



NOVA PROPERTY GROUP

Nova PropGrow Group Holdings Limited (2011/003964/06)

Communique

13 March 2020

Consolidated Annual Financial Statements (“Financial Statements”) of Nova PropGrow Group Holdings Limited and its Subsidiaries (“Nova”)

Dear Shareholders and Debenture Holders,

The Nova Group’s Consolidated Annual Financial Statements for the year ended 28 February 2019, were approved on 20 February 2020 and are available on the Nova website under “*Downloads/Financial Statements*”.

Post releasing Nova’s Annual Financial Statements, a number of questions came through to Nova’s offices, some of which we thought prudent to highlight.

Valuations of Villa and Zambezi

With reference to the valuations of Villa and Zambezi, these valuations (Assets) whether valued up or down, have a direct impact on, and equates to, the related Debenture Values (Liabilities). It is therefore not possible for Nova to go into a position of insolvency, by virtue of upward or downward valuations of Villa and Zambezi, as net assets equal net liabilities, upon any valuation increases and/or decreases.

Beneficio loan

With regard to questions regarding the Beneficio loan. Nova was compelled to make this loan at a high interest rate, because Nova could not obtain ordinary commercial funding from the banking industry, as a result of the continuous negative, incorrect and damaging reporting by Ryk van Niekerk of Moneyweb, in regard to Nova and its directors, for many years, creating so called “Reputational Risk”, which impacts negatively on Nova’s ability to obtain funding, all of which impact negatively on Debenture Holders’ interests. Beneficio has been and is being repaid in accordance with arrangements in this regard.

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Dominique Haese Chief Executive Officer, **Connie Myburgh** Chairman, **Matthew Osterloh** Property Director, **Lazarus Mbethe** Non-Executive Director, **Jane Phiri** Non-Executive Director, **Jan Smit** Non-Executive Director

Funds spent on maintenance of properties

R14.8 million was spent during the financial period ended February 2019 on maintenance of properties, compared to a lesser amount of R9.4 million of the previous financial year. Whilst it is to be noted that year to year increase or decrease in expenditure on maintenance, does not equate to a negative impact on maintenance of properties, **expenditure on maintenance during the past financial year equated to the extent of maintenance required.**

Remuneration of executive directors

The remuneration of the executive directors, paid since the inception of the business of Nova, is market related and is required to be paid for the services rendered, under the exceptionally taxing circumstances surrounding the business of Nova, exacerbated by the difficulties created by the continuous negative, incorrect and damaging reporting and the negative consequences thereof, by Ryk van Niekerk of Moneyweb, which need to be mitigated on a continuous basis, so as to ensure best possible implementation of the schemes of arrangement and Debenture Holder repayment to the best possible extent, under the circumstances.

Repayment of debentures linked to sold properties

As per our Communique of 9 September 2019 and specifically with reference to the paragraph *Sold Properties*, proceeds of properties sold, in instances where Debenture Holders were not paid from such proceeds, due to the underlying sold property not being able to achieve optimal value unlock in the short to medium term, were redeployed in Nova to

- aid Nova, as far as possible, in its embarked upon task of securing, maintaining and enhancing the unlocking of property values, where funding lines fell short, as a result of the aforesaid “Reputational Risk” impact; and
- allowing for a capital growth component for these sold properties, better than that, which would have ordinarily been achievable, given for example, but not limited to, the possible geographical location, deterioration of relevant properties, etc.

Debenture Holders are to be paid in terms of the schemes of arrangement with reference to the values of related properties and it is envisaged that such payments will be made.

Reportable Irregularity

The Nova board did not, for reasons which were beyond their control, approve the Financial Statements within six months after the end of its financial year. The external auditors lodged a reportable irregularity (“RI”) in regard to the aforesaid non-compliance with the Independent Regulatory Board for Auditors (“IRBA”) and have also, subsequently, reported to IRBA that the non-compliance by Nova is no longer continuing, as the Financial Statements have subsequently been approved, and this RI has therefore been withdrawn.

Moneyweb and RSG Geldsake have, in their predictable and sensation-seeking manner, blown this fact out of proportion and have come to the false conclusion that Nova is being investigated by the South

African Revenue Services (“SARS”) and the Companies and Intellectual Property Commission (“CIPC”). Moneyweb further sensationalised the RI by stating that it may be in regard to fraud and theft or represent a material breach of fiduciary duty, which statements are devoid of any truth.

Nova categorically states that, contrary to what Ryk van Niekerk of Moneyweb reported in this regard

- There are no investigations in regards to Nova, by SARS, the Registrar of Companies or the CIPC relating to matters stated by Ryk van Niekerk of Moneyweb, and most certainly not regarding fraud, theft, contraventions of the Companies Act or tax regulations; and
- Nova has not contravened tax legislation and regulations, and is not in material breach of fiduciary duty.

Complaints lodged with the Press Ombudsman and the Broadcasting Complaints Commission

Moneyweb and RSG **have been reported by Nova to the Press Ombudsman and the Broadcasting Complaints Commission** regarding their incorrect, damaging and defamatory statements made in articles on Moneyweb dated 24 February 2020, 4 March 2020 and 5 March 2020 as well as statements made by Ryk van Niekerk of Moneyweb, during a broadcast on RSG Geldsake on 23 March 2020.

The complaints submitted to the Press Ombudsman and the Broadcasting Complaints Commission can be viewed at

Link 1. Complaint to the Broadcasting Complaints Commission.

Link 2. Complaint 1, consisting of 2 complaints, to the Press Ombudsman.

Link 3. Complaint 2 to the Press Ombudsman.

Link 4. Complaint 3, consisting of 10 complaints, to the Press Ombudsman.

Qualified Opinion

In the Independent Auditor’s Report submitted by the external auditors, Nexia SAB&T (“the auditors”), the auditors confirmed that the Financial Statements present fairly, in all material aspects, the consolidated and separate financial position of Nova as at 28 February 2019.

The auditor did, however, give a qualified opinion relating to

- the valuation of Villa Retail Park and Zambezi Retail Park;
- the valuation of Village Mall and Courtside Centre;
- the valuation of del Judor Mall, Flora Centre and Waterglen Shopping Centre;
- Investments in subsidiaries;
- Nova’s ability to continue as a going concern.

Ser	Issue	Auditor's Opinion	Nova's Input (Note 1)
	a	b	c
1	Valuation of Villa Retail Park ("Villa") and Zambezi Retail Park ("Zambezi")	The auditors were unable to satisfy themselves that, based on information at their disposal, the assumptions applied by the valuers appropriately reflect the existing conditions of the properties.	Both Villa and Zambezi were valued by external independent qualified valuers who used valuation models in accordance with those recommended by the International Valuation Standards Committee and which are consistent with the principles of IFRS 13.
2	Valuation of Village Mall ("Village") and Courtside Centre ("Courtside")	The auditors were unable to satisfy themselves that, based on information at their disposal, the assumptions applied by the valuers appropriately reflect the existing conditions of the properties.	Both Village and Courtside were valued by external independent qualified valuers who used valuation models in accordance with those recommended by the International Valuation Standards Committee and which are consistent with the principles of IFRS 13.
3	Valuation of del Judor Mall ("Del Judor"), Flora Centre ("Flora") and Waterglen Shopping Centre ("Waterglen")	The auditors were unable to satisfy themselves that, based on information at their disposal, the assumptions applied by the Nova board in adjusting the valuations of the independent valuer, appropriately reflect the existing conditions of the properties, as it was not in line with the valuations performed by the independent valuer.	<p>The upward valuation by the Nova board of Waterglen and Flora is supported by an external independent valuator and by an independent calculation by architects, which include an appropriate value given to remaining bulk.</p> <p>The upward valuation of Del Judor Mall is supported by upgrades, an expected increase in demand for space and a renewal of the lease agreement by an anchor tenant with an expressed intention to take up additional space.</p>

4	Investments in subsidiaries	Due to possible misstatements in the properties as stated in Serials 1, 2 and 3 above, the investments in subsidiary balances in Nova's separate financial statements may also be further impacted. Consequently, the auditors are unable to determine the full extent that any adjustments have to the valuation of the investments in subsidiaries.	Comments as per serial 1,2 and 3 applicable.
5	Nova's ability to continue as a going concern	The auditors expressed an opinion that there is an indication of the existence of a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern as the group might be unable to realise their assets and discharge their liabilities in the normal course of business.	<p>The directors have reason to believe that the group has and is actively managing the process of procuring adequate financial resources to continue in operation for the foreseeable future.</p> <p>The audit committee agrees with the sentiments of the directors and does not agree with the external auditors' report on the Financial Statements and recommended the approval of the Financial Statements to the Board.</p>

Note 1. Valuations of the property portfolio were performed by three independent valuers who are registered with the SA Council for Property Valuers Profession or members of the SA Institute of Valuers.

Please refer to Q's & A's which might address any additional questions you might have.

Yours sincerely,

The Nova Property Group Board