

Freedom Property Fund Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2012/129186/06)
Share code: FDP
ISIN: ZAE000185260
("Freedom" or "the Company")

THE SPECIFIC ISSUE OF SHARES TO SETTLE GUARANTEE SHARE OBLIGATIONS, THE DISPOSAL OF STELLENBOSCH INDUSTRIAL AND THE ADOPTION OF THE FREEDOM LONG TERM INCENTIVE PLAN

1. INTRODUCTION

1.1. Specific Issue

Freedom shareholders ("Shareholders") are hereby advised that Freedom has entered into agreements with the Christo La Grange Gesins Trust and the Lafras Joubert Gesins Trust ("Trust Agreements") in terms of which the Company will, subject to certain conditions precedent, including Shareholder approval, issue an aggregate of 323 845 455 new Freedom ordinary shares ("Specific Issue Shares"), representing approximately 31.5% of the Company's existing issued ordinary share capital, at an issue price of R0.22 per Specific Issue Share ("Subscription Price"), as settlement of guarantee share obligations amounting to R71 246 000, on the terms and conditions set out in paragraph 2 below ("Specific Issue").

1.2. Disposal of Stellenbosch Industrial

Shareholders are further advised that Freedom, through its wholly-owned subsidiary Passion Way Props Proprietary Limited ("Passion Way"), has concluded an agreement for the disposal of the Stellenbosch Industrial property, for a sale consideration of R49 000 000, as set out in paragraph 3 below ("Disposal").

1.3. Freedom Long Term Incentive Plan

Shareholders are further advised that the Company wishes to adopt the Freedom Long Term Incentive Plan ("LTIP") in the manner contemplated in paragraph 4 below.

2. THE SPECIFIC ISSUE

2.1. Terms of the Specific Issue

In terms of the Trust Agreements, approved by the board of Freedom on 11 August 2015, a total of 323 845 455 Specific Issue Shares will be issued as follows:

Name of party (collectively “the Trusts”)	Nature of relationship	Number of shares	Rand value of shares
Christo La Grange Gesins Trust (“Christo Trust”)	Current Freedom Shareholder, holding approximately 17.6% of Freedom’s existing issued share capital	214 945 455	R47 288 000
Lafras Joubert Gesins Trust (“Lafras Trust”)	Current Freedom Shareholder, holding approximately 7.7% of Freedom’s existing issued share capital	108 900 000	R23 958 000
Total		323 845 455	R71 246 000

The Specific Issue Shares to be issued in terms of the Trust Agreements will be Freedom ordinary shares, which is a class of shares already in issue. The Specific Issue Shares will, upon issue, rank pari passu with the existing Freedom ordinary shares in issue.

In terms of the Trust Agreements, Freedom has given the subscribers the warranties and representations that are usual in transactions of this nature.

The Subscription Price represents a premium of approximately 5% to R0.21, being the 30-day volume weighted average trading price (“VWAP”) of Freedom ordinary shares traded on the exchange operated by the JSE Limited (“JSE”) over the 30 days up to and including 7 August 2015, the last trading day prior to this announcement.

2.2. Rationale for the Specific Issue

As set out in the Company’s pre-listing statement dated 5 June 2014, Freedom, through its wholly-owned subsidiary Off Peak Props Proprietary Limited (“Off Peaks”), acquired Kadoma Investments Proprietary Limited from the Trusts by way of an issue of Freedom ordinary shares, which included a total of 100 million guarantee shares, in terms of acquisition agreements dated 8 August 2013 and addenda thereto (“Acquisition Agreements”). In terms of the Acquisition Agreements, Freedom would be obligated to top-up the value of guarantee shares sold below R1.00 during the first year from the date of Freedom’s listing on 12 June 2014. As no guarantee shares had been sold during the year ending 15 June 2015, Freedom reached an agreement with the Trusts that the value of the obligation under the guarantee shares would effectively total R71 246 000, as set out in paragraph 2.1 above.

In terms of the Acquisition Agreements, the value of the obligations of Freedom under the top-up on the guarantee shares, as set out above, would amount to a payment of R1 000 000 per month to the Trusts. The Trust Agreements allow for the obligations of Freedom to be settled, in full and final settlement, by way of the issue of the Specific Issue Shares. As Freedom requires its cash flow and financial resources to develop its extensive portfolio of properties, the Company and its board are fully supportive of the Specific Issue.

2.3. Conditions Precedent for the Specific Issue

The Trust Agreements are subject to the fulfilment of the following remaining conditions precedent in relation to the Specific Issue, by the specified dates, that:–

- 2.3.1. by no later than 17h00 on 31 October 2015, the Shareholders of Freedom approve the Specific Issue; and
- 2.3.2. by no later than 17h00 on 14 August 2015, the trustees for the time being of the Lafras Trust approve the terms of the Trust Agreements.

2.4. Approvals required for the Specific Issue

- 2.4.1. The Christo Trust is currently a material Shareholder of Freedom. While the Lafras Trust is not a material Shareholder or related party, the Company will not be in a position to issue new shares under a general authority to issue shares for cash until a new resolution is passed at the Company's Annual General Meeting scheduled for 28 August 2015 and is therefore proceeding in terms of the Listings Requirements of the JSE ("JSE Listings Requirements") and Companies Act Regulations of 2011 relating to the specific issue of shares. The Specific Issue will not be issued to the Trusts at a discount to the 30-day VWAP and consequently the board is not required to provide an opinion from an independent expert confirming that the Specific Issue is fair insofar as Shareholders of Freedom are concerned.
- 2.4.2. The Specific Issue is subject to ordinary resolutions of Freedom Shareholders, to be passed with a 75% majority of the votes cast at a general meeting of Shareholders convened to specifically authorise the Specific Issue in terms of the JSE Listings Requirements ("General Meeting").
- 2.4.3. As the Specific Issue relates to the issue of shares constituting more than 30% of the voting power of all the shares of that class, as contemplated in section 41(3) of the Companies Act, No. 71 of 2008, as amended ("the Companies Act"), the Specific Issue is subject to a special resolution passed by Shareholders with a 75% majority.
- 2.4.4. The Trusts, and its associates, will be precluded from voting at the General Meeting on the resolutions in relation to the Specific Issue to the extent that they already hold Freedom ordinary shares.

2.4.5. The approvals of all relevant regulatory bodies, including any approvals required in terms of the JSE Listings Requirements in respect of the Specific Issue, are obtained.

2.5. Pro forma financial effects of the Specific Issue

The table below illustrates the pro forma financial effects of the Specific Issue based on the published results for the year ended 28 February 2015. The preparation of the pro forma financial effects is the responsibility of the directors of Freedom. The pro forma financial effects have been prepared for illustrative purposes only to provide information on how the Specific Issue may have impacted Freedom's results and financial position and, due to the nature thereof, may not give a fair reflection of Freedom's results and financial position.

The pro forma financial information has been compiled using accounting policies that comply with IFRS and that are consistent with those applied in the audited consolidated annual financial statements of Freedom for the year ended 28 February 2015. These figures are not audited in themselves. The pro forma figures are presented in a manner consistent with both the format and accounting policies adopted in the historical financial information and adjustments have been quantified on the same basis as would normally be calculated in preparing financial statements.

	Before the Specific Issue	Specific Issue	After the Specific issue	Change %
Gross number of shares in issue	1 027 029 031	323 845 455	1 350 874 486	32
Weighted average number of shares in issue	889 037 602	323 845 455	1 212 883 057	36
Basic and diluted earnings per share (cents)	58.61	(15.65)	42.96	(27)
Headline and diluted earnings per share (cents)	1.49	(0.40)	1.09	(27)
Net asset value per share (cents)	130.45	(19.99)	110.46	(15)
Net tangible asset value per share (cents)	130.45	(19.99)	110.46	(15)

Notes and assumptions:

1. The pro forma Statement of Comprehensive Income figures illustrate the possible financial effects as if the Specific Issue had taken place on 1 March 2014.
2. The pro forma Statement of Financial Position figures have been based on the assumption that the Specific Issue had taken place on 28 February 2015.
3. The “Before the Specific Issue” column is based on the published audited financial information of Freedom for the year ended 28 February 2015.
4. The “Specific Issue” column relates to the issue of the Specific Issue Shares, being 323 845 455 new Freedom ordinary shares for cash at a price of R0.22 per Specific Issue Share, representing a 5% premium to the 30-day VWAP of Freedom ordinary shares traded on the exchange operated by the JSE over the 30 days up to and including 7 August 2015, being the last trading day prior to this announcement.
5. The “After Specific Issue” column indicates the pro forma financial information of the Specific Issue.
6. Once-off transaction costs of R500,000 have been estimated to be incurred in respect of the Specific Issue. These exclude VAT and have been assumed to be non-tax deductible. The costs will be charged to share premium in terms of IAS 32.37.

3. DISPOSAL OF STELLENBOSCH INDUSTRIAL

3.1. Introduction

The Stellenbosch Industrial property (“Property”) was acquired by the Company through Passion Way in terms of agreements concluded on 31 October 2013 for an amount of R49 725 500 (including allocated acquisition costs). Freedom, through Passion Way, has concluded an agreement (“Sale Agreement”) to dispose of the Property to K2014120563 Proprietary Limited, registration number 2014/120563/07 (“the Purchaser”), for a sale consideration of R49 000 000 (“the Disposal”). The Disposal is zero rated for VAT purposes as both the Purchaser and Passion Way are VAT registered and the transaction relates to the sale of a going concern, as contemplated in section 11(1)(e) of the Value Added Tax Act, No. 89 of 1991. The effective date of the Disposal is the date of registration of transfer of the Property into the name of the Purchaser in the relevant deeds office, which is expected to take place on or about 31 October 2015.

3.2. Property details

The Property is immovable property located at George Blake Street, Stellenbosch, Western Cape. The following detail is applicable to the Property:

Title deed number	T25726/2014 (Erf 15719 Stellenbosch)
Sector	Light Industrial
Gross Lettable Area	8 287m ²
Weighted average rental per m ²	R39.00
Purchase price	R49 725 500

Valuation of Property ⁱ	R59 500 000
Rental Income ⁱⁱ	R4 300 000

Notes:

- i. The Property was valued by JS Bosman (M.I.V) (SA), an external independent valuer, effective 28 February 2015.
- ii. Approximate gross rental income generated by the Property for the year ended 28 February 2015, being the only income generating asset owned by Passion Way.

3.3. Disposal proceeds & rationale

The proceeds of the Disposal, being R49 000 000, excluding VAT, are payable in cash on registration of transfer of the Property into the name of the Purchaser in the relevant deeds office. Commission of R1 470 000 is payable by the Purchaser. The net proceeds of the Disposal will be used to settle the existing bond on the Property and the remaining proceeds will be applied to specific approved future developments within the Group..

In line with the Company's stated short to medium term strategy, the current focus is to develop its residential properties, including Tweefontein Residential, Montana, Gevonden and Tubatse Homes, details of which are contained in Freedom's Integrated Report for the year ended 28 February 2015 and available on the Company's website at www.freedompropertyfund.com.

3.4. Suspensive condition

The Sale Agreement is subject to the suspensive condition that the Purchaser secures funding of R31 000 000 within 45 days of the date of acceptance of the offer by Freedom, being 6 August 2015.

3.5. Warranties

The Company and the Purchaser have provided each other warranties that are standard to a transaction of this nature.

3.6. Categorisation of Disposal in terms of the JSE Listings Requirements

The Disposal is classified as a category 2 transaction in terms of the JSE Listings Requirements. The JSE does not require the approval of shareholders for a category 2 transaction.

3.7. Financial information

The net asset value contribution of the Property to the Company was approximately R39 000 000 as at 28 February 2015, taking into account the outstanding amount owing on the bond and the fair value adjustment on the asset. The Property, through Passion Way,

contributed approximately R2 000 000 to the Groups net income for the year ended 28 February 2015.

4. FREEDOM LONG TERM INCENTIVE PLAN (“LTIP”)

4.1. Object and purpose of the LTIP

The object and purpose of the LTIP is to:

- 4.1.1. incentivise Freedom’s top executive team to meet strategic long term objectives that will help deliver value to Shareholders;
- 4.1.2. achieve alignment between Freedom’s top executive team’s remuneration and the interests of the Shareholders of Freedom; and
- 4.1.3. act as an attraction and retention mechanism in a market where highly skilled people are in high demand.

4.2. Approvals required for the LTIP

- 4.2.1 In terms of the JSE Listings Requirements, the ordinary resolution adopting the LTIP requires a 75% majority of the votes cast in favour of such resolution by all Shareholders present or represented by proxy at the General Meeting, excluding all the votes attaching to all equity securities owned or controlled by persons who are existing participants in the Scheme, and may be impacted by the changes.
- 4.2.2 As the LTIP will require the issue of shares to a director, future director, prescribed officer or future prescribed officer of the Company, as contemplated in section 41(1)(a) of the Companies Act, the LTIP is subject to a special resolution passed by Shareholders with a 75% majority.

5. DOCUMENTATION AND SALIENT DATES

A circular to Shareholders incorporating the terms of the Specific Issue, the adoption of the LTIP and a notice convening the General Meeting is being prepared and will be posted to Shareholders on or around 30 September 2015.

Johannesburg
11 August 2015

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