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**To:** Dominique Haese <dominique@novapropertygroup.co.za>, Connie Myburgh <conniem@cmbiz.co.za>

**Subject: Three clarifying questions**

Hi there

This is my final correspondence before I publish. I will send the initial article to you prior to publication.

1. The Companies Act clearly states in Section 30(4)(d) that "the number and class of any securities issued to a director or person holding any prescribed office in the company, or to any person related to any of them, and the consideration received by the company for those securities" must be disclosed in the Annual Financial Statements.

This has never happened. Nova only discloses the number of B shares that were issued, but not the names of the directors who received these shares. The act clearly states "a director" which implies that the names of individual directors must also be disclosed.

- Why were the shareholding and names of individual directors not disclosed in any of the Annual Financial Statements that were published since 2012?

Answer:

**Firstly, No Class B shares were ever issued to any individual director of Nova Holdings, and as already explained to you on a number of occasions, all Class B shares were issued to a private company, Nova Nominees Proprietary Limited.**

**Contrary to your views as expressed above, by virtue of the aforesaid, it was not required to make any disclosure as contemplated by section 30(4)(d) in the 2012 Annual Financial Statements.**

**Secondly, you have, with respect, misinterpreted section 30(4)(d). Properly construed, section 30(4)(d) only requires a company to disclose in its Annual Financial Statements for any particular year, the number and class of securities issued to a person referred to in the section, in that year (our emphasis).**

**Given that no Class B shares were issued to a person contemplated in section 30(4)(d) in the financial years since 2012, there was nothing to report on or disclose in any of the subsequent years.**

- Why is this not a contravention of the Companies Act?

Answer:

**For the reasons given in our answers above, there is No contravention of the Companies Act.**

- Have the names of the directors and the number of shares they have received ever been disclosed to debenture holders or any other stakeholder?

Answer:

**We reiterate that disclosures were made in the Scheme documentation. In addition, disclosures have been made, as and when required, to relevant Nova stakeholders.**

2. The number of B shares that were issued to the founding shareholders were already disclosed in the 2012 Annual Financial Statements which were audited by BDO. These shares were not issued on 1 September 2012.

Answer:

**Your above statement is incorrect.**

**The shares were indeed issued on 1 September 2012, after the conversion process and applying the Formula and taking same into account.**

**The issuing of the shares were reflected and disclosed in the February 2012 Annual Financial Statements (the 2012 AFS), simply because the 2012 AFS were only published on 31 January 2013, and after the completion of the conversion process, as the administrative process of the first steps of implementing the Schemes, commenced in late January 2012 and continued for many months into 2013 and even thereafter, in some instances, in order to accommodate the conversion process and all its implications.**

It is clear that these shares were issued to the founding shareholders long before the conversion process concluded. It is also evident that the issuance of these shares to the founding shareholders was not influenced by the conversion formula at all.

- Can you explain this?

Answer:

**You are incorrect in your assumptions, for the reasons explained above.**

3. Nova's audit committee consists of only two directors, Dominique Haese (CEO) and Rudi Badenhorst (FD).

The Companies Act in Section 94 states that the audit committee must comprise of at least three directors; the directors must not be involved with the day-to-day management of the company's business or have been involved at any time during the previous financial year; and not be related to any person who falls within any of these criteria listed in (a) and (b) above.

- Why is the composition of the Nova audit committee not in contravention of the Companies Act?

Answer:

**The composition of the Nova Holdings' Audit Committee was at all times disclosed in the Notices to the AGM and in detail discussed at every AGM.**

Its initial composition and its continued composition is due to the complexity of the Group, having been established and due to be managed via the implementation of technically complicated sanctioned Schemes of Arrangement, and it has not been practically possible to appoint independent committee members to constitute an audit committee in the format technically envisioned in the Act, especially as serving on an audit committee of a Group of the nature of the Nova Group is deemed extraordinarily challenging and comes with "reputational risk", which has made it difficult to find suitably qualified individuals who were prepared to take on this job. This has been disclosed and discussed and ratified at every AGM, and as disclosed, will eventually be formed more independently in the future.

Regards

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