Bapcor Finance Pty Limited

Independent Adviser's Report

Prepared Pursuant to Rule 22 of the New Zealand Takeovers Code in Relation to a Full Takeover Offer for Hellaby Holdings Limited

December 2016

Purpose of the Report

- This report is not a report on the merits of the offer.
- This report has been obtained by the offeror.
- The purpose of this report is solely to compare the consideration and terms offered for the different classes of securities, and to certify as to the fairness and reasonableness of that consideration and terms as between the different classes.
- A separate independent adviser's report on the merits of the offer, commissioned by the directors of Hellaby Holdings Limited, must accompany Hellaby Holdings Limited's target company statement.
- The offer should be read in conjunction with this report and the separate independent adviser's report on the merits of the offer.

Statement of Independence

Northington Partners Limited confirms that it:

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

Northington Partners Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

Table of Contents

Abbreviations and Definitions

Bapcor	Bapcor Finance Pty Limited
Code	The Takeovers Code
Earn-Out	Earn-out arrangement included in the TBS Agreement pursuant to which an additional payment of up to $5.7m may be made to the vendors of TBS
EBIT	Earnings before Interest and Tax
Hellaby or Company	Hellaby Holdings Limited
Northington Partners	Northington Partners Limited
NZ$	New Zealand dollars
Offer	The full takeover offer that Bapcor intends to make for all of the voting and non-voting equity securities on issue in Hellaby not already held by Bapcor
Ordinary Shares	The 97,727,180 ordinary shares of Hellaby on issue
Share Offer Price	A cash payment of NZ$3.60 per Ordinary Share
TBS	TBS Group Limited
TBS Agreement	Agreement for sale and purchase between a subsidiary of Hellaby and TBS
TBS Right	A right held by the vendors of the TBS Group Limited to new ordinary shares in Hellaby
TBS Right Offer Price	The cash offer of $1.727m for the TBS Right
TBS Shares	Shares in Hellaby that may be issued to the vendors of the TBS business in relation to the TBS Right

1.0 Introduction and Summary of our Assessment

1.1. Introduction

Bapcor Finance Pty Limited ("**Bapcor**") issued notice of its intention to make a full takeover offer ("**Offer**") for all of the equity securities on issue in Hellaby Holdings Limited ("**Hellaby**" or "**the Company**") on 27 September 2016. The Offer was subsequently made on 21 October 2016 and remained open until 20 December 2016 (unless extended).

The Offer was made in respect to the following categories of equity securities outstanding:

- 97,727,180 fully paid ordinary shares ("**Ordinary Shares**");
- A right ("**TBS Right**") held by the vendors of TBS Group Limited ("**TBS**") to new ordinary shares in Hellaby ("**TBS Shares**") pursuant to the agreement for sale and purchase between a subsidiary of Hellaby and TBS dated 23 June 2016 ("**TBS Agreement**"). The issue of the TBS Shares is contingent on the financial performance of TBS for the 12 months ending 30 June 2017, up to a maximum value of $2.85m. Further details regarding the terms of the TBS Right are set out below in Section 2.2.

The Ordinary Shares are voting securities and the TBS Right is a non-voting security.

We understand that on or around 5 December 2016, Bapcor will revise its offer and the updated offer prices for each class of equity security will be as follows:

- **Offer Price for Ordinary Shares**: A cash payment of $3.60 per Ordinary Share ("**Share Offer Price**"). This represents an increase of $0.30 per share compared to the initial offer price of $3.30 per Ordinary share.
- **Offer Price for TBS Right**: A cash payment of $1.727m ("**TBS Right Offer Price**"). This is the same as the initial offer price for the TBS Right.

Bapcor will also extend the closing date for the Offer to 18 January 2017.

Rule 8(4) of the Takeover Code ("**Code**") requires that if non-voting securities are included in a full offer, the consideration and terms offered for non-voting securities must be fair and reasonable in comparison with the consideration and terms offered for voting securities. In this particular case, the Code therefore requires that the consideration and terms offered for the TBS Shares must be fair and reasonable compared to the consideration and terms offered for the Ordinary Shares.

Further details relating to the scope of our report are set out in Appendix I.

1.2. Summary of our Assessment

A Rule 22 report is not required to consider the merits of the Offer for the Ordinary Shares, and we offer no opinion on whether the Share Offer Price of $3.60 is fair and reasonable. Rather, our role is to determine whether the TBS Right Offer Price is fair and reasonable in comparison to the amount offered for the Ordinary Shares.

As set out in Section 3.0, we assess that the current value of the TBS Right is between $1.404m and $2.340m. On the basis that the TBS Offer Price is $1.727m, we conclude that the TBS Right Offer Price is fair compared to the Share Offer Price. We also note that the holders of both the Ordinary Shares and the TBS Right will be paid cash if they are capable of accepting and accept the Offer, and the Offer to each group is effectively conditional on the same set of general conditions. On this basis, we conclude that the terms of the Offer for the Ordinary Shares and the TBS Right are equivalent.

We therefore certify that in our opinion the consideration and terms offered for non-voting securities (being the TBS Right) are fair and reasonable in comparison with the consideration and terms offered for the voting securities (being the Ordinary Shares).

2.0 Equity Securities on Issue in Hellaby

2.1. Ordinary Shares

There are currently 97,727,180 Ordinary Shares on issue in Hellaby. Each Ordinary Share confers:

- The right on a poll at a meeting of shareholders to one vote on each resolution;
- The right to an equal share in dividends authorised by the Board; and
- The right to an equal share in the distribution of the surplus assets of the Company.

2.2. TBS Right

The TBS Right has arisen as a result of Hellaby's recent acquisition of the TBS business. Apart from the initial consideration paid to the vendors for the business, the terms of the TBS Agreement include an earn-out arrangement ("**Earn-Out**") pursuant to which a maximum of a further $5.7m will be paid to the vendors conditional on the future performance of TBS. Of the total Earn-Out payment made (if any), 50% will be paid in cash and 50% will be paid via the issue of new shares in Hellaby.

The key terms of the Earn-Out and TBS Right are set out in Table 1 below.

Table 1: Summary of the Material Terms of the TBS Right

Material Term	Commentary
Earn-Out Structure	An Earn-Out payment will be made by Hellaby to the Vendors if the earnings before interest and tax ("**EBIT**") of the TBS business exceeds $7.5m for the 12 month period ending 30 June 2017.
Earn-Out Amount	The Earn-Out amount will be 5.7x the amount by which EBIT exceeds $7.5m, up to a maximum payment of $5.7m.
Earn-Out Components	Consideration for the Earn-Out amount will be satisfied as follows: i. 50% by the issue of new Ordinary Shares in Hellaby; and ii. The balance, in cash.
Number of Hellaby Shares Issued for Earn-Out	The number of Hellaby shares issued as consideration for the Earn-Out Amount will be determined by reference to the volume weighted average market price of Hellaby shares over the 20 business days prior to the payment date.
Escrow Period	Any Hellaby shares issued as consideration for the Earn-Out Amount cannot be traded for 12 months after the issue date.
Accounting Treatment	For the purposes of calculating the Earn-Out Amount, EBIT will be determined in accordance with some specific accounting policies, largely designed to measure the performance of the TBS business on a standalone basis (excluding the potential impacts of Hellaby ownership).
Target Completion Date	Assuming that the Earn-Out Amount is not disputed, the Earn-Out Amount will be calculated and paid approximately 10 – 25 business days after the Hellaby board of Directors has approved the financial statements for the financial year ending 30 June 2017.

Source: TBS Agreement

3.0 Valuation of the TBS Right

3.1. Valuation Framework

We suggest that the current value of the TBS Right is primarily a function of three factors:

- The potential Earn-Out Amount, which is in turn dependent on expectations that TBS will generate EBIT above the $7.5m threshold in the 12 months ending 30 June 2017;
- The appropriate level of discount that should be applied to the TBS Shares to account for the trading restriction placed on the shares for 12 months. This reflects the fact that the consideration provided by the issue of the TBS Shares is worth less than the equivalent amount of cash consideration; and
- The time value of money to account for the fact that the TBS Shares will not be issued until around the end of September 2017.

Our assessment of appropriate input parameters is summarised in Table 2.

Table 2: Valuation Inputs

Input Parameter	Assumed Value	Commentary
Earn-Out Amount (TBS Shares)	$1.71m - $2.85m	In preparing our initial report dated 12 October, we were provided with the budget, year-to-date performance and associated reforecast for the TBS business for the 12 months ending 30 June 2017. Based on the financial performance for the first three months of the period and the current forecast for the full year, we concluded that TBS is on track to deliver an EBIT level greater than $8.5m. On that basis, the Earn-Out Amount will be equal to the maximum of $5.7m. Incorporating some allowance for execution risk (and the possibility that actual EBIT will be lower than the current forecast), we assumed a range of $3.4m - $5.7m for the Earn-Out Amount. That translates to an issue of TBS Shares under the Earn-Out arrangement with a value of $1.71m - $2.85m. This report has been prepared six weeks after the initial assessment. Given the nature of the TBS business and the relatively small gap between the initial assessment and this report, we assume that there have been no material changes to the projected financial performance of the TBS business for the year ending 30 June 2017. Our revised assessment of the potential value range for the TBS Shares is therefore unchanged at $1.71m - $2.85m.
Liquidity Discount	10%	Based on our internal assessment, taking account of market conventions for liquidity discounts and the relatively short escrow period applied to the TBS Shares.
Discount Rate	10%	Our estimate of the appropriate weighted average cost of capital for Hellaby, which we suggest is an appropriate discount rate for the TBS Shares.

Source: Northington Partners Analysis

3.2. Valuation Assessment

Based on these input parameters, our assessment of the current value range for the TBS Right is set out in Table 3.

Table 3: Assessed Valuation Range for TBS Right

		Low Value ($000)	**High Value ($000s)**
	Earn-Out Amount (TBS Shares)	$1,710	$2,850
less	Liquidity Discount	$171	$285
less	Time Value Discount[1]	$135	$225
	Current Value of TBS Right	$1,404	$2,340

[1] Based on a discount period of approximately one year (assuming an Earn-Out payment date at the end of September 2017)

Appendix I: Scope of this Report

Requirements of Takeovers Code

Hellaby is a publicly listed company on the NZX Main Board and is a "Code Company" as defined by Rule 3 of the Code. The takeover process contemplated by Bapcor must therefore comply with the provisions set out in the Code relating to the Offer procedure.

Pursuant to Rule 8(2) of the Code, a full offer must include offers in respect of all the securities in each class of equity securities of the target company (other than those that are already held by the offeror). Furthermore, Rule 8(4) of the Code requires that if non-voting securities are included in a full offer, the consideration and terms offered for non-voting securities must be fair and reasonable in comparison with the consideration and terms offered for voting securities and as between classes of non-voting securities. In this particular case, the Code therefore requires that the consideration and terms offered for the TBS Right must be fair and reasonable compared to the consideration and terms offered for the Ordinary Shares.

As the offeror, Bapcor must obtain a report pursuant to Rule 22 of the Code from an independent adviser which certifies that, in the adviser's opinion, the offer complies with Rule 8(4). This report has been prepared to meet the requirements of Rule 22 of the Code. The appointment of Northington Partners Limited ("**Northington Partners**") to prepare the Rule 22 report was approved by the Takeovers Panel on 5 October 2015.

Assessment Approach

Rule 22 of the Code requires that the independent adviser's report certifies that the consideration and terms are fair and reasonable in comparison with the consideration and terms offered for voting securities and as between the classes of non-voting securities. The exact meaning of the words "fair" and "reasonable" is not prescribed in the Code and there is no well accepted, authoritative New Zealand reference that clearly establishes what should be considered for an assessment of this nature.

Statutory requirements within the Australian market are defined in somewhat more detail. The Australian Securities and Investments Commission has issued a policy statement regarding "Independent Expert Reports to Shareholders", which sets out some fundamental requirements for a report that is completed in similar circumstances to those relating to this Offer.

According to the policy statement, an offer is "fair" if the value of the consideration to be paid under the offer is equal to or greater than the value of the securities that are subject to the offer. An offer is deemed to be "reasonable" if it is fair. An offer may also be reasonable if it is unfair but where other significant factors mean that the shareholders should accept the offer in the absence of any higher bid before the close of the offer.

We believe that these definitions provide a useful starting point for assessing the fairness and reasonableness of the consideration offered for each class of equity securities under the Offer. Fairness is determined largely from the results of a comparative valuation exercise, while the reasonableness of the Offer is related to a general assessment of a range of other non-price terms that may be relevant in this case.

For this particular assessment, the fairness of the TBS Right Offer Price is effectively unrelated to the Share Offer Price. The current value of the TBS Right is a direct function of the likely performance of the TBS business, and while part of the consideration for the Earn-Out will be satisfied via the issue of new Hellaby shares, the total value of those shares when they are issued is not affected in any way by the price offered by Bapcor for Hellaby's ordinary shares (pursuant to the Offer).

We therefore suggest that the fairness of the consideration offered for the TBS Right cannot be sensibly considered by comparison to the consideration for the Ordinary Shares. Our assessment of fairness is instead determined simply by a comparison of the TBS Right Offer Price to our assessed value range.

We believe that the assessment of the Offer terms relating to the Ordinary Shares in comparison to the Offer terms relating to the TBS Right is inconsequential in this case. Both the holders of the Ordinary Shares and the holders of the TBS Right will receive cash consideration if they are capable of accepting and accept the Offer, and the Offer to each group of stakeholders is effectively contingent on the same set of conditions. On this basis, we conclude that the terms of the Offer are equivalent as between the voting and non-voting securities.

Primary Sources of Information

The sources of information that we have relied on in preparing this report are set out in Appendix II.

Limitations and Reliance on Information

This report is subject to all of the limitations and restrictions set out in Appendix III. In particular, in preparing this report, Northington Partners has relied on information supplied by Bapcor (or its advisers) and Hellaby and has assumed the honesty and accuracy of this information. Northington Partners accepts no responsibility for inaccurate information supplied by Bapcor or Hellaby, or for any failure by Bapcor or Hellaby to provide relevant information.

Our assessment is reliant on a number of key assumptions that have been outlined in this report. Should any of these assumptions not be accurate, then the valuation assessment and our conclusions could be materially affected.

Subject to this limitation, we have obtained all of the information that we consider is necessary for preparing the report.

Appendix II: Sources of Information Used in this Report

Other than the information sources referenced directly in the body of the report, this assessment is also reliant on the following sources of information:

- Audited annual financial statements for TBS for the years ended 31 March 2015 and 31 March 2016;
- TBS management accounts for July, August and September 2016 and management forecasts for the remainder of the financial year ending 30 June 2017;
- Agreement for sale and purchase between the vendors of the TBS business and a subsidiary of Hellaby; and
- A copy of Bapcor's draft Takeover Offer, dated 27 September 2016.

Appendix III: Qualifications, Declarations and Consents

Declarations

This report is dated 2 December 2016 and has been prepared by Northington Partners at the request of Bapcor to fulfil the reporting requirements pursuant to Rule 22 of the Code. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

Prior drafts of this report were provided to Bapcor for review and discussion. Although minor factual changes to the report were made after the release of the first draft, there were no changes to our methodology, analysis, or conclusions.

This report is provided for the benefit of all of the security holders of Hellaby that are subject to the Offer, and Northington Partners consents to the distribution of this report to those people. The engagement terms did not contain any term which materially restricted the scope of our work.

Qualifications

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand. The company specialises in mergers and acquisitions, capital raising support, expert opinions, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and state owned enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons), Ph.D and Jonathan Burke BCM, B.Com (Hons). Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as the choice of appropriate financial structures and governance issues.

Northington Partners has been responsible for the preparation of numerous Independent Reports in relation to takeovers, mergers, and a range of other transactions subject to the Code and NZX Listing Rules.

Independence

Northington Partners has not been previously engaged on any matter by Bapcor or Hellaby or (to the best of our knowledge) by any other party to the proposed transaction that could affect our independence. None of the Directors or employees of Northington Partners have any other relationship with any of the Directors or substantial security holders of the parties involved in the proposed Offer.

The preparation of this Rule 22 report will be Northington Partners' only involvement in relation to the proposed transaction. Northington Partners will be paid a fixed fee for its services which is in no way contingent on the outcome of our analysis or the content of our report.

Northington Partners does not have any conflict of interest that could affect its ability to provide an unbiased report.

Disclaimer and Restriction on the Scope of our Work

In preparing this report, Northington Partners has relied on information provided by Bapcor and Hellaby. Northington Partners has not performed anything in the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its Directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

Indemnity

Bapcor has agreed to indemnify Northington Partners (to the maximum extent permitted by law) for all claims, proceedings, damages, losses (including consequential losses), fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by Northington Partners in relation to the preparation of this report; except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or bad faith by Northington Partners.

Bapcor has also agreed to promptly fund Northington Partners for its reasonable costs and expenses (including legal fees and expenses) in dealing with such claims or proceedings upon presentation by Northington Partners of the relevant invoices.

Northington Partners Limited

Greg Anderson
Managing Director
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