Consolidated Annual Financial Statements

for the year ended 31 December **2020**

two°degrees

LIBERTY

CONTENTS

PREPARATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020

The preparation of the consolidated annual financial statements of Liberty Two Degrees Limited for the year ended 31 December 2020 was supervised by José Snyders CA(SA) in his capacity as Financial Director.

These consolidated annual financial statements have been audited by PricewaterhouseCoopers Inc. in accordance with the requirements of the Companies Act of South Africa, 2008 and are available free of charge on the request of an investor as well as on the Liberty Two Degrees website.

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Liberty Two Degrees Limited. These consolidated annual financial statements comprise the statements of financial position as at 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, as well as the accounting policies and the notes to the consolidated annual financial statements. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2008, as amended, and the JSE Listings Requirements. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal controls as the directors determine necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these consolidated annual financial statements.

The directors have made an assessment of the ability of Liberty Two Degrees Limited and its subsidiaries to continue as a going concern and have no reason to believe that the business will not be a going concern for the year ahead.

The auditor is responsible for reporting on whether the consolidated annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020

The consolidated financial statements of Liberty Two Degrees Limited and its subsidiaries, as identified in the first paragraph, were approved by the Board on 21 February 2021 and are signed by:

Angus Band
Chairman

Amelia Beattie
Chief Executive

21 February 2021

APPROVAL BY THE CHIEF EXECUTIVE AND FINANCIAL DIRECTOR

for the year ended 31 December 2020

The directors whose names are stated below, hereby confirm that:

a. the annual financial statements set out on pages 12 to 85, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
b. no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
c. internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
d. the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditor the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Amelia Beattie
Chief Executive

21 February 2021

José Snyders
Financial Director

CERTIFICATE BY COMPANY SECRETARY

for the year ended 31 December 2020

In terms of section 88(2)(e) of the Companies Act 2008, as amended, I declare that to the best of my knowledge, for the year ended 31 December 2020, Liberty Two Degrees Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.

Ben Swanepoel
Company Secretary

21 February 2021

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 December 2020

The audit and risk committee (ARC) is pleased to present its report for the financial year ended 31 December 2020, as required in terms of the Companies Act No. 71 of 2008 of South Africa.

Composition and functions

The ARC is an independent statutory committee appointed by the shareholders and comprises three independent directors of the Board of Liberty Two Degrees Limited (the company). The ARC operates under a board approved mandate covering its statutory responsibilities, as well as additional responsibilities delegated by the Board.

Four scheduled ARC meetings and two unscheduled ARC meetings were held during the year under review.

Discharge of responsibilities

The Chief Executive, Financial Director, Finance Executive and Chief Risk and Compliance Officer attend ARC meetings. The external and internal auditors attend ARC meetings by invitation. The external and internal auditors meet independently with the ARC when required. The ARC has operated in compliance with the terms of reference contained in its board approved mandate and has discharged its responsibilities accordingly. These terms of reference, including roles and responsibilities, are aligned with the requirements of King IV, the Companies Act and other regulatory requirements. In instances where King IV principles and requirements have not been applied, these are explained in the Governance section of the company's 2020 integrated report.

External audit

The ARC considered the performance of the external auditor for the 2020 year and concluded that the performance and extent of audit coverage is satisfactory. At the meeting held on 16 February 2021, the ARC recommended that PricewaterhouseCoopers Inc. (PwC) be reappointed as external auditor for the 2021 year at the 2021 annual general meeting, and that Ms Julanie Basson be the designated auditor responsible for performing the function of auditor for the 2021 year.

PwC has been the auditor of the company for five years. The designated auditor responsible is rotated on a five-yearly basis. The 2020 year is the third year of Ms Julanie Basson's five-year term.

The ARC approved it's external audit plan and fees for the 2021 year and satisfied itself that the auditor is independent of the company and are able to conduct their audit functions without any undue influence from the company. The ARC has approved a policy for the provision of non-audit services and reviewed compliance with this policy for the year under review.

Findings reported by the external auditor on the results of their independent audits were considered by the ARC in its overall assessment of the effectiveness of the company's internal financial controls.

Specifically, the key audit matters for the 2020 year, as reported in the independent auditor's report, were discussed by the ARC. After reviewing and considering input from management and the external auditor, the ARC was satisfied that these matters have been appropriately reflected in the consolidated annual financial statements for the year ended 31 December 2020.

Internal audit

The ARC is responsible for ensuring and was satisfied that the internal audit control function is objective and has the necessary resources, standing and authority within the organisation to enable it to fulfil its duties. The head of internal audit has a functional reporting line to the ARC Chairman, and an operational reporting line to the Financial Director.

The ARC Chairman provides input on the assessment of the performance of the internal audit function. The effectiveness of the internal audit control function was considered to be satisfactory by the ARC. Internal audit operates according to an ARC approved internal audit mandate. The ARC approved it's internal audit plan and resourcing for the 2021 financial year.

Internal audit provides quarterly reports to the ARC. Reported findings and annual assurance statements provided by internal audit were considered by the ARC in its overall assessment of the effectiveness of the company's internal financial controls.

REPORT OF THE AUDIT AND RISK COMMITTEE CONTINUED
for the year ended December 2020

Internal financial controls

The ARC has approved a framework for the internal financial controls implemented by the company and its subsidiaries. Nothing has come to the attention of the ARC to indicate that there has been any material breakdown in the functioning of these controls, resulting in material unrecorded loss to the company, during the year and up to the date of this report. Accordingly, the ARC is satisfied that the internal financial reporting controls provide a reliable basis for the preparation of the consolidated annual financial statements.

The above overall assessment of the effectiveness of internal financial controls is based on consideration of information and explanations provided by management, the findings reported by internal audit and their annual assurance statements, and discussions with the external auditor on the results of their independent audits.

The ARC received no material notifications of any concerns or complaints regarding:

- The accounting practices and internal audit of the company;
- The content or auditing of the company's consolidated annual financial statements;
- The internal financial controls of the company; or
- Any related matter.

Combined assurance

The combined assurance model is aligned to the roles and responsibilities as articulated in the three lines of defence risk governance model. There is regular communication between business unit management and independent assurance providers, including internal and external audit. Assurance on the management of key risks is provided monthly, quarterly and annually depending on the provider and as such, results in efficient and effective combined assurance.

Financial director

The ARC has satisfied itself that the financial director has the appropriate expertise and experience required for the role.

Finance function

The ARC has satisfied itself as to the appropriateness of the expertise, resources and experience of the finance function.

Consolidated annual financial statements

The ARC has reviewed and recommended approval of the group and company consolidated and separate annual financial statements by the board.

Peter Nelson
Chairman
Audit and risk committee

21 February 2021

DIRECTORS' REPORT
for the year ended 31 December 2020

To the shareholders of Liberty Two Degrees Limited

Nature of the business

The group is engaged in property investments and operates principally in South Africa.

Financial results

The financial results for the year ended 31 December 2020 are set out in detail on pages 6 to 76 of these consolidated annual financial statements.

International financial reporting standards

The consolidated annual financial statements are prepared in terms of International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Stated capital

The company was incorporated on 10 July 2018 with an authorised stated capital of 5 000 000 000 ordinary shares of no par value. At 31 December 2020, there were 908 443 335 shares in issue, all of which rank for the dividend declared on 18 February 2021.

Dividend distributions

Subsequent to year-end, on 18 February 2021, the Board declared a final dividend of 32.33 cents per share for the year ended 31 December 2020, which will be paid on 23 March 2021.

The dividend amounting to 32.33 cents per share in aggregate have been determined with reference to the financial results of the company for the year ended 31 December 2020.

The dividends amounting to 32.33 cents per share in aggregate have been declared from distributable earnings and meet the requirement of a REIT 'qualifying distribution' for purposes of section 25BB of the Income Tax Act, No 58 of 1962, as amended.

The group uses distribution per share as a relevant measure of results for trading statement purposes.

Directorate

The directors of the company at the date of this report were:

Executive directors

- Amelia Beattie – Chief executive (Appointed: 10 July 2018)
- José Snyders – Financial director (Appointed: 10 July 2018)

Non-executive directors

- Angus Band – Chairman (Appointed: 10 July 2018)
- Wolf Cesman* – Lead independent director (Appointed: 19 July 2018)
- Lynette Ntuli* (Appointed: 19 July 2018)
- Zaida Adams* (Resigned as a director of the company with effect from 13 August 2020)
- David Munro (Appointed: 29 July 2019)
- Brian Azizollahoff (Resigned as a director of the company with effect from 2 August 2019)
- Peter Nelson* (Appointed: 26 May 2020)
- Puleng Makhoalibe* (Appointed: 21 October 2020)
- Babara Makhubedu* (Appointed: 21 October 2020)
- Craig Ewin* (Appointed: 1 January 2021)

** Independent*

Directors' emoluments and interests

Refer to note 20 of the consolidated annual financial statements for disclosure regarding directors' emoluments and directors' interests.

Service contracts

Executive directors retire from their positions and from the board (as executive directors) at the age of 65. Though normal retirement age is 65 years for executive directors, the company's retirement policy makes provision to extend the working relationship beyond the normal retirement age. The executive directors are subject to three calendar months' written notice under their existing employment contracts.

Shareholders' analysis

Refer to pages 99 to 101 of the consolidated annual financial statements for disclosure regarding shareholders' analysis.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Liberty Two Degrees Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Liberty Two Degrees Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year 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 consolidated and separate financial statements set out on pages 12 to 85 comprise:

- the consolidated and separate statements of financial position as at 31 December 2020;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year 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 (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

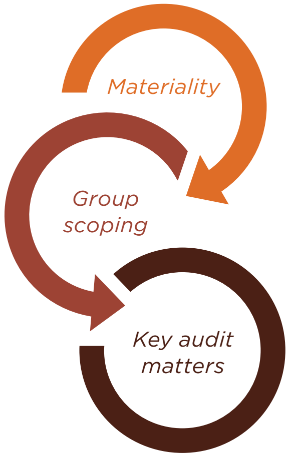
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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 corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Our audit approach

Overview



Overall group materiality

- *R69 million, which represents 1 % of the consolidated net asset value.*

Group audit scope

- *The Group consists of seven components, of which full scope audits were performed at two, an audit of certain account balances and transactions was performed on a further component, and analytical procedures were performed over the remaining components as they were deemed to be financially insignificant.*

Key audit matters

- *Valuation of investment properties at year-end (consolidated financial statements); and*
- *Impairment of investment in 2 Degrees Properties Proprietary Limited (separate financial statements).*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R69 million.
How we determined it	1% of the consolidated net asset value.
Rationale for the materiality benchmark applied	We chose consolidated net asset value as the benchmark because, in our view, it is the key benchmark against which the performance of the Group is most commonly measured by users of the financial statements.
	Although the entity is profit-orientated, its strategic focus is to deliver long-term shareholder returns through the acquisition and development of investment property. As a Real Estate Investment Trust (REIT), the users are likely to be more concerned with the net assets underlying the Group, as compared to its profitability. In addition, the loan-to-value ratio (value of loans compared to the value of assets) is a key metric for the Group.
	We chose 1% based on our professional judgement, and after consideration of the range of quantitative materiality thresholds that we would typically apply when using net assets to compute materiality.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's financial statements are a consolidation of the Company, its three subsidiaries, and a restricted employee share plan trust. The Group through its wholly owned subsidiary, 2 Degrees Properties Proprietary Limited, also holds a 8.3% and 25% undivided share in Melrose Arch Precinct and Liberty Hotels, respectively.

Our scoping included three components, two of which were financially significant components (based on its contribution to consolidated net assets), and one being a component of which identified financial statement line items were considered to be significant.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team and other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties at year-end. **This key audit matter relates to the consolidated financial statements only.**	
Refer to notes 1.4, 2.2, 5 and 10 to the consolidated financial statements. The majority of the Group's investment properties comprises retail investment properties. At 31 December 2020, the carrying value of the Group's total investment properties portfolio was R8.5 billion representing a R1.8 billion decrease compared to the prior year. The Group's accounting policy is to measure investment properties at their fair value based on bi-annual external valuations performed by independent valuers using the discounted cash flow model. The fair value is dependent on the inputs and assumptions into the valuation techniques applied and the inputs into the valuation model. The inputs made by management in determining the fair value of the investment properties are set out in Note 2.2 and Note 5 to the consolidated financial statements and include amongst others the key assumptions relating to property-specific exit capitalisation rates, discount rates and cash flows. The impact of COVID-19 and the associated impact on the property investment industry have resulted in changes to the inputs and assumptions into the valuation techniques applied and the inputs into the valuation models. We considered the year-end valuation of investment properties as a matter of most significance to our current year audit due to the: • inherent subjectivity of the key assumptions that underpin the valuation of investment properties and the heightened uncertainty involved in making these assumptions arising out of the COVID-19 pandemic; and • magnitude of the investment properties balance at year-end recorded in the consolidated statement of financial position, as well as the changes in fair value relating to the investment properties recorded in the consolidated statement of comprehensive income.	We obtained an understanding of the approaches followed by management and the independent valuers for the valuation of the Group's investment property portfolio through discussions with management and the external valuers, as well as inspection of minutes of meetings of the board of directors. We updated our understanding of and tested the relevant controls related to: • Entering and amending of leases in support of contractual rental income; • Setting and approval of budgets by the Group; • Consideration of external valuation reports by an internally appointed appraiser; and • Board approval of the valuations obtained. We have evaluated the independent valuers by assessing their competence, independence and capabilities with reference to their qualifications and industry experience, and noted no aspects requiring further consideration. On a risk-based sample basis, we assessed the calculation of the fair values in the external valuers' valuation reports by performing the following procedures: • Utilised our internal valuation expertise to assess the appropriateness of the valuation methodology and noted it to be consistent with industry norms; • Assessed the reasonableness of the cash flows of each property used by the valuers in the discounted cash flow models. This involved: – agreeing the current year cash flows used in the model to the actual results for the year ended; and – assessing the forecasted cash flows against market information. We noted no aspects in this regard requiring further consideration. • Assessed the reasonableness of the exit capitalisation rates, discount rates and vacancy rates against market related data for similar investment properties and based on our work performed, we accepted management's assumptions; and • Making use of our internal valuation expertise, we performed a high-level reasonability assessment on a sample of properties based on industry benchmarks referred to above, and noted them to be within an acceptable range. We inspected the final valuation reports and agreed the fair values to the Group's accounting records noting no material exceptions.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment of investment in 2 Degrees Properties Proprietary Limited.
This key audit matter relates to the separate financial statements only.</td></tr>
<tr><td>Refer to note 33 to the separate financial statements

The impact of COVID-19 and the associated impact on the property investment industry have resulted in a decrease in the fair value of the property portfolio held in 2 Degrees Properties Proprietary Limited.

Management performed an impairment test of the investment in subsidiaries, and compared the carrying amount of the investment in subsidiaries to the recoverable amount, which is determined using the value in use.

As a result of the impairment test performed, management recognised an impairment of R2.2 billion for the investment in the 2 Degrees Properties Proprietary Limited, resulting in a balance at year-end of R7 billion.

We considered the impairment of the investment in this subsidiary to be a matter of most significance in our current year audit due to:

• the judgement and estimates involved in the determination of the recoverable amount of 2 Degrees Properties Proprietary Limited; and
• the significance of the impairment recorded in the company statement of comprehensive income.</td><td>The following procedures were performed on management’s recoverable amount calculations, which included both the value-in-use and fair value less cost of disposal calculations:

To assess the reasonableness of the value-in-use determined by management, we performed the following procedures, making use of our valuation expertise:

• Assessed the future cash flows that are used in determining the value-in-use for reasonability based on historic market data and taking into account current economic conditions. We noted no aspects in this regard requiring further consideration;
• Assessed the appropriateness of the valuation methodology and assumptions used in determining the value-in-use with reference to industry norms. We noted no aspects in this regard requiring further consideration; and
• Reperformed management’s value-in-use calculation. No material exceptions were noted.

Based on the procedures performed, management’s value-in-use was found to be within an acceptable range.

To assess the reasonableness of the fair value less cost of disposal determined by management, we performed the following procedures:

• Obtained an understanding on how management determined the fair value through discussions with management and inspection of their fair value calculation; and
• Assessed the cost of disposal included in management’s calculation by performing a sensitivity analysis to consider the reasonableness thereof.

Based on the procedures performed, management’s fair value less cost of disposal was found to be within an acceptable range.

We noted that the value-in-use was higher than the fair value less cost of disposal and therefore accepted management’s conclusion that the recoverable amount should be based on value-in-use.

We recalculated the impairment by comparing the recoverable amount to the carrying value of the investment. No material exceptions were noted.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Liberty Two Degrees Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Liberty Two Degrees 2020 Annual Financial Statements"*, which includes the Directors' Report, the Report of the audit and risk committee and the Certificate by company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled *"Liberty Two Degrees Limited Integrated Annual Report and Annual Financial Statements for the year ended 31 December 2020"*, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate 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 consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and 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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 Group's and 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 Group's and 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 consolidated and separate 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 Group and / or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Liberty Two Degrees Limited for 5 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: J Basson

Registered Auditor

Johannesburg

21 February 2021

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

R'000	Notes	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Assets					
Non-current assets		**8 521 511**	10 163 254	**7 041 448**	9 199 236
Investment properties	5.2	**8 458 913**	10 112 155	**–**	–
Investment properties under development	5.3	**30 074**	32 768	**–**	–
Property plant and equipment	28	**716**	836	**–**	–
Investment in subsidiaries	33	**–**	–	**7 041 448**	9 199 236
Deferred tax asset	32	**31 808**	–	**–**	–
Financial assets – unlisted equity	7	**–**	17 495	**–**	–
Current assets		**378 501**	386 907	**186 384**	177 283
Trade and other receivables	6	**223 070**	253 241	**–**	–
IFRS 16 – lease asset	29	**–**	1 688	**–**	–
Amount due from Group companies	27	**80 993**	66 119	**186 283**	177 047
Financial assets	7	**768**	660	**–**	–
Current taxation receivable	32	**633**	–	**–**	–
Cash and cash equivalents	8	**73 037**	65 199	**101**	236
Non-current asset held for sale	34	**–**	123 213	**–**	–
Total assets		**8 900 012**	10 673 374	**7 227 832**	9 376 519
Equity					
Stated capital	11	**8 780 921**	8 780 921	**8 780 921**	8 780 921
Treasury shares	11	**(80 709)**	(39 205)	**–**	–
Retained surplus/(loss)		**301 075**	290 081	**246 316**	265 573
Share-based payment reserve	26	**26 212**	18 240	**22 647**	17 258
Mergers/capital reserve		**(426 104)**	(426 104)	**–**	–
Non-distributable reserve	12	**(1 693 432)**	93 073	**(2 157 788)**	–
		6 907 963	8 717 006	**6 892 096**	9 063 752
Liabilities					
Non-current liabilities					
Financial liabilities	31	**1 240 891**	1 695 000	**207 946**	307 946
Current liabilities		**751 158**	261 368	**127 790**	4 821
Trade and other payables	9	**154 854**	200 905	**461**	330
IFRS 16 – lease liability	30	**–**	1 995	**–**	–
Employee benefits	25	**13 844**	17 323	**–**	–
Amount due to Group companies	27	**33**	14	**24 190**	–
Current taxation payable	32	**–**	74	**–**	–
Financial instruments	10	**60 423**	16 891	**–**	–
Financial liabilities	31	**522 004**	24 166	**103 139**	4 491
Total liabilities		**1 992 049**	1 956 368	**335 736**	312 767
Total equity and liabilities		**8 900 012**	10 673 374	**7 227 832**	9 376 519

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 2020

		GROUP		COMPANY	
R'000	Notes	**2020**	2019	**2020**	2019
Property portfolio revenue		**878 769**	999 189	**–**	–
Rental and related income	13	**945 388**	1 023 891	**–**	–
Adjustment for the straight-lining of operating lease income	5.2	**(66 619)**	(24 702)	**–**	–
Net revenue from hotel operations	16	**–**	24 677	**–**	–
Property operating expenses	14	**(341 769)**	(325 585)	**–**	–
Change in expected credit losses on property debtors	6.1	**(159 728)**	(4 729)	**–**	–
Net property income		**377 272**	693 552	**–**	–
Asset management fee income	16	**57 263**	61 490	**–**	–
Development fee income	16	**2 361**	6 747	**–**	–
Total net property income and revenue		**436 896**	761 789	**–**	–
Other income	17	**1 228**	181	**1 249**	166
Operating costs	15	**(95 769)**	(93 156)	**(44 496)**	(22 728)
(Loss)/profit from operations excluding fair value adjustments		**342 355**	668 814	**(43 247)**	(22 562)
Interest expense		**(149 307)**	(148 530)	**(29 918)**	(36 569)
Interest received		**2 398**	3 482	**99**	680
Impairment loss		**–**	–	**(2 157 788)**	–
Dividend income		**–**	–	**328 960**	710 536
(Loss)/profit before fair value adjustments		**195 446**	523 766	**(1 901 894)**	652 085
Net fair value adjustments		**(1 719 886)**	10 910	**–**	–
Fair value adjustments on investment properties	5.2	**(1 725 478)**	2 054	**–**	–
Fair value adjustment on derivatives	12	**(43 532)**	(8 602)	**–**	–
Fair value adjustment on equity instrument	7	**(17 495)**	(7 244)	**–**	–
Adjustment for the straight-lining of operating lease income	5.2	**66 619**	24 702	**–**	–
(Loss)/profit before taxation		**(1 524 440)**	534 676	**(1 901 894)**	652 085
Taxation	32	**31 637**	(185)	**(17)**	–
Total comprehensive (loss)/income		**(1 492 803)**	534 491	**(1 901 911)**	652 085
Basic earnings per share (cents)	3	**(164.59)**	58.96	**(0.21)**	0.07
Fully diluted earnings per share (cents)	3	**(164.59)**	58.96	**(0.21)**	0.07

STATEMENT OF CHANGES IN EQUITY

for the year ended December 2020

	GROUP						
R'000	Capital	Treasury shares	Share-based payment reserve	Non-distributable reserve	Retained surplus	Mergers/ capital reserve	Total
Balance at 1 January 2019	8 780 489	–	–	106 865	122 646	(426 104)	8 583 896
Total comprehensive income	–	–	–	–	534 491	–	534 491
Treasury shares acquired by the Trust and 2DP (note 11)	–	(39 205)	–	–	–	–	(39 205)
Share-based payment transaction (note 26)	–	–	18 240	–	698	–	18 938
Capitalised costs	432	–	–	–	–	–	432
Fair value adjustment on investment properties transferred to non-distributable reserve	–	–	–	2 054	(2 054)	–	–
Fair value adjustment on derivatives	–	–	–	(8 602)	8 602	–	–
Fair value adjustment on equity instrument	–	–	–	(7 244)	7 244	–	–
Distribution to shareholders	–	–	–	–	(381 546)	–	(381 546)
Balance at 1 January 2020	**8 780 921**	**(39 205)**	**18 240**	**93 073**	**290 081**	**(426 104)**	**8 717 006**
Total comprehensive loss	**–**	**–**	**–**	**–**	**(1 492 803)**	**–**	**(1 492 803)**
Treasury shares acquired by the Trust and 2DP (note 11)	**–**	**(41 504)**	**–**	**–**	**–**	**–**	**(41 504)**
Share-based payment transaction (note 26)	**–**	**–**	**7 972**	**–**	**–**	**–**	**7 972**
Fair value adjustment on investment properties transferred to non-distributable reserve	**–**	**–**	**–**	**(1 725 478)**	**1 725 478**	**–**	**–**
Fair value adjustment on derivatives	**–**	**–**	**–**	**(43 532)**	**43 532**	**–**	**–**
Fair value adjustment on equity instrument	**–**	**–**	**–**	**(17 495)**	**17 495**	**–**	**–**
Distribution to shareholders	**–**	**–**	**–**	**–**	**(282 708)**	**–**	**(282 708)**
Balance at 31 December 2020	**8 780 921**	**(80 709)**	**26 212**	**(1 693 432)**	**301 075**	**(426 104)**	**6 907 963**

STATEMENT OF CHANGES IN EQUITY CONTINUED

for the year ended December 2020

	COMPANY						
R'000	Capital	Treasury shares	Share-based payment reserve	Non-distributable reserve	Retained surplus	Mergers/ capital reserve	Total
Balance at 1 January 2019	8 780 489	–	–	–	(6 645)	–	8 773 844
Total comprehensive income	–	–	–	–	652 085	–	652 085
Share-based payment transaction (note 26)	–	–	17 258	–	1 679	–	18 937
Capitalised costs	432	–	–	–	–	–	432
Distribution to shareholders	–	–	–	–	(381 546)	–	(381 546)
Balance at 1 January 2020	**8 780 921**	**–**	**17 258**	**–**	**265 573**	**–**	**9 063 752**
Total comprehensive loss	**–**	**–**	**–**	**–**	**(1 901 911)**	**–**	**(1 901 911)**
Share-based payment transaction (note 26)	**–**	**–**	**5 389**	**–**	**7 574**	**–**	**12 963**
Impairment in subsidiary (note 33)	**–**	**–**	**–**	**(2 157 788)**	**2 157 788**	**–**	**–**
Distribution to shareholders	**–**	**–**	**–**	**–**	**(282 708)**	**–**	**(282 708)**
Balance at 31 December 2020	**8 780 921**	**–**	**22 647**	**(2 157 788)**	**246 316**	**–**	**6 892 096**

STATEMENTS OF CASH FLOWS

for the year ended December 2020

		GROUP		COMPANY	
R'000	Notes	**2020**	2019	**2020**	2019
Cash flows from operating activities		**(36 644)**	158 370	**(135)**	235
Cash generated by operations	19	**396 563**	682 775	**307 059**	408 490
Interest received on financial assets	7.2	**477**	60	**–**	–
Interest received		**1 920**	3 421	**99**	680
Interest paid	31.2	**(152 022)**	(146 915)	**(24 568)**	(27 389)
Taxation (paid)/received	32.1	**(874)**	575	**(17)**	–
Distribution to shareholders	21	**(282 708)**	(381 546)	**(282 708)**	(381 546)
Cash flows from investing activities		**41 540**	(154 341)	**–**	–
Expenditure on investment properties capitalised	5.2	**(79 424)**	(104 336)	**–**	–
Disposal of investment properties	5.2	**123 213**	–	**–**	–
Expenditure on investment properties under development	5.3	**(1 426)**	–	**–**	–
Acquisition of investment properties	5.2	**–**	(24 643)	**–**	–
Acquisition of property plant and equipment	28	**(716)**	(563)	**–**	–
Investment in financial instruments – mutual funds	7.2	**(113 050)**	(60)	**–**	–
Proceeds from disposal of financial instruments – mutual funds	7.2	**112 943**	–	**–**	–
Investment in financial instruments – unlisted equity	7.2	**–**	(24 739)	**–**	–
Cash flows from financing activities		**2 942**	49 800	**–**	–
Treasury shares acquired	11	**(41 504)**	(39 205)	**–**	–
Lease liability repayments	30.2	**(1 446)**	(2 084)	**–**	–
Loan paid	31.2	**(219 473)**	(428 149)	**–**	–
Loans received	31.2	**265 365**	519 238	**–**	–
Net increase/(decrease) in cash and cash equivalents		**7 838**	53 829	**(135)**	235
Cash balance at beginning of the year	8	**65 199**	11 370	**236**	1
Cash and cash equivalents at the end of the year	8	**73 037**	65 199	**101**	236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below.

1. Accounting policies

1.1 Statement of compliance

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa. The group's consolidated annual financial statements include the annual financial statements of Liberty Two Degrees Limited (referred to as L2D, L2D Limited or the company) and its subsidiary companies (together referred to as the group or L2D Group).

1.2 Basis of consolidation

Consolidated annual financial statements are prepared by the parent company, L2D, using uniform accounting policies for like transactions and other events in similar circumstances. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities in the group are eliminated on consolidation. The consolidated annual financial statements have been prepared on the historical cost basis modified for the fair value adjustment of investment property measured in terms of IAS 40 and financial assets and financial liabilities measured in terms of IFRS 9. The consolidated annual financial statements are prepared on the going concern basis. These are presented in Rand which is the L2D Group functional currency, and all values are rounded to the nearest thousand (R'000), except where otherwise indicated.

1.2.1 Subsidiaries

Subsidiaries are entities over which the company exercises control.
The consolidated annual financial statements incorporate the assets, liabilities, income, expenses and cash flows of the subsidiaries. Consolidation of subsidiaries commences from the date the investor obtains control and ceases on the date on which the investor loses control.

An investor controls an investee if and only if the investor has all of the following elements:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

1.2.2 Interest in subsidiary

Interests in subsidiary companies in the company's annual financial statements comprise shares (accounted for under IAS 27) and intergroup loans (accounted for under IFRS 9). Shares are measured at cost less any required impairment. Acquisition costs are recorded as an expense in the period in which they are incurred, except for the costs to issue debt or equity securities, which are part of the consideration transferred. The carrying amounts of these investments are reviewed annually for impairment. Under the IFRS 9 business model assessment, for 2020, intergroup loan balances are measured at amortised cost.

1.2.3 Merger reserve

During the 2018 financial year and with effect from 1 November 2018, Liberty Two Degrees Limited (New L2D) converted to a corporate REIT in accordance with a transaction that involved the following inter-conditional steps as detailed in the circular that was issued to shareholders on 30 July 2018.

- the disposal by the Liberty Two Degrees Scheme (Old L2D) of all of its business assets and liabilities to 2 Degrees Properties Proprietary Limited (2DP), being a wholly-owned subsidiary of New L2D;
- the internalisation through New L2D purchasing the issued shares of the manager from Liberty Holdings Limited (LHL) following which the business of the Manager was transferred to 2DP; and
- the acquisition by 2DP of R1.2 billion of additional properties from Liberty Group Limited (LGL) and Liberty Propco Proprietary Limited (LibProp).

The conversion to a corporate REIT during 2018 was considered to be a common control transaction in that the ultimate parent company before and after the transaction was LHL. There is no guidance in IFRS on the accounting treatment for combinations among entities under common control and IAS 8 requires management to develop a policy that is relevant to the decision-making needs of users and that is reliable. Management are of the view that capital re-organisation accounting is considered to be the most appropriate treatment for this transaction. In this regard, a new entity was incorporated (New L2D) as the parent via the issue of shares and the businesses under common control that are combined in New L2D are considered to have single management and oversight and are treated as a capital re-organisation of the existing reporting entity.

New L2D's consolidated annual financial statements included the entity's full results (including restated comparatives) as though the transaction had been effected at the start of the earliest period presented, even though the re-organisation was effective from 1 November 2018. The assets and liabilities of the existing entity were incorporated at their pre-combination carrying amounts without fair value uplift. Any premium on the purchase price over the carrying amounts of the assets and liabilities was recorded in equity as a merger reserve.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2020

1. Accounting policies continued

1.2 Basis of consolidation continued

Costs related to the acquisition, other than those associated with the issue of debt or equity instruments that the group incurred in a capital re-organisation, were expensed as incurred. Costs that are incremental and directly attributable to the issue of equity are recorded directly in equity.

1.3 Reconciliation between earnings and distributable income – Group

The group has established strict guidelines regarding its distribution policy to ensure that the distributable earnings is a fair reflection of sustainable earnings; this comprises property related income and development profits net of property related expenditure, finance costs not capitalised and administrative costs.

As distributable earnings is a measure of sustainable income, the Group has applied the following specific exclusions in the determination of this metric:

- capital or non-recurring items;
- fair value on investment property, financial assets and derivatives;
- straight-lining adjustments determined in line with IFRS; and
- transactions with related parties which are not at arm's-length.

These guidelines align with the best practice recommendations established by the SA REIT Association.

1.4 Investment property and investment property under development

Investment property is property held to earn rental income or for capital appreciation or both, and that is not occupied by L2D Group. Investment property also includes property that is being constructed or developed for future use as investment property.

1.4.1 Investment property

Investment property is measured initially at its cost. The cost of investment property comprises the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment property is capitalised when it is probable that there will be future economic benefits from the use of the asset. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

After initial recognition, investment property is measured at fair value, which takes into account characteristics that market participants would consider at the statement of financial position date. Fair values are determined bi-annually by external independent registered valuers on the open market value basis.

The valuers use the discounted cash flow method and profits method to determine fair value.

Gains or losses arising from changes in the fair values of investment property are included in profit or loss for the year in which they arise. The fair value gain or loss is transferred to or from non-distributable reserves.

When L2D Group begins to redevelop an existing investment property, consideration is given to whether or not the property needs to be reclassified as investment property under development or should remain as investment property, which is measured based at the fair value model.

1.4.2 Investment property under development

Investment property under development is measured at fair value if the fair value is considered to be reliably determinable.

Investment property under development for which the fair value cannot be determined reliably, but for which L2D Group expects that the fair value of the property will be reliably determinable when development is completed, is measured at cost less impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier. Development cost comprises the cost of the land and development cost.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditure for the development qualifying as acquisition costs, are capitalised. On completion of development, these properties are classified as investment property.

1.5 Equity

Issued shares are classified as equity when there is no obligation to transfer cash or other assets.

Incremental costs directly attributable to the issue of shares are shown in equity as a deduction, net of tax, from the proceeds.

1.5.1 Treasury shares

Where a subsidiary company (or trust) holds shares in the holding company, the consideration paid to acquire these shares is deducted from stated capital as treasury shares, but disclosed separately in the statements of changes in equity. When these shares are sold or re-issued, any consideration received is included in stated capital.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2020

1.5.2 Distributions to shareholders

L2D Group has an obligation to distribute the net amount available for distribution, to its shareholders once the distributions are declared and authorised by the board of L2D Group.

Distributions payable are recognised as a liability once the amount for distribution has been determined and declared by the Board.

1.5.3 Non-distributable reserves

All unrealised gains or losses arising from the movements in fair value of investment property, fair value adjustments on investment, derivatives, post-acquisition reserves from associates, gains and losses on the sale of investment property and investments, impairment loss on investment in subsidiaries, are transferred to or from non-distributable reserves and are not available for distribution.

1.6 Financial instruments

L2D Group's financial instruments consist mainly of financial assets, trade and other receivables, trade and other payables, cash and borrowings. Financial instruments are initially measured at fair value.

Financial instruments:
Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised in the statements of financial position when the group becomes party to the contractual provisions of the instrument. Any gains or losses on these instruments do not affect distributable earnings. Financial assets and liabilities are initially measured at fair value plus any transaction costs (other than financial instruments that are classified at fair value through profit or loss where the transaction costs incurred are immediately expensed in profit or loss).

Financial assets:
Financial assets are classified into the following categories: financial assets at fair value through profit or loss, financial assets at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets at fair value through profit or loss are measured at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

The business model of L2D is to collect contractual cash flows on the financial assets in which it invests, which includes working capital balances such as cash and receivables.

The financial assets of the group are classified as follows:

- Trade and other receivables are classified at amortised cost, as they give rise to sole payments of principal and interest on the principal amount outstanding; and
- Derivative assets comprising interest rate swaps are classified at fair value through profit or loss.

The group derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the group commits itself to purchase or sell the asset.

Financial liabilities:
Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition. Financial liabilities at fair value through profit or loss include all instruments classified as held-for-trading and those instruments designated as held at fair value through profit or loss. These instruments are initially recorded at fair value with changes in fair value subsequently recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The financial liabilities of the group are classified as follows:

- Interest-bearing borrowings are classified at amortised cost;
- Derivatives, comprising interest rate swaps are held-for-trading financial instruments measured at fair value through profit or loss;
- Trade and other payables are classified at amortised cost; and
- Other financial liabilities are classified at amortised cost.

The group derecognises a financial liability when the group's obligations specified in the contract expire or are discharged or cancelled. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

1. Accounting policies continued

1.6 Financial instruments continued

Impairment of financial instruments:
The group applies the IFRS 9 expected credit loss (ECL) impairment model which allows for more timely recognition of credit losses.

This is applied to financial assets measured at amortised cost.

The measurement basis of the ECL of a financial asset includes assessing whether there has been significant increase in credit risk (SICR) at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. A significant change in credit risk (SICR) is when there is a material change in the probability of default, since origination. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 - credit impaired assets	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • Default: A financial asset is considered to be in default when there is objective evidence of impairment. Exposures which are overdue for more than 90 days are also considered to be in default. • Significant financial difficulty of borrower and/or modification. • Probability of bankruptcy or financial re-organisation. • Disappearance of an active market due to financial difficulties.

ECL are recognised as a deduction from the gross carrying amount of the asset. Therefore, financial assets that are subject to ECLs are disclosed on a net basis in the statements of financial position. The gross ECL disclosure are disclosed in the note.

Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

Derivative financial instruments
The group enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Derivatives are recognised and measured as described above. Further detail on derivative financial instruments is disclosed in note 22, Financial risk management.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. 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.

1.7 Leases

Effective 1 January 2019, the group has applied IFRS 16, the accounting treatment has been disclosed below:

As a lessor
Lessor accounting remains substantially unchanged and the group as a lessor has operating leases only.

Properties leased to third parties under operating leases are included in investment property in the statement of financial position.

Refer to note 1.8.2 for the accounting treatment of rental and related income.

As a lessee
At inception of a contract the group assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right then the asset is not identified.

The group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and the group has the right to direct the use of the asset. The group has this right when it has the decision-making rights that are relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the assets use is determined, the group has the right to direct the use of the asset either:

- The group has the right to operate the asset; or
- The group designed the asset in a way that predetermines how and for what purpose it will be used for.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 December 2020

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-lining method from commencement date to the earlier of the end of the useful life of the right of use asset or at the end of the lease term. The estimated useful lives of right of use asset are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses if any and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the group's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments or if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right to use asset.

Short-term leases and leases of low value assets
The group has elected not to recognise right of use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low value assets, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy elections
The group recognises the full operating income from operating leases on a straight-line basis in accordance with the lease terms and conditions, without taking into account the probability of the collectability of the lease receivable. Thereafter the property debtor is assessed for recoverability.

Where the group as lessor grants rent concessions related to past lease payments, the group has elected to treat these as an impairment of the property debtors and not a lease modification.

1.8 Revenue

1.8.1 Revenue from contracts with customers

Revenue from contracts with customers arises from transactions not associated with financial instruments, or investment properties. Revenue is recognised either when the performance obligation has been satisfied ('point in time') or as control of the goods or service is transferred to the customer ('over time'). This requires an assessment of the group's performance obligations and of when control is transferred to the customer. Where revenue is recognised over time, performance obligation over time, the group applies a revenue recognition method that faithfully depicts the group's performance in transferring control of the service to the customer. Due to the nature of the group's business, the majority of its revenue from customers is considered to be recognised 'over time'. If performance obligations in a contract do not meet the over time criteria, the group recognises revenue at a point in time. Revenue from hotel operation sales for the period 1 January 2019 to 31 October 2019 is included in this category. This is in general due to the group performing and the customer simultaneously receiving and consuming the benefits over the life of the contract as services are rendered.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
CONTINUED
for the year ended 31 December 2020

1. Accounting policies continued

1.8 Revenue continued

For each, revenue is measured based on the consideration specified in contracts with customers. Such amounts are only included based on the expected value or most likely outcome method, and only to the extent that it is highly probable that no significant revenue reversal will occur. In assessing whether a significant reversal will occur, the group considers both the likelihood and the magnitude of the potential revenue reversal. Payment terms and conditions included in customer contracts are typically due in full within 30 days.

Details related to the nature and measurement of revenue are set out below:

REVENUE TYPE	DESCRIPTION	NATURE, TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS AND MEASUREMENT
Fee revenue	Management fees on assets under management and property development fees.	Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements. Development fees are recognised over the period of the contract-based on percentage of completion as obtained from quantity surveyors.
Hotel operations revenue[1]	Revenue from hotel operations for the period 1 January 2019 to 31 October 2019.	Revenue from hotel operations for the period 1 January 2019 to 31 October 2019 is recognised over the period of the contract.

Rental income from lease agreements is not within the scope of IFRS 15 and has thus not been included in the table above.

1 *With effect from 1 November 2019 L2D entered into an arrangement with Tsogo Sun Hotels Limited (Tsogo) regarding the day-to-day operations of certain hotel properties. Income from hotels is recognised as rental income from investment properties.*

1.8.2 Rental and related income

Rental revenue from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the lease period. Turnover rentals are recognised on the accrual basis.

Municipal recoveries are recognised over the period for which the services are rendered. L2D Group acts as a principal on its own account when recovering operating costs, such as utilities, from tenants.

1.8.3 Other income

Dividend income is recognised when the right to receive payment is established.

Finance income comprises interest received and is recognised as it accrues, taking into account the effective yield on the asset.

1.9 Property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

1.10 Letting commissions

Commission costs not expensed are capitalised. The cost of letting commissions is recognised as an expense over the lease term, on a straight-line basis.

1.11 Property, plant and equipment

The equipment purchased by the company provides it with the necessary infrastructure to operate effectively. The property, plant and equipment principally comprise computer equipment, leasehold improvements, fixtures, furniture and fittings. The assets are depreciated on a straight-line basis to the residual value. The estimated useful life applied are as follows:

Computer equipment	3 to 5 years
Fixtures, furniture and fittings	5 to 10 years
Office equipment	3 to 5 years
Leasehold improvements	Over the lease term

The depreciation method, useful lives and residual values are reviewed at each reporting date. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 December 2020

1.12 Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's chief operating decision-maker to be allocated to the segment and assess its performance; and for which discrete financial information is available.

The operating segments are determined based on L2D Group management and internal reporting structure, determined by L2D Group management committee.

L2D Group has the following operating segments:

- retail;
- office;
- specialised;
- hotels; and
- administration/other.

L2D Group will, from time to time, invest in or divest from certain operating segments, in which case segmental reporting will be adjusted to reflect only the relevant operating segments.

Segments results include revenue and expenses directly attributable to a segment and the relevant portion of L2D Group revenue and expenses that can be allocated on a reasonable basis to a segment. Segmental assets comprise those assets that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

1.13 Earnings per share

L2D Group presents basic earnings per share and headline earnings per share.

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the year net of treasury shares.

Headline earnings per share is calculated by dividing the headline earnings attributable to shareholders by the weighted average number of shares in issue during the year, net of treasury shares.

There are no dilutionary instruments in issue.

1.14 Taxation

Income tax on the comprehensive income for the periods presented comprises current and deferred tax. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

1.14.1 Current tax

Current tax is the expected tax payable on taxable income, after deducting the qualifying distribution for the year of assessment, using tax rates that have been enacted or substantially enacted by the reporting date, and includes adjustments for tax payable in respect of previous years. In accordance with the REIT status, dividends declared are treated as a qualifying distribution in terms of Section 25BB of the Income Tax Act, No 58 of 1962 (as amended).

1.14.2 Deferred tax

Deferred income tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised on the fair value of investment properties. These items will be realised through sale and, in accordance with the income tax requirements relating to the REIT status, capital gains tax is no longer applicable. Deferred tax is not recognised for temporary differences that will form part of future qualifying distributions.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income tax levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

1.15 Employee benefits

Leave pay – provision

The group recognises a liability for the amount of accumulated leave if the group has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Incentive scheme

Incentive scheme bonuses are short-term bonuses which are recognised as an expense as incurred when the group has a present or constructive obligation and the amount can be reliably measured.

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for the year ended 31 December 2020

1. Accounting policies continued

1.16 Share-based payments

Long-term incentive plan (LTIP)

In terms of the Liberty Two Degrees Restricted Share Plan, a conditional right to shares is awarded to employees subject to performance and vesting conditions. The scheme is accounted for as an equity-settled share-based payment. The fair value of services received in return for the restricted shares has been determined as follows: the number of shares expected to vest multiplied by the share price at the date of award.

The grant-date fair value of the scheme is recognised as an expense, with a corresponding increase in equity, over the vesting period. The amount recognised as an expense is adjusted for changes in management's estimate of the number of shares expected to vest, such that the amount ultimately recognised is based on the number of awards that vest.

1.17 Non-current assets held for sale

A non-current asset or a disposal group comprising assets and liabilities is classified as held-for-sale if it is expected that its carrying amount will be recovered principally through sale rather than through continuing use. It is available for immediate sale and the sale is highly probable to occur within one year. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset or disposal group.

Where the group is committed to a sale plan, it classifies the asset as held-for-sale when the criteria set out above and detailed in IFRS 5 Non-current Assets Held-for-Sale are met.

Non-current assets held-for-sale are measured at the lower of their carrying amount, and fair value less costs of disposal, with any impairment losses recognised in profit or loss. However, investment property which is measured in accordance with the fair value model, continue to be measured in accordance with the group's accounting policies.

1.18 Fair value measurement

Assets and liabilities that are recognised and subsequently measured at fair value are categorised into a hierarchy based on the inputs to the valuation techniques used to measure fair value. This reflects the significance of the inputs used in measuring fair value. The categorisation is based on the lowest level input that is significant in the fair value measurement in its entirety.

The three levels of the hierarchy are as follows:

Level 1

Assets and liabilities measured at fair value are categorised as level 1 if the inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2

Assets and liabilities measured at fair value are categorised as level 2 if inputs are used that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), other than quoted prices used, referred to under level 1 above.

Level 3

Asset and liabilities measured at fair value are categorised as level 3 if inputs for the asset or liability are not based on observable market data (unobservable inputs). For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement in its entirety) at the end of each reporting period.

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for the year ended 31 December 2020

1.19 New IFRS standards and amendments

1.19.1 New standards not yet effective that may significantly impact on the results or disclosures

The following new standards and amendments have been issued by the IASB, however, are not yet effective for the current financial year. L2D Group will comply with the new standards and amendments from the effective date and has elected not to early adopt any at this stage.

STANDARD	SCOPE	POTENTIAL IMPACT TO L2D GROUP
IFRS 16 Leases (amendment). Effective for years commencing on or after 1 June 2020. The amendment will be applied retrospectively.	IFRS 16 requires an entity to account for a change in consideration or term of a lease contract to be accounted for and disclosed as a lease modification. In light of the recent COVID-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular COVID-19-related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits the application of the practical expedient to rent concessions that meet specific COVID-19-related requirements and requires specified disclosures. An entity shall apply the practical expedient as an accounting policy choice and consistently to contracts with similar characteristics and in similar circumstances. The purpose of the amendment is to provide relief to lessees from the complexity arising in applying the requirements of IFRS 16 to COVID-19-related rent concessions. This amendment is not applicable to lessors.	The amendment is not expected to have a material impact on the group as it has not had any material changes (as a lessee) in the terms of the lease contracts as a result of the COVID-19 pandemic.
IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 39 Financial Instruments: Recognition and Measurement (amendments). Effective for years commencing on or after 1 January 2021.	The second phase of Interest Rate Benchmark Reform (IBOR) resulted in amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 requirements to enable companies to deal with its effect on financial instruments and to continue providing useful information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative benchmark rate instead of derecognising or adjusting the carrying amount of financial instruments for changes required by the reform. The amendments require companies to provide additional information to investors about new risks arising from the reform and how it manages the transition to alternative benchmark rates.	L2D will transition to alternative benchmarks as each interest rate benchmark is replaced, however, is currently only exposed to JIBAR and the reform date of that is to date not yet known.

1.19.2 Amendments and improvements to standards

The accounting policies are consistent with those reported in the previous year except for the early adoption of the following amendments effective for the current year:

- IFRS 3 Business Combinations (amendments). This standard requires an entity to refer to the Conceptual Framework for Financial Reporting in determining what constitutes an asset or a liability. The amendments update the reference from the previous version of the Conceptual Framework that existed to the version issued in March 2018 and adds an exception for some types of liabilities and contingent liabilities to refer to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) instead of the Conceptual Framework. The amendment has been applied prospectively.
- IFRS 3 Business Combinations (amendments). This amendment revises the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contributes to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce. The amendment has been applied prospectively.
- IAS 16 Property, Plant and Equipment (amendments). Narrow-scope amendments to IAS 16 for the accounting of amounts received when selling items produced while an entity is preparing an asset for its intended use. The amendments clarify the accounting requirements in prohibiting the entity from deducting such amount from the cost of property,

1. Accounting policies continued

1.19.2 Amendments and improvements to standards continued

plant and equipment and instead recognising such sales proceeds and related cost in profit or loss. The amendments have been applied retrospectively.

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments). Narrow-scope amendments to IAS 37 in determining which costs to include in estimating the cost of fulfilling a contract for the purposes of assessing whether that contract is onerous. The amendments clarify that the cost of fulfilling the contract includes both the incremental costs of fulfilling the contract and an allocation of costs that relate directly to fulfilling contracts. The amendments will be applied retrospectively. Adjusting prior periods is not required, but rather adjusting the opening Retained Earnings with the cumulative effect of the amendments on transition date.
- Conceptual Framework for Financial Reporting (revised) (Conceptual Framework), the revised Conceptual Framework includes a comprehensive set of concepts for financial reporting, replacing the previous version of the Conceptual Framework. These concepts are used by the IASB as the framework for setting IFRS standards.
- IAS 1, Presentation of financial statements and IAS 8, Accounting policies, changes in accounting estimates and errors on the definition of material. These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:
  - use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
  - clarify the explanation of the definition of material; and
  - incorporate some of the guidance in IAS 1 about immaterial information.

  The amended definition is: 'Information is material of omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of these financial statements, which provide financial information about a specific reporting entity'.

The adoption of new and amended standards on 1 January 2020 did not affect the group or company's previously reported financial results, disclosures or accounting policies and did not impact the group or company's results upon transition.

Other amendments to standards that are effective for annual periods beginning on or after 1 January 2021, but not mentioned previously, are not expected to have a significant impact on the group and company's reported assets and liabilities. Annual improvements effective 1 January 2021 that were not early adopted are not expected to have a significant impact on the group and company's reported assets and liabilities and disclosures.

2. Key judgements

Key areas of judgement and sources of uncertainty

The preparation of consolidated annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under applicable circumstances. These are therefore continually evaluated.

Information regarding judgements that have the most significant effect on the amounts recognised in the consolidated annual financial statements, as well as the key sources of estimation uncertainty, is set out below.

2.1 Accounting for undivided shares in investment properties and related letting activities

L2D Group owns various undivided shares in investment properties. L2D Group has joint decision-making rights regarding all capital decisions relating to L2D Group's undivided shares in the assets for the benefit of the shareholders in L2D Group. L2D Group is responsible for letting activities on behalf of and for the benefit of co-owners in these investment properties.

Neither the undivided share ownership nor the letting activities meet the definition of joint arrangements as key decisions such as disposal or security for lending over the respective undivided shares do not require consent of the other co-owner and practically there is only one decision authority regarding letting activities.

L2D Group recognises its contractual rights linked to its undivided share ownership in investment properties being its share of relevant assets and liabilities and related income and expenses, which are presented on a gross basis. Management have therefore concluded that L2D Group has an ownership interest in the shared assets.

2.2 Investment properties fair value measurement

The group invests in various properties which are predominantly owned for investment return. These properties are let to various tenants under lease agreements as defined under IFRS 16. These properties are classified as "investment properties" under IAS 40. Investment properties are measured at fair value by external valuation appraisers, taking into account characteristics of the properties that market participants would consider when pricing the properties at measurement date.

The key assumptions in determination of the fair value are the exit capitalisation rates and discount rates. Other inputs considered relate to existing tenant terms, location, rental growth, vacancy levels and restriction, if any, on the sale or use of

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 December 2020

the asset. The group makes judgement regarding the unit of account, i.e., whether it should be valued as a stand-alone property or as a group of properties. Two groups of properties (Sandton City Complex, Nelson Mandela Square, and the Melrose Arch precinct) are valued as one unit of account under IFRS 13 Fair Value Measurement. Determination of the fair value also considers the current use of the property in terms of its highest and best use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible.

Valuer derived risk adjusted discount rates factor in liquidity and asset class risk. Refer to note 5 of the group consolidated annual financial statements for specific details and note 10 for the valuation techniques and assumptions and a sensitivity analysis on the fair value of these properties to a change in the exit capitalisation and discount rate assumptions. Given the number of management judgement applied in the valuation, these assets are considered to be level 3 in the fair value hierarchy.

2.3 Capital re-organisation

IFRS does not have specific guidelines relating to the accounting treatment for combinations among entities under common control. Management has thus applied judgement in developing a policy that is relevant to the decision-making needs of users and that is reliable. Management are of the view that capital re-organisation accounting is considered to be the most appropriate treatment for this transaction as outlined in note 1.2.3. In this regard, a new entity was incorporated (New L2D) as the parent via the issue of shares and the businesses under common control that are combined in New L2D are considered to have single management and oversight and are treated as a capital re-organisation of the existing reporting entity. The re-organisation does not have any economic substance, therefore the comparative information was restated because the entity reported as if it had always existed in its current form. The impact of the restatement of the earliest comparative information has resulted in a merger reserve account, to account for the premium on the purchase price over the carrying value of the assets and liabilities.

2.3.1 Transfer of investment in subsidiary

As a result of the capital re-organisation in 2018, SRFM's operations was transferred to 2DP. This included the transfer of the net asset value of SRFM to 2DP. The investment in subsidiaries at L2D company level was adjusted accordingly to transfer the effective cost of the investment in SRFM to the investment in 2DP as the economic benefit of the re-organisation now resides in 2DP. The transfer was done at a value that reflects the economic effect of the transaction, i.e. the value transferred based on the relative values of the transferred operations of SRFM. The remaining investment in SRFM approximates relative values of the transferred operations of SRFM. The remaining investment in SRFM approximates the net asset value of the company. Refer to note 33 for the values of investment in subsidiaries.

2.4 Classification of hotels as investment property and income earned from hotel operations under IFRS 16

With effect from 1 November 2019, L2D entered into an arrangement with Tsogo Sun Hotels Limited (Tsogo) regarding the day-to-day operations of certain hotel properties. There is significant judgement applied regarding the assessment of economic benefits between the different parties, and control over the relevant activities, being the day-to-day operations of the hotel.

Application of IFRS 16 paragraph B23 considers "If a contract requires a customer to pay the supplier or another party a portion of the cash flows derived from use of an asset as consideration, those cash flows paid as consideration shall be considered to be part of the economic benefits that the customer obtains from use of the asset. For example, if the customer is required to pay the supplier a percentage of sales from use of retail space as consideration for that use, that requirement does not prevent the customer from having the right to obtain substantially all of the economic benefits from use of the retail space. This is because the cash flows arising from those sales are considered to be economic benefits that the customer obtains from use of the retail space, a portion of which it then pays to the supplier as consideration for the right to use that space, which is interpreted to disregard proportional cash flows paid as compensation in the contract terms in the assessment of economic benefits between the contracted parties.

The decision to measure 'economic benefit' at the distribution line or turnover line is an area of significant judgement. On the face of it the agreements provide for 98% of EBITDAR to flow to the lessors, however where the lessee directs all cashflow generated from the asset and pays the lessor a percentage of such flows, B23 provides for such cashflows to be included in the benefit received by the Lessee.

Given the above and our view that Tsogo has the ability to direct the relevant activities/day-to-day operations when applying paragraph B23 of IFRS 16 to this arrangement, one needs to consider the use of the asset, in this case the hotels. Tsogo has sole use of the hotels and brand. In its capacity as principal, Tsogo obtains substantially all of the economic benefits from the use of the hotels/hotel brand (being the Turnover). Tsogo, as the customer pays the lessors a percentage of EBITDAR generated by the hotel operations. The fact that Tsogo pays a portion of the EBITDAR to the lessors does not preclude Tsogo from having the right to obtain substantially all of the economic benefits in its capacity as principal, being the turnover of the operations.

Tsogo manages the day-to-day operations and manages the hotel brand. This is considered to be a key point in identifying control. The key differences between the previous agreement and the current agreement is that Tsogo now has the ability to direct the relevant activities.

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2. Key judgements continued

2.4 Classification of hotels as investment property and income earned from hotel operations under IFRS 16 continued

Based on the above, the hotel agreement in our assessment does contain a lease as the lessee retains substantially all the economic benefit and controls the operations as determined above.

IAS 40 para 14 states that judgement is needed to determine whether a property qualifies as investment property. An entity develops criteria so that it can exercise that judgement consistently in accordance with the definition of investment property and with the related guidance in paragraphs 7 – 13. Paragraph 75(c) requires an entity to disclose these criteria when classification is difficult.

The criteria management has assessed includes the following:

- Although the owners have engaged Tsogo to run the day-to-day operations whilst retaining exposure to the variable returns, L2D retains an estimated 20% of their revenue for basic rental and turnover rental per annum which is not considered sufficiently significant. (Defined in the contract as 98% of EBITDAR);
- Tsogo directly controls how the operations are run as discussed above and therefore leases the hotels; and
- L2D is a passive investor.

The conclusion of the assessment is that Tsogo has majority economic benefits, they control the operations and therefore the arrangement contains a lease. As a result, the hotels will be classified as investment property.

2.4.1 Accounting for the temporary hotel agreement

Effective from 27 March 2020, the current lease agreement between Liberty Group Limited, 2 Degrees Properties Proprietary Limited, Pareto Limited (the Consortium) and Reshub Proprietary Limited (Reshub), a subsidiary of Tsogo, was amended to suspend certain provisions of the lease until such time that the lessee is able to conduct viable economic activity at the hotel premises, which date shall be agreed by the Parties to the addendum. This is referred to as the "Closed period" and follows the hard lockdown and restricted travel period implemented in response to the pandemic. Partial opening for essential services and permitted travel whilst the country is still operating under various lockdown levels in order to achieve some revenue to contribute towards the costs of the hotels does not change the terms of the amended agreement.

The terms of the temporary agreement are summarised as follows:

- The lessee is not liable to pay basic rental and turnover rental.
- The lessor is liable for the fixed costs of the hotel during the closed period.
- The lessee shall not charge the administration fee, marketing charge, licence fee, management fee and management incentive fee.
- All other terms of the lease shall remain in effect.

The agreement is in line with L2D's philosophy to respond with humanity and empathy in dealing with lessee requests for relief whilst balancing the need to protect the sustainability of our business in the interest of all stakeholders. L2D's intention remains that the hotels were purchased to earn rental income and for capital appreciation. The agreement is temporary and when agreed between the Parties that viable economic activity can be conducted at the hotel premises, the terms of the original lease will prevail. The hotel remains classified as investment property.

The above is a change in the scope of the lease as there has been a substantive change in the consideration for the duration of the lockdown i.e. a rental concession has been given to the lessee. These terms were not part of the original lease term and as a result constitute a lease modification.

Given the uncertainty of when lockdown restrictions will be lifted and the complexity in estimating the lease income, L2D has elected not to recognise any rental income for the hotels. L2D continues to recognise the costs incurred as property expenses in the Statement of comprehensive income. The fair value of the hotels is disclosed as investment property in the Statement of financial position.

2.5 Accounting for the Sandton Convention Centre agreement

On 31 August 2020, the current lease agreement between Liberty Group Limited, 2 Degrees Properties Proprietary Limited, Pareto Limited (the Consortium) and Tsogo Sun Hotels Limited (the tenant) related to the Sandton Convention Centre expired. In terms of that agreement, the tenant appointed Southern Sun Hotels Interests (SSHI) to operate and manage the business. Tsogo Sun Hotels Limited indicated that they will not be renewing the lease.

SSHI would like to enter into a lease agreement with the Consortium on the same terms and conditions as the lease entered into with Reshub Proprietary Limited in 2019 regarding the hotel agreements relating to certain properties.

However, on the date of the current lease expiry, the negotiations have not been finalised and the parties have agreed to enter into a transition management agreement between the Consortium and SSHI commencing 1 September 2020 until 31 August 2021.

SSHI have been appointed as the Convention Centre Manager and will receive a management fee based on various key metrics.

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for the year ended 31 December 2020

IFRS accounting for Sandton Convention Centre from 1 September 2020

IAS 40 Investment Properties set out the principles of accounting for investment properties as defined under IFRS. Investment property is defined as property (land or building or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental or for capital appreciation, or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business.

Owner-occupied property is property held (by the owner or by the lessee as a right-of-use asset) for use in the production or supply of goods or services, or for administration purposes.

Both standards allow recognition and measurement at fair value, however under IAS 40 the fair value gains or losses are recognised in profit or loss, whereas under IAS 16 Property, Plant and Equipment they are recognised in other comprehensive income.

Classification under IFRS

IAS 40, Para 11 – In some cases, an entity provides ancillary services to the occupants of a property it holds. An entity treats such a property as investment property if the services are insignificant to the arrangement as a whole. An example is when the owner of an office building provides security and maintenance services to the lessees who occupy the building.

Para 12 – In other cases, the services provided are significant. For example, if an entity owns and manages a hotel, services provided to guests are significant to the arrangement as a whole. Therefore, an owner managed hotel is owner occupied property, rather than investment property.

Para 13 – It may be difficult to determine whether ancillary services are so significant that a property does not qualify as investment property. For example, the owner of a hotel sometimes transfers some responsibilities to third parties under a management contract. The terms of such contracts vary widely. At one end of the spectrum, the owner's position may, in substance, be that of a passive investor. At the other end of the spectrum, the owner may simply have outsourced day to day functions while retaining significant exposure to variation in the cash flows generated by the operations of the hotel.

Para 14 – Judgement is needed to determine whether a property qualifies as investment property. An entity develops criteria so that it can exercise that judgement consistently in accordance with the definition of investment property and with the related guidance in paragraphs 7–13. Paragraph 75(c) requires an entity to disclose these criteria when classification is difficult.

Management are of the opinion that the Sandton City Convention Centre still meets the definition of an investment property.

The Consortium are all part owners of the property and are responsible for all capital expenditure, and major repairs and maintenance. The property is also held for capital appreciation. The day-to-day operations such as running of the Convention Centre has been outsourced to SSHI in terms of the management agreement and Liberty and L2D are passive investors in this regard. Liberty and L2D themselves do not provide management services to the Convention Centre.

Any short-term income that SSHI receive for the use of the property will be recorded as operating lease income from investment properties, and any expenses will be recorded as property expenses in the accounting records of L2D Group.

2.6 Accounting for rental relief discounts

During the first quarter of 2020 the South-African Government imposed a national lockdown and declared a state of disaster in response to the COVID-19 Pandemic. In line with government guidance our malls partially closed from 27 March 2020 with only essential tenants being allowed to trade through the "hard-lockdown" period. Gradual re-opening of the stores commenced as lockdown restrictions started easing with most of the portfolio able to trade by the third quarter of 2020 albeit under restricted trading conditions and within strict health and safety protocols. In addition to focusing on the well-being of our staff and operational sustainability of our business, the primary focus at the start of the lockdown period was on ensuring the properties remain safe and complied with issued guidelines from the applicable authorities and industry best practice protocols. We concurrently participated in various industry forums including the Property Industry Group which aimed to provide a platform for industry participants to discuss the impact of the pandemic on our industry and brainstorm potential measures for mitigation which included guidance or views on rental relief provided to tenants.

Rental relief has been provided using the following categories:

1. L2D provided a discount on rentals due, most of which was in arrears. At the date of the agreement the discounts offered related to previous months that had already been invoiced to tenants.

2. For certain categories of tenants including restaurants, the rental relief offered was in the form of a rental determined on a turnover basis from July 2020 to January 2021, on a sliding scale basis. The revised rental relief methodology assumes that tenants will still be liable for certain property expenses and other obligations per the lease in full. Tenants will be liable for a minimum basic rental and property expense recoveries. This will increase based on turnover achieved as a percentage of historical turnover. At a certain level of historical turnover, a tenant will become liable for their full lease obligations including basic rental and property expense recoveries.

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2. Key judgements continued

2.6 Accounting for rental relief discounts (continued)

IFRS 16 defines a lease modification as 'a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term)'.

Per IFRS 16:87 – a lessor accounts for a modification to an operating lease as a new lease.

If a change in lease payments does not result from a lease modification for an operating lease, a lessor recognises the change in payments in income from leases.

Accounting for the changes in lease payments over the term of the lease is an area of judgement that depends on several factors and in this instance is compounded by circumstances not commonly observed. L2D's view for the rental relief contracted and provided for in category one above is that these were not lease modifications, all our leases are operating leases and consequentially the change in payment has been recognised as a reduction in income from leases.

If the change in lease payments was part of the original terms and conditions of the lease the change would not be considered a lease modification. It is an area of judgement on whether the express inclusion of a *force majeure* provision (either in contract or by interpretation of common law provisions) in the contract contemplates the kind of variable payment occasioned by the discount provided in response to COVID-19. Based on the legal advice received at the time our conclusion was that a clear answer was not apparent prior to a court process.

Rental relief that relates to the second category will be classified as a lease modification as the agreement relates to forward looking information. Furthermore, the scope of the agreement has changed to a turnover based rental as opposed to a fixed rental. As a result, these leases will be accounted for as a new lease from the effective date (the date when the agreement was concluded) of the modification.

Different categories of accounting for the rental relief
The rental relief granted in category one will be accounted for as an impairment against the lease receivable in line with IFRS 9 requirements.

The rental relief granted in category two is subject to an accounting policy choice. L2D has elected to account for the arrears outstanding as an impairment in terms of IFRS 9 and for the forward looking rental to be treated as a lease modification.

2.7 Deferred tax asset

Deferred tax assets are recognised for taxable temporary differences as management considers that is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future rental income, rental relief, operating costs, capital expenditure, dividends and other capital management transactions. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to profit or loss in the statement of comprehensive income.

Items which will unwind in the next year or two have been included in the deferred tax asset as management believes that future taxable profits are probable and where management believes that it is not probable that there will be taxable income against which these items will unwind, no deferred tax asset has been raised. The deferred tax asset has increased the net profit after taxation available for distribution in the current year. When the balances on which temporary differences were raised unwind, this will result in a lower net profit after taxation available for distribution in the following years.

2.8 Restatement of segment reporting

The group is disclosing L2D's share of GLA excluding co-owners in line with the financial segment earnings. The portfolio underwent a GLA reconciliation at the end of 2020 to ensure alignment between reported GLA and the latest Architect's certificates.

2.9 Impairment in subsidiary

Given the current environment and the adverse effect of COVID-19 , 2DP has seen a decrease in net property income due to rebates, Expected Credit Loss provision, vacancies, devaluation of properties amongst many other factors. Significant judgement has been applied on the assumptions used in the value in use calculation. L2D Ltd has impaired its interest in subsidiaries in line with IAS 36 Impairment of Assets. Please refer to note 33 Interest in subsidiaries for more detail.

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3. Headline earnings per share

	GROUP	
R'000	**2020**	2019
Reconciliation between basic earnings and headline earnings		
Total (loss)/earnings (basic earnings)	**(1 492 803)**	534 491
Fair value adjustment to investment properties and financial assets	**1 719 886**	(10 910)
Headline earnings	**227 083**	523 581
	Cents	Cents
(Loss)/earnings per share		
Basic and diluted	**(164.59)**	58.96
Headline	**25.04**	57.76
	000's	000's
Actual number of shares in issue	**908 443**	908 443
Weighted average number of share in issue*	**906 999**	906 471
Diluted weighted average number of shares in issue*	**906 999**	906 471

* *Excludes 12 986 793 treasury shares as at 31 December 2020.*

Basic earnings per share is basic earnings attributable to shareholders divided by the weighted average number of shares excluding treasury shares in issue during the year.

Headline earnings per share is a disclosure requirement in terms of the JSE Listings Requirements for companies listed on the JSE. Circular 1/2019, issued by the South African Institute of Chartered Accountants at the request of the JSE, stipulates the requirements for the calculation of headline earnings.

Headline earnings per share is calculated by dividing the headline earnings by the weighted average number of shares in issue during the period, excluding treasury shares.

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for the year ended 31 December 2020

4. Segment information

Segmental performance, based on net property income, is assessed using the below metrics at the Business Operations Oversight Committee as well as at the Finance and Risk Oversight Committee:

Retail and offices: vacancies, footfall, trading density, reversions and turnover growth; and

Hotels: occupancy levels and revenue per room (RevPar).

December 2020

Unaudited GLA	Retail	Office	Other specialised	Hotels**	Administration/ Other*	Total
Total property GLA m²	512 701	316 011	117 606	–	–	946 318
L2Ds share of total GLA m²**	148 168	55 212	23 833	–	–	227 213

* *Administration and other includes administration expenses and investment income that cannot be allocated specifically to the operating segments.*

** *Segment earnings have been segmented per category GLA as a percentage of total GLA. The hotels do not form part of the total GLA disclosed.*

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for the year ended 31 December 2020

4. Segment information continued

4.1 Segment earnings – December 2020

R'000	Retail	Office	Other specialised	Hotels**	Administration/ Other*	Total
Property portfolio revenue	569 532	212 225	91 609	5 127	276	878 769
Rental and related income	612 975	228 413	98 597	5 127	276	945 388
Adjustment for the straight-lining of operating lease income	(43 443)	(16 188)	(6 988)	–	–	(66 619)
Property operating expenses	(219 844)	(81 920)	(35 362)	(4 159)	(484)	(341 769)
Change in expected credit loss on rental debtors	(104 161)	(38 813)	(16 754)	–	–	(159 728)
Net property income	245 527	91 492	39 493	968	(208)	377 272
Asset management fee income	–	–	–	–	57 263	57 263
Development fee income	–	–	–	–	2 361	2 361
Total net property income and revenue	245 527	91 492	39 493	968	59 416	436 896
Other Income	–	–	–	–	1 228	1 228
Operating costs	–	–	–	–	(95 769)	(95 769)
(Loss)/profit from operations excluding fair value adjustments	245 527	91 492	39 493	968	(35 125)	342 355
Interest expense	–	–	–	–	(149 307)	(149 307)
Interest received	–	–	–	–	2 398	2 398
(Loss)/profit before fair value adjustments	245 527	91 492	39 493	968	(182 034)	195 446
Net fair value adjustments on investment properties	(1 024 214)	(381 653)	(164 744)	(88 248)	–	(1 658 859)
Fair value adjustments	(1 067 657)	(397 841)	(171 732)	(88 248)	–	(1 725 478)
Adjustment for the straight-lining of operating lease income	43 443	16 188	6 988	–	–	66 619
Fair value adjustment on derivatives	–	–	–	–	(43 532)	(43 532)
Fair value adjustment on equity instrument	–	–	–	–	(17 495)	(17 495)
(Loss)/profit before taxation	(778 687)	(290 161)	(125 251)	(87 280)	(243 061)	(1 524 440)
Taxation	–	–	–	–	31 637	31 637
Total comprehensive (loss)/income	(778 687)	(290 161)	(125 251)	(87 280)	(211 424)	(1 492 803)

4. Segment information continued

4.2 Segment assets and liabilities

R'000	Retail	Office	Other specialised	Hotels**	Administration/ Other*	Total
Investment property	5 357 891	1 996 507	861 815	272 774	–	8 488 987
Property plant and equipment	–	–	–	–	716	716
Amount due from Group companies	–	–	–	–	80 993	80 993
Trade and other receivables	119 786	44 636	19 268	28 321	11 059	223 070
Financial assets	–	–	–	–	768	768
Deferred tax asset	–	–	–	–	31 808	31 808
Current taxation receivable	–	–	–	–	633	633
Cash and cash equivalents	–	–	–	–	73 037	73 037
Total assets	5 477 677	2 041 143	881 083	301 095	199 014	8 900 012
Trade and other payables	(71 241)	(26 547)	(11 459)	(1 793)	(43 814)	(154 854)
Employee benefits	–	–	–	–	(13 844)	(13 844)
Amount due to Group companies	–	–	–	–	(33)	(33)
Financial instruments	–	–	–	–	(60 423)	(60 423)
Financial liabilities	–	–	–	–	(1 762 895)	(1 762 895)
Net assets	5 406 436	2 014 596	869 624	299 302	(1 681 995)	6 907 963

* *Administration assets and liabilities includes the current account with LGL, VAT payable, accruals and cash and cash equivalents.*

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for the year ended 31 December 2020

4. Segment information continued

The group is disclosing L2D's share of GLA excluding co-owners in line with the financial segment earnings. The portfolio underwent a GLA reconciliation at the end of 2020 to ensure alignment between reported GLA and the latest Architect's certificates. The changes in GLA have been due to natural attrition and movement in GLA as a result of refurbishments and changes in tenant mix over time.

December 2019 published

Unaudited GLA	Retail	Office	Other specialised	Hotels**	Administration/ Other*	Total
Total property GLA m²	523 135	331 326	113 405	–	–	967 866
L2Ds share of total GLA m²**	150 070	60 485	23 483	–	–	234 038

December 2019 restated

Unaudited GLA	Retail	Office	Other specialised	Hotels**	Administration/ Other*	Total
Total property GLA m²	512 701	334 255	117 606	–	–	964 562
L2Ds share of total GLA m²**	148 168	61 281	23 833	–	–	233 282

* *Administration and other includes administration expenses and investment income that cannot be allocated specifically to the operating segments.*

** *Segment earnings have been segmented per category GLA as a percentage of total GLA. The hotels do not form part of the total GLA disclosed.*

Change in unaudited GLA	Retail	Office	Other specialised	Hotels**	Administration/ Other*	Total
Total property GLA m²	10 434	(2 929)	(4 201)	–	–	3 304
L2Ds share of total GLA m²**	1 902	(796)	(350)	–	–	756

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4. Segment information continued

4.3 Segment earnings – Restated December 2019

R'000	Retail	Office	Other specialised	Hotels**	Administration/ Other*	Total
Property portfolio revenue	628 216	259 823	101 048	9 131	971	999 189
Rental and related income	643 905	266 312	103 572	9 131	971	1 023 891
Adjustment for the straight-lining of operating lease income	(15 689)	(6 489)	(2 524)	–	–	(24 702)
Net revenue from hotel operations				24 677		24 677
Property operating expenses	(203 621)	(84 215)	(32 752)	(2 750)	(2 247)	(325 585)
Change in expected credit loss on rental debtors	(3 004)	(1 242)	(483)	–	–	(4 729)
Net property income	421 591	174 366	67 813	31 058	(1 276)	693 552
Asset management fee income	–	–	–	–	61 490	61 490
Development fee income	–	–	–	–	6 747	6 747
Total net property income and revenue	421 591	174 366	67 813	31 058	66 961	761 789
Other Income	–	–	–	–	181	181
Operating costs	–	–	–	–	(93 156)	(93 156)
(Loss)/profit from operations excluding fair value adjustments	421 591	174 366	67 813	31 058	(26 014)	668 814
Interest expense	–	–	–	–	(148 530)	(148 530)
Interest received	–	–	–	–	3 482	3 482
(Loss)/profit before fair value adjustments	421 591	174 366	67 813	31 058	(171 062)	523 766
Net fair value adjustments on investment properties	10 691	4 422	1 720	9 923	–	26 756
Fair value adjustments	(4 998)	(2 067)	(804)	9 923	–	2 054
Adjustment for the straight-lining of operating lease income	15 689	6 489	2 524	–	–	24 702
Fair value adjustment on derivatives	–	–	–	–	(8 602)	(8 602)
Fair value adjustment on equity instrument	–	–	–	–	(7 244)	(7 244)
(Loss)/profit before taxation	432 282	178 788	69 533	40 981	(186 908)	534 676
Taxation	–				(185)	(185)
Total comprehensive (loss)/income	432 282	178 788	69 533	40 981	(187 093)	534 491

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for the year ended 31 December 2020

4.4 Segment assets and liabilities

R'000	Retail	Office	Other specialised	Hotels**	Administration/ Other*	Total
Investment property	6 216 389	2 571 033	999 904	357 597	–	10 144 923
Non-current asset held for sale	–	123 213	–	–	–	123 213
Property plant and equipment	–	–	–	–	836	836
Amount due from Group companies	–	–	–	–	66 119	66 119
Trade and other receivables	116 482	48 175	18 736	57 036	12 812	253 241
Financial assets	–	–	–	–	660	660
Financial assets – unlisted equity	–	–	–	–	17 495	17 495
IFRS 16 – lease asset	–	–	–	–	1 688	1 688
Cash and cash equivalents	–	–	–	–	65 199	65 199
Total assets	6 332 871	2 742 421	1 018 640	414 633	164 809	10 673 374
Trade and other payables	(89 292)	(36 930)	(14 363)	(31 778)	(28 542)	(200 905)
Employee benefits	–	–	–	–	(17 323)	(17 323)
Amount due from Group companies	–	–	–	–	(14)	(14)
Current taxation payable	–	–	–	–	(74)	(74)
Financial instruments	–	–	–	–	(16 891)	(16 891)
Financial liabilities	–	–	–	–	(1 719 166)	(1 719 166)
Lease liability	–	–	–	–	(1 995)	(1 995)
Net assets	6 243 579	2 705 491	1 004 277	382 855	(1 619 196)	8 717 006

* *Administration assets and liabilities includes the current account with LGL, VAT payable, accruals and cash and cash equivalents.*

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5. Investment properties

R'000	Notes	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
5.1 Summary					
Investment properties	5.2	**8 458 913**	10 112 155	**–**	–
Fair value net of straight-lining at the beginning of the year		**10 112 155**	10 111 609	**–**	–
Additions – property acquired		**–**	24 643	**–**	–
Expenditure on investment properties capitalised during the period		**67 560**	96 996	**–**	–
Fair value adjustment		**(1 720 802)**	975	**–**	–
Transfer to assets held for sale		**–**	(122 068)	**–**	–
Investment properties under development	5.3	**30 074**	32 768	**–**	–
Fair value at the beginning of the year		**32 768**	32 768	**–**	–
Expenditure on investment properties under development during the year		**1 426**	–	**–**	–
Fair value adjustment		**(4 120)**	–		
Total investment properties		**8 488 987**	10 144 923	**–**	–
5.2 Investment properties					
Fair value of investment properties at the beginning of the year		**9 864 729**	9 839 002	**–**	–
Additions – property acquired		**–**	23 595	**–**	–
Additions – property acquired for cash/in exchange for units issued		**–**	24 643	**–**	–
Impact of straight-lining of operating lease income on property acquired		**–**	(1 048)	**–**	–
Net fair value adjustment for the period		**(1 654 661)**	27 028	**–**	–
Fair value adjustment[1]		**(1 720 802)**	975	**–**	–
Net movement on straight-lining operating lease income		**66 141**	26 053	**–**	–
Expenditure on investment properties during the period		**67 560**	96 996	**–**	–
Additions – capitalised subsequent expenditure[2]		**69 865**	92 204	**–**	–
Capitalised tenant installations[2]		**4 495**	7 399	**–**	–
Amortisation of tenant installations		**(4 464)**	(3 770)	**–**	–
Capitalised letting commission[2]		**4 160**	7 674	**–**	–
Amortisation of letting commission		**(6 496)**	(6 511)	**–**	–
Transfer to assets held for sale		**–**	(121 892)	**–**	–
Transfer to assets held for sale		**–**	(122 068)	**–**	–
Impact of straight-lining of operating lease income on transfer of property		**–**	176	**–**	–
Reclassification from investment properties under development		**–**	–	**–**	–
Investment properties at fair value		**8 277 628**	9 864 729	**–**	–

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5. Investment properties continued

5.2 Investment properties continued

R'000	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Operating leases accrued adjustment				
Straight-lining balance at the beginning of the year	**247 426**	272 607	**–**	–
Straight-lining of operating lease income balance acquired	**–**	1 048	**–**	–
Straight-lining of operating lease income of transfer of property to assets held for sale	**–**	(176)	**–**	–
Net movement on straight-lining of operating lease income[3]	**(66 141)**	(26 053)	**–**	–
Straight-lining of operating lease income	**181 285**	247 426	**–**	–
Total investment properties	**8 458 913**	10 112 155	**–**	–

5.3 Investment properties under development

R'000	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Fair value of investment properties under development at the beginning of the year	**32 768**	32 768	**–**	–
Additions – property acquired for cash/in exchange for units issued	**–**	–	**–**	–
Net fair value adjustment for the period	**(4 120)**	–	**–**	–
Fair value adjustment	**(4 120)**	–	**–**	–
Net movement on straight-lining operating lease income	**–**	–	**–**	–
Expenditure on investment properties under development during the period	**1 426**	–	**–**	–
Additions – capitalised subsequent expenditure	**1 426**	–	**–**	–
Reclassification (to)/from investment properties	**–**	–	**–**	–
Total investment properties under development	**30 074**	32 768	**–**	–
Total investment properties	**8 488 987**	10 144 923	**–**	–

[1] *Century City was classified as a non-current asset held for sale on 31 October 2019 and was effectively transferred on 9 July 2020. The fair value adjustment for the period is R0.5 million. This has been excluded above and included in the non current assets held for sale note.*

[2] *Expenditure on investment property capitalised relating to Century City is R0.9 million and has been excluded from the above and included in the non-current assets held for sale note.*

[3] *The impact of straight-lining operating lease income on Century City offices for the period 1 January 2020 to 9 July 2020 is R0.5 million. The total income statement movement for the year from straight-lining is R66.6 million (2019: R24.7 million). The impact of lease modifications due to forward looking rental relief granted resulted in the movement of the straight-lining operating lease asset from R188.2 million to R181.3 million, and the movement of the straight-lining operating lease income of R6.9 million*

5. Investment properties continued

Interest expense
Interest incurred during the 2020 financial year on debt incurred to acquire the additional undivided share of properties was R125 million (2019: R121 million).

Basis of valuation

Valuation process
A panel of at least two independent external valuers are appointed to conduct L2D's interim and year-end valuations. L2D provided the valuers with the relevant information required in the valuation of the properties. Among other inputs, the independent valuers applied current market-related assumptions to risks in rental streams of properties. Once the valuations have been completed by the independent valuers, it was reviewed internally, signed off by the Chief Executive and the Financial Director after which they were submitted to the various governance committees for final recommendation to the Board. The Board provides final approval of the valuations. The professional valuers, namely Broll Valuation and Advisory Services and Jones Lang LaSalle Proprietary Limited are registered valuers in terms of the Property Valuers Professional Act, No. 47 of 2000 and are RICS Registered Valuers.

The independent valuers are as follows:

Broll	J Weiner	Dip Real Estate (P.V.), MIV(SA), professional valuer
Broll	J Karg	BSc, MRICS, MIV(SA), professional valuer
Jones Lang LaSalle	S Crous	BSc, MRICS, MIV(SA), professional valuer

The basis of value is 'fair value' which is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The full investment properties portfolio was independently valued as at 31 December 2020 in line with the group's valuation policy.

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

The properties have been valued using the discounted cash flow methodology based on significant unobservable inputs and whereby the forecasted net cash flow and residual value of the asset at the end of the forecasted cash flow period is discounted back to the valuation date, resulting in a present value of the asset.

The residual value is calculated by capitalising the net income forecasted for the 12-month period immediately following the final year of the cash flow at the exit capitalisation rate.

The Sandton Convention Centre valuation has been impacted by a change in methodology from previous valuations given the expiry of the Convention Centre lease and the introduction of the interim management agreement. The methodology has changed to a profit's method valuation on expiry of the lease. This method accounts for the underlying fundamentals of the business where previously the property was valued based on the income method utilising the lease rental and reversion on expiry.

The unobservable inputs include:

Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.

Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows. Valuers may use any reasonable method for developing an appropriate discount rate with consideration being given to:

- The type of asset being valued;
- The rates implicit in comparable transactions in the market;
- The geographic location of the asset and/or the location of the markets in which the assets would trade;
- The life/term and/or maturity of the asset and the consistency of inputs; and
- The bases of value being applied.

Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease.

Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date.

The discount rate and exit capitalisation rate are then tested for reasonableness and benchmarked against recent comparable sales and surveys prepared by the MSCI and South African Property Owners Association (SAPOA).

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Unobservable inputs:

	2020					2019				
	Exit cap rate (%)	**Discount rate (%)**	**Vacancy rate (%)**	**Rental growth (%)**	**Expense growth (%)**	Exit cap rate (%)	Discount rate (%)	Vacancy rate (%)	Rental growth (%)	Expense growth (%)
Office (%)	**8.25 – 9.75**	**13.25 – 14.00**	**0.5 – 1**	**Staggered growth rates applied over a period of five years which vary per property between 0 – 4.75**	**Staggered growth rates applied over a period of five years which vary per property between 5 – 6**	8.3 – 9.50	12.5 – 13.8	0 – 2.5	4.0 – 5.0	6.5 – 7.0
Retail – super regional and regional (%)	**6.5 – 7.75**	**10.5 – 11**	**0.5 – 2 5% for the offices in Sandton complex**	**Staggered growth rates applied over a period of five years which vary per property between (1) – 4**	**Staggered growth rates applied over a period of five years which vary per property between 5 – 6**	6.50 – 7.0	12.0 – 12.25	0.5 – 2.5 5% for the offices in Sandton complex	4.0 – 5.5	6.5
Retail – other	**7.75 – 8.25**	**11.75 – 13.25**	**1 – 1.5**	**Staggered growth rates applied over a period of five years which vary per property between (1) – 5**	**Staggered growth rates applied over a period of five years which vary per property between 5 – 6**	7.25 – 8.25	12.5 – 12.75	1 – 1.5	5 – 5.5	6.5
Hotels (%)**	**9.0**	**13.75 – 14.0**				8.8	14.0			
Specialised Sandton Convention Centre (%)**	**10.0**	**14.75**				10.0	15.25	1	(1) – 3.0	5.5 – 6.0
Virgin Active and Parkade	**8.5**	**13.5**	**–**	**Staggered growth rates applied over a period of five years (1) – 3.5**	**Staggered growth rates applied over a period of five years 5.5 – 6**	8.5	13.0	0.5	(1) – 3.5	5.5 – 6.0
John Ross Eco Junction*	**8.25 – 9.25**	**13.75 – 14.5**	**1**	**Staggered growth rates applied over a period of five years 0 – 4.75**	**Staggered growth rates applied over a period of five years 5 – 6**	8.25 – 9.25	13.75 – 14.5	–	4.5 – 4.75	6.5
John Ross Eco Junction (land)	**–**	**14.5**	**–**	**3.85**	**Staggered growth rates applied over a period of five years 5 – 6**	–	15.0	–	3.85	7.0

* *Includes John Ross Eco Junction Tangawizi and Melomed.*

** *There are no growth rates/vacancy rates disclosed for the hotels and the Sandton Convention Centre as the method of valuation is a profits method based on business modelling forecasts.*

5. Investment properties continued

Understanding the unobservable inputs

Discount rate
The discount rate is the annual return that a prudent, rational investor requires in order to invest in the property in a competitive market as opposed to alternative asset classes.

Exit capitalisation rate

The exit value should reflect the anticipated state of the property, physically and in tenure/leasing terms, at the exit date. The exit yield is influenced by several factors including risk, obsolescence, gross market rental growth rates, rates of return on alternative investments, mortgage rates, property condition and lease covenant.

Vacancy rate
The vacancy rate refers to vacancies caused by difficulties inherent to the property which management leaves vacant in order to accommodate the expansion of existing tenants; as well as to allow for rental voids due to tenant movement. Underlying to the vacancy rate of properties in a specific market is the relationship of supply and demand of rental space in that market which is to a large extent driven by the property and economic cycle.

Rental growth
The rental growth factor refers to the anticipated growth of market rentals over the observed period (five years).

Expense growth
The anticipated growth of operating costs (relating to the operation of the property) over the observed period (five years).

Inter-relationship between key unobservable inputs and fair value measurements:

The most significant impact on value is an adjustment on metrics whereby the estimated fair value would increase/(decrease) if:

- exit capitalisation rate was lower/(higher); and
- discount rate was lower/(higher).

Other inputs that impact the value less significantly are:

- vacancy and rent free periods were shorter/(longer);
- expected market rental growth was higher/(lower); and
- expected expense growth was lower/(higher).

Conclusion on material uncertainty
In spite of the material valuation uncertainty noted by the independent valuers, L2D is satisfied with the property valuations as at 31 December 2020. The impact of COVID-19 and the associated impact on the property investment industry has resulted in changes to the inputs and assumptions into valuation techniques applied.

Valuation summary

Offices
The Standard Bank Centre and Umhlanga offices fall within this category for valuation purposes. The office properties are currently located in both Johannesburg and KwaZulu-Natal (KZN). The KZN offices are multi-tenanted whilst the one Johannesburg office is a triple net lease with a single tenant. The offices have been negatively impacted by market pressure on rentals which is reflected in expected lease expiry reversions to market, a rise in vacancies and demand for traditional office space contracts over the short-to medium-term.

The Standard Bank Centre's valuation is affected by reduced market rental growth rate assumptions. The expenses escalation growth has also been staggered over the forecast period and is tracking ahead of inflation in the earlier part of the forecast. The exit cap rate and discount rate have remained consistent with the previous valuation.

Liberty Head office Umhlanga Ridge and Umhlanga Ridge Office Block's valuations are affected by reduced market rental growth rates assumptions. The expense escalation growth has also been staggered over the forecast period and is tracking ahead of inflation in the earlier part of the forecast. Market rentals have been static in the last 12 months with muted demand for space in the node. The discount rate has increased reflecting increased risk over the forecast period. Umhlanga Ridge Office Block experienced an increase in projected operating costs as a result of changing the property from single to multi tenanted usage.

Retail
The Retail category consists of super regional, regional, small regional and community shopping centres. The retail segment has been one of the most adversely impacted as a consequence of the COVID-19 pandemic. The valuations of the retail portfolio have been impacted by rental discounts implemented, the re-basing of certain tenant rentals based on trading sustainability criteria, expected negative rental reversions for certain categories of tenants on lease renewal and increased conservatism reflected in forecasted market rentals and valuation metrics. While the current conditions present a number of challenges to the portfolio, we have observed improvement in the latter half of the year in the foot count, collections, turnover growth since the start of the pandemic and lockdown level 5. We have also implemented additional health and safety measures at our retail centres. The experiential offerings created at Eastgate and Nelson Mandela Square have helped drive footcount to the malls. Although vacancies have increased in the portfolio, certain new tenants have been secured and the retail vacancy rate remains below the SAPOA retail vacancy rate. The collection rate has also improved from the levels seen during the lockdown level 5 period.

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Super regional shopping centres
There has been a downward movement in the Sandton Complex which includes Sandton City, Sandton Office Tower, Atrium on 5th and the Sandton Parkade. The Sandton Parkade projected income has been severely impacted due to the lower vehicle count during the year. Atrium on 5th was additionally impacted negatively by an increase in the exit cap rate assumption. The assumption for office void periods in the forecast have also been extended impacting the valuations negatively which is further amplified by more conservative assumptions around vacancy and let up periods. For Sandton City, the retail rentals forecasted on renewal have been impacted by expected negative reversions for certain categories of tenants with the valuation being additionally impacted by rebasing certain inforce leases. Furthermore at a complex level, the valuation accounts for significant reversion on expiry of leases in the forecast period. Discount rates used in the valuations have been adjusted downwards consistent with the low growth environment.

Eastgate has seen good escalation growth for in-force leases coupled with managed cost escalation growth. The rentals on vacancies and renewals have been forecasted conservatively as the asset takes cognisance of the effect of the pandemics and the positioning of the property in creating a sustainable base going forward. We expect the trading density and weighted average unexpired lease term to improve further within the short to medium term as vacancies are let, and the economy recovers.

Regional and small regional shopping centres
Liberty Promenade Shopping Centre, Nelson Mandela Square, Liberty Midlands Mall Midlands Mall and Lifestyle Centre fall within this category. The valuations in this category have been negatively impacted by rebates offered in the current year and expected negative reversions on lease renewals for certain categories of tenants over the forecast period. Additionally the valuations are impacted by increased vacancy assumption for the forecast period.

Community shopping Centre
Botshabelo Mall's valuation is driven by more conservative assumptions around market rental growth rates and an increase in budgeted capital expenditure.

Other
Melrose Arch valuation is driven by anticipated Net Property Income (NPI) growth which is offset by increased vacancy, longer void periods on expiry of leases and lower market rentals rates applied based on recent lettings.

In order to account for rental rebasing, tenant movements and Expected Credit Losses provisions which are not accounted for in the valuation, the valuers have treated these as once off provision deduction off the capital value.

Hotels
The Hotels ceased operating for large parts of the year under lockdown regulations. Although gradual easing of restrictions has allowed a small component to open to trade it is not yet feasible for the vast majority of the hotel operations to resume full trade. These factors and a forecasted reduction in the average daily rate over the forecast period in comparison to the prior year have negatively impacted the hotel valuations.

Sandton Convention Centre
As a result of lockdown restrictions and a restriction of international travel imposed in the first half of the year, many events had to be cancelled in 2020 causing severe pressure on the Sandton Convention Centre. Restrictions on gatherings have still not been lifted fully and this is expected to have a severe impact in the first quarter of 2021. The valuation has been impacted by a change in methodology from previous valuations given the expiry of the Convention Centre lease and the introduction of the interim management agreement. The methodology has changed to a profit's method valuation on expiry of the lease. This method accounts for the underlying fundamentals of the business where previously the property was valued based on the income method utilising the lease rental and reversion on expiry. We are in continued discussions with the lessee and will be in a position to conclude once greater clarity around travel and business tourism prevails.

Virgin Active and Parkade
Lockdown restrictions forced gyms to close down for a number of months. The net property income was negatively affected by the rebates that had to be given for this period of no trade. We are still in negotiations with Virgin Active regarding their arrear rental position. The valuation is impacted negatively by downward assumptions to the market rental growth rates over the period of the cashflow as well as an adjustment to the discount rate.

John Ross Eco Junction
John Ross Eco Junction is a diversified commercial and industrial development across 30 sites, appropriate for commercial workshops, light industrial, motor dealerships, general showrooms, office buildings, warehouses, wholesale and mini factory units. Currently the property comprises three components, namely the Melomed Hospital, Tangawizi Motors and the remaining estate (land parcels), which comprises several vacant development land parcels. The two leases (Melomed and Tangawizi) that have been entered into are triple net leases wherein all expenses associated with the operation of the property are for the account of the tenant. These are valued on discounted cashflow methodology.

The valuers considered the land parcels to be in a prime location, and as soon as the pandemic as well as the development challenges facing the port and other local projects improve the demand for space is expected to increase. As such the valuers have applied land values in the sales projection cashflow for the property which are generally in line with the prices for development land in the more attractive areas of Richards Bay.

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5. Investment properties continued

No.	Property name and % interest in the undivided shares by L2D	Physical address and province	Main sector	December 2020 valuation R'000	December 2019 valuation R'000
1	Standard Bank Centre (16.7%)	5 Simmonds Street, Johannesburg, Gauteng	Office	**147 356**	171 565
2	Liberty Centre Head Office (Umhlanga Ridge) (33.3%)	21 Aurora Drive and 2 Park lane, Umhlanga Ridge, KwaZulu-Natal	Office	**102 100**	113 122
3	Sandton City Complex (25.0%)	5th Street, Alice Lane and Sandton Drive, Sandton, Gauteng	Retail	**3 105 732**	3 519 051
4	Nelson Mandela Square Complex (33.3%)	5th Street Sandton, Gauteng	Retail	**405 436**	594 184
5	Eastgate Complex (33.3%)	43 Bradford Road, Bedfordview, Johannesburg, Gauteng	Retail	**2 389 292**	2 940 485
6	Melrose Arch Complex (8.3%)	60 Atholl Oaklands Road and Melrose Blvd, Melrose North, Johannesburg, Gauteng	Retail* *(per unobservable input table)*	**468 757**	567 048
7	Liberty Midlands Mall (33.3%)	Sanctuary Road, Pietermaritzburg, KwaZulu-Natal	Retail	**729 552**	855 162
8	Liberty Promenade Shopping Centre (33.3.%)	Cnr AZ Berman Drive, Morgenster Road and 11th Avenue, Mitchells Plain, Western Cape	Retail	**536 141**	600 944
9	Botshabelo Mall (33.3%)	Portions 2 and 3 of ERF 1 Botshabelo-H, Free State	Retail	**93 275**	100 968
10	John Ross Eco-Junction Estate – Tangawizi (33.3%)	Eco-Junction Business Park, John Ross Highway, Richards, KwaZulu-Natal	Specialised	**21 645**	23 181
11	John Ross Eco-Junction Estate – Melomed (23.3%)	John Ross Eco-Junction, Cnr N2 and MR496, John Ross Highway, KwaZulu-Natal	Specialised	**126 010**	113 349
12	John Ross Eco-Junction Estate (33.3%)	Portion 16 and 17, Erf 11415, Richards Bay, KwaZulu-Natal	Specialised	**30 074**	32 468
13	Sandton Convention Centre (25.0%)	161 Maude Street, Sandton, Gauteng	Specialised	**48 980**	142 460
14	Virgin Active Sandton and Parkade (25.0%)	149 West Street, Sandton, Gauteng	Specialised	**11 862**	13 337
15	Garden Court Sandton (25.0%)	Cnr West and Maude Street, Sandton, Gauteng	Hotels	**114 037**	169 535
16	Sandton Sun and Intercontinental (25.0%)	Cnr 5th and Maude Street, Sandton, Gauteng	Hotels	**158 738**	188 062
Total				**8 488 987**	**10 144 923**

* *For purposes of disclosure of the unobservable inputs, Melrose Arch complex has been disclosed under retail as a retail discount rate has been used.*

Below is the vacancy profile per sector (%)

Vacancy profile (%)	2020	2019
Total retail	**4.7**	2.3
Total office	**12.4**	10.2
Total specialised	**–**	–
Total	**6.7**	4.7

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6. Trade and other receivables

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Trade and other receivables include the following:				
Property debtors	**239 129**	207 858	**–**	–
Insurance claim outstanding	**51**	289	**–**	–
Municipal deposits	**3 385**	3 840	**–**	–
Loan with LGL	**52 432**	80 579	**–**	–
Trade debtors	**57 269**	49 652		
Accrued income	**2 027**	2 916		
Unallocated receipts	**19 092**	22 286		
Other receivables	**3 745**	9 274	**–**	–
Tenant arrears	**96 404**	30 834	**–**	–
Marketing fund loan account	**1 758**	3 085		
Profit distributions from Melrose Arch	**2 442**	3 448	**–**	–
Loan with Melrose Arch Property Owners Association	**524**	1 655	**–**	–
Prepayments:			**–**	–
– Insurance	**2 329**	2 699	**–**	–
– Other	**365**	112	**–**	–
Impairment of property debtors	**(57 541)**	(9 843)	**–**	–
Sundry debtors	**10 523**	12 688		
Hotel debtors	**28 265**	39 727	**–**	–
Total trade and other receivables	**223 070**	253 241	**–**	–

6. Trade and other receivables continued

6.1 Impairment losses on trade and lease receivables

	GROUP				COMPANY			
	2020		2019		**2020**		2019	
R'000	**Hotel debtors**	**Property debtors**	Hotel debtors	Property debtors	**Hotel debtors**	**Property debtors**	Hotel debtors	Property debtors
Opening impairment loss allowance under IFRS 9	**–**	**(9 843)**	–	(6 407)	**–**	**–**	–	–
(Increase)/decrease in loss allowance recognised in profit or loss during the period	**–**	**(159 728)**	–	(3 436)	**–**	**–**	–	–
Impairment as a result of ECL adjustments	**–**	**(47 698)**	–	(3 436)	**–**	**–**	–	–
Impairment as a result of rental relief offered	**–**	**(112 030)**	–	–	**–**	**–**	–	–
Derecognition of impairment allowances	**–**	**112 030**	–	–	**–**	**–**	–	–
Closing loss allowance	**–**	**(57 541)**	–	(9 843)	**–**	**–**	–	–

Refer to note 22.3 for detail on the ECL provision.

R112 million related to rental relief granted to tenants and is not subject to any enforcement activity. Discounts of R73 million were granted in the period April 2020 to June 2020 and R39 million from July 2020 to December 2020.

This resulted in a derecognition of the tenant arrears.

The table below summarises the discount granted per tenant category:

Category	**Discount**
Retail	**98 409**
Offices	**2 284**
Specialised	**11 337**
Hotels	**–**
	112 030

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6. Trade and other receivables continued

6.2 Property debtors net of impairment loss

	2020				2019			
Rm	**ECL rate %[2]**	**Gross carrying amount**	**Impairment allowance**	**Net carrying amount**	ECL rate %[2]	Gross carrying amount	Impairment allowance	Net carrying amount
Current[1]	**–**	**184 208**	**–**	**184 208**	–	229 328	–	229 328
Current (ECL)	**13.37**	**10 384**	**(1 389)**	**8 995**	1.79	3 089	(55)	3 034
1 to 30 days past due	**14.39**	**18 495**	**(2 661)**	**15 834**	9.79	3 492	(342)	3 150
31 to 60 days past due	**22.71**	**11 427**	**(2 595)**	**8 832**	27.27	1 617	(441)	1 176
61 to 90 days past due	**35.65**	**8 083**	**(2 882)**	**5 201**	19.00	2 400	(456)	1 944
More than 90 days past due	**100.00**	**48 014**	**(48 014)**	**-**	36.91	23 158	(8 549)	14 609
		280 611	**(57 541)**	**223 070**		263 084	(9 843)	253 241

[1] *An ECL adjustment has only been recognised for tenant arrears. The impact of the ECL assessment on the balance of the trade and other receivables is considered immaterial.*

[2] *The ECL calculation takes into account a broad range of different tenant categories. The ECL rate disclosed is the weighted average of the different categories.*

6.3 Write-off policy for fee income receivable, accrued income, hotel and inter-company debtors

Fee income receivable, accrued income, hotel and intercompany debtors is written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Hotel debtors are considered current debtors and consists largely of cash and working capital balances. The ECL calculation performed considered forward-looking information and determined that the ECL adjustment is immaterial.

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7. Financial assets held at fair value through profit and loss

7.1 Financial assets comprise:

R'000	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Financial assets at fair value through profit or loss (default)				
Equity instruments	**–**	17 495	**–**	–
Unlisted[1]	**–**	17 495	**–**	–
Mutual funds	**768**	660	**–**	–
Unlisted	**768**	660	**–**	–
Total financial assets at fair value through profit and loss	**768**	18 155	**–**	–
Total financial assets	**768**	18 155	**–**	–
Current	**768**	660	**–**	–
Non-current	**–**	17 495	**–**	–

[1] *The fair value of the investment in Edcon has been impaired to zero as at 31 December 2020.*

7.2 Movement analysis of financial assets

	2020			2019		
	Fair value through profit or loss			Fair value through profit or loss		
R'000	**Mutual funds**	**Equity instruments**	**Total**	Mutual funds	Equity instruments	Total
Balance at the beginning of the year	**660**	**17 495**	**18 155**	600	–	600
Additions	**112 574**	**–**	**112 574**	–	24 739	24 739
Disposals	**(112 943)**	**–**	**(112 943)**	–	–	–
Interest earned on investment	**477**	**–**	**477**	60	–	60
Fair value adjustments – through profit or loss	**–**	**(17 495)**	**(17 495)**	–	(7 244)	(7 244)
Balance at the end of the year	**768**	**–**	**768**	660	17 495	18 155

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8. Cash and cash equivalents

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Cash at bank and on hand	**73 037**	65 199	**101**	236

9. Trade and other payables

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Trade and other payables include the following:				
Trade creditors	**6 385**	3 954	**–**	–
Tenant deposits	**26 508**	27 961	**–**	–
Municipal charges	**13 986**	19 395	**–**	–
Unredeemed gift cards	**19 296**	19 802	**–**	–
Accruals:	**53 143**	23 411	**461**	330
– Audit fees	**703**	1 046	**–**	–
– Printing and publishing costs	**78**	97	**–**	–
– Valuation costs	**317**	284	**–**	–
– Listing costs	**328**	328	**328**	–
– Capital calls	**451**	–	**–**	–
– Property sundry accruals	**12 857**	20 351	**–**	–
– Outsourced services	**42**	326	**–**	–
– Liberty Group Limited working capital	**37 511**	–	**–**	–
– Other	**856**	979	**133**	330
Sundry payables	**35 536**	106 382	**–**	**–**
– Income received in advance	**11 341**	18 959	**–**	–
– Value added taxation payable	**10 718**	21 008	**–**	–
– Hotel sundry creditors	**–**	10 895	**–**	–
– Property sundry creditors	**13 477**	55 517	**–**	–
– Other	**–**	3	**–**	–
Total trade and other payables	**154 854**	200 905	**461**	330
Current	**154 854**	200 905	**461**	330
Non-current	**–**	–	**–**	–

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10. Fair value hierarchy for financial instruments and investment property

IFRS 13 requires that an entity discloses for each class of assets and liabilities measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety. The fair value hierarchy reflects the significance of the inputs used in making fair value measurements.

The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy for financial instruments and investment properties

	Year ended 31 December 2020			
(R'000)	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Investment properties	**8 458 913**	**–**	**–**	**8 458 913**
Investment property under development	**30 074**	**–**	**–**	**30 074**
Financial assets	**768**	**–**	**768**	**–**
	8 489 755	**–**	**768**	**8 488 987**
Liabilities				
Interest rate swap	**60 423**	**–**	**60 423**	**–**
	60 423	**–**	**60 423**	**–**

	Year ended 31 December 2019			
(R'000)	Fair value	Level 1	Level 2	Level 3
Assets				
Investment properties	10 112 155	–	–	10 112 155
Investment property under development	32 768	–	–	32 768
Non-current assets held for sale	123 213	–	–	123 213
Financial assets	18 155	–	18 155	–
	10 286 291	–	18 155	10 268 136
Liabilities				
Interest rate swap	16 891	–	16 891	–
	16 891	–	16 891	–

The fair value of trade and other receivables, amounts due from and to group companies, cash and cash equivalents, trade and other payables approximate their carrying value and are not included in the hierarchy analysis as their settlement terms are short-term and therefore from a materiality perspective fair values are not required to be modelled.

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for the year ended 31 December 2020

10. Fair value hierarchy for financial instruments and investment property continued

Details of changes in valuation techniques

There have been no significant changes in valuation techniques in the period under review.

Significant transfers between level 1, level 2 and level 3

There have been no transfers between level 1, level 2 and level 3 financial assets, derivatives and investment property for the period under review.

Valuation techniques

Valuation techniques used in determining the fair values of assets in level 2 and 3.

LEVEL	INSTRUMENT	VALUATION BASIS	MAIN ASSUMPTIONS
2	Mutual funds	Quoted put (exit) price provided by the fund manager	Price-not applicable
2	Derivative liabilities	Quoted swap rates and inter-bank borrowing rates	Price-not applicable
3	Unlisted equity	Discounted cash flow	Discount rate
3	Investment properties	Discounted cash flow	Refer to note 5 for detail regarding assumptions
3	Investment properties under development	Fair value	Refer to note 5 for detail regarding assumptions

Reconciliation of level 2 liabilities

The table below analyses the movement of level 3 assets for the period under review.

R'000	**2020**	2019
Interest rate swap		
Fair value at the beginning of the year	**(16 891)**	(8 289)
Fair value adjustments	**(43 532)**	(8 602)
Closing balance at the end of the year	**(60 423)**	(16 891)

Interest rate swaps totalling R928.5 million are in place in order to hedge the term loans with floating interest rates which is in accordance with the board mandate to hedge a minimum of 75% of interest rate risk.

As at 31 December 2020, 82% of the group's term debt is at fixed rates.

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10. Fair value hierarchy for financial instruments and investment property continued

Reconciliation of level 3 assets and liabilities
The table below analyses the movement of level 3 assets for the period under review.

R'000	2020	2019
Investment property and investment property under development		
Fair value at the beginning of the year	**10 144 923**	10 144 377
Additions – property acquired	**–**	24 643
Transferred to non-current assets held for sale	**–**	(122 068)
Capitalised cost	**68 986**	96 996
Fair value adjustments	**(1 724 922)**	975
Closing balance at the end of the year	**8 488 987**	10 144 923
Non-current assets held for sale		
Fair value at the beginning of the year	**123 213**	–
Transferred from investment property	**–**	122 068
Capitalised cost	**904**	318
Amortisation	**(347)**	(251)
Disposal	**(123 213)**	–
Fair value adjustments	**(557)**	1 078
Closing balance at the end of the year	**–**	123 213
Unlisted equity		
Fair value at the beginning of the year	**17 495**	–
Additions – unlisted equity acquired	**–**	24 739
Fair value adjustments	**(17 495)**	(7 244)
Closing balance at the end of the year	**–**	17 495

The fair value gains and losses are included in the fair value adjustments line in profit or loss.

Sensitivity analysis of level 3 assets
Investment property
Investment properties' fair value were determined using the discounted cash flow methodology and a profit method valuation on expiry for Sandton Convention Centre and the Hotels. The exit capitalisation rates applied at 31 December 2020 range between 6.5% and 10.0% (2019: 6.5% and 10.0%).

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for the year ended 31 December 2020

10. Fair value hierarchy for financial instruments and investment property continued

The table below indicates the sensitivity of the aggregate market values for a 100 bps (2019: 100 bps) change in the exit capitalisation rate.

	Change in exit capitalisation rate		
	Rm	100 bps increase	100 bps decrease
2020			
Properties below 7.3% exit capitalisation rate	**4 047**	**3 679**	**4 545**
Properties between 7.3% – 8.5% exit capitalisation rate	**3 890**	**3 594**	**4 274**
Properties between 8.6% – 10.0% exit capitalisation rate	**552**	**523**	**587**
Total	**8 489**	**7 796**	**9 406**
2019			
Properties below 6.8% exit capitalisation rate	4 113	3 710	4 635
Properties between 6.8% – 8.5% exit capitalisation rate	5 428	4 935	5 992
Properties between 8.6% – 10.0% exit capitalisation rate	727	671	798
Total	10 268	9 316	11 425

The table below indicates the sensitivity of the aggregate market values for a 50 bps (2019: 50 bps) change in the discount rate. The 2019 figures excludes hotel buildings.

	Change in discount rate		
	Rm	50 bps increase	50 bps decrease
2020			
Total property portfolio	**8 489**	**8 216**	**8 557**
2019			
Total property portfolio	9 911	9 680	10 052

Unlisted equity

The fair value of the investment in Edcon was fully impaired during 2020.

The table below indicates the sensitivity of the aggregate market values for a 100 bps (2019: 100 bps) change in the discount rate.

	Rm	100 bps increase	100 bps decrease
2020			
Unlisted equity	**–**	**–**	**–**
Total	**–**	**–**	**–**
2019			
Unlisted equity	17 495	14 107	21 394
Total	17 495	14 107	21 394

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11. Stated capital and treasury shares

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Authorised capital				
5 000 000 000 ordinary shares of no par value (2019: 5 000 000 000)				
Issued capital				
908 443 335 ordinary shares of no par value (2019: 908 443 335)				
Ordinary shares	**8 780 921**	8 780 921	**8 780 921**	8 780 921
Balance at the beginning of the year	**8 780 921**	8 780 489	**8 780 921**	8 780 489
Issued during the year	**–**	–	**–**	–
Transaction costs reversal for issue of new shares	**–**	432	**–**	432
Treasury shares	**(80 709)**	(39 205)	**–**	–
Balance at the beginning of the year	**(39 205)**	–	**–**	–
Purchased during the year[1]	**(45 420)**	(39 903)	**–**	–
Sold during the year	**106**	–	**–**	–
Vested during the year	**3 810**	698	**–**	–
Balance at 31 December 2020	**8 700 212**	8 741 716	**8 780 921**	8 780 921
Ordinary shares of no par value	**908 443**	908 443	**908 443**	908 443
Balance at the beginning of the year	**908 443**	908 443	**908 443**	908 443
Issued during the year	**–**	–	**–**	**–**
Treasury shares	**(12 986)**	(5 558)	**–**	–
Balance at the beginning of the year	**(5 558)**	–	**–**	–
Purchase during the year[1]	**(8 010)**	(5 634)	**–**	–
Sold during the year	**16**	–	**–**	–
Vested during the year	**566**	76	**–**	–
Balance at 31 December 2020	**895 457**	902 885	**908 443**	908 443

[1] *Purchased (at an average price of R5.81 per share) during the year by the Liberty Two Degrees Restricted Share Plan Trust and 2 Degrees Properties Proprietary Limited and held as treasury shares to fulfil the obligation to deliver shares to employees who participate in the LTIP.*

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for the year ended 31 December 2020

12. Non-distributable reserve

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Components of the non-distributable reserve				
Balance at the beginning of the year	**93 073**	106 865	**–**	–
Fair value adjustment on investment property	**(1 725 478)**	2 054	**–**	–
Fair value adjustment on derivatives	**(43 532)**	(8 602)	**–**	–
Fair value adjustment on equity instrument	**(17 495)**	(7 244)	**–**	–
Impairment in subsidiary	**–**	–	**(2 157 788)**	–
Total non-distributable reserve	**(1 693 432)**	93 073	**(2 157 788)**	–

13. Rental and related income

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Property rental	**660 756**	714 117	**–**	–
Recoveries – property and utility expenses	**239 938**	241 033	**–**	–
Parking income	**27 577**	40 538	**–**	–
Interest income	**4 145**	8 042	**–**	–
Fund level income	**275**	971	**–**	–
Marketing income – tenant and alternative income	**12 697**	19 190	**–**	–
Total rental and related income	**945 388**	1 023 891	**–**	–

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14. Property operating expenses

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Advertising and promotions	**(4 030)**	(4 579)	**–**	–
Cleaning	**(15 008)**	(14 544)	**–**	–
Amortisation on tenant installation and letting commission	**(11 307)**	(10 532)	**–**	–
Insurance	**(4 570)**	(4 182)	**–**	–
Legal fees	**(1 576)**	(776)	**–**	–
Municipal charges	**(216 558)**	(196 789)	**–**	–
Property management fees	**(21 605)**	(28 837)	**–**	–
Repairs and maintenance	**(17 887)**	(17 337)	**–**	–
Salaries	**(18 472)**	(20 840)	**–**	–
Security	**(21 049)**	(19 944)	**–**	–
Other	**(9 707)**	(7 225)	**–**	–
Total property operating expenses	**(341 769)**	(325 585)	**–**	–

15. Operating costs

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Audit fee	**(1 778)**	(2 518)	**(294)**	(190)
Property valuation fees	**(547)**	(103)	**–**	–
Trustee fee	**(35)**	(36)	**–**	–
Printing and publishing costs	**(348)**	(988)	**(15)**	–
Legal costs	**(942)**	(1 520)	**–**	–
Annual listing cost	**(465)**	(344)	**(465)**	(344)
Employee costs	**(69 832)**	(69 949)	**(38 456)**	(19 050)
Office costs	**(20 780)**	(15 332)	**(5 150)**	(3 144)
Asset management fee	**(175)**	–	**–**	–
Other	**(867)**	(2 366)	**(116)**	–
Total operating expenses	**(95 769)**	(93 156)	**(44 496)**	(22 728)

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16. Revenue from contracts with customers

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Fee revenue	**59 624**	68 237	**–**	–
Management fees on assets under management	**57 263**	61 490	**–**	–
Other fee revenue	**2 361**	6 747	**–**	–
Net revenue from hotel operations[2]	**–**	24 677	**–**	–
Total revenue from contracts with customers[1]	**59 624**	92 914	**–**	–

[1] *There are no performance obligations that aren't satisfied (or partially unsatisfied) as at the end of the reporting period.*

[2] *Net revenue from hotels operations as accounted for prior to new lease agreements effective 1 November 2019.*

17. Other income

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Other income	**1 228**	181	**1 249**	166
Sundry income	**1 228**	181	**1 249**	166
Total other income	**1 228**	181	**1 249**	166

18. Capital commitments

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Equipment				
Under contracts		3 279	**–**	–
Authorised by the directors but not contracted	**3 234**	–	**–**	–
Investment properties				
Under contracts	**13 155**	34 828	**–**	–
Authorised by the directors but not contracted	**179 230**	106 956	**–**	–
Capital improvements on existing properties				
Under contracts	**137 256**	156 641	**–**	–
Authorised by the directors but not contracted	**12 207**	28 895	**–**	–
Closing balance	**345 082**	330 599	**–**	–
The capital commitments have been classified into the following categories				
– Within 12 months	**345 082**	330 599	**–**	–
– Longer than 12 months	**–**	–	**–**	–

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19. Cash generated from operations

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Total earnings	**(1 524 440)**	534 676	**(1 901 894)**	652 085
Adjusted for:			**–**	
– Interest received	**(2 398)**	(3 482)	**(99)**	(680)
– Interest expense	**149 307**	148 530	**23 217**	27 365
– Amortisation of tenant installation and letting commission	**11 307**	10 532	**–**	–
– Transaction costs	**–**	–	**–**	–
– Depreciation and IFRS 16 amortisation	**2 524**	2 722	**–**	–
– Impairment			**2 157 788**	
– Dividend income	**–**	–	**(328 960)**	–
– Other non-cash items	**7 972**	15 677	**12 963**	18 939
– Fair value adjustment on investment properties	**1 725 478**	(2 054)	**–**	–
– Fair value adjustment on financial instrument	**43 532**	8 602	**–**	–
– Fair value adjustment on equity instrument	**17 495**	7 244	**–**	–
Working capital changes	**(34 214)**	(39 672)	**344 044**	(289 220)
(Increase)/decrease in trade and other receivables	**30 171**	24 722	**–**	–
(Increase)/decrease in amounts due from Group companies	**(14 855)**	(23 038)	**343 913**	(288 948)
Increase/(decrease) in employee benefits	**(3 479)**	(6 049)	**–**	–
Increase/(decrease) in trade and other payables	**(46 051)**	(35 307)	**131**	(271)
Total cash generated from operations	**396 563**	682 775	**307 059**	408 490

20. Related party disclosure

List of related parties as defined

Ultimate parent

Standard Bank Group Limited (SBG).

Parent

Liberty Group Limited (LGL).

Fellow subsidiaries

All subsidiaries of LGL are fellow subsidiaries of L2D Group – a full list can be obtained from the company secretary and details are contained in the published consolidated annual financial statements of LGL. Notably, 2 Degrees Properties (2DP), and the Manager, the previous management company (SRFM), are all wholly-owned subsidiaries of L2D Limited.

Transactions with related entities

Transactions with SBG

As at 31 December 2020, R1.1 billion is owed to SBG for debt borrowed for the purchase of properties as well as the purchase of the SRFM business in 2018. (2019: R1 billion)

Standard Bank Centre

The Standard Bank Centre is fully let to SBG on a seven-year lease. Rental income received by L2D Group for the year ended 31 December 2020 was R16.1 million (2019: R15.2 million).

Transactions with L2D, 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

As at 31 December 2020, R168 032 is receivable from L2D CSIP (2019: R144 242).

Transactions with LGL

Liberty Centre Head Office Cape Town

83.1% of the property was let to LGL, the parent of L2D Group. The property was effectively sold and transferred to Spear REIT Limited on 9 July 2020. Rental income received by L2D Group for the year ended 31 December 2020 was R7.4 million (2019: R14.5 million).

Liberty Centre Head Office Umhlanga Ridge

Approximately 74.2% of the property is let to LGL on a five-year lease.

Rental income received by L2D Group for the year ended 31 December 2020 was R10.7 million (2019: R8.8 million).

Eastgate Office Tower

LGL occupies 2 824 m^2 of office space in the Eastgate Office Tower.

Rental income received by L2D Group for the year ended 31 December 2020 was R2.9 million (2019: R2.4 million).

Liberty Midlands Lifestyle Centre

LGL occupies 758 m^2 of office space in the Liberty Midlands Lifestyle centre.

Rental income received by L2D Group for the year ended 31 December 2020 was R460 085 (2019: R55 203).

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20. Related party disclosure continued

Transactions with related entities continued

Development fee income

Development fee income amounting to R2.4 million was earned during 2020 (2019: R6.7 million).

Asset management fee income

Management fees on assets under management amounting to R57.3 million was earned during 2020 (2019: R61.5 million).

Loan with LGL

As at 31 December 2020, R81 million is owed by LGL for working capital (2019: R66.1 million).

R52.4 million is owed by LGL for the proportional share of monies held to meet obligations created by outstanding shopping centre gift cards and tenant deposits (2019: R80.6 million). A money market interest rate is earned on the amount outstanding and a portion of the interest earned is allocated to shopping centre merchants' associations for centre marketing.

Transactions with other related entities

Operating lease payments

STANLIB Wealth Management Limited, as a lessee, paid an amount of R3.2 million (2019: R5.3 million) as an operating lease expense for rental of its premises in the Melrose Arch precinct in Johannesburg.

L2D Group leased its head office premises from Stanlib Wealth Management up until 30 September 2020. L2D's new head office premises will be in Nelson Mandela Square, the effective beneficial occupation date is 7 December 2020.

JHI Retail Property Proprietary Limited ("JHI")

The property management function in respect of L2D Group is undertaken predominantly by JHI. JHI manages the Sandton City Complex, the Eastgate Complex, Liberty Promenade Shopping Centre, Liberty Midlands Mall, Nelson Mandela Square, Botshabelo Mall, Liberty Centre Head Office (Umhlanga), John Ross Eco-Junction and the Standard Bank Centre.

Amdec continues to manage the Melrose Arch precinct. Amdec is not a related party of L2D Group.

JHI Retail is 51% owned by JHI Properties Proprietary Limited and 49% by Liberty Holdings Limited (LHL). It is accounted for as a joint venture of the group.

Property management service net fees paid by L2D Group to JHI Retail for the year ended 31 December 2020 amounted to R20.6 million (2019: R28.8 million).

Loan with STANLIB Asset Management Limited

As at 31 December 2020, R32 789 is owed to STANLIB Asset Management Limited (2019: R14 432).

Intercompany transactions

As at 31 December 2020, The Liberty Two Degrees Restricted Share Plan Trust (Trust) obtained a capital contribution from 2DP of R75.1 million to acquire shares for the LTIP (2019: R39.1 million).

As at 31 December 2020, 2DP has a loan with SRFM of R6.3 million (2019: R6.3 million).

As at 31 December 2020, L2D Limited has a loan with 2DP of R186.3 million. This includes a dividend receivable of R329 million and the remainder is a working capital loan (2019: R177.0 million).

As at 31 December 2020, L2D Limited has a loan payable to the Trust of R24.2 million relating to a contribution to the trust to make good its losses (2019: R53 660 loan receivable).

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20. Related party disclosure continued

Transactions with other related entities continued

Consolidated unit trusts

The following STANLIB unit trusts, which are consolidated at LHL, have shares in L2D Group as follows:

Fund name	Liberty economic holding in fund (%)	Number of L2D Group shares ('000)	Market value of L2D Group shares (R'000)
2020			
STANLIB Multi-Manager Property	**70**	**767**	**3 259**
STANLIB Multi-Manager Flexible Property	**46**	**485**	**2 061**
STANLIB Multi-Manager Equity Fund	**80**	**1 437**	**6 107**
STANLIB Property Income Fund	**29**	**–**	**–**
STANLIB Multi-Manager Real Return Fund	**73**	**–**	**–**
STANLIB Multi-Manager Balanced Fund	**92**	**–**	**–**
1NVEST SA Property ETF	**51**	**1 253**	**5 326**
Total	**–**	**3 942**	**16 753**
2019			
STANLIB Multi-Manager Property	67	161	1 081
STANLIB Multi-Manager Flexible Property	46	507	3 396
STANLIB Multi-Manager Defensive Balanced Fund	97	100	669
STANLIB Multi-Manager Equity Fund	80	834	5 588
STANLIB Capped Property Index Tracker Fund	61	623	4 175
STANLIB Property Income Fund	38	–	–
STANLIB Multi-Manager Real Return Fund	61	26	174
STANLIB Multi-Manager Balanced Fund	92	145	970
1NVEST SA Property ETF	56	239	1 600
Total	–	2 635	17 653

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20. Related party disclosure continued

Key management personnel

Directors' remuneration

Non-executive directors' remuneration	Directors of L2D (Rand)	Other Liberty Group[1] (Rand)	Total remuneration (Rand)
2020			
Angus Band[3]	**986 700**	**730 261**	**1 716 961**
Wolf Cesman[2]	**1 014 037**	**–**	**1 014 037**
Lynette Ntuli	**464 711**	**–**	**464 711**
Zaida Adams[5]	**395 800**	**–**	**395 800**
David Munro[4]	**–**	**11 675 000**	**11 675 000**
Dr Puleng Makhoalibe[6]	**86 585**	**–**	**86 585**
Barbara Makhubedu[6]	**54 555**	**–**	**54 555**
Peter Nelson[7]	**390 492**	**–**	**390 492**
Total	**3 392 880**	**12 405 261**	**15 798 141**
2019			
Angus Band	903 325	1 565 325	2 468 650
Wolf Cesman[2]	1 128 129	–	1 128 129
Lynette Ntuli	411 250	–	411 250
Brian Azizollahoff[9]	305 900	–	305 900
Zaida Adams	358 750	–	358 750
David Munro	–	18 834 000	18 834 000
Total	3 107 354	20 399 325	23 506 679

1 *Other Liberty Group is defined as LHL and its subsidiaries excluding L2D Group.*
2 *Wolf Cesman received a composite fee of £47 700 for the 2020 year (2019: £59 535).*
3 *Angus Band was the Lead independent director at LHL for the period ending 15 May 2020. Fees disclosed in 2020 is for the respective period 1 January 2020 to 15 May 2020.*
4 *David Munro is the Chief Executive of LHL.*
5 *Zaida Adams resigned as a non-executive director on 13 August 2020.*
6 *Appointed as non-executive directors effective 21 October 2020.*
7 *Appointed as non-executive director effective 26 May 2020.*
8 *Craig Ewin was appointed independent non-executive director to the Board of L2D with effect from 1 January 2021, and appointed to the ARC on 19 February 2021.*
9 *Resigned as a director of the company with effect from 2 August 2019.*

20. Related party disclosure continued

Key management personnel continued

Executive directors' remuneration	**2020 (R'000)**	2019 (R'000)	% change
Amelia Beattie (Chief executive)			
Fixed remuneration	**3 600**	3 372	6.76%
Cash portion of package	**3 091**	2 773	–
Other benefits	**114**	137	–
Retirement contributions	**395**	462	–
Annual variable awards	**1 836**	3 950	(53.52%)
Cash	**1 469**	3 065	–
Restricted share plan (deferred plan)	**367**	885	–
Long-term awards	**1 988**	1 835	8.32%
Restricted share plan (long-term plan)	**1 166**	1 053	–
Distribution	**822**	782	–
Total remuneration	**7 424**	9 157	(18.93%)
Jose Snyders (Financial director)			
Fixed remuneration	**3 000**	2 761	8.66%
Cash portion of package	**2 577**	2 300	–
Other benefits	**108**	173	–
Retirement contributions	**315**	288	–
Annual variable awards	**1 500**	2 500	(40.00%)
Cash	**1 200**	2 050	–
Restricted share plan (deferred plan)	**300**	450	–
Long-term awards	**1 315**	539	144.04%
Restricted share plan (long-term plan)	**733**	–	–
Distribution	**582**	539	–
Total remuneration	**5 815**	5 800	0.26%

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20. Related party disclosure continued

Key management personnel continued

Fixed remuneration

The executive directors' fixed remuneration increase was effective from 1 March 2020.

Short-term incentive plan

Short-term incentive awards are conditional upon meeting set performance objectives and targets as approved by the Board. The objectives and targets are composed of company financial and individual non-financial strategic objectives. Individual accountability is also linked in the assessment of executive director's performance during the performance measurement cycle. The performance conditions for the financial year ending 31 December 2020 are provided below:

L2D Financial Scorecard	Performance condition link to strategy	Weight	Threshold 80% Achievement	Target 100% Achievement	Stretch 145% Achievement	Result in 2020
Distribution Growth for 2020	Deliver distribution growth for stakeholders.	**35**	60,76c	61,5c	64,82c	**0**
Net Property Income Growth[1]	Deliver net property income growth.	**35**	<3%	4%	9%	**0**
Capital Management	Maintain interest rate and debt exposure within board approved limits.	**10**		Interest rate hedge ratio above 75%		**10**
Operational Performance[2]	Optimised tenant occupation and trading density growth measured against MSCI benchmark.	**20**	60% benchmark achievement	100% benchmark achievement	145% benchmark achievement	**20**
		100				**30**

[1] *Net property income is a REIT specific performance measurement that measures the growth rate of income by deducting property maintenance costs, property tax and operating expenses from the gross revenue earned from properties within our portfolio.*

[2] *MSCI South Africa Quarterly Trading Density Index measures the trading performance of directly held shopping centres across South Africa as at the last available benchmark date which is September 2020.*

Individual non-financial performance conditions are aligned to the company's strategic objectives set by the Board and tailored to executive directors' expected delivery, to ensure optimal company performance and sustainable growth for stakeholders. The individual performance conditions for short-term incentive participation by executive directors for the financial year ending 31 December 2020 is provided for each executive director. The 2020 financial year brought about significant challenges in sustaining performance

20. Related party disclosure continued

Key management personnel continued

achievement expectations due to the COVID-19 disruption and its resultant economic fall-out and required government restrictions imposed. The Remuneration Committee deliberated incentivising sustained performance under the current conditions accounting for shareholder, employee and debt covenant expectations. It was decided by the committee that no modification of performance conditions should be considered due to the COVID-19 pandemic.

The performance outcome under the short-term incentive scheme for the year, accounting for company and executive director individual performance is as follows:

Executive Director Short-term Incentive Awards for financial year ended 31 December 2020

Executive Director	On-target L2D Weight	Achievement against results	On-target Individual Weight	Achievement against results	Fixed Remuneration	Short-term Incentive Award	Deferral into RSP	Bonus Award as percentage of Fixed Remuneration
A Beattie	90%	30%	30%	80%	3 600 000	1 836 000	367 200	61%
JR Snyders	70%	30%	30%	90%	3 000 000	1 500 000	300 000	60%

Long-term incentive plan
L2D has adopted a bonus and incentive scheme for its employees.

The Trust has been formalised and approved by the board of directors.

During 2019, the Trust acquired L2D treasury shares and this resulted in a change in accounting treatment from cash-settled to equity-settled in line with IFRS 2.

21. Distribution to shareholders

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Amounts unpaid at the beginning of the year	**–**	–	**–**	–
Distribution declared to shareholders during the year	**(282 708)**	(381 546)	**(282 708)**	(381 546)
Amounts unpaid at the end of the year	**–**	–	**–**	–
Total distribution to shareholders	**(282 708)**	(381 546)	**(282 708)**	(381 546)

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for the year ended 31 December 2020

22. Financial risk management

L2D Group is exposed to market risk, liquidity risk and credit risk. While risk management is the responsibility of the board of directors, the Board has delegated the responsibility for overseeing implementation of the Board risk management policy to the audit and risk committee, which in addition hereto will also assist the Board in developing the policy.

22.1 Property market risk

Market risk is the risk of adverse financial impacts due to changes in fair values of future cash flows. L2D Group is exposed to tenant default, depressed market rentals and unlet space affecting property values and rental income. The managed diversity of the property portfolio and the existence of multi-tenanted buildings specifically reduces the risk the exposure to this risk. Refer to note 4 Segment information and note 5 Investment properties, for detail on concentration risk.

22.2 Liquidity risk

Liquidity risk is the risk that L2D Group is not able to meet its payment obligations as they fall due. Over 95% of L2D Group's assets are invested in illiquid assets. Illiquid assets are those that are considered to be realisable in excess of six months. Liquidity is subject to a sale of investment property and related time frame. Management prepares monthly cash flow forecasts to consider liquidity requirements going forward. L2D Group has sufficient reserves and debt capacity to meet forecasted commitments as they fall due. L2D currently has R509 million unutilised revolving credit facilities available at 31 December 2020, and will re-finance R500 million of the debt facilities due during 2021.

The L2D Group made use of R1.76 billion of term facilities to date.

The table below summarises the maturity profile of the financial instrument liabilities based on the remaining undiscounted liabilities. Liquidity requirements are managed by monitoring forecasted cash flows and the maturity profile of financial liabilities.

R'000	Less than one year	One to two years	Three to five years	Total
Year ended 31 December 2020				
Financial liabilities				
Interest-bearing borrowings	**500 000**	**740 891**	**500 000**	**1 740 891**
Interest payable on interest borrowings	**108 207**	**49 070**	**104 399**	**261 676**
Interest rate swap	**60 423**	**–**	**–**	**60 423**
Other financial liabilities[1]	**31 583**	**26 547**	**–**	**58 130**
Trade and other payables	**132 794**	**–**	**–**	**132 794**
	833 007	**816 508**	**604 399**	**2 253 914**
Year ended 31 December 2019				
Financial liabilities				
Interest-bearing borrowings	–	500 000	1 195 000	1 695 000
Interest payable on interest borrowings	147 858	46 473	252 551	446 881
Interest rate swap	16 891	–	–	16 891
Other financial liabilities	5 145	5 155	–	10 300
Trade and other payables	160 938	–	–	160 938
	330 832	551 627	1 447 551	2 330 010

[1] *Other financial liabilities relates to interest due on the interest rate swap.*

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22.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

L2D Group is exposed to credit risk on its financial instruments such as financial assets, trade and other receivables and cash and cash equivalents.

The risk arises due to a change in credit rating of the counter party subsequent to L2D Group obtaining the financial assets. Refer to note 6 and note 10 for details of credit risk exposure. L2D has formal policies and procedures in place to ensure management of credit risk. A formal credit assessment is performed for all new tenants and lease contracts are entered into with tenants with an appropriate credit history. Credit risk is managed by requiring tenants to pay rentals in advance, plus the provision of a deposit of at least one month's rental. Outstanding tenants' receivables are regularly monitored.

The expected credit loss (ECL) model methodology has remained unchanged from 2019 with the assumptions used for modelling having been updated for the current environment. In addition to increases in default percentages as a consequence of deteriorating economic variables the assumptions used have considered the trend of rental relief offered on arrear positions and our view of the sustainability of the tenants operations. The ECL provision has consequently increased to R57.4 million (31 December 2019: R9.8 million).

In terms of IFRS 9, a prospective ECL provision is calculated by applying a pre-determined default percentage to the standard tenant arrear ageing buckets of current, 30 days, 60 days, 90 days and 120 plus days at a reporting period. The base line default percentage (historical loss rate) is derived from historical tenant arrear default trends. The historical data of April 2018 to October 2020 (31 months) was extracted and analysed to determine the base tenant billings for the 31 months and the actual losses incurred and potential non-recoverable amounts, relating to the same period and tenant billings. A 24-month historical tenant arrear default trend is typically used in the calculation of the base line default percentage, this was, however, extended to 31 months in the December 2020 calculation, to correct for anomalies experienced due to COVID-19, in the current year.

The actual losses incurred are those rental and related income write-offs as non-recoverable and potential non-recoverable amounts. Once the historical base line default percentage has been determined, current and forward-looking information is factored in. The economic factors considered for this is the GDP growth, inflation and interest rate, and retail sales indicator growth. The economic forecast from Trading Economics is used as a source for this dataset. The product of the forecasted movements in the four economic factors is the economic factor adjustment applied to the base line default percentage. In our modelling an economic factor of less than one will indicate an improving economic outlook, while a factor or more than one, will indicate a deteriorating environment. There was a forecasted decline in economic growth, along with a slight increase in interest rates and a slower growth in retail sales. The forecasted slower growth in the inflation rate assisted in reducing the former three factors. L2D is satisfied with the ECL provision raised as more than half of our tenant arrears of R96.4 million has been provided for in the current year.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. There is no significant concentration of credit risk as exposure is spread over a large number of counterparties.

The credit risk exposure to mutual funds and equity instruments is assessed on an ongoing basis with reference to the counterparties. L2D Group's only deposits cash with financial institutions that have high quality credit standings.

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for the year ended 31 December 2020

22. Financial risk management continued

22.4 Market risk

Interest rate risk

The Group is exposed to interest rate risk through its variable rate cash balances and interest-bearing borrowings.

The Group reduces its exposure to changes in interest rates by fixing interest rates in respect of its borrowings.

This is achieved by entering into swap agreements to receive variable and pay fixed interest rates. 82% of borrowings have been hedged through fixed rate contracts.

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in the interest rates for the year would have increased/(decreased) equity by:

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Effect on equity and profit or loss				
50 basis points increase	**(5 773)**	(5 412)	**(960)**	(1 012)
50 basis points decrease	**5 773**	5 412	**960**	1 012

23. Capital management

In terms of the Memorandum of Incorporation, L2D Group has limited borrowings to 60% of the consolidated asset value, determined on the last published valuation for L2D Group in the most recent audited consolidated financial statements of the group adjusted for any subsequent changes in the value of L2D Group in accordance with IFRS and taking into account the value of any property to be acquired using a loan. L2D Group's Loan to Value (LTV) target is 35%. Refer to annexure A: adoption of best practice recommendations for the L2D Group SA REIT loan-to-value calculation.

The Board's policy is to maintain a strong capital base, comprising its shareholders' interest, so as to maintain investor, creditor and market confidence and to sustain future development of the business. It is the group's stated purpose to deliver long-term sustainable growth in dividends per share. The board of directors monitors the level of dividends to shareholders and ensures compliance with the Income Tax Act and the JSE Listings Requirements. There were no changes in the group's approach to capital management during the year.

SRFM is required to maintain a Capital Adequate Reserve of R600 000 which has not been breached.

24. Minimum lease payments receivable

R'000	**2020**	2019
Minimum lease payments comprise contractual rental income and operating expense recoveries from investment property. The minimum lease payments receivable from tenants have been classified into the following categories:		
– Short term (up to one year)	**587 717**	636 317
– Medium term (greater than one year and up to five years)	**1 126 162**	1 381 981
– Long term (greater than five years)	**643 968**	719 260

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25. Employee benefits liabilities

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Liabilities				
Leave pay	**1 844**	668	–	–
Short-term incentive	**12 000**	16 655	–	–
Total liability	**13 844**	17 323	–	–

Analysis of employee benefits	**Leave pay**				**Short-term incentive**			
	GROUP		COMPANY		GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Balance at the beginning of the year	**668**	752	**–**	–	**16 655**	15 599	**–**	–
Additional provision raised	**1 528**	893	**–**	–	**11 912**	16 655	**–**	–
Utilised during the year	**(352)**	(977)	**–**	–	**(16 567)**	(15 599)	**–**	–
Balance at the end of the year	**1 844**	668	**–**	–	**12 000**	16 655	**–**	–

Leave pay
In terms of the company policy, employees are entitled to accumulate a maximum of 20 days compulsory leave and 20 discretionary leave. The compulsory leave has to be taken within 18 months of earning it, failing which it is forfeited. Only discretionary leave can be sold back to the company.

Short-term incentive scheme (cash-settled)
In terms of the company remuneration policy, all permanent employees are eligible to receive incentives in terms of various board approved incentive schemes. These schemes recognise both individual and financial performance of the company.

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26. Share-based payments

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Reconciliation of reserve				
Long-term incentive plan	**29 807**	18 240	**26 242**	17 258
Total share-based payments reserves	**29 807**	18 240	**26 242**	17 258
Total share-based payments reserves at the beginning of the year	**18 240**	–	**17 258**	
Movement for the year	**11 567**	18 240	**8 984**	17 258
Transfer from long-term incentive scheme from previous year	**–**	7 021	**–**	–
Per profit or loss cash-settled schemes	**–**	6 916	**–**	–
Per profit or loss equity-settled schemes	**16 571**	5 001	**16 571**	18 937
Per profit or loss forfeitured shares	**(13)**	–	**(13)**	–
Transfer of vested rights to retained surplus	**(4 991)**	(698)	**(4 991)**	(698)
Transfer of vested rights to retained surplus (dividends)	**–**	–	**312**	9
Payment of L2D Limited dividend to restricted share plans participants	**–**	–	**(2 895)**	(990)
Total share-based payments reserves at the end of the year	**29 807**	18 240	**26 242**	17 258

26.1 Long-Term Incentive Plan

L2D has adopted a share-based incentive plan for employees, which is known as The Liberty Two Degrees Restricted Share Plan (Plan or LTIP).

The purpose of the LTIP is to drive a longer-term focus on the group's 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/cash.

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

The Liberty Two Degrees Restricted Share Plan Trust (Trust)
The Trust is a long-term incentive scheme whereby employees are awarded shares subject to vesting criteria determined by the Board of L2D. Prior to vesting, the shares are held in a trust that is funded by the company. The trust is consolidated in the group's financial statements. The trustees are all non-executive directors of L2D and are not participants in the scheme. The vesting criteria are as recommended by the remuneration committee and approved by the Board at the time of award. The vesting criteria are disclosed in the remuneration policy and implementation report section of the integrated report for the period affected. Participants are not required to make any contribution in respect of awards made.

The LTIP method of participation
Awards under the LTIP are made when Remco determines it to be appropriate but will normally be made in February or March.

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.

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26. Share-based payments continued

Performance conditions	– Awards granted are subject to vesting and/or performance conditions. – The performance conditions are relevant to the full award (all three tranches). – Performance conditions will be tested at the date of vesting. Linear vesting will apply to the extent that the performance conditions are met. – Unvested shares are forfeited on termination of employment. – No re-testing of performance conditions is permitted.
Vesting period	– Three-, four- and five-year anniversary performance condition on all vestings for LTIP.
Other	– Applicable distributions are paid to participants. No voting rights are attached to the shares held in trust. – Shares need to be acquired in the market. – Share awards are based on the L2D share price seven days prior to the last day to trade *cum* dividend on the JSE.

To the extent that the L2D Performance Conditions or Performance Criteria are partially met (but without detracting from Remco's general discretion to waive L2D Performance Conditions or Performance Criteria in whole or in part), pro-rating of awards will apply on a linear scale, i.e. shares will be awarded based on the percentage of the target achieved.

General provisions applicable to the plan

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 and the consent of the JSE where applicable.

Special once-off LTIP

L2D's Remuneration policy articulates and gives effect to direction on fair, responsible and transparent remuneration which will promote the achievement of the strategic objectives, including the management of risk, capital and liquidity and to encourage individual performance. The Board has therefore considered the likely impact of COVID-19 on L2D's Long-Term Incentive Plan taking cogniscance of the imperative to retain and motivate the management team in a manner that is aligned with the objectives of L2D's remuneration policy.

The achievement of the vesting criteria for the 2018, 2019 and 2020 LTIP awards may be materially affected by the impact of COVID-19; however, these vesting conditions are not being modified.

In light of the impact of the current environment, the Board believes that a special once-off LTIP award is appropriate to achieve the required objectives and outcome. This special award is in accordance with the Restricted Share Plan approved by shareholders in May 2020.

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26. Share-based payments continued

Summary of movements under restricted share plans

	2020		2019	
Liberty Two Degrees restricted share plan (long-term plan)	**Price range**	**Number**	Price range	Number
Movement summary				
Shares outstanding at the beginning of the year	**R7.05 – R10.20**	**5 145**	–	–
Granted	**R4.55 – R5.79**	**3 853**	R7.05 – R10.20	5 145
Exercised	**R6.72 – R6.74**	**(177)**	–	–
Cancellations	**R6.74**	**(16)**	–	–
Shares outstanding at the end of the year		**8 805**		5 145

	2020		2019	
Liberty Two Degrees restricted share plan (deferred plan)	**Price range**	**Number**	Price range	Number
Movement summary				
Shares outstanding at the beginning of the year	**R7.05 – R10.21**	**414**	–	–
Granted	**R5.79**	**353**	R7.05 – R10.21	489
Exercised	**R6.72**	**(389)**	R7.05	(76)
Cancellations	**–**	**–**	–	–
Shares outstanding at the end of the year		**378**		414

	2020		2019	
Liberty Two Degrees restricted share plan (special once-off long-term plan)	**Price range**	**Number**	Price range	Number
Movement summary				
Shares outstanding at the beginning of the year	**–**	**–**	–	–
Granted	**R4.60**	**2 792**	–	–
Exercised	**–**	**–**	–	–
Cancellations	**–**	**–**	–	–
Shares outstanding at the end of the year		**2 792**		–

27. Amounts due (to)/from Group companies

		GROUP		COMPANY	
	R'000	**2020**	2019	**2020**	2019
27.1	Amounts due to Group companies				
	STANLIB Asset Management Limited The current account with a fellow subsidiary is unsecured and there are no fixed terms of repayment. The loan is interest free and repayable on demand when the company is solvent.	**(33)**	(14)	**–**	–
	Liberty Two Degrees Restricted Share Plan Trust The current account with a subsidiary is unsecured and there are no fixed terms of repayment. The loan is interest free and repayable on demand when the company is solvent.	**–**	–	**(24 190)**	–
	Total (liability)	**(33)**	(14)	**(24 190)**	–
27.2	Amounts due from Group companies				
	Liberty Two Degrees Restricted Share Plan Trust The current account with a subsidiary is unsecured and there are no fixed terms of repayment. The loan is interest free and repayable on demand when the company is solvent.	**–**	–	**–**	54
	2 Degrees Properties Proprietary Limited The current account with a subsidiary is unsecured and there are no fixed terms of repayment. The loan is interest free and repayable on demand when the company is solvent.	**–**	–	**186 283**	176 993
	Liberty Group Limited The current account with the parent company is unsecured and there are no fixed terms of repayment. The loan is interest free and repayable on demand when the company is solvent.	**80 993**	66 119	**–**	–
	Total asset	**80 993**	66 119	**186 283**	177 047

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for the year ended 31 December 2020

28. Property, plant and equipment

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
Computer equipment				
Cost at the beginning of the year	**4**	28	**–**	–
Additions	**–**	–	**–**	–
Depreciation	**(4)**	(24)	**–**	–
Net carrying value at the end of the year	**–**	4	**–**	–
Furniture and fittings				
Cost at the beginning of the year	**721**	654	**–**	–
Additions	**716**	493	**–**	–
Depreciation	**(721)**	(426)	**–**	–
Net carrying value at the end of the year	**716**	721	**–**	–
Office equipment				
Cost at the beginning of the year	**111**	63	**–**	–
Additions	**–**	70	**–**	–
Depreciation	**(111)**	(22)	**–**	–
Net carrying value at the end of the year	**–**	111	**–**	–
Total property, plant and equipment	**716**	836	**–**	**–**

29. Right-of-use assets

R'000	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
29.1 Summary				
Right-of-use asset	–	1 688	–	–
Cost (note 29.2)	–	3 938	–	–
Accumulated depreciation (note 29.3)	–	(2 250)	–	–

R'000	Balance at the beginning of the year	Additions	Disposals	Derecognition	Balance at the end of the year
29.2 Right-of-use asset – cost					
2020					
Cost – movement					
Right-of-use asset	**3 938**	**–**	**–**	**(3 938)**	**–**
Total cost	**3 938**	**–**	**–**	**(3 938)**	**–**
2019					
Cost – movement					
Right-of-use asset	–	3 938	–	–	3 938
Total cost	–	3 938	–	–	3 938

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R'000	Balance at the beginning of the year	Depreciation	Derecognition	Balance at the end of the year
29.3 Right-of-use asset – accumulated depreciation				
2020				
Accumulated depreciation – movement				
Right-of-use asset	**(2 250)**	**(1 688)**	**3 938**	**–**
Total accumulated depreciation	**(2 250)**	**(1 688)**	**3 938**	**–**
2019				
Accumulated depreciation – movement				
Right-of-use asset	–	(2 250)	–	(2 250)
Total accumulated depreciation	–	(2 250)	–	(2 250)

L2D Group leased its head office premises from Stanlib Wealth Management up until 30 September 2020.

L2D recognised a right-of-use asset representing its right to use the underlying leased asset and depreciated this over the lease term. A lease liability representing its obligation to make lease payments was simultaneously recognised.

Refer to note 30 for disclosure on the lease liability.

30. Lease liability

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
30.1 Summary				
Total lease liabilities	**–**	1 995	**–**	–
Finance lease liabilities – measured at amortised cost (note 30.2)	**–**	1 995	**–**	–

R'000	**Finance lease liabilities – measured at amortised cost**	**Total**
30.2 Finance lease liabilities – measured at amortised cost		
2020		
Lease liability		
Balance at the beginning of the year	**1 995**	**1 995**
Additions	**–**	**–**
Finance costs	**(549)**	**(549)**
Repayments	**(1 446)**	**(1 446)**
Total cost	**–**	**–**
2019		
Lease liability		
Balance at the beginning of the year	–	–
Additions	3 938	3 938
Finance costs	141	141
Repayments	(2 084)	(2 084)
Total cost	1 995	1 995

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31. Financial liabilities

31.1 Financial liabilities measured at amortised cost

						GROUP		COMPANY	
						Carrying value		Carrying value	
R'000	Issue date	Maturity date	Interest payable	Amount	Fair value	**2020**	2019	**2020**	2019
Absa Bank loan facility	2018-11-01	2022-10-31	6 month JIBAR + margin	150 000	151 039	**150 000**	150 000	**57 946**	57 946
		2021-11-01	6 month JIBAR + margin	250 000	251 848	**250 000**	250 000	**50 000**	50 000
		2023-11-01	6 month JIBAR + margin	250 000	251 716	**250 000**	250 000	**50 000**	50 000
Standard Bank loan facility	2018-11-01	2022-10-31	6 month JIBAR + margin	590 891	594 718	**590 891**	500 000	**50 000**	50 000
		2021-11-01	fixed rate + margin	250 000	253 456	**250 000**	250 000	**50 000**	50 000
		2023-11-01	fixed rate + margin	250 000	252 971	**250 000**	250 000	**50 000**	50 000
Nedbank loan facility	2019-12-13	2024-12-13	6 month JIBAR + margin	–	–	**–**	45 000	**–**	–
Total financial liabilities at amortised cost				1 740 891	1 755 748	**1 740 891**	1 695 000	**307 946**	307 946
Current						**500 000**[1]	–	**100 000**[2]	–
Non-current						**1 240 891**	1 695 000	**207 946**	307 946

[1] *Excludes interest of R22 million reflected as current liability (2019: R24 million).*

[2] *Excludes interest of R3.1 million reflected as current liability (2019: R4.5 million).*

31.2 Reconciliation of movement in financing activities disclosed in the statement of cash flows

	GROUP		COMPANY	
	Financial liabilities measured at amortised cost		Financial liabilities measured at amortised cost	
R'000	**2020**	2019	**2020**	2019
Balance at the beginning of the year	**1 719 166**	1 626 607	**312 437**	312 460
Finance costs	**127 847**	124 219	**20 078**	22 875
Interest accrual	**22 004**	24 166	**3 139**	4 491
Repayments interest	**(152 014)**	(146 915)	**(24 569)**	(27 389)
Repayments – capital	**(219 473)**	(428 149)	**–**	–
Arising through new loans offered	**265 365**	519 238	**–**	–
Balance at the end of the year	**1 762 895**	1 719 166	**311 085**	312 437
Current	**522 004**	24 166	**103 139**	4 491
Non-current	**1 240 891**	1 695 000	**207 946**	307 946

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32. Taxation

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
South African normal taxation	**(31 637)**	185	**17**	–
Current year taxation	**–**	–	**–**	–
(Over)/under provision prior year current taxation	**171**	185	**17**	–
Current deferred taxation	**(31 808)**	–	**–**	–
South African capital gains taxation	**–**	–	**–**	–
Current year taxation	**–**	–	**–**	–
Deferred taxation	**–**	–	**–**	–
Reconciliation between applicable tax rate and effective tax rate				
Profit before tax	**(1 524 441)**	534 676	**(1 901 894)**	652 085
Taxation effect of:				
	1 805 160	–	**2 195 026**	12 177
Non-deductible amounts debited to the income statement				
Adjustments to comply with IFRS[1]	**1 829 793**	25 008	**2 157 788**	166
Provisions not deductible in the current year	**86 054**	27 164	**–**	–
Other[2]	**57 135**	46 567	**38 418**	18 938
Allowances/deductions granted in previous years of assessment and now reversed	**2 813**	4 195	**–**	–
Amounts not credited to the income statement	**11 341**	18 959	**–**	–
Non-taxable amounts credited to the income statement				
Adjustments to comply with IFRS[3]	**(67 799)**	(11 190)	**(1 180)**	(282)
Amounts previously taxed as rent received in advance	**(18 959)**	(24 839)	**–**	–
Reversal of provisions	**–**	(24 747)	**–**	–
Special allowances not claimed in the income statement				
Wear and tear allowances	**(59 147)**	(47 117)	**–**	–
Other[4]	**(36 071)**	(14 000)	**–**	(6 645)
S25BB qualifying distribution	**(280 719)**	(534 676)	**(293 132)**	(664 262)
SA normal taxation rate applied to profit before taxation (28% corporate tax rate)	**–**	–	**–**	–
Under provision of taxation in respect of prior years	**171**	185	**17**	–
Deferred tax	**(31 808)**	–	**–**	–
Tax charge as per statements of comprehensive income	**(31 637)**	185	**17**	–

The group's reconciliation of the effective tax rate is based on the South Africa tax rate (28% corporate tax rate).

1 *Consists of fair value adjustments and impairment of its investment in subsidiaries.*
2 *Consists of share-based payment expense, amortisation of tenant installation and letting commission, depreciation and items considered capital in nature for tax purposes.*
3 *Consists of the straight-lining adjustment and an adjustment arising between the weighted average cost of vested shares and the grant date price of the vested shares.*
4 *Consists of the deduction for the capital contribution to the trust, prepaid expenses, tenant installation and letting commission costs, lease payments and learnership allowances.*

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32. Taxation continued

	GROUP		COMPANY	
R'000	**2020**	2019	**2020**	2019
32.1 Taxation (paid)/received				
Taxation at the beginning of the period	**(74)**	686	**–**	–
Charged to statements of comprehensive income during the year	**(171)**	(185)	**(17)**	–
Prior year interest paid to SARS	**4**	–	**–**	–
Income tax (receivable)/payable at the end of the period	**(633)**	74	**–**	–
Tax (paid)/received	**(874)**	575	**(17)**	–
32.2 Deferred tax asset				
Balance at the beginning of the year	**–**	–	**–**	–
Movements to income statement (temporary differences)				
Rental relief and ECL provision	**27 825**	–	**–**	–
Employee provisions	**5 193**	–	**–**	–
Rental received in advance	**3 175**	–	**–**	–
Balance at the end of the year	**36 193**	–	**–**	–
32.3 Deferred tax liability				
Balance at the beginning of the year	**–**	–	**–**	–
Movements to income statement (temporary differences)				
Temporary differences on tenant installation and letting commission	**(3 728)**	–	**–**	–
Prepaid expenses	**(657)**			
Balance at the end of the year	**(4 385)**	–	**–**	–
Net deferred tax asset	**31 808**	–	**–**	–

33. Investment in subsidiaries

R'000	Amount of issued share capital Units	Effective interest %	Investment R	Intergroup balances R
2020				
Subsidiaries				
2 Degrees Properties (Pty) Ltd opening balance	**908 443**	**100**	**9 191 928**	
Impairment			**(2 157 592)**	
2 Degrees Properties (Pty) Ltd closing balance			**7 034 336**	**186 283**
Stanlib REIT Fund Managers (RF) Pty Ltd opening balance	**0.2**	**100**	**7 308**	
Impairment			**(196)**	
Stanlib REIT Fund Managers (RF) Pty Ltd closing balance			**7 112**	**–**
Closing balance			**7 041 448**	**186 283**
2019				
Subsidiaries				
2 Degrees Properties (Pty) Ltd	908 443	100	9 191 928	176 993
Stanlib REIT Fund Managers (RF) Pty Ltd	0.2	100	7 308	–
Closing balance			9 199 236	176 993

33.1 Impairment of subsidiary

L2D Ltd carries 2DP and SRFM as investments in its separate financial statements

An impairment assessment has been performed in accordance with IAS 36. COVID-19 has adversely impacted many sectors and specifically the retail, office and hospitality sectors. L2D has also seen a decrease in net property income due to rebates, Expected Credit Loss provision, vacancies, devaluation of properties amongst many other factors. L2D Ltd carries its investments at fair value which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If L2D Ltd were to sell its investments the price would be significantly lower given the current economic environment.

The net asset value is largely determined by the fair value of the underlying properties within the company, based on discounted cash flow methodology, and profit methodology for Sandton Convention Centre and the hotels.

The recoverable amount, being the higher of the fair value less costs of disposal and value-in-use was assessed to be R7 billion. This is based on the value-in-use determined by applying a discount rate of 10%.

This resulted in an impairment loss of R2.2 billion to reflect the fair value of the investment as at 31 December 2020.

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for the year ended 31 December 2020

34. Non-current assets held for sale

R'000	**2020**	2019
Century City	**–**	123 213
Balance at the beginning of the year	**123 213**	–
Transfer from Investment property	**–**	122 068
Additions	**904**	318
Amortisation	**(347)**	(251)
Change in fair value	**(557)**	1 078
Disposal	**(123 213)**	
Balance at the end of the year	**–**	123 213

The investment properties reclassified as held-for-sale are properties that the directors have decided will be recovered through sale rather than through continuing use.

Liberty Centre Head Office Cape Town (Century City) was re-classified from investment properties to a non-current asset held for sale effective 31 October 2019, when the sale agreement was signed with Spear REIT Limited. The property was effectively transferred to Spear REIT Limited on 9 July 2020.

35. Subsequent events

In line with IAS 10 Events after Reporting period, the declaration of the final dividend of 32.33 cents per share for the year ended 31 December 2020 occurred after the end of the reporting period, resulting in a non-adjusting event which is not recognised in these consolidated annual financial statements.

After 31 December 2020, a further R8.9 million of rental relief negotiations were concluded. The majority of these agreements are not recognised as a lease modification.

Ster-Kinekor Theatres Proprietary Limited was placed in voluntary business rescue with effect from 27 January 2021. We have considered the impact of the property valuations and are satisfied that this does not affect the valuations as at 31 December 2020.

On 12 February 2021 the Public Investment Corporation SOC Limited disposed a beneficial interest in the securities of L2D, such that their entire beneficial interest has decreased from 8.631% to 3.129% of the total number of securities in issue.

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36. Going concern

Management have assessed L2D's ability to continue as a going concern. The assessment includes solvency and liquidity tests which include a forecast of debt covenants such as the loan-to-value and interest cover ratios. The liquidity tests considers expected cash flows in the next 12 months, including cash flow relating to funding and capital expenditure. As at 31 December 2020, L2D had a net asset value of R7.71 per share and a stable liquidity position.

The current outbreak of coronavirus (COVID-19) has significantly affected entities and economic activity around the world. The World Health Organisation declared the outbreak to be a Public Health Emergency of International Concern on 30 January 2020 and recognised it as a pandemic on 11 March 2020. Public media has indicated restrictions and closures of regional airlines, national borders and international public passenger transportation. South Africa is one of many countries to have implemented a national lockdown to flatten the coronavirus infection curve.

Since 31 December 2019, the development and spread of the virus has resulted in the occurrence of several associated events. Among these are the identification of the virus, its spread in terms of number of infected and geographical prevalence, actions taken by governments and non-governmental organisations, actions taken by private entities, and the resulting economic effects of these.

The pandemic primarily impacted L2D in the 2020 financial year as follows:

Net property income
The South African Government imposed a nationwide lockdown due to the increase in the spread of COVID-19. This meant that non-essential retail tenants were prohibited from trading for a period of at least 21 days from 27 March 2020. The lockdown was further extended to 30 April 2020 with level one only implemented in September 2020. The COVID-19 has affected various REITs and as a result, the group provided appropriate relief to their lessees to ensure their survival during the COVID-19 pandemic. This relief included providing lessees with rental holidays. These economic ramifications resulted in significant cashflow constraints. Furthermore, the expected credit loss adjustment increased due to the increased risk of default by debtors who were impacted by the lockdown imposed.

Additional rental concessions may be provided to tenants as the impact of the pandemic persists, locally and beyond. Tenants' businesses may further be adversely impacted should the South African government continue to enforce or reintroduce restrictions to mitigate against the risk of rising infection.

The acceleration of the adoption of technologies due to the pandemic, as well as potential changes in the demand for rentable space, particularly within the retail and office sectors, may impact L2D adversely.

Impact on taxation
Although the Property Industry group formally requested government to relax certain provisions in the Income Tax Act as well as the Value Added Tax Act, the group only delayed its interim distribution to year-end.

Impact on property valuation and fair value adjustments
In addition to income forecasting assumptions our valuers have also applied valuation metrics including adjustment to exit capitalisation rates, discount rates and an increase in the periods allowed to re-let space. Please refer to the Investment property note for more detail on the impact of valuations and the fair value hierarchy for financial instruments as well as the sensitivity analysis on the exit capitalisation rates and discount rates.

Jones Lang LaSalle which values the majority of our portfolio have emphasised that the valuations disclosed are reported on "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty should be attached to the valuation.

Ster-Kinekor Theatres Proprietary Limited was placed in voluntary business rescue with effect from 27 January 2021. The size of the rentals does not have an impact on the property valuations as at 31 December 2020.

Edcon Limited (Edcon) is still in the process of implementing the business rescue plan and has made progress with the sale of both Edgars and Jet. The Board elected to fully impair the fair value of the investment in Edcon to zero during the financial year.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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36. Going concern continued

Further negative fair value adjustments to the property portfolio may be passed if the pandemic persists.

Expected credit loss

The provision for credit losses and write-off of unrecoverable amounts may increase as the adverse impact of the pandemic on tenants' businesses persists.

Interest-bearing borrowings

The group's interest-bearing borrowings (net of cash and cash equivalents and including the fair value of cash settled hedges) represented 20.5% (31 December 2019: 16.1%) of the value of its property portfolio. Using SA REIT methodology, the average cost of debt (all Rand-denominated) is 8.72% (31 December 2019: 9.44%), interest rates are hedged through fixed rate contracts on 82.06% (31 December 2019: 74.45%) of borrowings for an average period of 2.11 years (31 December 2019: 2.84 years).

As at 31 December 2020, L2D remains well capitalised, with sufficient liquidity and well within bank covenants reflecting our prudent approach towards capital management, and the underlying quality of our portfolio.

The total unutilised revolving credit facilities amount to R400 million as at 31 December 2020. A further R109 million is available on a revolving term facility which brings the total unutlised bank facilities to R509 million at year-end. Our modeling of the business forecasted cashflow indicate that the current unutilised bank facilities are sufficient for our liquidity needs for the next 12 months and the company is comfortable that it will be able to meet it commitments as they fall due. None of our existing debt facilities have been modified due to COVID-19.

Given L2D's loan-to-value ratio, the risk of not accessing funding or not refiancing debt in the next 12 months is low.

Conclusion

In addition to considering factors specific to L2D, management have considered the expected impact of measures taken by government and the property industry in response to the COVID-19 pandemic in assessing the going concern status of the business. Though heavily impacted by the economic conditions that currently prevail it is management's view that the going concern status of the business remains intact. The pandemic has forced L2D to re-imagine and re-prioritise its strategic building blocks which underpin the success and future proofing of its assets. We had noted an improvement in trading conditions in the last quarter of 2020, however, the slight improvement was again muted by increased restrictions implemented in the last week of December. Though we remain cautious it is our view that the operations of core tenants remain healthy and will recover as the pandemic subsides and that we have sufficient balance sheet capacity and liquidity to see us through this period and ensure the sustainability of our business.

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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A. Adoption of best practice recommendations

The principles encompassed in the calculations below are aligned with the best practice recommendations ("BPR") by the SA REIT Association published in 2019 and do not comply with IFRS. The BPR is effective for financials year-ends commencing on or after 1 January 2020.

Reconciliation between earnings and distributable earnings

The company has established strict guidelines regarding its distribution policy to ensure that the distributable earnings is a fair reflection of sustainable earnings. This comprises property-related income net of property-related expenditure, interest expense and administrative costs.

The specific adjustments are detailed in the statement of funds from operations below. All of these adjustments are derived from the face of the statement of comprehensive income presented and the accompanying notes to the financial statements.

SA REIT Funds from Operations (SA REIT FFO) per share	**2020 R'000**	2019 R'000
Profit or (loss) per IFRS Statement of Comprehensive Income (SOCI) attributable to the parent	**(1 492 803)**	534 491
Adjusted for:		
Accounting/specific adjustments	**1 757 221**	16 514
Fair value adjustments to:	**1 719 886**	(10 910)
– Investment property		
– Debt and equity instruments held at fair value through profit or loss		
Depreciation and amortisation of intangible assets	**2 524**	2 722
Deferred tax movement recognised in profit or loss	**(31 808)**	–
Straight-lining operating lease adjustment	**66 619**	24 702
Other adjustments	**(3 780)**	(3 372)
Antecedent earnings adjustment	**(3 780)**	(3 372)
SA REIT FFO	**260 638**	547 633
Number of shares outstanding at end of period (net of treasury shares)	**895 457**	902 884
SA REIT FFO per share (cents)	**29.11**	60.65
Company-specific adjustments (per share)	**3.22**	(0.22)
Depreciation/amortisation	**(0.28)**	(0.30)
Deferred tax	**3.55**	–
trust distributions	**–**	0.08
2DP/trust earnings	**(0.05)**	–
Dividend per share (cents)	**32.33**	60.43

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2020

A. Adoption of best practice recommendations continued

Reconciliation of SA REIT funds from operations (SA REIT FFO) to cash generated from operations	**2020 R'000**	2019 R'000
SA REIT FFO	**260 638**	547 633
Adjustments		
Interest received	**(2 398)**	(3 482)
Interest expense	**149 307**	148 530
Amortisation of tenant installation and letting commission	**11 307**	10 532
Tax expense	**171**	185
Other non cash items	**7 972**	15 677
Antecedent earnings adjustment	**3 780**	3 372
Working capital changes		
(Increase)/decrease in trade and other receivables	**30 171**	24 722
(Increase)/decrease in amounts due from Group companies	**(14 855)**	(23 038)
Increase/(decrease) in employee benefits	**(3 479)**	(6 049)
Increase/(decrease) in trade and other payables	**(46 051)**	(35 307)
Cash generated from operations	**396 563**	682 775

SA REIT Net Asset Value (SA REIT NAV)		**2020 R'000**	2019 R'000
Reported NAV attributable to the parent (net of 2DP and trust)		**6 809 211**	8 663 667
Adjustments:			
Dividend to be declared (net of 2DP and trust)		**(289 503)**	(545 622)
Deferred tax (net of 2DP and trust)		**(31 353)**	–
SA REIT NAV	A	**6 488 355**	8 118 045
Shares outstanding			
Number of shares in issue at period end (net of treasury shares)		**895 457**	902 884
Effect of dilutive instruments (options, convertibles and equity interests)		**–**	–
Dilutive number of shares in issue	B	**895 457**	902 884
SA REIT NAV per share	A/B	**7.25**	8.99

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED
for the year ended 31 December 2020

A. Adoption of best practice recommendations continued

SA REIT cost-to-income ratio		**2020 R'000**	2019 R'000
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)		**501 497**	330 314
Administrative expenses per IFRS income statement		**95 769**	93 156
Exclude:			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets		**(2 524)**	(2 722)
Rental discounts granted		**(112 030)**	
ECL provision (COVID-19)		**(15 760)**	
Operating costs	A	**466 952**	420 748
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)		**705 451**	807 535
Utility and operating recoveries per IFRS income statement		**239 937**	241 033
Gross rental income	B	**945 388**	1 048 568
SA REIT cost-to-income ratio	(A/B)	**49.4%**	40.1%

SA REIT administrative cost-to-income ratio		**2020 R'000**	2019 R'000
Expenses			
Administrative expenses as per IFRS income statement		**95 769**	93 156
Administrative costs	A	**95 769**	93 156
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)		**705 451**	807 535
Utility and operating recoveries per IFRS income statement		**239 937**	241 033
Gross rental income	B	**945 388**	1 048 568
SA REIT administrative cost-to-income ratio	(A/B)	**10.1%**	8.9%

SA REIT GLA vacancy rate		**2020**	2019
Gross lettable area of vacant space	A	**63 065**	45 539
Gross lettable area of total property portfolio	B	**946 318**	967 866
SA REIT GLA vacancy rate	(A/B)	**6.7%**	4.7%

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2020

A. Adoption of best practice recommendations continued

Cost of debt		2020 %	2019 %
Variable interest-rate borrowings			
Floating reference rate plus weighted average margin		**7.0%**	8.9%
Fixed interest-rate borrowings			
Weighted average fixed rate		**9.2%**	9.2%
Pre-adjusted weighted average cost of debt	A	**7.6%**	9.0%
Adjustments:			
Impact of interest rate derivatives	B	**1.1%**	0.4%
All-in weighted average cost of debt	A+B	**8.7%**	9.4%

SA REIT loan-to-value		2020 R'000	2019 R'000
Gross debt		**1 740 891**	1 695 000
Less:			
Cash and cash equivalents		**(73 037)**	(65 199)
Add/Less:			
Derivative financial instruments		**60 423**	16 891
Net debt	A	**1 728 277**	1 646 692
Total assets – per Statement of Financial Position		**8 900 012**	10 673 374
Less:			
Cash and cash equivalents		**(73 037)**	(65 199)
Trade and other receivables		**(304 064)**	(319 360)
Carrying amount of property-related assets	B	**8 522 911**	10 288 815
SA REIT loan-to-value ("SA REIT LTV")	A/B	**20.3%**	16.0%

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED
for the year ended 31 December 2020

A. Adoption of best practice recommendations continued

Net initial yield		**2020 R'000**	2019 R'000
Investment property		**8 488 987**	10 144 377
Less:			
Properties under development		**30 074**	32 768
Grossed up property value	A	**8 458 913**	10 111 609
Property income			
Contractual cash rentals		**666 281**	792 284
Less:			
Non-recoverable property expenses		**141 282**	88 321
Annualised net rental	B	**524 999**	703 963
Net initial yield	B/A	**6.2%**	7.0%

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2020

B Investment properties

Schedule of properties as at 31 December 2020

No	Property	Percentage interest in the undivided shares by L2D	Physical address and province	Main sector	Grading	December 2020 valuation L2D share R'000	Average gross rental per m²	L2D's gross lettable area (m²)	Total gross lettable area (m²)
1	Sandton City Complex	25.0	5th Street, Alice Lane and Sandton Drive, Sandton, Gauteng	Mixed	Super	3 105 732	447	48 937	195 941
				– Retail	Regional			36 137	144 689
				– Office				12 800	51 252
2	Eastgate Complex	33.3	43 Bradford Road, Bedfordview, Johannesburg, Gauteng	Mixed	Super	2 389 292	356	47 735	143 344
				– Retail	Regional			44 588	133 894
				– Office				3 147	9 450
3	Melrose Arch Complex	8.3	60 Atholl Oaklands Road and Melrose Blvd, Melros North, Johannesburg, Gauteng	Mixed	Mixed use	468 757	145	16 557	198 879
				– Retail				3 506	42 116
				– Office				10 102	121 342
				– Specialised				2 949	35 421
4	Liberty Midlands Mall	33.3	Sanctuary Road, Pietermaritzburg, KwaZulu-Natal	Retail	Regional	729 552	233	26 058	78 249
				– Retail (Phase 1)				19 647	59 000
				– Retail (Lifestyle centre)				6 410	19 249
5	Nelson Mandela Square Complex	33.3	5th Street, Sandton, Gauteng	Mixed	Regional	405 436	288	12 852	38 595
				– Retail				6 533	19 617
				– Office				6 320	18 978

for the year ended 31 December 2020

B. Investment properties continued

Schedule of properties as at 31 December 2020 continued

No	Property	Percentage interest in the undivided shares by L2D	Physical address and province	Main sector	Grading	December 2020 valuation L2D share R'000	Average gross rental per m²	L2D's gross lettable area (m²)	Total gross lettable area (m²)
6	Liberty Promenade Shopping Centre	33.3	Cnr AZ Berman Drive, Morgenster Road and 11th Avenue, Mitchells Plain, Western Cape	Retail	Regional	**536 141**	**179**	**24 440**	**73 392**
7	Botshabelo Mall	33.3	Portions 2 and 3 of Erf 1 Botshabelo-H, Free State	Retail	Community	**93 275**	**136**	**6 908**	**20 743**
8	Standard Bank Centre	16.7	5 Simmonds Street, Johannesburg, Gauteng	Office	A Grade	**147 356**	**81**	**15 450**	**92 789**
9	Liberty Centre Head Office (Umhlanga Ridge)	33.3	21 Aurora Drive and 2 Park Lane, Umhlanga Ridge, KwaZulu-Natal	Office	A Grade	**102 100**	**109**	**7 393**	**22 201**
10	John Ross Eco Junction Estate – Tangawizi	33.3	Eco Junction Business Park, John Ross Highway, Richards Bay, KwaZulu-Natal	Specialised	Motor Showroom	**21 645**	**70**	**2 351**	**7 060**
11	John Ross Eco Junction Estate – Melomed	23.3	John Ross Eco Junction, Cnr N2 and MR496, John Ross Highway, KwaZulu-Natal	Specialised	Specialised	**126 010**	**209**	**3 219**	**13 809**
12	John Ross Eco Junction Estate	33.3	Portion 16 and 17, Erf 11415, Richards Bay, KwaZulu-Natal	Specialised	Land	**30 074**	**–**	**–**	
13	Sandton Convention Centre		161 Maude Street, Sandton, Gauteng	Specialised	Specialised	**48 980**	**173**	**14 463**	**57 910**
14	Virgin Active Sandton and Parkade	25.0	149 West Street, Sandton, Gauteng	Specialised	Specialised	**11 863**	**172**	**851**	**3 406**
15	Garden Court Sandton	25.0	Cnr West and Maude Street, Sandton, Gauteng	Specialised	Hotel	**114 037**	**191**	**4 435**	**17 757**
16	Sandton Sun and Intercontinental	25.0	Cnr 5th and Maude Street, Sandton, Gauteng	Specialised	Hotel	**158 738**	**69**	**8 662**	**34 682**
	Total					**8 488 987**	**272**	**227 213**	**946 318**

Hotels not included in GLA as numbers provided are beds available and therefore excluded from average rental.

Hotels operational for three months of the year and SSC for eight months.

The average gross rental per square meter is based on basic rental plus property expense recoveries at L2D's ownership.

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2020

B. Investment properties continued

Schedule of properties as at 31 December 2019

No	Property	Percentage interest in the undivided shares by L2D	Physical address and province	Main sector	Grading	December 2019 valuation L2D share R'000	Restated Average gross rental per m²	L2D's gross lettable area (m²)	Total gross lettable area (m²)
1	Sandton City Complex	25.0	5th Street, Alice Lane and Sandton Drive, Sandton, Gauteng	Mixed	Super	3 519 051	455	49 736	199 140
				– Retail	Regional			36 949	147 940
				– Office				12 787	51 200
2	Eastgate Complex	33.3	43 Bradford Road, Bedfordview, Johannesburg, Gauteng	Mixed	Super	2 940 485	389	48 366	145 240
				– Retail	Regional			45 219	135 790
				– Office				3 147	9 450
3	Melrose Arch Complex	8.3	60 Atholl Oaklands Road and Melrose Blvd, Melrose North, Johannesburg, Gauteng	Mixed	Mixed use	567 048	197	16 584	199 216
				– Retail				3 940	47 332
				– Office				10 045	120 664
				– Specialised				2 599	31 220
4	Liberty Midlands Mall	33.3	Sanctuary Road, Pietermaritzburg, KwaZulu-Natal	Retail	Regional	855 162	225	25 902	77 782
				– Retail (Phase 1)				18 639	55 973
				– Retail (Lifestyle centre)				7 263	21 809

B. Investment properties continued

Schedule of properties as at 31 December 2019 continued

No	Property	Percentage interest in the undivided shares by L2D	Physical address and province	Main sector	Grading	December 2019 valuation L2D share R'000	Restated Average gross rental per m²	L2D's gross lettable area (m²)	Total gross lettable area (m²)
5	Nelson Mandela Square Complex	33.3	5th Street, Sandton, Gauteng	Mixed	Regional	594 184	323	12 919	38 795
				– Retail				6 709	20 148
				– Office				6 210	18 647
6	Liberty Promenade Shopping Centre	33.3	Cnr AZ Berman Drive, Morgenster Road and 11th Avenue, Mitchells Plain, Western Cape	Retail	Regional	600 944	181	24 443	73 400
7	Botshabelo Mall	33.3	Portions 2 and 3 of Erf 1 Botshabelo-H, Free State	Retail	Community	100 968	117	6 908	20 743
8	Standard Bank Centre	16.7	5 Simmonds Street, Johannesburg, Gauteng	Office	A Grade	171 565	78	15 450	92 789
9	Liberty Centre Head Office (Cape Town)	33.3	Montague Gardens, Century Boulevard, Century City, Western Cape	Office		123 213	147	6 069	18 224
10	Liberty Centre Head Office (Umhlanga Ridge)	33.3	21 Aurora Drive and 2 Park Lane, Umhlanga Ridge, KwaZulu-Natal	Office	A Grade	113 122	104	6 777	20 352
11	John Ross Eco Junction Estate – Tangawizi	33.3	Eco Junction Business Park, John Ross Highway, Richards Bay, KwaZulu-Natal	Specialised	Motor Showroom	23 181	65	2 351	7 060
12	John Ross Eco Junction Estate – Melomed	23.2	John Ross Eco Junction, Cnr N2 and MR496, John Ross Highway, KwaZulu-Natal	Specialised	Specialised	113 349	193	3 219	13 809
13	John Ross Eco Junction Estate	33.3	Portion 16 and 17, Erf 11415, Richards Bay, KwaZulu-Natal	Specialised	Land	32 468	–	–	
14	Sandton Convention Centre	25.0	161 Maude Street, Sandton, Gauteng	Specialised	Specialised	142 460	158	14 463	57 910
15	Virgin Active Sandton and Parkade	25.0	149 West Street, Sandton, Gauteng	Specialised	Specialised	13 337	191	851	3 406
16	Garden Court Sandton	25.0	Cnr West and Maude Street, Sandton, Gauteng	Specialised	Hotel	169 535	270	4 435	17 757
17	Sandton Sun and Intercontinental	25.0	Cnr 5th and Maude Street, Sandton, Gauteng	Specialised	Hotel	188 062	107	8 662	34 682
	Total					10 268 136	282	234 038	967 866

The average gross rental per square meter has been restated in 2019 due to a change in methodology.

The average gross rental per square meter is based on basic rental plus property expense recoveries at L2D's ownership.

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2020

C. Portfolio information

Geographic profile by	Gross lettable area (m^2)	Gross lettable area (%)	Gross monthly rental (R'000)
Gauteng	730 865	77.2	50 302
KwaZulu-Natal	121 319	12.8	7 721
Western Cape	73 392	7.8	4 383
Free State	20 742	2.2	941
Total	**946 318**	**100.0**	**63 347**

[1] *Gross monthly rent is at L2D's ownership share.*
[2] *Gross lettable area is at 100% ownership share*

Sector composition by GLA	Gross lettable area (m^2)	Gross lettable area (%)	Gross monthly rental (R'000)
Retail	512 700	54.2	50 145
Office	316 012	33.4	7 828
Specialised	117 606	12.4	5 373
Total	**946318**	**100.0**	**63 347**

[1] *Gross monthly rent is at L2D's ownership share.*
[2] *Gross lettable area is at 100% ownership share*

Tenant profile (m^2)	A %	B %	C %
Retail	37	11	6
Office	22	4	4
Specialised	10	2	2
Total	**70**	**18**	**12**
Tenant category based on existing tenants at 100% ownership share.			**100**

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2020

C. Portfolio information continued

Vacancy profile (%)	2020	2019
Total retail	4.7	2.3
Total office	12.4	10.2
Total specialised	0.0	0.0
Total	6.7	4.7

Lease expiry profile – gross lettable area (%)	Vacant	Monthly	2021	2022	2023	2024	2025+
Total retail	4.7	8.0	16.8	13.4	15.9	15.2	26.1
Total office	12.4	3.8	9.6	20.3	6.1	33.1	14.8
Total specialised	0.0	2.0	0.4	54.8	3.6	0.0	39.2
Total	6.7	5.8	12.3	20.9	11.1	19.3	23.9

Lease expiry profile – revenue (%)	Vacant	Monthly	2021	2022	2023	2024	2025+
Total retail		5.2	24.7	22.0	16.6	15.5	16.0
Total office		9.0	15.7	26.8	4.6	29.5	14.4
Total specialised		0.9	0.0	0.7	0.0	0.0	98.4
Total		5.4	23.4	21.9	15.3	16.2	17.7

Geographic profile by	Office	Retail	Specialised	Portfolio
Weighted average rental per m² by rentable area	96	322	167	272
Weighted average rental escalation (%)	7.3	7.1	8.1	7.2

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED
for the year ended 31 December 2020

C. Portfolio information continued

Hotels Statistics	12 months based on full capacity 2020	12 months 2019	Change %	12 months open for trade 2020	12 months 2019	Change %
Garden Court Sandton				**444**	444	
Number of rooms	**444**	444		**444**	444	
Occupancy (%)	**14**	73,0	(80.8%)	**61**	73	(16.4%)
Average room rate (R)	**1 052**	1 014	3.7%	**1 052**	1 014	3.7%
RevPar (R)	**148**	737	(79.9%)	**643**	737	(12.8%)
Intercontinental Towers Sandton						
Number of rooms	**231**	231		**231**	231	
Occupancy (%)	**14**	67,0	(79.1%)	**59**	67	(11.9%)
Average room rate (R)	**1 868**	1 889	(1.1%)	**1 868**	1 889	(1.1%)
RevPar (R)	**256**	1 261	(79.7%)	**1 101**	1 261	(12.7%)
Sandton Sun						
Number of rooms	**326**	326		**326**	326	
Occupancy (%)	**31**	63,0	(50.8%)	**39**	63	(38.1%)
Average room rate (R)	**1 448**	1 677	(13.7%)	**1 448**	1 677	(13.7%)
RevPar (R)	**444**	1 060	(58.1%)	**558**	1 060	(47.4%)

Figures applied above based on a 12-month average

Open for trade is based on restrictions imposed by the lockdown regulations.

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2020

C. Portfolio information continued

Major tenants per property by GLA

Property	Tenants
Sandton City Shopping Centre	Edgars, Checkers, Woolworths
Sandton Office Tower	Emirates, Tugendhaft Wapnick Banchet, Nedbank
Atrium on 5th	Mitsubishi Corporation, Woodmead Country Club, Scoin
Eastgate Shopping Centre	Woolworths, Checkers, Edgars
Melrose Arch Retail	Woolworths, @Home, Arch Cycles
Melrose Arch Office	Worley Parsons, Vaitit, Stanlib
Liberty Midlands Mall	Woolworths, Game, Pick n Pay
Lifestyle Centre	Checkers, Planet Fitness, The Hub
Nelson Mandela Square Retail	The Butcher Shop, Hard Rock Café, Trumps Grillhouse & Butchery
Nelson Mandela Square Office	Regus, Oneplan, L2D
Liberty Promenade Shopping Centre	Pick n Pay, Game, Edgars
Botshabelo Mall	Checkers, Pick n Pay, Cashbuild
Standard Bank	Standard Bank
Liberty Centre Head Office (Umhlanga Ridge)	Liberty, Ison BPO, Miracle Communications
John Ross Eco Junction Estate – Tangawizi	Tangawizi Motors
John Ross Eco Junction Estate – Melomed	Melomed Hospital
John Ross Eco Junction Estate	
Sandton Convention Centre	Tsogo Sun
Virgin Active Sandton and Parkade	Virgin Active
Melrose Arch	Fire and Ice Hotel, African Pride Hotel, Bentley

Top tenants by gross rent

Tenant
Woolworths
Foschini Retail Group
Truworths Group
Retailability
Mr Price Group
Pepkor
The Power of Trading
The Standard Bank of South Africa
Shoprite Checkers
Cape Union Mart

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED
for the year ended 31 December 2020

D. Analysis of ordinary shareholders as at 31 December 2020

	Number of shareholdings	Percentage of total shareholdings	Number of shares	Percentage of issued capital
Shareholder spread				
1 – 1 000	506	36.0%	138 767	0.0%
1 001 – 10 000	432	30.8%	1 963 566	0.2%
10 001 – 100 000	233	16.6%	8 911 047	1.0%
100 001 – 1 000 000	174	12.4%	57 724 084	6.4%
Over 1 000 000	59	4.2%	839 705 870	92.4%
Total	**1 404**	**100.0%**	**908 443 334**	**100.0%**
Distribution of shareholders				
Assurance Companies	22	1.6%	445 324 285	49.0%
Close Corporations	13	0.9%	206 360	0.0%
Collective Investment Schemes	127	9.1%	180 326 248	19.9%
Control Accounts	1	0.1%	1	0.0%
Custodians	2	0.1%	19 777 567	2.2%
Foundations and Charitable Funds	17	1.2%	4 861 371	0.5%
Hedge Funds	2	0.1%	306 100	0.0%
Insurance Companies	2	0.1%	325 247	0.0%
Investment Partnerships	1	0.1%	92 381	0.0%
Managed Funds	16	1.1%	88 125 576	9.7%
Medical Aid Funds	13	0.9%	2 529 543	0.3%
Organs of State	5	0.4%	60 089 703	6.6%
Private Companies	41	2.9%	1 684 660	0.2%
Public Companies	4	0.3%	7 723 520	0.9%
Public Entities	1	0.1%	123 382	0.0%
Retail Shareholders	926	66.0%	7 032 084	0.8%
Retirement Benefit Funds	127	9.1%	70 723 141	7.8%
Scrip Lending	4	0.3%	1 312 490	0.1%
Share Schemes	1	0.1%	11 974 325	1.3%
Stockbrokers and Nominees	13	0.9%	3 604 241	0.4%
Trusts	66	4.6%	2 301 109	0.3%
Total	**1 404**	**100.0%**	**908 443 334**	**100.0%**

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2020

D. Analysis of ordinary shareholders as at 31 December 2020 continued

	Number of shareholdings	Percentage of total shareholdings	Number of shares	Percentage of issued capital
Shareholder type				
Non-public shareholders	**16**	**1.2%**	**546 691 669**	**60.1%**
Directors and Associates	3	0.2%	314 583	–
Beneficial holders >10% – Liberty Group	12	0.9%	534 402 761	58.8%
Share Schemes	1	0.1%	11 974 325	1.3%
Public Shareholders	**1 388**	**98.8%**	**361 751 665**	**39.9%**
Total	**1 404**	**100.0%**	**908 443 334**	**100.0%**
Fund managers with a holding greater than 3% of the issued shares				
Stanlib Asset Management			525 997 754	57.9%
Coronation Fund Managers			164 790 814	18.1%
Public Investment Corporation			56 958 570	6.3%
Total			**747 747 138**	**82.3%**
Beneficial shareholders with a holding greater than 3% of the issued shares				
Liberty Group			534 402 761	58.8%
Coronation Fund Managers			108 917 776	12.0%
Government Employees Pension Fund			57 186 148	6.3%
Total			**700 506 685**	**77.1%**

Total number of shareholdings	**1 404**
Total number of shares in issue	**908 443 334**

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2020

D. Analysis of ordinary shareholders as at 31 December 2020 continued

Share price performance	
Opening Price 2 January 2020	R6.7
Closing Price 31 December 2020	R4.3
Closing high for period	R7.2
Closing low for period	R3.9
Number of shares in issue	908 443 334
Volume traded during period	166 523 598
Ratio of volume traded to shares issued (%)	18.3
Rand value traded during the period	R860 940 559
Price/earnings ratio as at 31 December 2020	10.4
Earnings yield as at 31 December 2020	9.6
Dividend yield as at 31 December 2020	7.3
Market capitalisation at 31 December 2020	R3 860 884 170

Non-public breakdown 31 December 2020	908 443 334

Directors of the company or any of its subsidiaries	Count	Holding	%
Beneficial holders >10%			
Liberty Group	1	534 402 761	58.8%
	1	534 402 761	58.8%
Share Schemes			
L2D Restricted Share Plan Trust	1	11 974 325	1.3%
	1	11 974 325	1.3%

Directors	Count	Direct	%	Count	Indirect	%	Total Holdings	Total %
Amelia Beattie	1	146 489	0.0%	0	–	0.0%	146 489	0.0%
José Snyders	1	136 377	0.0%	0	–	0.0%	136 377	0.0%
Benjamin Swanepoel (Company Secretary)	1	31 717	0.0%	0	–	0.0%	31 717	0.0%
	3	314 583	0.0%	0	–	0.0%	314 583	0.0%

CORPORATE INFORMATION

Date of registration: 10 July 2018

Liberty Two Degrees Limited

JSE code: L2D
ISIN: ZAE000260576
Company registration: 2018/388906/06
(Approved as a REIT by the JSE)
(Liberty Two Degrees or L2D)

Company secretary

Ben Swanepoel
Liberty Two Degrees
3rd Floor, West Office Block
Nelson Mandela Square
Corner of Maude and 5th Street
Sandton
2196

Registered office

3rd Floor, West Office Block
Nelson Mandela Square
Corner of Maude and 5th Street
Sandton
2196
(Postnet Suite 202, Private Bag X9, Benmore, 2010)

Contact information

Telephone: +27 11 448 5500
Email: investors@liberty2degrees.co.za
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Auditors

PricewaterhouseCoopers Inc.
Waterfall City
4 Lisbon Lane
Jukskei View
Midrand
2090
(Private Bag X36, Sunninghill, 2157)

Sponsor

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
30 Baker Street
Rosebank, 2196
(PO Box 61344, Marshalltown, 2017)
Tel: 011 721 6125