

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" or "the Group")



SUMMARISED AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

The board of directors of the Company ("the Board") is pleased to present the audited annual financial results for the year ended 28 February 2019.

The audited financial results of the Group for the year ended 28 February 2019, as compared to the year ended 28 February 2018 ("Comparative Period"), are set out below:

- Revenue decreased by 7.48% from R24.38 million to R24.40 million;
- Losses per share ("LPS") increased from 0.41 cents to LPS of 1.07 cents;
- Headline losses per share ("HLPS") increased from 1.38 cents to HLPS of 1.76 cents;
- Net asset value per share decreased from 9.20 cents per share to 7.85 cents per share.

No dividends were declared or paid during the period under review or during the Comparative Period.

Auditors: Unqualified audit opinion

The summarised consolidated results of the Group for the year ended 28 February 2019 have not been audited by the Group's auditors, Moore Cape Town Inc. (the "Independent Auditor"). However, the annual consolidated financial statements of the Group for the year ended 28 February 2019 have been audited by the Independent Auditor. An extract from the unmodified audit report (inclusive of the communication of key audit matters) contained within the audited annual consolidated financial statements of the Group for the year ended 28 February 2019 reads as follows:

"Opinion

In our opinion, the consolidated and separate Financial Statements present fairly, in all material respects, the consolidated and separate financial position of Freedom Property Fund Limited as at 28 February 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

The Impact of the Material Uncertainty related to COVID-19 on Freedom Property Fund Limited's Ability to Continue as a Going Concern

We draw attention to note 40 in the financial statements, which indicates that the group incurred a net loss of R10,751,000 during the year ended 28 February 2019 and as of that date the group's current liabilities exceeded its current assets by R88,938,000. As stated in note 40, COVID-19 affects the group and this may result in certain material uncertainties for the future financial position, performance and cashflows of the group.

We reassessed our risk assessment on going concern and took into account the additional considerations of the impact of the COVID-19 pandemic on the Group when assessing the going concern conclusion. Management's cashflow forecast was challenged by evaluating the reliability of the underlying data generated to prepare the forecast and determining whether there is adequate support for the assumptions underlying the forecast. The group experienced a decrease in rental recoveries from May 2020 and management expects this trend to continue until December 2020. Management further expects an increase in vacancies due to tenants' inability

to meet rental obligations. The current economic conditions as a result of the pandemic is also expected to impact the group's strategy of disposing of non-core assets. The directors have concluded that there are material uncertainties that give rise to significant doubt over the Group's ability to continue as a going concern. We further assessed the appropriateness of the disclosures in the financial statements concerning the impact of COVID-19 on the Group's ability to continue as a going concern.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in **The impact of the material uncertainty related to COVID-19 on Freedom Property Fund Limited's ability to continue as a going concern** section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investment Properties (consolidated)	
<p>The Group holds commercial and residential investment properties, along with vacant land, to the value of R273,664 million at year-end, including the straight-lining accrual and non-current assets held for sale. The movement in these properties' fair value for the year amounts to R6,2 million.</p> <p>Investment property is measured at their fair values based on valuations obtained from external valuers and the directors. The location, zoning, size, exposure, capitalisation rates and occupancy rates are some of the crucial variables which were considered and applied in the valuation of investment properties.</p> <p>For commercial properties the directors and external valuers have used 3 methods namely, the Net Income Capitalisation Method, the Discounted Cash Flow Method and the Comparable Sales Method in determining the fair value.</p> <p>For residential investment properties the directors and external valuers have used the Comparable Sales Method (2018: Net Income Capitalisation Method) in the valuation of the properties.</p> <p>For vacant land the directors and external valuers have used the Comparable Sales Method in the valuation of the properties.</p> <p>We consider the valuation of investment properties a matter of most significance to the current year's audit due to the significance of the estimates and judgements involved and the inherent sensitivity of data whereby a percentage difference in individual yields could result in a material misstatement.</p>	<p>We have considered whether the valuation methods applied by the directors and external valuers in the valuation of the investment properties, were in line with the criteria prescribed by IFRS. Further consideration was given as to whether the method used is appropriate to those particular properties subject to the valuation, by benchmarking it against valuation methods applied to similar listed property portfolios.</p> <p>In assessing the expertise of the external valuers, we have verified their registration with the South African Council for the Properties Valuers Profession. The considerations surrounding the independence and objectivity of the external valuers were based on the review of the terms of engagement and receipt of a representation from the external valuers' management as to the fee arrangements between the valuers and the group. We found no evidence to suggest that the objectivity of the valuers in their performance of the valuations was compromised.</p> <p>A meeting was held between ourselves and the independent valuers discussing the valuations and the key assumptions used therein. We inspected the valuation reports for all properties valued externally and tested data inputs in the directors' valuations.</p> <p>We assessed the accuracy, reliability and completeness of data inputs which was used in the valuation underpinning the relevant investment property.</p> <p>We reviewed the appropriateness of supporting documentation and performed a sensitivity analysis on the significant assumptions made to evaluate the extent of the impact on the value calculated, should the assumptions change by a small percentage.</p> <p>We further assessed the appropriateness of the disclosures in the financial statements concerning the key assumptions to which the valuations are sensitive to.</p>

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Moore Cape Town Inc. has been the auditor of Freedom Property Fund Limited for 4 years.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Profession Act. These matters have been reported to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in note 39 to the consolidated and separate financial statements."

This short-form announcement is the responsibility of the Board, is only a summary of the summarised audited consolidated annual financial results for the year ended 28 February 2019 ("**Full Announcement**") and therefore does not contain full or complete details as per the Full Announcement.

The Full Announcement may be downloaded from either <https://senspdf.jse.co.za/documents/2020/JSE/ISSE/FDP/Feb2019.pdf> or may also be requested from the Company by contacting info@freedomprop.co.za during ordinary business hours, for a period of 30 calendar days following the date of this announcement.

Furthermore, the detailed audited consolidated annual financial statements for the year ended 28 February 2019, inclusive of the Independent Auditor's report, are available on the Company's website: <http://www.freedomprop.co.za/financials>.

Any investment decisions by shareholders should be based on consideration of the Full Announcement contained within the link set out above.

Paarl
31 August 2020

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