
Emira Property Fund's merger with Freestone Property Holdings Ltd on track

The proposed acquisition by Emira Property Fund of property loan stock company Freestone Property Holdings is progressing according to plan.

The merger already has the support of in excess of 60% of Freestone Property Holding's unitholders as well as the majority of Emira's unitholders.

Emira currently has properties under management worth R3,5bn and Freestone's property portfolio is valued at R1,6bn. The merger will see Emira's property portfolio increase to a total value of over R5bn - making it the fifth largest, stand-alone, listed property fund in the country.

The transaction is being undertaken by way of a Scheme of Arrangement which will see Freestone linked units being exchanged for those of Emira in the ratio of 0.9 Emira units for every one Freestone unit - equating to an 8.1% premium to the 30-day volume weighted average Freestone linked unit price prior to the announcement of the transaction. At Emira's latest closing price of 1050 cents, the implied value per Freestone linked unit would be 945 cents - a 1.4% premium to the most recent closing price of 932 cents.

Freestone unitholders also have the option of exchanging a portion of their interest for cash at a slightly lower price of R8,20 per unit.

The transaction requires the support of 50% of Emira's and 75% of Freestone's unitholders voting in separate general meetings that are expected to be held by the end of February. Thereafter, Freestone will become a wholly-owned subsidiary of Emira and will be delisted from the JSE, with an anticipated effective date of the beginning of April. Momentum Group is the largest shareholder in both funds holding 36% of Emira participatory interests and 37% of Freestone linked units.

Apart from bulking up the size of Emira's property portfolio - larger funds are generally more liquid and are consequently seen as more desirable by investors - there are a number of other benefits that will accrue to both sets of unitholders through the merger.

Some of these benefits include:

- RMB Properties currently manages Emira through Strategic Real Estate Managers (STREM), which is 100% held by the FirstRand Group. RMB Properties also owns 50% of the Freestone property management company, with the balance being held by Corovest. The common shareholding at a management level should result in synergies and enhanced costs efficiencies for unitholders in the merged fund;
- Freestone unitholders should enjoy access to enhanced deal flow as a result of Emira's relationship with RMBP and Momentum. Some R850m worth of property was injected into Emira from these two sources during 2006;
- Both sets of unitholders will enjoy exposure to a more diversified portfolio of 170-odd commercial, industrial and retail properties;
- Emira will have enhanced debt funding capabilities through its participation in Freestone's existing commercial mortgage backed securitisation programme, and;
- Freestone unitholders will also immediately benefit from Emira's BEE credentials - the company is already 14.2% black-owned.

Says Emira CEO, James Templeton:

"We estimate that around R1,5m could be saved annually through the elimination of duplicated costs brought about by the rationalisation of portfolio expenses and property management services. Additional savings resulting from the improved focus and operational efficiencies could also occur further down the line."

In addition, financial and property management skills within Emira will be enhanced through the incorporation into STREM of the existing Freestone property management team. The intention is for Corovest to acquire a 15% interest in STREM as soon as possible.

Ends

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