



NOVA PROPERTY GROUP

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

Press Statement – Nova CIPC Notice July 2022

15 August 2022

The Nova Group wishes to make the following statement regarding the recent CIPC Notice issued on 25 July 2022 to Nova PropGrow Group Holdings Limited (“Nova”):

- The CIPC’s latest compliance notice is flawed in many respects and is subject to review, as contemplated by section 172 (1) of the Companies Act, 2008.
- We have consulted our legal team, and they are in the process of drafting papers to review the latest compliance notice.
- We accept that the latest compliance notice is, pending its review, binding and we will abide by its terms.

Nova In Perspective

There appears to be a number of misunderstandings regarding certain affairs of Nova.

- The first relates to the so-called Schemes of Arrangement 10-year debenture debt payment term. The 10-year period was a projected period based on circumstances prevailing at the time of the structuring of the Schemes of Arrangement. Payment of debentures may be made at any time, depending on circumstances, in order to achieve payment to the best extent possible.
- The second relates to the so-called requirement to pay some ZAR 4,6 Billion. Nova does not have the obligation to pay the some ZAR 4,6 Billion invested historically by *Sharemax* investors. Nova has the obligation to pay amounts equating to the fair market value of relevant properties from time to time, the aggregate amount being the Fair Market Value as disclosed in the Annual Financial Statements, provided that the properties are able to be realized at such values.
- The third relates to the notion that Nova was created solely as a vehicle to pay debenture debt. This is not so. Debenture debt is merely a particular class of creditors of Nova. Nova is entitled to do business in the ordinary course, independent of only attending to payment of debenture debt. The Schemes of Arrangement make it clear that Nova has been established to conduct

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business in the normal course. Nova will continue conducting business post the payment of its debenture debt.

- The fourth relates to the notion that historical investors have lost everything.

Contrary to continued incorrect and malicious reportage by *Moneyweb, Ex-Sharemax Investors*, now Nova Debenture Holders, have most certainly **not** lost everything.

On the contrary, and as shared in many Nova Communiques, Nova, over the past 12 years, has worked tirelessly in achieving its key objectives:

Nova's key objectives are to unlock optimum value for investors and shareholders and to maximise capital payment of its debenture debt with the resources available to it.

Nova PropGrow Group Holdings Limited is a holding company owning and controlling assets currently worth some ZAR 2.700 Billion, through a group of subsidiary companies.

Established in 2011, through the assimilation of a number of smaller, independently owned companies, Nova became and remains independent as a well-managed group of companies, with comprehensive property management and development, accounting, tax and company secretarial services rendered by professional and knowledgeable private companies.

In order to effect leadership that results in achieving strategic objectives and positive outcomes over time, members of Nova's Governing Body individually and collectively cultivate the following characteristics and exhibit them in their conduct –

- Integrity
- Competence
- Responsibility
- Accountability
- Fairness
- Transparency

Nova believes in Sustainable Development, in general, "development that meets the needs of the present without compromising the ability of future generations to meet their needs".

As a Corporate Citizen, Nova recognises that its organisation is an integral part of the broader society in which it operates, affording the organisation standing as a juristic person in that society with rights but also responsibilities and obligations.

Nova understands that the positive consequences of its business activities and output in applying the above contexts within which Nova operates and the capital it uses, will result in ultimate value creation.

Nova's assets mainly consist of a balanced mix of several commercial properties, both retail and office space and mixed-use development properties, throughout South Africa, which Nova, in terms of its strategic positioning, has retained in its portfolio, being assets identified over the years which will ultimately secure the achieving of Nova's key objectives.

In its development portfolio, Nova concentrates on nine geographical hubs, all selected for their development and growth potential. Within this, a focus on three models – build-to-sell, re-zoning, and rental stock – aims to unlock long-term bottom-line value from this primarily land-based asset portfolio.

These Projects have been identified as being ripe for development and marketable. The land is paid for, the rights and infrastructure are complete, architectural plans have been completed, plans have been registered or are in the process of being registered and feasibilities have been compiled, analyzed and completed.

Funding is currently being sourced, post which, sales teams will be engaged to market these Projects. Simultaneously, successful tenders will be finalized to contract with various construction and development teams.

For a decade Nova has been fortunate to be able to surround itself with Teams of highly skilled, passionate and dedicated professionals and partners in driving these projects.

Optimum Value Unlock for Maximum Capital Payment of Debenture Debt

A most cursory reading of Nova's Consolidated Annual Financial Statements supports the availability of assets to secure capital payment of its debenture debt to its Debenture Holders.

The process of debenture related debt payment is unfortunately taking longer than initially planned and projected.

This is mainly due to various challenges over the past decade. Such a large restructuring process which Nova took on, by its mere nature and given the *Ex-Sharemax-linked* 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 of Nova in 2019, all key to value enhancement and resultant Debenture payments, not coming to fruition. As an example, Nova had, on more than one occasion, secured funding lines in excess of ZAR 200 Million, only for such to be withdrawn for reasons set out below.

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

- Successful capital debenture debt payment to many Debenture Holders over the past decade at 100 cents to the rand.

- Property value enhancement of its portfolio for future capital debt payments to its Debenture Holders. Nova has grown its portfolio from a property related asset base in 2011, when it embarked on the restructuring process, of some ZAR 2,200 Billion to some ZAR 2,690 Billion in 2021.
- The strategic disposal of properties in the past, where 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, if they were retained.
- In some instances, and **in terms of Nova’s strategic positioning**, the proceeds of property disposals, where debenture debt was not paid, as the underlying disposal of property was not able to achieve optimal value unlock in the short to medium term, were redeployed in Nova to –
 - aid Nova, through internal funding processes, as far as possible, in its embarked upon aim of securing, maintaining and enhancing property values, where financing and capitalization lines fell short and in most instances were withdrawn, due to the continued incorrect and negative *Moneyweb* reportage; 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.

Capital Growth achieved through Internal Funding Processes

The Table below reflects and aggregate average capital growth value enhancement for all remaining Classes of Debenture Debt of 73% for the year ended February 2020.

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

Debenture Class	2012	2013	2014	2015	2016	2017	2018	2019	2020
148 Leeupoort 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%

The Table below is illustrative of Nova disposed of properties' related Debenture Creditor Debt and Capital Growth achieved **as at February 2021**, in instances where no debenture debt had been paid and depicts the following in detail:

- Many of the disposed of properties have achieved full payment of the historically invested funds to their relevant Debenture Holders. **(Green Blocks in Table)**
- Optimal value, through the redeployment of the proceeds of the disposed of properties, has already been achieved, eventuating in the capability of future payment of the full historically invested funds. **(Grey Blocks in Table)**
- Optimal value enhancement still in process. **86% of the targeted optimal value creation for full payment to these relevant Debenture Classes achieved to date. (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)	Projected Debenture Debt Repayment on Disposed Properties (Including Projected Capital Growth)	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	93 863 057	202 613 384	245 656 747
Shopmakers Homemakers (NOTE 1)	SOLD 16/09/2013	42 268 140	6 880 860	49 149 000	49 149 000
Leeuwpoot	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	37 229 225	65 910 521	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	50 554 075	89 729 475	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
Magalieskruin	SOLD 11/04/2019	<i>debentures settled</i>			29 535 000
De Marionette (NOTE 3) Part of Shoprite Secunda below)	SOLD 20/08/2019	67 496 877	15 427 013	82 923 890	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
		381 957 572	224 479 700	606 437 272	

Nova is satisfied that it has managed to unlock optimal value over the past 12 years, for nearly every Class of Debenture Holder Debt linked to the above disposed of properties, by having strategically redeployed the proceeds and allowed for capital growth to bridge the gap between an inherited “bad property” and being able to pay relevant Debenture Holders enhanced percentages, up to 100%, of their historical investment, in instances where the property was disposed of for far less.

The proposed payment, and timelines for payment, as to the exit of the Classes of Debentures linked to any disposed of properties, unfortunately still depend on how Nova can perform going forward and its ability to obtain funding. The payment of growth components is particularly dependent on available funding.

Conclusion

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