



NOVA PROPERTY GROUP

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

Communique – Nova Group Property Update

24 November 2020

COVID – 19

The economic, business, financial and personal devastation caused by the Covid - 19 Pandemic and its related Lockdown has been and is immense and has far-reaching effects.

The Nova Group has been massively impacted by this year's Lockdown and is facing some challenges.

- Various tenants within all Nova's Commercial Retail Centres had not been able to trade, resulting in some tenants closing their shops indefinitely.
- Massive rent reductions had to be negotiated over this Lockdown period.
- Difficulties in the collection of rentals and a growing debtor's book, require daily attention and tightest management.

Nova is busy implementing its Covid Recovery Plan to recover as quickly as possible from all of this. Annexed is a summarised version of the Recovery Plan (**Annexure "A"**).

Annual General Meeting ("AGM")

The Nova Property Group held its AGM for the year ended 28 February 2019 on 28 August 2020, where the Audited Consolidated Annual Financial Statements for the period were presented.

We thank all those who attended.

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Dominique Haese Chief Executive Officer, **Connie Myburgh** Chairman, **Matthew Osterloh** Property Director, **Jane Phiri** Non Executive Director

Audited Consolidated Annual Financial Statements

The Nova Property Group Audited Consolidated Annual Financial Statements for the year ended 29 February 2020 are expected to be available by the end of December 2020.

The late completion and submission of this year's audit is due to the global pandemic COVID-19 which has impacted all businesses, with all businesses having had to close down for certain periods under the National Disaster Plan ("NDP") Regulations as announced by the South African President, Cyril Ramaphosa, with effect from 27 March 2020.

This impacted the appointed auditors, who are required to examine, audit and collect audit evidence in terms of the International Standard of Auditing ("ISA") in order to express an audit opinion on the fair presentation of the financial statements of the companies. The ISA require the auditors to perform various procedures and exercises to come to an audit opinion. Many of these procedures & exercises could not be performed during the lockdown period until when the country's risk level in terms of the NDP was lowered to Level 3 from Level 4.

The Companies and Intellectual Property Commission ("CIPC"), in line with the above, issued a Notice 21 of 2020 to Customers, Companies, Close Corporation and Co-operative Services during Government Lockdown of South Africa, advising, *inter alia*, that, to file Annual Returns (which is when the Annual Financial Statements of a Company are filed), it should be noted that the filing period, which falls within the national lockdown period, would be extended until two weeks after the national lockdown ceases or communicated otherwise by CIPC.

Disposed Property Portfolio

The Nova Group is key to unlocking optimum value for investors, shareholders and debenture holders!

To prove the above statement, this Communique will specifically deal with the properties which the Nova Group has disposed of over the past 8 years and how the Group, through doing that, has managed to unlock optimal value to not only those Classes of Debenture Holders linked to the disposed of properties, but also the rest of the portfolio and its related Debenture Holder Classes.

Nova, under the Schemes of Arrangement, made calculated decisions over these past 8 years when considering the disposal of any of its properties. In most cases, such properties were identified to have reached their optimal life and would eventually result in a stagnation or downturn of rental income.

In some instances, disposed of properties' proceeds, where debenture holders were not paid, as the underlying sold property was not going to be 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 of property values, where financing and capitalization lines fell short; and
- allow for a capital growth component for these disposed of properties and their related Debenture Holders, better than that which would have ordinarily been achievable, given for example, but not limited to, the possible geographical location or deterioration of some properties, etc.

In a previous Communique the Group mentioned an exit plan that had been formulated and was being implemented regarding the disposed of properties including the calculated debenture related capital growth achieved over the past 8 years regarding the disposed of properties.

Below find the Table of all Disposed of Properties' Debenture Creditor Debt and Capital Growth achieved as at February 2020.

The table depicts the following in detail:

- Many of the sold properties have achieved full repayment of the historically invested funds to their relevant Debenture Holders. This was attained through the redeployment of sold property funds into the Group resulting in capital growth. **(Green Blocks in Table)**
- Optimal value through redeployment of sold property funds has already been achieved, eventuating in future repayment of the full historically invested funds. **(Grey Blocks in Table)**
- Optimal value enhancement still in process. Only 35% short of the targeted optimal value creation for full repayment to these relevant Debenture Classes. **(White Blocks in Table)**

		Outstanding Debenture Debt on Disposed Properties' Disposal Values (Capped) ZAR	Projected Capital Growth on Disposal Values (Growth Capped to not exceed Historical Invested Values) ZAR	Projected Debenture Debt Repayment on Disposed Properties (Including Projected Capital Growth) ZAR	Debenture Debt Historical Invested Values (Capped) ZAR
Hazel Court	SOLD 20/06/2012	<i>debentures settled</i>			6 064 000
Rivonia Square	SOLD 18/10/2012	108 750 327	75 025 985	183 776 312	245 656 747
Shopmakers Homemakers (NOTE 1)	SOLD 16/09/2013	42 268 140	6 880 860	49 149 000	49 149 000
Leeuwpoort	SOLD 08/11/2013 (pending)	7 000 000	2 700 000	9 700 000	9 700 000
Parkside Plaza (Part of Secunda Plaza) (NOTE 2)	SOLD 13/11/2013 & 14/11/2019	28 681 296	31 101 490	59 782 786	71 932 000
The Fern	SOLD 08/07/2014	10 002 902	5 527 098	15 530 000	15 530 000
Nelspruit Hyper	SOLD 23/07/2014	51 652 037	11 995 963	63 648 000	63 648 000
Die Meent (Part of Athlone Park)	SOLD 25/11/2014	Athlone (Still Owned)	Athlone (Still Owned)	Athlone (Still Owned)	Athlone (Still Owned)
Oxford Gate	SOLD 2012- 2014	26 930 591	302 409	27 233 000	27 233 000
Whale Rock	SOLD on Auction 31/03/2015	2	-	2	12 184 755
Checkers Virginia (NOTE 1 : Part of Shopmakers above)	SOLD 21/09/2017	Shopmakers (calculated as part of Shopmakers above)	Shopmakers (calculated as part of Shopmakers above)	Shopmakers (calculated as part of Shopmakers above)	Shopmakers (calculated as part of Shopmakers above)
Silverwater Crossing	SOLD 15/03/2018	<i>debentures settled</i>			74 549 000
Benoni Hyper (Erf 1)	SOLD 04/05/2018	39 175 400	42 211 879	81 387 279	100 475 000
Benoni Hyper (Erf 2)	SOLD 13/09/2018	Benoni (1)	Benoni (1)	Benoni (1)	Benoni (1)
Lydenburg	SOLD 14/09/2018	<i>debentures settled</i>			12 608 957
Magalieskruijn	SOLD 11/04/2019	<i>debentures settled</i>			29 535 000
De Marionette (NOTE 3 Part of Shoprite Secunda below)	SOLD 20/08/2019	53 417 481	21 796 932	75 214 413	84 567 000

Secunda Plaza (NOTE 2: Part of Parkside Plaza above)	SOLD 14/11/2019	Secunda Plaza (calculated as part of Parkside above)	Secunda Plaza (calculated as part of Parkside above)	Secunda Plaza (calculated as part of Parkside above)	Secunda Plaza (calculated as part of Parkside above)
Shoprite Secunda (NOTE 3: Part of De Marionette above)	SOLD 07/10/2020	Shoprite Secunda (calculated as part of De Marionette above)	Shoprite Secunda (calculated as part of De Marionette above)	Shoprite Secunda (calculated as part of De Marionette above)	Shoprite Secunda (calculated as part of De Marionette above)
		367 878 176	197 542 615	565 420 791	

The Group is satisfied that it has managed to unlock optimal value for nearly every Class of Debenture Holder linked to the disposed properties, by having redeployed the proceeds and allowed capital growth to bridge the gap between a “bad property” and being able to pay relevant debenture holders 100% of their historical investment, in instances where the property was disposed of for far less.

The proposed payment, and timelines to payment, as to the exit of the Classes of Debentures linked to any Disposed of Properties, unfortunately still depend on how this Group can perform going forward and its ability to obtain funding. The payment of growth components is particularly dependent on available funding. The reasons for the lack of financing and/or capitalization over the past 8 years has been shared by Nova in many previous communiques.

Commercial Property Portfolio

The below assets comprise a balanced mix of commercial properties, both retail and office space, throughout South Africa.

In various instances where properties are under economic and tenant pressure, various strategies are being implemented including, but not limited to, disposal, refurbishment, reconfiguration of the tenant mix and reconsidering the use of the property. In the case of disposals, the capital will be mainly redeployed into the development of residential properties within Nova to increase the potential return to debenture holders.

Amogela Mall - Liberty Mall Investments (Pty) Ltd

Athlone Park Centre – Athlone Park Shopping Centre Investments (Pty) Ltd

Carletonville Centre – Carletonville Centre Investments (Pty) Ltd

Carnival Centre – Range View Shopping Centre (Pty) Ltd

Courtside Centre – Tarentaal Centre Investments (Pty) Ltd

Del Judor Mall – Witbank Highveld Investments (Pty) Ltd

Flora Centre – Flora Centre Investments (Pty) Ltd

The Village Shopping Centre – The Village Mall Investments (Pty) Ltd

The Villa Mall – The Villa Retail Park (Pty) Ltd

Zambezi Mall – Zambezi Retail Park Investments (Pty) Ltd

Waterglen Shopping Centre – Waterglen Shopping Centre Investments (Pty) Ltd

Amogela Mall - Liberty Mall Investments (Pty) Ltd

The take up of space at this property has picked up since our last report and vacancies have improved by some 17%. Our foot counts have also increased by approximately 23% over the same period. We are starting to receive more enquiries for space from national tenants. The strategy is to place tenants as and when possible and to improve on that tenant mix over time.

The South African operations of the anchor tenant, Choppies, was sold off and the situation has stabilized somewhat.

There has been a notable increase in the take up of office premises in the immediate vicinity, with the CCMA and Department of Education recently moving into the area. Many of their staff make use of Amogela Mall's basement parking. This will most certainly be advantageous to the mall and its tenants.

Athlone Park Centre - Athlone Park Shopping Centre Investments (Pty) Ltd

Various alternative uses for this property have been investigated and the only plausible use would be that of medical purposes. This is, unfortunately, prohibitive due to the costs involved and statutory red tape. Under the circumstances, the property has been identified for disposal.

Carletonville Centre - Carletonville Centre Investments (Pty) Ltd

The shopping centre is in dire need of a refurbishment. This is, unfortunately, prohibitive due to the costs involved. On a positive note, the anchor tenant, Shoprite, has recently renewed their lease agreement for a further 3 years albeit on a lower starting rental.

Carnival Centre - Range View Shopping Centre Investments (Pty) Ltd

Demand for space in the shopping centre has shown signs of improvement although the quality of the enquiry is not ideal. As a result, the current tenant mix has room for improvement but due to the shopping centre not being properly anchored, this is proving to be a challenge. Vacancies in this property have reduced to 2.60%.

Courtside Centre - Tarentaal Centre Investments (Pty) Ltd

Vacancies in this property have increased during the lockdown period as a result of many of the office tenants not renewing their lease agreements, and some absconding. Retail trade in the shopping centre is fair and we are currently in talks with Tops at Spar for an expansion of their premises. The property is very well located and it is expected that, under normal circumstances, demand will remain high.

Del Judor Mall - Witbank Highveld Investments (Pty) Ltd

The shopping centre is in dire need of a refurbishment. We have, in the interim, completed painting of the building's facades, erection of new signage and repairs to and remarking of a portion of the parking area. This has been very well received by our tenants and the local community, and there has been a marked increase in enquiries for space. An onsite shopping centre manager has recently been employed.

The state of public infrastructure serving the property remains a very real threat insofar as it relates to service delivery and maintenance of public roads. The municipality resolved to allow us to repair the roads on their behalf if we use their approved contractors. This has, however, proved to be a complicated and lengthily process.

Flora Centre - Flora Centre Investments (Pty) Ltd

We continue to receive a healthy demand for retail space in the building. Demand for office space has also shown improvement and we are currently in negotiations for the last remaining floor of offices. We expect this to be finalised within the next few weeks and once completed, office space will be fully occupied.

We, unfortunately, lost ABSA Bank due to their internal restructuring processes. We are, however, happy to report that both Nedbank and Capitec Bank renewed their lease agreements.

The property has suffered a setback in that the parking slab located on the southwestern portion of the building suffered structural damage and had to be closed for safety reasons. Significant capital expenditure is expected for this project.

Leeuwpoot Street 148 – 148 Leeuwpoot Investments Property Trust

We have reached an agreement with the purchaser of this property and hoped that the matter would have been finalised some time ago. We have, however, experienced problems with the local municipality with regards to clearance certificates. We are doing the necessary to resolve the issue.

The Village Shopping Centre - The Village Mall Investments (Pty) Ltd

Trading conditions in this shopping centre remain stable but flat. Demand for retail space has dropped and some long-standing tenants have been lost under lockdown conditions. Demand for office space remains very poor. We are still in process of converting part of the office space to sectional title units to sell these off and are also considering alternative uses such as residential units. The property needs a minor refurbishment.

The Villa Retail Park – The Villa Retail Park Investments (Pty) Ltd

A structural engineer was requested to inspect the concrete structure of The Villa to determine in what condition the building is and whether any remedial work is required after construction was halted, approximately 9 years ago. This inspection was done in November 2018 and the engineer was accompanied by an architect and the building contractor.

In 2019 the Group hired a Quantity Surveyor for a further Structural and Costing Report.

Overall, the building is in good condition. The exposed open areas that are subject to climate and environmental elements show mild signs of deterioration that is of no major concern. A lot of variables can contribute to causing cracks that were noticed, for example – concrete mix, weather & climate, time of day when pouring and, the volume of concrete poured at once.

In general, there are some shrinkage cracks throughout the building, but these are minor shrinkage cracks which are normal and were anticipated. The concrete was poured in different times of the season, hot and cold, with different concrete mixes and batches.

The expansion joints are within the allowable limits which are expected.

The areas that showed defects like hairline shrinkage cracks, longitudinal cracks and unevenness of the floor, do not require remedial work as it will be sealed before covered by final floor finishing.

A lift shaft was found to be filled with rainwater, but no structural damage has occurred, and holes have already been drilled to release the water.

The inspection indicated that

- no spalling has occurred;
- no structural defects could be seen;
- no settlement of foundations could be seen; and
- only minor ageing due to exposed concrete and rebar occurred.

Tshwane China Shopping Mall - Zambezi Retail Park Investments (Pty) Ltd

The head lease expired in October 2018 and was not renewed. The tenant has, however, by mutual agreement, remained in the building. We are currently investigating various options for the property.

Waterglen Shopping Centre - Waterglen Shopping Centre Investments (Pty) Ltd

Pick 'n Pay will no longer be expanding their premises but will proceed to upgrade their existing premises. This is in process and is expected to be completed within the next few weeks. Offices remain challenging and alternative uses for this space have been identified. This will, however, require a rezoning of the property, which can become a process. The proposed redevelopment of the property will need to proceed at some point.

The national lockdown had a very negative impact on this property and its tenants, and particularly on those in the food trade. Vacancies have increased as a result hereof. The property remains attractive to retailers and we trust that this situation will rectify itself over the coming months.

Nova's Residential Mixed-Use Portfolio

The development and completion of the residential projects (old growth plans) is are currently one of the priorities of the Nova Board. A professional team consisting of architects, an engineer, a town planner, a quantity surveyor and an attorney, meets fortnightly to ensure that processes, actions and procedures required to complete these projects are coordinated to unlock maximum value in the shortest possible time.

Nova, when the time is right, intends communicating in some detail regarding its carefully planned and already in various stages of the implementation action plan, to unlock optimum value from its residential mixed-use developments and regarding exit timelines of related debentures.

Nova and the Media

Nova reiterates the stance it has always taken regarding transparency for the benefit of all stakeholders.

Nova has always cooperated and will continue to engage and interact with the media. Unfortunately, one media outlet, which has proven time and again not to report accurately, even when provided with the facts, causing years of damage to the group and its stakeholders by creating a perceived “Reputational Risk” banner, has not for some time now and will not be granted such cooperation.

Nova has often been asked by its stakeholders, why it doesn’t do something about this negative incorrect reportage.

It is Nova’s policy to lodge Complaints with the Press Ombud in instances where Nova believes that the Press Code has been contravened.

Nova has had some successes when lodging such Complaints.

Just recently, Nova through its Chairman, lodged four complaints relating to various articles regarding Nova, which appeared on Moneyweb’s platform over the period February 2020 to March 2020, with the Press Ombud. Nova believed that the articles and the context in which the articles were presented, transgressed the Press Code, which stipulates that

The media shall:

- take care to report news truthfully, accurately and fairly;
- present news in context and a balanced manner, without any intentional or negligent departure from the facts whether by distortion, exaggeration or misrepresentation, material omissions, or summarization; and
- present only what may reasonably be true as fact; opinions, allegations, rumours, or suppositions shall be presented clearly as such.

As a result of the complaints submitted, Moneyweb admitted that its reporter erred in one of the articles by stating that 40 000 investors invested in the erstwhile Sharemax property companies, whilst the truth is that less than 20 000 investors invested.

The reference to 40 000 was corrected by Moneyweb and an apology was published at the top and underneath the incorrect article.

With reference to a complaint submitted regarding a sub-headline to an article which read “Sharemax rescue vehicle to be investigated for possible transgressions of tax legislation and the Companies Act.”, the Acting Assistant Ombud found that:

“The statement, of fact, that Nova was ‘...to be investigated (for possible transgressions of tax legislation and the Companies Act)’ turned a possibility into a certainty. This was in breach of Section 1.3 of the Press Code that reads, ... *opinions, allegations, rumours, or suppositions shall be presented clearly as such*’.” Moneyweb was instructed to apologise to the Chairman of Nova and Nova on the Moneyweb platform.

Moneyweb apologised to the Chairman and Nova on the Moneyweb platform, for stating, as a fact, that it was “...to be investigated (for possible transgressions of tax legislation and the Companies Act)”.

The first apology posted on Moneyweb contained blatant errors which were brought to the attention of the Ombudsman who directed Moneyweb to correct their initial apology, which they did.

Conclusion

The Nova Board is committed to continuing building on the positives achieved over the last 8 years and is confident that role players, both in the financial sector and the property sector, will see through the fog created by the one media outlet and join forces with Nova to further unlock value for both shareholders and debenture holders of Nova.

Nova is here because we fundamentally believe we can succeed in getting as much of people’s historical money invested back to them; we work tirelessly in achieving this goal; we are their best chance to getting it done!
