ANNUAL RESULTS PRESENTATION

for the year ended 31 December 2018

LIBERTY

two°degrees

Presented by:
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AGENDA

01 At a glance

02 Financial results

03 Operational update

04 Developments

05 Looking ahead

06 Q&A

07 Annexures

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Notes

AT A GLANCE

HIGHLIGHTS FOR 2018

1. 29,31c declared for six months 30.06.2018 Old L2D | 18.00c declared four months 31.10.2018 Old L2D | 12.69c declared for two months 31.12.2018 New L2D
2. Trading density growth is based on a 12-month rolling period (excluding Melrose Arch and Lifestyle Centre)

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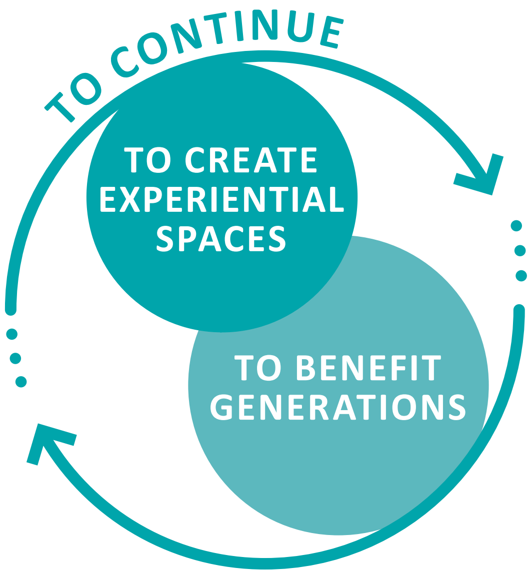
Notes

VISION AND PURPOSE

VISION

TO BE THE
LEADING
SOUTH AFRICAN
PRECINCT FOCUSED,
RETAIL-CENTRED REIT

PURPOSE



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L2D STRATEGY

STRATEGIC PILLARS

Driving to future proof our assets + Passionate People + Grow to make an impact

OUTCOME

Distribution growth

ALIGNMENT

Unlocking shareholder value

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Notes

L2D BUILDING BLOCKS

- Embracing technology
- Time is valuable
- Curating experiences
- Community place making
- Sustainable and flexible

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PRECINCT-FOCUSED, RETAIL-CENTRED ENVIRONMENTS

Focusing on key assets to strengthen precincts

- Management philosophy
- Vibrant business districts
- Managed as one
- Unique approach
- Improvement districts

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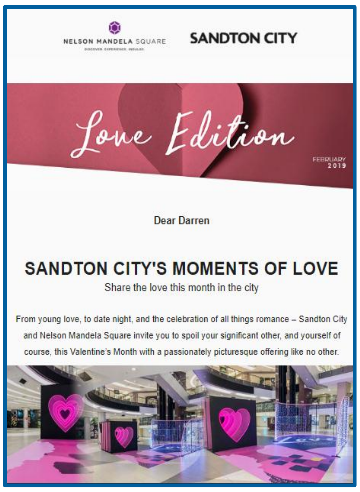
Notes

FOCUS ON CUSTOMER EXPERIENCES

Food District Rollout	Customer Communication	Connecting Seamlessly
		○ **Wi-Fi** **Sandton** 283 000 users **Eastgate** 183 000 users **Mostly** LSM 6 **Age** 26 -35 ○ **Admyt** ○ **Syenap**

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FINANCIAL RESULTS

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Notes

CORPORATE RESTRUCTURE AND IMPLEMENTATION

ORGANOGRAM OF NEW L2D GROUP

ACCOUNTING TREATMENT

- Capital reorganisation
- Restatement of comparatives
- Assets and liabilities - pre-combination valuations
- Elimination of intercompany transactions

RESTRUCTURE IMPLEMENTATION

- Management NAV reconciliation
- Transaction costs
- Maintaining the 60c distribution
- Debt facilities R1,5bn

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DEBT FACILITIES

Debt R1,5bn

33% hedged at year end

9.5% NACA Current blended all in funding rate

Maturity profile
1 year 33%
3 year 33%
5 year 33%

16%
Loan to Value

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Notes

STATEMENT OF COMPREHENSIVE INCOME

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018

R'000	12 months Audited 31 Dec 2018	12 months Audited 31 Dec 2017*
Property portfolio revenue	**913 810**	665 854
Property operating expenses including change in expected credit losses	**(324 688)**	(236 709)
Net rental and related income	**589 122**	429 145
Revenue from contract with customers	**63 915**	66 274
Other Income	**4 049**	5
Operating costs	**(76 126)**	(70 418)
Profit from operations	**580 960**	425 006
Net interest (expense)/income	**(12 820)**	118 206
Realised loss on sale of equity	**(2 085)**	(460)
Dividend income	**-**	5 492
Net fair value adjustments	**80 762**	4 387
Total earnings	**646 817**	552 631
Taxation	**(6 082)**	(14 654)
Total comprehensive income	**640 735**	537 977

* Restated

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NET PROPERTY INCOME GROWTH

Comparable NPI Growth	Growth %	December 18	December 17
Net Property Income	37.3%	589 122 018	429 145 302
Straight-lining		1 259 452	26 980 833
NPI adjusted for straight-lining	**29.4%**	**590 381 470**	**456 126 135**

7.1%

Normalised for ownership % incl. new assets[1]

4.0%

Normalised for ownership % excl. new assets[1]

1. New assets: Midlands Lifestyle centre, Melomed, Hotels, Convention Centre and Virgin Active

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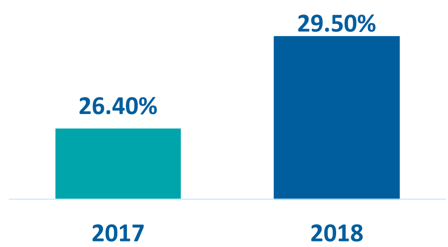
Notes

NET PROPERTY INCOME LIKE FOR LIKE – 24 MONTHS

Gross Income Growth (like for like)	Growth Incl Rates	Growth Excl Rates
Portfolio	7.5%	6.2%
Retail	7.7%	6.2%
Office	5.2%	6.0%
Specialised	7.5%	7.4%

Cost to Income Ratio



Main Cost Drivers	
Operating Costs ⬆	21.6%
Rates ⬆	47.3%
Operating Costs Excl Rates ⬆	**5.4%**

NPI Growth (like for like)	Growth Incl Rates	Growth Excl Rates
Portfolio	3.0%	6.9%

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1. Note: The cost to income ratio is derived from income and expenses for tenants (and assets) which have been trading for a full 24months

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	R'000	Audited 31 Dec 2018	Audited 31 Dec 2017*	Audited 31 Dec 2016*
ASSETS	**Non-current assets**	**10 145 122**	8 710 015	6 061 366
	Current assets	**333 264**	483 014	2 904 400
	Total assets	**10 478 386**	9 193 029	8 965 766
LIABILITIES	**Non-current liabilities**	**1 000 000**	-	-
	Current liabilities	**894 490**	199 564	177 614
	Trade and other payable	**259 594**	199 564	177 614
	Financial Instruments	**8 289**	-	-
	Financial liabilities	**626 607**	-	-
	Total liabilities	**1 894 490**	199 564	177 614
EQUITY	Capital	**8 780 489**	8 782 290	8 782 290
	Retained surplus	**122 645**	274 186	45 819
	Mergers/capital reserve	**(426 104)**	(92 459)	(92 459)
	Non-distributable reserve	**106 866**	29 448	52 502
	Total Equity	**8 583 896**	8 993 465	8 788 152
	Total equity and liabilities	**10 478 376**	9 193 029	8 965 766

* Restated

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Notes

OPERATIONAL UPDATES

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SECTOR OVERVIEW

DECEMBER 2018	PORTFOLIO	RETAIL	OFFICE	SPECIALISED	HOTELS
Total property GLA ('000m²) [1]	967	523	331	113	–
NPI Contribution (%)	100	81	16	2	1
Average escalation (%)[2]	7.8	7.8	7.9	7.9	–
Reversion Rate	2.3	4.9	-5.5	–	–
L2D CCO Ratio (%)[3]	–	14.8	–	–	–
WALE by income (years)	3.2	3.1	2.8	5.5	–
Overall vacancy rate – December 2018 (%)	3.4	1.2	8.0	0	–
Overall vacancy rate – December 2017 (%)	6.4	4.3	10.3	0	–

1. GLA increase due to an increase in Specialised mainly from Virgin Active Sandton and Sandton Convention Centre.
2. The average escalation rate excludes Melrose Arch.
3. Comprehensive Cost of Occupation Ratio

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Notes

CREATING EXPERIENTIAL OFFERINGS

INTERNATIONAL

COACH NEW YORK

EMPORIO ARMANI

Dior

LC WAIKIKI everyone deserves to dress well

NEW OFFERINGS

mrp

LEGO

Lindt MAÎTRE CHOCOLATIER SUISSE DEPUIS 1845

Sportsmans Warehouse

CUSTOMER PREFERENCE

Dis-Chem PHARMACIES

Spur Steak Ranches

Plan B DESSERTERY

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TURNAROUND OF TRADING PERFORMANCE

PROPERTIES	ANNUALISED TRADING DENSITY	DEC 18	DEC 17
Sandton City	54,247	3.9%	-0.9%
Eastgate Shopping Centre	37,089	2.9%	-4.9%
Nelson Mandela Square	54,961	-1.3%	-9.5%
Liberty Promenade	40,399	1.9%	6.4%
Midlands Mall[2]	38,138	-0.6%	-2.8%
Botshabelo Mall	29,253	9.6%	-24.7%
Portfolio (excl. Melrose Arch and Lifestyle Centre)	**43,923**	**2.9%**	**-3.6%**
Melrose Arch	26,417	-6.2%	6.6%
Full Portfolio (excl. Lifestyle Centre)	**42,476**	**2.5%**	**-3.0%**

1. Trading density growth is based on a 12-month rolling period.
2. Excluding Lifestyle Centre

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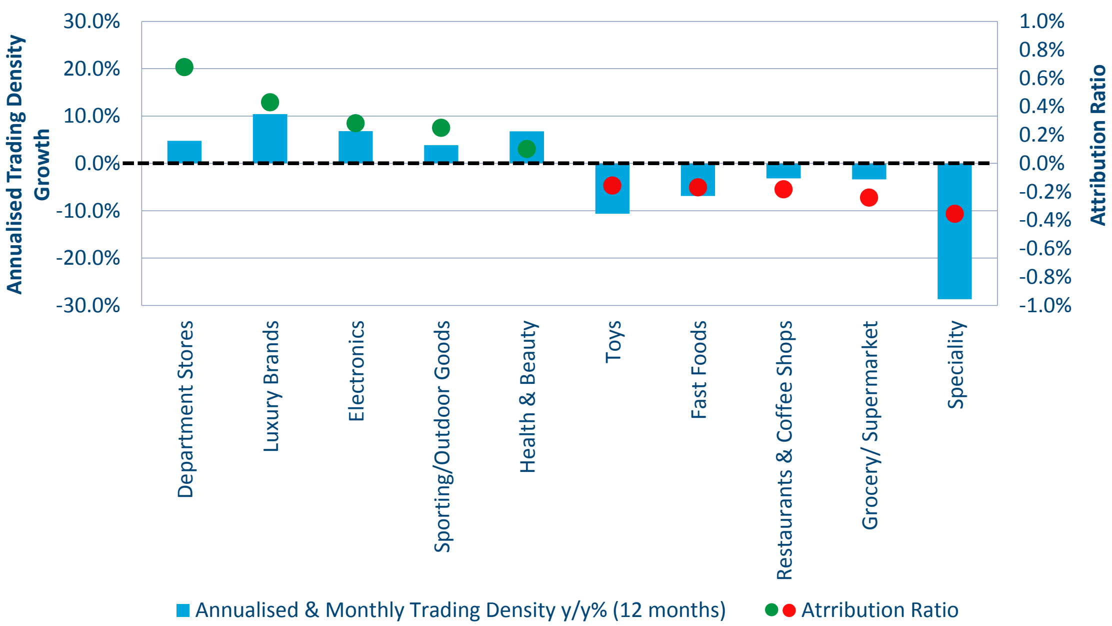
Notes

SIGNIFICANT CATEGORIES DRIVING GROWTH



1. Trading density over a 12-month period to December 2018.

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SANDTON CITY COMPLEX

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Notes

SANDTON CITY COMPLEX

RETAIL	Dec 18	Dec 17
Average net rental (R/m^2)	**510**	476
Vacancy (%)	**0.4**	4.8
L2D CCO Ratio	**15.7**	15.1
OFFICE		
Average net rental (R/m^2)	**141**	161
Vacancy (%)	**25.5**	30.0
TRADING DENSITY UPDATE (R/m^2)		
Centre	**54 247**	52 172
Growth (%)[1]	**3.9**	3.0

HIGHEST TD GROWTH	Annual TD (R/m^2)	Annual TD Growth (%)
Children's Wear	**70 462**	**27.5**
HIGHEST TD GROWTH BY ATTRIBUTION RATIO [2]		
Luxury Brands	**152 005**	**10.4**
Department Stores (>5k m^2)	**42 694**	**6.1**
Speciality	**195 850**	**25.0**
Unisex Wear	**58 302**	**2.1**
Children's Wear	**70 462**	**27.5**

1. Growth is based on Trading Density over a 12 month rolling period as per Clur Report.
2. Attribution Ratio: Retail Sales Contribution % X Annual Trading Density Growth %.
3. Asset Management Executive: Nikiwe Mkhabela

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EASTGATE COMPLEX

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Notes

EASTGATE COMPLEX

COMPLEX (RETAIL AND OFFICE)	Dec 18	Dec 17
Average net rental (R/m²)	**368**	357
Vacancy (%) – retail	**1.0**	7.8
L2D CCO Ratio	**19.6**	17.4
Vacancy (%) – office	**2.7**	6.3
TRADING DENSITY UPDATE (R/m²)		
Centre	**37 089**	36 039
Growth (%) [1]	**2.9**	0.7

HIGHEST TD GROWTH	Annual TD (R/m²)	Annual TD Growth (%)
Travel Stores	**129 069**	**111.1**
HIGHEST TD GROWTH BY ATTRIBUTION RATIO [2]		
Department Stores (>5k m²)	**31 128**	**7.3**
Travel Stores	**129 069**	**111.1**
Unisex Wear	**40 684**	**2.5**
Home Furnishings/Art/Antiques/Décor	**23 710**	**9.6**
Fashion Jewellery	**111 673**	**30.2**

1. Growth is based on Trading Density over a 12 month rolling period as per Clur Report.
2. Attribution Ratio: Retail Sales Contribution % X Annual Trading Density Growth %
3. Asset Management Executive: Carmen Collison

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DEVELOPMENTS

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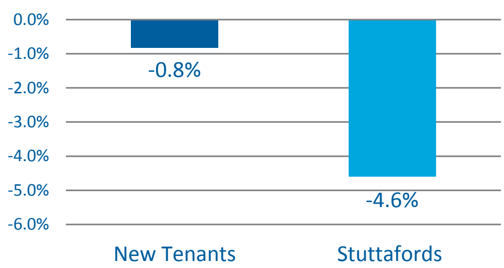
Notes

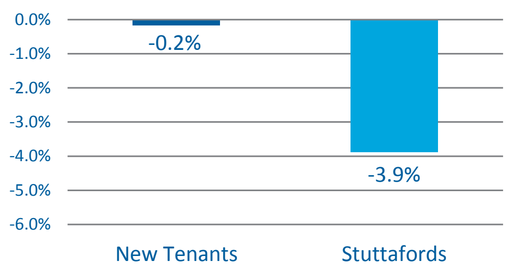
CUSTOMER EXPERIENCE THROUGH TENANT MIX

Project name	Cost (100%)	L2D (Share %)	Completion date	Tenants trading
Eastgate Stuttafords reconfiguration	R99 214 507	R25 237 419	Oct 2018	Mr Price (relocation), Dis-Chem, H&M
Sandton Stuttafords reconfiguration	R84 906 000	R16 973 498	May 2018	Dis-Chem, Dion Wired, LC Waikiki, PnP Clothing

Contribution spread Eastgate[1]



Contribution spread Sandton[1]



1. Contribution spread = retail sales contribution % – GLA contribution %, New tenants contribution done using past 3 months ending December.

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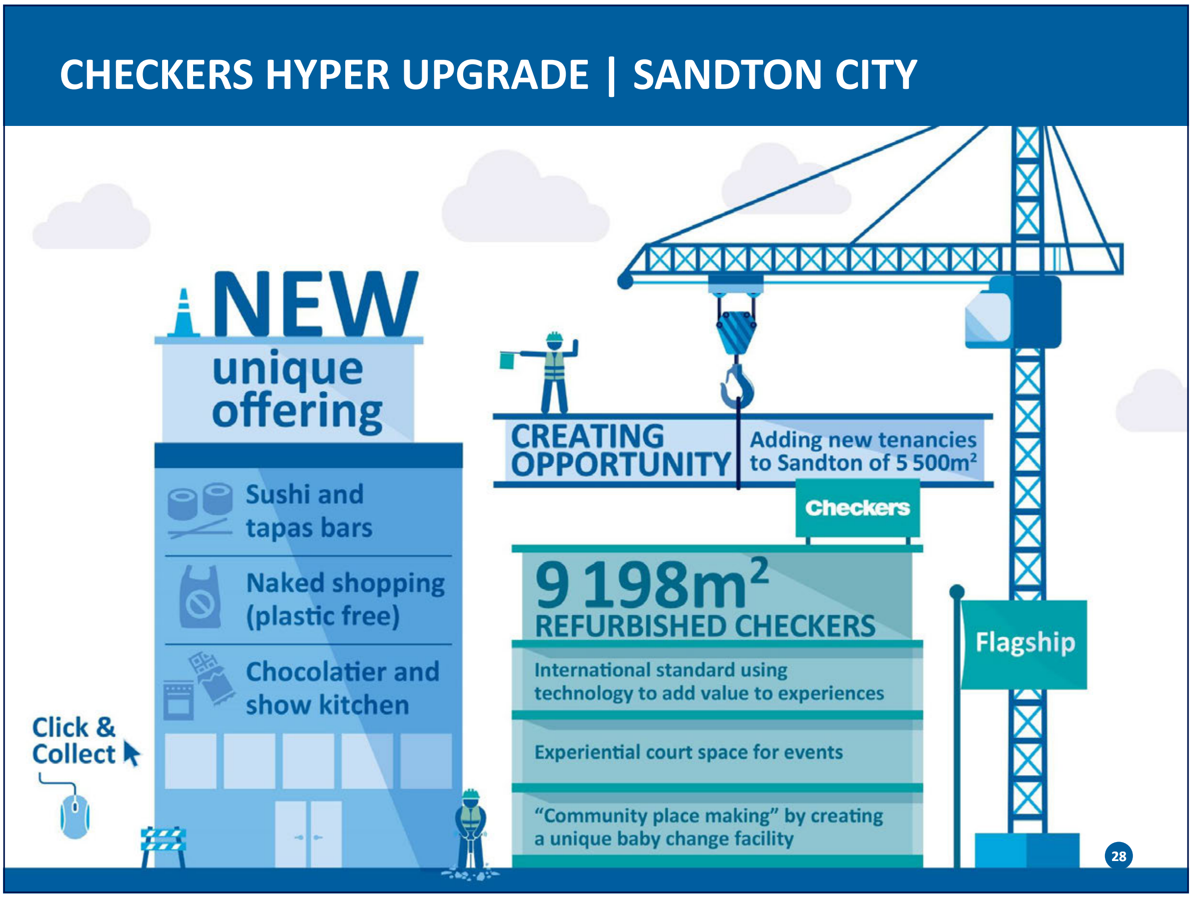
CHECKERS HYPER UPGRADE | SANDTON CITY
NEW
unique offering
Sushi and tapas bars
Naked shopping (plastic free)
Chocolatier and show kitchen
Click & Collect
CREATING OPPORTUNITY
Adding new tenancies to Sandton of 5 500m²
Checkers
9 198m²
REFURBISHED CHECKERS
International standard using technology to add value to experiences
Experiential court space for events
"Community place making" by creating a unique baby change facility
Flagship
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Notes


LOOKING AHEAD
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GUIDANCE AND OUTLOOK

2019	
Net property income growth	6% – 7%
Environment	Uncertainty
Impact of cost of debt relative to yield	4% – 5%

2019 guidance 0% – 2%

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Notes

LOOKING AHEAD

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THANK YOU
“Creators of Experiential Spaces”
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Notes


ANNEXURES
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LIBERTY TWO DEGREES FINANCIAL AGENDA

25 Feb 2019	FY18 Financial Results
18 Mar 2019	Distribution payment
Q2 2019	Investor site visit
10 May 2019	AGM
30 May 2019	Pre-close update
1 Jun 2019	Closed period
29 Jul 2019	HY19 Financial Results
30 May 2019	Pre-close update
Q3 2019	Investor Day
Sep 2019	Distribution payment
28 Nov 2019	Pre-close update for the period ended 30 Sep 2019
1 Dec 2019	Closed period

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Notes

OPERATIONAL UPDATES CONTINUED

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MIDLANDS MALL AND LIFESTYLE CENTRE

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Notes

MIDLANDS MALL AND LIFESTYLE CENTRE

RETAIL	Dec 18	Dec 17
Average net rental (R/m^2)	**214**	207
Vacancy (%)	**1.9**	0.9
L2D CCO Ratio	**10.8**	11.5
TRADING DENSITY UPDATE (R/m^2)		
Mall	**38 138**	38 378
Growth (%) [1]	**(0.6)**	(0.83)

HIGHEST TD GROWTH	Annual TD (R/m^2)	Annual TD Growth (%)
Sunglasses Stores	**56 390**	**32.1**
HIGHEST TD GROWTH BY ATTRIBUTION RATIO [2]		
Sporting/Outdoor Goods and Wear	**56 027**	**8.8**
Electronics	**77 639**	**20.2**
Books/Cards/Stationery	**35 052**	**15.4**

LIFESTYLE CENTRE		
RETAIL	**Dec 18**	Apr 18
Average net rental (R/m^2)	**165**	
Vacancy (%)	**7.2**	8.5
TRADING DENSITY UPDATE (R/m^2)		
Lifestyle Centre	**20 216**	25 794

1. Growth is based on Trading Density over a 12 month rolling period as per Clur Report.
2. Attribution Ratio: Retail Sales Contribution % X Annual Trading Density Growth %.
3. Asset Management Executive: Brian Unsted

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NELSON MANDELA SQUARE

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Notes

NELSON MANDELA SQUARE

RETAIL	Dec 18	Dec 17
Average net rental (R/m²)	**475**	435
Vacancy (%)	**0.9**	0.6
L2D CCO Ratio	**14.0**	14.8
OFFICE		
Average net rental (R/m²)	**108**	116
Vacancy (%)	**32.3**	33.3
TRADING DENSITY UPDATE (R/m²)		
Centre	**54 961**	55 084
Growth (%) [1]	**(1.3)**	(3.5)

HIGHEST TD GROWTH	Annual TD (R/m²)	Annual TD Growth (%)
Watches – High End	**346 637**	**11.6**
HIGHEST TD GROWTH BY ATTRIBUTION RATIO [2]		
Electronics	**203 373**	**81.3**
Watches – High End	**346 637**	**11.6**
Unisex Wear	**13 630**	**4.3**
Footwear	**84 904**	**4.3**
Women's Wear	**36 106**	**9.3**

1. Growth is based on Trading Density over a 12 month rolling period as per Clur Report.
2. Attribution Ratio: Retail Sales Contribution % X Annual Trading Density Growth %.
3. Asset Management Executive: Brian Unsted

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LIBERTY PROMENADE

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Notes

LIBERTY PROMENADE

RETAIL	Dec 18	Dec 17
Average net rental (R/m²)	**157**	151
Vacancy (%)	**0.7**	1.3
L2D CCO Ratio	**8.6**	8.2
TRADING DENSITY UPDATE (R/m²)		
Centre	**40 399**	39 648
Growth (%) [1]	**1.9**	3.3

HIGHEST TD GROWTH	Annual TD (R/m²)	Annual TD Growth (%)
Children's Wear	**18 576**	**31.6**
HIGHEST TD GROWTH BY ATTRIBUTION RATIO [2]		
Sporting/Outdoor Goods and Wear	**45 571**	**10.3**
Health and Beauty <500m²	**70 828**	**11.0**
Bottle Stores	**102 708**	**15.6**
Men's Wear	**44 967**	**17.0**
Mini Department Stores (<2.5k m²)	**41 489**	**5.9**

1. Growth is based on Trading Density over a 12 month rolling period as per Clur Report.
2. Attribution Ratio: Retail Sales Contribution % X Annual Trading Density Growth %.
3. Asset Management Executive: Brian Unsted

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BOTSHABELO MALL

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Notes

BOTSHABELO MALL

RETAIL	Dec 18	Dec 17
Average net rental (R/m²)	**124**	115
Vacancy (%)	**5.8**	8.5
L2D CCO Ratio	**8.4**	9.4
TRADING DENSITY UPDATE (R/m²)		
Centre	**29 253**	26 700
Growth (%) [1]	**9.6**	

HIGHEST TD GROWTH	Annual TD (R/m²)	Annual TD Growth (%)
Speciality	**32 239**	**37.8**
HIGHEST TD GROWTH BY ATTRIBUTION RATIO [2]		
Grocery/Supermarkets	**30 279**	**12.2**
Specialised Foods	**58 659**	**18.0**
Speciality	**32 239**	**37.8**
Mini Department Stores (<2.5k m²)	**21 603**	**22.7**
Unisex Wear	**31 218**	**9.3**

1. Growth is based on Trading Density over a 12 month rolling period as per Clur Report.
2. Attribution Ratio: Retail Sales Contribution % X Annual Trading Density Growth %
3. Asset Manager: Bharathi Kawal

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MELROSE ARCH

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Notes

MELROSE ARCH

RETAIL	**Dec 18**	Dec 17
Average net rental (R/m²)	**235**	229[1]
Vacancy (%)	**0.0**	0.5
Average escalation (%)	**8.4**	
OFFICE		
Average net rental (R/m²)	**198**	193[1]
Vacancy (%)	**4.4**	4.8
Average escalation (%)	**8.1**	
TRADING DENSITY UPDATE (R/m²)		
Centre	**26 417**	28 162
Growth (%) [2]	**(6.2)**	4.6

HIGHEST TD GROWTH	**Annual TD (R/m²)**	**Annual TD Growth (%)**
Fine Jewellery – High End	**118 955**	**16.1**
HIGHEST TD GROWTH BY ATTRIBUTION RATIO [3]		
Fine Jewellery – High End	**118 955**	**16.1**
Women's Wear	**17 582**	**13.4**
Sporting/Outdoor Goods and Wear	**26 007**	**7.8**
Hairdressers	**43 207**	**7.5**
Health and Beauty <500m²	**48 221**	**2.3**

1. The 2017 Net Rental Number has been revised to align the methodology with the rest of the portfolio.
2. Growth is based on Trading Density over a 12 month rolling period as per Clur Report.
3. Attribution Ratio: Retail Sales Contribution % X Annual Trading Density Growth %.

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OFFICES

1. Century City offices were re-measured during 2018.
2. Asset Manager: Bharathi Kawal

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Notes

HOTEL PORTFOLIO STATISTICS

GARDEN COURT SANDTON	
Number of rooms	**444**
Occupancy (%)[1]	**54**
Average room rate (R)	**999**
RevPar (R)	**542**
INTERCONTINENTAL TOWERS SANDTON	
Number of rooms	**231**
Occupancy (%)[1]	**60**
Average room rate (R)	**1 607**
RevPar (R)	**971**
SANDTON SUN	
Number of rooms	**326**
Occupancy (%)[1]	**53**
Average room rate (R)	**1 545**
RevPar (R)	**824**

1. Occupancy figure is for the month of December 2018.

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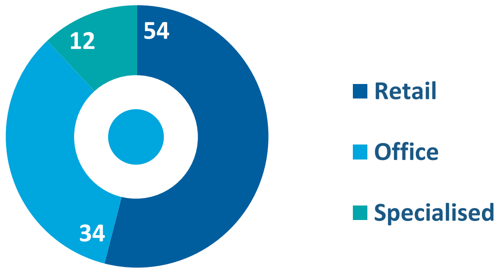
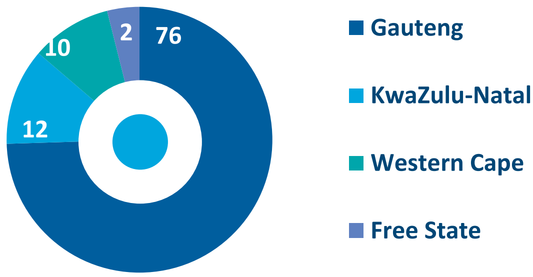
PORTFOLIO PROFILE

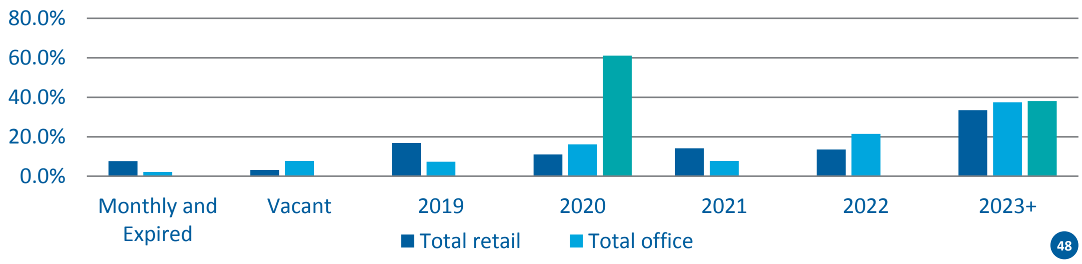
SECTOR COMPOSITION BY GLA (M²)
AT 31 DEC 2018



GEOGRAPHIC PROFILE BY GLA (m²)
AT 31 DEC 2018



5 Year expiry profile GLA (%)



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Notes

MANAGEMENT NAV RECONCILIATION – PRIOR YEAR AFS[1]

R'000	L2D	SRFM	Combined
SRFM NAV Dec 2016		28 007	
SRFM Deferred Tax reversal 2016		(252)	
SRFM Earnings Till Dec 2017		26 922	
Deferred tax reversal in SRFM 2017		(4 202)	
Distribution paid to Liberty SRFM 2017		(15 814)	
Expected NAV 2017 from reported AFS	8 958 804	34 661	8 993 465
L2D & SRFM Combined earnings 2018			566 055
Reversal of straight lining			1 259
L2D Distributions 2018			(695 232)
Manco Acquisition from Liberty			(307 574)
Actual Tax SRFM 2018			(6 082)
Net fair value adjustments			79 503
SRFM Distribution paid to Liberty			(45 697)
Portion of transaction costs Capitalized 2018			(1 801)
Expected Combined NAV			8 583 896
NAV per AFS			8 583 896
Difference			**–**

1. Kindly note, this information has not been reviewed or reported on by the L2D auditors. The Directors take responsibility for this information

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Notes

EXPECTED NAV WITHOUT RESTRUCTURE[1]

R'000		Per Share
L2D Trust Opening	**8 958 000**	**9.86**
L2D Trust earnings 2018	566 055	
Reversal of straight lining	1 259	
Earnings without straight lining	**567 314**	
End of year declaration 2017	(265 447)	0.2922
Mid year distribution 2018	(266 265)	0.2931
Clean out distribution November 2018	(163 520)	0.1800
Total L2D Distributions Paid 2018	**(695 232)**	
Net fair value adjustments	79 503	
Portion of transaction costs capitalised 2018	(1 801)	
Asset Management Fee income not made	(10 130)	
Asset Management Fee expense incl in earnings	23 764	
Transaction fees expensed	13 800	
Fee expense paid (estimate)	(28 000)	Assumed R7bn average L2D Market Cap
Expected NAV	**8 907 218**	**9.80**
Actual NAV (unaudited)		**9.45**
Difference to actual NAV	**323 322**	

1. Kindly note, this information has not been reviewed or reported on by the L2D auditors. The Directors take responsibility for this information

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TRANSACTION COSTS – RECONCILIATION[1]

Transaction cost analysis - 31 December 2018

Details	L2D - expense (R'm)	L2D - capitalise (R'm)	Liberty (R'm)	Total (R'm)
1. Costs per Circular (note 6 pg 25 & note 7 pg 35)				
SRFM costs to 30 June 2018	6.8			6.8
Budgeted additional costs:				
- Transaction costs	6.3		6.6	12.9
- Property acquisition costs		2.4		2.4
- Costs relating to issue of equity		0.9		0.9
	13.1	3.3	6.6	23.0
2. Final actual costs				
- Transactions costs expensed	13.8		6.6	20.4
- Property acquisition costs		3.0		3.0
- Costs relating to issue of equity		1.0		1.0
	13.8	4.0	6.6	24.4
Variance to Circular - (negative) / positive	-0.7	-0.7	0.0	-1.4

1. Kindly note, this information has not been reviewed or reported on by the L2D auditors. The Directors take responsibility for this information

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Notes

MANAGEMENT COMMITTEE

Amelia Beattie
Chief Executive

José Snyders
Financial Director

Jonathan Sinden
Chief Operations Officer

Steph Goodwin
Human Capital Executive

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Notes

CHIEF OPERATIONS OFFICER'S TEAM

Jonathan Sinden
Chief Operations Officer

Brian Unsted
Asset Management Executive

Nikiwe Mkhabela
Asset Management Executive

Roy Lighton
Development Executive

Carmen Collison
Asset Management Executive

Bharathi Kawal
Asset Manager

Mel Urdang
Retail Leasing Executive

Melinda Isaacs
Development Manager

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FINANCIAL DIRECTOR'S TEAM

José Snyders
Financial Director

Gareth Rees
Finance and Investor Relations Executive

Ben Swanepoel
Chief Risk & Compliance Officer
Company Secretary

Farhana Haffejee
Head of Legal

Sumenthree Moodley
Head of Analysis

Saadiyah Kahn
Valuation Manager

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Notes

METHODOLOGIES

LIBERTY two°degrees

GLA RECONCILIATION

Liberty Two Degrees total gross lettable area reported at 31 December 2018 increased by 60 380 m², as per the breakdown provided below:

Sector profile	GLA Dec 18 (m²)	GLA Jun 18 (m²)	Variance (m²)
Retail	523 135	523 107	28
Office	331 326	332 290	-964
Specialised	113 405	52 089	61 316
Total	**967 866**	**907 486**	**60 380**

OFFICE
Change in area for Century City as per re-measurement

SPECIALISED
Includes Convention Centre and Virgin Active

Please note that the properties are valued as a complex and not by sector (retail, office or specialised). It is therefore recommended that information provided in the operational overview be used during analysis. All GLA figures above reflect the 100% GLA of all properties within the portfolio.

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Notes

AVERAGE RENTAL METHODOLOGY

%

Average gross rental:
Calculated by total income divided by the total building GLA, as per the annual financial statements.

+

Average net rental calculation at June 2017:
- **Total rent =** basic rent + turnover rent at June 2017 year to date.
- **Total leased GLA =** total building GLA – vacancies for June 2017.
- **Average net rent (R/m²) =** total rent divided by total leased GLA.

=

Average net rental calculation at December 2017, June 2018 and December 2018:
- Method of calculation was revised, to reflect a more realistic position.
- **Total rent =** basic rent + turnover rent at December 2017/June 2018/December 2018.
- **Total leased GLA =** total building GLA – vacancies, over the 12/6/12-month period.
- **Average net rent (R/m²) =** total rent divided by total leased GLA.

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COMPREHENSIVE COST OF OCCUPATION (CCO) RATIO METHODOLOGY

%

L2D CCO Ratio = *Total Charge* / *Turnover*

+

Total Charge = Rent + Property Expense Recovered + Rates Recovered + Utilities Recovered

Rent = Basic Rent + Rent Turnover + Rent Sundry

=

Turnover = Total Sales for the year.

Note:

The L2D CCO Ratio captures the true costs of the rental agreement between a retailer and a landlord. Therefore the L2D CCO Ratios are greater than the traditional Rent-to-Sales ratios in quantity and quality of information since they also acknowledge ancillary costs.

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Notes

DISCLAIMER

- This document contains forecasts and forward-looking statements that reflect Management's expectations as at February 2019.
- The actual results may vary substantially from those forecasted if known and/or unknown variables do not transpire as predicted or if estimates and assumptions prove inaccurate.
- Liberty Two Degrees and its Management cannot guarantee that the forecasts or forward-looking statements will materialise and users are cautioned not to place undue reliance on the information provided.
- Liberty Two Degrees and its Management disclaim any intention, and assumes no obligation, to update or revise any forecast or forward-looking statement other than as required by the JSE Listings Requirements.

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SUMMARISED GROUP RESULTS

for the year ended 31 December 2018

LIBERTY

two°degrees

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HIGHLIGHTS

Full year distribution of **60 cents**[1] per share

Successfully implemented corporate restructure

Introduced **R1.5bn** of debt

Vacancy rates
Portfolio **3.4%**
Retail **1.2%**

Trading density growth **of 2.9 %**[2]

(1) *29.31c declared for six months ended 30 June 2018 by Old L2D / 18.00c declared for four months ended 31 October 2018 by Old L2D / 12.69c declared for two months ended 31 December 2018 by New L2D.*

(2) *Trading density growth is based on a 12 month rolling period (excluding Melrose Arch and Lifestyle Centre).*

COMMENTARY

Profile

Liberty Two Degrees Limited (L2D) is listed on the Johannesburg Stock Exchange ("JSE") with a market capitalisation of R6.3 billion at 31 December 2018 (FY2017: R7.6 billion).

Financial results

On 1 November 2018 Liberty Two Degrees (Old L2D) converted to a corporate Real Estate Investment Trust (REIT) and listed as Liberty Two Degrees Limited (L2D). The L2D group now includes 2 Degrees Properties Proprietary Limited (the operating subsidiary) and Stanlib REIT Fund Managers (RF) Proprietary Limited (the previous management company). At 31 December 2018, L2D's 100% South African property portfolio was valued at R10.15 billion (FY2017 Restated: R8.71 billion) following the acquisition of a further R1.2 billion of the co-owned Liberty Property Portfolio (LPP) with effect from 1 November 2018. L2D group reported net property income of R589.1 million for the year ended 31 December 2018 (FY2017 Restated: R429.1 million) after taking into account the additional assets acquired and asset management income. Including interest income and fair value adjustments, profit before tax amounted to R646.8 million (FY2017 Restated: R552.6 million). The net asset value per share has decreased primarily as a result of the capital reorganisation treatment related to the acquisition of the previous management company.

On 23 July 2018, the board declared an interim dividend of 29.31 cents per share for the six months ended 30 June 2018, which was paid on 27 August 2018.

On 15 October 2018, the board declared the final Old L2D dividend of 18.00 cents per share for the four months ended 31 October 2018, which was paid on 14 November 2018.

Subsequent to year-end, on 21 February 2019, the board declared a final dividend of 12.69 cents per share for the two months ended 31 December 2018, which will be paid on 18 March 2019.

This brings the full year distribution to 60.00 (FY2017: 59.22) cents per share which is in line with L2D's guidance to the market, after including the transaction costs relating to the restructuring.

Capital reorganisation accounting treatment

The conversion to a corporate REIT is considered to be a common control transaction in that the parent company before and after the transaction is Liberty Holdings Limited. The businesses under common control that are combined in L2D have single management and oversight, accordingly capital reorganisation accounting is considered to be the most appropriate treatment for the transaction. Consequently L2D's group financial statements include the group's full results as though the transaction had been effected from 31 December 2016. The comparative information is restated as if the group had always existed in its current form. No other adjustments have been made.

L2D's vision and strategy

L2D's vision is to be the leading South African precinct focused, retail-centred REIT. This vision is supported by three strategic pillars that will drive distribution growth and thereby create shareholder value:

- driving to future proof the assets;
- having passionate people; and
- growing to make an impact.

Changes in fair values

The Group's property portfolio was valued at R10.14 billion (FY2017: R8.71 billion) by external independent registered valuers on an open market value basis at 31 December 2018. Investment properties increased by R1.35 billion as a result of the acquisition of a further R1.20 billion of the LPP, as well as capitalised development and maintenance capital expenditure. The overall fair value adjustment resulted in a net increase of R89.9 million (FY2017: net decrease of R24.7 million). In terms of IAS 40 and IFRS 13, investment properties are measured at fair value through profit or loss using valuation inputs which are categorised as level 3 on the fair value hierarchy.

Property portfolio

The portfolio vacancy rate decreased during the year to 3.4% (FY2017: 6.4%).

Leases covering 49 472m^2 (FY2017: 67 631m^2) were renewed during the year at an overall reversion rate of 2.3% (FY2017: 2.7%). A further 52 557m^2 (FY2017: 41 078m^2) in new tenant lease agreements were concluded across the portfolio during the period.

Arrears increased to 5.2% (FY2017: 4.6%) of the collectable book. The marginal increase in arrears is mainly as a result of the difficult economic environment.

Geographic profile	Gross lettable area [1] (m²)	Gross lettable area (%)
Gauteng	736 496	76,1
KwaZulu-Natal	119 003	12,3
Western Cape	91 624	9,5
Free State	20 743	2,1
Total	**967 866**	**100,0**

Sector profile	Gross lettable area [1] (m²)	Gross lettable area (%)
Retail	523 135	54,1
Office	331 326	34,2
Specialised	113 405	11,7
Total	**967 866**	**100,0**

[1] *L2D owns a 33.3% undivided share of the properties at 31 December 2018.*

Vacancy profile %	Gross lettable area 2018	Gross lettable area 2017
Retail	1,2	4,3
Office	8,0	10,3
Specialised	0,0	0,0
Total	**3,4**	**6,4**

Lease expiry profile – gross lettable area (%)	Vacant	Monthly [1]	2019	2020	2021	2022	2023+
Retail	1,2	7,7	16,9	11,1	14,2	13,5	33,5
Office	8,0	2,2	7,4	16,2	7,7	21,5	37,4
Specialised	0,0	0,3	0,4	61,0	0,2	0,0	38,0
Total	**3,4**	**5,0**	**11,9**	**18,1**	**10,5**	**14,8**	**35,3**

[1] *Month to month expiries consist primarily of leases that have expired, with new leases currently being negotiated, and commitments obtained on a monthly basis in the interim.*

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 16.00% (FY17: nil) of the value of its property portfolio. The average cost of funding (all Rand-denominated) is 9.27% (FY17: nil), interest rates are hedged on 32.95% (FY17: nil) of borrowings for an average period of 2.83 years (FY17: nil). The interest cover ratio is 48.3x (FY17: nil). L2D has the ability to take on further debt and has a targeted LTV of 35%.

Commitments

Capital development commitments outstanding amount to R433.1 million (FY2017: R390.7 million). Capital commitments will be funded from debt facilities.

Prospects

The quality of the L2D portfolio drove positive growth despite a difficult trading environment in South Africa. Demand for retail space in the portfolio was strong with reduced vacancies and was supported by an improved tenant mix in the space previously occupied by Stuttafords. The restructuring transaction was successfully implemented and aligns L2D's structure to the market while providing a platform for future growth. L2D's conservative gearing levels offer the capacity for acquisitions to enhance returns; however, the current cost of debt may have a dilutionary impact on future distributions. The uncertainty around the Edcon restructuring at the time of reporting these results makes it difficult to accurately determine distributions and valuations in the near term. Despite this uncertainty, as retail specialists L2D management remains focused on creating experiential spaces at its centres and thereby striving to prepare the assets for a rapidly changing retail environment.

L2D uses distribution per share as a relevant measure of financial performance. With the current uncertainty as well as challenging economic conditions in South Africa, L2D's guidance for the 2019 full-year distribution is for growth of 0% to 2%.

This guidance is reliant on the following key assumptions: forecasted net property income is based on contractual rental escalations and market-related renewals, appropriate allowances for vacancies have been incorporated into the forecast, no further dilutionary gearing is introduced and that no major tenant failures will occur. The forecast has not been reviewed or reported on by L2D's auditors.

Declaration of a cash distribution

The Board has approved and notice is hereby given of a distribution of 12.69 cents per share for the two months ended 31 December 2018 ("the distribution").

The distribution is payable to L2D shareholders in accordance with the timetable set out below:

	2019
Last date to trade *cum* dividend:	Tuesday, 12 March
Units trade *ex* dividend:	Wednesday, 13 March
Record date:	Friday, 15 March
Payment date:	Monday, 18 March

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 March 2019 and Friday, 15 March 2019, both days inclusive.

Payment of the distribution will be made to shareholders on Monday, 18 March 2019. In respect of dematerialised share, the distribution will be transferred to the Central Securities Depository Participant ("CSDP") accounts/broker accounts on Monday, 18 March 2019. Certificated shareholders' dividend payments will be posted on or about Monday, 18 March 2019.

Shares in issue at the date of declaration of this distribution: 908 443 335

L2D's income tax reference number: 9087144235

In accordance with L2D's status as a REIT, shareholders are advised that the distribution meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The distribution on the shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The distribution received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a distribution distributed by a REIT. This distribution is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders provide the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

a. a declaration that the distribution is exempt from dividends tax; and

b. a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

Distributions received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act.

Assuming dividend withholding tax will be withheld at a rate of 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder, the net dividend amount due to non-resident shareholders is 10.152 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

a. a declaration that the distribution is subject to a reduced rate as a result of the application of a DTA; and

b. a written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

Events after reporting date

In line with IAS 10 Events after the Reporting Period, the declaration of the final dividend of 12.69 cents per share for the two months ended 31 December 2018 occurred after the end of the reporting period, resulting in a non-adjusting event which is not recognised in these financial statements.

Restatement – Capital reorganisation

The comparative information has been restated as a result of the capital reorganisation and the entity reports as if it had always existed in its current form. The assets and liabilities of the entity are incorporated as their pre-combination carrying amounts without fair value uplift and comparatives have been restated to ensure comparability. Any premium on the purchase price over the carrying amounts of the assets and liabilities is recorded in equity as a merger reserve. As part of the restatement of the comparatives, an adjustment has been made to reverse any deferred tax assets that were previously recorded to take into account the REIT status of the group with effect from 1 November 2018.

Costs related to the acquisition, other than those associated with the issue of debt or equity instruments that the group incurred in the capital reorganisation, have been expensed as incurred. Costs that are incremental and directly attributable to the issue of equity are recorded directly in equity.

Basis of preparation

The summarised group financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa and the JSE Listings Requirements. The accounting policies applied in the preparation of these financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous financial statements. José Snyders CA(SA), the financial director, was responsible for supervising the preparation of these summarised annual financial statements.

This summarised report is extracted from the audited information, but is not itself audited. The annual financial statements are audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor's report does not necessarily report on all the information contained in these summary financial statements. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying audited financial statements, both of which are available for inspection at L2D's registered office. The Board takes full responsibility for the preparation of this report and that the selected financial information has been correctly extracted from the underlying financial statements.

On behalf of the board

Angus Band	**Amelia Beattie**	**José Snyders**
Chairman	*Chief Executive*	*Financial Director*

25 February 2019

STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

R'000	2018	Restated 2017	Restated 2016
Assets			
Non-current assets	**10 145 122**	8 710 015	6 061 366
Investment properties	**10 111 609**	8 629 809	5 997 200
Investment properties under development	**32 768**	78 903	63 239
Property, plant and equipment	**745**	1 303	927
Current assets	**333 264**	483 013	2 904 400
Trade and other receivables	**277 963**	189 925	104 320
Amount due from group companies	**42 645**	–	–
Financial investments	**600**	269 043	2 774 878
Current tax receivable	**686**	1 412	874
Cash and cash equivalents	**11 370**	22 633	24 328
Total assets	**10 478 386**	9 193 028	8 965 766
Equity and liabilities			
Equity			
Stated capital	**8 780 489**	8 782 290	8 782 290
Retained surplus	**122 646**	274 186	45 819
Mergers/capital reserve	**(426 104)**	(92 459)	(92 459)
Non-distributable reserve	**106 865**	29 448	52 502
Total equity	**8 583 896**	8 993 465	8 788 152
Liabilities			
Non-current liabilities			
Financial liabilities	**1 000 000**	–	–
Current liabilities	**894 490**	199 563	177 614
Trade and other payables	**236 212**	166 688	173 536
Provisions	**23 372**	15 867	1 738
Amount due to group companies	**10**	17 008	2 340
Financial instruments	**8 289**	–	–
Financial liabilities	**626 607**	–	–
Total liabilities	**1 894 490**	199 563	177 614
Total equity and liabilities	**10 478 386**	9 193 028	8 965 766

STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 2018

R'000	2018	Restated 2017
Property portfolio revenue	**913 810**	665 854
Rental and related income	**915 069**	692 835
Adjustment for the straight-lining of operating lease income	**(1 259)**	(26 981)
Property operating expenses	**(327 157)**	(236 709)
Change in expected credit loss on rental debtors	**2 469**	–
Net property income	**589 122**	429 145
Asset management fee income	**63 753**	66 274
Development fee income	**162**	–
Revenue	**653 037**	495 419
Other Income	**4 049**	5
Operating costs	**(76 126)**	(70 418)
Profit from operations excluding fair value adjustments	**580 960**	425 006
Interest expense	**(25 282)**	(19 938)
Interest received	**12 462**	138 144
Realised loss on sale of equity	**(2 085)**	(460)
Dividend income	**-**	5 492
Profit before fair value adjustments	**566 055**	548 244
Net fair value adjustments	**80 762**	4 387
Fair value adjustments on investment properties	**89 860**	(24 662)
Fair value adjustment on derivatives	**(8 289)**	–
Fair value adjustment on equity instrument	**(2 068)**	2 068
Adjustment for the straight-lining of operating lease income	**1 259**	26 981
Profit before taxation	**646 817**	552 631
Taxation	**(6 082)**	(14 654)
Total comprehensive income	**640 735**	537 977
Basic earnings per share (cents)	**70.53**	59.22
Fully diluted earnings per share (cents)	**70.53**	59.22

STATEMENT OF CHANGES IN EQUITY
for the year ended December 2018

R'000	Capital	Non-distributable reserve	Retained surplus	Mergers/capital reserve	Total
Balance at 1 January 2017 – Restated	8 782 290	52 502	45 819	(92 459)	8 788 152
Total comprehensive income	–	–	537 724	–	537 724
Fair value adjustment on investment properties transferred to non-distributable reserve	–	(24 662)	24 662	–	–
Fair value adjustment on listed equity investment transferred to non-distributable reserve	–	2 068	(2 068)	–	–
Loss on sale of listed equity investment transferred to non-distributable reserve	–	(460)	460	–	–
Distribution to shareholders	–	–	(316 597)	–	(316 597)
Distribution to Liberty Holdings Limited	–	–	(15 814)	–	(15 814)
Balance at 1 January 2018 – Restated	**8 782 290**	**29 448**	**274 186**	**(92 459)**	**8 993 465**
Total comprehensive income			**640 735**		**640 735**
Capitalised transaction costs	**(1 801)**	**–**	**–**	**–**	**(1 801)**
Capital reorganisation impact	**–**	**–**	**–**	**(333 645)**	**(333 645)**
Fair value adjustment on investment properties transferred to non-distributable reserve	**–**	**89 860**	**(89 860)**	**–**	**–**
Realised loss on sale of listed equity investment transferred to non-distributable reserve	**–**	**(2 086)**	**2 086**	**–**	**–**
Fair value adjustment on derivatives	**–**	**(8 289)**	**8 289**	**–**	**–**
Fair value adjustment on equity instrument	**–**	**(2 068)**	**2 068**	**–**	**–**
Distribution to shareholders	**–**	**–**	**(695 232)**	**–**	**(695 232)**
Distribution to Liberty Holdings Limited	**–**	**–**	**(19 626)**	**–**	**(19 626)**
Balance at 31 December 2018	**8 780 489**	**106 865**	**122 646**	**(426 104)**	**8 583 896**

STATEMENT OF CASH FLOWS
for the period ended December 2018

R'000	2018	Restated 2017
Cash flows from operating activities	**(495 176)**	166 030
Cash generated by operations	**241 233**	398 570
Interest received on financial investment	**4 665**	133 801
Bank interest received	**7 797**	1 200
Interest paid	**(2 586)**	(19 938)
Taxation paid	**(5 356)**	(15 192)
Distribution to shareholders	**(695 232)**	(316 597)
Distribution to Liberty Holdings Limited	**(45 697)**	(15 814)
Cash flows from investing activities	**(1 119 826)**	(167 820)
Expenditure on investment properties capitalised	**(185 805)**	(121 205)
Expenditure on investment properties under development	**(108)**	(43 765)
Acquisition of investment properties	**(1 196 457)**	(2 476 555)
Acquisition of investment properties under development	**(3 543)**	(36 350)
Acquisition of property plant and equipment	**(661)**	(623)
Investment in financial instruments - mutual funds	**(557 074)**	2 641 304
Proceeds from disposal of financial instruments - mutual funds	**672 196**	21 000
Investment in financial instruments - equity instrument	**–**	(182 725)
Disposal of financial instruments- equity instrument	**151 626**	31 099
Cash flows from financing activities	**1 603 739**	95
Transaction costs reversal / (incurred) for issue of new shares	**–**	95
Loan paid	**(105 913)**	–
Loans received	**1 709 652**	–
Net decrease in cash and cash equivalents	**(11 263)**	(1 695)
Cash balance at beginning of the year	**22 633**	24 328
Cash and cash equivalents at the end of the period	**11 370**	22 633

Segment information

December 2018

Unaudited GLA	**Retail**	**Office**	**Other specialised**	**Hotels**	**Administration/ Other** [(1)]	**Total**
Total property GLA (m^2)	523 135	331 326	113 405	–		967 866
L2D's share of total GLA (m^2)[(2)]	174 208	110 334	37 987	–		322 529

Segment earnings 2018

R'000	**Retail**	**Office**	**Other specialised**	**Hotels**	**Administration/ Other** [(1)]	**Total**
Property portfolio revenue	**477 922**	**302 690**	**104 214**	**28 641**	**343**	**913 810**
Rental and related income	478 602	303 121	104 362	28 641	343	915 069
Adjustment for the straight-lining of operating lease income	(680)	(431)	(148)	–	–	(1 259)
Property operating expenses	(162 163)	(102 706)	(35 361)	(24 967)	(1 960)	(327 157)
Change in expected credit loss on rental debtors	1 334	845	290			2 469
Net property income	**317 093**	**200 829**	**69 143**	**3 674**	**(1 617)**	**589 122**
Asset management fee income					63 753	63 753
Development fee income					162	162
Revenue	**317 093**	**200 829**	**69 143**	**3 674**	**62 298**	**653 037**
Other income					**4 049**	**4 049**
Operating costs					**(76 126)**	**(76 126)**
Profit from operations excluding fair value adjustments	**317 093**	**200 829**	**69 143**	**3 674**	**(9 779)**	**580 960**
Interest expense					(25 282)	(25 282)
Interest received					12 462	12 462
Realised loss on sale of equity					(2 085)	(2 085)
Profit before fair value adjustments	**317 093**	**200 829**	**69 143**	**3 674**	**(24 684)**	**566 055**
Net fair value adjustments on investment properties	**50 064**	**31 708**	**10 917**	**(1 570)**	**-**	**91 119**
Fair value adjustments	49 384	31 277	10 769	(1 570)	–	89 860
Adjustment for the straight-lining of operating lease income	680	431	148	–	–	1 259
Fair value adjustment on derivatives	–	–	–	–	(8 289)	(8 289)
Fair value adjustment on equity instrument	–	–	–	–	(2 068)	(2 068)
Total profit before tax	367 157	232 537	80 060	2 104	(35 041)	**646 817**
Taxation	–				(6 082)	(6 082)
Total comprehensive income	367 157	232 537	80 060	2 104	(41 123)	**640 735**

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

(2) *Segment earnings, assets and liabilities have been segmented per category GLA as a percentage of total GLA.*

Segment assets and liabilities 2018

	Retail R'000	Office R'000	Other specialised	Hotels R'000	Administration/Other [1] R'000	Total R'000
Investment property	5 290 029	3 350 424	1 153 531	350 393	–	10 144 377
Property, plant and equipment	–	–	–	–	745	745
Amount due from group companies	–	–	–	–	42 645	42 645
Trade receivables	105 017	66 512	22 900	55 672	27 862	277 963
Financial investment	–	–	–	–	600	600
Current tax receivable	–	–	–	–	686	686
Cash and cash equivalents	–	–	–	–	11 370	11 370
Total assets	**5 395 046**	**3 416 936**	**1 176 431**	**406 065**	**83 908**	**10 478 386**
Trade payables and other	(80 725)	(51 127)	(17 603)	(37 722)	(49 035)	(236 212)
Employee benefits	–	–	–	–	(23 372)	(23 372)
Amount due to group companies					(10)	(10)
Financial instruments	–	–	–	–	(8 289)	(8 289)
Financial liabilities	–	–	–	–	(1 626 607)	(1 626 607)
Net assets	**5 314 321**	**3 365 809**	**1 158 828**	**368 343**	**(1 623 405)**	**8 583 896**

(1) *Administration assets and liabilities includes the current account with Liberty Group Limited, cash and cash equivalents, VAT payable and accruals.*

(2) *Segment earnings, assets and liabilities have been segmented per category GLA as a percentage of total GLA.*

December 2017 Restated

Unaudited GLA	Retail	Office	Specialised	Administration/Other [1]	Total
Total property GLA (m^2)	500 973	332 290	38 280		871 543
L2D's share of total GLA (m^2)[2]	155 325	103 026	11 869		270 220

Segment earnings 2017

R'000	Retail	Office	Other specialised	Hotels	Administration/Other [(1)]	Total
Property portfolio revenue	**382 210**	**253 515**	**29 205**	**–**	**924**	**665 854**
Rental and related income	397 719	263 802	30 390	–	924	692 835
Adjustment for the straight-lining of operating lease income	(15 509)	(10 287)	(1 185)	–	–	(26 981)
Property operating expenses	(135 131)	(89 631)	(10 325)	–	(1 622)	(236 709)
Change in expected credit loss on rental debtors	–	–	–	–	–	–
Net property income	**247 079**	**163 884**	**18 880**	**–**	**(698)**	**429 145**
Asset management fee income	–	–	–	–	66 274	66 274
Development fee income	–	–	–	–	–	–
Revenue	**247 079**	**163 884**	**18 880**	**–**	**65 576**	**495 419**
Other income	**–**	**–**	**–**	**–**	**5**	**5**
Operating costs	**–**	**–**	**–**	**–**	**(70 418)**	**(70 418)**
Profit from operations excluding fair value adjustments	**247 079**	**163 884**	**18 880**	**–**	**(4 837)**	**425 006**
Interest expense					(19 938)	(19 938)
Interest received					138 144	138 144
Dividend income					5 492	5 492
Realised loss on sale of equity					(460)	(460)
Profit before fair value adjustments	**247 079**	**163 884**	**18 880**	**–**	**118 401**	**548 244**
Net fair value adjustments on investment properties	**1 333**	**884**	**102**	**–**	**–**	**2 319**
Fair value adjustments	(14 176)	(9 403)	(1 083)	–	–	(24 662)
Adjustment for the straight-lining of operating lease income	15 509	10 287	1 185	–	–	26 981
Fair value adjustment on derivatives	–	–	–	–	–	–
Fair value adjustment on equity instrument	–	–	–	–	2 068	2 068
Total profit before taxation	**248 412**	**164 768**	**18 982**	**–**	**120 469**	**552 631**
Taxation	–				(14 654)	(14 654)
Total comprehensive income	**248 412**	**164 768**	**18 982**	**–**	**105 815**	**537 977**

[(1)] *Administration and other includes administration expenses and investment income that cannot be allocated specifically to the operating segments.*
[(2)] *Segment earnings, assets and liabilities have been segmented per category GLA as a percentage of total GLA.*

Segment assets and liabilities 2017

	Retail R'000	Office R'000	Other specialised R'000	Hotels R'000	Administration/Other [(1)] R'000	Total R'000
Investment property	5 005 868	3 320 339	382 505	–	–	8 708 712
Property Plant and Equipment					1 303	1 303
Trade receivables	75 040	49 773	5 734	–	59 378	189 925
Financial investment					269 043	269 043
Current tax receivable					1 412	1 412
Cash and cash equivalents					22 633	22 633
Total assets	**5 080 908**	**3 370 112**	**388 239**	–	**353 769**	9 193 028
Trade payables and other	(81 555)	(54 094)	(6 232)	–	(24 807)	(166 688)
Provisions					(15 867)	(15 867)
Amount due from group companies					(17 008)	(17 008)
Net assets	**4 999 353**	**3 316 018**	**382 007**	–	**296 087**	8 993 465

[(1)] *Segment earnings, assets and liabilities have been segmented per category GLA as a percentage of total GLA.*

Headline earnings, distributable income and earnings per share

R'000	Group 2018	Group 2017
Headline earnings, distributable income and earnings per share		
Reconciliation of total earnings to headline earnings and distributable income		
Total earnings (basic earnings)	**640 735**	537 977
Fair value adjustment to investment properties and financial investments	**(80 762)**	(4 387)
Loss on disposal of equity instruments	**2 085**	460
Capital reorganisation adjustment	**(18 252)**	(23 091)
Headline earnings	**543 806**	510 959
Straight-lining of operating lease income	**1 259**	26 981
Distributed income (Unaudited)	**545 065**	537 940

	Cents	Cents
Earnings per unit		
Basic and diluted	**70.53**	59.22
Headline	**59.86**	56.29
Distributed income	**60.00**	59.22

	Rand	Rand
Net asset value per share	**9.45**	9.90

	000's	000's
Number of shares in issue	**908 443**	908 443
Weighted average number of shares in issue	**908 443**	908 443

Reconciliation of distribution per share	2018 R'000 As per income statement	2018 R'000 Effect of reorganisation	2018 R'000 Distributable	2017 R'000 Distributable
Rental and related income	**915 069**	**–**	**915 069**	692 835
Property operating expenses	**(327 157)**	**–**	**(327 157)**	(236 709)
Impairment losses on financial assets held at amortised cost	**2 469**	**–**	**2 469**	–
Asset management fee	**63 753**	**–**	**63 753**	–
Development fee	**162**	**–**	**162**	–
Other income	**4 049**	**–**	**4 049**	–
Operating costs	**(76 126)**	**–**	**(76 126)**	(38 741)
Net interest paid	**(12 820)**	**–**	**(12 820)**	115 063
Interest paid	**(25 282)**	**–**	**(25 282)**	(19 938)
Interest received	**12 462**	**–**	**12 462**	135 001
Taxation	**(6 082)**	**–**	**(6 082)**	–
Dividend income	**–**	**–**	**–**	5 492
Pre-acquisition adjustment	**–**	**(18 252)**	**(18 252)**	–
Total distribution	**563 317**	**(18 252)**	**545 065**	537 940
Less: Distribution to shareholder (payment 1)			**266 265**	272 533
Less: Distribution to shareholder (payment 2)			**163 520**	–
Available for distribution (payment 3)			**115 280**	265 407
Shares in issue ('000)			**908 443**	908 443
Dividend per share subsequent to year-end (cents)			**12.69**	29.22
Distribution for the year in cents				
Dividend per share interim			**29.31**	30.00
Dvidend per share clean out			**18.00**	–
Dividend per share – final (subsequent to year-end)			**12.69**	29.22
Total distribution per share			**60.00**	59.22

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 2018

Assets (R'000)	Fair value	Level 1	Level 2	Level 3
Investment properties	**10 111 609**	**–**	**–**	**10 111 609**
Investment property under development	**32 768**	**–**	**–**	**32 768**
Financial investments	**600**	**–**	**600**	
	10 144 977	**–**	**600**	**10 144 377**

Liabilities (R'000)	Fair value	Level 1	Level 2	Level 3
Interest rate swap	**8 289**	**–**	**8 289**	**–**
	8 289	**–**	**8 289**	**–**

Year ended 31 December 2017 – Restated

Assets (R'000)	Fair value	Level 1	Level 2	Level 3
Investment properties	8 629 809	–	–	8 629 809
Investment property under development	78 903	–	–	78 903
Financial investments	269 043	–	269 043	
	8 977 755	–	269 043	8 708 712

Liabilities (R'000)	Fair value	Level 1	Level 2	Level 3
Interest rate swap (interest)	–	–	–	–
Rolling facility loan: Standard Bank L2D Group	–	–	–	–
Long-term loan	–	–	–	–
	–	–	–	–

The fair value of trade and other receivables, 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.

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 investments 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
1	Listed equity	Listed price	Price-not applicable
2	Mutual funds	Quoted put (exit) price provided by the fund manager	Price-not applicable
2	Derivative assets	Quoted swap rates and inter-bank borrowing rates	Price-not applicable
3	Investment properties	Discounted cash flow	Refer note 5 for detail regarding assumptions
3	Investment properties under development	Fair value	Not applicable

Reconciliation of level 3 assets and liabilities

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

R'000	2018	2017
Investment property and investment property under development		
Fair value at the beginning of the year	**8 708 712**	6 060 439
Additions – property acquired	**1 200 000**	2 512 905
Capitalised cost	**145 805**	160 030
Fair value adjustments (unrealised)	**89 860**	(24 662)
Closing balance at end of year	**10 144 377**	8 708 712

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 values were derived by determining sustainable net rental income, to which an appropriate capitalisation rate is applied. Capitalisation rates are adjusted for occupancy levels, age of the building, location and expected future benefit of recent alterations.

The capitalisation rates applied at 31 December 2018 range between 6,8% and 9,5%. This compares to the R186 government bond yield of 8,89%. The non-observable adjustments included in the valuation can therefore be referenced to the variance to the 10-year government rate.

The table below indicates the sensitivity of the aggregate market values for a 100bps (2017: 100bps) change in the capitalisation rate.

	Change in capitalisation rate		
2018	**Rm**	**100bps increase**	**100bps decrease**
Properties below 6,8% capitalisation rate	**8 957**	**7 752**	**10 605**
Properties between 6,8% – 8,5% capitalisation rate	**499**	**444**	**570**
Properties between 8,6% – 9,5% capitalisation rate	**688**	**620**	**77**
Total	**10 144**	**8 816**	**11 252**

	Change in capitalisation rate		
2017	**Rm**	**100bps increase**	**100bps decrease**
Properties below 6,8% capitalisation rate	6 980	6 035	8 275
Properties between 6,8% – 8,5% capitalisation rate	1 515	1 334	1 755
Properties between 8,6% – 10,5% capitalisation rate	214	196	237
Total	**8 709**	**7 565**	**10 267**

The table below indicates the sensitivity of the aggregate market values for a 50 bps (2017: 50 bps) change in the discount rate. (excludes hotel buildings)

	Change in discount rate		
2018	**Rm**	**50bps increase**	**50bps decrease**
Total property portfolio	**9 794**	**9 601**	**9 969**

	Change in discount rate		
2017	**Rm**	**50bps increase**	**50bps decrease**
Total property portfolio	**8 678**	**8 494**	**8 845**

During December 2018 Edcon requested a commercial contribution from its landlords over a 24 month period commencing 1 April 2019 in return for an equity subscription. The proposal further required contributions from its lender group as well as a new equity subscription from an institutional investor. At year-end, and at the time of reporting, significant uncertainty remains on whether the proposal will be accepted by all stakeholders as various conditions precedent have not been met. Based on the proposal and subsequent information provided by Edcon, L2D management believe that the restructure proposed is likely to be successful if all the conditions are met. At the time of approval of the financial statements the restructure had not been finally agreed upon.

Management considered the information available to it at year-end and evaluated two scenarios to assess the potential impact hereof:

Management has considered and evaluated two scenarios proposed by Edcon:

Scenario 1

- Base case with 40.9% rental reduction and receipt of equity for rental forfeited.
- Impact on property valuation – estimated at R32.5 million decrease in portfolio valuation.
- Market value of equity received – to be determined.
- Impact on distribution – estimated at 1 to 1.5% decrease on forecasted distribution.
- L2D's is unlikely to accept this scenario.

Scenario 2

- Equity subscription in Edcon with rental remaining at the current level.
- Impact on property valuation – no impact on portfolio valuation if equity subscription and rental agreement are not linked.
- Valuation of equity received and impact on distribution – dependent on the equity instrument and related measurement with potentially no impact on distributions.

Management is actively monitoring developments relating to Edcon and plans are in place to mitigate any potential adverse impact. Management concluded that no adjustment should be made to the year-end valuations in line with the second scenario which assumes that Edcon will remain a going concern.

Changes in accounting policies

IFRS 9 *Financial Instruments*

IFRS 15 *Revenue from Contracts with Customers*

IFRS 9 *Financial Instruments*

The group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy for financial instruments (application of IAS 39).

As a result of adoption of IFRS 9, the group adopted certain consequential amendments to IAS 1 Presentation of Financial Statements, which requires the disclosure of interest revenue on the effective interest rate method, as well as impairment losses on financial assets held at amortised cost. In addition the group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures, which were applied in the 2018 financial year. Comparative disclosures have not been restated.

Accounting policies applied from 1 January 2018 in respect of financial instruments

Financial assets

IFRS 9 applies two criteria to determine how financial assets should be classified and measured, namely:

a. the entity's business model for managing the financial assets; and
b. the contractual cash flow characteristics of the financial asset.

Under IAS 39 *Financial Instruments: Recognition and Measurement*, the group designated the significant majority of financial assets at fair value through profit or loss. The group has applied IFRS 9's classification and measurement requirements based on the facts and circumstances of the various business models at the date of adoption of IFRS 9 in determining the transition adjustment.

- IFRS 9 requires for financial assets to be measured at fair value through profit or loss, if they are not held within either a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Liberty Two Degrees Limited, thus measures all financial assets at fair value through profit or loss (default).
- Investment in mutual funds do not meet the criteria for amortised cost as they are not held within a business model to collect contractual cashflows that are solely payments of principal and interest. These instruments are classified at fair value through profit and loss.

Financial liabilities

Financial liabilities classification and measurement under IFRS 9 has not changed significantly from IAS 39. Financial liabilities are either held at fair value (either required or designated) or at amortised cost. A summary of changes from those adopted under IAS 39 are:

- The classification and measurement of subcomponents of "Other payables" are classified at amortised cost under IFRS 9, rather than as previously designated at fair value through profit or loss under IAS 39.
- Intercompany funding loans, previously designated at fair value through profit or loss under IAS 39, will be measured at amortised cost, as they are deemed to have a contractual cash flow, being the repayment of principal.

IFRS 15 *Revenue from Customers with Contracts*

IFRS 15 established a comprehensive framework for determining and reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It replaces all existing revenue standards and their related interpretations in IFRS and applies to all contracts with customers except for contracts that are within the scope of other standards on leases, insurance contracts and financial instruments and therefore does not impact the majority of the group's revenue.

The standard outlines the principles thats must be applied to measure and recognise revenue with the core principle being that revenue should be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for fulfilling its performance obligations to a customer. The principles in IFRS 15 must be applied using the following 5 step model:

(i) Identify the contract(s) with a customer

(ii) Identify the performance obligations in the contract

(iii) Determine the transaction price

(iv) Allocate the transaction price to the performance obligations in the contract

(v) Recognise revenue when or as the entity satisfies its performance obligations

Furthermore, the transaction price is determined by including an assessment of any variable consideration where the entity's performance may result in additional revenues based on the achievement of agreed KPIs. Such amounts are only included based on the expected value or the most likely outcome method, and only to the extent that it is highly probable that no revenue reversal will occur.

The group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (ie 1 January 2018). Accordingly, the information presented for 2017 has not been restated. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. Apart from providing more qualitative disclosures on the group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the group. As at the date of initial application, no adjustments were required to the group's performance or financial position.

Revenue streams within the scope of IFRS 15 include:

Revenue type	Description
Fee revenue	There has been no material impact on the recognition of the asset management fee and development fee as this is recognised over time, similar to how rendering of services was recognised under IAS 18.
Municipal recoveries	There has been no material impact on the recognition of municipal services as this is recognised over time, similar to how rendering of services was recognised under IAS 18.

Capital reorganisation

The comparative information has been restated as a result of the capital reorganisation and the entity reports as if it had always existed in its current form.

All equity elements have been restated to include the manager and the impact of the conversion to a corporate REIT from the earliest period presented. Since no cash was paid in 2016 for the transactions, a difference arises between the net assets acquired and the combined equity post the restructure. The difference of R92 million is taken to the mergers/capital reserve in equity since no goodwill is recognised.

In 2018 cash of R307 million was paid for the purchase of the manager. However since the capital reorganisation accounting occurred in the earliest period presented, the difference has been recognised in the mergers/capital reserve in equity. Furthermore, the manager declared a distribution of R26 million to Liberty Holdings Limited which was adjusted in 2018 under the mergers/capital reserve in equity since the intial equity of the manager was accounted for in this reserve.

The mergers capital reserve account as at 31 December 2016 was calculated as follows:

	OLD L2D CISIP	Stanlib REIT Fund Managers (RF) Proprietary Limited	Total	Capital reorganisation reserve	Total Equity per Statement of Financial Position
Share capital	**8 663 855**	**25 976**	**8 689 831**	**92 459**	**8 782 290**
Non-distributable reserve	**52 502**	**–**	**52 502**	**–**	**52 502**
Retained Earnings	**44 063**	**1 756**	**45 819**	**–**	**45 819**
Equity	**8 760 420**	**27 732**	**8 788 152**	**92 459**	**8 880 611**
Net assets and liabilities as at 31 December 2016					**8 788 152**
Mergers/Capital reserve as at 31 December 2016					**(92 459)**

Related party disclosure

List of related parties as defined

Ultimate parent

Standard Bank Group Limited.

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 annual financial statements of LGL. Notably, STANLIB REIT Fund Managers (RF) Proprietary Limited and 2 Degrees Properties Proprietary Limited (2DP), are all wholly-owned subsidiaries of L2D.

Transactions with related entities

Transactions with L2D CSIP

Liberty Two Degrees Scheme (Old L2D) sold of all of its business assets and liabilities (other than the liability in relation to the final distribution and assets necessary to settle the final distribution) to 2DP, being a wholly-owned subsidiary of L2D.

Transactions with LGL

Acquisition of properties

LGL sold to L2D Group Limited further undivided shares in the LPP properties (and letting businesses carried on thereon) that it co-owns to the value of R1,2 billion.

Liberty Centre Head Office Cape Town

83.1% of the property is let to LGL, a fellow subsidiary of L2D Group. Rental income received by L2D Group for the year ended 31 December 2018 was R11,7 million (2017: R11,6 million).

Liberty Centre Head Office Umhlanga Ridge

Approximately 76.1% of the property is let to LGL on a five-year lease.

Rental income received by L2D Group for the year ended 31 December 2019 was R9,3 million (2017: R6,0 million).

Eastgate Office Tower

LGL took occupation of 2 790m^2 office space in the Eastgate Office Tower during the year.

Rental income received by L2D Group Limited for the year ended 31 December 2018 was R1,4 million.

STANLIB Property Development Proprietary Limited

Development fees amounting to R3,8 million was earned during 2018.

R3,1 million of the income earned was paid to STANLIB Property Development Proprietary Limited in 2018, and capitalised to the relevant development projects.

Mrs A Beattie was a director of STANLIB Property Development Proprietary Limited, but resigned effective 1 November 2018.

Loan with LGL

As at 31 December 2018, R38,3 million is owed by LGL (2017: R54,5 million).

This amount is the L2D Group proportional share of monies held to meet obligations created by outstanding shopping centre gift cards and tenant deposits. 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 (STANLIB), as a lessee, paid an amount of R4,3 million (2017: R3,9 million) as an operating lease expense for rental of its premises in the Melrose Arch precinct in Johannesburg. 2DP sub-leases a portion of these offices from STANLIB.

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, Liberty Centre Head Office (Umhlanga), John Ross Eco-Junction, the Standard Bank Centre and Botshabelo Mall.

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

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

Mrs A Beattie was a director of both JHI (but resigned effective 12 July 2018) and the Manager (STANLIB REIT Fund Managers (RF) Proprietary Limited) during the period. Property management service net fees paid by L2D Group to JHI Retail for the year ended 31 December 2018 amounted to R24,9 million (2017: R18,3 million).

Loan with STANLIB Asset Management Limited

As at 31 December 2018, R10,158 is owed to STANLIB Asset Management Limited (2017: R201,064).

Loan with Standard Bank South Africa Limited

As at 31 December 2018, R861 million (2017: nil) is owed to Standard Bank South Africa Limited in relation to term loans.

CORPORATE INFORMATION

Date of registration: 10 July 2018

Liberty Two Degrees Limited

JSE code: L2D
ISIN: ZAE000260576
(Approved as a REIT by the JSE)
(Liberty Two Degrees or L2D)

Company secretary

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