



NOVA PROPERTY GROUP

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

Communique – Nova Group Update

9 April 2021

Non-Executives Join the Nova Board

It is with great pleasure that the Group welcomes the appointment of Mr Nhlamulo Ndlhela and Ms Makhosazana Sibisi to the Board as independent non-executive directors.

Both directors have an impressive curriculum vitae and bring with them, apart from independence, various levels of expertise from their respective exposures in the corporate world. Their portfolios can be viewed on Nova's website.

Audited Consolidated Group Annual Financial Statements

The Nova Property Group Audited Consolidated Annual Financial Statements ("AFS") for the year ended 29 February 2020 are available on Nova's website.

Further to our previous Communique, several factors contributed to the 2020 AFS only being published by February 2021.

Not only was this a first-time audit for the Group's newly appointed auditors, MKIVA Registered Auditors & Business Advisors ("MKIVA") but the COVID and related Government Lockdown restrictions made it impossible to complete the audit by 31 August 2020.

What is to be noted, is that the above situation is not unique to this Group. This is why the Companies and Intellectual Property Commission ("CIPC"), had issued a Notice 21 of 2020 to Customers, Companies, Close Corporations 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

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Dominique Haese Chief Executive Officer, **Connie Myburgh** Chairman, **Matthew Osterloh** Property Director, **Nhlamulo Ndlhela** Non-Executive Director, **Jane Phiri** Non-Executive Director, **Makhosazana Sibisi** Non-Executive Director

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. Which lockdown continues today.

The auditors' qualifications

Material uncertainty as Going Concern

The auditors' report to the 2019 AFS referred to a *material uncertainty* in relation to certain of the companies within the Group's ability to operate as a going concern for the year going forward.

The content of the 2020 AFS demonstrates that the auditors' concerns, as expressed in the 2019 AFS, proved to be without merit and that the Group, during the financial year ended February 2020, not only traded under solvent circumstances, but generated a profit of:

	<u>2020</u>
	R
Profit for the year	1 970 625
Adjustments:	19 432 836
- Accounting adjustments	(2 362 345)
- Non-recurring extraordinary items	21 795 181
Adjusted profit for the year	21 403 461

Today, one year on, from the auditors' report to the 2020 AFS, the Group is still able to operate as a going concern for the year going forward, again proving the auditors' concerns to be without merit.

Certain Investment Properties' Valuations

Let us look to the qualifications by the auditors over the last 3 years, turning around the assumptions used by the independent experts in determining the Fair Values of some of the Investment Properties. Auditors are careful in expressing an unmodified opinion when they cannot reach an adequate level of comfort as to the correctness of assumptions applied.

Ordinarily, auditors, as part of their pre-engagement audit process, would factor in the obtaining of their own independent experts, which come at a cost. Unfortunately, the current auditors did not make use of such independent experts, which the Group was very unhappy about as this left the Auditors with no choice, as they are not property valuers themselves, but to qualify their audit opinion.

However, Debenture Holders and Stakeholders should have regard to the Directors' Report, wherein the Board states that it is of the view that the Fair Values of properties are a true reflection of their underlying values, that which market participants (independent buyers) would pay for a relevant property in the open market, which Fair Values have a direct link to the Debenture Fair Value.

Debenture Holder Year 10 Exit

February 2021: The Nova Board takes prudent decision to start the process of exiting the rest of all Debentures!

The past nine years have most certainly been challenging. Such a large restructuring, by its mere nature and given its history, brings with it much criticism and negativity, further fuelled by often unjust, negative and even incorrect media reporting, unfortunately resulting in many funding lines, equity partnerships, including a proposed Listing in 2019 of the Group, all key to value enhancement and resultant Debenture payments, not coming to fruition.

Nonetheless, the Group has steered a steadfast course and through perseverance has achieved:

- Successful capital payment to many Debenture Holders over the last 9 years and at 100 cents to the rand.
- Property value enhancement of many of its properties for future capital payments to Debenture Holders.

The Group's plan, as was intended by the Schemes of Arrangement, has always been to maximise the Fair Value of Debentures to the maximum possible value achievable, with regard to their historically invested capital and to then exit Debentures, wherever possible, within the 10-year period as projected in the Schemes of Arrangement.

With regard to the payment of Debentures in 2022 and going forward, the board has been in discussion on this point for some time.

Even though the Board has the discretion to postpone the payment of Debentures, beyond the projected 10-year Scheme of Arrangement period, the Board, in February 2021, made the decision to commence Debenture payment during 2021.

Notwithstanding, that not all Debenture Classes have achieved their maximum possible value, most of the Debenture Fair Values were in fact higher, when compared to some 9 years ago, when the Group, through the Restructuring fended off liquidations.

Table of Value enhancement over 9 years for all Remaining Classes of Debentures:

<u>Debenture Class</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
148 Leeuwpoot Street	59%	89%	72%	72%	72%	72%	72%	72%	100%
Oxford Gate	81%	81%	99%	99%	99%	99%	99%	99%	100%
Witbank Highveld	86%	89%	89%	92%	100%	100%	100%	100%	100%
Flora Centre	100%	73%	79%	85%	92%	100%	100%	100%	100%
Waterglen Shopping Centre	86%	85%	83%	79%	85%	92%	100%	100%	100%
Carletonville Shopping Centre	86%	89%	93%	100%	100%	100%	100%	57%	53%
Shopmakers Village/Homemakers	70%	78%	85%	75%	84%	86%	86%	86%	100%
Benoni Hyper	81%	82%	67%	74%	66%	34%	39%	39%	81%
De Marionette Centre/Shoprite	87%	79%	78%	73%	79%	81%	96%	63%	72%
Athlone Park/Die Meent	56%	63%	78%	68%	73%	66%	54%	50%	51%
Carnival Centre (Range View)	61%	74%	75%	76%	77%	72%	71%	56%	52%
Parkside Plaza/Secunda Plaza	86%	96%	86%	79%	75%	60%	47%	39%	81%
Amogela Mall (Liberty Mall)	61%	61%	64%	62%	66%	72%	62%	14%	14%
Rivonia Square	45%	43%	43%	43%	43%	43%	43%	43%	73%
Nelspruit Hyper	86%	92%	81%	81%	81%	81%	81%	81%	100%
Zambezi Retail Park	33%	32%	77%	49%	41%	41%	44%	63%	63%
The Villa Retail Park	34%	31%	38%	36%	39%	39%	39%	53%	53%
Dainfern Shopping Centre	0%	54%	52%	64%	64%	64%	64%	64%	100%
Whale Rock Residential Estate	0%	0%	0%	0%	0%	0%	0%	0%	0%
Mont Rouge Residential Estate	76%	78%	84%	92%	100%	82%	98%	100%	100%
Stonewood Country Estate	39%	35%	35%	35%	48%	36%	60%	60%	61%
Berg & Dal Residential Estate	63%	63%	69%	75%	75%	75%	75%	75%	75%
Waterfall Estate	81%	76%	76%	65%	65%	48%	49%	45%	45%
Bay Estate	60%	60%	66%	71%	0%	0%	0%	0%	0%
Country View Retirement Village	70%	71%	78%	44%	44%	37%	52%	52%	51%
Theresapark Retirement Village	68%	65%	71%	78%	84%	61%	86%	87%	85%
Steenbok Crossing	60%	60%	65%	71%	78%	55%	10%	10%	12%
Aggregate Average	69%	72%	75%	74%	73%	68%	69%	64%	73%

Further Fair Value enhancement would take many more years and as such, the Board felt it prudent to, in 2021, start the process of exiting the rest of the Group's Debentures.

This process is extensive. Even properly coordinated, it will take time and even a year or two.

The Group will communicate in more detail to all relevant Stakeholders and Debenture Holders what this process will entail.

Conclusion

The Nova Board is committed to continuing building on the positives achieved over the past 9 years. Nova is confident that it has done everything in its power, to securing for its Debenture Holders and Stakeholders, the best possible outcome. Nova is now looking forward to completing this *historic restructuring process*, with maximum benefit to its Debenture Holders and Stakeholders.

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!
