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21 June 2021

The Directors

Value Logistics Limited  
49 Brewery Street  
Isando  
Kempton Park  
1600

Dear Sirs,

**INDEPENDENT FAIRNESS OPINION IN RESPECT OF THE RELATED PARTY TRANSACTION BETWEEN VALUE LOGISTICS LIMITED (“THE COMPANY”/ “VALUE”) LEASING PROPERTY FROM AN ENTITY INDIRECTLY CONTROLLED BY MR SD GOTTSCHALK AS THE RELATED PARTY, THE INDIRECT MAJORITY SHAREHOLDER AND THE COMPANY’S CHIEF EXECUTIVE OFFICER (“CEO”) (“RELATED PARTY”)**

**INTRODUCTION**

We have been appointed by the Board of Directors to advise the shareholders of Value whether, in our opinion, the following lease rental renewal agreement is fair to the shareholders:

Lease rentals to be paid by Value to Future Indefinite Investments 180 (Pty) Ltd (“Future Indefinite”) (indirectly controlled by Value’s CEO through his family Trust) in respect of the property situated at Erf 3781 Pomona Extension 113, Ekurhuleni Metropolitan Municipality and Remainder of Portion 681 of Farm Rietfontein 31, IR, Greater East Rand Metropolitan Municipality for the lease period 1 February 2021 to 31 January 2024 (“Lease Period”), (collectively the “Lease Rental Renewal”).

The Related Party is the majority shareholder of Value, a director, and holds the office of CEO. He also indirectly controls property entities which are the counter parties in the respective Lease Rental Renewal agreement. Accordingly, the Lease Rental Renewal is classified as a related party transaction in terms of section 10.1 of the Listings Requirements.

**EXPLANATION OF THE TERM ‘FAIR’**

*Fairness*

The term 'fairness' is defined in Schedule 5 of the JSE Listings Requirements as being primarily based on quantitative issues. Therefore, the Lease Rental Renewal would be considered fair to the Value shareholders if the total rental expense is equal to or less than an arm's length market related rental range of similar properties. Consideration was also given to potential costs to the business if the operations were to be relocated to new premises.

## **ASSUMPTIONS**

We arrived at our opinion based on the following assumptions:

- Current economic, regulatory and market conditions will not change materially;
- That reliance can be placed on the signed lease agreement;
- That reliance can be placed on the independent assessment property valuation report as included in the report signed 28 January 2021 performed by PropValAssist Valuers of the open market rentals of similar properties in relation to Erf 3781 Pomona Extension 113, Ekurhuleni Metropolitan Municipality and Remainder of Portion 681 of Farm Rietfontein 31, IR, Greater East Rand Metropolitan Municipality; and
- Where relevant, representations made by management and/or directors (including the Independent Chairman and excluding the CEO) were corroborated to source documents prepared by third parties, independent analytical procedures performed by us and by examining and analysing external factors that influence the business.

## **SOURCES OF INFORMATION**

In the course of our analysis, we relied upon financial and other information obtained from management together with industry related and other information available in the public domain. Our conclusion is dependent on such information being accurate in all material respects.

The principle sources of information used in formulating our opinion regarding the Lease Rental Renewal includes:

- Corroborating source documentation as provided by management;
- Signed lease agreement entered into between Value and Future Indefinite;
- Independent assessment property valuation report as included in the report signed 28 January 2021 performed by PropValAssist Valuers of the open market rentals of similar properties in relation to Erf 3781 Pomona Extension 113, Ekurhuleni Metropolitan Municipality and Remainder of Portion 681 of Farm Rietfontein 31, IR, Greater East Rand Metropolitan Municipality. Refer to the 'Procedures' below for our assessment of the independent property valuer and their related report;
- Information and assumptions made available by and from discussions held with independent executive directors of Value in terms of the rationale for the Lease Rental Renewal; and
- Publicly available information relating to Value and other competitors in the sector that we deemed to be relevant, including company announcements.

We obtained the information through:

- Conducting interviews with management, directors and senior staff members;
- Obtaining corroborating evidence from third parties such as property experts; and
- Extracting information from the internet and the press.

We satisfied ourselves as to the appropriateness and reasonableness of the information with reference to:

- Review of the independent assessment as included in the report signed 28 January 2021 performed by PropValAssist Valuers of the open market rentals of similar properties in relation to Erf 3781 Pomona Extension 113, Ekurhuleni Metropolitan Municipality and Remainder of Portion 681 of Farm Rietfontein 31, IR, Greater East Rand Metropolitan Municipality. The independent valuation took heed of the requirements of SAPOA. The valuation performed on 28 January 2021 is a new and revised valuation, taking into account the current market as well as micro and macro-economic conditions. This report includes amongst others, an assessment of the condition of the properties, recent sales of comparable properties and rentals of comparable companies. The valuation review performed on 28 January 2021 is a continuation from the original valuation report dated 1 October 2019. From discussions with management, as well as review of the independent assessment report, properties are all properly maintained to the same standard and there have been no changes or additions to the said properties since the original inspection date;
- Satisfied ourselves that no material or adverse changes to the market related rental range sourced and used from the valuation report between the date of the valuation report and the date of the opinion;
- A review of the qualifications of the valuer, the valuation methodology utilised and the reasonableness of assumptions utilised in the independent property valuation. We confirm that we are satisfied with the methodology and assumptions utilised in assessing market related rentals in this valuation of the property;
- A review of comparable market lease rentals for the specific property area;
- Understanding the industry in which the company operates; and
- Assessing whether replies from management on certain issues were corroborated by third parties and documentary evidence.

## **LIMITING CONDITIONS AND RELATED PARTY RELATIONSHIPS**

We have relied upon the accuracy of information provided to us or otherwise reviewed by us, for the purposes of this opinion, whether in writing or obtained through discussion with the management of Value. We express no opinion on this information.

There were no limiting conditions, or any restrictions of scope imposed by the client whilst this opinion was being prepared.

Our opinion is based on current economic, regulatory, market as well as other conditions. Subsequent developments may affect this opinion, which we are under no obligation to update, review or re-affirm.

This letter and opinion are provided solely for the benefit of the shareholders of Value in connection with and for the purposes of their consideration of the Lease Rental Renewal.

There is no relationship between Mazars Corporate Finance (Pty) Ltd ("MCF") and any other parties involved in the Lease Rental Renewal. MCF has no shares in Value or any other party involved in the Lease Rental Renewal. MCF's fees are not payable in shares.

Each shareholder's individual decision may be influenced by such shareholder's particular circumstances and accordingly each shareholder should consult an independent advisor if in any doubt as to the merits or otherwise of the Lease Rental Renewal.

## **PROCEDURES**

In order to assess the fairness of the terms and conditions relating to the Lease Rental Renewal, we have performed, amongst others, the following procedures:

- Reviewed the signed lease agreement entered into between Value and Future Indefinite;
- Considered information made available by and from discussions held with the directors and management of Value;
- Considered the rationale for the Lease Rental Renewal;
- Reviewed and utilised the independent assessment property valuation report as included in the report signed 28 January 2021 performed and prepared by PropValAssist Valuers of the open market rentals of similar properties in relation to Erf 3781 Pomona Extension 113, Ekurhuleni Metropolitan Municipality and Remainder of Portion 681 of Farm Rietfontein 31, IR, Greater East Rand Metropolitan Municipality;
- We have satisfied ourselves with the valuation methodology and overall valuation report produced by PropVal Assist in that it is an appropriate determination of open market value of similar properties in the relation Erf 3781 Pomona Extension 113, Ekurhuleni Metropolitan Municipality and Remainder of Portion 681 of Farm Rietfontein 31, IR, Greater East Rand Metropolitan Municipality; Quantitatively compared the rental expense per square meter as per the lease agreement, taking account of the total rental and area of the property, to a range of arm's length market related rentals provided in the independent assessment report;
- Reviewed the independent assessment report to confirm that comparable properties were in a similar area as well as of similar size, grade and type, where practicable;
- Relied on PropValAssist Valuers' conclusion that the rental is considered market related; and
- Consideration was also given to potential costs to the business if the operations were to be relocated to new premises.

We believe the above procedures commercially justify the conclusion outlined below.

#### **CONFIRMATION OF PERFORMANCE OF VALUATION AND VALUATION METHODOLOGY**

We confirm that we have assessed the fairness of the Lease Rental Renewal by comparison of the lease expenses paid to the market related rental paid for similar properties as quoted in the independent assessment report. This includes a recommendation by PropValAssist of a fair market related annual escalation of the Lease Rental.. The annual escalation recommended (6.5%p.a.) in the PropVal Assist valuation, is the escalation applied in the Lease Rental Renewal. After consideration of the assessment performed by PropValAssist, in relation to comparable market rentals and escalations, as well as the current market expectation of rental escalations, we believe the escalation applied is fair. For the third year of the lease, commencing 1 February 2023, the Lease Rental Renewal agreement states that the rental will be determined by an independent, mutually agreed valuator, and will be agreed in writing on or before 6 months prior to the end of the second-year lease period, being 31 July 2022. This rental is based on a rental per square meter, with the floorspace rented remaining constant throughout. The rental determination by the independent valuator will therefore determine the fair market rental per square meter. The rental charged in this third year will therefore be based on an independent assessment, which promotes fairness to all parties involved.

We have placed reliance on the independent assessment performed by PropValAssist Valuers of the open market rental of Erf 3781 Pomona Extension 113, Ekurhuleni Metropolitan Municipality and Remainder of Portion 681 of Farm Rietfontein 31, IR, Greater East Rand Metropolitan Municipality. We have placed reliance on PropValAssist Valuers' conclusion that the rental is considered market related.

Key value drivers to the assessment of fairness are as follows (as included in the independent valuation report):

**Internal:**

- Comparable market related rentals of similar properties;
- Lease annual escalations (6.5% p.a.);
- Square meters per the lease agreements; and
- Duration of lease period (3 years).

A comparison of internal key value drivers was made to comparable properties within the independent report for reasonability purposes. No inconsistencies were noted.

**External:**

- Stability of the economy and other macroeconomic factors;
- Both long-term and short-term inflation rates; and
- Risk free long bond indicators (blended average of 5.58% over a 3-year horizon).

After considering the external key value drivers and the impact thereof, it was concluded that reasonable fluctuations in the abovementioned factors would not change our opinion on whether the lease terms are fair to the shareholders of Value.

The fairness assessment involved corroboration analyses on the key value drivers.

Our procedures and enquiries did not constitute an audit in terms of International Standards on Auditing. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

**OPINION**

Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

We have considered the terms and conditions of the Lease Rental Renewal, and based upon, and subject to the foregoing, we are of the opinion that the lease terms are fair to the shareholders of Value as the Lease Rental charged is less than or equal to the fair market related rental.

**CONSENT**

We hereby consent to this letter laying open for inspection to the shareholders of Value in terms of the JSE Listing Requirements.

Yours faithfully



**Anoop Ninan**  
**Director**

**Mazars Corporate Finance (Pty) Ltd**  
**54 Glenhove Road**  
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**2196**