

Nova PropGrow Group Holdings Limited and its Subsidiaries

(Registration number 2011/003964/06)

Consolidated And Separate Annual Financial Statements for the year ended 28 February 2019

Directors' Report

The directors have pleasure in submitting their report on the consolidated and separate annual financial statements of Nova PropGrow Group Holdings Limited and its Subsidiaries for the year ended 28 February 2019.

1. Nature of business

The group is engaged in investing in commercial and residential property, the letting thereof and development of residential property and operates principally in South Africa.

2. Review of financial results and activities

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated and separate annual financial statements.

3. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

4. Interests in subsidiaries

Details of material interests in subsidiary companies are presented in the consolidated and separate annual financial statements in note 6.

There were no significant acquisitions or divestitures during the year ended 28 February 2019.

The interest of the group in the profits / (losses) of its subsidiaries for the year ended 28 February 2019 are as follows:

	2019	2018
	R	R
Enzi Construction and Projects Proprietary Limited	(39 658)	774 895
Geo Sphere Developments Proprietary Limited and its Subsidiaries	(40 699 599)	(114 654 242)
Nova Property Group Investments Proprietary Limited and its Subsidiaries	(28 590 041)	(39 126 403)

5. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Changes
D Haese	Chief Executive Officer	Executive	
CF Myburgh	Chairperson	Executive	
MJ Osterloh	Property Director	Executive	
N Adriaanse		Non-executive	Resigned 07 February 2020
LM Mbethe		Non-executive	
CNS Rembe		Non-executive	Resigned 16 April 2019
JG Smit		Non-executive	
J Phiri		Non-executive	Appointed 03 May 2018

6. Directors' indirect interests in shares

As at 28 February 2019, the directors of the company held indirect interests in the issued ordinary A and B shares of the company, as set out in note 15.

To the extent to which any debentures were not exchanged into ordinary shares in the company, as a result of debenture holders electing not to exchange and to the extent to which debenture holders elect not to exchange their debentures into ordinary shares in the company, ordinary B shares equal to the quantum of ordinary shares not issued to non-electing debenture holders, but which would have been issued to non-electing shareholders had they elected to exchange their debentures into ordinary shares in the company, have been issued to the holders of the initial 70 founder shareholders ordinary A shares in the company (being the nominees of the directors of the company as at 11 November 2011), as such shareholders will have the responsibility to procure funding and other actions required for the repayment of the debentures of non-electing debenture holders over the time period over which the debentures of non-electing debenture holders need to be redeemed, through the business activities of the company and its subsidiary, Nova Property Group Investments Proprietary Limited.

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7. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the group had an interest and which significantly affected the business of the group.

8. Borrowing powers

In terms of the Memorandum of Incorporation, the borrowing powers of the group are unlimited. However, all borrowings by the group are subject to board approval as required by the board delegation of authority.

9. Secretary

The company secretary is Frontier Accounting and Secretarial Services Proprietary Limited.

Postal address: Private Bag 27067
Monument Park
0105

Business address: 105 Club Avenue
Waterkloof Heights
0181

10. Auditors

Nexia SAB&T continued in office as auditors for the company and its subsidiaries for 2019.

11. Going concern

The directors have reason to believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly, the consolidated and separate annual financial statements have been prepared on a going concern basis.

The board of directors have assessed the adequacy of adopting the going concern assumption in relation to the preparation of the annual financial statements. This includes consideration of historic financial results which indicate that the group incurred a net loss for the year in the amount of R71,2 million (2018: R155,1 million) and the cash utilised in operating activities in the amount of R39,8 million (2018: R23,7 million). Furthermore, the group holds cash and cash equivalents in the amount of R5,5 million (2018: R5,7 million) at year end, the majority of which has been committed in terms of existing obligations.

The table below indicates that the net loss for the year is derived from certain accounting adjustments such as fair value adjustments to the investment properties and debenture liabilities, as well as net realisable value adjustments to inventory. Furthermore, the net loss for the year includes non-recurring items such as bad debt, repairs and maintenance, legal fees and assets recovered.

	2019
Loss for the year	R (71 207 779)
Adjustments:	52 857 465
- Accounting adjustments	15 133 750
- Non-recurring extraordinary items	37 723 715
Adjusted loss for the year	(18 350 314)

In the absence of the above adjustments and non-recurring items, the group would have achieved a loss of R18,3 million (2018: Profit R8,9 million).

The ability of the group to continue as a going concern, is dependent on a number of factors, which may indicate the existence of a material uncertainty. These include the following significant factors:

- the generation of sufficient cash and cash equivalents available to cover day to day operational activities of the group;
- capital expenditure for the foreseeable future is dependent on the completion of planned property disposals and/or capital borrowings and/or capitalisation of the group;
- the settlement of borrowings becoming due and payable in the foreseeable future is dependent on the completion of planned property disposals or alternative cash resources availability.

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The board of directors have reviewed the group's cash flow forecast and budgets and in considering the uncertainties described above, the board of directors have a reasonable expectation that the group has adequate resources to continue operations for the foreseeable future and the board therefore continues to adopt the going concern basis of accounting to prepare the financial statements.

The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient resources to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

The board of directors recognise that various properties amounting to the value of R324,4 million have been disposed of as at 28 February 2019. The corresponding debenture liabilities remain payable in accordance with the provisions of the Schemes of Arrangement. These debenture liabilities are recorded in the financial statements as part of non-current debentures (refer note 17).

12. Events after the reporting period

Magalies Investments Proprietary Limited

During the 2019 financial year the company entered into an agreement whereby the major part of the assets of the Magalies Investments company, namely the investment property (Erf 21 Magalieskruin Extension 1 Township, Pretoria, Gauteng), was sold and transferred on 11 April 2019. The bond due to Standard Bank was fully settled in April 2019.

De Marionette Centre Investments Proprietary Limited

During the 2020 financial year the company entered into an agreement whereby the major part of the assets of the De Marionette Centre company, namely the investment property (Erf 2169, Meyersdal Extension 19, Alberton, Gauteng), was sold and transferred on 20 August 2019.

During the 2020 financial year the company signed and accepted an offer to sell the remaining part of the assets of the De Marionette Centre company, namely the investment property Erven 5052, 5053, 5054 and 5059, Secunda Extension 14, Mpumalanga. At the time of approval of the annual financial statements, this transaction was still in process.

Parkside Centres Investments Proprietary Limited

During the 2020 financial year the company entered into an agreement whereby the major part of the assets of the Parkside Centre company, namely the investment property Portion 1 of Erf 8349, Secunda Extension 25, Mpumalanga, was sold and transferred on 14 November 2019.

Cold Creek Developments Proprietary Limited

On 11 November 2019, the shareholder of Cold Creek Developments Proprietary Limited, Geo Sphere Developments Proprietary Limited, entered into a sale agreement to sell 100% of the shares held in Cold Creek Developments Proprietary Limited.

Purported resignation by Debenture Trustee

The Nova Property Group has taken legal advice in regard to Mr Cohen's purported resignation as Trustee of the Debenture Trusts. The advice received was that Mr Cohen could not resign and that his resignation was unlawful and void. No action is due to be taken by the Nova Property Group in consequence of Mr Cohen's unlawful and void resignation.

The directors are not aware of any other material events which occurred after the reporting date and up to the date of this report not already dealt with elsewhere in the financial statements.

13. Valuation of Investment Properties and Going Concern

The board has taken note of the views expressed by the group's auditors in their audit opinion regarding the valuation of certain of the group's Income Plan Investments Properties and the Going Concern.

The group's Investment Properties are valued by Independent External Valuers, registered as Professional Valuers with the SA Council for the Property Valuers Profession and Members of the SA Institute of Valuers.

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.

14. Reportable Irregularity

For the financial year ended 28 February 2019, the Company contravened Section 30(1) of the Companies Act of South Africa, whereby the board of directors has not approved the annual financial statements for the company within six months after the end of its financial year.

In accordance with their responsibilities in terms of Section 45 of the Auditing and Profession Act, the Company's Auditors have reported the above matter and the fact that the non-compliance is no longer continuing to the Independent Regulatory Board for Auditors.

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Company Secretary's Certification

The company Secretary certifies that the group has lodged with the Companies and Intellectual Property Commission, all such returns as are required by a public company, in terms of Section 88(2)(e) of the Companies Act, as amended, and that all such returns are true, correct and up to date to the extent that the Company Secretary has been informed.



D Haese
Frontier Accounting and Secretarial Services Proprietary Limited