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")

RESULTS FOR THE FINANCIAL YEAR ENDED 2016 AND RESTATEMENT RELATING TO THE FINANCIAL YEAR ENDED 2015

Further to the announcement released on 30 June 2016, notifying of a delay in the release of the Company's annual financial statements for the year ended 29 February 2016 ("**Annual Financial Results**") consequent to the unavailability of certain information ("**Information**") relating to the period under review, 1 March 2015 to 29 February 2016, (the "**Period Under Review**") and specifically certain transactions ("**Transactions**") that were implemented and accounted for during the 2015 and 2016 financial years of the Company (which Information had been requested from members of the board of directors and the executive management of the Company during the Period Under Review ("**Previous Board and Management**")), shareholders are informed that members of the audit committee of Freedom ("**Audit Committee**") received a letter from Freedom's auditor, RSM South Africa (the "**Auditor**"), notifying the Audit committee of RSM's belief that reportable irregularities ("**Irregularities**") have or are taking place at the Company and that it had therefore reported same to the Independent Regulatory Board for Auditors, inviting the Board of Directors of the Company (the "**Board**") to make representations to RSM in respect of the Irregularities reported.

The Board hereby advises shareholders that it has received confirmation from the Auditor that, other than the continued suspension of the Company's securities from trading on JSE Limited (the "**JSE**") consequent to Freedom's failure to release the Annual Results timeously, all other Irregularities reported have been satisfactorily dealt with by the Board.

For the information of shareholders, the Irregularities and Auditor's opinion in relation thereto have been extracted from relevant correspondence received from the Auditor and set out below.

The Board assures the shareholders of Freedom of its continued determination to take all necessary steps to address all outstanding matters relating to the Transactions (whether or not the Information is forthcoming from the Previous Board and Management) and will continue to work closely with the Company's Auditor in order to finalise the release of the Annual Financial Results as soon as possible.

Steps already taken by the Board include seeking legal counsel as to potential legal action regarding the Irregularities and as against the Previous Board and Management of the Company and its then advisers, the Board will continue to interrogate transactions not highlighted by the Auditor as Irregularities, including amongst others, a sale agreement ("**Tailings Agreement**") entered into by a wholly owned subsidiary of Freedom, Kadoma Investments Proprietary Limited ("**Kadoma**"), represented by Tyrone Govender (the then Chief Executive Officer of the Company), and Montepio Proprietary Limited ("**Montepio**"), represented by Deijon Roberts Perumal ("**Montepio Representative**") on 15 February 2015, for the

purchase by Montepio of the PGM content sludge material ("**Tailings**") on the site of Kadoma for a purchase consideration of R6 000 000 (six million rand) excluding Value-added Taxation) and payable as follows:
- R1 500 000 (one million five hundred thousand rand) on 28 February 2015; and
- the remainder in equal monthly instalments of R500 000 from 1 July 2015 with the final payment being R384 000 (three hundred and eight four thousand rand).

Whereas the Montepio Representative has alleged that the Tailings Agreement was cancelled, a transfer of R1 500 000 (one million five hundred thousand rand) was made from a subsidiary of Freedom, Zambesa Investments Proprietary Limited to Kadoma on 26 February 2015 with a reference reading "tailings". A further payment of R250 000 (two hundred and fifty thousand rand) was transferred from another subsidiary of Freedom, Epic Beach to Kadoma on 22 June 2015 also with the reference reading "tailings".

The Board has, as at the date of this announcement not been able to ascertain the status of the Tailings Agreement and its investigations therein therefore remain ongoing.

Hence, given the information currently at the disposal of the Board, the release of the Annual Financial Results is anticipated to include the restatement of the financial results of the Company for the year ended 28 February 2015, notwithstanding such financial results having previously been signed off by the Auditor.

1. Sale of property units to Weskus Aftree Beleggings Proprietary Limited

"The sole director of Tower Sky Properties Proprietary Limited ("**Tower Sky**") [a wholly owned subsidiary of Freedom], Tyrone Govender [the Chief Executive of Freedom at the time of listing], entered into two contracts to sell units of property to Weskus Aftree Oord Beleggings Proprietary Limited ("**Weskus**") to the value of R14 190 000 excluding Value-added Taxation prior to 28 February 2015 ("**Weskus sale agreements**").

Deposits to the value of R7 000 000 were received by Tower Sky during March 2015, purportedly in terms of the Weskus sale agreements. No further receipts were noted from the Weskus sale agreements and no transfer of ownership has occurred in terms of these agreements. The deposits from the sale of the property were paid directly to Tower Sky and not the transferring attorneys, which appears to be irregular for a sale of property transaction. We were informed by the new management [Stephen Maritz, appointed Chief Executive Officer on 15 December 2015] that the funds were [potentially] transferred from companies controlled [ultimately] by Graham Stavridis [a promoter of the Company, never appointed as a director but whom the Auditor has been advised meets the definition of a "prescribed officer" under regulation 38(1)(b) at all relevant times and accordingly owed fiduciary duties to Freedom as set out in the Companies Act] and Tyrone Govender although we [the Auditor] have not been able to verify this assertion.

Weskus has subsequently entered into voluntary liquidation and is claiming the R7 000 000 received by Tower Sky in March 2015. The liquidators have indicated that R7 000 000 was paid as a deposit in respect of the Weskus sale agreements but that they do not intend to proceed with the purchase. The new management has resolved to reverse the revenue in the year ended 28 February 2015 as there are significant doubts about the validity of the Weskus sale agreements and raise a liability in the records for the R7 000 000 received."

Whereas, in the opinion of the Auditor, there is reason to believe that a reportable irregularity has taken place because:

- the act was unlawful;
- it was committed by management;
- it may cause material financial loss to the entity;
- it potentially amounts to fraud; and
- it potentially represents a material breach of management's fiduciary duties,

it is the further opinion of the Auditor that the reportable irregularity is no longer taking place and that adequate steps have been taken for the prevention of any loss as a results thereof given the previous Chief Executive Director [Tyron Govender], under whose supervision this transaction has taken place, is no longer employed by the Company and the new board and management are in the process of addressing this matter.

2. Payments to Freesteel Property Developer

"Freedom engaged the service of Freesteel Property Developer Proprietary Limited ("**Freesteel**") previously called Lone Hill Props Proprietary Limited to act as developer of the property held by its subsidiary, Kadoma Investments Proprietary Limited ("**Kadoma**") [a wholly owned subsidiary of Freedom]. The development contract was signed by Tyrone Govender on behalf of Freedom and Gerhard Erasmus [a promoter of the Company] on behalf of Freesteel.

It is important to note that Gerhard Erasmus and Franky Pretorius (former CFO of Freedom, who became a financial director of Freedom after listing and held this position until July 2016 [shareholders are referred to the announcement by the Company dated 11 July 2016]) were both directors of Freesteel at a point in time. This related party relationship was never disclosed to us as the Auditors.

Payments were made to Freesteel in terms of the development contract signed with Freedom. However some amounts now appear to have been significantly greater than the amounts set out in the original agreement and in one instance a payment was made to Freesteel for a building that appears to have never been constructed. Freesteel has however invoiced these amounts to Kadoma which were subsequently paid. The payments made to Freesteel were authorised by two of the directors, Tyrone Govender and Franky Pretorius. New management has estimated the loss from the inflated invoices and payment for non-existing building to be R10 701 931.

The new management has resolved to reverse the inflated development invoices and claim back the overcharges from Freesteel. Freesteel has subsequently entered into voluntary liquidation."

Whereas, in the opinion of the Auditor, there is reason to believe that a reportable irregularity has taken place because:

- the act was unlawful;
- it was committed by management;
- it may cause material financial loss to the entity;
- it potentially amounts to fraud; and

- it potentially represents a material breach of management's fiduciary duties,

it is the further opinion of the Auditor that the reportable irregularity is no longer taking place and that adequate steps have been taken for the prevention of any loss as a results thereof given the previous Chief Executive Director, under whose supervision this transaction has taken place, is no longer employed by the Company and Gerhard Erasmus' contract with the Company was terminated and he entered into a settlement agreement with Freedom [shareholders are referred to the announcement by the Company dated 28 April 2016]. The new board and management are in the process of addressing this matter.

3. Sale of Property units to Montanita Investments Proprietary Limited

"The sole director of Ligitprops 184 Proprietary Limited ("Ligitprops") [a wholly owned subsidiary of Freedom], Tyrone Govender, entered into a sale agreement on 21 August 2014 for the sale of property units to Montanita Investments Proprietary Limited to the value of R7 260 295 excluding value added taxation ("Montanita sale agreement"). The contract was signed by Tyrone Govender.

Deposits to the value of R2 754 983 were received by Freedom from Freedom Rock Proprietary Limited, a company controlled by Graham Stavridis but unrelated to Freedom, in terms of the Montanita sale agreement during the year ended 28 February 2015. No further receipts were noted from the Montanita sale agreement and no transfer of ownership has occurred in terms of the sale agreement. The deposits relating to the sale of the property were paid directly into FPF's bank account, not the transferring attorneys' account, which appears to be irregular for a sale of property transaction.

According to new management there has been no communication from the buyers of the property with regards to the sale of the property units. One of the stands identified to be sold in the Montanita sale agreement, being ERF 8599 Langebaan, was in fact sold again to a different party during the 2016 year-end and the property has been transferred and the sale recorded in 2016 [shareholders are referred to the announcement by the Company dated 24 May 2016].

The new management has resolved to terminate the Montanita sale agreement and reverse the revenue received in the year ended 28 February 2015 as there are significant doubts about the validity of the Montanita sale agreement."

Whereas, in the opinion of the Auditor, there is reason to believe that a reportable irregularity has taken place because:

- the act was unlawful;
- it was committed by management;
- it may cause material financial loss to the entity;
- it potentially amounts to fraud; and
- it potentially represents a material breach of management's fiduciary duties,

it is the further opinion of the Auditor that the reportable irregularity is no longer taking place and that adequate steps have been taken for the prevention of any loss as a results thereof given the previous Chief Executive Director, under whose supervision this transaction has taken place, is no longer employed by the Company and the new board and management are in the process of addressing this matter.

4. Sale of Property units to Pasta Point Proprietary Limited

“The director of Ligitprops entered into a sale agreement on 28 August 2014 for the sale of property units to Pasta Point Proprietary Limited to the value of R2 270 000 excluding Value-added Taxation ("Pasta Point sale agreement".) The representative for Ligitprops in terms of the agreement was Tyrone Govender.

Deposits to the value of R493 406 were received by Freedom from Freedom Rock Proprietary Limited, a company controlled by Graham Stavridis but unrelated to Freedom in terms of the Pasta Point sale agreement during the year ended 28 February 2015. No further receipts were noted from the Pasta Point sale agreement and no transfer of ownership has occurred in terms of the Pasta Point sale agreement. The deposits relating to the sale of the property were paid directly into FPF's bank account, not the transferring attorneys' account, which appears to be irregular for a sale of property transaction.

According to new management there has been no communication from the buyers of the property with regards to the sale of the property units.

The new management has resolved to terminate the Pasta Point sale agreement and reverse the revenue received in the year ended 28 February 2015 as there are significant doubts about the validity of the Pasta Point sale agreement and raise a liability for the deposit received.”

Whereas, in the opinion of the Auditor, there is reason to believe that a reportable irregularity has taken place because:

- the act was unlawful;
- it was committed by management;
- it may cause material financial loss to the entity;
- it potentially amounts to fraud; and
- it potentially represents a material breach of management's fiduciary duties,

it is the further opinion of the Auditor that the reportable irregularity is no longer taking place and that adequate steps have been taken for the prevention of any loss as a results thereof given the previous Chief Executive Director, under whose supervision this transaction has taken place, is no longer employed by the Company and the new board and management are in the process of addressing this matter.

5. Suspension of listing for failure to release financial results on time

“Freedom’s directors have failed to release the provisional financial information within three months of its financial year end as required by paragraph 3.16 of the JSE Limited Listings Requirements ("the Listings Requirements"). The deadline for the issue of the provisional annual financial statements was 31 May 2016. Freedom’s shares have been subsequently suspended from trading on the JSE due to the failure to release the provisional information.”

In the opinion of the Auditor, there is reason to believe that a reportable irregularity has (and continues to) taken place because the Company remains suspended from listing by the JSE due to financial results not having been issued to date.

6. Annual Results not prepared within six months of the year end

"Freedom's directors failed to prepare annual financial statements for FPF and its subsidiaries for the year ended 29 February 2016 and also ensure that they are audited within six months after year-end or shorter period as may be appropriate to provide the required notice of an annual general meeting in terms of section 61(7) of the Companies Act. The directors are also required in terms of paragraph 3.19 Listings Requirements to distribute to all holders of securities and submit to the JSE a notice of the annual general meeting and the annual financial statements of the relevant financial year which should have been reported on by the issuer's auditor at least fifteen business days before the date of the annual general meeting."

In the opinion of the Auditor, there is reason to believe that a reportable irregularity has (and continues to) taken place because the annual financial statements were not prepared within six months of the year end and to date have not been finalized.

Paarl
27 January 2017

Sponsor
Bravura Capital Proprietary Limited