



LIBERTY two°degrees

CIRCULAR TO UNITHOLDERS



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 10 of this Circular have, where appropriate, been used on this cover page.

If you are in any doubt as to what action to take, please consult your broker, CSDP, banker, accountant, legal advisor or other professional advisor.

ACTION REQUIRED

If you have disposed of all your Units, then this Circular, together with the attached form of proxy, should be handed to the purchaser of such Units or to the broker, CSDP, banker or other agent through whom the disposal was effected.

Unitholders who have already dematerialised their Units through a CSDP or broker who wish to attend the General Meeting must request their CSDP or broker to provide them with the necessary letter of representation to attend the General Meeting or must instruct their CSDP or broker to vote on their behalf in terms of their respective agreements with their CSDP or broker.

Unitholders are referred to page 8 of this Circular, which sets out the detailed action required of them in respect of the Proposed Transactions set out in this Circular. If you are in any doubt as to the action you should take, please consult your broker, CSDP, banker, legal advisor, accountant or other professional advisor immediately.

The CISIP does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of any such dematerialised Unitholder to notify such Unitholder of the Proposed Transactions set out in this Circular.



Liberty Two Degrees

JSE code: L2D ISIN: ZAE000230553

(Approved as a REIT by the JSE)

a portfolio established under the Liberty Two Degrees Scheme, a collective investment scheme in property established in terms of the Collective Investment Schemes Control Act, No. 45 of 2002, as amended, and managed by

STANLIB REIT Fund Managers (RF) Proprietary Limited

(Registration number 2007/029492/07)

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regarding:

- the conversion of the CISIP into a Corporate REIT pursuant to which each Unitholder will receive one New L2D Share for every Unit held and New L2D will be listed with JSE share code: L2D and ISIN: ZAE000260576, in place of the CISIP which will be de-listed and voluntarily wound up;
- the internalisation of the management company of the CISIP, being a related party transaction;
- the related party acquisition of undivided shares in properties from Liberty Group Limited ("**LGL**"); and
- the cancellation of the existing Put Option between LGL and the CISIP for no consideration,

and enclosing:

- a notice of the General Meeting to be held on Tuesday, 28 August 2018; and
- a form of proxy to vote at the General Meeting.

Financial Advisor and Sponsor



Legal Advisor to Liberty Two Degrees

ALLEN & OVERY

Independent Reporting Accountants and Auditors



Independent Expert



Independent Sponsor



Transaction Attorneys and Tax Advisors

WEBBER WENTZEL

in alliance with > Linklaters

Trustee of the Scheme



Independent Property Valuers



Date of issue: Monday, 30 July 2018

This Circular is available in English only. Copies of this Circular may be obtained from the registered office of the CISIP or Standard Bank at the addresses set out in the "Corporate Information" section of this Circular during normal office hours from Monday, 30 July 2018 to Tuesday, 28 August 2018 and on the CISIP's website at www.liberty2degrees.co.za/investor-information.

CORPORATE INFORMATION

Registered Office

Liberty Life Centre
1 Ameshoff Street
Braamfontein
Johannesburg, 2001
(PO Box 10499, Johannesburg, 2000)

Financial Advisor and Sponsor

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
30 Baker Street
Rosebank, 2196
(PO Box 61344, Marshalltown, 2000)

Legal Advisor to Liberty Two Degrees

Allen & Overy (South Africa) LLP
6th Floor
90 Grayston Drive
Sandton, 2196
(Postnet Suite 1018, Private Bag X9, Benmore, 2010)

Independent Expert

Ernst & Young Advisory Services Proprietary Limited
(Registration number 2006/018260/07)
102 Rivonia Road
Sandton, 2196
(Private Bag X14, Sandton, 2146)

Independent Property Valuer

Rode & Associates Proprietary Limited
(Registration number 2009/005600/07)
11 De Villiers Street
Bellville
Cape Town, 7530
(PO Box 1566, Bellville, 7535)

Manager

STANLIB REIT Fund Managers (RF) Proprietary Limited
(Registration number 2007/029492/07)
17 Melrose Boulevard
Melrose Arch
Johannesburg, 2196
(PO Box 202, Melrose Arch, 2076)

Company Secretary

Jill Parratt
Liberty Life Centre
1 Ameshoff Street
Braamfontein
Johannesburg, 2001
(PO Box 10499, Johannesburg, 2000)

Independent Reporting Accountants and Auditors

PricewaterhouseCoopers Inc.
(Registration number 1998/012055/21)
4 Lisbon Lane
Waterfall City
Jukskei View, 2090
(Private Bag X36, Sandton, 2157)

Transaction Attorneys and Tax Advisors

Webber Wentzel
90 Rivonia Road
Sandton
Johannesburg, 2196
(PO Box 61771, Marshalltown, 2107)

Independent Property Valuer

Jones Lang LaSalle Proprietary Limited
(Registration number 1995/000505/07)
Office 303, The Firs
Cnr Craddock and Biermann Road
Rosebank, 2196
(PO Box 2331, Parklands, 2121)

Trustee

RMB Trustee Services, a division of
FirstRand Bank Limited
(Registration number 1929/001225/06)
Mezzanine Floor
No 3 First Place, Bank City
Cnr Jeppe and Simmonds Street
Johannesburg, 2001
(PO Box 786273, Sandton, 2146)

Transfer secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(PO Box 61051, Marshalltown, 2107)

Independent Sponsor

Questco Corporate Advisory Proprietary Limited
(Registration number 2011/106751/07)
1st Floor, Yellowwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston, 2191

Date of registration

The Liberty Two Degrees Scheme was registered as a collective investment scheme in property in terms of Cisca on 28 October 2016.

FORWARD-LOOKING STATEMENTS

This Circular contains statements about the CISIP that are, or may be, forward-looking statements. All statements, other than statements of historical fact, are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: strategy; the economic outlook for a sector or industry; cash costs and other operating results; growth prospects and the outlook for operations, individually or in the aggregate; liquidity and capital resources and expenditure and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events, and depend on circumstances, that may or may not occur in the future. The CISIP cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which the CISIP operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions, all of which estimates and assumptions (although the CISIP may consider them to be reasonable), are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Many factors (including factors not yet known to the CISIP, or not currently considered material), could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those estimates, statements or assumptions.

Unitholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors may emerge from time to time that could cause the business of the CISIP or other matters to which such forward-looking statements relate, not to develop as expected and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. The CISIP has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

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ACTION REQUIRED BY UNITHOLDERS

The definitions and interpretations commencing on page 10 of this Circular apply, *mutatis mutandis*, to these actions required by Unitholders.

THE GENERAL MEETING

The implementation of the Proposed Transactions is subject to, *inter alia*, Unitholders passing the requisite resolution at the General Meeting to be held at 12:00 on Tuesday, 28 August 2018 at Standard Bank, 30 Baker Street, Rosebank, 2196.

The record date, to determine who will be eligible to participate in, and vote at, the General Meeting, is Friday, 24 August 2018. A notice convening the General Meeting is attached to, and forms part of, this Circular.

Certificated Unitholders and dematerialised Unitholders, who have elected “own-name” registration in the sub-register of the CISIP maintained by a CSDP, who are unable to attend the General Meeting but who wish to be represented thereat, are requested to complete and return the relevant attached form of proxy in accordance with the instructions contained therein. The duly completed form of proxy must be received by the Transfer Secretaries by no later than 12:00 on Monday, 27 August 2018 and may also be handed to the chairman at the commencement of the General Meeting. Proxy forms may further be delivered to the CISIP “at any time” as provided in section 58(1) of the Companies Act. A time limit which renders a proxy instrument invalid if delivered late, is void.

Dematerialised Unitholders who have not elected “own-name” registration in the sub-register of the CISIP maintained by a CSDP, and who wish to attend the General Meeting, must instruct their CSDP or broker timeously in order that such CSDP or broker may issue them with the necessary letter of representation or equivalent authority to attend the General Meeting.

Dematerialised Unitholders who have not elected “own-name” registration in the sub-register of the CISIP maintained by a CSDP, and who do not wish to attend the General Meeting, must provide their CSDP or broker with their instruction for voting at the General Meeting in the manner stipulated in the agreement between the Unitholder concerned and the CSDP or broker governing the relationship between such Unitholder and his/her CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature.

The CISIP does not accept responsibility and will not be held liable for any failure on the part of the CSDP of a dematerialised Unitholder to notify such Unitholder of the General Meeting or any business to be conducted thereat.

IMPORTANT DATES AND TIMES

The definitions and interpretations commencing on page 10 of this Circular apply, *mutatis mutandis*, to these important dates and times.

2018

Record date to be entitled to receive this Circular	Friday, 20 July
Full terms of the Proposed Transactions and notice of General Meeting released on SENS	Monday, 23 July
Full terms of the Proposed Transactions and notice of General Meeting published in the press	Tuesday, 24 July
Circular posted to Unitholders and made available at www.liberty2degrees.co.za/investor-information	Monday, 30 July
Last day to trade to be recorded in the CISIP register in order to be eligible to vote at the General Meeting	Tuesday, 21 August
Record date in order to be eligible to participate in and vote at the General Meeting	Friday, 24 August
Latest date of receipt, by the Transfer Secretaries, of forms of proxies in respect of the General Meeting by 12:00	Monday, 27 August
General Meeting to be held at 12:00	Tuesday, 28 August
Results of General Meeting in respect of the Proposed Transactions released on SENS	Tuesday, 28 August
Results of General Meeting in respect of the Proposed Transactions published in the press	Wednesday, 29 August
Finalisation information in respect of the Proposed Transactions and Final CISIP Distribution released on SENS	Monday, 17 September
Last day to trade to be recorded in the CISIP register in order to be eligible to receive the Final CISIP Distribution	Tuesday, 25 September
Last day to trade to be recorded in the CISIP register in order to be eligible to receive New L2D Shares on the Implementation Date	Tuesday, 25 September
Ex-dividend date in respect of the Final CISIP Distribution	Wednesday, 26 September
Units suspended from trading	Wednesday, 26 September
Listing and commencement of trading in New L2D share entitlements with the JSE share code: L2D and ISIN: ZAE000260576	Wednesday, 26 September
Record date in order to be eligible to receive the Final CISIP Distribution	Friday, 28 September
Effective Date and Implementation Date	Monday, 1 October
New L2D Shares issued to Unitholders pursuant to the Proposed Transactions	Monday, 1 October
Accounts at CSDP or broker updated in respect of dematerialised Shareholders	Monday, 1 October
Delisting of Units from the JSE of the CISIP	Tuesday, 2 October
Payment of Final CISIP Distribution	Friday, 12 October

Notes:

1. All references to dates and times are to local dates and times in South Africa. These dates and times are subject to amendment. Any such amendment will be released on SENS and in the press.
2. Unitholders are referred to page 8 of this Circular for information on the action required to be taken by them.
3. If the Proposed Transactions become unconditional, Units may not be traded after Wednesday, 26 September 2018 at which time trading in the New L2D share entitlements will commence. Certificated Units may not be dematerialised or rematerialised after this date.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless inconsistent with the context, an expression which denotes one gender includes the other genders, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa* and the expressions set out in the first column bear the meaning assigned to them in the second column.

“Absa”	Absa Bank Limited (Registration number 1986/004794/06), a public company registered and incorporated in accordance with the laws of South Africa;
“Acquisition”	the acquisition by Subco of the Additional Properties (and letting and other businesses carried thereon) from LGL and LibProp in exchange for the Acquisition Consideration;
“Acquisition Agreement”	the agreement dated 20 July 2018 between LGL, LibProp and Subco that sets out the terms and conditions of the Acquisition;
“Acquisition Consideration”	the consideration payable by Subco for the Acquisition, being R1.2 billion, to be settled in cash;
“Additional Properties”	the undivided shares in the Liberty Property Portfolio which are to be purchased by Subco in terms of the Acquisition Agreement, as reflected in Annexure 9 ;
“Amalgamation”	the transfer by the CISIP of all of its assets (other than assets necessary to settle the Final CISIP Distribution) and remaining liabilities (other than the liability in relation to the Final CISIP Distribution) to New L2D with effect from the Effective Date, in consideration for the assumption by New L2D of those liabilities and the issue by New L2D of New L2D Shares;
“Amalgamation Agreement”	the agreement dated 20 July 2018 between the CISIP and New L2D that sets out the terms and conditions of the Amalgamation;
“Amdec”	Amdec Investments Proprietary Limited (Registration number 2004/030569/07), a private company registered and incorporated in accordance with the laws of South Africa;
“Amdec property management agreement”	the agreement dated 28 February 2014 entered into between Amdec, LGL and Melrose Arch Investment Holdings Proprietary Limited;
“Authority”	the Financial Sector Conduct Authority, which in terms of section 5(1) of the FSR Act as read with Schedule 2 thereto, is the responsible authority for CISCA;
“Board” or “Directors”	the board of directors of the Manager whose names are listed on page 16;
“Business Day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“certificated Unit”	a Unit that has not been dematerialised, and title to which is evidenced by a document of title;
“certificated Unitholder”	Unitholders who hold certificated Units;
“CGT”	capital gains tax as contemplated in the Eighth Schedule to the Income Tax Act, read with section 26A of the Income Tax Act;
“Circular”	this circular and its annexures dated Monday, 30 July 2018, which sets out the full terms of the Proposed Transactions;

“CISCA”	Collective Investment Schemes Control Act, Act No. 45 of 2002, as amended;
“Co-owned Properties”	the portfolio of properties co-owned by the CISIP (31% excluding third party interests) and LGL (including LibProp) (69% excluding third party interests);
“Common Monetary Area”	collectively, South Africa, the Kingdoms of Swaziland and Lesotho and the Republic of Namibia;
“Contracts”	the Exchange Agreement, Amalgamation Agreement, Sale of Shares Agreement, Acquisition Agreement, New Asset Management Agreement and New Relationship Agreement;
“Conversion”	the proposed steps whereby the CISIP is converted to a Corporate REIT, comprising the Exchange, the Amalgamation, the distribution of New L2D Shares to the Unitholders, the Listing of New L2D Shares and the Delisting and voluntary winding-up of the CISIP;
“Corporate REIT”	a public company duly registered and incorporated in accordance with the laws of South Africa, whose shares are listed on the JSE, has been granted REIT status by the JSE and which qualifies for REIT treatment in terms of the Income Tax Act;
“CSDP”	a Central Securities Depository Participant in South Africa appointed by an investor in securities for purposes of, and in regard to, dematerialisation and to hold and administer securities or an interest in securities on behalf of that investor;
“Delisting”	the delisting of the Units from the Main Board of the JSE;
“dematerialisation” or “dematerialised”	the process whereby ownership of securities evidenced by certificated units and/or some other tangible documents of title are converted to an electronic form as dematerialised securities and recorded in the sub-register of securities holders maintained by a CSDP or broker in South Africa;
“dematerialised Units”	Units which have been dematerialised and incorporated into the Strate system, title to which is no longer represented by Unit certificates or other physical documents of title;
“dematerialised Unitholders”	Unitholders who hold dematerialised Units;
“documents of title”	Unit certificates, certified transfer deeds, balance receipts and any other documents of title to Units acceptable to the Board;
“Effective Date”	the first day of the month following the month in which the Contracts become unconditional, which is anticipated to be 1 October 2018;
“Epsidex”	Epsidex Proprietary Limited (Registration number 2009/015105/07), a private company registered and incorporated in accordance with the laws of South Africa;
“Epsidex property management agreement”	the agreement between Epsidex, Khora Investments Proprietary Limited, LGL and the CISIP;
“emigrant”	an emigrant from South Africa whose address is outside the Common Monetary Area;
“Exchange”	the disposal by the CISIP of all of its business assets and liabilities (other than the liability in relation to the Final CISIP Distribution and assets necessary to settle the Final CISIP Distribution) to Subco in exchange for the assumption by Subco of those liabilities and the issue of Subco Shares to the CISIP;

“Exchange Agreement”	the agreement dated 20 July 2018 between the CISIP and Subco that sets out the terms and conditions of the Exchange;
“Existing Asset Management Agreement”	the agreement dated 10 November 2016 entered into between LGL and the Manager;
“Exchange Control Regulations”	the Exchange Control Regulations of South Africa issued under the Currency and Exchanges Act, No. 9 of 1933, as amended;
“Existing Relationship Agreement”	the agreement between LGL and the CISIP, dated 10 November 2016, which contains, amongst other things the Put Option;
“Financial Markets Act”	Financial Markets Act, Act No. 19 of 2012, as amended;
“Financial Year”	the financial year of the CISIP and New L2D which commences on 1 January of each year and ends on 31 December of the same year;
“Final CISIP Distribution”	the qualifying distribution to be declared and paid by the CISIP of its income for the period from 1 July 2018 to the Effective Date;
“FSCA”	the Financial Sector Conduct Authority, which replaced the former Financial Services Board with effect from 1 April 2018;
“FSR”	the Financial Sector Regulation Act, No. 9 of 2017;
“General Meeting”	the general meeting of Unitholders, convened by the notice of general meeting contained in this Circular, to be held at Standard Bank, 30 Baker Street, Rosebank, 2196 at 12:00 on Tuesday, 28 August 2018 for the purpose of obtaining Unitholders’ approval for the Proposed Transactions;
“GLA”	gross lettable area being the total area of a property that can be leased to a tenant in accordance with the guidelines set out by the South African Property Owners Association;
“government”	the government of South Africa;
“Implementation Date”	the first Business Day of the month following the month in which the Contracts become unconditional, which is expected to be Monday, 1 October 2018;
“Income Tax Act”	Income Tax Act, Act No. 58 of 1962, as amended;
“IFRS”	International Financial Reporting Standards;
“Independent Expert”	Ernst & Young Advisory Services Proprietary Limited (Registration number 2006/018260/07), a company registered and incorporated in accordance with the laws of South Africa, full details of which are set out in the “Corporate Information” section;
“Independent Reporting Accountants and Auditors” or “Independent Reporting Accountants” or “PWC”	PricewaterhouseCoopers Incorporated (Registration number 1998/012055/21), a company registered and incorporated in accordance with the laws of South Africa, full details of which are set out in the “Corporate Information” section;
“Independent Property Valuers”	collectively, Jones Lang LaSalle Proprietary Limited (Registration number 1995/000505/07) and Rode & Associates Proprietary Limited (Registration number 2009/005600/07), companies registered and incorporated in accordance with the laws of South Africa, being the independent property valuers of the CISIP, further details of which are set out in the “Corporate Information” section;
“Internalisation”	the purchase by New L2D of all of the issued shares of the Manager in accordance with the Sale of Shares Agreement;

“Internalisation Consideration”	the consideration payable by New L2D for the Internalisation, being R300 million plus interest from the Internalisation Effective Date to the Implementation Date, to be settled in cash;
“Internalisation Effective Date”	the effective date of the Internalisation, being 1 July 2018;
“JHI Retail”	JHI Retail Proprietary Limited (Registration number 2013/192532/07), a private company registered and incorporated in accordance with the laws of South Africa;
“JHI Retail property management agreements”	the agreement dated 31 October 2016 entered into between JHI Retail, Pareto Limited, LGL and the CISIP and the agreement dated 31 October 2016 entered into between JHI Retail, LGL and the CISIP;
“JSE”	Johannesburg Stock Exchange being the exchange operated by the JSE Limited (Registration number 2005/022939/06), licensed as an exchange under the Financial Markets Act and a public company registered and incorporated in accordance the laws of South Africa;
“King IV”	the Code of Corporate Practices and Conduct in South Africa representing principles of good corporate governance as laid out in the King Report, as amended from time to time;
“Last Practicable Date”	the last trading date before the finalisation of this Circular, being Monday, 23 July 2018;
“LGL”	Liberty Group Limited (Registration number 1957/002788/06), a public company registered and incorporated in accordance with the laws of South Africa, being a registered long-term insurer and a wholly-owned subsidiary of LHL;
“LHL”	Liberty Holdings Limited (Registration number 1968/002095/06), a public company registered and incorporated in accordance with the laws of South Africa and which shares are listed on the JSE, which is the sole shareholder of the Manager and the sole ordinary shareholder of LGL, which is the holder of the majority of the Units;
“LibProp”	Liberty Propco Proprietary Limited (Registration number 2014/121142/07), a private company registered and incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of LGL and the vehicle through which LGL holds its stake in Melrose Arch;
“Liberty Property Portfolio” or “LPP”	collectively, the portfolio of immovable properties in which LGL is directly or indirectly invested in;
“Liberty Two Degrees” or “CISIP”	the trust formed under the name Liberty Two Degrees Scheme which is registered as a collective investment scheme in property and managed by SRFM, and the sole portfolio established thereunder with the name Liberty Two Degrees;
“Liberty Policies”	a long-term insurance policy issued by LGL and which provides for an investment in the Units;
“Listing”	the listing of all the New L2D Shares in the “Diversified REITs” sector of the JSE, which is expected to occur on Wednesday, 26 September 2018;
“Listings Requirements”	the Listings Requirements, as issued by the JSE from time to time;
“m²”	square metres;

“Manager” or “STANLIB REIT Fund Managers or “SRFM”	STANLIB REIT Fund Managers (RF) Proprietary Limited (Registration number 2007/029492/07), a ring-fenced private company registered and incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of LHL and a manager approved by the Authority as the manager of the CISIP, full details of which are set out in the “Corporate Information” section of this Circular;
“MOI”	the memorandum of incorporation of New L2D, extracts of which are set out in Annexure 8 ;
“NAV”	net asset value;
“New L2D”	Liberty Two Degrees Limited (Registration number 2018/388906/06), a public company duly incorporated in accordance with the laws of South Africa, the ordinary shares of which will be listed on the Main Board of the JSE;
“New L2D Share”	a no par value ordinary share in the capital of New L2D;
“New Asset Management Agreement”	the agreement dated 20 July 2018 between LGL and Subco;
“New Relationship Agreement”	the agreement dated 20 July 2018 between LGL and New L2D;
“Notice”	Board Notice 42 of 2014 in terms of CISCA titled “Conditions for the winding-up of a Collective Investment Scheme in property under certain conditions”;
“own-name dematerialised Unitholders”	Unitholders holding dematerialised Units and who have instructed their CSDP to register their Units in their own name on the sub-register of Unitholders maintained by a CSDP or broker in South Africa;
“Property Managers”	collectively, JHI Retail, Epsidex and Amdec;
“Property Management Agreements”	collectively, the JHI retail property management agreements, the Epsidex property management agreement and the Amdec property management agreement;
“Proposed Transactions”	collectively, the Exchange, the Amalgamation, the Acquisition, the Internalisation, the cancellation of the Put Option, the Listing, the Delisting and the voluntary winding up of the Liberty Two Degrees Scheme;
“Prudential Authority”	the Prudential Authority established in terms of section 22 of the FSR Act;
“Put Option”	the put option between LGL and the CISIP in terms of which LGL has the option to sell to the CISIP further undivided shares in the Co-owned Properties;
“R” or “Rand” or “ZAR”	the South African Rand, the lawful currency of South Africa;
“Record Date”	Friday, 28 September 2018, being the date on which Unitholders are to be recorded in the CISIP’s register in order to receive New L2D Shares;
“REIT” or “Real Estate Investment Trust”	a Real Estate Investment Trust, which status an applicant issuer may receive on application to the JSE and subject to compliance with the terms of the Listings Requirements and the Income Tax Act;
“Related Party”	a related party as defined within the Listings Requirements;
“Right of First Refusal”	the right of first refusal as described in paragraph 3.2 of this Circular;
“Sale of Shares Agreement”	the agreement dated 20 July 2018 between LHL and New L2D;
“SARB”	the South African Reserve Bank;
“SARS”	the South African Revenue Services;
“SENS”	the Stock Exchange News Service of the JSE;

“Shareholder”	a holder of New L2D Shares;
“South Africa”	the Republic of South Africa;
“Standard Bank”	The Standard Bank of South Africa Limited (Registration number 1962/000738/06), a public company registered and incorporated in accordance with the laws of South Africa, full details of which are set out in the “Corporate Information” section of this Circular;
“Strate”	Strate Proprietary Limited (Registration number 1998/022242/07), a private company which is registered in terms of the Financial Markets Act and responsible for the electronic settlement system of the JSE;
“Subco”	2 Degrees Properties Proprietary Limited (Registration number 2017/665219/07), a private company duly incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of New L2D;
“Subco Share”	a no par value ordinary share in the capital of Subco;
“Suspension Date”	the date on which the Units will be suspended from trading on the JSE, which is expected to occur on Monday, 1 October 2018;
“TNAV”	tangible NAV;
“Transfer Secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company registered and incorporated in accordance with the laws of South Africa, full details of which are set out in the “Corporate Information” section;
“Trust Deed”	the Trust Deed entered into between the Manager and the Trustee to establish the Liberty Two Degrees Scheme and the terms under which it is administered, which was registered by the Authority on 28 October 2016;
“Trustee” or “RMB Trustee Services”	RMB Trustee Services, a division of FirstRand Bank Limited (Registration number 1929/001225/06), a public company registered and incorporated in accordance with the laws of South Africa, full details of which are set out in the “Corporate Information” section;
“Units”	existing participatory interests in the CISIP;
“Unitholders”	holders of Units, as recorded in the Unit register; and
“VAT”	Value Added Tax as defined in the Value Added Tax Act, No. 89 of 1991, as amended.



Liberty Two Degrees

JSE code: L2D ISIN: ZAE000230553

(Approved as a REIT by the JSE)

a portfolio established under the Liberty Two Degrees Scheme, a collective investment scheme in property established in terms of the Collective Investment Schemes Control Act, No 45 of 2002, as amended, and managed by

STANLIB REIT Fund Managers (RF) Proprietary Limited

(Registration number 2007/029492/07)

Board of Directors

Independent non-executive directors

Angus Band (*Chairman*)

Wolf Cesman

Lynette Ntuli

Executive directors

Amelia Beattie (*Chief Executive Officer*)

José Snyders (*Financial Director*)

CIRCULAR TO UNITHOLDERS

1. INTRODUCTION AND RATIONALE

The CISIP was established in terms of CISCA in October 2016 and listed on the JSE on 6 December 2016.

The CISIP owns undivided shares in one of South Africa's leading retail biased property portfolios with interests in prime assets such as the Sandton City Complex, the Eastgate Complex and Melrose Arch. In addition to office properties included in the main retail precincts in its portfolio, the CISIP also owns undivided shares in select office properties located in key business nodes which are leased to blue-chip anchor tenants. These properties include the Standard Bank Centre in Johannesburg, the Liberty Centre in Century City Office Park in Cape Town and the Liberty Centre in Umhlanga Ridge in Durban.

In accordance with the requirements of CISCA, the CISIP is structured as a trust and is listed on the JSE, with an external independent trustee and an external management company. In this regard, RMB Trustee Services was appointed as trustee of the CISIP and STANLIB REIT Fund Managers was appointed as the manager of the CISIP in October 2016. STANLIB REIT Fund Managers was also appointed as the asset manager of the Liberty Property Portfolio with effect from 1 December 2016.

As set out in its pre-listing statement dated 21 November 2016, the primary objective of the CISIP's investment policy is to afford investors growth in income and capital by investing at fair prices in a balanced spread of property assets as permitted by the Trust Deed. Following the listing, unforeseen challenges and changes in market sentiment in relation to the external Manager, and any perceived possible overhang in the Units resulting from any potential exercise of the Put Option have, in the Board's view, contributed to frustrate investment and the full achievement of the CISIP's objectives in the manner originally envisaged.

In order to address these challenges, the Board is proposing to implement the Proposed Transactions via the following inter-conditional steps (as detailed further in paragraph 3 of this Circular):

- the Exchange and the Amalgamation followed by the Listing of the New L2D Shares and the distribution by the CISIP of all of the issued New L2D Shares to the Unitholders (who will receive one New L2D Share for every Unit held) as well as the Delisting and voluntary winding up of the CISIP;

- the Internalisation through New L2D purchasing the issued shares of the Manager from LHL for the Internalisation Consideration following which the business of the Manager will be transferred to Subco;
- the Acquisition by New L2D of the Additional Properties from LGL and LibProp for the Acquisition Consideration; and
- the effective cancellation of the existing Put Option between LGL and the CISIP for no consideration by removing it from the Relationship Agreement.

The Board believes that the Proposed Transactions are in the best interest of Unitholders and that the Proposed Transactions will:

- eliminate any concern about an overhang in the Units arising from the existence of the Put Option;
- align the New L2D structure with investor's preference for an internalised asset management function as is evident in the broader listed REIT sector;
- assist in achieving a better correlation between the trading price of New L2D Shares and the NAV attributable to a proportional share of New L2D's underlying property portfolio;
- provide management with an improved ability to transact and grow the portfolio as it executes on its investment objectives;
- result in the acquisition of an additional share in a market leading portfolio;
- introduce a conservative level of debt to the capital structure of New L2D which will assist in reducing New L2D's weighted average cost of capital over time; and
- enable Shareholders of New L2D to elect the board of directors of New L2D in terms of the Companies Act.

The Board believes the Proposed Transactions adequately balances the requirement to position New L2D for sustainable growth whilst minimising any potential negative impact on New L2D's distribution. The aggregate of the estimated costs to be incurred by either New L2D or Subco in respect of the Proposed Transactions are currently estimated at R16,2 million (excluding VAT). The accounting treatment hereof is still to be finalised and is expected to follow New L2D's accounting policy for cost treatment in common control transactions.

On 28 March 2014 the Authority issued the Notice which sets out the framework for converting the CISIP to a Corporate REIT and the subsequent voluntary winding up of the CISIP. Subject to the approval of Unitholders and the fulfilment or waiver of all suspensive conditions in the Contracts, the Proposed Transactions will be given effect to in accordance with the provisions of the Notice.

The Authority has given its approval for the convening of the General Meeting in order to obtain the requisite Unitholder approval for the Conversion of the CISIP to a Corporate REIT as contemplated in this Circular.

This Circular sets out the terms of the Proposed Transactions and contains the notice convening the General Meeting at which Unitholders will be asked to consider the proposed resolution to implement the Proposed Transactions and to vote thereon.

2. NATURE OF BUSINESS

2.1 Overview of the CISIP

The CISIP is listed on the JSE with REIT status and invests in a balanced spread of immovable properties and related assets as permitted by the Trust Deed, with the objective of affording investors growth in income and capital.

The CISIP's assets consist of undivided shares in the Co-owned Properties, which shares are valued at c.R8.7 billion and which properties (as a whole at 100% ownership) have a total GLA of approximately 907 486m². There are 11 Co-owned Properties located throughout South Africa in primarily major economic nodes.

The CISIP acquired undivided shares in the Co-owned Properties effective 1 December 2016 and commenced its operations with effect from that date in consideration for an issue of Units at an aggregate issue price of R6 billion. The CISIP acquired further undivided shares in the Co-owned Properties at a cost of approximately R2.5 billion in July 2017 pursuant to LGL exercising its Put Option. **Annexure 9** reflects the existing ownership shares of the CISIP in the Co-owned Properties.

The primary source of the CISIP's revenue is rental income received from its property portfolio. This income, combined with other non-capital income, is distributed twice a year to Unitholders after the deduction of operating costs. An analysis of the Co-owned Properties in respect of geographic, sectoral, tenant, vacancy and lease expiry profiles as at 30 June 2018 is provided in the tables below. The GLA exposure splits are calculated based on the GLA at a 100% asset level while rental exposure splits are calculated at a New L2D ownership level.

Geographic profile

	by GLA (%)	by gross rentals (%)
Gauteng	74.4	80.5
KwaZulu-Natal	13.1	10.9
Western Cape	10.2	7.7
Free State	2.3	0.8
Total	100.0	100.0

Sectoral profile

	by GLA (%)	by gross rentals (%)
Retail	57.6	87.6
Office	36.6	11.5
Specialised	5.7	0.9
Total	100.0	100.0

Tenant profile¹

GLA	Tenants A	Tenants B	Tenants C
Retail	94 899	18 705	14 052
Office	29 708	9 414	4 656
Specialised	2 223	3 176	2 222
Total	126 830	31 295	20 931

¹Tenant categories calculated on the CISIP's ownership share. Excludes vacancies and includes storerooms.

Note:

A – Large international and national tenants, large listed tenants and government or smaller tenants in respect of which rental guarantees are issued. These include, *inter alia*, Shoprite, Pick n Pay, Woolworths, MTN, Vodacom, Foschini, Truworths and Bidvest.

B – Smaller international and national tenants, smaller listed tenants, major franchisees and medium to large professional firms. These include, *inter alia*, Anglorand, African Alliance, Cash Crusaders, Doppio Zero, Sorbet and Specsavers.

C – Other local tenants and sole proprietors. These comprise over 500 tenants.

Vacancy profile

	(%)
Retail	4.3
Office	9.7
Specialised	–
Portfolio weighted average	6.0

Weighted average lease expiry by income

	Years
Retail	3.0
Office	2.6
Specialised	11.6
Portfolio weighted average	3.0

Weighted average rental escalation profile

	(%)
Retail	7.8
Office	7.8
Specialised	7.9
Portfolio weighted average	7.8

The average annualised property yield is 6.3%².

Further details of the Co-owned Properties are set out in the CISIP's interim results for the six months ended 30 June 2018 which are incorporated by reference in terms of paragraph 10 and are available for inspection at the registered offices of the CISIP and on the CISIP's website at the following link: www.liberty2degrees.co.za/investor-information.

²Property yield is calculated as the annualised income received from the Co-owned Properties (including non-income producing assets) divided by the respective property valuations as at 30 June 2018. The annualised number was derived from taking the mid-year income number as at 30 June 2018 multiplied by two.

2.2 Overview of the Manager

SRFM is a wholly-owned subsidiary of LHL and is currently the appointed manager of the CISIP in compliance with the terms of CISCA and as agreed in terms of the Trust Deed.

SRFM is also a wholly-owned subsidiary of New L2D and continues to be the manager of the CISIP until the CISIP is wound up voluntarily.

2.3 Incorporation of New L2D and Subco

New L2D was incorporated as a public company on 10 July 2018. The financial year-end of New L2D is 31 December. The audited financial information for New L2D, as at 10 July 2018, is set out in **Annexure 11** to this Circular.

Subco is a shelf company that has been acquired by New L2D. The financial year-end of Subco is 31 December.

The only issued New L2D Share is currently held by the CISIP. All of the issued Subco Shares are currently held by New L2D.

3. MECHANICS OF THE PROPOSED TRANSACTIONS

3.1 Conversion to a Corporate REIT

In terms of the Conversion and with effect from the Effective Date:

- 3.1.1 the CISIP will dispose of all its business assets and liabilities (other than the liability in relation to the Final CISIP Distribution and assets necessary to settle the Final CISIP Distribution) to Subco in exchange for the assumption by Subco of those liabilities and the issue of Subco Shares to the CISIP;
- 3.1.2 on the day after the issue of the Subco Shares to the CISIP, the CISIP will dispose of all its assets (other than assets necessary to settle the Final CISIP Distribution) in the form of the Subco Shares and remaining liabilities (other than the liability in relation to the Final CISIP Distribution) to New L2D in consideration for the assumption by New L2D of those liabilities and the issue of New L2D Shares to the CISIP; and
- 3.1.3 the CISIP will then distribute the New L2D Shares to Unitholders.

Unitholders recorded in the CISIP's register on the Record Date will receive New L2D Shares on a *pro rata* basis in the ratio of one New L2D Share for every Unit held on the Record Date.

Current Unitholders will become direct Shareholders in New L2D. They will therefore continue to have investment exposure to the same portfolio of assets in which they are currently invested via their holding of Units.

New L2D has secured a Listing by way of an introduction in the Diversified REITs sector of the JSE, in terms of the FTSE classification, under the abbreviated name: "Liberty2Degrees", JSE share code: L2D and ISIN: ZAE000260576 with effect from the commencement of trade on the Implementation Date.

Prior to the Effective Date, the CISIP will declare the Final CISIP Distribution comprising its distributable income in respect of the period from 1 July 2018 to the Effective Date.

Following the implementation of the Conversion, the CISIP will no longer have any assets (other than assets necessary to settle the Final CISIP Distribution) and will no longer qualify for a listing on the JSE in terms of the Listings Requirements. Accordingly, trading in the Units will be suspended on the Suspension Date, the Units will be Delisted after the Implementation Date and the Unitholders will have no rights to receive distributions from the CISIP other than the Final CISIP Distribution.

Following the implementation of the Conversion, the CISIP will be liquidated and wound-up voluntarily. The voluntary winding up will be confirmed by the Authority by way of an endorsement of a cessation supplemental deed (as required in the Notice). No further action will be required by Unitholders and, save for the approval of the resolution proposed for adoption at the General Meeting, no further approvals will be required from Unitholders.

The net effect of the above will be to transform the CISIP into a Corporate REIT. **Annexure 5** sets out the group structure of New L2D after the implementation of the Proposed Transactions.

3.2 Internalisation of SRFM

Simultaneously with the implementation of the Conversion described in 3.1 above, LHL and New L2D have agreed, pursuant to the Sale of Shares Agreement, that LHL will sell all of the issued shares of the Manager to New L2D. This will take effect from the Internalisation Effective Date, on the terms, and subject to the conditions, set out below, for the Internalisation Consideration, which shall be paid in cash. Shortly after the transfer of the shares in the Manager from LHL to New L2D, the Manager will transfer its entire business and all of its employees to Subco.

Although they will no longer be remunerated by the Manager, the Chief Executive Officer, Financial Director and the Manager's Compliance Officer will, until the CISIP is wound-up voluntarily, remain in office in order to discharge their duties in terms of CISCA. The Manager's other Directors will also remain on the Manager's Board until such time as membership of the Board may be reduced to the extent permitted by CISCA and the Authority.

Prior to the implementation of the Sale of Shares Agreement on the Implementation Date, the Manager will repay its loans owing to LHL of approximately R19.8 million. The Manager will also declare and pay a distribution in an amount equal to the Manager's remaining net cash as at the Internalisation Effective Date. However, to the extent that the Manager is required to retain a statutory capital amount, estimated at R2 million (to be reduced with the approval of the Authority) then for so long as it remains registered as the manager of the CISIP, repayment of the loan to LHL will be deferred for an amount equivalent to the statutory capital amount until such amount is no longer required to be held as approved by the Authority. This repayment and distribution will not detract from the Manager's retention of its profits with effect from the Internalisation Effective Date.

LGL and the Manager have terminated the Existing Asset Management Agreement and concluded the New Asset Management Agreement which will become effective on 1 October 2018. As part of the sale of the Manager's business to Subco, the Manager will assign its rights and obligations in terms of the New Asset Management Agreement to Subco. Pursuant to the New Asset Management Agreement:

- LGL appoints the Manager to manage the Liberty Property Portfolio in consideration for which LGL shall pay the Manager a monthly fee equal to one-twelfth of 0.3% of the value of the Liberty Property Portfolio;
- the New Asset Management Agreement is to endure for a period of 10 years and is terminable by the Manager after that 10-year period. LGL may terminate earlier, subject to the payment of a refund amount in terms of the Sale of Shares Agreement as described below;
- for the duration of the New Asset Management Agreement, LGL has undertaken to offer to the Manager in priority to third parties, the opportunity to manage any developed or undeveloped immovable property which LGL may purchase (other than a Liberty-occupied property or any immovable property which LGL purchases subject to the requirement that LGL maintains the appointment of another asset manager);
- each party grants to the other a right of first refusal ("**Right of First Refusal**"), for so long as it is a party to the New Asset Management Agreement, if it or any of its affiliates pursues or promotes any opportunity to enter into any agreement or arrangement for it to acquire a direct or indirect

ownership interest in all or part of any developed or undeveloped immovable property in South Africa (other than an immovable property which is intended to be an LGL-occupied property or an immovable property with a fair market value of less than R750 million, taking into account existing and intended developments on such property and its neighbouring properties), then it must notify the other party in writing of such opportunity and afford them the opportunity to pursue it jointly. If either party is subsequently unable to pursue the opportunity, then the party that is able to pursue the opportunity may pursue it on its own. New L2D will be afforded the right to participate for a minimum threshold of 51% of the developed or undeveloped immovable properties jointly pursued with LGL. New L2D will not be required to afford LGL any participation in any opportunity as described herein that has a fair market value of less than R750 million.

New L2D shall be entitled to a refund of up to R200 million of the Internalisation Consideration if LGL (or any other person to whom LGL has assigned its rights and obligations under the New Asset Management Agreement in relation to any property/ies) terminates the New Asset Management Agreement in relation to any or all of the properties with effect from any date prior to the day before the third anniversary of the commencement date of the New Asset Management Agreement. However, the refund is not payable if LGL terminates the New Asset Management Agreement in certain circumstances: in particular where New L2D breaches the New Asset Management Agreement or LGL disposes of a property to New L2D or to any third party after having offered to sell that property to New L2D in accordance with New L2D's pre-emptive rights.

In 2017, the Manager adopted a long-term incentive plan ("**Incentive Plan**") in terms of which it incentivises its employees.

- The Incentive Plan will remain in place, but the Manager will assign all of its rights and obligations in terms of the Incentive Plan to New L2D with effect from the Implementation Date. The costs of the Incentive Plan will be borne by New L2D and/or Subco with effect from 1 July 2018. The outstanding costs relating to all periods prior to that date have been funded by cash remaining in the Manager in terms of the Sale of Shares Agreement.
- On adoption of the Incentive Plan and since the Manager was a wholly-owned subsidiary of LHL, the Manager assumed the obligation to make delivery of 277 922 Units to the current Chief Executive Officer, Amelia Beattie, *in lieu* of prior awards relating to her employment by STANLIB Asset Management before the establishment of the CISIP. The obligation to make delivery in terms of those awards will now be assigned to LHL and the cost thereof will not be borne by New L2D or Subco.
- The salient terms of the Incentive Plan are set out in **Annexure 10**.

3.3 **Cancellation of the Put Option and further acquisition from LGL and LibProp**

The Put Option is contained in the Existing Relationship Agreement between LGL and the CISIP. As part of the Proposed Transactions, the Relationship Agreement will be assigned to New L2D and will be re-signed without the Put Option, thereby terminating the Put Option henceforth.

The Put Option has no value and accordingly none of LGL, the CISIP or New L2D will pay any consideration therefor to any of the others of them, nor will any of them enter into a new agreement with any of the others containing a similar Put Option.

After the termination of the Put Option, the remainder of the Existing Relationship Agreement will continue in effect and will deal with:

- branding, in terms of which New L2D undertakes to retain the name "Liberty Two Degrees Limited" unless LGL requires otherwise, or LGL holds less than 35% of New L2D Shares in issue in which event New L2D may elect to change its name;
- New L2D's undertaking to LGL that for so long as LGL holds at least 25% of New L2D's issued shares, New L2D will remain a listed REIT. However, if the JSE removes the New L2D Shares from the JSE's list where New L2D has not requested such removal and New L2D has not contravened the Listings Requirements, then this undertaking would not be breached; and
- a tag along right which applies if either one of LGL or New L2D wishes to sell its undivided share in a Co-owned Property to a third party and the co-owners' agreement for that property does not contain a tag along right. In that event, the other of them is able to require that the sale to the third party does not proceed unless it is also able to sell its undivided share in that property to that third party on the same terms and conditions. (The standard co-owners' agreement

between LGL and New L2D does contain such a tag along right, but where LGL and New L2D are co-owners along with third parties, the co-owners' agreement might not contain such a tag-along right.)

In terms of the Acquisition, Subco will acquire, with effect from the Effective Date, the Additional Properties (and letting and other businesses carried on thereon) as set out in **Annexure 9** from LGL and LibProp for the Acquisition Consideration.

The Additional Properties will include certain hospitality assets, outlined in **Annexure 9**, in order to align New L2D's ownership across the LPP. These hospitality assets are integral to New L2D's precinct strategy and play a major role in supporting the growth of the current co-owned assets, in particular the Sandton precinct assets. New L2D's management has been part of the development and management of these assets for some time and is very familiar with these assets and the asset class as a whole.

Currently the hospitality assets produce income derived from operations and management contracts. It is the intention to restructure these as leases to include both a fixed and variable component, during the 2019 financial year, in order for the fixed component to be treated as rental income going forward.

3.4 **Considerations relating to New L2D being approved as a REIT**

New L2D confirms that it will be granted REIT status by the JSE upon Listing as the following criteria in terms of paragraph 13.46 of the Listings Requirements are currently being met by the CISIP and will continue to be met by New L2D:

- New L2D will have gross property assets above R300 million as reflected in the CISIP's 31 December 2017 year-end results;
- New L2D is a property entity;
- A minimum of 75% of New L2D's revenue, to be reflected in New L2D's latest statement of comprehensive income, will be derived from rental revenue;
- New L2D will distribute at least 75% of its total distributable profits as a distribution to Shareholders by no later than six months after its Financial Year-end, subject to the relevant solvency and liquidity test as required in the Companies Act;
- New L2D will, to the best of the Directors' knowledge, qualify for a tax deduction of distributions under section 25BB(2) of the Income Tax Act for the current Financial Year;
- New L2D confirms that at the time new borrowings are authorised, the total consolidated liabilities as reflected in the latest published interim or annual consolidated IFRS financial statements, less any capital repayments made on those liabilities after the statement of financial position date, plus the nominal value of new debt, divided by the greater of gross asset value or adjusted gross asset value, will not be more than 60%;
- New L2D's total consolidated liabilities is not more than 60% of the total consolidated assets as set out in the CISIP's latest audited consolidated IFRS financial statements;
- New L2D's audit committee has confirmed to the JSE that as part of its terms of reference it has adopted the policy referred to in paragraph 13.46(h)(i) of the Listings Requirements and that New L2D will comply with the following provisions set out in the Listings Requirements:
 - adopt and implement an appropriate risk management policy, which policy as a minimum is in accordance with industry practice and specifically prohibits it from entering into any derivative transactions that are not in the normal course of New L2D's business;
 - report in the annual report each year that the audit committee has monitored compliance with the policy and that New L2D has, in all material respects, complied with the policy during the year concerned; and
 - report to the JSE, in the annual compliance declaration referred to in paragraph 13.49(d) of the Listings Requirements, that the audit committee has monitored compliance with the policy and that New L2D has, in all material respects, complied with the policy during the year concerned;
- New L2D and its directors will comply with the general continuing obligations imposed by the JSE and more specifically those set out in paragraph 13.49 of the Listings Requirements.

3.5 Funding requirements of New L2D and Subco

In order to fund New L2D's obligation to pay the Internalisation Consideration and Subco's obligation to pay the Acquisition Consideration, New L2D and Subco will borrow an amount of not less than ZAR1.5 billion.

New L2D and Subco have executed facility term sheets with Absa and Standard Bank, in terms of which each will make available at least 50% of this required funding to New L2D and Subco respectively. These facilities have been approved by the credit committees of the respective banks subject to the terms referenced in the term sheets.

Salient features of the respective facility term sheets are as follows:

- the facilities will be unsecured, with staggered tenors for the various tranches of one, three and five years;
- New L2D will be required to guarantee the obligations of Subco;
- pricing has been obtained on competitive market terms;
- conditions precedent to the facilities should be satisfied by no later than 30 October 2018, with the availability period of the facilities expiring on 31 December 2018;
- New L2D and its subsidiaries will be obliged to comply with loan to value, interest cover and NAV financial covenants; and
- the long form facility documents will be on current market terms, and will include standard representations, warranties, undertakings and events of default typical of unsecured facilities of this nature.

4. CONDITIONS PRECEDENT

The Proposed Transactions are subject to the fulfilment of the following conditions precedent by 30 September 2018 or such later date as may be agreed upon in writing:

- the approval by Unitholders of the resolution proposed in the notice of General Meeting;
- the Prudential Authority having approved the implementation of the Proposed Transactions;
- New L2D and Subco concluding the necessary finance agreements and becoming entitled to draw down an amount of not less than R1.5 billion in order to effect payment in terms of the Internalisation and the Acquisition;
- third parties whose consents are required for the implementation of the Proposed Transactions having provided their consent; and
- LHL and New L2D confirming that they are satisfied with rulings obtained from the South African Revenue Service (SARS) relating to certain aspects of the Proposed Transactions. LHL and New L2D do, however, have the discretion to agree to waive this condition should they determine that such ruling or part thereof is no longer required, and instead be satisfied by a formal tax opinion from Webber Wentzel confirming the anticipated tax implications of the Proposed Transactions, which tax opinion has already been issued and finalised. The tax treatment of the Proposed Transactions is not expected to be contentious as the Proposed Transactions are structured in line with previous conversions of collective investment schemes in property to Corporate REITs, but the Manager would ideally like to obtain a ruling confirming this and has therefore submitted a request for such a ruling. If the ruling cannot be obtained from SARS during September in time to proceed with the Proposed Transactions in October but the Manager has engaged with SARS on the requested ruling and does not have any concerns, the Manager may choose to rely on the opinion obtained from Webber Wentzel and proceed with the Proposed Transactions instead of waiting for the ruling. However, if SARS has prior to that time given any ruling or indication of a likely ruling on any important aspect of the tax treatment of the Proposed Transactions which would affect the tax treatment described in **Annexure 6** in any adverse manner, then the Proposed Transactions will not be implemented until the parties have amended the Proposed Transactions in such manner as is required to address any concerns and, to the extent that such amendment requires the approval of Unitholders, table that amendment for approval at the General Meeting (or a subsequent meeting of Unitholders if the General Meeting has already occurred).

Unitholders will be provided with an update on the fulfilment of these conditions precedent at the General Meeting.

It is noted that the Authority has approved the dispatch of this Circular and has no objection to the implementation of the Conversion, subject to Unitholders voting in favour of the Proposed Transactions at the General Meeting (which meeting must be quorate).

5. **RELATED PARTY CONSIDERATIONS, INDEPENDENT VALUATIONS AND OPINIONS**

As LGL is a material Unitholder in the CISIP and LHL is the sole shareholder of the Manager, the Internalisation, the Acquisition and the cancellation of the Put Option are, from the CISIP's perspective, being treated as related party transactions in terms of the Listings Requirements, requiring:

- a statement by the Board confirming whether the Internalisation, the Acquisition and the cancellation of the Put Option are fair insofar as Unitholders are concerned; and
- Unitholder approval at the General Meeting (which meeting must be quorate) by way of a simple majority of votes exercised, excluding the votes of LHL and its associates.

As required in terms of the Listings Requirements, the Board hereby confirms that it is of the opinion that the Internalisation, the Acquisition and the cancellation of the Put Option are fair insofar as Unitholders are concerned. This decision was reached having had due regard to the fairness opinion in respect of the Internalisation and the cancellation of the Put Option dated 24 July 2018 prepared by the Independent Expert, Ernst & Young (a copy of which is set out in **Annexure 4** to this Circular) as well as the independent property valuation reports prepared by the Independent Property Valuers in respect of each of the properties acquired pursuant to the Acquisition.

The detailed independent valuation reports are available for inspection, further details of which are set out in paragraph 25. The summary of the detailed valuation reports has been incorporated by reference in terms of paragraph 11.61 of the Listings Requirements and is available on the CISIP's website at the following link: www.liberty2degrees.co.za/investor-information.

Pursuant to the Listings Requirements and the Notice, LGL, the Manager and the Directors will be excluded from voting on the resolution to approve the Proposed Transactions at the General Meeting. However, they will be taken into account in determining a quorum for the General Meeting.

The Board also notes the fairness opinion dated 24 July 2018 prepared by the Independent Expert, Ernst & Young, which confirms that the Conversion is fair insofar as Unitholders are concerned.

6. **SUMMARISED PRO FORMA FINANCIAL EFFECTS RELATING TO THE PROPOSED TRANSACTIONS**

The table below sets out the summarised *pro forma* financial effects of the Proposed Transactions, based on New L2D's audited financial information as at its incorporation date being 10 July 2018.

It should be noted that the summarised *pro forma* financial effects have been prepared to assist Unitholders in assessing the impact of the Proposed Transactions on New L2D.

The *pro forma* statement of comprehensive income and the *pro forma* statement of financial position have been prepared to show the financial effects of the Proposed Transactions. The *pro forma* financial effects are calculated for the six months ended 30 June 2018 for the purposes of the consolidated statement of comprehensive income and as at 30 June 2018 for the purposes of the consolidated statement of financial position.

These *pro forma* financial effects are prepared for illustrative purposes only, to provide information about how the Proposed Transactions may have affected the financial information presented by New L2D for the period ended 30 June 2018. Because of their *pro forma* nature, they may not provide a fair reflection on New L2D's financial position, changes in equity, results of operations or cash flows after the Proposed Transactions.

The Directors are responsible for the preparation of the *pro forma* financial information. The *pro forma* financial information has been prepared using accounting policies that are consistent with IFRS and with the basis on which the historical financial information has been prepared in terms of the accounting policies of the CISIP as at 30 June 2018, as adopted by New L2D. The *pro forma* financial information has been prepared in accordance with the Listings Requirements and the Revised SAICA Guide on *Pro Forma* Financial Information.

The full *pro forma* financial information of New L2D is presented in **Annexure 1** to this Circular.

The Independent Reporting Accountants' assurance reports on the *pro forma* financial information is included as **Annexures 2** and **3** to this Circular.

Set out in the table below is a summary of the *pro forma* financial effects of the Proposed Transactions. The *pro forma* financial effects are based on the published unaudited interim financial results of the CISIP for the six months ended 30 June 2018, the unpublished reviewed interim financial results of SRFM for the six months ended 30 June 2018, and the reviewed management accounts of the Additional Properties for the six months ended 30 June 2018. It should be read in conjunction with the Independent Reporting Accountants' review opinions thereon.

R'000	New L2D ⁽¹⁾	Subco ⁽¹⁾	CISIP ⁽²⁾	Internalisation ^{(3), (6)}	Acquisition ⁽⁴⁾	Debt raised ⁽⁵⁾	Conversion	Transaction costs ⁽⁶⁾	After the Proposed Transactions	% Change
Distribution per share	–	–	29.39	1.02	3.32	(7.51)	–	(1.43)	24.80	(15.63)
Basic and diluted earnings per share	–	–	21.50	1.02	3.32	(7.51)	–	(1.43)	16.90	(21.37)
Headline earnings per share	–	–	28.86	1.02	3.32	(7.51)	–	(1.43)	24.26	(15.92)
Net asset value per share	–	–	9.81	(0.28)	–	–	–	(0.02)	9.51	(3.05)
Net tangible asset value per share	–	–	9.81	(0.28)	–	–	–	(0.02)	9.51	(3.05)
Weighted average number of shares in issue ('000) ⁽⁷⁾	–	–	905 792	–	–	–	–	–	905 792	–
Total number of shares in issue ('000) ⁽⁷⁾	–	–	908 443	–	–	–	–	–	908 443	–

Notes to *pro forma* financial effects:

- Pursuant to the Proposed Transactions, the CISIP has acquired New L2D and New L2D has acquired the issued share in Subco (a shelf entity with no assets or liabilities other than R100 of share capital and cash). The assets and liabilities of the CISIP (other than the liability in relation to the Final CISIP Distribution and assets necessary to settle the Final CISIP Distribution) will be transferred to Subco in exchange for the assumption by Subco of those liabilities and the issue of Subco Shares to the CISIP pursuant to the Exchange Agreement. On the day after the issue of the Subco Shares to the CISIP, pursuant to the Amalgamation Agreement, the CISIP will dispose of all its assets (other than assets necessary to settle the Final CISIP Distribution) in the form of the Subco Shares and remaining liabilities (other than the liability in relation to the Final CISIP Distribution) to New L2D in consideration for the assumption by New L2D of those liabilities and the issue of shares in New L2D and distribute all of the issued shares of New L2D to Unitholders, who will receive one New L2D Share for every Unit held. The financial statements of New L2D and Subco have been audited by PWC, the independent auditors, and an unqualified opinion has been expressed on the respective sets of financial statements.
- Extracted, without adjustment (except where detailed otherwise in the notes to the *pro forma* financials set out in **Annexure 1** relating to the Final CISIP Distribution), from the CISIP's unaudited interim financial statements for the six months ended 30 June 2018.
- Extracted, without adjustment (except where detailed otherwise in the notes to the *pro forma* financials set out in **Annexure 1** relating to Internalisation adjustments), from SRFM's reviewed interim financial statements for the six months ended 30 June 2018.
- Extracted, without adjustment (except where detailed otherwise in the notes to the *pro forma* financials set out in **Annexure 1** relating to the Acquisition), from the reviewed management accounts of the Additional Properties for the six months ended 30 June 2018.
- Represents the adjustment for interest on the R1.5 billion debt used to finance the Internalisation (R300 million) and the Acquisition (R1.2 billion), calculated on a debt cost inclusive blended all-in rate of 9%. Debt raising costs of R13.5 million will be amortised over the term of the debt raised in line with IFRS 9 *Financial Instruments*, which is included in the all-in blended rate.
- Represents an aggregate of the estimated costs to be incurred by either New L2D or Subco in respect of the Proposed Transactions which are currently estimated at R16.2 million (excluding VAT). Transaction costs of R12.9 million (excluding VAT) will be expensed, R2.4 million (excluding VAT) will be capitalised pursuant to the Acquisition and R894 will be expensed directly in equity. The treatment of transaction costs has been disclosed in the detailed notes to the *pro forma* financials set out in Annexure 1.
- Unitholders will receive 1 New L2D Share for every Unit held pursuant to the Amalgamation Agreement. Subject to this issuance, the total number of New L2D Shares in issue will not change as a result of the Proposed Transactions, being 908 443 334 New L2D Shares. However, New L2D will acquire control over the Incentive Plan and will need to consolidate 2 651 615 allocated Shares therein, as at the Effective Date, and account for such shares as treasury shares. The Incentive Plan shares are all fully issued and rank in full for all dividends or other distributions declared, made or paid, however, these are excluded from the calculation of Basic, Diluted and Headline Earnings Per Share or the calculation of Distribution Per Share.
- The Internalisation has been accounted for as a business combination under common control in line with New L2D's accounting policy.

7. PARTICULARS OF THE ISSUE OF NEW L2D SHARES

The New L2D Shares will be issued in dematerialised form only and, accordingly, no physical documents of title will be issued or delivered to Unitholders. Each New L2D Share will rank *pari passu* with every other New L2D Share that will be in issue. New L2D will not have issued any class of securities other than New L2D Shares.

Accordingly, all Unitholders must appoint a CSDP under the terms of the Financial Markets Act, directly or through a broker, to receive and hold the New L2D Shares on their behalf. In respect of certificated Unitholders, documents of title in respect of Units are not required to be surrendered in order to receive New L2D Shares in dematerialised format.

Unitholders holding dematerialised Units will have their New L2D Shares credited to their accounts maintained by their CSDP or broker, as the case may be.

8. TAXATION CONSIDERATIONS

Unitholders are referred to **Annexure 6** of this Circular for the taxation considerations relating to the Proposed Transactions. The Amalgamation and distribution of New L2D Shares to Unitholders will be implemented consistent with the provisions of section 44 of the Income Tax Act which provide rollover relief in respect thereof.

As set out in **Annexure 6** of this Circular, in order for the Amalgamation and distribution of New L2D Shares to the Unitholders to qualify for rollover relief in terms of section 44 of the Income Tax Act, it is a requirement that the CISIP must have taken such steps as necessary within a period of 36 months after the date of the Amalgamation to liquidate, wind up or deregister the CISIP.

The Manager will be responsible for taking all such necessary steps for the voluntary winding up of the CISIP within that timeframe.

9. MAJOR AND CONTROLLING UNITHOLDERS AND UNITS IN ISSUE

As at the Last Practicable Date, the following Unitholders, other than Directors, were directly or indirectly beneficially interested in 5% or more of the issued Units:

Name of Unitholder	Total Units held	% of issued Units held
Liberty Group Limited	526 256 189	57.93
Government Employees Pension Fund	150 150 000	16.53
Coronation Fund Managers	110 583 372	12.17
Total	786 989 561	86.63

Pursuant to the Amalgamation and distribution of New L2D Shares to Unitholders, 908 443 334 New L2D Shares, being equal to the number of Units in issue as at the Record Date, will be distributed to Unitholders. The CISIP does not have treasury shares, however, pursuant to the Internalisation, 2 651 615 New L2D Shares will be held by the trust established by the Incentive Plan and treated as treasury shares.

10. HISTORICAL FINANCIAL INFORMATION AND INCORPORATION BY REFERENCE

10.1 The following is incorporated into the Circular by way of reference and is furthermore available for inspection at the CISIP's registered offices, as set out in paragraph 25 of this Circular:

- the audited annual financial statements of the CISIP for the 12 months ended 31 December 2017;
- the unaudited historical financial information of the CISIP for the six months ended 30 June 2018 as set out in its Summarised Unaudited Results, which was released on SENS on 23 July 2018;
- the audited historical information of New L2D as at 10 July 2018 being the date of its incorporation;
- the accounting policies of the CISIP, which post the implementation of the Proposed Transactions will be adopted by New L2D, as set out in the CISIP's Integrated Annual Report;
- the historical financial statements of New L2D and Subco, reported on by PWC without qualification, disclaimer, adverse audit opinion or reference to an emphasis of matter paragraph and the Independent Auditor's report thereon; and
- the Independent Reporting Accountant review report on the special purpose historical financial information of the Acquisition Transaction.

10.2 Additional information incorporated by reference

The summary of the detailed independent valuation reports is also available at www.liberty2degrees.co.za/investor-information. The detailed independent valuation reports are available for inspection as set out in paragraph 25 of this Circular.

11. DIRECTORS' INTERESTS

Details of Directors' beneficial interests in Units (including Directors who resigned during the last 18 months) and their associates as at the Last Practicable Date are set out below:

Director	Direct	Indirect ¹	Total	% Held
A Beattie	–	2 466	2 466	3.87
J Sturgeon ²	30 000	31 311	61 311	96.13
Total	30 000	33 777	63 777	100

1. Represented by Liberty Policies.

2. Resigned as Financial Director on 23 March 2017 but remained on the Board as a non-executive Director until his retirement on 15 December 2017.

Units held by Directors in terms of the Incentive Plan's Long-Term Incentive Plan ("**LTIP**") and the Deferred Plan ("**DRS**"):

Amelia Beattie	<ul style="list-style-type: none"> • 500 000 Units under the LTIP with various vesting dates, subject to performance conditions • 421 053 Units under the LTIP with various vesting dates, not subject to performance conditions • 46 875 Units under the DRS with various vesting dates, subject to performance conditions • 97 943 Units under the DRS with various vesting dates, not subject to performance conditions • 277 922 Units under the DRS with various vesting dates, not subject to performance conditions
José Snyders	<ul style="list-style-type: none"> • 619 444 Units under the LTIP with various vesting dates, subject to performance conditions • 122 549 Units under the LTIP with various vesting dates, not subject to performance conditions • 31 250 Units under the DRS with various vesting dates subject to performance conditions

Notes:

- The terms of the LTIP and the DRS are summarised in Annexure 10.
- As mentioned in paragraph 3.2 above, the obligation to deliver 277 922 Units to Amelia Beattie will now be assigned to LHL.

Save as disclosed above:

- none of the Directors, including any Director who has resigned from the CISIP in the last 18 months, had any other material beneficial interest, whether direct or indirect, in any transaction effected by the CISIP during the current or immediately preceding Financial Year, or in an earlier year, and which remains in any respect outstanding or unperformed;
- none of the Directors have any beneficial interest, whether direct or indirect, in relation to any property held by the CISIP or to be acquired by Subco, including, but not limited to, where any of those persons is, or has contracted to become, a tenant of any part of the property; and
- none of the Directors have any relationship with another person, where a duty in relation to that other person conflicts or may conflict, with a duty to New L2D.

12. MATERIAL CHANGES

Save as set out in this Circular, there have been no other material changes in the financial or trading position of the CISIP, or the business or trading objectives, since the registration of the Liberty Two Degrees Scheme as a collective investment scheme in property in terms of CISCA.

13. MATERIAL CONTRACTS

Save for the agreements detailed in paragraph 3 of the Circular, no other material contracts have been entered into by the CISIP at any time. "Material Contracts" are restrictive funding arrangements and/or contracts entered into within two years preceding the Last Practicable Date, otherwise than in the ordinary course of business carried on, or proposed to be carried on or containing an obligation or settlement that is material to the CISIP or its subsidiaries at the date of this Circular.

14. MATERIAL COMMITMENTS, LEASE PAYMENTS AND CONTINGENT LIABILITIES

As at the Last Practicable Date, the CISIP had no material commitments, lease payments and contingent liabilities.

15. MATERIAL BORROWINGS

No material borrowings have been advanced to the CISIP or New L2D as at the Last Practicable Date. The CISIP and New L2D have no loan capital outstanding. The CISIP and New L2D have not entered into any other material inter-company financial or other transactions, other than in the ordinary course of business.

As at the Last Practicable Date, the CISIP and New L2D have not undertaken any off-balance sheet financing.

16. LOANS RECEIVABLE

No material loans were made by the CISIP as at the Last Practicable Date.

No loans have been made or security furnished by the CISIP for the benefit of any Director or associate of any Director.

17. INFORMATION REQUIRED TO BE DISCLOSED IN RESPECT OF PROPERTY ENTITIES

Details of the New Asset Management Agreement are set out in paragraph 3.2 of this Circular and details of the analysis of the Additional Properties are set out in **Annexure 9**.

18. LITIGATION STATEMENT

There are no legal or arbitration proceedings, including any proceedings that are pending or threatened, of which the CISIP is aware, that may have or have had in the recent past, being the previous 12 months, a material effect on the CISIP's financial position.

19. CORPORATE GOVERNANCE

19.1 The Directors of SRFM have also been appointed as the directors of New L2D. In addition, the following appointments will be made to the board of directors of New L2D, effective 1 August 2018:

- Mr Brian Azizollahoff as independent non-executive director and Lead Independent; and
- Ms Zaida Adams as independent non-executive director.

19.2 Details of the board of directors of New L2D (and Subco) following the above appointments, are set out below:

Independent non-executive directors

Angus Band (66)

Non-executive Chairman

Angus was appointed as the chairman of the Board on 26 July 2017. Angus has worked across several sectors including manufacturing, telecommunications, fast moving consumer goods,

construction and financial services. Some of his career highlights are Commercial Director at PG Bison Limited, Chief Financial Officer of Telkom Limited and Financial Director, CEO and non-executive Chairman of AVI Limited, non-executive director of the Aveng Group Limited and lead independent director of LHL and LGL.

Wolf Cesman (76)

Wolf was appointed to the Board on 17 June 2016. Wolf has 50 years' experience in South African property investment, development, and asset and property management. He spent 24 years with Liberty Properties Proprietary Limited, serving as CEO for 17 years before retiring in 2000. From 2000 to 2010, Wolf was involved in the formation and growth of the following listed South African Property Funds, and served as a director of Madison Property Fund Managers Limited, ApexHi Properties Limited, Hyprop Investments Limited and Redefine Properties Limited.

Lynette Ntuli (34)

Lynette Ntuli is the Founding Director and CEO of Innate Investment Solutions, a professional services firm in the built environment that provides property and infrastructure development services; and enterprise asset management solutions. Lynette has held senior leadership roles in the commercial, development and investment spheres of the property management and trade and investment sectors, and serves as a non-executive director on listed, unlisted and public-sector boards and real estate organisations.

Passionate about youth development and leadership, Lynette is a Founding Director and Chairman of [IgniteSA.com](http://igniteSA.com). Lynette is a World Economic Forum Global Shaper, a 2014 Mandela Washington Fellow and a 2018 Tutu Fellow.

Brian Azizollahoff (57)

Lead Independent Director

Brian is a successful businessman having established Propertiq Proprietary Limited and previously Capstone Property Group where he was a managing director, shareholder and active partner. He currently serves on the board of Dipula Property Fund Limited where he has been a director since 2006. Brian has extensive property industry experience spanning 31 years.

He was previously an executive director at Redefine Properties Limited and CEO of Redefine Income Fund Limited. Prior to this he was involved in the merger of Redefine, ApexHi and Madison Property Fund Managers. Brian has held various senior positions at Anglo American Properties, Investec Bank Limited, JHI, Olympia & York Developments in Canada and Excel Computers in the USA.

Zaida Adams (39)

Zaida is a chartered accountant and is currently a finance executive at Oceana Group Limited, responsible for treasury, finance shared services and investor relations. Prior to joining Oceana, Zaida served as a credit originator at LibFin, within the Liberty Group. Zaida was previously finance director at SA Corporate Real Estate Fund Limited.

Executive directors

Amelia Beattie (48)

Chief Executive Officer (CEO)

Amelia was appointed to the Board on 17 June 2016 and assumed the full-time role of Chief Executive Officer of SRFM on 1 December 2016. Prior to this, Amelia established the STANLIB Direct Property Investment business, including property asset management and property development management. Amelia has more than 19 years' experience in the property sector; her property sector career was established at Old Mutual Property where she spent more than a decade working in various senior positions. Some of her career highlights include Chief Operating Officer (COO) at Old Mutual Property, head of STANLIB Direct Property Investments, president of the South African Property Owners Association (SAPOA) and chair of Women's Property Network.

José Snyders (39)

Financial Director (FD)

José was appointed to the Board on 23 March 2017 to serve as the Financial Director of SRFM. José was previously a dealmaker in the Real Estate Investment Banking division of Rand Merchant Bank.

He is responsible for financial risk management, investment analysis and the capital structure of the CISIP as well as financial planning and balance sheet management. He has significant experience in initiating and implementing transactions in the property sector.

19.3 New L2D will continue to adhere to the requirements of King IV and the requirements of section 3.84 of the Listings Requirements, in line with the current compliance of the Manager. The appointments referred to above ensure that the board of New L2D is fully compliant with King IV as well as the Listings Requirements. The King IV register will be made available on New L2D's website at www.liberty2degrees.co.za/investor-information.

19.4 It is the intention of New L2D to appoint Mr David Munro, the CEO of LGL, to the board of directors of New L2D following the implementation of the Proposed Transactions. It is also the intention of New L2D to appoint an additional independent director in order to meet the Property Sector Charter and Listings Requirements.

20. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given herein and certify that, to the best of their knowledge and belief, no facts have been omitted which would make any statement false or misleading. They also certify that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

21. CONSENTS

Each of the Financial Advisor and Sponsor, the Independent Reporting Accountants and Auditors, Legal Advisor to the CISIP, Transaction Attorneys and Tax Advisors, the Independent Expert, the Independent Sponsor and the Trustee whose names are included in this Circular have consented in writing to act in the capacities stated and to their names appearing in this Circular, and have not withdrawn their consent prior to the publication of this Circular.

The Independent Reporting Accountants and Auditors and the Independent Expert have consented to the inclusion of their reports in the form and context in which they are included in the Circular, which consent has not been withdrawn prior to the publication of this Circular.

22. EXPENSES

The table below sets out the aggregate of the estimated costs to be incurred by either New L2D or Subco in respect of the Proposed Transactions (excluding VAT). The accounting treatment hereof is still to be finalised and is expected to follow New L2D's accounting policy cost treatment in common control transactions:

Expense	Recipient	R'000
Financial Advisor and Sponsor	Standard Bank	6 250
Legal counsel to New L2D	Allen & Overy	2 600
Transaction legal and tax advisor	Webber Wentzel	2 754
Independent expert	EY	770
Independent reporting accountant	PWC	501
Independent valuers	Various	850
Labour Lawyer	SGV	350
Independent Transaction Sponsor	Questco	94
JSE fees (listing)	JSE	600
JSE fees	JSE	160
Printing, publication and distribution costs		300
Share transfer tax		750
Transfer agent	Computershare	9
Other expenses	Standard Bank	200
Total		16 188

23. GENERAL MEETING

The General Meeting will be held on Tuesday, 28 August 2018 at Standard Bank, 30 Baker Street, Rosebank, 2196, to consider and, if deemed fit, pass with or without modification the proposed resolution necessary to implement the Proposed Transactions.

Details of the action required by Unitholders are set out on page 8 of this Circular.

24. DISCLOSURE OF CONFLICT

Unitholders are advised that Standard Bank acts as Financial Advisor and Sponsor to the CISIP in relation to the Proposed Transactions.

In its capacity as Sponsor, Standard Bank does not believe that there is any matter that would impact on its ability to exercise reasonable care and judgement to achieve and maintain independence and objectivity in professional dealings in relation to the CISIP and that would impact on its ability to act within the Code of Conduct as set out in the Listings Requirements.

It has various internal procedures in place to ensure that its ability to act independently as Sponsor is not compromised.

Pursuant to these internal procedures, Standard Bank has a Compliance Control Room that identifies and manages conflicts risks and ensures that strict "Chinese walls" are maintained to ensure that as JSE Sponsor, it is able to act independently from other divisions within the bank. Standard Bank also enforces and implements physical and logical access restrictions to information, which is limited to deal teams for whom the information is relevant, for the purpose of fulfilling the client mandate.

25. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the CISIP and at Standard Bank's office during business hours from the date of issue of the Circular up to and including Tuesday, 28 August 2018:

- 25.1 this signed Circular;
- 25.2 the Trust Deed;
- 25.3 the Contracts;
- 25.4 the detailed valuation reports prepared by the Independent Property Valuers;
- 25.5 the MOI of New L2D;
- 25.6 the Incentive Plan;
- 25.7 the service agreements with Directors;
- 25.8 the Independent Reporting Accountants' reports on the *pro forma* financial information as set out in **Annexures 2 and 3**;
- 25.9 the unaudited historical financial information of the CISIP for the six months ended 30 June 2018 as set out in its Summarised Unaudited Results as released on SENS on Monday, 23 July 2018;
- 25.10 the audited financial statements of Subco as at 30 June 2018;
- 25.11 the special purpose financial statements of the Acquisition Transaction;
- 25.12 the audited financial statements of New L2D as at Tuesday, 10 July 2018 being the date of its incorporation; and
- 25.13 the written consents referred to in paragraph 21 of this Circular.

Signed in Johannesburg, by Amelia Beattie on her own behalf and on behalf of all of the Directors on 27 July 2018 in terms of powers of attorney granted by them.

Amelia Beattie
Chief Executive Officer

PRO FORMA FINANCIAL EFFECTS RELATING TO THE PROPOSED TRANSACTIONS

The definitions and interpretations commencing on page 10 of this Circular apply, *mutatis mutandis*, to this **Annexure 1** to the Circular.

The *pro forma* statement of financial position and statement of comprehensive income have been prepared for illustrative purposes only and, because of their nature, may not fairly present New L2D's financial position, results of operations, changes in equity or cash flows, nor the effect and impact of the Proposed Transactions going forward.

The Board is responsible for the compilation, contents, accuracy and presentation of the *pro forma* financial effects, and for the financial information from which it has been prepared.

The *pro forma* consolidated interim statement of financial position and the *pro forma* consolidated interim statement of comprehensive income are presented in a manner consistent in all respects with IFRS, the Revised South African Institute of Chartered Accountants (SAICA) Guide on *Pro forma* Financial Information and the basis on which the historical interim financial information has been prepared in terms of accounting policies of the CISIP adopted by New L2D.

The *pro forma* interim statement of financial position and interim statement of comprehensive income as set out below should be read in conjunction with the Independent Reporting Accountants' reports set out in **Annexure 2** and **3** to this Circular. Such reports are included solely to comply with the JSE Listings Requirements. The rules and regulations related to the preparation of *pro forma* financial information in other jurisdictions may vary significantly from the requirements applicable in South Africa.

The *pro forma* interim statement of financial position below presents the effects of the Proposed Transactions on New L2D on the assumption that the Proposed Transactions were effective on 30 June 2018 and that New L2D and Subco were incorporated on that date.

The *pro forma* interim statement of comprehensive income below presents the effects of the Proposed Transactions on New L2D for the six months ended 30 June 2018, on the assumption that the Proposed Transactions were effective on 1 January 2018 and that New L2D and Subco were incorporated on that date.

The *pro forma* financial information is based on the audited financial statements of New L2D and Subco and the published unaudited interim financial statements of the CISIP and SRFM for the six months ended 30 June 2018. All financial information has been extracted without adjustment except as indicated in the detailed notes to this **Annexure**.

Statement of Comprehensive Income

The *pro forma* statement of comprehensive income below presents the *pro forma* effects of the Proposed Transactions on the audited results of New L2D, on the assumption that the Proposed Transactions were effective 1 January 2018.

R'000	New L2D ⁽¹⁾	Subco ⁽¹⁾	CISIP ⁽²⁾	Internalisation ⁽³⁾	Acquisition ⁽⁵⁾	Debt raised ⁽⁶⁾	Conversion	Transaction costs ⁽⁷⁾	After the Proposed Transactions
Property portfolio revenue	-	-	417 213	-	41 483	-	-	-	458 696
Rental and related income	-	-	422 056	-	41 483	-	-	-	463 539
Adjustment for the straight-lining of operating income	-	-	(4 843)	-	-	-	-	-	(4 843)
Property operating expenses	-	-	(144 425)	-	(11 395)	-	-	-	(155 820)
Net rental and related income	-	-	272 788	-	30 088	-	-	-	302 876
Administration expenses	-	-	(2 985)	-	-	-	-	-	(2 985)
Net property income	-	-	269 803	-	30 088	-	-	-	299 891
Asset Management fee	-	-	(14 565)	14 565 ^{(3a) (4)}	-	-	-	-	-
Profit from operations	-	-	255 238	14 565	30 088	-	-	-	299 891
Net interest income	-	-	6 148	-	-	(68 055)	-	-	(61 907)
Interest expense	-	-	6 148	-	-	(68 055)	-	-	6 148
Dividends received on financial instruments	-	-	-	-	-	-	-	-	(68 055)
Asset Management fee income ^(3.a)	-	-	-	35 578	-	-	-	-	35 578
Other administration expenses ^(3.a)	-	-	-	(40 883)	-	-	-	(12 910)	(53 794)
Loss on disposal of financial instruments	-	-	(4 153)	-	-	-	-	-	(4 153)
Profit before fair value adjustments	-	-	257 233	9 260	30 088	(68 055)	-	(12 910)	215 615
Net fair value adjustments on investment properties	-	-	(62 499)	-	-	-	-	-	(62 499)
Adjustment for straight-lining of operating lease income	-	-	(67 342)	-	-	-	-	-	(67 342)
Fair value adjustments on equity instrument	-	-	4 843	-	-	-	-	-	4 843
Total earnings before tax	-	-	194 734	9 260	30 088	(68 055)	-	(12 910)	153 116
Income tax expense	-	-	-	-	-	-	-	-	-
Total earnings after tax	-	-	194 734	9 260	30 088	(68 055)	-	(12 910)	153 116

R'000	New L2D ⁽¹⁾	Subco ⁽¹⁾	CISIP ⁽²⁾	Internalisation ⁽³⁾	Acquisition ⁽⁵⁾	Debt raised ⁽⁶⁾	Conversion	Transaction costs ⁽⁷⁾	After the Proposed Transactions
Headline earnings reconciliation									
Total earnings after tax	-	-	194 734	9 260	30 088	(68 055)	-	(12 910)	153 116
Net fair value adjustments on investment properties	-	-	62 499	-	-	-	-	-	62 499
Loss on disposal of financial instruments	-	-	4 153	-	-	-	-	-	4 153
Headline earnings ⁽⁸⁾	-	-	261 386	9 260	30 088	(68 055)	-	(12 910)	219 768
Basic and diluted earnings per unit									
Basic earnings per unit (cents) ⁽⁸⁾	-	-	21.50	1.02	3.32	(7.51)	-	(1.43)	16.90
Fully diluted earnings per unit (cents) ⁽⁸⁾	-	-	21.50	1.02	3.32	(7.51)	-	(1.43)	16.90
Headline earnings per share (cents) ⁽⁸⁾	-	-	28.86	1.02	3.32	(7.51)	-	(1.43)	24.26

Notes and assumptions to pro forma effects on the Statement of Comprehensive Income:

- Pursuant to the Proposed Transactions, the CISIP has acquired New L2D and New L2D has acquired Subco. The assets and liabilities of the CISIP will be transferred to Subco in exchange for Subco shares pursuant to the Exchange Agreement. Thereafter, the CISIP will transfer all of its assets and liabilities, being shares in Subco, to New L2D in accordance with the Amalgamation Agreement and distribute all of the issued shares of New L2D to Unitholders, who will receive one share for every Unit held. The Interim financial statements of New L2D and Subco have been audited by PWC, the independent auditors, and unqualified opinions have been expressed on the respective sets of financial statements.
- Extracted, without adjustment, from the CISIP's 30 June 2018 published unaudited interim financial statements.
- Extracted, without adjustment (except as detailed below), from SRFM's 30 June 2018 reviewed interim financial statements. A review has been conducted by PWC, the independent auditors, in relation to the interim financial statements of SRFM for the period ended 30 June 2018. The table below sets out the adjustments made to the Statement of Comprehensive Income of SRFM for the purposes of presenting the *pro forma* Statement of Comprehensive Income for New L2D:

R'000	SRFM	Adjustments	Pro forma acquired by New L2D
Total asset management fee income	50 014	(14 436)	35 578
Asset management fee ^(a)	46 440	(14 436)	32 004
Sundry income	1 040	-	1 040
Interest income	2 534	-	2 534
Operating expenses ^{(b),(7)}	(40 883)	-	(40 883)
Asset management fee saving ^{(a),(4)}	-	14 565	14 565
Operating profit	9 131	129	9 260
Finance expense	-	-	-
Profit before taxation	9 131	129	9 260
Taxation ^(c)	(2 620)	2 620	-
Net profit for the year	6 511	2 749	9 260
Other comprehensive income	-	-	-
Total comprehensive income	6 511	2 749	9 260

a. The adjustment for R14.4 million of asset management fees represents fees paid by the CISIP to SRFM for the period ended 30 June 2018. Such asset management fees will not be payable by the CISIP following the implementation of the Internalisation.

The difference between the asset management fee adjustment above and the saving by the CISIP of R129 000 is due to VAT that the CISIP was not allowed to claim on the asset management fees incurred. This amount reverses on consolidation of the CSIP.

The R34.7 million *pro forma* total asset management fee income represents the asset management fee charged to the Liberty Property Portfolio by SRFM, sundry income and interest income earned by SRFM which will continue to be payable to Subco in accordance with the terms and conditions of the New Asset Management Agreement.

b. No adjustment has been made to the R4.6 million expense recognised by SRFM in respect of the cash settled share incentive scheme expense as a result of the change to an equity settled scheme, included within operating expenses.

c. SRFM incurred an income tax expense of R2.6 million for the period ended 30 June 2018. Pursuant to the Proposed Transactions, Subco will acquire the business of SRFM in terms of the Sale of Business Agreement which will include all of its assets and liabilities (and associated deferred tax assets thereto). Subco will qualify as a controlled company in terms of section 25BB of the Income Tax Act and consequently, the profits of SRFM's business will not be subject to income tax to the extent that such profits are paid by Subco as a qualifying distribution in accordance with section 25BB of the Income Tax Act. Subco is expecting to comply with the requirements of section 25BB of the Income Tax Act and to pay all of its distributable income in the form of a qualifying distribution to New L2D and subsequently, New L2D will pay such qualifying distribution to Shareholders. The *pro forma* income tax expense for SRFM was consequently adjusted to zero.

4. Represents the adjustment for R14.5 million asset management fees paid by the CISIP to SRFM for the period ended 30 June 2018. Such asset management fees will not be payable by the CISIP following the implementation of the Internalisation.

5. Represents the property income and expenses from the Additional Properties acquired pursuant to the Acquisition. The figures are extracted, without adjustment from the management accounts of the Additional Properties for the six months ended 30 June 2018, which have been reviewed by PwC, the independent auditors.

6. Represents the adjustment for interest on R1.5 billion of debt used to finance the Internalisation and the Acquisition Considerations, calculated on a cost inclusive blended all-in rate of 9%. Anticipated debt raising costs of R13.5 million will be amortised over the term of the debt in line with IFRS 9 *Financial Instruments*, which is included in the all-in blended rate.

7. Represents the adjustment for an estimated R12.9 million (excluding VAT) once-off transaction costs to be incurred by both New L2D and Subco in respect of the Proposed Transactions post 1 July 2018. In addition, once-off costs of R6.8 million (excluding VAT) associated with the Proposed Transactions have already been incurred and expensed within SRFM's results for the six months to 30 June 2018. The transaction costs are expensed in line with New L2D's accounting policy for common control transactions.

8. Calculation is based on the weighted average number of Shares outstanding equal to 905 791 719 (after excluding 2 651 615 shares). The Incentive Plan shares rank in full for all dividends and distributions. The basic and diluted earnings per Share including the Incentive Plan shares are both 16.90 cents per share after the Proposed Transactions.

9. Save for transaction costs, all adjustments are expected to have a continuing effect.

Statement of Financial Position

The *pro forma* statement of financial position below presents the effects of the Proposed Transactions on New L2D on the assumption that the Proposed Transactions were effective on 30 June 2018 and that New L2D was incorporated on that date.

R'000	New L2D ⁽¹⁾	Subco ⁽¹⁾	CISIP ⁽²⁾	Internalisation ⁽³⁾	Acquisition ⁽⁴⁾	Debt raised ⁽⁶⁾	Conversion ⁽⁷⁾	Transaction costs ⁽⁸⁾	After the Proposed Transactions
ASSETS									
Non-current assets			8 705 235	1 102	1 200 000			2 384	9 908 721
Investment properties	-	-	8 656 908	-	1 200 000 ⁽⁵⁾	-	-	2 384	9 859 292
Investment properties under development	-	-	48 327	-	-	-	-	-	48 327
Property, Plant and Equipment	-	-	-	1 102	-	-	-	-	1 102
Other assets	-	-	-	-	-	-	-	-	-
Current assets			299 234	74 927				(3 279)	370 883
Trade and other receivables	-	-	163 408	11 266	-	-	-	-	174 674
Financial instruments	-	-	132 831	59 186	-	-	-	-	192 017
Tax receivable	-	-	-	2 079	-	-	-	-	2 079
Loan to STANLIB Asset Management	-	-	-	385	-	-	-	-	385
Cash and Cash equivalents	- ^(*)	- ^(*)	2 995	2 011	-	-	-	(3 279)	1 727
Total assets			9 004 469	76 029	1 200 000			(894)	10 279 604
LIABILITIES									
Non-current liabilities						1 500 000			1 500 000
Interest-bearing debt	-	-	-	-	-	1 500 000	-	-	1 500 000
Other liabilities	-	-	-	-	-	-	-	-	-
Current liabilities			116 378	33 048				12 910	162 337
Trade and other payables	-	-	116 378	26 004	-	-	-	12 910	155 292
Employee benefits liability	-	-	-	-	-	-	-	-	-
Loan from Liberty Holdings	-	-	-	7 045	-	-	-	-	7 045
Current taxation payable	-	-	-	-	-	-	-	-	-
Loan from STANLIB Asset Management	-	-	-	-	-	-	-	-	-
Total liabilities			116 378	33 048		1 500 000		12 910	1 662 337

R'000	New L2D ⁽¹⁾	Subco ⁽¹⁾	CISIP ⁽²⁾	Internalisation ⁽³⁾	Acquisition ⁽⁴⁾	Debt raised ⁽⁶⁾	Conversion ⁽⁷⁾	Transaction costs ⁽⁸⁾	After the Proposed Transactions
Participatory units' capital and reserve									
Capital	- ⁽¹⁾	- ⁽¹⁾	8 668 950	-	-	-	224 141	-	8 888 091
Retained Surplus	-	-	266 188	-	-	-	(266 188)	(13,804)	(13 805)
Share-Based Payment reserve ^(3,c)	-	-	-	17 730	-	-	-	-	17 730
Non-distributable reserve	-	-	(42 047)	(274 750)	-	-	42 047	-	(274 750)
Total unitholder/shareholder funds ⁽⁷⁾	-	-	8 888 091	(257 019)	-	-	-	(13 804)	8 617 267
Total unitholder/shareholder funds and liabilities									
NAV per unit/share (excludes deferred tax) ⁽⁸⁾	-	-	9.81	(0.30)	-	-	(0.29)	(0.02)	9.51
NTAV per unit/share (excludes deferred tax) ⁽⁹⁾	-	-	9.81	(0.30)	-	-	(0.29)	(0.02)	9.51

Notes and assumptions to pro forma effects on the Statement of Financial Position:

- Pursuant to the Proposed Transactions, the CISIP has acquired New L2D and New L2D has acquired Subco. The assets and liabilities of the CISIP will be transferred to Subco in exchange for Subco Shares pursuant to the Exchange Agreement. Thereafter, the CISIP will transfer all of its assets and liabilities, being shares in Subco, to New L2D in accordance with the Amalgamation Agreement and distribute all of the issued shares of New L2D to Unitholders, who will receive one New L2D Share for every Unit held. The interim financial statements of New L2D and Subco have been audited by PWC, the independent auditors, and unqualified opinions have been expressed on the respective sets of financial statements.
- Extracted, without adjustment, from the CISIP's 30 June 2018 unaudited interim financial statements.
- Extracted, without adjustment (except as detailed below), from SRFM's 30 June 2018 reviewed interim financial statements. SRFM's interim financial statements have been reviewed by PWC, the independent auditors. The Internalisation is to be accounted for as a business combination under common control. The table below sets out the assets and liabilities that would be assumed by New L2D from acquiring SRFM and the adjustments made thereto:

	SRFM	Adjustments	Pro forma acquired by New L2D
Acquired assets and liabilities			
Non-current assets	6 067	(4 965)	1 102
Property, Plant and Equipment	1 102	–	1 102
Deferred Tax ^(a)	4 965	(4 965)	–
Current assets	77 289	(2 362)	74 927
Trade and other receivables ^(b)	13 628	(2 362)	11 266
Tax Receivable	2 079	–	2 079
Cash and Cash equivalents	2 011	–	2 011
Financial instruments	59 186	–	59 186
Loan to Stanlib Asset Management	385	–	385
Total assets	83 355	(7 326)	76 029
Non-current liabilities	–	–	–
Current Liabilities	50 779	(17 730)	33 048
Trade and other payables	26 004	–	26 004
Employee benefits liability ^(c)	17 730	(17 730)	–
Loan from Liberty Holdings	7 045	–	7 045
Current taxation payable	–	–	–
Loan from STANLIB Asset Management	–	–	–
Share-Based Payment Reserve ^(e)	–	17 730	17 730
Net assets value acquired	32 576	(7 326)	25 250
Consideration	300 000	–	300 000
Common control adjustment	(267 424)	(7 326)	(274 750)

a. In terms of the Sale of Business Agreement, SRFM will transfer its business, which will include all of its assets and liabilities (and associated deferred tax assets thereto) to Subco. Subco will be a controlled company in terms of section 25BB of the Income Tax Act and consequently, having paid out its net profits in the form of a qualifying distribution as expected, will not pay income tax on its net profits. As such, the deferred tax asset is unlikely to be realised in Subco and is therefore derecognised.

b. Represents the adjustment for one month's asset management fees owing to SRFM as payable by the CISIP. Such asset management fees will not be payable by the CISIP following the implementation of the Proposed Transactions.

c. Represents an adjustment for the change in the Employee Share-Based Payments from being a cash settled scheme to an equity-settled scheme that will be controlled and administered by New L2D. For the purposes of these *pro forma* financial effects, it is assumed that the valuation of the cash-settled share-based payment is unadjusted as a result of the change to an equity-settled scheme.

4. Extracted, without adjustment, from the management accounts of the Additional Properties which have been reviewed by PWC, the independent auditors, as at 30 June 2018.

5. Pursuant to the Acquisition, Subco will acquire the Additional Properties for R1.2 billion which reflects their independent market value as at 30 September 2018. The Additional Properties will be accounted for at fair value in accordance with IAS 40 *Investment Properties*.

6. Represents the adjustment for the debt of R1.5 billion used to finance the Internalisation (R300 million) and the Acquisition (R1.2 billion) Consideration. The blended all-in rate of 9% incorporates the amortisation of R13.5 million of debt fundraising costs in accordance with IFRS 9 Financial Instruments.

7. Represents the reversal of reserves within CISIP into Capital.

a. Pursuant to the Exchange Agreement, the CISIP will transfer all of its assets and liabilities (other than the liability in relation to the Final CISIP Distribution and assets necessary to settle the Final CISIP Distribution) to Subco in exchange for the assumption by Subco of those liabilities and the issue of 908 443 334 Subco Shares. The adjustment reflects the new capital balance that would have been raised as at 30 June 2018 via the issue of 908 443 334 Subco Shares to the CISIP. No adjustment to the *pro forma* financial information is made in respect of the Final CISIP Distribution.

b. Pursuant to the Amalgamation Agreement, the CISIP will transfer all of its assets (other than assets necessary to settle the Final CISIP Distribution), being 908 443 334 Subco Shares and remaining liabilities (other than the liability in relation to the Final CISIP Distribution), to New L2D, in consideration for the issue by New L2D of 908 443 333 New L2D Shares to the CISIP. The adjustment reflects the new capital balance that would have been raised as at 30 June 2018 via the issue by New L2D of 908 443 334 New L2D Shares to the CISIP. No adjustment to the *pro forma* accounts is made for the Final CISIP Distribution.

8. Estimated once-off transaction costs in relation to the Acquisition of R2.4 million (excluding VAT) will be capitalised to the cost of the Additional Properties in line with the requirements of IAS 40 *Investment Properties*, with such costs paid in cash. Further once-off transaction costs of R12.9 million (excluding VAT) will be expensed in profit and loss as incurred with R894 being expensed directly through equity. Once-off costs of R6.8 million (excluding VAT) associated with the Proposed Transactions have already been incurred and expensed within SRFM's results for the six months to 30 June 2018. The transaction costs are treated in line with New L2D's accounting policy for common control transactions.

9. Calculation is based on the *pro forma* New L2D Shares outstanding equal to 905 791 719 (after excluding Incentive Plan Shares of 2 651 615). The Incentive Plan shares rank in full for all dividends and distributions. The NAV and TNAV per share including the Incentive Plan shares are both R9.49 after the Proposed Transactions.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION

The Directors
STANLIB REIT Fund Managers (RF) Proprietary Limited
Liberty Life Centre
17 Melrose Boulevard
Melrose Arch
Johannesburg
2076

Dear Sirs/Madam

Report on the Assurance Engagement on the Compilation of *Pro Forma* Financial Information included in the Circular

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of Liberty Two Degrees Limited (“**New L2D**” or the “**Company**”) by the Directors of STANLIB REIT Fund Managers (RF) Proprietary Limited (“**SRFM**”) on behalf of New L2D. The *pro forma* financial information, as set out in paragraph 6 and **Annexure 1** to the Circular, consists of the *pro forma* financial effects, the *pro forma* statement of financial position as at 30 June 2018, the *pro forma* statement of comprehensive income for the six months ended 30 June 2018 and related notes (“**the pro forma financial information**”). The applicable criteria on the basis of which the Directors have compiled the *pro forma* financial information are specified in the JSE Limited (JSE) Listings Requirements and described in paragraph 6 and **Annexure 1** of the Circular.

The *pro forma* financial information has been compiled by the Directors of SRFM and on behalf of New L2D to illustrate the impact of the cancellation of the Put Option, the related party acquisition of Additional Properties from the Liberty Property Portfolio, the Internalisation of the management company of Liberty Two Degrees Real Estate Investment Trust (being a related party transaction), and the conversion of Liberty Two Degrees Real Estate Investment Trust into a Corporate REIT (“**the Proposed Transactions**”). As part of this process, information about New L2D’s financial position and financial performance has been extracted by the Directors from New L2D’s financial statements for the six months ended 30 June 2018, on which a review report has been published.

Directors’ responsibility

The directors of SRFM on behalf of New L2D are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 6 and **Annexure 1** of the Circular.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants’ responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the Directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in paragraph 6 and **Annexure 1** of the Circular based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro forma* Financial Information Included in a Prospectus issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

The purpose of *pro forma* financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors of SRFM on behalf of New L2D in the compilation of the *pro forma* financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 6 and **Annexure 1** of the Circular.

PricewaterhouseCoopers Inc.

Director: Julianie Basson

Registered Auditor

4 Lisbon Lane, Waterfall City, Jukskei View, 2090

24 July 2018

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE ADJUSTMENT COLUMN

The Directors
STANLIB REIT Fund Managers (RF) Proprietary Limited
Liberty Life Centre
17 Melrose Boulevard
Melrose Arch
Johannesburg
2076

Independent reporting accountants' review report on the adjustment column in the property *pro forma* statement of financial position of Liberty Two Degrees Limited

We have reviewed the assets and/or liabilities to be acquired by Liberty Two Degrees Limited ("**New L2D**" or "**the Company**"), as reflected in the "Acquisition" column ("**the Acquisition Column**") of the *pro forma* statement of financial position as at 30 June 2018, included in **Annexure 1** to the Circular to be issued on or about 30 July 2018 ("**the Circular**") ("**the Pro forma Statement of Financial Position**") of the Circular as required by paragraph 13.16(e) of the JSE Limited ("**JSE**") Listings Requirements.

Directors' responsibility for the *Pro forma* Statement of Financial Position

The Directors of STANLIB REIT Fund Managers (RF) Proprietary Limited ("**SRFM**") on behalf of New L2D are responsible for the preparation and presentation of the *Pro forma* Statement of Financial Position, including the Adjustment Column, in accordance with paragraph 13.16(a) – (d) of the JSE Listings Requirements (the JSE Listings Requirements for the adjustment column of the *pro forma* statement of financial position), as set out in paragraph 6 and **Annexure 1** to the Circular. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express a conclusion on the Adjustment Column. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity (ISRE 2410). ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Adjustment Column, taken as a whole, is not prepared in all material respects in accordance with the JSE Listings Requirements for the adjustment column of the *pro forma* statement of financial position. This Standard also requires us to comply with relevant ethical requirements.

A review of financial information in accordance with ISRE 2410 is a limited assurance engagement. The reporting accountant performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with the International Standards on Auditing. Accordingly, we do not express an audit opinion on the Adjustment Column.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Adjustment Column is not prepared, in all material respects, in accordance with the JSE Listings Requirements for the adjustment column of the *pro forma* statement of financial position, as set out in paragraph 6 and **Annexure 1** to the Circular.

Purpose of report

This report has been prepared for the purpose of satisfying the requirement of paragraph 13.16(e) of the JSE Listings Requirements, and for no other purpose.

PricewaterhouseCoopers Inc.

*Director: **Julanie Basson***

Registered Auditor

4 Lisbon Lane, Waterfall City, Jukskei View, 2090
24 July 2018

INDEPENDENT EXPERT'S FAIRNESS OPINION

The Directors
STANLIB REIT Fund Managers (RF) Proprietary Limited
17 Melrose Boulevard
Melrose Arch
Johannesburg
2076

24 July 2018

Dear Sir/Madam

Independent Expert Opinion on the acquisition by Liberty Two Degrees Limited (“New L2D”) from Liberty Holdings Limited (“LHL”), of STANLIB REIT Fund Managers (RF) Proprietary Limited (the “Manager”); the conversion of Liberty Two Degrees, a Collective Investment Scheme in Property established in terms of the Collective Investment Schemes Control Act, No. 45 of 2002, as amended (the “CISIP”) to a Corporate REIT; and the cancellation of the Put Option

INTRODUCTION

We understand that the Board of the Manager (the “**Board**”) is proposing to implement a transaction that involves the following steps:

1. The conversion of the CISIP to a Corporate REIT, to be listed on the JSE as New L2D (the “**Conversion**”);
2. The acquisition of the Manager by New L2D from LHL, which will result in New L2D taking over the Manager and subsequently internalising the asset management function in relation to the properties of New L2D and performing the asset management function in relation to the properties of Liberty Group Limited (“**LGL**”) for a consideration of R300 million (the “**Internalisation**”);
3. The cancellation of the existing Put Option between LGL and the CISIP for no consideration; and
4. The acquisition by New L2D of Additional Properties from LGL for a consideration of R1.2 billion (the “**Acquisition**”).

The specific aspects relating to the Acquisition are not considered as part of the scope of this letter.

As LHL is a material indirect Unitholder in the CISIP and the sole shareholder of the Manager, the Internalisation is a related party transaction in terms of the JSE Listings Requirements (the “**Listing Requirements**”). Furthermore, as LGL is a material direct Unitholder in the CISIP, the New Relationship Agreement between LGL and New L2D, which gives effect to the cancellation of the Put Option, is an agreement between related parties.

In terms of section 10.4(f) of the Listings Requirements, an Independent Expert's opinion is required to be obtained by the Board, in respect of whether the terms of the Internalisation and the cancellation of the Put Option are fair insofar as the CISIP's Unitholders are concerned.

Furthermore, we understand that the Financial Sector Conduct Authority, in terms of Board Notice 42 of 2014 in terms of Cisca, has requested that an Independent Expert's opinion be provided to the Board on whether the terms of the Conversion are fair insofar as Unitholders are concerned.

Ernst & Young Advisory Services Proprietary Limited (“**EY**”) has been appointed by the Board as the Independent Expert to provide the opinions noted above.

Responsibility

Compliance with Listings Requirements and the Collective Investments Schemes Control Act, 2002 is the responsibility of the Board. Our responsibility is to report on the terms and conditions of the Internalisation, the Conversion and the cancellation of the Put Option in compliance with the related provisions of the Listings Requirements and the Collective Investment Scheme Control Act, 2002, as appropriate.

We confirm that our fairness opinion has been provided to the Board for the sole purpose of assisting them in forming and expressing an opinion for the benefit of Unitholders.

The definitions outlined in the Circular apply consistently throughout this letter unless defined otherwise.

Definition of the term “fair”

Fairness is primarily based on quantitative issues. A transaction is generally considered to be fair; if the consideration received in terms of the transaction is greater than the fair value of the subject matter of the transaction. Alternatively, if the transaction involves an acquisition, then it is considered fair if the consideration paid is less than the fair value of the subject matter of that acquisition. Fairness considers whether the Shareholders would be in a better position post the transactions (“**the Internalisation**”, “**the Conversion**” and the “**cancellation of the existing Put Option for no consideration**”) than had the transactions not been effected.

Our approach in considering the Internalisation, the Conversion and the cancellation of the Put Option

In preparing our opinion in relation to the above, we have applied the aforementioned principles.

In the course of our analysis, we relied upon financial and other information, including prospective financial information, obtained from the Manager, together with industry-related and other information in the public domain. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in formulating our opinion regarding the terms and conditions of the Internalisation include:

- Sale of Shares Agreement;
- Relationship Agreement;
- New Asset Management Agreement;
- Exchange Agreement;
- Amalgamation Agreement;
- Unitholder Circular in relation to the Proposed Transactions;
- Representations and assumptions made available by, and discussions held with, the executive management of the Manager;
- Representations and assumptions made available by, and discussions held with, the Board;
- S&P Capital IQ research database for market data;
- Market data on listed comparable REITs;
- Audited annual financial statements and management accounts of the Manager, for the years ended 31 December 2017 and year-to-date accounts to 30 April 2018;
- Management contracts of the Manager with LGL; and
- Management budget and forecasts for the period 31 December 2018 to 2023.

Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained through discussions, with the management of the Manager.

Procedures performed

In arriving at our opinion, we have undertaken the following procedures in evaluating the fairness of the Internalisation, the Conversion and the cancellation of the Put Option:

- Supplemented our knowledge and understanding of the operations of the Manager, as well as the real estate industries in which it operates;
- Held discussions with management on the prospects of the Manager;
- Reviewed and analysed the historical financial information of the Manager;
- Assessed the budget/forecast of the Manager, as prepared by its management team and challenged key assumptions;
- Prepared a valuation of the Manager, using the discounted cash flow valuation methodology as the primary valuation approach;

- Performed sensitivity analyses on certain key assumptions;
- Compared the Existing Relationship Agreement to the New Relationship Agreement which gives effect to the cancellation of the Put Option;
- Reviewed the Exchange Agreement and the Amalgamation Agreement which give effect to the Conversion;
- Considered any other/qualitative aspects which we believe to be of importance; and
- Determined the fairness of the Internalisation, the Conversion and the cancellation of the Put Option.

We have not interviewed any Unitholders to obtain their views on the Internalisation, the Conversion and/or the cancellation of the Put Option.

Based on the results of the procedures mentioned above, we have determined the fairness to Unitholders. We believe that the above considerations justify the conclusion outlined below.

We have further assumed that, as at the Last Practicable Date:

- The Manager is not involved in any legal proceedings that would have a material adverse effect on its share value;
- The Manager has no material outstanding disputes with the South African Revenue Service; and
- There are no other contingencies that could affect the value of the Manager.

Valuation

The key external value drivers considered in our discounted cash flow approach included:

- Forecast growth rates for the retail property sector;
- Consumer price inflation for the South African economy; and
- Forecast market rentals and occupancy rates.

The key internal value drivers included:

- Management fees to the Manager from the CISIP and LGL;
- Tenure of the contracts with the Manager;
- Expansionary and acquisition property capital expenditure;
- No future payment of tax for the Manager, being part of New L2D and being afforded the benefit of REIT status;
- An appropriate risk-adjusted discount rate; and
- Growth rate post the explicit period.

We performed sensitivity analyses based on the key assumptions and key value drivers for the Manager. We noted that the income approach valuations were sensitive to changes in property growth, acquisitions and expansions as well as changes in the discount rate. The basis of our analysis was management's current budgets and business plans available at the time of our analysis. The valuation was performed taking cognisance of risk and other market and industry factors affecting the Manager. We have relied upon the accuracy of the information used by us in deriving our opinion albeit that, where practicable, we have corroborated the reasonableness of such information through, amongst other things, reference to work performed by independent third party/ies, historic precedent or our own knowledge and understanding. While our work has involved an analysis of the annual financial statements and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards. Accordingly, we assume no responsibility and make no representations with respect to the accuracy of any information provided to us in respect of the Manager. **In addition, we express no opinion on the Acquisition.**

Forecasts relate to uncertain future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Consequently, forecast financial information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting purposes. We express no opinion as to how closely actual results will correspond to projections made by the management of the Manager, and made available to us during the course of our review.

Cancellation of the Put Option

The current Put Option in place between LGL and the CISIP has the following key terms:

- LGL owns the Put Option which allows it, at its sole discretion, to put an undivided share in the Co-owned Properties to the CISIP from time to time;
- The consideration value for such Co-owned Properties put to the CISIP will be on the most recent independent fair values ascribed to the properties preceding the put being exercised (independent valuations are conducted semi-annually in the event of a transaction taking place);
- The CISIP has the obligation to pay such consideration but has the right to elect as to how the consideration is settled (i.e. through the issuance of Units or in cash);
- Should the CISIP choose to settle through the issuance of Units, the value ascribed to such Units will be the higher of the clean volume weighted average price (VWAP) or the underlying net asset value per CISIP Unit; and
- If the CISIP elects to settle in Units valued at the underlying net asset value per CISIP Unit, and the Unit's clean VWAP is less than the net asset value per Unit, then LGL has the option to cancel the exercise of the put.

Factors considered around the cancellation of the Put Option for Unitholders:

- The Put Option is to the benefit of LGL;
- The CISIP only has a choice as to how to settle the consideration;
- The current market value of the Unit is below the NAV per Unit. Should the CISIP settle the consideration for any put in Units, the value of the Units would be at the underlying NAV per Unit which would represent a premium to the current market value. This would result in a loss of value to LGL, indicating that the Put Option has limited value to LGL currently;
- Should the Units trade at a premium to the underlying NAV per Unit then the price applicable to the Units used to settle any put consideration is the clean VWAP (i.e. higher than the underlying NAV per Unit);
- The market views the Put Option in a negative light and, on release of the CISIP's cautionary announcement dated 18 May 2018 in relation to the Proposed Transactions, the Unit price reacted positively; and
- The cancellation of the Put Option does not impact the pre-emptive rights of the CISIP in relation to potential further acquisitions of the Co-owned Properties.

Conversion of Units to New L2D Shares

Pursuant to the Conversion, Unitholders will receive New L2D Shares on a one-for-one basis. All assets, rights and obligations of the CISIP will be transferred to New L2D (excluding the obligations and assets in relation to the final distribution declared by the CISIP), or to a wholly owned subsidiary thereof, to ensure that Shareholders are, if one disregards the Internalisation and other transactions contemplated in terms of the Proposed Transactions, in the same position as was the case for Unitholders prior to the Conversion.

However, once the Conversion is effected, Shareholders will be able to leverage off the benefits of New L2D which include being more enabled to transact, raise new capital and grow. This has been evident in the increase in Unit price post the announcement of the Proposed Transactions on 18 May 2018.

Opinion

Internalisation

Based on the results of our procedures performed, our detailed valuation work relating to the Internalisation, subject to the foregoing assumptions, we are of the opinion that the Internalisation is fair insofar as Unitholders are concerned.

Cancellation of the Put Option

Based on the results of our procedures performed relating to the cancellation of the Put Option for no consideration, subject to the foregoing assumptions, we are of the opinion that the cancellation of the Put Option is fair insofar as Unitholders are concerned.

Conversion

Based on the results of our procedures performed relating to the Conversion, subject to the foregoing assumptions, we are of the opinion that the Conversion is fair insofar as Unitholders are concerned.

Limiting conditions

Our opinion is necessarily based upon the information available to us up to 23 July 2018, including in respect of the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory, other approvals and consents required in connection with the Internalisation, the Conversion and cancellation of the Put Option have been or will be timeously fulfilled and/or obtained. Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

This opinion is provided solely for the use of the Board and Unitholders for the sole purpose of assisting the Board in forming and expressing an opinion on the Internalisation, the Conversion and the cancellation of the Put Option for the benefit of Unitholders. Unless as stipulated in this letter, this opinion shall not, in whole or in part, be disclosed, reproduced, disseminated, quoted, summarised or referred to at any time, in any manner or for any purpose, nor shall any public references to EY or Ernst & Young Advisory Services Proprietary Limited be made by the Manager or any of its affiliates, without the prior consent of Ernst & Young Advisory Services Proprietary Limited.

Independence, competence and fees

We confirm that we have no direct or indirect interest in the Manager, New L2D (or its subsidiaries) or the CISIP. We also confirm that we have the necessary qualifications and competence to provide the independent opinion on the Internalisation, the Conversion and cancellation of the Put Option.

Furthermore, we confirm that our professional fees are not contingent upon the success of the Proposed Transactions.

Consent

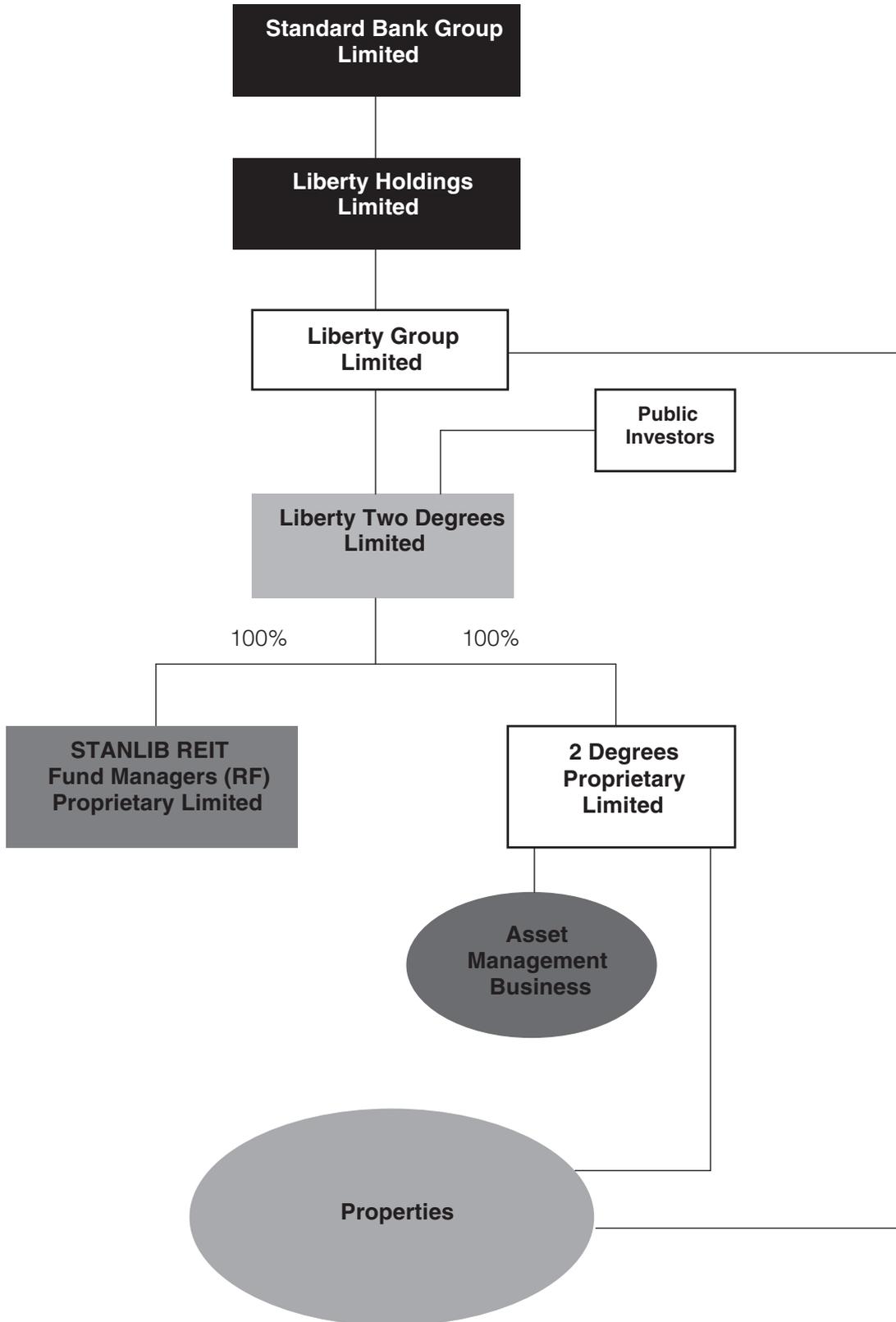
We consent to the inclusion of this letter and the reference to our opinion in the Circular to be issued to Unitholders in the form and context in which it appears and in any required regulatory announcement or documentation.

Yours faithfully

Anil Khimjee

Partner: **Ernst & Young Advisory Services Proprietary Limited**

NEW L2D GROUP STRUCTURE



TAXATION CONSIDERATIONS

Introduction

The following summary relating to the South African fiscal position pursuant to the implementation of the Proposed Transactions is based on advice received by the CISIP regarding the law and practice in force in South Africa as at the date of this Circular.

This summary is only intended to be a brief and general guide dealing with the main fiscal consequences of the implementation of the Proposed Transactions for Unitholders. It is not intended to provide specific advice and no action should be taken or omitted to be taken in reliance upon it. Unitholders are advised to seek professional tax advice in respect of the Proposed Transactions, including the substitution of their Units for New L2D Shares.

This summary is based on an interpretation of the relevant fiscal legislation as known to the CISIP as at the date hereof. Unitholders are advised that fiscal laws and their interpretation may change from time to time.

The REIT system

With effect from 1 April 2013 a unified system was created for taxing REITs. This follows from submissions that were made to the relevant authorities so as to align the fiscal consequences for investing in both a CISIP and a property loan stock company (“**PLS**”), being a company listed on the JSE, with a share capital comprising shares linked to debentures as linked units (“**linked units**”). The new legislation has thus been drafted in line with international norms on the basis that the objective of a REIT is to provide investors with a steady income stream based on the rental received, whilst also providing capital growth following from the investment in the underlying properties.

In order to qualify as a REIT for tax purposes, the entity must, amongst other things, be a South African tax resident and its securities must be listed on the JSE as securities in a REIT.

Pursuant to being recognised as a REIT for tax purposes, the traditional usage of so-called linked units in a PLS is no longer required. A REIT is entitled to claim a deduction in respect of all qualifying distributions made by it either in the form of dividends or as interest on the debenture portion of a linked unit (which is not relevant in the case of New L2D). The deduction does not apply to any dividends in the form of share buybacks. In order to become a qualifying distribution, at least 75% of the gross income received by or accrued to a REIT until the date of declaration of the dividend must consist of rental income, where the REIT has been incorporated, formed or established during the year of assessment (as in the case of New L2D). In any other case, at least 75% of the gross income received by or accrued to a REIT in the preceding year of assessment must consist of rental income. The concept of rental income is not only defined with reference to amounts received or accrued in respect of the use of immovable property such as rental, but also:

- a penalty or interest in respect of late payment of these amounts;
- a dividend from a company that is a REIT at the time of distribution of the dividend;
- a qualifying distribution from a controlled company at the time of the distribution;
- a dividend or foreign dividend from a company that is a property company at the time of the distribution; or
- any amount recovered or recouped in terms of section 8(4) of the Income Tax Act in respect of an amount of an allowance previously deducted in terms of sections 11(g), 13, 13*bis*, 13*ter*, 13*quat*, 13*quin* or 13*sex* of the Income Tax Act (broadly being sections of the Income Tax Act that provide for allowances to be claimed in respect of immovable property).

By being able to claim a deduction in respect of these qualifying distributions, the tax liability of a REIT is expected to be minimal in this regard.

The consequences of being able to claim a deduction in respect of qualifying distributions is that the dividends distributed by a REIT to resident shareholders will be subject to normal tax and will not be exempt. However, no additional dividend withholding tax will be payable in respect of these distributions which are subject to income tax. Dividends that are distributed by a REIT to foreign shareholders are subject to dividends tax of 20% (unless reduced in terms of an applicable double taxation agreement).

The tax dispensation that applies to REITs also applies to so-called controlled companies. A controlled company is a company that is a subsidiary of a REIT as defined in terms of IFRS. In other words, the requirement is to be determined from an IFRS perspective and not from a company law perspective. For instance, a company can be a subsidiary of a trust in certain circumstances. The effect is that a controlled company can make deductible distributions to the REIT for so long as the 75% rental income test is satisfied.

A second category of companies that is relevant for a REIT is that of a property company. This is a company in which 20% or more of the equity shares or linked units are held by a REIT or a controlled company and of which at the end of the previous year of assessment, 80% or more of the value of the assets, as reflected in the annual financial statements of such property company for the previous year of assessment is, directly or indirectly, attributable to immovable property. Even though this type of entity is not entitled to deduct any distributions, the distributions so received by a REIT from a property company will qualify as rental income if the property company has made distributions in circumstances where it satisfies the 75% rental test.

Pursuant to being classified as a REIT for tax purposes, capital gains or losses that arise in respect of the disposal by a REIT or a controlled company of the following assets are to be disregarded for CGT purposes:

- immovable property;
- a share or a linked unit in a company that is a REIT at the time of the disposal; or
- a share or a linked unit in a company that is a property company at the time of the disposal.

It is important to note that speculative transactions are still taxable.

Following from not being liable to account for CGT on the disposal of immovable properties held by a REIT, it has also been indicated that a REIT or a controlled company cannot claim allowances in respect of immovable property in terms of sections 11(g), 13, 13*bis*, 13*ter*, 13*quat*, 13*quin* or 13*sex* of the Income Tax Act.

The aggregate amount of the deductions that can be claimed by a REIT in respect of a qualifying distribution may not exceed the taxable income for that year of assessment of that REIT or the relevant controlled company, before taking into account:

- any deduction of an amount as envisaged in section 25BB of the Income Tax Act;
- any assessed loss brought forward in terms of section 20 of the Income Tax Act; and
- the amount of taxable capital gain included in taxable income in terms of section 26A of the Income Tax Act.

The acquisition and disposal of shares in a REIT are exempt from the payment of securities transfer tax.

The Amalgamation transaction

The CISIP has entered into an amalgamation transaction with New L2D on the basis that it will dispose of all its assets to New L2D (other than assets necessary to settle the Final CISIP Distribution) in return for the assumption of the liabilities of the CISIP (other than the liability in relation to the Final CISIP Distribution) and the issue of New L2D Shares by New L2D. Those New L2D Shares will then immediately be distributed by the CISIP to Unitholders who will receive one New L2D Share for every Unit held on the Record Date.

The Amalgamation between the CISIP and New L2D will take place as an amalgamation transaction governed by section 44 of the ITA. An amalgamation transaction is defined as a transaction in terms of which an amalgamated company, which is a resident, disposes of all of its assets (other than assets it elects to use to settle any debts incurred by it in the ordinary course of its trade) to a resultant company which is a resident, by means of an amalgamation, merger or conversion as a result of which the existence of the amalgamated company will ultimately be terminated.

In particular, the CISIP, even though it is a portfolio of a collective investment scheme in property, is deemed to be a company for tax purposes and the Units are deemed to be equity shares. The CISIP, as the amalgamated company, will dispose of all of its assets to New L2D. Both the CISIP and New L2D are South African tax residents. Pursuant to the Amalgamation, the existence of the CISIP must be terminated.

It should be appreciated that the consideration payable by New L2D for the acquisition of the assets in the CISIP will be effectively discharged through the assumption of the liabilities of the CISIP (other than the liability in relation to the Final CISIP Distribution) and the issue of New L2D Shares. These New L2D Shares will then immediately be distributed by the CISIP to Unitholders. It is not anticipated that any taxes should be payable as a consequence of the provisions of an amalgamation transaction governed by section 44 of the Income Tax

Act applying to the Proposed Transactions. Effectively, New L2D will acquire the assets of the CISIP at their base cost or tax cost for tax purposes. To the extent that the CISIP held the assets on capital account, New L2D will continue to hold those assets on capital account.

The CISIP will act as a conduit pursuant to the transfer of the New L2D Shares to Unitholders and no separate tax will be leviable in the hands of the CISIP. In particular, the CISIP is deemed not to have declared any dividend to Unitholders as the New L2D Shares are deemed not to be an amount that is transferred or applied by the CISIP for the benefit of any Unitholder in respect of the Units so held in the CISIP.

In order to qualify as an amalgamation transaction, it is a requirement that the CISIP must have taken such steps as necessary within a period of 36 months after the date of the Amalgamation to liquidate, wind up or deregister.

The tax position of Unitholders

The effect of complying with the amalgamation provisions contained in section 44 of the ITA is that Unitholders are not deemed to have disposed of their Units in the CISIP. Effectively, rollover relief is provided on the basis that the New L2D Shares are deemed to have been acquired for a cost equal to the base cost of the Units or the cost taken into account for trading stock purposes, as the case may be. In other words, a tax liability will arise only whenever the New L2D Shares are disposed of and not pursuant to the disposal of the Units as part of the Amalgamation. Unitholders are also deemed to have acquired the New L2D Shares on the date upon which they acquired the Units in the CISIP for a cost equal to the expenditure incurred by them originally. No securities transfer tax is payable pursuant to the substitution of the Units for the New L2D Shares.

The position going forward

As indicated above, distributions made by New L2D going forward:

- will be deemed to be a taxable dividend in the hands of the resident Shareholders; and
- will be subject to dividends tax in the case of non-resident Shareholders.

The current dividends tax rate is equal to 20%, but it is reduced to the extent that the non-resident Shareholder is a resident of a country with whom South Africa has concluded a double taxation convention (a “**Treaty**”).

The effective dividends tax rate may be reduced in terms of a Treaty. Non-residents should consult with their advisors to ascertain whether or not a Treaty may reduce the dividends tax rate.

Dividends tax is a final tax that is levied on the shareholder who becomes entitled to the dividends as opposed to the company that declares the dividend. However, the paying company is required to withhold the dividends tax for the benefit of the recipient. To the extent that a dividend is paid to the regulated intermediary (which will be the case with dividends paid by New L2D), this receipt is exempt, but the regulated intermediary is liable to withhold the dividends tax when it is on-distributed to non-resident shareholders. A dividend is deemed to have been paid on the date upon which the dividend is paid by a listed company. The dividends tax is payable by the regulated intermediary to SARS by the last day of the month following the month during which the dividend has been paid.

The income tax rate that is applicable to a South African resident company is 28%, whereas individuals pay income tax on a sliding scale up to a maximum of 45%. The disposal of New L2D Shares can either be on revenue or capital account, depending on the intention of the Shareholder. The proceeds will be on revenue account if they are not fortuitous, but designedly sought for and worked for. Equally, they will be deemed to be on revenue account if the New L2D Shares are disposed of as part of a business in carrying out a scheme for profit making. However, to the extent that the New L2D Shares have been held for a continuous period of at least three years, the proceeds are automatically deemed to be on capital account. In the context of South African resident Shareholders, the effective CGT rate in the case of:

- individuals is 18%;
- corporates is 22.4%; and
- trusts is 36%.

REIT dividends will otherwise be taxable in the hands of South African resident Shareholders at normal income tax rates, being:

- a sliding scale up to 45% in the case of an individual;
- 28% in the case of a corporate; and
- 45% in the case of a trust.

Non-residents holding their shares on capital account are only subject to CGT on the disposal of their shares (subject to the provision of a Treaty) where the non-resident (directly or indirectly) holds at least 20% of the shares in a South African company and at least 80% of the value of such South African company's assets is directly or indirectly attributable to South African immovable property (as will be the case for New L2D).

EXCHANGE CONTROL REGULATIONS

Exchange Control Regulations for Unitholders whose registered addresses are outside the Common Monetary Area

Currency and New L2D Shares are not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations of the SARB. The Exchange Control Regulations also regulate the purchase by former residents and non-residents of New L2D Shares. Shareholders who are resident outside the Common Monetary Area should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an acquisition of New L2D Shares. The following summary is intended as a guide and is, therefore, not comprehensive. If you are in any doubt hereto, please consult your professional advisor.

Emigrants from the Common Monetary Area:

- A former resident of the Common Monetary Area who has emigrated from South Africa may use blocked Rand to purchase New L2D Shares.
- All payments in respect of New L2D Shares acquired by emigrants using blocked Rand must be made through an authorised dealer in foreign exchange.
- Any New L2D Shares issued pursuant to the use of emigrant blocked Rand will be credited to investors' blocked accounts at the CSDP controlling their blocked portfolios.
- New L2D Share certificates issued in respect of New L2D Shares purchased with blocked Rand will be endorsed "non-resident" in accordance with the Exchange Control Regulations. New L2D Share certificates will be placed under the control of the authorised dealer through whom the payment was made.

Shareholders resident outside the Common Monetary Area:

- A person who is not resident in the Common Monetary Area should obtain advice as to whether any government and/or other legal consent is required and/or whether any other formality must be observed to enable an acquisition of New L2D Shares.
- Any New L2D Shares issued to non-residents and held on Strate will be flagged as "non-resident" by the CSDP controlling their blocked portfolios.
- All New L2D Share certificates issued to non-residents will be endorsed "non-resident" in terms of the Exchange Control Regulations.

Implication of the Proposed Transactions for foreign Unitholders

The issue of New L2D Shares is governed by the laws of South Africa and is subject to all applicable laws and regulations including Exchange Control Regulations.

Foreign Unitholders should inform themselves about and observe any applicable legal requirements of such jurisdictions in relation to all aspects of this Circular that may affect them.

It is the responsibility of each foreign Unitholder to satisfy himself as to the full observation of the laws and regulatory requirements of the relevant foreign jurisdiction in connection with the issue of New L2D Shares, including the obtaining of any governmental, exchange or other consents or the making of any filings which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes or other requisite payments due in such jurisdiction.

Any foreign Unitholder who is in doubt as to his position with respect to the issue of New L2D Shares and the substitution for the Units held by such person in any jurisdiction, including, without limitation, his tax status, should consult an appropriate professional advisor in the relevant jurisdiction without delay. Foreign Unitholders are reminded that they may dispose of their Units on the exchange operated by the JSE on or prior to Tuesday, 25 September 2018, in which case they will not receive New L2D Shares.

SALIENT EXTRACTS FROM THE MOI

Salient extracts from the MOI are set out below. A copy of the complete MOI is available for inspection at the registered office of the CISIP or Standard Bank at the addresses set out in the “Corporate Information” section of this Circular during normal office hours from Monday, 30 July 2018 to Tuesday, 28 August 2018 and on the CISIP’s website at www.liberty2degrees.co.za/investor-information.

For the purposes of this **Annexure 8**, “Companies Act” means the Companies Act, No. 71 of 2008, as amended and includes all such schedules to the Companies Act and the Companies Regulations, 2011. A reference to a section by number refers to the corresponding section of the Companies Act, notwithstanding the renumbering of such section after the date on which New L2D is incorporated. A reference to “Listings Requirements” refers to the Listings Requirements of the Johannesburg Stock Exchange. A reference to “the Company” refers to New L2D. A reference to a clause by number refers to a corresponding provision in the MOI. The numbers in the furthest left-hand column refer to the corresponding clause of the MOI.

3.3 POWERS AND CAPACITY OF THE COMPANY

- (a) The Company has all of the legal powers and capacity contemplated in the Companies Act, and no provision contained in this MOI should be interpreted or construed as negating, limiting or restricting those powers in any way whatsoever.
- (b) The legal powers and capacity of the Company are not subject to any restrictions, limitations or qualifications, as contemplated in section 19(1)(b)(ii).
- (c) This MOI does not contain any special conditions applicable to the Company, as contemplated in sections 15(2)(b) or (c).
- (d) In addition to the above, the Company will conduct its business in such manner as to ensure, until such time as it ceases to be listed on the JSE (whether by Shareholder decision or otherwise (the REIT Period)), that it complies with the provisions of the Income Tax Act and the Listings Requirements, for the Company to qualify as a REIT. During the REIT Period, the provisions of this paragraph can only be altered by a special resolution approved by a 75% (seventy-five per cent) majority of those Shareholders present and voting, for as long as the REIT requirements as contemplated in the Income Tax Act and the Listings Requirements are in existence.

3.4 AMENDING THE MOI

- (a) Subject to the Listings Requirements, every provision of this MOI is capable of alteration or amendment in accordance with sections 16(1)(a), 16(1)(c), 17 and 152(6)(b).
- (b) For the purposes of effecting an amendment to any provision of this MOI, and while the Shares of New L2D remain admitted to the list maintained by the JSE, the Board of New L2D must:
 - (i) first submit any proposed amendments to the JSE for approval in accordance with Schedule 10 of the Listings Requirements; and
 - (ii) subject to paragraph 3.4(b)(i) above, submit any proposed amendments for approval to the Shareholders in accordance with section 16(1)(c), read with paragraph 10.11(h) of Schedule 10 of the Listings Requirements.
- (c) It is expressly recorded that:
 - (i) if any proposed amendment to this MOI relates to the variation of any preferences, rights, limitations and/or other terms attaching to any class of Securities other than the Ordinary Shares:
 - (A) such amendment must be approved by a Special Resolution of the holders of Securities in that class at a separate meeting of such holders of Securities;

(B) no resolution of Shareholders shall be proposed or passed unless:

- I. the Special Resolution referred to in paragraph 3.4(c)(i)(A) above has been approved; or
 - II. such resolution is subject to the Special Resolution referred to in paragraph 3.4(c)(i)(A) above having been approved; and
- (ii) the preferences, rights, limitations or other terms of any class of Securities must not be varied and no resolution may be proposed to Shareholders for rights to include such variation in response to any ascertainable external fact or facts as provided for in sections 37(6) and (7).

3.5 **AMENDMENT BY COURT ORDER**

If an amendment to the MOI is required by any court order as contemplated by section 16(1)(a) read with section 16(4), then that amendment:

- (a) must be effected by a resolution of the Board in terms of section 16(4)(a); and
- (b) does not require a Special Resolution as contemplated in section 16(1)(c)(ii), paragraph 10.5(d) of Schedule 10 of the Listings Requirements.

3.6 **RULES**

The Board shall not have the capacity to make, amend or repeal any rules relating to the governance of the Company in respect of matters that are not addressed in the Companies Act or in this MOI, as contemplated in sections 15(3) to (5) and in the Listings Requirements.

6. **ISSUE OF SHARES**

- (a) Shareholders of the Company in General Meeting may authorise the Directors, subject to paragraph (b) below, to issue unissued equity Securities from time to time and/or to grant options to subscribe for unissued equity Securities as the Directors in their discretion deem fit, provided that such transaction has been approved by the JSE (if necessary) and complies with the Listings Requirements. However, Shareholder approval will not be required in terms of this paragraph for such issue unless it is required in terms of the Listings Requirements or the Companies Act.
- (b) Subject to paragraphs (a) and (c), the Board may resolve to issue Shares at any time, but only within the classes and to the extent that those Shares have been authorised by or in terms of this MOI.
- (c) Notwithstanding anything in this MOI to the contrary, for so long as the Ordinary Shares are admitted to the list maintained by the JSE the Company shall not issue any Shares that are not fully paid for upon listing in terms of sections 40(5) to 40(7).

7. **PRE-EMPTION RIGHTS ON ISSUE OF SHARES**

7.1 **Shareholders' right of pre-emption – equity securities**

- (a) If the Company proposes to issue any equity Securities (or options over equity Securities) other than (it being understood that each of the issues set out in paragraphs (i) to (vi) shall not require Shareholders' approval, or further Shareholder approval, as applicable):
 - (i) Shares issued in terms of options or conversion rights, provided that such options or conversion rights have been previously approved; or
 - (ii) Shares to be held under any share option scheme or share incentive scheme which complies with the provisions of Schedule 14 of the Listings Requirements, provided that such issue of Shares was previously approved, to the extent necessary; or
 - (iii) capitalisation Shares contemplated in section 47; or
 - (iv) Shares issued pursuant to a scrip dividend, as contemplated by the Listings Requirements; or
 - (v) Shares issued for cash pursuant to a general or specific approval given by the Shareholders in general meeting;

each Shareholder of the Company already holding issued equity Securities in the class of Shares (or options over equity Securities) proposed to be issued has the right, before any other person who is not a Shareholder of the Company of that class of equity Securities (or options over equity Securities), to be offered, on such terms and in compliance with such procedures as the Board may determine, to subscribe for, that number of the equity Securities (or options over equity Securities) proposed to be issued which in relation to the total number of equity Securities (or options over equity Securities) proposed to be issued bears the (as close as possible) same ratio (as determined by the Board) as the number of equity Securities (or options over equity Securities) in that class already registered in the Shareholder's name at the time of such offer bears to the then total number of issued equity Securities (or options over equity Securities) in that class, calculated at the time the offer was made. The offer to each of the Shareholders concerned shall, in order to be valid, stipulate only the issue price per equity Security (or options over equity Securities), the number and class of equity Securities (or options over equity Securities) which the Shareholder concerned is entitled to, and the total number of equity Securities (or options over equity Securities) proposed to be issued.

7.2 Issue of a new class of shares (options for shares)

- (a) The provisions of paragraph 7.1 will apply *mutatis mutandis* to an issue of a class of authorised equity Securities which have not been issued, save that each Shareholder's right to be offered such Securities will be based on the percentage voting rights which that Shareholder has in relation to all the general voting rights attaching to the issued Shares, calculated at the time the offer is made.
- (b) An issue of Shares by the Company in terms of a rescue operation may, to the extent necessary and provided that the JSE has provided dispensation and all applicable approvals as contemplated by Schedule 11 of the Listings Requirements have been obtained, be undertaken with the requirements in paragraphs 9.20 to 9.29 and 5.51 to 5.53 of the Listings Requirements (regarding the preparation of a circular and the obtaining of Shareholder approval) having been modified.

7.3 Commission

The Company may pay to any person commission not exceeding 10% (ten per cent) of the subscription price at which Securities of the Company are issued, in consideration of such person:

- (a) subscribing or agreeing to subscribe (whether absolutely or conditionally); or
 - (b) procuring or agreeing to procure subscriptions (whether absolutely or conditionally),
- for any Securities issued or to be issued by the Company.

8. VARIATION OF PREFERENCES, RIGHTS, LIMITATIONS AND OTHER TERMS OF SECURITIES

- (a) For so long as any of the Company's Securities are listed on the securities exchange operated by the JSE, such Securities, and any variations thereto, shall be subject to any limitations with respect thereto contained in the Listings Requirements, and in particular Schedule 10 of the Listings Requirements, as amended from time to time.
- (b) Notwithstanding the provisions of section 36(3), the Board shall not have the power to:
 - (i) increase or decrease the number of authorised Shares of any class of Shares;
 - (ii) re-classify any classified Shares that have been authorised but not issued;
 - (iii) classify any unclassified Shares that have been authorised but not issued; or
 - (iv) determine the preferences, rights, limitations or other terms of Shares,which power shall be reserved for the Shareholders as contemplated in paragraph 8(c) below.
- (c) The Shareholders shall have the sole authority to undertake the following actions (whether or not referred to in section 36(3)), by way of a Special Resolution which amends this MOI in accordance with paragraph 3.4 above, namely to:
 - (i) increase or decrease the number of authorised but unissued Shares of any class;
 - (ii) create any new class or classes of authorised but unissued Shares;

- (iii) change by way of consolidating or subdividing (or both) any or all:
 - (A) authorised but unissued Shares of any class; and
 - (B) issued Shares of any class,
 provided that the holders of the issued Shares so consolidated or divided, confirm the change by way of a Special Resolution of the holders of the issued Shares so consolidated or divided;
 - (iv) change the name of the Company;
 - (v) re-classify all or any Shares that have been authorised but not issued;
 - (vi) classify all or any unclassified Shares that have been authorised but are not issued;
 - (vii) determine the preferences, rights, limitations and other terms of all or any Shares that have been authorised but not issued;
 - (viii) vary the preferences, rights, limitations and other terms of any issued or unissued Shares;
 - (ix) vary the preferences, rights, limitations and other terms attaching to any particular class of Shares; and
 - (x) convert any class of Shares into one or more other classes of Shares.
- (d) If the Shareholders act pursuant to the authority contemplated in paragraph 8(b)(i), the Company must file a Notice of Amendment of this MOI in accordance with section 16(7).

18. DISTRIBUTIONS

18.1 The Company

- (a) The Company must conduct its business in such a way that more than 75% (seventy-five per cent) of the gross income received by or accrued to the Company in each year of assessment will consist of rental income for as long as the REIT regime as contemplated in the Income Tax Act and the Listings Requirements, in whatever form, is in existence.
- (b) The provisions of (a), for as long as they apply, can only be amended by special resolution approved by a 75% (seventy-five per cent) majority of those Shareholders present and voting for as long as the REIT regime as contemplated in the Income Tax Act, and the Listings Requirements, in whatever form, is in existence.
- (c) Subject to the provisions of this MOI and the Companies Act, particularly sections 46 and 48, the Company may at any time authorise and/or make a proposed Distribution (which for the avoidance of doubt shall include a dividend) if such Distribution:
 - (i) is pursuant to an existing legal obligation of the Company or a court order; or
 - (ii) is authorised by resolution of the Board, in compliance with the Listings Requirements, provided that capital shall not be repaid upon the basis that it may be called up again.
- (d) The following provisions shall apply to Distributions made to Shareholders of a class or classes of Shares:
 - (i) Distributions shall be declared payable to Shareholders registered as such on the record date with respect to such Distribution determined in terms of paragraph 4 of **Annexure 2**, provided that such record date in the case of the payment of any dividend shall be a date subsequent to the date of declaration of the dividend or confirming the dividend by the Board, whichever is the later;
 - (ii) Distributions payable in monetary form shall be declared in the currency of South Africa. The Board may, in its discretion and on such terms and conditions as it may determine, authorise the payment of any Distribution to a non-resident Shareholder in any foreign currency requested by the non-resident Shareholder, at the cost, expense and risk of the non-resident Shareholder in question;
 - (iii) any Distribution declared may be paid and satisfied either wholly or in part by the distribution of specific assets, and in particular of paid-up Shares or Securities of any other company, or in cash or in one or more of such ways (which shall include granting Shareholders,

in accordance with **Annex 2**, a right of election between receiving any Distribution in cash or in the form of the distribution of specific assets), subject to the provisions of the Companies Act, as the Board or the Shareholders may at the time of authorising the Distribution determine and direct. If, as a result of the declaration of a Distribution, any Shareholders become entitled to fractions of any specific assets of the Company, the Board may, subject to paragraph 13.4 above (it being understood that fractions of Securities will be dealt with in accordance with the provisions of the Listings Requirements), sell the assets represented by such fractions and after deducting the expenses of such sale, distribute the balance of the proceeds of the sale amongst the Shareholders entitled to the fractions in, as reasonably possible, proportion to their entitlement;

- (iv) the Directors may, from time to time, pay to the Shareholders on account of the next forthcoming dividend such interim dividend as in their judgement the position of the Company justifies;
- (v) a holder or any one of two or more joint holders, or his or their agent duly appointed in writing, may give valid receipts for all or any Distributions or other monies paid in respect of a Share held by such holder or joint holders;
- (vi) any Distribution, interest or other sum payable to the holder of a Share shall be paid by electronic funds transfer (into the bank account recorded in the bank account register of the Company nominated by the Shareholder, or in the case of joint Shareholders into the bank account nominated by the Shareholder whose name stands first in the securities register in respect of the Share) and shall not be paid by cheque, unless otherwise requested by a Shareholder in writing. Any unclaimed Distribution or Distributions shall be retained in the Company's unclaimed distribution account; where after it may be claimed by a Shareholder upon written request to the Company in a form prescribed by the Board from time to time, subject to paragraph (x);
- (vii) the delivery of an irrevocable instruction to the Company's bank to effect payment by electronic funds transfer into the bank account recorded in the bank account register of the Company specified by the Shareholder, or in the case of joint Shareholders into the bank account nominated by any of the joint Shareholders in respect of the Share, shall be a good discharge by the Company of its obligations to pay such cash Distribution to the Shareholder entitled thereto;
- (viii) for the purpose of this paragraph, any notice of a new registered address(es) or a change of registered address(es) or any notice of new bank account details or a change of bank account details or any instruction as to payment being made at any other address or into any other bank account, not reflected in the securities register or the bank account register of the Company at the time of sanctioning or declaration of the Distribution by the Shareholders, which is received by the Company between the time of such sanctioning or declaration of the Distribution by the Shareholders and the applicable record date for payment of the Distribution, and which would have the effect of changing the currency in which such payment would be made, shall become effective only after such time of payment;
- (ix) every payment of a Distribution made by electronic funds transfer shall be made at the risk of the Shareholders. The Company shall not be responsible for the loss in transmission of any document sent through the post either to a registered address of any Shareholder or to any other address requested by a Shareholder or for the loss or misdirection of any electronic funds transfer; and
- (x) for the avoidance of doubt, all monies due to Shareholders (including any Distributions in the form of monies) shall be held by the Company in trust in a suitable interest-bearing account, as determined by the Board in its discretion, in terms of which interest will accrue for the benefit of the relevant Shareholders, until lawfully claimed by the relevant Shareholders, but subject to the laws of prescription applicable from time to time, or until the Company is wound up.

18.2 **Subsidiaries of the Company**

The Company will procure that, subject to the solvency and liquidity test and section 46 of the Companies Act, the Company and those of its subsidiaries that are property entities (as defined in the Listings Requirements) incorporated in South Africa will distribute at least 75% (seventy-five per cent) of their total Distributable Profit as a distribution by no later than 4 (four) months after their Financial Year-ends.

22.1 **AUTHORITY OF THE BOARD**

The business and affairs of the Company shall be managed by or under the direction of the Board, which has the authority to exercise all the powers and perform any of the functions of the Company, except to the extent that the Companies Act or this MOI provides otherwise (section 66(1)).

22.2 **COMPOSITION OF THE BOARD AND ELECTION OF DIRECTORS**

- (a) The Board shall comprise not less than 4 (four) Directors or such greater number, if any, that the Company must have to satisfy any requirement, whether in terms of the Companies Act, the Listings Requirements or this MOI (section 66(2)(b)).
- (b) The Shareholders shall be entitled at a General Meeting of the Company to elect all of the Directors of the Company (and their alternates) for the time being and from time to time, by a separate ordinary resolution with respect to each such Director and each alternate, subject to paragraphs 22.2(d) and 22.4(i), provided that if the Shareholders do not elect an alternate with respect to any Director and subject to section 66(4)(b), the Board shall be entitled to appoint such alternate(s) provided further that such alternate is not a person previously proposed to the Shareholders as an alternate or as a Director but who was not elected by the Shareholders when put to the vote (sections 66(4)(b) and 66(4)(a)(iii)).
- (c) The Shareholders shall have the right to nominate Directors, provided that such right shall not include the right to appoint or remove any Director/s, and the election of all Directors shall be subject to Shareholder approval, as contemplated by the Listings Requirements.
- (d) Subject to section 66(4)(b), the Board has the power to appoint Directors (i) to fill a casual vacancy (being a vacancy on the Board which does not amount to the number of Directors being less than the minimum number of Directors prescribed in terms of this MOI) or (ii) as an addition to the Board (as contemplated in section 66(4)(a)(i)), provided that such appointment must be confirmed by the Shareholders at the next General Meeting (in accordance with paragraph 22.2(b)).
- (e) If the number of Directors falls below the minimum provided for in paragraph 22.2 above, the remaining Directors must, as soon as possible and in any event not later than 3 (three) months from the date that the number of Directors falls below the minimum, fill the vacancies or call a General Meeting for the purpose of filling the vacancies. The failure by the Company to have the minimum number of Directors during the 3 (three) month period does not limit or negate the authority of the Board or invalidate anything done by the Board or the Company. After the expiry of the 3 (three) month period the remaining Directors shall only be permitted to act for the purpose of filling vacancies or calling General Meetings of Shareholders.

22.10 **REMUNERATION OF DIRECTORS (AND ALTERNATE DIRECTORS)**

- (a) Notwithstanding anything to the contrary contained in this MOI or any agreement, understanding or arrangement with a Director, the Company shall not be obliged or entitled or required to pay any remuneration to a Director for their services as Director (which shall exclude salaries of executive Directors) except such remuneration as has been approved by, and in terms of a Special Resolution of the Shareholders adopted within the period of 2 (two) years immediately before the date of any proposed payment of any such remuneration, in compliance with section 66(9) (sections 66(8) and (9)).
- (b) An alternate Director shall not be entitled to any remuneration from the Company, but may be remunerated by the Director for whom he or she acts as an alternate, provided that the Directors may, in their sole discretion, resolve that the Company shall pay the remuneration of an alternate Director, in which case such remuneration will be subject to the requirements of paragraph 22.10(a) (sections 66(8) and (9)).

- (c) A Director may be employed in any other capacity in the Company or as a Director or employee of a company controlled by, or itself a subsidiary of, the Company and in this event, his or her appointment and remuneration in respect of such other office must be determined by a disinterested quorum of Directors to the extent required by the Listings Requirements.
- (d) The Directors shall be paid all travelling and other expenses properly and necessarily incurred by them in and about the business of the Company, and in attending meetings of the Directors or of committees thereof. If any Director is required to perform extra services or to reside abroad or shall be specifically occupied about the Company's business, he or she shall be entitled to receive such remuneration as is determined by a disinterested quorum of Directors, which may be either in addition to or in substitution for any other remuneration, subject to paragraph 22.10(a) above.

22.11 **BORROWING POWERS OF THE DIRECTORS**

- (a) Subject to the requirement that the Company as a REIT complies with the Listings Requirements' restrictions on borrowings, the Directors may, from time to time, at their discretion:
 - (i) raise or borrow for the purposes of the Company such sums as they think fit;
 - (ii) secure payment or repayment of any such sums or any other sums, as they think fit, whether by the creation and issue of debt instruments (whether secured or unsecured), mortgage or charge upon all or any of the property or assets of the Company; or
 - (iii) make such regulations regarding the transfer of debt instruments, the issue of certificates therefor and all such other matters incidental to debt instruments as the Directors think fit, subject to paragraph 16.
- (b) For the purposes of this paragraph 22.11, the powers of the Board shall be unlimited.

22.12 **ELECTION OF DIRECTORS BY THE SHAREHOLDERS**

(a) **Fixed term/rotation**

At each annual general meeting one-third of the Directors (not being alternate Directors or any Director appointed in terms of paragraph 22.4(i)), or if their number is not a multiple of 3 (three) then the number nearest to but not less than one-third, shall retire from office. The Directors so to retire at each annual general meeting shall firstly be those retiring in terms of paragraph 22.2(d) of this MOI. Thereafter the Board shall determine which Directors shall retire at each annual general meeting. A retiring Director shall act as a Director throughout the meeting at which he or she retires and may be re-elected, provided that such Director is eligible. For the avoidance of doubt, it is recorded that life directorships and directorships for an indefinite period shall not be permitted.

(b) **Temporary vacancies on the Board**

Should a Director elected by Shareholders in terms of paragraph 22.2(b) become ineligible or disqualified from serving as a Director in terms of the Companies Act or the MOI and thereby cease to be entitled to be a Director in terms of section 69(4), and consequently cease to be a Director thereby creating a vacancy on the Board in terms of section 70(1)(b)(v) (being a vacancy on the Board which amounts to the number of Directors being less than the minimum number of Directors prescribed in terms of the MOI), then the Board, subject to section 66(4)(b), may appoint another person, in accordance with and subject to the provisions of section 68(3), as a Director to fill any such vacancy and serve as a temporary Director on a temporary basis until the vacancy in question has been filled in an election by the Shareholders of a new Director in terms of paragraph 22. The Board may also appoint an alternate Director on a similar temporary basis for such temporary Director (section 68(3)).

22.17 **PERSONAL FINANCIAL INTERESTS OF DIRECTORS**

Subject to compliance by a Director, with respect to any relevant personal financial interest, with the provisions of sections 75(5) and (6), that Director shall not be liable (in the absence of any agreement to the contrary) to account to the Company for any profit or other benefit arising out of, or in connection with, any decision, transaction or agreement in which that Director or a person related or inter-related to that Director has a personal financial interest.

ANNEX 1 AUTHORISED SHARES OF THE COMPANY

1. Ordinary shares

- (a) The Company has:
 - 5 000 000 000 no par value authorised Ordinary Shares; and
 - 1 issued Ordinary Shares at the date of adoption of this MOI.
- (b) The following rights attach to an Ordinary Share:
 - (i) the right for the owner thereof to be entered in the securities register of the Company as the registered holder thereof;
 - (ii) the right to vote on any matter to be decided by the Ordinary Shareholders of the Company and to 1 (one) vote in the case of a vote by means of a poll, whether in person or by proxy;
 - (iii) the right to participate proportionally in any distribution made by the Company in respect of the Ordinary Shares;
 - (iv) an irrevocable right to vote on any proposal to amend the preferences, rights, limitations and other terms associated with the Ordinary Shares; and
 - (v) subject to such preferences as may be accorded to the classes of Shares in existence from time to time, the right to receive proportionally the total net assets of the Company remaining upon its liquidation.
- (c) Ordinary Shares in each class for which application is made for listing on the JSE, shall rank *pari passu* in respect of all rights, for which purposes the expression "*rank pari passu*" shall have the meaning attributed to it in paragraph 3.29 of the Listings Requirements.

ANNEX 2 SHAREHOLDERS' MEETING

1. Requirement to hold a Shareholders' meeting

- (a) The Company will not be required to hold any Shareholders' meetings other than those required by the Companies Act, this MOI and/or the Listings Requirements.
- (b) There is no prohibition or restriction in this MOI on the Company calling any meeting for the purposes of adhering to the Listings Requirements.

5. Calling a Shareholders' meeting

- (a) The Board, any Director of the Company authorised by the Board to do so or the company secretary of the Company authorised by the Board to do so, may call a meeting of any class of Shareholders at any time and must do so if and when required by the Companies Act or this MOI to do so (sections 61(1) and (2)).
- (b) The Board must call a meeting of any class of Shareholders if demanded by Shareholders in terms of section 61(3).
- (c) If there are no Directors or all of the Directors are incapacitated, the Company hereby authorises the company secretary (or failing him or her, the auditors) for the time being of the Company to call a Shareholders' meeting for purposes of and in the circumstances contemplated in section 61(11).
- (d) Subject to clause 1(b) above, all Shareholders' meetings that are called for in terms of the Listings Requirements must be convened by the Board (and such Shareholders' meetings shall be held in person and may not be held by means of a written resolution as is contemplated in section 60 of the Companies Act, save to the extent permitted by the Listings Requirements) for purposes of the Shareholders considering and, if deemed fit, approving the Shareholders' resolutions required to be passed by the Shareholders in terms of the Listings Requirements.

12. Quorum

- (a) A Shareholders' meeting may not begin until sufficient Shareholders are present or represented at the meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least 1 (one) matter to be decided at the meeting (section 64(1)(a)).

- (b) A matter to be decided at the meeting may not begin to be considered unless sufficient Shareholders are present or represented at the meeting to exercise in aggregate at least 25% of all the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda (section 64(1)(b)).
- (c) If the Company has more than 2 (two) Shareholders then a Shareholders' meeting may not begin, or a matter begin to be debated, unless at least 3 (three) Shareholders are present or represented at the meeting and the requirements of clauses 12(a) and 12(b) are satisfied (section 64(3)).
- (d) For the purposes of counting a quorum at any time, a Shareholder who is personally present or represented at the meeting at that time, or who participates in person or through a representative electronically in terms of clause 8 at that time, shall be counted towards the quorum at that time.

22. Shareholders voting (by show of hands or by polling)

- (a) At a meeting of Shareholders, voting may either be by show of hands or by polling, provided that if the notice convening a Shareholders' meeting requires a particular motion to be voted on by polling, it shall not be competent for voting on such motion to be conducted by show of hands (section 63(4)).
- (b) If voting on a particular matter is by a show of hands, any person, being a Shareholder or its representative or proxy/ies, who is present at the meeting and is entitled to exercise voting rights, has 1 (one) vote irrespective of the number of votes that person would otherwise be entitled to exercise (section 63(5)).
- (c) If voting on a particular matter is by polling, any person, being a Shareholder or its representative or proxy/ies, who is present at the meeting and is entitled to exercise voting rights, has the number of votes determined in accordance with the voting rights associated with the Shares registered in the name of the Shareholder in question which that person is entitled to exercise (section 63(6)).
- (d) All questions, matters and resolutions arising at or submitted to any meeting of Shareholders shall be decided by a simple majority of the votes cast (unless a different majority is required in terms of the Companies Act or this MOI or the Listings Requirements) and shall in the first instance be decided by a show of hands (unless voting by a poll with respect to the resolution in question is specified in the notice calling the meeting, or a poll is demanded or required on that resolution in terms of the Companies Act or this MOI or the Listings Requirements).
- (e) The chairman of the meeting will not in his or her capacity as chairman have a casting vote in addition to any vote he or she may have by virtue of being a Shareholder.
- (f) If voting on a resolution is on a show of hands, unless a poll is demanded, a declaration by the chairman of the meeting that the resolution has been carried, or carried by a particular majority, or lost, or not carried by a particular majority, shall be final and an entry to that effect in the minute book of the Company shall be conclusive evidence of the fact.
- (g) In addition to the Shareholders' right to demand a poll on any resolution in terms of section 63(7) at any meeting of Shareholders, a poll on any resolution may also be demanded by the chairman of the meeting, provided that (except in terms of section 63(7)) a poll may not be demanded on the question of the election of a chairman for the meeting, and provided further that only the chairman of the meeting (or the Shareholders in terms of section 63(7)) may demand a poll on the question of any adjournment of the meeting.
- (h) If a poll is demanded as provided for in this clause 22, it shall be taken immediately if any other resolution is already required to be taken by poll in terms of the notice convening that meeting, or if not then in such manner and at such place and time, either immediately or after an interval or adjournment not exceeding 30 (thirty) calendar days, as the chairman of the meeting directs. The demand for a poll may be withdrawn.
- (i) A poll shall be taken immediately in respect of resolutions included in the notice convening that meeting.
- (j) Scrutineers shall be appointed by the chairman to count the votes on a poll and to declare the result of the poll, and their declaration, which shall be announced by the chairman of the meeting at the meeting, shall be deemed to be the resolution of the meeting at which the poll was demanded. In the case of any dispute as to the admission or rejection of a vote, the chairman of the meeting shall determine the dispute and the determination of the chairman made in good faith shall be final and conclusive.

- (k) Subject to clause 3(i)(iv), on a poll, a Shareholder (or its representative or proxy) entitled to more than 1 (one) vote is in relation to the Company free to vote, in its discretion, all or any of its Shares the same way or differently or to abstain from voting in respect of all or any of its Shares, as it chooses.
- (l) When there are joint registered holders of any Shares any 1 (one) of such persons may vote at any meeting in respect of such Shares as if it were solely entitled thereto, but if more than 1 (one) of such joint holders is present or represented at any meeting, that joint holder whose name appears first in the securities register in respect of such Shares or its proxy, as the case may be, shall alone be entitled to vote in respect of such Shares.
- (m) The parent or guardian of a Shareholder who is a minor, the executor or administrator of a Shareholder who is deceased, the trustee of a Shareholder who is insolvent and the curator bonis of a Shareholder who is mentally incapacitated or prodigal, may vote at any General Meeting in respect thereof in the same manner as if he or she were the registered holder of those Shares; provided that during the business day immediately preceding the date appointed for the meeting to begin or if the meeting is adjourned the date appointed for the resumption of the adjourned meeting, as the case may be, of the meeting at which he or she proposes to vote he or she satisfies the Board that he or she is such parent, guardian, executor, administrator, trustee or curator or that the Board has previously admitted his or her right to vote in respect of those Shares.

23. Shareholders' resolutions

- (a) Every resolution of Shareholders is either:
 - (i) an ordinary resolution (section 65(1) read with section 65(7)); or
 - (ii) a Special Resolution required in terms of this MOI and/or section 65(9) and/or the Listings Requirements.
- (b) The Board may propose any resolution to be considered by Shareholders (section 65(2)).
- (c) Any 2 (two) Shareholders may propose a resolution concerning a matter in respect of which they are entitled to exercise voting rights, and any Director may propose any resolution to be considered by Shareholders, and when proposing the resolution may require that the resolution be submitted to Shareholders for consideration at a meeting of Shareholders called in terms of clause 5, or at the next scheduled Shareholders' meeting (section 65(3)).
- (d) Any resolution proposed must comply with the requirements as to form and content, and supporting information or explanatory material, specified in section 65(4).
- (e) The Company is not obliged to file with the Commission any Shareholders' resolution (including any Special Resolution), except if required to do so in terms of the Companies Act or this MOI (section 65(11)).

DETAILS OF THE EXISTING PROPERTIES OF THE CISIP AND THE ADDITIONAL PROPERTIES

No.	Property Name	Registered Location	Sub Sector	Weighted Average Rental per m ² (R/m ²)	Rentable Area (GLA)m ²	Existing Undivided Share of CISIP being acquired by Subco in the Exchange	Additional Undivided Shares to be Acquired by Subco in the Acquisition	Purchase Price (R) payable in the 30 September Acquisition ¹	100% Property Valuation as at 30 September 2018	Independent External Property Valuer
1	Liberty Centre Head Office (Montague Gardens)	Erf 6281 Montague Gardens Century Boulevard Century City	Office and mixed use	169	19 188	31.00%	2.30%	9 377 053	408 400 000	Rode & Associates
2	Liberty Centre Head Office (Umhlanga Rocks)	Located on an unregistered portion of Erf 2429 Umhlanga Rocks 21 Aurora Drive Umhlanga Ridge	Office and mixed use	165	20 352	31.00%	2.30%	5 983 497	260 600 000	Rode & Associates
3	Umhlanga Ridge Office Park	Located on an unregistered portion of Erf 2429 Umhlanga Rocks 2 Park Lane Umhlanga Ridge	Office and mixed use	106	20 352	31.00%	2.30%	3 292 530	143 400 000	Rode & Associates
4	Standard Bank	Erf 1247 Marshalltown and Remainder of Erf 558 Selby, Johannesburg 3, 5 and 6 Simmonds Street, Johannesburg	Office and mixed use	97	92 789	15.50%	1.15%	12 263 184	1 068 200 000	Rode & Associates

No.	Property Name	Registered Location	Sub Sector	Weighted Average Rental per m ² (R/m ²)	Rentable Area (GLA)m ²	Existing Undivided Share of CISIP being acquired by Subco in the Exchange	Additional Undivided Shares to be Acquired by Subco in the Acquisition	Purchase Price (R) payable in the 30 September Acquisition ¹	100% Property Valuation as at 30 September 2018	Independent External Property Valuer
5	Eastgate Complex	Erven 1 and 2 Oospoort, Erven 3 and 4 Oospoort Extension 1 and Portions 1050, 1051, 1052 and 1056 of Farm 90 Elandsfontein, IR 43 Bradford Road Bedfordview Johannesburg Gauteng Province	Retail	412	145 240	31.00%	2.30%	198 952 418	8 665 000 000	Jones Lang Lasalle IP, Inc.
6	Liberty Midlands Mall	Erf 10143 Pietermaritzburg Sanctuary Road Pietermaritzburg KwaZulu-Natal	Retail	278	55 973	31.00%	2.30%	58 135 894	2 532 000 000	Jones Lang Lasalle IP, Inc.
7	Liberty Promenade Shopping Centre	Erf 59229 Mitchells Plain Corner of A Z Berman Drive, Morgenster Road and 11th Avenue Mitchells Plain Cape Town Western Cape	Retail	176	73 400	31.00%	2.30%	36 943 386	1 609 000 000	Jones Lang Lasalle IP, Inc.
8	Nelson Mandela Square	Portion 7 of Erf 575 and Erf 548 Sandown Ext. 49 Portion 688 of the Farm Zandfontein 42 IR Erf 239 Sandhurst Ext. 3 5th Street Sandton Johannesburg Gauteng Province	Retail	372	38 795	31.00%	2.30%	42 155 411	1 836 000 000	Jones Lang Lasalle IP, Inc.

No.	Property Name	Registered Location	Sub Sector	Weighted Average Rental per m ² (R/m ²)	Rentable Area (GLA)m ²	Existing Undivided Share of CISIP being acquired by Subco in the Exchange	Additional Undivided Shares to be Acquired by Subco in the Acquisition	Purchase Price (R) payable in the 30 September Acquisition ¹	100% Property Valuation as at 30 September 2018	Independent External Property Valuer
9	Sandton City Complex	Erf 242 and Erf 247 Sandhurst Ext. 3 Erf 590 Sandown Ext. 38 Erf 602 Sandown Ext. 4 Portion 724 of the Farm Zandfontein 42 IR bounded by Rivonia Road, 5th Street, Alice Lane and Sandton Drive Sandton Johannesburg Gauteng Province	Retail	454	199 140	23.25%	1.72%	235 085 299	13 651 600 000	Jones Lang Lasalle IP, Inc.
10	Melrose Arch	Erf 181 Melrose North	Retail	264	199 216	7.75%	0.57%	42 577 539	7 417 540 000	Jones Lang Lasalle IP, Inc.
11	Botshabelo Mall	Portion 2 and Portion 3 of Erf 1 Botshabelo-H	Retail	104	20 390	21.70%	1.61%	4 658 403	289 840 000	Rode & Associates
12	John Ross Eco Junction – Tangawizi	Portions 18 – 22 and Portions 25 – 35 and Portions 37 – 50 of Erf 11451 Richards Bay	Industrial	62	7 060	31.00%	2.30%	1 499 777	65 320 000	Rode & Associates
13	John Ross Eco Junction – Estate ²	Portions 18 – 22 and Portions 25 – 35 and Portions 37 – 50 of Erf 11451 Richards Bay	Vacant land	–	–	31.00%	2.30%	3 543 029	154 310 000	Rode & Associates

No.	Property Name	Registered Location	Sub Sector	Weighted Average Rental per m ² (R/m ²)	Rentable Area (GLA)m ²	Existing Undivided Share of CISIP being acquired by Subco in the Exchange	Additional Undivided Shares to be Acquired by Subco in the Acquisition	Purchase Price (R) payable in the 30 September Acquisition ¹	100% Property Valuation as at 30 September 2018	Independent External Property Valuer
14	John Ross Eco Junction – Melomed	Portions 18 – 22 and Portions 25 – 35 and Portions 37 – 50 of Erf 11451 Richards Bay	Hospital	183	13 809	21.70%	1.61%	6 243 294	388 450 000	Rode & Associates
15	Sandton Convention Centre	Erf 596 Sandown Extension 38 bounded by Maude Street, 5th Street, Alice Lane and West Street Sandton Johannesburg Gauteng Province	Hotel and conference	146	57 910	–	24.98%	154 423 886	618 300 000	Jones Lang Lasalle IP, Inc.
16	Garden Court Sandton Hotel ³	Erf 596 Sandown Extension 38 bounded by Maude Street, 5th Street, Alice Lane and West Street Sandton Johannesburg Gauteng Province	Hotel and conference	263	17 757	–	24.98%	199 601 269	799 186 369	Jones Lang Lasalle IP, Inc.

No.	Property Name	Registered Location	Sub Sector	Weighted Average Rental per m ² (R/m ²)	Rentable Area (GLA)m ²	Existing Undivided Share of CISIP being acquired by Subco in the Exchange	Additional Undivided Shares to be Acquired by Subco in the Acquisition	Purchase Price (R) payable in the 30 September Acquisition ¹	100% Property Valuation as at 30 September 2018	Independent External Property Valuer
17	Sandton Sun Hotel and InterContinental Sandton Towers Hotel	InterContinental Sandton Towers Hotel	Hotel and conference							
	Sandton Towers Hotel ⁴	Erf 596 Sandown Extension 38 bounded by Maude Street, 5th Street, Alice Lane and West Street Sandton Sun Hotel Erf 242 and Erf 247 Sandhurst Ext. 3 Erf 590 Sandown Ext. 38 Erf 602 Sandown Ext. 4 Portion 724 of the Farm Zandfontein 42 IR bounded by Rivonia Road, 5th Street, Alice Lane and Sandton Drive Sandton Johannesburg Gauteng Province		52	64 674	–	24.98%	143 010 274	572 600 876	Jones Lang Lasalle IP, Inc.
18	Virgin Active and Parkade ⁵	Erf 596 Sandown Extension 38 bounded by Maude Street, 5th Street, Alice Lane and West Street Sandton Johannesburg Gauteng Province	Other	167	3 406	–	24.98%	22 053 419	88 300 000	Jones Lang Lasalle IP, Inc.

No.	Property Name	Registered Location	Sub Sector	Weighted Average Rental per m ² (R/m ²)	Rentable Area (GLA)m ²	Existing Undivided Share of CISIP being acquired by Subco in the Exchange	Additional Undivided Shares to be Acquired by Subco in the Acquisition	Purchase Price (R) payable in the 30 September Acquisition ¹	100% Property Valuation as at 30 September 2018	Independent External Property Valuer
19	Hotel operations – net working capital		Other	–	–	–	24.98%	20 200 435	80 880 811	–
Total				1 049 451				1 200 000 000	40 648 928 056	

Notes:

1. Purchase price represents the percentage of the LPP acquired from LGL.
2. John Ross Eco Junction – Estate is vacant land and as such has no weighted average rental or GLA.
3. Weighted average rental for hotel calculated based on gross income from hotel operations divided by the hotel operating areas.
4. Weighted average rentals for hotels calculated based on gross income from hotel operations divided by GLA.
5. Virgin Active and Parkade GLA figure excludes Parkade as Parkade does not have an allocated GLA but rather a number of parking bays.
6. The effective date of the acquisitions is 1 October 2018.

SALIENT FEATURES OF THE LIBERTY TWO DEGREES RESTRICTED SHARE PLAN

SUMMARY OF THE PRINCIPAL TERMS OF THE LIBERTY TWO DEGREES RESTRICTED SHARE PLAN (“PLAN”)

Introduction

Liberty Two Degrees Limited (the “**Company**”) has adopted a share-based incentive plan for senior employees of the Company and its subsidiaries (“**Group**”), which is known as The Liberty Two Degrees Restricted Share Plan (“**Plan**”). The Plan was originally established by the Manager, but all of the Manager’s rights and obligations in connection with the Plan will be assigned to the Company with effect from the day on which the Company acquires all of the issued shares of the Manager.

The Plan provides for two methods of participation therein, namely the deferred plan and the long-term incentive plan (“**LTIP**”).

The purpose of the deferred plan is to align the interests of participants more closely with those of shareholders by deferring a portion of incentive remuneration earned in terms of the short-term incentive scheme, over a certain threshold (established annually by the remuneration committee), by investing it in ordinary shares (“**Shares**”) of the Company and thereby resulting in participation in longer-term group performance.

The purpose of the LTIP is to drive a longer-term focus on Group results, and to retain key employees in leadership and critical skill roles. It also provides alignment with shareholders in that long-term value creation is incentivised through settlement of these awards in Shares.

Accordingly, the Plan has been adopted for the following reasons:

- to incentivise performance and execution of the Group’s strategic plans;
- to help attract and retain talented employees;
- to create alignment with shareholder interests; and
- to focus on sustained growth for shareholders.

The key features and salient terms of the Plan are set out below.

The Liberty Two Degrees Restricted Share Plan Trust (“**Trust**”)

The Plan is administered through a Trust having a minimum of three trustees and a maximum of five trustees, with decisions taken by a majority vote. The current trustees are Angus William Balharrie Band, Yunus Goolam, Hoosen Suleman and Susan Louise Botha. New L2D intends to replace these trustees in the future with Wolf Cesman, Zaida Adams and Brian Azizollahoff. Trustees may not participate in the Plan and executive directors of the Company may not be trustees. The remuneration committee of the board of directors of the Company (“**Remco**”) appoints the trustees and a trustee will cease acting as such if removed by Remco, if he or she resigns or if he or she is disqualified from acting as a director of a company.

Trustees may be remunerated for the services that they render and be reimbursed in respect of expenses incurred in that role.

The Trust will purchase Shares from persons other than members of the Group in order to satisfy the requirements of the Plan and no Shares shall be issued for such purpose. Accordingly, the Plan is not dilutive and is not governed by Schedule 14 of the JSE Listings Requirements. The Trust shall hold one Share for each Share (“**Restricted Share**”) that has been awarded to participants in terms of the Plan.

Plan and individual limits

The maximum number of Shares that may be acquired by all participants in terms of the Plan adopted by the Company is 45 422 150 Shares and any one participant cannot acquire in excess of 4 542 215 Shares under the Plan. The aforesaid number of Shares equate to 5% and 0.5% of the issued Shares of the Company, respectively, as at the date on which the Company acquires the shares of the Manager. The aforesaid numbers of Shares will be increased or decreased proportionally on a subdivision or consolidation of issued Shares in the Company.

Eligibility

Any employee of the Group selected by Remco, who is not a trustee, may participate in the Plan. In respect of the LTIP, Remco will consider, *inter alia*, the following in determining who should participate and to what extent, namely: the level of the employee, the job function of the employee, the role, skill and/or ability of the employee to influence the Group's strategy or performance or the share price of the Company. For the purposes of determining who should participate in the deferred plan, Remco will consider the deferral of annual incentives based on thresholds and a deferral percentage that is agreed with Remco on an annual basis.

The LTIP method of participation

Awards under the LTIP are made when Remco determines it to be appropriate, but will normally be made once per financial year of the Company in February or March.

Under the LTIP, participants are awarded Restricted Shares that vest in three equal tranches 36, 48 and 60 months after the award date selected by Remco in respect of an award. Remco may at the time of making awards under the LTIP impose performance criteria on vesting. The number of Restricted Shares that are to vest may be adjusted downwards if the performance criteria are not met.

In addition to imposing performance criteria on participants, under the LTIP, it is possible for Remco to impose appropriate Company performance conditions on the vesting of any tranche of Restricted Shares to vest under an award. Such Company performance conditions may prevent or postpone, in whole or in part, the vesting of any tranche of Restricted Shares.

Pending vesting, Restricted Shares are registered in the name of the Trust. As such, participants will not exercise the voting rights attached to Restricted Shares until after vesting. However, any distributions on Restricted Shares held by the Trust and allocated to a participant will vest in and be paid to that participant.

If the employment of a participant terminates as a result of a no-fault termination (for example, as a result of illness, dismissal for operational requirements, or the undertaking in which he or she is employed ceases to be a part of the Group) his or her LTIP Restricted Shares will continue to vest over time as if he or she had not ceased to be an employee and on the assumption that all performance criteria (if any) imposed on vesting had been met. However, any Company performance conditions imposed on the vesting of any tranche of performance Shares will continue to apply unaffected by such no fault termination. If an employee dies, the vesting of LTIP Restricted Shares is accelerated and his or her heirs or executors will receive all such Shares on the assumption that all performance criteria and Company performance conditions had been satisfied. If the employment of a participant with any member of the Group terminates for any reason other than those stipulated above, the participant shall be deemed to have forfeited any and all LTIP Restricted Shares to which he or she would otherwise have been entitled, unless Remco in its discretion decides to treat the participant more favourably.

The deferred plan method of participation

Awards under the deferred plan are made when Remco determines it be appropriate, but will normally be made once per financial year of the Company in February or March.

Under the deferred plan, participants are awarded Restricted Shares that vest in three equal tranches 18, 30 and 42 months after the award date selected by Remco in respect of an award. Apart from being in the employ of the Company at vesting, and the forfeiture arrangements noted below, no further conditionality has been applied. The incentive remuneration is earned by participants for past performance in achieving annual financial targets and key performance indicators. Payment is deferred and converted into Restricted Shares.

Pending vesting, Restricted Shares are registered in the name of the Trust. As such, participants will not exercise the voting rights attached to Restricted Shares until after vesting. However, any distributions on Restricted Shares held by the Trust and allocated to a participant will vest in and be paid to that participant.

If the employment of a participant terminates as a result of a no-fault termination (for example, as a result of illness, dismissal for operational requirements, or the undertaking in which he or she is employed ceases to be a part of the Group) his or her deferred Restricted Shares will continue to vest over time as if he or she had not ceased to be an employee. If an employee dies, the vesting of deferred Restricted Shares is accelerated and his or her heirs or executors will receive all such Shares immediately. If the employment of a participant with any member of the Group terminates for any reason other than those stipulated above, the participant shall be deemed to have forfeited any and all deferred Restricted Shares to which he or she would otherwise have been entitled, unless Remco in its discretion decides to treat the participant more favourably.

Awards of deferred Restricted Shares shall be forfeited and cancelled if the financial results of the Company for the year on which an award is based or for any year between the award date and vesting, subsequently appear to be materially inaccurate and Remco determines a participant has contributed to such inaccuracy or if the Company makes financial losses or if Remco concludes that the participant has breached one of various Company policies. The vesting date applicable to deferred Restricted Shares will be postponed pending investigations and other procedures being carried out to determine whether the forfeiture provision contained in the Plan applies in respect of a participant.

General provisions applicable to the Plan and both methods of participation therein

No consideration shall be payable by the participant to receive an award or on the vesting of such award.

Shares held by the Trust shall not have their votes at general or annual general meetings of the Company taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements. Such Shares shall also not be taken into account for purposes of determining categorisations as detailed in section 9 of the JSE Listings Requirements.

Adjustments may be made to the rights of participants if the Company undertakes or undergoes a rights offer or capitalisation issue. Adjustments will be communicated to affected participants by Remco in the manner determined by Remco. Adjustments may only be made to the rights of a participant, if such adjustments are determined by Remco and the auditors of the Company to be fair and reasonable. In the event of a change in control of the Company, Remco may vary vesting dates and/or the number of Restricted Shares to vest or determine that Restricted Shares be substituted by benefits in terms of another scheme or plan to place the participant in a similar position to the position he or she was in prior to the change of control.

Awards will not be granted during a closed period.

All taxes attributable to participation in the plan are for the account of participants.

In addition, a participant is entitled to nominate a family trust to accept an award or acquire Shares on such participant's behalf.

Remco and the trustees may amend any provision of the Plan provided that an amendment affecting the vested rights of a participant requires the consent of that participant.

FINANCIAL INFORMATION OF NEW L2D

NATURE OF BUSINESS

The company is engaged in property investment and operates principally in South Africa.

AUDITORS

PricewaterhouseCoopers Inc. has been appointed as external auditor in accordance with section 90 of the Companies Act, 2008.

These financial statements have been reviewed by our external auditor PricewaterhouseCoopers Inc. in compliance with the applicable requirements of the Companies Act, 2008. The preparation of the financial statements were supervised by José Snyders CA(SA).

Incorporation

The company is a public company and was incorporated on 10 July 2018, in the Republic of South Africa.

Nature of business

The company is engaged in property investment and operates principally in South Africa.

Financial results

As at 10 July 2018, the company did not trade and thus had no comprehensive income.

Dividends

As at 10 July 2018, the company declared and paid no dividends.

Share capital

The authorised share capital of the company is 5 000 000 000 ordinary shares. The issued share capital of the company is 1 ordinary share at R10. Further details of the company's share capital are contained in note 3 to the financial statements.

Subsequent events

There were no events that have occurred after the end of the reporting period that would materially affect the reported results, or would require additional disclosure in this report, other than those disclosed in note 7, events after the reporting period.

STATEMENT OF FINANCIAL POSITION as at 10 July 2018

	Notes	2018 R
ASSETS		
Current assets		
Cash and cash equivalents	2	10
Total assets		10
Equity		
Ordinary shareholders' interest		
Share capital	3	10
Total equity		10
Total equity and liabilities		10

STATEMENT OF CHANGES IN EQUITY as at 10 July 2018

	Share capital R	Retained earnings R	Total R
Share capital issued	10	–	10
Total comprehensive income	–	–	–
Shareholders' equity at 10 July 2018	10	–	10

STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF CASH FLOWS

No statement of comprehensive income and statement of cash flows has been prepared as the company did not trade as at 10 July 2018, and thus had no comprehensive income and/or cash flows.

1. **ACCOUNTING POLICIES**

1.1 **Basis of preparation**

The 2018 financial statements of Liberty Two Degrees Limited have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and comply with the South African Companies Act, No. 71 of 2008.

All amounts are shown in rands unless otherwise stated.

IFRS comprise International Financial Reporting Standards, International Accounting Standards and Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The standards referred to are set by the International Accounting Standards Board (IASB).

The financial statements have been prepared in compliance with IFRS and interpretations for year ends commencing on or after 1 January 2018.

The financial statements have been prepared on the historical cost basis.

Changes in accounting policies as at 10 July 2018

The IASB has issued narrow-scope amendments which are effective retrospectively for the annual periods commencing on 1 January 2018, none of which are expected to have a material impact on the company's financial statement disclosures or financial results.

New or amended standards for the current financial year that are not yet effective

None of the new or amended standards issued, which are not yet effective for the current financial year that could significantly impact the company results or disclosures have been identified.

1.2 **Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.3 **Cash and cash equivalents**

Cash and cash equivalents comprises of cash balances. Cash and cash equivalents are short-term with an initial term of three months or less, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**2018
R**

2. **CASH AND CASH EQUIVALENTS**

Total cash and cash equivalents

Comprising:

Petty cash 10

Balance as at 10 July 2018 10

3. **SHARE CAPITAL**

Authorised share capital

5 000 000 000 ordinary shares

Issued share capital

1 ordinary share of R10 each 10

4. RELATED PARTY DISCLOSURES

List of related parties as defined:

Key management personnel

Details of the directors of Liberty Two Degrees Limited are on page 16.

The director A. Beattie is also the Chief Executive Officer of Liberty Two Degrees (L2D), a portfolio established under the Liberty Two Degrees Scheme, a director in 2 Degrees Properties Proprietary Limited, and a director in STANLIB Reit Fund Managers (RF) Proprietary Limited (SRFM). The director J Snyders is also the Chief Financial Officer of Liberty Two Degrees (L2D), a portfolio established under the Liberty Two Degrees Scheme and a director in STANLIB Reit Fund Managers (RF) Proprietary Limited (SRFM). The director A. Band is also a non-executive director of Liberty Two Degrees (L2D), a portfolio established under the Liberty Two Degrees Scheme, and a director in Stanlib Reit Fund Managers (RF) Proprietary Limited (SRFM).

Please refer to note 7, events after the reporting period for detail.

It is not considered necessary to disclose details of key management family members and their influenced or controlled separate entities. To the extent specific transactions have occurred between the group and these related parties (as defined in IAS 24) the details are included in the aggregate disclosure contained below under key management and where significant full details of all relationships and terms of the transaction are provided.

A.1 Transactions with key Management

No specific transactions were entered into or compensation was paid by the company to key management personnel, as defined.

B Shareholders	%
Amelia Beattie	100
C Directors' remuneration	R
Amelia Beattie	–
José Snyders	–
Angus Band	–

5. RISK MANAGEMENT

5.1 Risk governance structures, roles and responsibilities

The board of directors of Liberty Two Degrees Limited are primarily responsible for ensuring the company's activities are within the Liberty Two Degrees (L2D) adopted risk management framework.

5.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in interest rates.

As at 10 July 2018, the company had no balances exposed to interest rate risk.

5.3 Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation on an asset held and cause the company to incur a financial loss.

As at 10 July 2018, the company had no balances exposed to credit risk and consequently did not consider there to be a significant concentration of credit risk thus no provision for credit risk has been made.

5.4 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The company's assets are liquid, refer to note 2 for further details.

Management of risk

Liquidity requirements and cash resources are monitored by reviewing cash flow activity.

6. **GOING CONCERN**

The financial statements have been prepared on a going concern basis and nothing has come to the attention of the directors to indicate that the company would not remain a going concern for the foreseeable future.

7. **EVENT AFTER THE REPORTING DATE**

In line with IAS 10 Events after the reporting period, the company intends on entering into an amalgamation transaction with L2D, a portfolio established under the Liberty Two Degrees Scheme, post reporting date. In terms of the transaction, L2D will transfer its current share in the Liberty Property Portfolio (LPP) to Liberty Two Degrees Limited by means of an amalgamation, resulting in the termination of L2D. The property currently held by L2D will be transferred to 2 Degrees Properties Proprietary Limited. Liberty Two Degrees Limited will be the holding company of both STANLIB REIT Fund Managers (RF) Proprietary Limited as well as 2 Degrees Properties Proprietary Limited. Listing of Liberty Two Degrees Limited is expected to occur on 26 September 2018.

8. **COMPARATIVES**

As Liberty Two Degrees Limited was incorporated effective 10 July 2018, no comparatives have been included in this set of financial statements.

Independent auditor's report

To the Shareholder of Liberty Two Degrees Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Liberty Two Degrees Limited (the Company) as at 10 July 2018, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Liberty Two Degrees Limited's financial statements comprise:

- the statement of financial position as at 10 July 2018;
- the statement of comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Other information

The directors are responsible for the other information. The other information comprises the information included in the Financial Statements as at 10 July 2018, which includes the Administration information, Approval of the financial statements, and the Directors' report as required by the Companies Act of South Africa. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc. Director: J. Basson
Registered Auditor

Johannesburg
23 July 2018



Liberty Two Degrees

JSE code: L2D ISIN: ZAE000230553

(Approved as a REIT by the JSE)

a portfolio established under the Liberty Two Degrees Scheme, a collective investment scheme in property established in terms of the Collective Investment Schemes Control Act, No 45 of 2002, as amended, and managed by

STANLIB REIT Fund Managers (RF) Proprietary Limited

(Registration number 2007/029492/07)

("the Manager" or "STANLIB REIT Fund Managers")

NOTICE OF GENERAL MEETING

All terms defined in the Circular to which this Notice of General Meeting is attached ("Circular") shall bear the same meanings herein.

Notice is hereby given that a general meeting of Unitholders will be held at Standard Bank, 30 Baker Street, Rosebank, 2196, at 12:00 on Tuesday, 28 August 2018 (the "**General Meeting**"), for the purpose of considering and, if deemed fit, passing with or without modification, the resolution set out below ("**Resolution**").

Unitholders are reminded that:

- a Unitholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend, participate and vote at the General Meeting in the place of the Unitholder;
- Unitholders are referred to the attached form of proxy in this regard and the date by which it must be received as set out below; and
- a proxy need not be a Unitholder.

Important dates to note in relation to the General Meeting

2018

Record date to be entitled to receive this Circular	Friday, 20 July
Last day to trade to be recorded in the CISIP register in order to be eligible to vote at the General Meeting	Tuesday, 21 August
Record date in order to be eligible to participate in and vote at the General Meeting	Friday, 24 August

Resolution – Approval of the Proposed Transactions

"RESOLVED THAT:

- A. The series of inter-conditional Proposed Transactions whereby the CISIP will be reconstituted as a Corporate REIT, which Proposed Transactions comprise, in particular:
1. the disposal by the CISIP of all its business assets and liabilities (other than the liability in relation to the Final CISIP Distribution and assets necessary to settle the Final CISIP Distribution) to Subco in consideration for shares in Subco in accordance with the Exchange Agreement;
 2. the transfer by the CISIP of all its remaining assets and liabilities other than the liability in relation to the Final CISIP Distribution and assets necessary to settle the Final CISIP Distribution) to New L2D in accordance with the Amalgamation Agreement in accordance with section 44 of the Income Tax Act and the resultant simultaneous:
 - 2.1 distribution by the CISIP of all of the issued New L2D Shares, which will be issued directly to Unitholders, who will receive one New L2D Share for every Unit held;
 - 2.2 Listing of New L2D in the Diversified REITs sector of the JSE, in terms of the FTSE classification, under the abbreviated name: "Liberty2Degrees", JSE share code: L2D and ISIN: ZAE000260576;

- 2.3 termination of the listing of the CISIP from the Main Board of the JSE followed by the voluntary winding up of the CISIP;
3. the internalisation of the management of the CISIP by New L2D purchasing the issued shares of the Manager, which has concluded the New Asset Management Agreement, for R300 million plus interest in accordance with the Sale of Shares Agreement;
4. the Acquisition by Subco of the Additional Properties from LGL for R1.2 billion in accordance with the Acquisition Agreement and the cancellation of the Put Option by the omission thereof from the New Relationship Agreement,

and in respect of which the aggregate of the estimated transaction costs to be incurred by either New L2D or Subco is approximately R16.2 million as further detailed in paragraph 22 of the Circular, all on the terms, and subject to the conditions, contained in the Contracts as summarised in the Circular to Unitholders to which a copy of this notice of General Meeting is attached, be and are hereby approved.

- B. The Manager and any Director of the Manager, is hereby authorised to
- i. do all things; and
 - ii. sign all documents required to give effect to; and
 - iii. implement the Proposed Transactions and this resolution.”

Requirements of the Notice

1. The General Meeting may be postponed or adjourned by agreement between the Trustee and the Manager, or as determined by Unitholders in terms of a resolution passed in terms of the Listings Requirements at the General Meeting, to another date and time, not being more than 120 days after the date on which the General Meeting was first convened. Details of the date and time of the postponed or adjourned General Meeting and the reasons therefor, must be given to the Authority and the Trustee and published on SENS and in the press.
2. Prior to the Manager proceeding with the implementation of the Proposed Transactions after the Resolution has been passed at the General Meeting, the Trustee must furnish to the Authority a statement confirming that:
 - a. the General Meeting was specially called to consider the Resolution;
 - b. proper notice of the General Meeting was given to Unitholders; and
 - c. Unitholders at the General Meeting passed the Resolution with the requisite majorities.

Voting requirements in terms of the Collective Investment Schemes Control Act, 2002

The Resolution must be approved by at least 75% of the votes of Unitholders present in person or by proxy at the General Meeting. In accordance with the Notice, the votes of LGL, the Manager and the Directors (and their associates) will be excluded from both the numerator and the denominator for the purposes of determining whether the General Meeting is quorate and whether the Resolution has been approved by the abovementioned majority, unless otherwise determined by the Authority.

Quorum in terms of the Trust Deed

In accordance with the provisions of the Trust Deed, a quorum for the purposes of a General Meeting is the presence in person or by proxy (or in the case of a Unitholder which is a body corporate, a representative) of at least three Unitholders who are entitled to exercise, in aggregate, at least 25% of the voting rights that may be exercised at the General Meeting.

FORM OF PROXY

A form of proxy is attached for the convenience of any Unitholder holding certificated Units who will not attend the General Meeting and wishes to be represented thereat. Forms of proxy may also be obtained on request from the registered offices of the CISIP.

All completed forms of proxy or letters of representation must be deposited at or posted to the office of the Transfer Secretaries of the CISIP to be received by no later than 12:00 on Monday, 27 August 2018 and may also be handed to the chairman at the commencement of the General Meeting. Proxy forms may further be

delivered to the CISIP “at any time” as provided in section 58(1) of the Companies Act. A time limit which renders a proxy instrument invalid if delivered late, is void.

Any Unitholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the General Meeting should the Unitholder subsequently decide to do so.

Dematerialised Unitholders who have elected “own name” registration in the sub-register through a CSDP and who are unable to attend but who wish to vote at the General Meeting should complete and return the attached form of proxy in accordance with the instructions contained therein and lodge it with the Transfer Secretaries, by no later than 12:00 on Tuesday, 27 August 2018.

Dematerialised Unitholders who have not elected “own name” registration in the sub-register through a CSDP and who wish to attend the General Meeting must instruct their CSDP or broker to issue them with a letter of representation or proxy form.

Dematerialised Unitholders who have not elected “own name” registration in the sub-register through a CSDP and who are unable to attend but who wish to vote at the General Meeting should ensure that the person or entity (such as a nominee) whose name has been entered into the sub-register maintained by a CSDP or broker completes and returns the attached form of proxy in terms of which they appoint a proxy to vote at the General Meeting.

By order of the Board

STANLIB REIT Fund Managers (RF) Proprietary Limited

27 July 2018

Transfer Secretaries

Hand deliveries to:

Computershare Investor Services Proprietary Limited

Rosebank Towers

15 Biermann Avenue

Rosebank, 2196

Postal deliveries to:

PO Box 61051, Marshalltown, 2107



LIBERTY two°degrees

Liberty Two Degrees

JSE code: L2D ISIN: ZAE000230553
(Approved as a REIT by the JSE)

a portfolio established under the Liberty Two Degrees Scheme, a collective investment scheme in property established in terms of the Collective Investment Schemes Control Act, No 45 of 2002, as amended, and managed by

STANLIB REIT Fund Managers (RF) Proprietary Limited

(Registration number 2007/029492/07)

(“the Manager” or “STANLIB REIT Fund Managers”)

FORM OF PROXY

For use by Unitholders, who were registered as unitholders on Friday, 24 August 2018, holding certificated Units, dematerialised unitholders who have elected “own name” registration, nominee companies of CSDP and brokers nominee companies (“**Unitholders**”), at the general meeting of Unitholders to be held at 12:00 on Tuesday, 28 August 2018 at Standard Bank, 30 Baker Street, Rosebank (the “**General Meeting**”).

Not for use by dematerialised Unitholders who have not elected “own name” registration. Such Unitholders must contact their CSDP or broker timeously if they wish to attend and vote at the General Meeting and request that they be issued with the necessary letter of representation or this completed proxy form to do so, or provide the CSDP or broker timeously with their voting instruction should they not wish to attend the General Meeting in order for the CSDP or broker to vote in accordance with their instructions at the General Meeting.

I/We _____ (full names in block letters)

of (Address) _____

Telephone number _____ Cellphone number _____

Email address _____

being a holder/s of Units hereby appoint

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the chairman of the General Meeting,

as my/proxy to attend and speak and vote for me/us and on my/our behalf at the General Meeting and at any adjournment thereof, in the following manner:

		For	Against	Abstain
1.	Resolution – approval of the Proposed Transactions			

Insert an “X” in the relevant space above according to how you wish your votes to be cast. If no “X” is marked, the proxy will be entitled to vote as he/she thinks fit. If more than one “X” is inserted, the proxy will be deemed to have abstained.

This proxy shall be valid only for the General Meeting to be held on Tuesday, 28 August 2018 and any postponement or adjournment thereof.

Signed at _____ this _____ day of _____ 2018

Signature _____

Assisted by me (if applicable) _____

Please read the notes on the reverse side hereof.

Each Unitholder entitled to attend and vote at the abovementioned General Meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a Unitholder.

Forms of proxy must be deposited at Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to PO Box 61051, Marshalltown, 2107 so as to be received by no later than 12:00 on Monday, 27 August 2018 and may also be handed to the chairman at the commencement of the General Meeting. Proxy forms may further be delivered to the CISIP "at any time" as provided in section 58(1) of the Companies Act. A time limit which renders a proxy instrument invalid if delivered late, is void.

Notes:

1. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
2. Unitholders that are certified or own-name dematerialised Unitholders, entitled to attend and vote at the General Meeting may insert the name of a proxy or the names of two alternative proxies of the Unitholder's choice in the space/s provided, with or without deleting "the chairman of the General Meeting", but any such deletion must be initialled by the Unitholder(s). Such proxy/ies may participate in, speak and vote at the General Meeting in the place of that Unitholder at the General Meeting. The person whose name stands first on this form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy the chairperson shall be deemed to be appointed as the proxy.
3. A Unitholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Unitholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy in the case of any proxy other than the chairman, to vote or abstain from voting as deemed fit and in the case of the chairman to vote in favour of the resolution.
4. A Unitholder or his/her proxy is not obliged to use all the votes exercisable by the Unitholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the Units held by the Unitholder.
5. A Unitholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the CISIP. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Unitholder as at the later of the date stated in the revocation instrument, if any, or on the date on which the revocation instrument was delivered in the required manner.
6. A vote given in terms of an instrument of proxy shall be valid in relation to the General Meeting, notwithstanding the death of the person granting it or the transfer of the Units in respect of which the vote is given, unless an intimation in writing of such death or transfer is received by the Transfer Secretaries not less than 48 hours before the commencement of the General Meeting.
7. The chairman of the General Meeting may reject or accept any form of proxy which is completed and/or received, otherwise than in compliance with these notes, provided that, in respect of acceptances, the chairman is satisfied as to the manner in which the Unitholder concerned wishes to vote.
8. The completion and lodging of this form of proxy will not preclude the relevant Unitholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Unitholder wish to do so.
9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the CISIP or the Transfer Secretaries or waived by the chairman of the General Meeting.
10. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the CISIP or the Transfer Secretaries.
11. Where there are joint holders of Units, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of Unitholders, will be accepted and only that holder whose name appears first in the register in respect of such Units need sign this form of proxy.