Freedom Property Fund Limited

(Incorporated in the Republic of South Africa)
(Registration No. 2012/129186/06)
Share code: **FDP** ISIN: **ZAE000185260**
("**Freedom**" or "**the Company**")

REVIEWED
CONDENSED CONSOLIDATED FINANCIAL RESULTS
FOR THE SIX MONTHS PERIOD ENDED 31 AUGUST 2017

KEY MATTERS:

- Basic earnings per share – August 2017 0,10 cents *(August 2016 – 2,34 cents)*;
- Headline (loss) / earnings per share – August 2017 – (0,39 cents) - *(August 2016 – 0,04 cents);*
- Net asset value per share decreased from 11,78 cents per share to 9,75 cents per share;
- Shares in issue remained at 1,204,429,031
- Revenue decreased by R29,615 to R12,519 million from August 2016 (R12,549 million)
- Total assets decreased from R351, 040 million to R318, 097 million.

INTRODUCTION

The board of directors of Freedom ("the Board") presents the reviewed condensed consolidated interim results of the Company and its wholly-owned subsidiaries for the six-month period ended 31 August 2017 ("the Interim Period").

1) FINANCIAL RESULTS

1.1. Revenues

The following table provides a comparison of actual revenues generated by Freedom during the Interim Period, the corresponding period in the previous financial and the financial year ended 28 February 2017.

	Reviewed **6 months ended 31 August 2017** **R'000**	Reviewed 6 months ended 31 August 2016 R'000	Audited Year ended 28 February 2017 R'000
Revenue	**12 519**	**12 549**	**24 579**

1.2. Headline (Loss)/ Earnings

For the Interim Period, Freedom reported a headline and diluted loss of R4, 455,699 compared to headline and diluted earnings of R476, 000 for the corresponding period in the previous financial year.

1.3. Net Asset Value ("NAV")

The NAV as at 31 August 2017 was 9,75 cents per share, a decrease of 17,23% on the value as at 31 August 2016 of 11,78 cents per share.

In terms of Freedom's valuation policy, all properties were externally revalued on 28 February 2017.

1.4. Auditors

The Company's auditor, Moore Cape Town Inc., issued a qualified audit opinion for the year ended 28 February 2017. The reason for the qualification relates to Ligitprops 184 Proprietary Limited.

The company acquired Ligitprops 184 (Pty) Ltd on 1 March 2014. The consolidated financial statements were materially misstated as the external auditors were unable to obtain sufficient appropriate audit evidence on the values of certain of the subsidiary's material assets and liabilities at the acquisition date. Consequently, the external auditors were unable to determine whether any adjustments to these amounts were necessary. This matter also affected the Statement of Comprehensive Income as the external auditors were unable to obtain sufficient appropriate audit evidence on the profit on disposal of the investment in subsidiary on 31 May 2016.

2) OPERATIONS

In terms of the operations of the Company, the following, as previously indicated by the new board and management remains effective:

1.5. No further acquisitions have been made
1.6. There have been no further property developments
1.7. Continued reduction of costs and levels of gearing
1.8. Continued sale of non-core assets
1.9. Share buy-backs and subsequent cancelation of those shares

3) BORROWINGS

The group re-negotiated its facilities with Nedbank to ensure the best possible terms and the optimal utilisation of the facilities within the group. The 5 mortgage bonds previously held were converted into a single mortgage bond and includes a six month interest only period and a 5 year repayment term. No balloon payments have been negotiated.

The Nedbank facilities are secured by first mortgage bonds over the developed Steelpoort Industrial properties and a surety provided by Freedom.

4) CORPORATE GOVERNANCE

The Board is fully committed to the principles of the Code of Corporate Practices and Conduct as set out in King IV.

5) HEALTH & SAFETY

Across all aspects of operations, Freedom strives to adhere to the standards of best practice and upholds health and safety as one of our highest values. This includes the health and safety policies and procedures to ensure and maintain the welfare of all employees and development contractors.

6) BASIS OF PREPARATION

The reviewed condensed consolidated interim results have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and contain the information required by IAS 34 *Interim Financial Reporting*, the JSE Listings Requirements and the requirements of the Companies Act, 71 of 2008 of South Africa ("the Act").

These results have been reviewed by Freedom's auditors, Moore Cape Town Inc., who have again issued a qualified review opinion, the details of which are stated in paragraph 1.4 above.

The reviewed opinion is available for inspection at the registered office of the Company and on the Company's website.

These reviewed condensed results were prepared under the supervision of the interim Chief Financial Officer of Freedom, Jonathan George CA (SA).

ACCOUNTING POLICIES

The accounting policies applied in the preparation of these results are consistent with those applied in the preparation of the financial statements for the year ended 28 February 2017 except for the adoption of improved, revised or new standards and interpretations. The aggregate effect of these changes in respect of the period ended 31 August 2017 are Rnil.

7) FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 August 2017 R'000	Reviewed 31 August 2016 R'000	Audited 28 February 2017 R'000
ASSETS			
Non-current assets	**217 367**	196 895	218 755
Investment properties at fair value	**210 014**	187 396	211 926
Operating lease asset	**5 565**	4 084	4 699
Investment properties	**215 579**	191 480	216 625
Plant and equipment	**1 784**	1 839	2 109
Intangible assets	**4**	40	21
Deferred tax	**-**	3 537	-
Current assets	**39 790**	62 145	46 714
Inventories	**5 921**	7 461	6 546

Other financial assets	**1 664**	1 490	1 522
Trade and other receivables	**30 084**	50 102	34 788
Operating lease asset	**936**	1 589	1 826
Current tax receivable	**468**	609	617
Cash and cash equivalents	**717**	895	1 415
Non-current assets classified as held for sale	**60 940**	92 000	72 791
Total assets	**318 097**	351 040	338 260
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	**446 701**	446 701	446 701
Treasury shares	**(18 019)**	(7 036)	(11 802)
Accumulated loss	**(311 456)**	(297 811)	(312 643)
Total equity	**117 226**	141 853	122 256
LIABILITIES			
Non-current liabilities	**145 720**	153 408	153 247
Loans from shareholders	**43 339**	45 430	45 673
Other financial liabilities	**67 427**	77 387	73 592
Deferred tax	**34 954**	30 590	33 982
Current liabilities	**55 151**	55 779	62 757
Loans from shareholders	**1 300**	-	-
Other financial liabilities	**13 379**	12 759	12 282
Current tax payable	**13 687**	12 789	12 789
Trade and other payables	**25 909**	20 309	26 961
Provisions	**878**	-	1 264
Bank overdraft	**-**	9 923	9 461
Total liabilities	**200 871**	209 187	216 004
Total equity and liabilities	**318 097**	351 040	338 260

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed **6 months ended 31 August 2017** **R'000**	Reviewed 6 months ended 31 August 2016 R'000	Audited Year ended 28 February 2017 R'000
Revenue	**12 519**	12 549	24 579
Cost of Sales	**(625)**	(1 649)	(2 564)
Gross profit	**11 894**	10 900	22 015
Other operating income	**6 310**	4 828	15 651
Other operating (losses) / profits	**(1 472)**	26 508	26 098
Commission paid	**(1 008)**	(260)	(425)
Other operating expenses	**(16 300)**	(11 577)	(40 391)
Operating (loss) / profit	**(576)**	30 400	22 948
Investment income	**33**	771	987
Finance costs	**(6 576)**	(6 096)	(14 067)
Fair value gains / (losses) on investment properties	**10 327**	(80)	23 938
Fair value loss on non-current assets held for sale	**-**	-	(16 715)
Profit before taxation	**3 208**	24 994	17 091
Taxation	**(2 021)**	1 933	(4 996)
Total comprehensive income for the period	**1 187**	26 927	12 095
Number of shares ('000)			
In issue (including treasury shares)	**1 204 429**	1 204 429	1 204 429
Weighted average (excluding treasury shares)			
Basic	**1 204 429**	1 151 912	1 200 146
Diluted	**1 204 429**	1 151 912	1 200 146
Earnings per share (cents)			
Basic	**0,10**	2,34	1,01
Diluted	**0,10**	2,34	1,01

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Treasury shares R'000	Total stated capital R'000	Share-based payment reserve R'000	Accumulated loss R'000	Total equity R'000
Balance at 29 February 2016 (Audited)	443 237	(6 086)	437 151	3 464	(324 738)	115 877
Total comprehensive income for the period	-	-	-	-	26 927	26 927
Issue of shares	-	(950)	(950)	-	-	(950)
Transfer between shares	3 464	-	3 464	(3 464)	-	-
Balance at 31 August 2016 (Reviewed)	**446 701**	**(7 036)**	**439 665**	**-**	**(297 811)**	**141 854**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(14 832)**	**(14 832)**
Issue of shares	**-**	**(4 766)**	**(4 766)**	**-**	**-**	**(4 766)**
Balance at 28 February 2017 (Audited)	**446 701**	**(11 802)**	**434 899**	**-**	**(312 643)**	**122 256**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**1 187**	**1 187**
Issue of shares	**-**	**(6 217)**	**(6 217)**	**-**	**-**	**(6 217)**
Balance at 31 August 2017 (Reviewed)	**446 701**	**(18 019)**	**428 682**	**-**	**(311 456)**	**117 226**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS			
	Reviewed 6 months ended 31 August 2017	Reviewed 6 months ended 31 August 2016	Audited Year ended 28 February 2017
	R'000	R'000	R'000
Cash flows from operating activities			
Cash generated from operations	**4 984**	5 142	9 033
Interest income	**33**	771	980
Finance costs	**(5 430)**	(6 096)	(12 519)
Tax paid	**-**	(132)	(138)
Net cash used in operating activities	**(413)**	(315)	(2 644)
Cash flows from investing activities			
Purchase of investment properties	**(266)**	-	(899)
Proceeds on disposal of investment properties	**17 110**	-	2 400
Purchase of plant and equipment	**(73)**	(472)	(497)
Proceeds on disposal of plant and equipment	**309**	-	5
Proceeds on disposal of subsidiaries	**-**	-	7 500
Other financial assets advanced	**(142)**	(1 490)	(61)
Net cash generated from / (used in) investing activities	**16 938**	(1 962)	8 448
Cash flows from financing activities			
Net movement in treasury shares	**-**	(950)	-
(Repayment of) / proceeds from other financial liabilities	**(5 068)**	962	(6 835)
(Repayment of) / proceeds from shareholders' loans	**(2 694)**	252	-
Net cash (used in) / generated from financing activities	**(7 762)**	264	(6 835)
Total cash movement for the period	**8 763**	(2 013)	(1 031)
Cash and cash equivalents at beginning of the period	**(8 046)**	(7 015)	(7 015)
Cash and cash equivalents at end of the period	**717**	(9 028)	(8 046)

8) NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS:

4.1 Earnings per share

Basic loss per share is based on the loss below and a weighted average number of ordinary shares in issue of 1 204 429 031 (2016: 1 151 912 364). Diluted earnings / (loss) per share is equal to earnings / (loss) per share as there are no dilutive potential ordinary shares in issue. Basic headline earnings / (loss) and diluted headline earnings / (loss) are determined by adjusting basic earnings / (loss) and diluted earnings / (loss) by excluding separately identifiable re-measurement items. Basic headline earnings / (loss) and diluted headline earnings / (loss) are presented after tax.

RECONCILIATION OF HEADLINE EARNINGS			
	Reviewed	Reviewed	Audited
	6 months ended 31 August 2017	6 months ended 31 August 2016	Year ended 28 February 2017
	R'000	R'000	R'000
Profit attributable to equity holders of the parent	**1 187**	26 927	12 095
Adjusted for:	**(5 849)**	(26 450)	(23 879)
Fair value (gain) / loss on investment properties	**(10 327)**	80	(23 938)
Loss on receipt of shares	**710**	-	-
Fair value loss on non-current assets held for sale	**-**	-	16 715
Loss / (profit) on disposal of assets	**1 472**	(26 508)	(26 098)
Total tax effects of adjustments	**2 296**	(22)	9 442
Headline (loss) / earnings	**(4 662)**	476	(11 784)
Headline (loss) / earnings per share (cents)			
Basic	**(0,39)**	0,04	(0,98)
Diluted	**(0,39)**	0,04	(0,98)
Number of shares ('000)			
Weighted average (basic)	**1 204 429**	1 151 912	1 200 146
Weighted average (diluted)	**1 204 429**	1 151 912	1 200 146

4.2 Going Concern

The Board has undertaken a detailed review of the going concern capability of the Company (and all subsidiary companies of the Company that form the group) with reference to certain assumptions and plans underlying various internal cash flow forecasts. The Board has not identified any events or conditions that individually or collectively cast significant doubt on the ability of the Company and / or the group to continue as a going concern.

4.3 Litigation

The group is involved in various litigation processes relating to the irregularities identified in the annual financial statements. This constitutes both civil and criminal matters. Further interaction with the National Prosecuting Authority and the JSE has been ongoing.

4.4 Dividends

No dividend was declared in respect of the 12 months ended 31 August 2017.

4.5 Related party transactions

In terms of the sale of Ligitprops 184 Proprietary Limited, the Group received 55 500 000 shares from Gerhard Erasmus on behalf of Nuweveld Boerdery Proprietary Limited and LLM Developments Proprietary Limited.

4.6 Investment property

The value of Investment Property has been determined as follows:

Investment properties	Rands
Kadoma Investments Proprietary Limited	209 858 115
Tower Sky Properties Proprietary Limited	156 360
	210 014 475

4.7 Changes to the Board

There have been no changes to the board since the release of our 2017 Annual Financial Statements during January 2020.

4.8 Subsequent events

There have been no material events subsequent to 31 August 2017 to report outside of those contained in the SENS announcements that have been issued.

4.9 Non-current assets held for sale

The current list of properties are:

Non-current asset classified as held for sale	Rands
Hazel Hues Trading 8 Proprietary Limited	4 200 000
Ivory Sun Trading 115 Proprietary Limited	6 100 000
Lazy Haze Stone Props Proprietary Limited	9 000 000
Proziguard Proprietary Limited	8 700 000
Tubatse Estate Proprietary Limited	15 140 400
Zambesa Investments Proprietary Limited	17 799 997
	60 940 397

4.10 Fair value hierarchy

The Board at the time decided to retain the property values as at 28 February 2017. The majority of properties are not located in prime areas and therefore growth rates are minimal. Only additional costs actually incurred on various developments would be added to the fair values previously determined.

The property, Steelpoort Industrial Park that is held in Kadoma Investments Proprietary Limited is the only property that has had a material increase in its valuation by management. It is management's view that this property, has increased its value by R10 327 021 for the period ended 31 August 2017.

Movement between levels
There have been no movements between Levels 1, 2 or 3 for the Interim Period.

Valuation techniques used to determine level 2 fair values
As previously determined, Level 2 fair values of the group's properties have been derived using the comparable sales method. The location, zoning, size, exposure, development density and coverage are some of the crucial variables that were considered to make a fair comparison.

Information about valuation techniques and inputs used to determine level 3 fair values
Investment properties and non-current assets classified as held for sale
The most significant unobservable inputs to the valuation of investment properties are as follows:

- the estimated rental values;
- assumptions regarding vacancy levels;
- depreciation rates;
- the discount rate; and
- capitalisation rate.

The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rates (market yields), depreciation rates decrease, and capitalisation rates decline. The overall valuations are sensitive to all five assumptions. Management considers the range of reasonable possible alternative assumptions the greatest for capitalisation rate rental values and vacancy levels.

Below illustrates the sensitivity of the fair value to changes in these rates:

Discount rate
The range of discount rates applied to the group's portfolio are between 15,00% and 16,00%, with the average being 15,33%.

Changes in discount rates attributable to changes in market conditions, while holding all other variables constant, can have a significant impact on property valuations.

A 0,25% increase in discount rates will increase the fair value of the investment properties by R51, 667.

A 0,25% decrease in discount rates will decrease the fair value of the investment properties by R51, 667.

Capitalisation rate

The range of capitalisation rates applied to the group's portfolio is between 10,00% and 11,00%, with the average being 10,51%. Changes in capitalisation rates attributable to changes in market conditions can have a significant impact on property valuations.

A 0,25% increase in capitalisation rates will decrease the fair value of the investment properties by R5, 191,453.

A 0,25% decrease in capitalisation rates will increase the fair value of the investment properties by R5, 191,453.

A summary of the levels is as follows:

Investment properties	Level 2	Level 3
Kadoma Investments Proprietary Limited		209 858 115
Tower Sky Properties Proprietary Limited	156 360	
	156 360	**209 858 115**
Non-current asset classified as held for sale	**Level 2**	**Level 3**
Hazel Hues Trading 8 Proprietary Limited	1 100 000	3 100 000
Ivory Sun Trading 115 Proprietary Limited		6 100 000
Lazy Haze Stone Props Proprietary Limited	9 000 000	
Panzaweb Proprietary Limited		
Proziguard Proprietary Limited		8 700 000
Tubatse Estate Proprietary Limited	15 140 400	
Zambesa Investments Proprietary Limited	17 799 997	
	43 040 397	**17 900 000**

4.11 Reportable Irregularities

The Company has not prepared, in terms of section 30(1) of the Act, within the relevant timeframe, the annual results for the years ended 28 February 2018 and 28 February 2019, interim results for the period ended 31 August 2018 and 31 August 2019, nor provided any notices of annual general meetings to its shareholders.

The Company is not aware of any other reportable irregularity.

4.12 Segment report

The group has two reportable segments, as described below. The segments offer different types of revenue income and are managed separately to enable the group to adequately monitor the various risk profiles. For each of these segments, the group's CEO reviews internal management reports on a monthly basis. The following summary describes each of the group's reportable segments:

- Property rental income
- Development property sales

Other operations include the group's administrative and finance costs. None of these segments meet any of the quantitative thresholds for determining reportable segments in the current period.

CONDENSED CONSOLIDATED SEGMENTAL REPORT

				Gross profit				Separately disclosable items			
	Revenue	Cost of sales	Gross profit	Profit / (loss) before taxation	Commission paid	Profit on disposal of subsidiaries	Investment income	Finance costs	Fair value gain / (loss) on investment properties	Fair value gain / (loss) on non-current assets held for sale	Taxation
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
6 months ended 31 August 2017 (Reviewed)											
Rental income	10 890	-	10 890	14 293	-	-	15	(3 817)	10 327	-	(3 535)
Property sales	1 511	(625)	886	(58)	(208)	-	-	(9)	-	-	(13)
All other segments	118	-	118	(11 027)	(800)	-	18	(2 750)	-	-	1 527
Total	**12 519**	**(625)**	**11 894**	**3 208**	**(1 008)**	**-**	**33**	**(6 576)**	**10 327**	**-**	**(2 021)**
6 months ended 31 August 2016 (Reviewed)											
Rental income	9 940	-	9 940	9 697	-	-	-	(3 789)	(80)	-	(1 830)
Property sales	2 591	(1 649)	942	26 830	(260)	-	-	-	-	-	152
All other segments	18	-	18	(11 533)	-	-	771	(2 307)	-	-	3 611
Total	12 549	(1 649)	10 900	24 994	(260)	-	771	(6 096)	(80)	-	1 933
Year ended 28 February 2017 (Audited)											
Rental income	20 628	-	20 628	37 839	-	-	373	(8 877)	23 987	900	(8 225)
Property sales	3 702	(2 564)	1 138	489	(305)	-	581	(7)	(49)	-	49
All other segments	249	-	249	(21 237)	(120)	26 508	33	(5 183)	-	(17 615)	3 180
Total	24 579	(2 564)	22 015	17 091	(425)	26 508	987	(14 067)	23 938	(16 715)	(4 996)

SEGMENT ASSETS AND LIABILITIES						
	Investment properties at fair value	Operating lease asset	Investment properties classified as held for sale	Inventories	Total assets	Total liabilities
	R'000	R'000	R'000	R'000	R'000	R'000
31 August 2017 (Reviewed)						
Rental income	209 858	6 500	6 100	-	217 250	120 537
Property sales	156	-	-	5 921	9 492	8 383
All other segments	-	-	54 840	-	91 355	71 951
Total	210 014	6 500	60 940	5 921	318 097	200 871
31 August 2016 (Reviewed)						
Rental income	186 096	5 673	5 200	-	194 447	118 616
Property sales	1 300	-	-	7 461	12 228	8 873
All other segments	-	-	86 800	-	144 365	81 698
Total	187 396	5 673	92 000	7 461	351 040	209 187
28 February 2017 (Audited)						
Rental income	210 675	6 525	6 100	-	227 455	125 474
Property sales	1 251	-	-	6 546	11 203	8 621
All other segments	-	-	66 691	-	99 602	81 909
Total	211 926	6 525	72 791	6 546	338 260	216 004

By order of the Board

S Maritz
Chief Executive Officer

J George
Interim Chief Financial Officer

Paarl, 20 February 2020

Directors: WS Grobbelaar (Chairman)**, S Maritz (Chief Executive Officer)*, PD Dexter**, HA Lambrechts, WC Jansen van Rensburg*, C La Grange
*Executive Director
** Independent non-executive

Company Secretary: Statucor Proprietary Limited

Registered Office: c/o KWV, 57 Main Street, Paarl, 7646

Postal Address: PO Box 188, Paarl, 7620

Transfer Secretaries: 4 Africa Exchange Registry Proprietary Limited

Sponsor: Questco Corporate Advisory Proprietary Limited