

SHAREHOLDERS UPDATE 11 OCTOBER 2021

FREEDOM PROPERTY FUND

Challenges we are dealing with

- Company experiencing tight cash flow
- Dysfunctional municipalities delaying transfers/rezoning applications
- Backlog of outstanding Financial Statements
- Material liabilities to SARS
- Infrastructure challenges at Steelpoort Industrial
- Litigation focusing on previous auditors

Board and Management Approach

- Current Board Members fully aligned with interest of all shareholders
 - 36% direct shareholding plus R 41 876 436 loan
- Introduced integrated approach between management and Board with weekly board meetings and created teams focusing on core issues
 - Utilizing the skillsets and experience of the current board and existing management to execute a business turnaround strategy
 - Aim is to create a solid base for the Freedom group from which to operate/ make strategic decisions

Teams/issues dealing with

1. Finance & Tax

- Getting Financial Statements out
- Going concern
- Payment of tax liabilities from future cash flows
- New accounting system to be introduced

2. Cashflows

- Reviewing detailed cashflow on a weekly basis
- Review of debtors on a weekly basis
- Projection of cashflows for 18 months/updated weekly

Teams/issues dealing with

3. Nedbank Facility

- Required restructuring to decrease monthly payments
- Relationship strengthened with bank
- Requested
 - 750k per month installment instead of R1,250million per month
- Negotiating loan for solar

4. JSE de-listing

- Trading of shares at JSE suspended July 2016
- Could not comply with JSE listing requirements
- De-listed 4 August 2021 resulting in decrease in costs

Teams/issues dealing with

5. Kadoma & Tweefontein

- a) Infrastructure at Steelpoort industrial park requires upgrades/modernization/additional bulk for water and electricity
- b) Introduced program to rectify/replace/update infrastructure and damaged buildings
 - Electricity meters.
 - Water meters
 - Building repairs, requires regular inspections
 - Body corporates to be established for Tubatse homes and Kadoma
 - Electricity supply agreements, compliant with ERA and Nersa to be signed with clients
 - Water use licenses
 - Town planning issues erf 1212
 - Collection of rentals
 - Community needs

Teams/issues dealing with

6. Non-Core Assets

- Tubatse homes 7 houses sold(sales price R6,8million), transfer imminent. Received an offer on last house
- Emfuleni- Received R2,5million Balance of purchase price of R2.45million due by Oct . Rates bill of R2million written off.
- Wespark Palms erf sold for R550k
- Tubatse Estate – Received offer of R26m payable over 12 months.
 - Non-refundable deposit of R1m received
 - First payment due end of Sept received
 - Land claim to be dealt with by new owner
 - Registering FCMB



The way forward

Distinct Shareholder Groupings

- Groupings
 - Those who would want to sell their shares immediately and/or over the next 12/24 months
 - Those who have a longer-term view of Freedom
- Principles used in defining the way forward for the next 12/24 months
 - Consider all shareholder groupings mentioned above
 - Restructure and optimize value
 - Aiming at increased NAV and an attractive asset

The way forward



1. Finance & Tax

- Release 2021 results before year end
- Settle all current liabilities by August 2022 (subject to cash flows being realized)
- Restructure of group– aiming reduction from 16 companies to 2 companies by end Feb 2022
 - Material cost savings
 - Align Board and management structure
- New accounting system to be operational by December 2021
- Reduction in costs achieved
 - Retrenchments /saving of 880k per annum
 - Other cost /reduction of 700k per annum

The way forward

2. Cashflows

- Control of detailed daily and weekly cashflows to be developed more
- Ensuring timeous receipt of sold assets and debtors
- Working toward sale / rezoning of remaining non - core assets before Feb 2022
 - Sweetwater /aiming for R3 million
 - Tubatse homes 33 stands R4 million
 - Effect sale of portion of erf 1210 and 1212

3. Nedbank facility

- Conclude restructuring arrangement in the next few weeks
- Arrange solar funding with Green Division at Nedbank



The way forward

4. Kadoma

- Stabilise infrastructure at Steelpoort Industrial Park
- Finalise energy agreements and send to NERSA for approval
- Establish Body Corporates/Homeowners
- Further review of debtor collection processes required
- Finalize Town planning issues re remainder of 1212
- Understand Community needs better and deal with it
- Consider the use of “grey” water
- Ensure water use is compliant with the National Water Act 1998

The way forward

5. Energy at Kadoma and Tweefontein

- Two types of energy users at Kadoma
 - Washing plants with a constant energy baseload requirement 24x7
 - Daylight users (primarily on landrate)
- Increased demand from Washing plants of the installed Eskom capacity
- Currently planning the rerouting of most Eskom energy supply to Washing Plants and providing daylight users from Solar
- Solar plant of some 500 KVA to 1 MVA depending on Customer requirements ,to be installed at Kadoma
 - Increased installed energy at Kadoma
 - More energy security/increased earnings and enhancing value

6. Tweefontein

- To be rezoned to establish Solar farms
- Initially 20 ha for a specific client request in process of developing/capex client's cost

The way forward

Share buy backs

- We understand the need for Freedom to do share buybacks to improve the position of those shareholders who would like to exit the fund over the near term
- Principles
 - Not at expense of the company – remain liquid and solvent in terms of the Companies Act of 2008
 - Available to all shareholders – only one class of shares
 - We can only start buying back shares when we have settled our SARS and municipal liabilities.
- Timing
 - It is still work in progress to be detailed in the next few months as our views on cash flows mature
 - Our current view is that the earliest this would be possible is the last quarter of 2022, subject to cash expected materialises, especially on Tubatse Estate.
 - Note rate bills for Tubatse and Kadoma outstanding, however provided R5m

A view on NAV

- The next side illustrates our view on NAV
- This view excludes growth in value due to alternative energy sources being considered
 - Tweefontein
 - Kadoma
 - 1212 development
 - Deferred tax illustrated
 - DT primarily in Kadoma
 - If we sell off the underlying properties, we realise the DT
 - If we sell the company (Kadoma), we have a substantial base cost of R178m to utilise. This has a material impact on NAV.

NAV

	Current	2020	2019	2018
Total Assets	265 324	267 412	286 980	312 883
Investment Property (Incl lease asset)	255 475	259 345	276 514	282 034
PPE	1 866	1 763	2 332	2 287
Inventory	-	-	97	3 197
Trade and other receivables	2 561	4 166	5 178	15 347
Other financial assets		29	29	203
Current tax receivable	468	468	468	468
Cash and cash equivalents (incl. guarantees)	4 954	1 641	2 362	9 347
Total Liabilities	152 160	180 059	177 599	187 862
Loans from shareholders	41 876	43 068	43 945	44 850
Other financial liabilities	45 696	59 950	64 870	76 178
Deferred tax	31 937	31 559	35 458	35 646
Current tax	20 163	11 377	8 638	5 883
Trade and other payables and provisions	12 488	34 105	24 688	25 305
NAV	113 164	87 353	109 381	125 021
No of shares (net of treasury)	967 402 078	1 002 402 078	1 002 402 078	1 049 829 034
cents per share	11,70	8,71	10,91	11,91



Forward view on Cashflows

Predicted Cash inflows

Cash flows - September 2021 to December 2022		
Net income/ loss before tax and bond interest	Monthly net income estimated based on historical performance	18 008 172
Sale of Hazel Hues	OTP signed - received R2,2m. Balance in October 2021	4 400 000
Sale of Sweet Waters	OTP signed - received R500k in trust	3 043 478
Sale Wespark Palms - land	OTP signed - Sale of land -cash received in September 2021	550 000
Taioguard (erf sold at Kadoma) monthly payment	Monies received in September 2021	100 000
Sale of Zambesa houses and land	OTPs signed for all houses - awaiting for transfer in October/ November 2021	7 800 000
Tubatse Estate	OTP signed - R3m received to date. Registering bond over property	25 805 055
Outstanding Kadoma debtors	Tenants have been billed - slow paying tenants	900 000
Sale of erf 1212 (rental outstanding to be claimed)	Being disputed by client	1 166 245
Sale Wespark Palms - remaining unit	No offers received - being marketed	175 000
Sale of Zambesa stands (33)	No offers received - being marketed	4 000 000
TOTAL INCOME		65 947 950

Predicted Cash outflows

<u>Cash flows - September 2021 to December 2022 (Continued)</u>		
Nedbank bond	Currently paying R750k per month	12 000 000
Bond for Solar (R70k per month)	To be negotiated with Nedbank	770 000
Increased Capital maintenance	Replace electricity meters, water filtration etc.	2 050 000
Outstanding taxes	VAT and SA Normal taxation	25 436 316
Creditors - estimated	Primarily external auditors	1 000 000
Rates and taxes for Kadoma and Tubatse estate	Estimated	5 000 000
Consultant	Paid in full in September	157 625
Bridging Finance	Taken out against the sale of the houses in Zambesa	2 700 000
Share buy backs	Estimated	2 500 000
TOTAL PAYMENTS		51 613 941

Future use of Cashflows

Cash flows - September 2021 to December 2022 (Cont.)

Surplus cash to be utilised as follows along with future cash flows:

- Creating cash buffer of R10 m for future requirements
- Build a reserve for the Nedbank bond lump sum payment
- Future share buy backs
- Christo La Grange Loan



Conclusion

1. Facing the challenges and so far successfully mitigated them
 2. A strong working relationship between the Board and Management exists
 3. Accountability by the teams established exists
 4. We will continue with our efforts on all facets of the company to grow value
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