

MEMORANDUM

Non-finalization of Annual Financial Statements – 28 February 2025

The purpose of this Memorandum is to provide Debenture Holders with feedback on the actions I have taken regarding the non-finalisation of the Annual Financial Statements (“AFS”) of Nova PropGrow Group Holdings Limited and its subsidiaries (“the Nova Group”) for the financial year ended 28 February 2025 (“the 2025 AFS”)

1. Background

Section 30(1) of the Companies Act 71 of 2008 (amended) (“the Companies Act”) provides that *‘each year, a company must prepare annual financial statements within six months after the end of its financial year.’* (own emphasis).

Section 30(2)(a) of the Companies Act further states that *‘annual financial statements must be audited, in the case of a public company.’*

Read together, these provisions mean that a public company’s AFS are only *‘prepared’* once the audit has been completed within the six-month statutory period.

On 26 February 2026, I engaged with the Chairperson of the Audit Committee, Mr Willem van Niekerk, regarding the progress of the audit of the 2025 AFS. I was advised that the audit was close to completion, with only a few remaining procedures outstanding, including events after the reporting date.

As at the date of this Memorandum, there is still no indication that the 2025 AFS have been finalised and audited. Annexure A contains a screenshot from the Nova Group’s website confirming that only the 2024 AFS are available.

Although it is theoretically possible that the 2025 AFS may have been finalised after the date of the above correspondence, several shareholders have confirmed to me in person that they have received no communication indicating that the 2025 AFS have been completed or that an Annual General Meeting has been scheduled. It is therefore reasonable to conclude that the audit has still not been completed.

2. Interpretation of section 30 of the Companies Act

Section 30 of the Companies Act (“section 30”) has historically been interpreted incorrectly by the Board of Directors of the Nova Group (“the Board”). The Board appears to hold the view that section 30 does not explicitly require a public company’s AFS to be audited within six months after year-end, and that ‘*preparation*’ refers only to Board approval, not to the completion of the audit.

This interpretation has been repeated publicly, including in responses to Moneyweb articles. This interpretation is incorrect.

As previously noted on my website ([Statement on the Nova Group’s Financial Position and official Complaint to the CIPC](#)), I also lodged an official complaint with the Companies and Intellectual Property Commission (“CIPC”) on behalf of Debenture Holders regarding what I consider to be reckless conduct in the management of the Nova Group’s affairs. The contravention of section 30 formed an integral part of the CIPC complaint.

With respect to the contravention of section 30 as reported to the CIPC, the Board responded to the CIPC in an [official document](#) and stated as follows – ‘*It is important to note that Section 30(1) of the Companies Act (No. 71 of 2008) refers to the word PREPARE only under point (1). Under Point (2) it states that the AFS must be audited. Important to note is that point (2) is a separate point to point (1), and there is no “and” between point (1) and point (2). The timing of 6 months therefore refers to point (1) only. i.e. the preparation of the AFS. All of the Nova Group’s Annual Financial Statements, separates and consolidations, are prepared within six months after the financial year end, being February in all instances.*’ It is assumed that the reference to ‘point’ in the Board’s statement actually refers to the ‘subsections’ of section 30.

In a letter received from the CIPC dated 23 March 2026, the CIPC stated as following with respect to section 30 – ‘*In light of the aforementioned, the CIPC hereby unequivocally confirms that the Nova Group of Companies, consolidated as Nova PropGrow Group Holdings Ltd, is in contravention of section 30 of the Act by not causing the preparation and approval of annual financial statements within six months of its financial year end.*’

A copy of the letter can be found on my website under the following link – [Non-compliance with Section 30 of the Companies Act – Audited Annual Financial Statements for the financial year ending 28 February 2025.](#)

In conclusion: a public company must have audited AFS within six months after year-end. For the Nova Group, this deadline is 31 August each year. The 2025 AFS were therefore required to be audited by 31 August 2025.

This non-compliance prompted me to submit a formal complaint to the Independent Regulatory Board for Auditors (“IRBA”) regarding the conduct of the Nova Group’s independent auditors. I consider it necessary to share this information with Debenture Holders.

3. IRBA Complaint

My complaint to the IRBA was based on the following considerations:

- Thousands of Debenture Holders rely on the timely completion of the audited AFS;
- The Debenture value of approximately R 2.2 billion represents a significant public interest;
- Delays in the AFS directly affect the financial security of Debenture Holders; and
- Debenture Holders must be alerted promptly to potential going-concern risks.

For professional reasons, I will not include my full sworn affidavit or supporting documentation in this Memorandum. Once the matter has been finalised, I will request the IRBA's approval to publish the full complaint and outcome on my website.

However, the complaint in essence dealt with the following matters, all of which are facts available in the public domain:

- Incorrect interpretation of section 30;
- Failure to report the purported SARS liabilities as a Reportable Irregularity; and
- The questionable delay in finalization the 2025 AFS.

Incorrect interpretation of section 30 of the Companies Act

As an introduction, I respect the professional judgement auditors apply when determining whether an audit matter constitutes a Reportable Irregularity ("RI") in terms of section 45 of the Auditing Profession Act 26 of 2005 (amended) ("the APA").

However, my complaint does not challenge the audit procedures the auditors of the Nova Group performed in reaching a conclusion to not report an RI. It challenges their interpretation of section 30.

In correspondence between myself and the auditors of the Nova Group regarding the late finalisation of the 2023 AFS, it became clear that the auditors shared the Board's view that section 30 does not require the audit to be completed within six months.

It therefore appears that the failure to report an RI did not arise from a considered professional conclusion that the contravention fell outside section 45 of the APA, but rather from an incorrect interpretation of section 30.

Worth noting, in contrast to the audit reports issued by the two previous auditors, where the contravention of section 30 and the Nova Group's failure to settle its VAT liabilities when due were expressly disclosed in their respective audit reports as well as RI's reported, the audit reports of the current auditor for the past two financial years are silent on these contraventions.

Therefore, the auditors' incorrect interpretation of section 30 prompted me to refer this matter to the IRBA for investigation.

Failure to report the purported SARS liabilities as a Reportable Irregularity

Based on the audited AFS for the year ended 29 February 2024 (“the 2024 AFS”) (refer to the AFS via the following link – [Audited Annual Financial Statements – 28 February 2024](#), it is evident that the Nova Group is facing severe going-concern risks. The 2024 AFS further disclose the following material debts owing to the South African Revenue Services (“SARS”):

- Income Tax – A net liability of R 62,003,298 (2023 – R 50,723,084) due and payable to SARS and potentially outstanding for several years; and
- Value-added Tax (“VAT”) – A net VAT liability of R 16,374,398 (2023 – R 9,895,939) due and payable to SARS and potentially outstanding for several years.

With respect to the VAT liability, I performed a high-level analytical review of the theoretical Output VAT and Input VAT amounts. This analysis suggests that the Nova Group may not have been paying its VAT obligations to SARS for an extended period. Annexure B to this Memorandum sets out the analytical workings derived from the 2024 AFS, and the ‘Notes’ referenced in the ‘Comments’ column are elaborated upon below. While this conclusion is based on analytical interpretation rather than confirmed fact, the magnitude and nature of the liabilities raise serious concerns.

It appears that the Nova Group has not been meeting its VAT obligations to SARS and is in arrears for what may be several consecutive years. While this has not yet been confirmed as an established fact, the information contained in the audited AFS for various years leaves no reasonable alternative conclusion.

Based on the financial data presented, the only plausible inference is that Output VAT has been retained and utilised to fund operational activities rather than being paid over to SARS as required:

- Revenue — The consolidated turnover of the Nova Group is reported as R 60,471,158 (2023* – R 51,899,169). This amount is stated exclusive of Output VAT, and for purposes of this analysis it is assumed that all revenue constitutes standard-rated vatable supplies as contemplated in the Value-Added Tax Act 89 of 1991 (as amended) (“the VAT Act”). Refer to Note 1;
- Other operating income — No detailed breakdown is provided regarding the composition of this amount apart from only being ‘recoveries’ of R 77,119,437 (2023* – R 75,711,993). It is highly likely that it includes utility recoveries collected from tenants, which ordinarily constitute consideration for taxable supplies. For purposes of this analysis, it is therefore assumed that this amount also represents vatable income as contemplated in the VAT Act. Refer to Note 2;
- Output VAT — The notional Output VAT calculated on the total vatable earnings amounts to R 20,638,589 (2023* – R 19,141,674). This represents the VAT that should have been levied and accounted for on the Nova Group’s taxable supplies, based on the assumptions set out above. Refer to Note 3;

- Other operating expenses — For purposes of this analysis, it is assumed that Input VAT would be claimable on all operating expenses to the value of R 131,294,688 (2023* – R 130,585,312) incurred by the Nova Group, to the extent that such expenses relate to the making of taxable supplies as contemplated in the VAT Act. Refer to Note 4;
- Directors' Remuneration and Salaries — Input VAT is not claimable on amounts paid to Directors as Directors' Remuneration, nor on normal salaries and wages paid to employees to the value of R 14,569,580 (2023* – R 14,336,002). Accordingly, these amounts, as disclosed in the AFS, are excluded from the operating expenses for purposes of calculating deductible Input VAT. Refer to Note 5;
- Input VAT — The calculated allowable Input VAT amounts to R 17,508,766 (2023* – R 17,437,392). This represents the Input VAT deductible against the Nova Group's taxable supplies, based on the assumptions outlined above. Refer to Note 6;
- Net VAT payable - Annually — Based on the calculations set out above, the notional annual net VAT payable to SARS amounts to R 3,129,823 (2023* – R 1,704,278). This represents the estimated VAT liability after offsetting allowable Input VAT against the corresponding Output VAT. Refer to Note 7;
- Net VAT payable - Bi-monthly — As the turnover of the individual subsidiaries is almost certainly below SARS's R 30 million threshold, it is assumed that each subsidiary is required to submit VAT returns on a bi-monthly basis. On this basis, the notional net VAT payable to SARS every two months amounts to R 521,637 (2023* – R 234,046). Refer to Note 8;
- VAT liability — According to the 2024 AFS, under Accounting Note 16 (Trade and Other Payables), the VAT liability owing to SARS is disclosed as R 21,964,349 (2023* – R 15,035,569). This represents the accumulated VAT obligation reflected in the Nova Group's financial statements. Refer to Note 9;
- VAT refund — According to the 2024 AFS, under Accounting Note 11 (Trade and Other Receivables), the VAT refunds due from SARS are disclosed as R 5,589,951 (2023* – R 5,139,630). This represents the amount recoverable from SARS arising from excess Input VAT claimed. Refer to Note 10;
- Total VAT payable — The resulting net VAT payable to SARS is therefore R 16,374,398 (2023* – R 9,895,939). This represents the Nova Group's net VAT liability after offsetting VAT refunds due from SARS against the VAT liability disclosed under trade and other payables. Refer to Note 11;
- Theoretical years VAT not paid — This calculation is derived by dividing the 'Total VAT payable' by the 'Net VAT Payable – Annually'. Refer to Note 12.
It is critical that this assumption is read together with the disclaimer below, as the calculation represents a theoretical estimate only and must not be interpreted as a confirmed factual finding. In support of this interpretation, had the Nova Group's bi-monthly VAT submissions been paid as and when due, the only liability that ought theoretically to have remained at year-end would have been the amounts disclosed under Note 8, namely R 521,637 (2023* – R 284,046)
- Interest and Penalties — Irrespective of the disclaimer below, the magnitude of interest levied by SARS on an annual basis is alarming and strongly indicative of substantial outstanding VAT debts, almost certainly accumulated over multiple years. The scale of these charges, viewed alongside the Group's disclosed VAT liabilities, reinforces the conclusion that significant arrears have persisted for an extended period.

Disclaimer

It must be noted that the VAT liability disclosed under Accounting Note 16 of the 2024 AFS may include an interest component owing to SARS. The magnitude of the liability suggests that this is a distinct possibility. However, due to the limited information provided in the 2024 AFS, and in the absence of clarity on whether SARS interest is being settled annually, it cannot be determined with certainty what portion of the disclosed VAT liability represents capital VAT and what portion represents interest. Should the interest component be excluded from the VAT liability for purposes of the above calculations, leaving only the *capital portion* of the VAT owed, the resulting theoretical number of years during which VAT was not paid over to SARS may decrease substantially. In an extreme scenario, this adjustment could even suggest that the Nova Group is fully tax-compliant with no arrear VAT owing to SARS, although such a conclusion would be difficult to reconcile with the financial information currently available.

To conclusively demonstrate that the Nova Group's tax affairs are fully up to date, the Board can simply provide valid Tax Clearance Certificates ("TCCs") for each company within the Nova Group, confirming that all tax obligations are current and that each entity is fully tax compliant, as required. These TCCs are not confidential documents and may be requested directly from the Board.

Should the Board consider the above interpretation to be factually incorrect, the production of these certificates would immediately clarify the Group's true tax-compliance status.

It is further relevant to note that SARS eFiling includes a functionality enabling third parties to independently verify whether a VAT vendor is tax compliant. In light of the concerns raised, such independent verification may be a prudent and objective step in assessing the Nova Group's actual compliance position.

* Restated 2023 AFS Figures — The 2023 financial information was restated as part of the 2024 AFS. Accordingly, all calculations in this analysis utilise the restated 2023 AFS amounts, rather than the figures originally disclosed in the initial audited 2023 AFS.

This apparent inability of the Nova Group to pay both current and arrear amounts owing to SARS, whether in respect of Income Tax or VAT, together with the resulting potential for significant loss to the fiscus, and the fact that this matter has not been reported to the IRBA as a RI, leaves me with more questions than answers regarding the true purpose and effectiveness of section 25 of the APA.

As already noted above, in stark contrast to the audit report issued by the previous auditor who expressly disclosed the Nova Group's failure to settle its VAT liabilities when due, the audit reports issued by the current auditor for the past two financial years are entirely silent on this purported contravention. This omission is particularly striking given that the VAT liability increased from R 7,513,570 in 2022 to a staggering R 16,374,398 in 2024.

It is deeply concerning that audit issues like these do not necessitate the reporting thereof to the IRBA, with specific reference the magnitude and potential duration this debt is due to SARS. For this reason, I am of the opinion that the auditors ought to have reported this significant debt, as an RI to the IRBA based on the significance of the amounts. In total R 78,377,696 (2023* - R 60,619,023) is due and payable to SARS. This amount included both VAT the Normal Income Tax due.

The questionable delay with the finalization of the 2025 AFS

It is important to emphasise that my comments regarding the questionable delay in finalising the 2025 AFS do not assert that there is a deliberate attempt to withhold or postpone the completion of the audit. However, when the following questions are considered, it becomes exceedingly difficult to identify any other valid or reasonable explanation for the continued delay. The only logical inference is that the finalisation of the audit is being deferred to allow the overall going-concern position of the Nova Group to improve before the auditors issue their opinion.

It is a known fact that Flora Centre Investments (Pty) Ltd (“Flora”) is currently in provisional liquidation. I remain perplexed, particularly when considering the urgent and extensive steps the Nova Group took in 2023 to prevent the Quatro Group from instituting twelve liquidation applications (refer to the Moneyweb article at the following link - [Liquidation applications against 12 Nova companies halted - Moneyweb](#)), that the Nova Group has not similarly opposed the provisional liquidation of Flora. The inconsistency in approach is difficult to reconcile, especially given the strategic importance of Flora within the Group and the significant consequences arising from its liquidation.

After analysing all the information available in the public domain, I am left with the following pertinent questions as to why the provisional liquidation of Flora was not opposed:

- Is it not possible that, by allowing Flora to enter into provisional liquidation, the process effectively overrides the CIPC’s Compliance Notice, thereby creating a convenient mechanism to circumvent the moratorium and enable the sale of a Debenture-Linked property?
- Given that the debt owing to the secured creditor, Capitec Bank Limited (“Capitec”), is materially lower than the fair value of the Flora property, as evidenced in both the liquidation application and the 2024 AFS, is it not possible that, once the property is sold and Capitec is paid in full, the remaining proceeds could be ‘redeployed’ into the Nova Group via Nova Property Group Investments (Pty) Ltd (“Nova Investments”) to bolster the Group’s liquidity and solvency position?
- With respect, significantly larger and more complex entities, including JSE-listed companies, routinely finalise their audited AFS within six months of year-end. The Nova Group’s audit does not appear to present any greater level of complexity. In these circumstances, is it not at least possible that the auditors are unable to finalise their 2025 audit opinion, now eight months after the statutory deadline, until such time as a discernible improvement is observed in the Nova Group’s going-concern position, thereby withholding material going-concern risks from interested parties in the interim?

- The sale of the Flora property will remove an asset valued at R 217,429,534 (2023 – R 220,867,217) from the Statement of Financial Position (“Balance Sheet”). Furthermore, based on the audited AFS of Flora for the year ended 29 February 2024, Flora generated turnover of R 15,024,277 (2023 – R 13,704,277), representing 24.9% (2023 – 26.4%) of the Nova Group’s consolidated turnover. Is it not possible that the Nova Group is facing severe going-concern challenges, that its cash-flow forecasts reflect an exceptionally bleak outlook, and that the auditors are withholding the 2025 audit opinion until the proceeds from the sale of Flora are ‘redeployed’ within the Group, thereby marginally improving its going-concern position?

The basis for my questions is not founded on any proven facts. However, with respect, any seasoned accountant, when examining the same information available in the public domain upon which my questions are based, would most certainly arrive at the same concerns, if not raise even more. The patterns, inconsistencies, and financial indicators speak for themselves when studied objectively and with the requisite professional scepticism.

The circumstances surrounding the delay in finalising the 2025 AFS, together with the coincidental provisional liquidation of Flora, directly give rise to these questions and the concerns attached to them. This represents the longest period after the Nova Group’s financial year-end during which the AFS have remained incomplete, an unprecedented delay that is difficult to reconcile with any reasonable or conventional explanation.

Based on the above, it becomes exceedingly difficult to arrive at any conclusion other than that the auditors of the Nova Group are, in my respectful opinion, delaying the finalisation of the 2025 audit in the hope that the Nova Group’s going-concern position will improve. In light of these concerns and given the seriousness of the implications for stakeholders and the public interest, this matter has accordingly been referred to the IRBA for investigation.

4. Conclusion

Any member of the public has the right to approach the IRBA and submit an official complaint where unprofessional conduct by a registered auditor is reasonably suspected. In exercising this right, I have submitted a detailed complaint to the IRBA in the form of a sworn affidavit, supported by multiple annexures substantiating the concerns raised.

Furthermore, in my capacity as Trustee of the Debenture Trust, a Trust established to safeguard the investments of approximately 18,500 Debenture Holders, representing a collective value of roughly R2.2 billion, I have a fiduciary duty to ensure that these investments are properly managed, that they remain secure, and that Debenture Holders ultimately receive the return of their initial capital. It is therefore both my right and my obligation to take appropriate action and to raise questions whenever I believe that the interests of Debenture Holders may be at risk.

Debenture Holders place complete trust in independent custodians, most notably independent auditors, and properly constituted Audit Committees, to maintain objectivity, uphold professional standards, and report potential risks without fear or favour. When these safeguards appear compromised, or when material concerns remain unaddressed, it becomes imperative for those charged with oversight to act decisively in the public interest.

All information presented in this Memorandum is verifiable through third-party documentation and derived from the interpretation of audited Annual Financial Statements spanning multiple financial years.

Any Debenture Holder are welcome to contact me directly using the details below:

- nova@carian.co.za
- +27 69 289 5294

Please note that the above email address is not affiliated with Nova. It was created under my professional practice's domain solely for direct communication with Debenture Holders. All official Nova-related queries should continue to be directed to the contact details provided by the Nova Group.

A copy of this memorandum has also been sent to the Board of Directors of Nova PropGrow Group Holdings Limited.

Kind regards

 Digitally signed

Jean-Pierre Tromp

In my capacity as Trustee of the Debenture Trust