



# FREEDOM

## PROPERTY FUND

### **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" or "the Group")

## **CONSOLIDATED REVIEWED INTERIM FINANCIAL RESULTS FOR THE 6 MONTH PERIOD ENDING 31 AUGUST 2014**

### **HIGHLIGHTS:**

- COMBINED REVENUE STREAMS UP ON FORECAST
- NAV AT 123 CENTS PER SHARE BEFORE REVALUATIONS AND ENHANCEMENT OF INCOME
- INITIAL FUNDING SUCCESSFULLY SECURED
- DEVELOPMENT PIPELINE PROJECTS AHEAD OF SCHEDULE

The directors of Freedom present the consolidated reviewed interim financial results of the Company and its subsidiaries (all wholly owned) for the 6 month period ending 31 August 2014 (“the interim period”). These results reflect the first trading period of Freedom.

The first 11 weeks since the listing to 31 August 2014 has been an exciting period for the board and management of Freedom, with a focus on setting up the necessary management structures and systems to manage and implement the acquired projects thus optimising value for all stakeholders.

In line with Freedom’s strategy on listing, the Company is positioned as a capital growth fund and not a Real Estate Investment Trust (“REIT”). The strategy is to develop the properties in the portfolio to be held and leased out. Freedom is therefore ideally positioned to eventually convert to a REIT structure. The capital growth component of Freedom’s shares is therefore positioned for exponential growth over a period of time, as the Company develops the existing pipeline of projects.

## **1. FINANCIAL RESULTS**

### **1.1. Comparative Results**

Freedom was established specifically to acquire selected properties and list on the JSE Limited (“JSE”), as set-out in the pre-listing statement dated 5 June 2014 (“pre-listing statement”). The various acquisitions, being subject to listing approval, became effective at various times between 1 March 2014 and the listing date of 12 June 2014. The results for the interim period ended 31 August 2013 therefore provide no meaningful comparison as these reflect the status of the company prior to the acquisitions having become effective.

### **1.2. Revenues**

Revenues from investment properties achieved for the 6 month interim period totalled R12 616 919, versus a forecast of R19 816 760 for the 12 months ending 28 February 2015 as set out in Annexure 1 of the supplementary circular dated 5 June 2014 i.e. during the 6 month interim period Freedom has already achieved 64% of the forecast revenues for the financial year. This has largely been driven by the focus of growing the revenue base at Steelpoort Industrial, which is effectively 100% owned by Freedom through Kadoma Investments (Pty) Ltd (“Kadoma”). As highlighted below (see Operations - Para 2.1), Freedom is currently developing a further 8 050m<sup>2</sup> of industrial facilities and will continue to do so as demand requires. The acquisition of Kadoma was effective from 1 March 2014, providing the majority of the Company’s income and contributing a full 12 month’s revenues reflected in the forecast revenues to 28 February 2015.

In preparing the projections for the year ending 28 February 2015, management’s immediate outlook for revenues from the sale of development properties (stock of serviced stands) was not high as it was expected that marketing initiatives would take some time to implement. The forecast revenues of R8 483 922 for the year have to date been exceeded significantly with sales totalling R26 972 295 during the 6 month interim period (it should be noted that this includes an amount of R12 million from the sale of the Elm Drive property, which was considered to be outside of Freedom’s strategy to focus resources on developing major projects for rental purposes).

The following table provides a comparison of actual revenues generated by Freedom during the 6 month interim period and forecasts for the 12 month period ending 28 February 2015 as set out in Annexure 1 of the supplementary circular dated 5 June 2014:

	<b>Reviewed for the 6 months ending 31 August 2014</b>	<b>Forecast for the 12 months ending 28 February 2015</b>
Revenue – Investment Property Income	12 616 919	19 816 760
Revenue – Development Property	26 972 295	8 483 922
Cost of Sales	(20 197 490)	(2 899 479)
<b>Gross Profit</b>	<b>19 391 724</b>	<b>25 401 203</b>

### 1.3. Headline Earnings

The expenses incurred in establishing Freedom subsequent to listing have been higher than anticipated. The result of the unexpected momentum in sales of properties (in excess of 40 sales in the 11 weeks between listing and 31 August 2014), mainly in the Miami Village project located in Lampiesbaai, has however ensured that Freedom's earnings are in line with projections with headline earnings of R5 020 515 for the 6 month interim period, amounting to approximately 50% of the projected headline earnings for the 12 months ending 28 February 2015 (projected at R10 647 780).

### 1.4. Expenses

As outlined above, listing expenses and costs relating to the establishment of the company have been higher than expected. These are however non-recurring costs and all accrued during the interim period. It is also recorded that a significant portion of operational costs were inherited through acquisition and related to Kadoma which includes Steelpoort Industrial. Management was required to step into the operations and refine the cost structures to ensure that value is optimised from these valuable property assets. A platform has been created to ensure opportunities at Steelpoort Industrial and Tweefontein Residential are maximised (see Operations – Para 2.2).

### 1.5. Net Asset Value (“NAV”)

The statement of financial position largely mirrors the pro forma financials prepared for the pre-listing statement and supplementary circular dated 5 June 2014, which reflected the position had all acquisitions executed by Freedom been effective on 28 February 2014. It is however worth highlighting that the NAV per Freedom Share at 123 cents does not take into account any revaluation of assets subsequent to further development and enhancement of income, specifically at Steelpoort Industrial (The last independent valuation of the properties acquired by Freedom was dated 1 February 2014 and a revaluation will be conducted for the Company's year-end financial results to 28 February 2015). While gearing has grown on the Statement of Financial Position of the Company (see Borrowings – para 4), the majority of this funding is being applied to develop Freedom's assets and unlock value for stakeholders in terms of the Company's strategy as a capital growth fund.

### 1.6. Dividends

No dividends have been declared for the period. The Company will continue with its stated policy of retaining generated cash, which will be applied to developing the various properties owned by Freedom to ensure capital growth and create shareholder value.

The dividend policy will be reviewed on a continual basis in line with the strategy of developing property

assets to be held for leasing. Once the base of income producing assets has grown significantly, as anticipated in line with the Company's strategy, then the dividend policy will be reviewed accordingly.

## **2. OPERATIONS**

The Company's prospects and strategy have been outlined in detail in the pre-listing statement. Management are confident that the broad, short to medium term strategies and related operations for the various properties acquired are well underway to being implemented successfully in unlocking value for Freedom's stakeholders. In terms of the pre-listing statement and strategy for the year ending 28 February 2015, all projects have already commenced or been committed to by 31 August 2014.

In line with Freedom's strategy, the following existing projects are being focussed on and merit specific mention at this stage:

### **2.1. Steelpoort Industrial**

Steelpoort is a mining town in Limpopo Province's platinum belt experiencing rapid development with a number of new mines being established. Steelpoort Industrial, which is effectively 100% owned by Freedom through Kadoma, is ideally placed to offer facilities to companies providing mining and related services. This is reflected in significant demand for industrial facilities in the area.

In line with Freedom's strategy to further develop Steelpoort Industrial, the Company is:

- developing a further 7 industrial units to meet market demand, providing in excess of a further 8 050m<sup>2</sup> gross lettable area ("GLA"). It is anticipated that the first of the new units will be completed and delivered by end November 2014, with the final units expected to be completed by end May 2015; and
- upgrading and expanding existing facilities which it is anticipated will be completed by end November 2014.

The new expansion at Steelpoort Industrial will provide a total GLA in excess of 27,000m<sup>2</sup>, excluding undeveloped stands which are let to certain tenants as well as 6 hectares of land available to be developed for industrial purposes. Freedom has appointed Pieterse, Du Toit and Associates to rezone the remaining 6 hectares for light industrial warehousing purposes. This will allow for the construction of a further 36 000m<sup>2</sup> of industrial warehousing. It is anticipated that this development will commence in July 2015 and be completed towards the end of 2018. The cost of construction for this phase is anticipated to total R240 million and the expected rental income generated by Steelpoort Industrial will increase by R34 million per annum.

### **2.2. Tweefontein Residential**

Tweefontein Residential Estate, owned by Freedom through Kadoma, is situated in Steelpoort, Limpopo Province. Further planned expansion includes initiating the Tweefontein Residential component of the land owned by the Company in Steelpoort. Tweefontein Residential provides Freedom in excess of 4 000 residential development opportunities. Pieterse, Du Toit and associates have been appointed to attend to the higher density rezoning application. This development is planned in 8 phases and expected to be completed by 2020.

Freedom, in conjunction with Sasol, received approval for a storage licence on 16 hectares of an unutilized portion of the Tweefontein Residential development land. The construction of the structure is expected to start in January 2015, subject to the signing of a long term lease agreement with Sasol.

### **2.3. Montana (La Bonne Vie)**

La Bonne Vie comprises of 90 sectional title residential opportunities of one, two and three bedroom units in Montana, Pretoria. The property is highly accessible and adjacent to the well-known Kolonnade Shopping Centre and the Zambesi Country Estate. Installation of external, as well as internal services commenced on 1 June 2014. Construction has commenced in November 2014 in 3 phases. Phase 1 comprising 22 units is expected to be completed by May 2015 and is estimated to generate annual rental income of R1 329 600. Phase 2 comprising 31 units is expected to be completed by August 2015 and is estimated to generate annual rental income of R1 586 400. Phase 3 comprising of 37 units is expected to be completed by February 2016 and is estimated to generate annual rental income of R1 932 000. The project development cost is R35 million and will yield in excess of 12% per annum.

### **2.4. Tubatse Residential Estate**

Tubatse Residential Estate is being developed in 6 phases totalling 3 761 residential opportunities, comprising 1, 2 and 3 bedroom units. Construction on the first 2 phases has commenced in November 2014. Phase 1 comprising 6 units of 185m<sup>2</sup> and 11 units of 175m<sup>2</sup> (3 bedrooms) will be constructed in 2015 and a further 16 units of 175m<sup>2</sup> in 2016. The estimated cost on the first phase of the project is R41 million and the expected rental income from the 33 houses R 4.2 million per annum. Phase 2 of the project will commence in 2015 and consist of 124 units of 80m<sup>2</sup> (2 bedrooms). The estimated cost on the second phase of the project is R75 million, and the expected rental income R10.5 million per annum.

### **2.5. Wespark Palms**

Wespark Palms is located in Kroonstad, a town situated approximately midway between Johannesburg and Bloemfontein. The property is zoned general residential and comprises of 67 residential opportunities of 1, 2 and 3 bedroom units, as well as 11 Garages. Sixteen of the units and four garages have been built and are fully tenanted.

Freedom plans to develop a second and third phase at Wespark Palms commencing February 2015 comprising 24 two bedroom units of 60m<sup>2</sup> (including carports) in each phase i.e. a total of 48 new two bedroom units with carports. The projected construction cost is R 21 million and the expected rental income R2.75 million per annum. Freedom's immediate strategy is to retain all residential units at Wespark Palms for rental purposes.

### **2.6. Langebaan (sales)**

The Langebaan Beach Resort, located in Langebaan in the Western Cape, is a mixed use development consisting of 312 022m<sup>2</sup> of zoned residential land, 426 982m<sup>2</sup> of un-zoned residential land, 8,063m<sup>2</sup> of land zoned for commercial use and 21 688m<sup>2</sup> for institutional use. The development is divided into nine phases of which one and two have been surveyed and are ready for market whilst

three to nine have been approved in terms of Section 25 of the Land Use Planning Ordinance. Provision has been made for bulk services contributions and installations on all the phases. While Freedom has not fully implemented its marketing strategies for the Langebaan project, sales of 2 stands have been concluded generating revenues of R9 530 295 (Cost of Sales – R6 571 054) for the Company during the interim period. As set-out in the pre-listing statement, Freedom's strategy for Langebaan was the sale of serviced stands. This strategy will be reviewed by management over time and selected portions of this land may ultimately be developed by the Company for its income generating portfolios (industrial, commercial and residential) should demand indicate this will maximise value for stakeholders.

## **2.7. Miami Village (sales)**

The Miami Village project is situated adjacent to Shelley Point in the St Helena Bay area in the Western Cape Province. The project is made up of 261 opportunities, consisting of 164 full title serviced stands and 97 sectional, bulk serviced stands. As at 31 August 2014 in excess of 40 full title serviced stands had been sold generating revenues of R5 442 000 (Cost of Sales – R3 776 436) for the Company during the interim period. Subsequent sales indicate that on average 10 sales will continue to be concluded on a monthly basis which exceeds the Company's projections, providing the company additional cash flows to apply to its development projects.

## **3. PROSPECTS & STRATEGY**

South Africa currently faces a chronic shortage of housing in the low to mid-tier sectors, which has been compounded due to, *inter alia*, a lack of delivery and affordability. Furthermore, the delivery of sub-standard housing has also exacerbated the situation. Freedom is well placed to operate in this sector based on existing strategic land holdings and a defined strategy to develop quality affordable housing to the market, which will be held for rental stock in the Company's income generating portfolios (alongside its commercial and industrial assets). This will provide some relief to the growing demand for rental units in the low to mid-tier sector.

Subsequent to listing on 12 June 2014, Freedom began implementing its strategy of developing its projects as set-out in the pre-listing statement. In unlocking sustainable value and growth prospects for shareholders Freedom's strategic objectives can be summarised as follows:

- To capitalise on the largely ungeared value in the Freedom property portfolio by securing reasonably priced debt funding which will be utilised to develop a substantial portfolio of income generating assets. The Company's gearing relative to the net value of its property portfolio is less than 10% (assuming the borrowings outlined in 4 are fully drawn down).
- To provide shareholders with an opportunity to participate in significant capital growth opportunities as opposed to investing in the REIT, property loan stock and property unit trust markets, which tend to focus on income distribution rather than capital growth.
- Harnessing the extensive experience of Freedom's management team, as well as having access to the skills, expertise and market knowledge of selected vendors who have obtained a shareholding in Freedom pursuant to the acquisition agreements and who accordingly have a vested interest in developing the Freedom projects.

- To provide shareholders the prospect of participating in a diverse portfolio of assets, with a strong weighting in residential properties, which are forecast to generate significant rental incomes as access for investors to the residential property industry in South Africa is limited.
- To participate in the prospects of the market recognising the discount that the listing share price (and subsequent trading price) represents to the Freedom NAV per share.

#### **4. BORROWINGS**

The Company has secured facilities with Nedbank Limited (“Nedbank”) to provide term funding to Kadoma totalling R88 million, subject to agreed drawdowns and completion of units. These new term facilities will be applied to the Steelpoort Industrial expansion and further development within the Group, including Tweefontein Residential (see Operations – para 2.2). The gearing within the Group, once the new term facilities are in place and fully drawdown, will total R120 million (granted by Nedbank). The Nedbank facilities are secured by first mortgage bonds over the developed Steelpoort Industrial properties and a surety provided by Freedom.

As set-out in the pre-listing statement, the company listed with a largely ungeared capital structure. Each of the property assets owned by the Company is housed in a separate wholly owned subsidiary and funding will only be raised to develop each of these properties once Freedom is satisfied that all the necessary planning is complete and that all initiatives are in place to take the projects to market successfully.

#### **5. BLACK ECONOMIC EMPOWERMENT (“BEE”) PARTICIPATION SCHEME**

In terms of the announcement released on the Stock Exchange News Service on 22 July 2014, shareholders of Freedom were advised that the board had in principle approved the adoption of a BEE Share participation Scheme. Management is in the process of finalising the terms and structure and shareholders will be provided with details and notice of a meeting to approve the scheme in due course.

#### **6. CORPORATE GOVERNANCE**

The board is fully committed to the principles of the Code of Corporate Practices and Conduct as set out in King III. The board recognises that it is ultimately responsible for conducting the affairs of the Company with integrity and in accordance with generally accepted corporate practices. The board is working closely with management in ensuring that the necessary systems and controls are constantly being assessed and refined to ensure the interests of all stakeholders are protected and opportunities maximised.

#### **7. HEALTH & SAFETY**

While Freedom contracts the development of its properties to professional teams with the requisite expertise, it remains focussed on ensuring that these contractors adhere to strict policies and practises relating to health and safety. In the short period that Freedom has been operational, Freedom is pleased to report that no injuries have been reported.

## **8. SUBSEQUENT EVENTS**

Other than the appointment of Mr Jan (Franky) Pretorius as Chief Financial Officer to the board of Freedom and the term funding raised from Nedbank (as set out in paragraph 4), there have been no material events subsequent to 31 August 2014 to report.

## **9. BASIS OF PREPARATION**

These consolidated reviewed interim financial results for the 6 month period ended 31 August 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") on Interim Financial Reporting IAS34, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Guides as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa (Act 71 of 2008), as amended. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS. The accounting policies applied in the preparation of these interim results are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the audited financial statements for the Company for the year ended 28 February 2014.

These interim results have been prepared under the historical cost convention except for investment properties which are measured at fair value. The fair value of investment properties are determined with reference to the external valuations dated 1 February 2014, prepared by the independent property valuer appointed to value the acquired properties which were the subject of Freedom's listing.

The financial information has been reviewed by the Company's auditors, RSM Betty & Dickson (Johannesburg), in terms of ISRE 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires the auditor to conclude whether anything has come to their attention that causes them to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. The auditor's unmodified review conclusion is available for inspection at the Company's registered office. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of that report together with the accompanying financial information from the issuer's registered office.

The preparation of these condensed consolidated interim financial statements was supervised by Mr Jan (Franky) Pretorius CA (SA), Financial Manager of Freedom and reviewed by Mr Richard Eaton CA (SA), the Chief Financial Officer. Mr Pretorius has subsequently been appointed as Chief Financial Officer of Freedom and Mr Eaton remains on the board as a non-executive director with effect from 17 October 2014.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed 6 Months to 31 August 2014	Audited 12 Months to 28 February 2014	Reviewed 6 Months to 31 August 2013
<u>Notes</u>	<u>R</u>	<u>R</u>	<u>R</u>
Revenue - investment property income	12 616 919	-	-
Revenue - development property	26 972 295	-	-
- Cost of sales	(20 197 490)	-	-
<b>Total Gross Profit</b>	<b>19 391 724</b>	-	-
Other income	339 713	-	-
Operating expenses	(11 496 642)	(4 657 688)	(905)
<b>Profit (Loss) from Operations</b>	<b>8 234 795</b>		
Investment revenue	3 529	-	-
Gain on bargain purchase	1      283 112 121	-	-
Fair value adjustment	2      123 822 855	-	-
Finance costs	(1 249 299)	-	-
<b>Profit (Loss) before taxation</b>	<b>413 924 001</b>	<b>(4 657 688)</b>	<b>(905)</b>
Taxation	(25 395 540)	-	-
<b>Total comprehensive income (Loss for the year)</b>	<b>388 528 461</b>	<b>(4 657 688)</b>	<b>(905)</b>
Headline earning reconciliation:		-	-
Total comprehensive income	388 528 461	<b>(4 657 688)</b>	<b>(905)</b>
<i>Adjusted for:</i>			
Fair value adjustment	2      (123 822 855)	-	-
Gain on bargain purchase	1      (283 112 121)	-	-
Profit on sale of investment property	(339 713)	-	-
Total tax effects of adjustments	23 766 743	-	-
<b>Headline earnings</b>	<b>5 020 515</b>	<b>(4 657 688)</b>	<b>(905)</b>
<b>Distributable Earnings</b>	<b>5 020 515</b>	-	-
Shares in issue	1 027 029 031	-	-
Weighted number of shares in issue	868 538 173	-	-
Earnings per share (cents)	44.73	-	-
Headline earnings per share (cents)	0.58	-	-
Diluted earnings per share (cents)	44.73	-	-
Diluted headline earnings per share (cents)	0.58	-	-
Distribution per share (cents)	-	-	-

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 6 Months to 31 August 2014	Audited 12 Months to 28 February 2014	Reviewed 6 Months to 31 August 2013
<u>Notes</u>	<u>R</u>	<u>R</u>	<u>R</u>
<b>ASSETS</b>			
<b>Non - current assets</b>	<b>1 417 400 615</b>	-	-
Plant and equipment	4 460 902	-	-
Investment property	3 1 412 939 713	-	-
<b>Current assets</b>	<b>127 213 168</b>	<b>566 632</b>	<b>15 188</b>
Inventories	4 87 176 947	-	-
Trade and other receivables	38 669 297	551 180	188
Cash and cash equivalents	1 366 924	15 452	15 000
<b>Total assets</b>	<b>1 544 613 783</b>	<b>566 632</b>	<b>15 188</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1 253 947 160</b>	<b>(4 643 133)</b>	<b>13 650</b>
Stated capital	870 076 832	15 000	15 000
Retained income (Accumulated Loss)	370 975 328	(17 553 133)	(12 896 350)
Share - based payment reserve	12 895 000	12 895 000	12 895 000
<b>Liabilities</b>			
<b>Non - current liabilities</b>	<b>251 891 036</b>	<b>1 780</b>	<b>1 100</b>
Loans from Shareholders		1 780	1 100
Commercial term loan	5 24 568 151	-	-
Deferred tax	6 227 322 885	-	-
<b>Current liabilities</b>	<b>38 775 587</b>	<b>5 207 985</b>	<b>438</b>
Trade and other payables	16 297 226	5 207 985	
Loan payable	10 700 000	-	-
Commercial term loan	5 11 000 667	-	-
Bank overdraft	777 694	-	438
<b>Total equities and liabilities</b>	<b>1 544 613 783</b>	<b>566 632</b>	<b>15 188</b>
Total shares in issue	1 027 029 031	-	-
NAV per share (cents)	123	-	-

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 6 Months to 31 August 2014	Audited 12 Months to 28 February 2014	Reviewed 6 Months to 31 August 2013
<u>Notes</u>	<u>R</u>	<u>R</u>	<u>R</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (utilised in)/generated from operations	(16 433 033)	39 179	23 969
Interest income	3 529	-	-
Finance costs	(1 249 299)	-	-
<b>Net cash from operating activities</b>	<b>(17 678 803)</b>	<b>39 179</b>	<b>23 969</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property plant and equipment	(3 845 301)	-	-
Proceeds on sale of investment property	1 000 000	-	-
Purchase of investment property	7 (189 593 567)	-	-
Investment in subsidiaries	7 (667 950 000)	-	-
<b>Net cash from investing activities</b>	<b>(860 388 868)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Movement in loans from shareholders	(1 780)	(24 320)	(25 000)
Movement in commercial term loan	8 581 397	-	-
Issue of shares	7 870 061 832	-	-
<b>Net cash from investing activities</b>	<b>878 641 449</b>	<b>(24 320)</b>	<b>(25 000)</b>
<b>Total cash movement</b>	<b>573 778</b>	<b>14 859</b>	<b>(1 031)</b>
Cash at the beginning of the period/year	15 452	593	593
<b>Total cash at the end of the period/year</b>	<b>589 230</b>	<b>15 452</b>	<b>(438)</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<u>Notes</u>	Stated capital	Share - based payment reserve	Retained income (Accumulated Loss)	Total Equity
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
<b>Balance as at 28 February 2013</b>	15 000	12 895 000	(12 895 445)	14 555
Net Loss for the period	-	-	(905)	(905)
<b>Reviewed as at 31 August 2013</b>	<b>15 000</b>	<b>12 895 000</b>	<b>(12 896 350)</b>	<b>13 650</b>
Stated capital	-	-	-	-
Share - based payment reserve	-	-	-	-
Total comprehensive loss for the period	-	-	(4 656 783)	(4 656 783)
<b>Audited as at 28 February 2014</b>	<b>15 000</b>	<b>12 895 000</b>	<b>(17 553 133)</b>	<b>(4 643 133)</b>
Issue of shares	7 870 061 832	-	-	870 061 832
Share - based payment reserve	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>388 528 461</b>	<b>388 528 461</b>
<b>Reviewed as at 31 August 2014</b>	<b>870 076 832</b>	<b>12 895 000</b>	<b>370 975 328</b>	<b>1 253 947 160</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

1. **Gain on bargain purchase** – relates to the acquisition of the 6 property owning subsidiaries acquired by Freedom, as set out in the pre-listing statement and supplementary circular dated 5 June 2014 (“listing documents”). The fair value of the properties owned in the acquired subsidiaries (as valued by the independent valuer dated 1 February 2014) were higher than the purchase consideration paid by Freedom.
2. **Fair value adjustment** – relates to the fair value of properties acquired by Freedom, as set out in the listing documents. The fair value of the properties acquired (as valued by the independent valuer dated 1 February 2014) were higher than the purchase consideration paid by Freedom.
3. **Investment property** – is the fair value of the properties acquired by Freedom as set out in the listing documents, which will be developed and held by Freedom as income generating property assets.
4. **Inventories** – are the properties acquired in Langebaan (see paragraph 2.6) and Miami Village (see paragraph 2.7) by Freedom which will be developed and sold, as set out in the listing documents.
5. **Commercial loan** – R22 million of the long term portion of the commercial loan relates to the mortgage bond which was taken over in the acquisition of Stellenbosch Industrial (held through Passion Way Props Proprietary Limited). The current portion of the commercial loan relates to short term overdraft facilities utilised in funding the daily operations of the Company.
6. **Deferred taxation** – relates to the fair value adjustments of the acquisition of the properties and property owning subsidiaries acquired by Freedom as set out in the listing documents.
7. **Net cash flows from financing and investment activities** – a total of R857 543 567 Freedom ordinary shares were issued by Freedom to acquire the investment properties and property owning subsidiaries (purchase consideration and related costs) as set out in the listing documents.
8. **Segment Report** – The segment report below does not provide an analysis of the comparative interim period as at 31 August 2013 nor for the 12 months ended 28 February 2014, as Freedom was not listed and had not acquired the properties (Investment properties and Development properties).

## 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 Chief Executive Officer 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 meets any of the quantitative thresholds for determining reportable segments in the current year. Information regarding the results of each reportable segment is included below.

## OPERATING SEGMENTS

### Statement of comprehensive Income - 31 August 2014

	Rental Income	Development Property Sales	Total Operating Segments
Segment revenue	12 616 919	26 972 295	39 589 214
Expenditure	(5 098 048)	(20 197 490)	(25 295 538)
<b>Segment Results</b>	<b>7 518 871</b>	<b>6 774 805</b>	<b>14 293 676</b>

### Statement of Financial Position - 31 August 2014

	Rental Income	Development Property Sales	Total Operating Segments
<b>Non Current Assets</b>			
Investment properties	1 412 939 713	-	1 412 939 713
<b>Current Assets</b>			
Inventory	-	87 176 947	87 176 947
<b>Segment Assets</b>	<b>1 412 939 713</b>	<b>87 176 947</b>	<b>1 500 116 660</b>
<b>Non Current Liabilities</b>			
Deferred tax	227 322 885	-	227 322 885
Commercial term loan	24 568 151	-	24 568 151
<b>Current Liabilities</b>			
Commercial term loan	1 218 659	-	1 218 659
<b>Segment Liabilities</b>	<b>253 109 695</b>	<b>-</b>	<b>253 109 695</b>

### Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items :

#### Revenues

Total Revenue for reportable segments	39 589 214
Profit or loss for reportable segments	14 293 676

#### Other profit or loss

#### Unallocated Amounts

Operating Expenses	(7 205 433)
Finance Costs	(442 460)
Other Income	339 713
Investment Revenue	3 529
Gain on bargain purchase	283 112 121
Fair value adjustment	123 822 855
<b>Profit (Loss) before taxation</b>	<b>413 924 001</b>

#### Assets

Total Assets for reportable segments	1 500 116 660
Other Assets	
Other unallocated amounts	44 497 123
<b>Consolidated total assets</b>	<b>1 544 613 783</b>

#### Liabilities

Total Liabilities for reportable segments	253 109 695
Other liabilities	
Other unallocated amounts	37 556 928
<b>Consolidated total Liabilities</b>	<b>290 666 623</b>

By order of the Board

**PE Burton**  
*Chairman*

**NT Govender**  
*Chief Executive Officer*

**Monday, 24 November 2014**

**COMPANY INFORMATION**

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" or "the Group")

**Directors:** PE Burton<sup>#</sup> (Chairman); NT Govender (Chief Executive Officer); JF Pretorius (Chief Financial Officer); RD Eaton<sup>#</sup>; BM Molefi<sup>#</sup>; SB Rule<sup>#</sup>; WH Rule<sup>#</sup>; WB Stocks<sup>#</sup>  
(<sup>#</sup>Independent Non-executive)

**Company Secretary:** Statucor Proprietary Limited

**Registered Office:** 24 Peter Place, Lyme Park, Sandton, 2196

**Postal Address:** PO Box 752, Cramerview, 2060

**Transfer Secretaries:** Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107)

**Sponsor:** PSG Capital, 1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch 7600