G3 Group 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 the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. G3 Group 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 or term of reference, 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 G3 Group, Wilshire, CFT or JDB or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the Privatisation Transactions.

Simmons Corporate Finance has not had any part in the formulation of the Privatisation Transactions 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 voting in respect of the Share Acquisitions Resolution or the Buyback Resolution. 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 Directors for their comments as to the 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 included in the notice of special meeting to be sent to the Non–associated 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
14 September 2017

Appendix I

G3 Group Shareholders

G3 Group Shareholders										
					Non-associated Shareholders					
			CFT / JDB / Be bono		ESOP		Minorities		Others	
Shareholder	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%
Christian Family Trust Limited	20,948,584	39.45%	20,948,584	39.45%						
JDB Trustee Services Limited and JBT Trustee Limited	20,565,250	38.73%	20,565,250	38.73%						
Mark Brightwell and Augustine Trustee Limited	2,424,167	4.57%							2,424,167	4.57%
Robin Alker	1,333,333	2.51%			1,333,333	2.51%				
June Be bono	1,333,333	2.51%	1,333,333	2.51%						
Rob Campbell	1,333,333	2.51%			1,333,333	2.51%				
Paul Christian	990,000	1.86%					990,000	1.86%		
David Butler	717,332	1.35%			666,666	1.26%	50,666	0.10%		
David Allan	666,666	1.26%			666,666	1.26%				
Dominic Bish	666,666	1.26%			666,666	1.26%				
Mills Beach Estate Pty Limited	664,401	1.25%							664,401	1.25%
Steve Phillips	333,333	0.63%			333,333	0.63%				
FNZ Custodians Limited	218,000	0.41%	200,000	0.38%			18,000	0.03%		
Hai Su Wang	133,333	0.25%			133,333	0.25%				
Diane Christian and Logan Christian	133,333	0.25%					133,333	0.25%		
Paul Forno	133,333	0.25%			133,333	0.25%				
Peter Reardon and Callista Reardon	100,000	0.19%					100,000	0.19%		
David Dromer	64,608	0.12%					64,608	0.12%		
First NZ Capital Securities Limited	49,571	0.09%					49,571	0.09%		
Norman Knaggs	40,000	0.08%			33,333	0.06%	6,667	0.01%		
Glennis Bates	40,000	0.08%			33,333	0.06%	6,667	0.01%		
Simon Young	37,333	0.07%					37,333	0.07%		
Ralph Connor	36,000	0.07%			33,333	0.06%	2,667	0.01%		
Richard Ison	25,000	0.05%					25,000	0.05%		
Erwin Zimmet	11,765	0.02%					11,765	0.02%		
Elysia Lokes	8,000	0.02%					8,000	0.02%		
Talita Asiata	6,667	0.01%					6,667	0.01%		
Irene Marryatt	6,667	0.01%					6,667	0.01%		
Rosemary Platt	6,667	0.01%					6,667	0.01%		
Tom Springett	5,333	0.01%					5,333	0.01%		
Atul Patel	5,333	0.01%					5,333	0.01%		
Dominique Leger	4,000	0.01%					4,000	0.01%		
Julian Brown	2,806	0.01%					2,806	0.01%		
Anne Maniego	2,667	0.01%					2,667	0.01%		
Nogi Lepa	2,667	0.01%					2,667	0.01%		
Ailini Motu	2,667	0.01%					2,667	0.01%		
Sammy Duffin	2,667	0.01%					2,667	0.01%		
Brenton Northcott	1,500	0.00%					1,500	0.00%		
Rachel Alker	1,333	0.00%					1,333	0.00%		
Thomas Martin	1,333	0.00%					1,333	0.00%		
Natasha Petrucco	1,333	0.00%					1,333	0.00%		
Angela Rees	1,333	0.00%					1,333	0.00%		
Nandi Swanepoel	1,333	0.00%					1,333	0.00%		
Sionekaki Tuineau	1,333	0.00%					1,333	0.00%		
Delwyn Wall	1,333	0.00%					1,333	0.00%		
Andrew Harmos	1,250	0.00%					1,250	0.00%		
Katherine Allsopp-Smith	1,000	0.00%					1,000	0.00%		
Amber Christian	1,000	0.00%					1,000	0.00%		
Harrison Christian	1,000	0.00%					1,000	0.00%		
David Allport	1,000	0.00%					1,000	0.00%		
Martin Kells	1,000	0.00%					1,000	0.00%		
Aviana Butler	1,000	0.00%					1,000	0.00%		
Yasmin Christian	1,000	0.00%					1,000	0.00%		
Valentia Butler	1,000	0.00%					1,000	0.00%		
Giselle Christian	1,000	0.00%					1,000	0.00%		
Rachael Godinet	1,000	0.00%					1,000	0.00%		
Rachelle Christian	1,000	0.00%					1,000	0.00%		
Lorraine Hutton	1,000	0.00%					1,000	0.00%		
Branson Christian	1,000	0.00%					1,000	0.00%		
Cheryl Johnson	1,000	0.00%					1,000	0.00%		
Pearce Christian	1,000	0.00%					1,000	0.00%		
Kelly Alker	1,000	0.00%					1,000	0.00%		
Kieran Alker	1,000	0.00%					1,000	0.00%		
Rozalyn Allsopp-Smith	1,000	0.00%					1,000	0.00%		
Robert Allsopp-Smith	1,000	0.00%					1,000	0.00%		
Meegan Christian	1,000	0.00%					1,000	0.00%		
Heather Johnson	1,000	0.00%					1,000	0.00%		
Logan Christian	1,000	0.00%					1,000	0.00%		
Hadley Christian	1,000	0.00%					1,000	0.00%		
Catherine Christian	1,000	0.00%					1,000	0.00%		
David Johnson	1,000	0.00%					1,000	0.00%		
Kaden Allsopp-Smith	1,000	0.00%					1,000	0.00%		
Jayda Allsopp-Smith	1,000	0.00%					1,000	0.00%		
Nigel Allsopp-Smith	1,000	0.00%					1,000	0.00%		
Tracy Allsopp-Smith	1,000	0.00%					1,000	0.00%		
Michael Allsopp-Smith	1,000	0.00%					1,000	0.00%		
Amber Allsopp-Smith	1,000	0.00%					1,000	0.00%		
Jaymee Allsopp-Smith	1,000	0.00%					1,000	0.00%		
Robert Gray	500	0.00%					500	0.00%		
	53,099,396	100.00%	43,047,167	81.07%	5,366,662	10.11%	1,596,999	3.01%	3,088,568	5.82%

Appendix II

Mail Services Sector Company Trading Multiples

Trading Multiples							
Company	Market Capitalisation (m)	Enterprise Value (m)	EBITDA Multiple		PE Multiple		
			Hist.	Pros.	Hist.	Pros.
bpost SA/NV	€4,828	€4,235	7.9x	7.2x	13.6x	14.8x
Deutsche Post AG	€43,607	€47,816	10.6x	9.2x	16.7x	16.0x
DX (Group) plc	£16	£34	3.5x	2.5x	n/m	2.6x
Freightways Limited	NZ$1,216	NZ$1,374	13.6x	13.0x	20.0x	20.4x
MaltaPost p.l.c.	€75	€63	16.5x	n/a	35.2x	n/a
Österreichische Post AG	€2,610	€2,354	7.7x	8.3x	16.8x	15.9x
Pos Malaysia Berhad	MYR 4,368	MYR 3,876	15.0x	12.5x	45.1x	34.9x
PostNL N.V.	€1,565	€1,598	4.6x	4.1x	10.6x	8.0x
Royal Mail plc	£3,771	£4,130	4.9x	4.9x	13.8x	7.5x
Singapore Post Limited	S$2,849	S$2,861	15.6x	16.0x	n/m	25.8x
Minimum			3.5x	2.5x	10.6x	2.6x
Average			10.0x	8.6x	21.5x	16.2x
Maximum			16.5x	16.0x	45.1x	34.9x

n/m: not meaningful
n/a: not available

Source: S&P Capital IQ, data as at 13 September 2017

bpost SA/NV provides mail and parcel services in Belgium and internationally. The company operates in 2 segments - Mail & Retail Solutions and Parcels & International. Its mail and parcels services include collection, transport, sorting and distribution of addressed and non-addressed mail, printed documents, newspapers and parcels, as well as express delivery services, document management and related services. The company offers transactional mail, advertising mail, press, domestic parcels, international parcels, special logistics, value-added services, international mail, banking and financial products, insurance and other products. The company is based in Brussels, Belgium.

Deutsche Post AG operates as a mail and logistics company in Germany, rest of Europe, the Americas, the Asia Pacific and the Middle East and Africa. It operates through 4 divisions - Post-eCommerce-Parcel, Express, Supply Chain and Global Forwarding, Freight. The PeP division offers dialogue marketing, press distribution and electronic services associated with mail delivery, as well as parcel and e-commerce services. The Express division provides courier and express services to business and private customers in approximately 220 countries and territories. The Supply Chain division offers supply chain solutions, including warehousing, transport and value-added services, business process outsourcing and electronic communications services. The Global Forwarding, Freight division transports goods by rail, road, air and sea and offers multimodal and sector-specific solutions, as well as solutions for industrial projects. Deutsche Post AG is headquartered in Bonn, Germany.

DX (Group) plc provides parcel, mail and logistics services to business and residential addresses in the United Kingdom and the Republic of Ireland. The company provides parcels and freight delivery services, mail and packets delivery services and logistics services. It serves the e-commerce, retail, health, optical, pharmaceutical, public sector, legal and financial services industries. The company was founded in 1975 and is based in Datchet, the United Kingdom.

Freightways Limited provides express package and business mail services and information management services primarily in New Zealand and Australia. It operates through Express Package & Business Mail and Information Management segments. The company provides network courier services and point-to-point courier services, as well as offers a secure service for valuables . It also provides various postal services, including processing of letters and parcels for box-to-box and street delivery to business customers under the DX Mail brand and a suite of mailhouse services for physical and electronic transactional mails under the Dataprint name. The company offers its services through its network, as well as through alliances with international express package operators. In addition, it provides information management services, which comprise a range of archive management services for documents, computer media and document destruction and digital conversion and online back-up services for the physical storage and protection of documents and other media. Freightways Limited was founded in 1964 and is based in Penrose, New Zealand.

MaltaPost p.l.c. provides postal and related retail services in Malta and internationally. The company offers local and international courier services, mail forwarding services, payment collection services, postage and personalised stamps, PO Box services, money transfer services, direct mail services, parcel post, registered mail, money orders, postal orders, cheque encashment services and bill payment services. It also provides document management solutions, pickup and delivery of mail, bulk posting services, redirection of mail, temporary mail custody and business reply services, as well as photocopy bureau services. In addition, the company offers philatelic items, gift vouchers, telephone and mobile cards and stationery. MaltaPost p.l.c. is headquartered in Marsa, Malta.

Österreichische Post AG provides postal and parcel services primarily in Austria and Germany. The company's Mail & Branch Network segment engages in the acceptance, sorting and delivery of letters and advertising and print media, provision of address management, data management, mailroom management, document scanning and response management services and retail goods, philatelic and telecommunications products and financial services. Its Parcel and Logistics segment is involved in the acceptance, sorting and delivery of standard and express parcels and provision of specialty logistics services. The company also offers data and output management, as well as document collection, digitalisation and processing services. The company is headquartered in Vienna, Austria.

Pos Malaysia Berhad provides postal and its related services in Malaysia. The company operates through 4 segments - Postal Services, Courier, International and Logistics and Aviation. It receives and dispatches postal articles, offers postal financial services, deals in philatelic products and sells postage stamps. The company also offers same and next day delivery, time certain, parcel, packaging and pick-up services, as well as prepaid envelopes / boxes. In addition, it provides postal services, such as basic mail services for corporate and individual customers, as well as mailroom management and direct mail. Further, the company offers data and document processing services. Pos Malaysia Berhad is based in Kuala Lumpur, Malaysia.

PostNL N.V. provides postal and logistics services to businesses and consumers in the Netherlands, Italy, Germany, the rest of Europe and internationally. The company operates through 3 segments - Mail in the Netherlands, Parcels and International. It collects, sorts, transports and delivers letters and parcels and provides data and document management, direct marketing and fulfilment services, as well as cross-border mail, parcels and packet solutions. The company was formerly known as TNT N.V. and changed its name to PostNL N.V. in May 2011. PostNL N.V. was founded in 1946 and is headquartered in The Hague, the Netherlands.

Royal Mail plc operates as an universal postal service provider in the United Kingdom and other European countries. It offers parcels and letter delivery services under the Royal Mail and Parcelforce Worldwide brands. The company also provides services for the collection, sorting and delivery of parcels and letters and designs and produces stamps and philatelic items, as well as offers media and marketing mail services. In addition, it operates ground-based parcel delivery networks in Europe comprising the GLS network that covers 41 European countries and nation states through wholly-owned and partner companies. Further, the company provides parcel and express services, as well as logistics solutions. Royal Mail plc was incorporated in 2013 and is headquartered in London, the United Kingdom.

Singapore Post Limited provides postal, e-commerce logistics and retail services in Singapore and internationally. The company operates through 3 segments - Postal, Logistics and eCommerce. The Postal segment offers services for collecting, sorting, transporting and distributing domestic and international mail, as well as sells philatelic products. Its international mail service includes handling of incoming and outgoing international mail. The Logistics segment offers a range of logistics solutions, including freight, warehousing, domestic and international distribution and delivery services. Singapore Post Limited was founded in 1819 and is headquartered in Singapore.