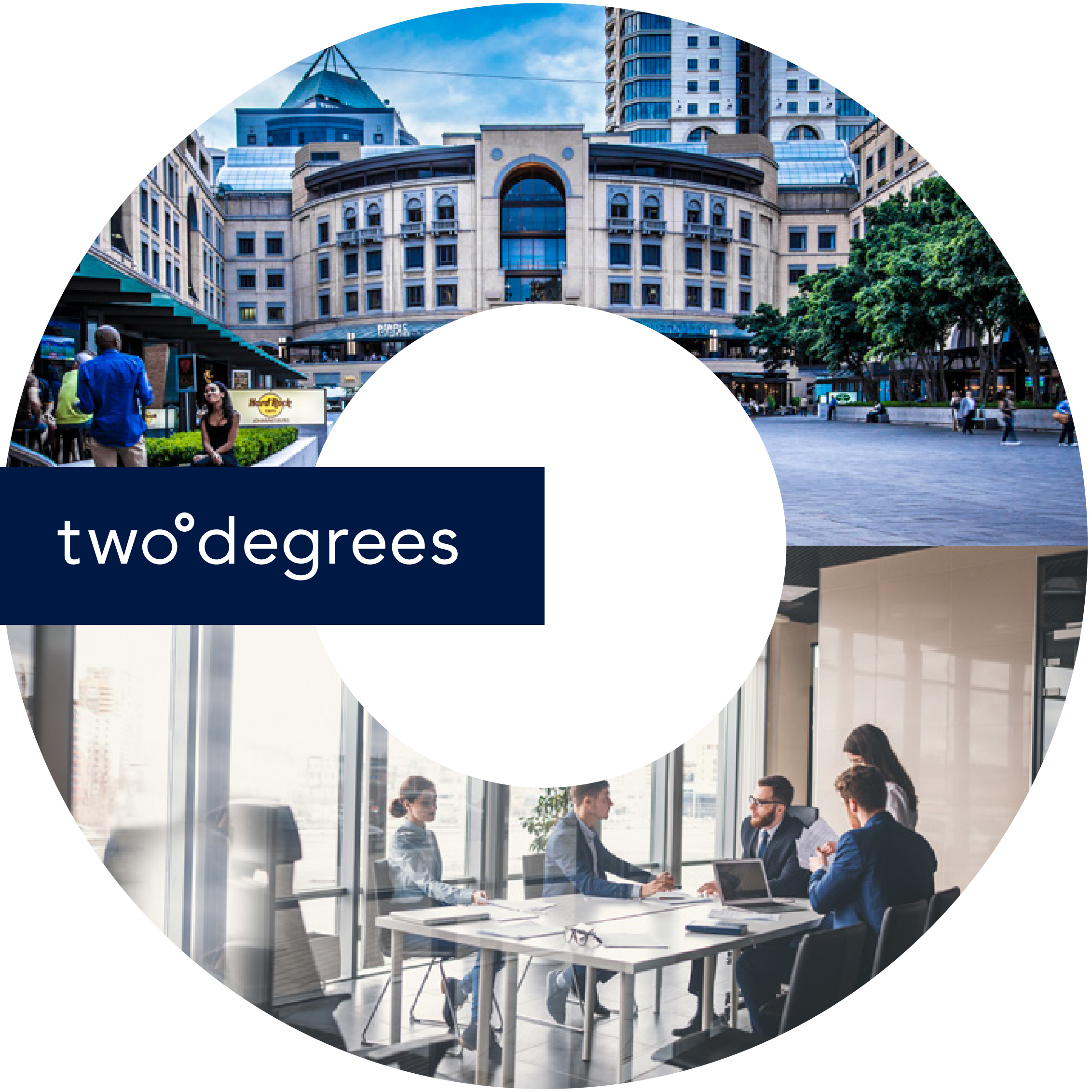
LIBERTY

two°degrees

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December

2021



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PREPARATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2021

The preparation of the consolidated annual financial statements of Liberty Two Degrees Limited for the year ended 31 December 2021 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 2021, 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 2021

The consolidated financial statements of Liberty Two Degrees Limited and its subsidiaries, as identified in the first paragraph, were approved by the Board on 28 February 2022 and are signed by:

Angus Band
Chairman

Amelia Beattie
Chief Executive

28 February 2022

APPROVAL BY THE CHIEF EXECUTIVE AND FINANCIAL DIRECTOR

for the year ended 31 December 2021

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

a. the annual financial statements set out on pages 11 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

José Snyders
Financial Director

'28 February 2022

CERTIFICATE BY COMPANY SECRETARY

for the year ended 31 December 2021

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 2021, 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

28 February 2022

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 December 2021

The audit and risk committee (ARC) is pleased to present its report for the financial year ended 31 December 2021, 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 one ad-hoc ARC meeting was held during the year under review.

DISCHARGE OF RESPONSIBILITIES

The Chief Executive, Financial Director, Chief Risk Officer and Compliance Officer attend ARC meetings by invitation. The external and internal auditors attend ARC meetings by invitation, annually and when required. 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 2021 integrated report which is available on the Company's website.

EXTERNAL AUDIT

The ARC considered the performance of the external auditor for the 2021 year and concluded that the performance and extent of audit coverage is satisfactory. At the meeting held on 22 February 2022, the ARC recommended that PricewaterhouseCoopers Inc. (PwC) be reappointed as external auditor for the 2022 year at the 2022 annual general meeting, and that Ms Julanie Basson be the designated auditor responsible for performing the function of auditor for the 2022 year.

PwC has been the auditor of the company for six years and may serve as the appointed auditor for an additional four years. The designated audit partner responsible is rotated on a five-yearly basis. The 2021 year is the fourth year of Ms Julanie Basson's five-year term.

The ARC approved the external auditors 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 2021 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 2021.

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 2022 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 2021

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

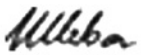
The ARC has satisfied itself that the financial director has the appropriate expertise and experience required for the role.

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

28 February 2022

DIRECTORS' REPORT

for the year ended 31 December 2021

To the shareholders of Liberty Two Degrees Limited

NATURE OF THE BUSINESS

The Group is engaged in property investments and operates in South Africa.

FINANCIAL RESULTS

The financial results for the year ended 31 December 2021 are set out in detail on pages 11 to 85 of these consolidated annual financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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 2021, there were 908 443 334 shares in issue, all of which rank for the dividend declared on 24 February 2022. As at 31 December 2021, 13 235 261 treasury shares were held by the Liberty Two Degrees Restricted Share Plan trust and 16 373 019 shares were held by 2 Degrees Properties (Pty) Ltd.

DIVIDEND DISTRIBUTIONS

The Board declared an interim dividend of 15.79 cents per share for the six months ended 30 June 2021.

Subsequent to year-end, on 24 February 2022, the Board declared a final dividend of 18.31 cents per share for the six months ended 31 December 2021, which will be paid on 22 March 2022.

This brings the full year distribution to 34.10 (2020: 32.33) cents per share.

Both dividends amounting to 34.10 cents per share in aggregate have been determined with reference to the financial results of the company for the year ended 31 December 2021.

Both dividends amounting to 34.10 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.

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)
- 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)
- Peter Nelson* (Appointed: 26 May 2020)
- Puleng Makhoalibe* (Appointed: 21 October 2020)
- Barbara Makhubedu* (Appointed: 21 October 2020)
- Craig Ewin* (Appointed: 1 January 2021)
- Nick Criticos (Appointed: 14 June 2021)
- Wolf Cesman* (Retired and ceased to be a director of the company with effect from 7 May 2021)

** Independent*

Subsequent to year end, Angus Band will be retiring as a non-executive director and Chairman of L2D with effect from 1 March 2022. Nick Criticos has been appointed as Chairman of the Board with effect from 1 March 2022 and will replace Angus Band as a member of the social, ethics and transformation committee, remuneration committee and Chairman of the nomination committee.

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. The executive directors are subject to three calendar months' written notice under their existing employment contracts. Though normal retirement age is 65 years for executive directors and 70 years for non-executive directors, the company's retirement policy makes provision to extend the working relationship beyond the normal retirement age.

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 2021, 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 11 to 85 comprise:

- the consolidated and separate statements of financial position as at 31 December 2021;
- the consolidated and separate statements of profit or loss and other 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.

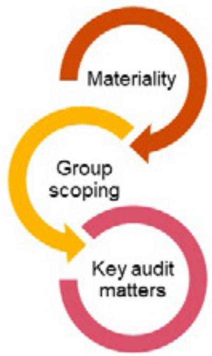
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

- R66 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).

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	R66 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Liberty Two Degrees Limited

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 2021, the carrying value of the Group's total investment properties portfolio was R8.42 billion and includes investment properties held-for-sale of R153.3 million. 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 resulted in changes to the inputs and assumptions into the valuation techniques applied and the inputs into the valuation models in the prior year and have continued to do so in the current year. 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 ongoing 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: – comparing 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.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Liberty Two Degrees 2021 Consolidated 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 2021 Integrated Report", 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Liberty Two Degrees Limited

- 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 six years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: J. Basson
Registered Auditor

Johannesburg, South Africa
28 February 2022

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2021

R'000	Notes	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Assets					
Non-current assets		**8 294 634**	8 521 511	**6 967 068**	7 041 448
Investment properties	5.2	**8 237 792**	8 458 913	**–**	–
Investment properties under development	5.3	**27 683**	30 074	**–**	–
Property plant and equipment	28	**10 591**	716	**–**	–
Investment in subsidiaries	33	**–**	–	**6 967 068**	7 041 448
IFRS 16 – lease asset	29	**2 144**	–	**–**	–
Deferred tax asset	32	**16 424**	31 808	**–**	–
Current assets		**481 320**	378 501	**58 436**	186 384
Trade and other receivables	6	**256 789**	223 070	**110**	–
Amount due from Group companies	27	**99 108**	80 993	**58 300**	186 283
Financial assets held at fair value through profit or loss	7	**22 075**	768	**–**	–
Current taxation receivable	32	**633**	633	**–**	–
Cash and cash equivalents	8	**102 715**	73 037	**26**	101
Non-current asset held for sale	34	**153 300**	–	**–**	–
Total assets		**8 929 254**	8 900 012	**7 025 504**	7 227 832
Equity					
Stated capital	11	**8 780 921**	8 780 921	**8 780 921**	8 780 921
Treasury shares	11	**(158 065)**	(80 709)	**–**	–
Retained surplus		**175 465**	301 075	**116 981**	246 316
Share-based payment reserve	26	**31 077**	26 212	**21 824**	22 647
Mergers/capital reserve		**(426 104)**	(426 104)	**–**	–
Non-distributable reserve	12	**(1 760 017)**	(1 693 432)	**(2 232 168)**	(2 157 788)
		6 643 277	6 907 963	**6 687 558**	6 892 096
Liabilities					
Non-current liabilities		**1 161 709**	1 240 891	**200 000**	207 946
Financial liabilities	31	**1 160 000**	1 240 891	**200 000**	207 946
IFRS 16 – lease liability	30	**1 709**	–	**–**	–
Current liabilities		**1 124 268**	751 158	**137 946**	127 790
Trade and other payables	9	**207 229**	154 854	**176**	461
IFRS 16 – lease liability	30	**541**	–	**–**	–
Employee benefits	25	**22 710**	13 844	**–**	–
Amount due to Group companies	27	**528**	33	**26 625**	24 190
Financial instruments	10	**18 535**	60 423	**–**	–
Financial liabilities	31	**874 725**	522 004	**111 145**	103 139
Total liabilities		**2 285 977**	1 992 049	**337 946**	335 736
Total equity and liabilities		**8 929 254**	8 900 012	**7 025 504**	7 227 832

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 2021

		GROUP		COMPANY	
R'000	Notes	2021	2020	2021	2020
Property portfolio revenue		888 240	878 769	–	–
Rental and related income	13	902 304	945 388	–	–
Adjustment for the straight-lining of operating lease income	5.2	(14 064)	(66 619)	–	–
Property operating expenses	14	(387 219)	(341 769)	–	–
Change in expected credit losses on property debtors and rental relief	6.1	14 981	(159 728)	–	–
Net property income		516 002	377 272	–	–
Asset management fee income	16	51 336	57 263	–	–
Development fee income	16	1 921	2 361	–	–
Total net property income and revenue		569 259	436 896	–	–
Other income	17	2 412	1 228	2 239	1 249
Operating costs	15	(112 455)	(95 769)	(22 587)	(44 496)
Profit/(loss) from operations excluding fair value adjustments		459 216	342 355	(20 348)	(43 247)
Interest expense		(151 181)	(149 307)	(25 415)	(29 918)
Interest received		3 096	2 398	110	99
Impairment loss		–	–	(74 380)	(2 157 788)
Dividend income		–	–	343 054	328 960
Profit/(loss) before fair value adjustments		311 131	195 446	223 021	(1 901 894)
Net fair value adjustments		(52 521)	(1 719 886)	–	–
Fair value adjustments on investment properties	5.2	(108 473)	(1 725 478)	–	–
Fair value adjustment on derivatives	12	41 888	(43 532)	–	–
Fair value adjustment on equity instrument	7	–	(17 495)	–	–
Adjustment for the straight-lining of operating lease income	5.2	14 064	66 619	–	–
Profit/(loss) before taxation		258 610	(1 524 440)	223 021	(1 901 894)
Taxation	32	(15 384)	31 637	–	(17)
Total comprehensive income/(loss)		243 226	(1 492 803)	223 021	(1 901 911)
Basic earnings per share (cents)	3	27.40	(166.09)	0.02	(0.21)
Fully diluted earnings per share (cents)	3	27.40	(166.09)	0.02	(0.21)

STATEMENT OF CHANGES IN EQUITY

for the year ended December 2021

	GROUP						
R'000	Capital	Treasury shares	Share-based payment reserve	Non-distributable reserve	Retained surplus	Mergers/ capital reserve	Total
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 movement (note 11)	–	(41 504)	–	–	–	–	(41 504)
Share-based payment transaction (note 26)	–	–	7 972	–	–	–	7 972
Capitalised costs	–	–	–	–	–	–	–
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 1 January 2021	**8 780 921**	**(80 709)**	**26 212**	**(1 693 432)**	**301 075**	**(426 104)**	**6 907 963**
Total comprehensive income	**–**	**–**	**–**	**–**	**243 226**	**–**	**243 226**
Treasury shares movement (note 11)	**–**	**(77 356)**	**–**	**–**	**–**	**–**	**(77 356)**
Share-based payment transaction (note 26)	**–**	**–**	**4 865**	**–**	**–**	**–**	**4 865**
Fair value adjustment on investment properties transferred to non-distributable reserve	**–**	**–**	**–**	**(108 473)**	**108 473**	**–**	**–**
Fair value adjustment on derivatives	**–**	**–**	**–**	**41 888**	**(41 888)**	**–**	**–**
Distribution to shareholders	**–**	**–**	**–**	**–**	**(435 421)**	**–**	**(435 421)**
Balance at 31 December 2021	**8 780 921**	**(158 065)**	**31 077**	**(1 760 017)**	**175 465**	**(426 104)**	**6 643 277**

STATEMENT OF CHANGES IN EQUITY CONTINUED

for the year ended December 2021

	COMPANY						
R'000	Capital	Treasury shares	Share-based payment reserve	Non-distributable reserve	Retained surplus	Mergers/ capital reserve	Total
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 1 January 2021	**8 780 921**	**–**	**22 647**	**(2 157 788)**	**246 316**	**–**	**6 892 096**
Total comprehensive income	**–**	**–**	**–**	**–**	**223 021**	**–**	**223 021**
Share-based payment transaction (note 26)	**–**	**–**	**(823)**	**–**	**8 685**	**–**	**7 862**
Impairment in subsidiary (note 33)	**–**	**–**	**–**	**(74 380)**	**74 380**	**–**	**–**
Distribution to shareholders	**–**	**–**	**–**	**–**	**(435 421)**	**–**	**(435 421)**
Balance at 31 December 2021	**8 780 921**	**–**	**21 824**	**(2 232 168)**	**116 981**	**–**	**6 687 558**

STATEMENTS OF CASH FLOWS

for the year ended December 2021

		GROUP		COMPANY	
R'000	Notes	**2021**	2020	**2021**	Restated 2020
Cash flows from operating activities		**(80 050)**	(36 644)	**(75)**	(135)
Cash generated from operations	19	**500 624**	396 563	**(34 629)**	24 352
Interest received on financial assets	7.2	**1 731**	477	**–**	–
Interest received		**1 366**	1 920	**110**	99
Interest paid	31.2	**(148 230)**	(152 022)	**(19 552)**	(24 568)
Interest paid – lease liability repayments	30.2	**(120)**	–	**–**	–
Taxation paid	32.1	**–**	(874)	**–**	(17)
Dividends received		**–**	–	**489 417**	282 707
Distribution to shareholders	21	**(435 421)**	(282 708)	**(435 421)**	(282 708)
Cash flows from investing activities		**(81 643)**	41 540	**–**	–
Expenditure on investment properties capitalised	5.2	**(50 440)**	(79 424)	**–**	–
Disposal of investment properties	5.2	**–**	123 213	**–**	–
Expenditure on investment properties under development	5.3	**–**	(1 426)	**–**	–
Acquisition of property plant and equipment	28	**(9 896)**	(716)	**–**	–
Investment in financial instruments – mutual funds	7.2	**(362 540)**	(113 050)	**–**	–
Proceeds from disposal of financial instruments – mutual funds	7.2	**341 233**	112 943	**–**	–
Cash flows from financing activities		**191 371**	2 942	**–**	–
Treasury shares acquired	11	**(96 843)**	(45 420)	**–**	–
Treasury shares sold and vested	11	**19 487**	3 916	**–**	–
Lease liability repayments	30.2	**(273)**	(1 446)	**–**	–
Loan paid	31.2	**(169 000)**	(219 473)	**–**	–
Loans received	31.2	**438 000**	265 365	**–**	–
Net increase/(decrease) in cash and cash equivalents		**29 678**	7 838	**(75)**	(135)
Cash balance at beginning of the year	8	**73 037**	65 199	**101**	236
Cash and cash equivalents at the end of the year	8	**102 715**	73 037	**26**	101

* *Restatement detail has been disclosed in note 19*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

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.

1.2.1.1 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 2021, intergroup loan balances are measured at amortised cost.

1.2.2 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 2021

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. L2D entered into a five year lease, effective April 2021 to occupy 1 337m² of office space at Nelson Mandela Square. L2D's ownership percentage of Nelson Mandela Square is 33.3007%. Considering the immateriality of this transaction, we did not reclassify from investment property to owner-occupied 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 2021

1. ACCOUNTING POLICIES CONTINUED

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 as either: financial assets at fair value through profit or loss or 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:

- Other financial assets are classified at fair value through profit or loss;
- 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

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 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. Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as lease income.

The respective leased assets are included in investment property in the statement of financial position in accordance with the nature.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

1. ACCOUNTING POLICIES CONTINUED

1.7 Leases continued

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.

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 assets 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'. 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

1. ACCOUNTING POLICIES CONTINUED

1.8 Revenue continued

1.8.1 Revenue from contracts with customers continued

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.

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

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.

Parking income, interest income and marketing income is recognised over the period for which the services are rendered.

Parking income relates to revenue generated from casual and monthly parkers at the properties, interest income relates to income earned on money market investments and late tenant payments and marketing income relates to income earned on non-GLA revenue streams.

Sundry income results from income earned on the business interruption COVID-19 claim.

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 and right of use assets	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 CONTINUED

for the year ended 31 December 2021

1. ACCOUNTING POLICIES CONTINUED

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 the L2D Group Executive 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 which are determined with reference to the financial results relating to that year are treated as a qualifying distribution for that year 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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

1. ACCOUNTING POLICIES CONTINUED

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.

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.

Non-current assets held-for-sale are presented separately from other assets and liabilities on the statements of financial position. Prior periods are not reclassified.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

1. ACCOUNTING POLICIES CONTINUED

in its entirety) at the end of each reporting period.

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). COVID-19 Related Rent concession beyond 30 June 2021. Effective for years commencing on or after 1 April 2021. 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 IASB has extended the practical expedient by 12 months, permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.	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.

1.19.2 Amendments and improvements to standards

The adoption of new and amended standards on 1 January 2021 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

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 the 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 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. Three 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 extent 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

Following the conversion of Liberty Two Degrees Limited to a corporate REIT effective 1 November 2018, capital re-organisation accounting was applied to the transaction. 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

2. KEY JUDGEMENTS CONTINUED

2.3.1 Transfer of investment in subsidiary

As a result of the capital re-organisation in 2018, Stanlib Reit Fund Managers (RF) Pty Ltd (SRFM) 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.

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 have been classified as investment property.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

2. KEY JUDGEMENTS CONTINUED

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

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 continues to recognise hotel revenue as rental and related income and the costs incurred as property operating 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

Liberty Group Limited, 2 Degrees Properties Proprietary Limited and Pareto Limited (the Consortium) agreed to enter into a transition management agreement with SSHI commencing 1 September 2020 until 31 August 2021, and thereafter continuing for an indefinite duration subject to either the Consortium or the Convention Manager having the right to either renegotiate the terms of the Transition Management Agreement or to cancel upon six calendar months notice.

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

Judgement is needed to determine whether a property qualifies as investment property. The group is currently not earning rental income from this property and negotiations for prospective tenants will commence once the economic conditions as a result of the pandemic improves. This arrangement with SSHI is deemed to be temporary. The property is held for capital appreciation while negotiations are being reviewed on an ongoing basis. On this basis, management have exercised their judgement 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 Southern Sun Hotels Interests (SSHI) in terms of the management agreement, which is reviewed by L2D on a quarterly basis and Liberty and L2D are passive investors in this regard. Liberty and L2D themselves do not provide management services to the Convention Centre.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

2. KEY JUDGEMENTS CONTINUED

2.6 Deferred tax asset

Deferred tax assets are recognised for taxable temporary differences where management considers that it 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, 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 unwind has decreased the net profit after taxation available for distribution in the current year. As 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

3. HEADLINE EARNINGS PER SHARE

	GROUP	
R'000	2021	Restated[1] 2020
Reconciliation between basic earnings and headline earnings		
Total comprehensive income/(loss) (basic earnings)	**243 226**	(1 492 803)
Fair value adjustment to investment properties and financial assets	**52 521**	1 719 886
Headline earnings	**295 747**	227 083
Cents		
Earnings/(loss) per share		
Basic and diluted	**27.40**	(166.09)
Headline	**33.32**	25.27
000s		
Actual number of shares in issue	**908 443**	908 443
Weighted average number of share in issue*	**887 552**	898 770
Diluted weighted average number of shares in issue*	**887 552**	898 770

* *Excludes 29 608 280 treasury shares as at 31 December 2021.*

[1] *The December 2020 weighted average number of shares in issue have been restated accordingly to be consistent with the December 2021 accounting treatment and disclosure.*

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 1/2021, 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

4. SEGMENT INFORMATION

The operating segments derive their revenue primarily from rental income from lessees. All of the Group's business activities and operating segments are reported within the below segments.

Segmental performance, based on net property income, is assessed using the below metrics by the Chief Executive and Financial Director at the Executive Committee.

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

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

The Group is disclosing L2D's share of Gross Lettable Area (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 2021

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 Head office 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. Segments have been identified through primary function and use of the investment property. The hotels do not form part of the total GLA disclosed and the earnings are disclosed separately from the remainder of the portfolio.*

*** *Other specialised includes earnings from Gyms, Venues, Convention Centre, Industrial and Hospital.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

4. SEGMENT INFORMATION CONTINUED

4.1 Segment earnings – December 2021

R'000	Retail	Office	Other specialised***	Hotels**	Administration/ Other*	Total
Property portfolio revenue	575 443	214 427	92 559	5 743	68	888 240
Rental and related income	584 614	217 844	94 035	5 743	68	902 304
Adjustment for the straight-lining of operating lease income	(9 171)	(3 417)	(1 476)	–	–	(14 064)
Property operating expenses	(247 335)	(92 164)	(39 784)	(7 714)	(222)	(387 219)
Change in expected credit loss on property debtors and rental relief	9 769	3 640	1 572	–	–	14 981
Net property income	337 877	125 903	54 347	(1 971)	(154)	516 002
Asset management fee income	–	–	–	–	51 336	51 336
Development fee income	–	–	–	–	1 921	1 921
Total net property income and revenue	337 877	125 903	54 347	(1 971)	53 103	569 259
Other Income	–	–	–	–	2 412	2 412
Operating costs	–	–	–	–	(112 455)	(112 455)
Profit/(loss) from operations excluding fair value adjustments	337 877	125 903	54 347	(1 971)	(56 940)	459 216
Interest expense	–	–	–	–	(151 181)	(151 181)
Interest received	–	–	–	–	3 096	3 096
Profit/(loss) before fair value adjustments	337 877	125 903	54 347	(1 971)	(205 025)	311 131
Net fair value adjustments on investment properties	(71 986)	(26 824)	(11 578)	15 979	–	(94 409)
Fair value adjustments	(81 157)	(30 241)	(13 054)	15 979	–	(108 473)
Adjustment for the straight-lining of operating lease income	9 171	3 417	1 476	–	–	14 064
Fair value adjustment on derivatives	–	–	–	–	41 888	41 888
Profit/(loss) before taxation	265 891	99 079	42 769	14 008	(163 137)	258 610
Taxation	–	–	–	–	(15 384)	(15 384)
Total comprehensive income/(loss)	265 891	99 079	42 769	14 008	(178 521)	243 226

* *Administration and other includes Head office 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. Segments have been identified through primary function and use of the investment property. The hotels do not form part of the total GLA disclosed and the earnings are disclosed separately from the remainder of the portfolio.*

*** *Other specialised includes earnings from Gyms, Venues, Convention Centre, Industrial and Hospital.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

4. SEGMENT INFORMATION CONTINUED

4.2 Segment assets and liabilities

R'000	Retail	Office	Other specialised***	Hotels**	Administration/ Other*	Total
Investment property	5 201 563	1 938 252	836 668	288 992	–	8 265 475
Non-current asset held for sale****	–	153 300	–	–	–	153 300
Property plant and equipment	–	–	–	–	10 591	10 591
Amount due from Group companies	–	–	–	–	99 108	99 108
IFRS 16 – Lease asset*****	–	–	–	–	2 144	2 144
Trade and other receivables	140 036	43 244	18 667	29 802	25 040	256 789
Financial assets held at fair value through profit or loss	–	–	–	–	22 075	22 075
Deferred tax asset	–	–	–	–	16 424	16 424
Current taxation receivable	–	–	–	–	633	633
Cash and cash equivalents	–	–	–	–	102 715	102 715
Total assets	5 341 599	2 134 796	855 335	318 794	278 730	8 929 254
Trade and other payables	(124 447)	(37 434)	(16 159)	(64)	(29 125)	(207 229)
Employee benefits	–	–	–	–	(22 710)	(22 710)
IFRS 16 – Lease liability	–	–	–	–	(2 250)	(2 250)
Amount due to Group companies	–	–	–	–	(528)	(528)
Financial instruments	–	–	–	–	(18 535)	(18 535)
Financial liabilities	–	–	–	–	(2 034 725)	(2 034 725)
Net assets	5 217 152	2 097 362	839 176	318 730	(1 829 143)	6 643 277

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

** *Segment assets and liabilities have been segmented per category GLA as a percentage of total GLA. Segments have been identified through primary function and use of the investment property. The hotels do not form part of the total GLA disclosed and the assets and liabilities are disclosed separately from the remainder of the portfolio.*

*** *Other specialised includes assets and liabilities from Gyms, Venues, Convention Centre, Industrial and Hospital.*

**** *Standard Bank Simmonds Street was classified as a non-current asset held for sale from investment property on 30 June 2021 and is still held for sale as at 31 December 2021.*

***** *L2D entered into a five year lease with Liberty Group Limited, effective April 2021 to occupy 1 337m² of office space at Nelson Mandela Square. L2D's ownership percentage of Nelson Mandela Square is 33.3007%. 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.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

4. SEGMENT INFORMATION CONTINUED

4.2 Segment assets and liabilities continued

December 2020

Unaudited GLA	Retail	Office	Other specialised***	Hotels**	Administration/ Other*	Total
Total property GLA m^2	512 701	316 011	117 606	–	–	946 318
L2Ds share of total GLA m^2**	148 168	55 212	23 833	–	–	227 213

* *Administration and other includes Head office 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. Segments have been identified through primary function and use of the investment property. The hotels do not form part of the total GLA disclosed and the earnings are disclosed separately from the remainder of the portfolio.*

*** *Other specialised includes earnings from Gyms, Venues, Convention Centre, Industrial and Hospital.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

4. SEGMENT INFORMATION CONTINUED

4.3 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 property debtors and rental relief	(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)
Profit/(loss) 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
Profit/(loss) 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)

* *Administration and other includes Head office 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. Segments have been identified through primary function and use of the investment property. The hotels do not form part of the total GLA disclosed and the earnings are disclosed separately from the remainder of the portfolio.*

*** *Other specialised includes earnings from Gyms, Venues, Convention Centre, Industrial and Hospital.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

4. SEGMENT INFORMATION CONTINUED

4.4 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 held at fair value through profit or loss	–	–	–	–	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, Head office accruals and cash and cash equivalents.*

** *Segment assets and liabilities have been segmented per category GLA as a percentage of total GLA. Segments have been identified through primary function and use of the investment property. The hotels do not form part of the total GLA disclosed and the assets and liabilities are disclosed separately from the remainder of the portfolio.*

*** *Other specialised includes assets and liabilities from Gyms, Venues, Convention Centre, Industrial and Hospital.*

**** *Standard Bank Simmonds Street was classified as a non-current asset held for sale from investment property on 30 June 2021 and is still held for sale as at 31 December 2021.*

***** *L2D entered into a five year lease with Liberty Group Limited, effective April 2021 to occupy 1 337m² of office space at Nelson Mandela Square. L2D's ownership percentage of Nelson Mandela Square is 33.3007%. 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.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

5. INVESTMENT PROPERTIES

R'000	Notes	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2019
5.1 Summary					
Investment properties	5.2	**8 237 792**	8 458 913	**–**	–
Fair value net of straight-lining at the beginning of the year		**8 458 913**	10 112 155	**–**	–
Expenditure on investment properties capitalised during the period		**38 287**	67 560	**–**	–
Fair value adjustment		**(106 108)**	(1 720 802)	**–**	–
Transfer to assets held for sale		**(153 300)**	–	**–**	–
Investment properties under development	5.3	**27 683**	30 074	**–**	–
Fair value at the beginning of the year		**30 074**	32 768	**–**	–
Expenditure on investment properties under development during the year		**–**	1 426	**–**	–
Fair value adjustment		**(2 391)**	(4 120)		
Total investment properties		**8 265 475**	8 488 987	**–**	–
5.2 Investment properties					
Fair value of investment properties at the beginning of the year		**8 277 628**	9 864 729	**–**	–
Net fair value adjustment for the period		**(92 007)**	(1 654 661)	**–**	–
Fair value adjustment[1]		**(106 108)**	(1 720 802)	**–**	–
Net movement on straight-lining operating lease income		**14 101**	66 141	**–**	–
Expenditure on investment properties during the period		**38 287**	67 560	**–**	–
Additions – capitalised subsequent expenditure		**40 198**	69 865	**–**	–
Capitalised tenant installations		**4 733**	4 495	**–**	–
Amortisation of tenant installations		**(4 737)**	(4 464)	**–**	–
Capitalised letting commission		**5 509**	4 160	**–**	–
Amortisation of letting commission[2]		**(7 416)**	(6 496)	**–**	–
Transfer to assets held for sale		**(150 012)**	–	**–**	–
Transfer to assets held for sale		**(153 300)**	–	**–**	–
Impact of straight-lining of operating lease income on transfer of property		**3 288**	–	**–**	–
Investment properties at fair value		**8 073 896**	8 277 628	**–**	–

[1] *Standard Bank Simmonds Street was classified as a non-current asset held for sale on 30 June 2021 and is still held for sale as at 31 December 2021. The fair value adjustment for the period is R0.03 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 Standard Bank Simmonds Street is (R0.03) million and has been excluded from the above and included in the non-current assets held for sale note.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

5. INVESTMENT PROPERTIES CONTINUED

5.2 Investment properties continued

R'000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Operating leases accrued adjustment				
Straight-lining balance at the beginning of the year	**181 285**	247 426	**–**	–
Straight-lining of operating lease income of transfer of property to assets held for sale	**(3 288)**	–	**–**	–
Net movement on straight-lining of operating lease income[3]	**(14 101)**	(66 141)	**–**	–
Straight-lining of operating lease income	**163 896**	181 285	**–**	–
Total investment properties	**8 237 792**	8 458 913	**–**	–

5.3 Investment properties under development

R'000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Fair value of investment properties under development at the beginning of the year	**30 074**	32 768	**–**	–
Net fair value adjustment for the period	**(2 391)**	(4 120)	**–**	–
Fair value adjustment	**(2 391)**	(4 120)	**–**	–
Expenditure on investment properties under development during the period	**–**	1 426	**–**	–
Additions – capitalised subsequent expenditure	**–**	1 426	**–**	–
Total investment properties under development	**27 683**	30 074	**–**	–
Total investment properties	**8 265 475**	8 488 987	**–**	–

[3] *The impact of straight-lining operating lease income on Standard Bank Simmonds Street for the period 1 July 2021 to 31 December 2021 is R0.03 million. The total income statement movement for the year, which includes the straight-lining operating lease income on Standard Bank Simmond Street, from straight-lining is R14.1 million (2020: R66.6 million).*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

5. INVESTMENT PROPERTIES CONTINUED

Interest expense
Interest incurred during the 2021 financial year on debt incurred to acquire the additional undivided share of properties was R123.6 million (2020: R125 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 the 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 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 2021 in line with the Group's valuation policy.

The independent valuers are as follows:

Broll	J Karg	BSc, MRICS, MIV(SA), professional valuer
Jones Lang LaSalle	S Crous	BSc, MRICS, MIV(SA), professional valuer

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 had previously been impacted by a change in methodology from prior valuations in 2020 given the expiry of the Convention Centre lease and the introduction of the interim management agreement. The methodology 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 utilitising 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).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

5. INVESTMENT PROPERTIES CONTINUED

Unobservable inputs:

	2021					2020				
	Exit cap rate (%)	Discount rate (%)	Vacancy rate (%)	Rental growth (%)	Expense growth (%)	Exit cap rate (%)	Discount rate (%)	Vacancy rate (%)	Rental growth (%)	Expense growth (%)
Office (%)	**8.5**	**13.25 - 13.5**	**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**	8.25 – 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
Retail – super regional and regional (%)	**7 - 7.75**	**10.5 – 11.5**	**0 - 5**	**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 5.5 – 6**	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
Retail – other	**7.75 – 8.25**	**11.75 – 12**	**0 – 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 5.5 – 6**	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
Hotels (%)**	**9.0**	**13.75 – 14.0**				9.0	13.75 – 14.0			

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

5. INVESTMENT PROPERTIES CONTINUED

	2021					2020				
	Exit cap rate (%)	Discount rate (%)	Vacancy rate (%)	Rental growth (%)	Expense growth (%)	Exit cap rate (%)	Discount rate (%)	Vacancy rate (%)	Rental growth (%)	Expense growth (%)
Specialised Sandton Convention Centre (%)**	10.0	14.75				10.0	14.75			
Virgin Active and Parkade	8	10	–	Staggered growth rates applied over a period of five years (1) – 4	Staggered growth rates applied over a period of five years 5.5 – 6	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
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	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
John Ross Eco Junction (land)	–	14.5	–	Staggered growth rates applied over a period of five years 0 – 2.5	Staggered growth rates applied over a period of five years 5 – 6	–	14.5	–	3.85	Staggered growth rates applied over a period of five years 5 – 6

* *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.*

*** *Standard Bank Simmonds Street was classified as a non-current asset held for sale on 30 June 2021 and has been excluded in the table above.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

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 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 the prior year, the independent valuers noted a material valuation uncertainty for the retail, office and hospitality assets, whereas this only applied to hospitality assets in the current year.

L2D is satisfied with the property valuations as at 31 December 2021 considering the impact of COVID-19 and the associated impact on the hospitality industry.

Valuation summary

Offices
The Umhlanga Offices located in Umhlanga Ridge fall within this category. Standard Bank has been excluded from the above reporting.

The offices are multi-tenanted and are negatively impacted by market pressure in the office sector exacerbated by "work from home" trends. Liberty Head office Umhlanga Ridge is impacted by the expected reversion on lease renewals in Q1 and the tenants indication for returning part of the leased space. Market rentals have been static in the last 12 months with muted demand for space in the node, concurrently with changing to multi-tenanted use Umhlange Ridge Office Block has seen an increase in non-recoverable operating costs.

Retail
The Retail category consists of super regional, regional, small regional and community shopping centres. The retail portfolio valuations continue to be impacted by subdued market rental growth rates and expected negative pressure on lease renewals whilst rates and utility costs growth is expected to remain tracking ahead of inflation. On the prime retail portfolio, in most cases the discount rate has been adjusted slightly downwards due to the valuers view that by applying more sustainable market rents in their forecast they have reduced cashflow risk. The lower discount rates are reflective of the low market rental growth environment. Further adjustment of market rental assumptions have also been applied along with increased void periods and more conservative renewal assumptions for certain tenant categories specifically in the office and food service categories. 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 and turnover growth, compared to the prior period.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

5. INVESTMENT PROPERTIES CONTINUED

Super regional shopping centres

There has been a downward movement in both the Sandton Complex and Eastgate valuations largely driven by reversion assumptions for leases in both malls. The Eastgate valuation is futher negatively impacted by the valuers assumption of continued vacancy in the centre for the forecast period with a consequential negative impact on forecasted achievable rentals. The office component of the Sandton Complex valuation being Office Tower and Atrium on 5th have been negatively impacted by ongoing pressure in the office sector and increased vacancy assumptions.

Regional and small regional shopping centres

Liberty Promenade Shopping Centre, Nelson Mandela Square, Liberty Midlands Mall and Lifestyle Centre fall within this category. The valuations in this category have been positively impacted by escalations in contracted income and improvement in trading trends positively impacting achievable rental assumptions.

Community shopping centre

Botshabelo Mall's positive valuation movement is as a result of low vacancy in the mall and healthy tenant trading impacting lease renewals.

Other

Melrose Arch has seen an increase in the precincts valuation compared to the prior period. The marginal recovery in value is driven by improved trading in retail tenancies most notably those in the restaurant category. The precinct remains challenged by high office vacancies which are compounded by the increase in available space in the competing Rosebank node.

Hotels

The Hotel valuations have seen positive movement due to modeled recovery of business travel as restrictions are expected to be lifted over the forecasted period. The recovery in business occupancy has been modeled conservatively in the first year with more meaningful recovery expected from 2023 onwards.

Sandton Convention Centre

The SCC valuation has seen positive movement due to modeled recovery of planned events as restrictions are expected to be lifted over the forecasted period. The recovery has been modeled conservatively in the first year with more meaningful recovery expected from 2023 onwards.

Virgin Active and Parkade

The Virgin Active valuation has remained relatively flat on December 2020.

John Ross Eco Junction

The John Ross Eco Junction valuation as a whole has been positively impacted by the valuation of the Melomed hospital. The valuers have revised down the sales tempo and selling rates of the developable land parcels due to stagnant demand for land parcles in the area. The Tangawizi motor dealership, which forms part of the investment property, has seen a negative valuation movement due to downward revised market rents due to low economic activity in the node.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

5. INVESTMENT PROPERTIES CONTINUED

No.	Property name and % interest in the undivided shares held by L2D	Physical address and province	Main sector	December 2021 valuation R'000	December 2020 valuation R'000
1	Standard Bank Centre (16.7%)	5 Simmonds Street, Johannesburg, Gauteng	Office	**153 300**	147 356
2	Liberty Centre Head Office (Umhlanga Ridge) (33.3%)	21 Aurora Drive and 2 Park lane, Umhlanga Ridge, KwaZulu-Natal	Office	**77 857**	102 100
3	Sandton City Complex (25.0%)	5th Street, Alice Lane and Sandton Drive, Sandton, Gauteng	Retail	**3 110 502**	3 105 732
4	Nelson Mandela Square Complex (33.3%)	5th Street Sandton, Gauteng	Retail	**422 020**	405 436
5	Eastgate Complex (33.3%)	43 Bradford Road, Bedfordview, Johannesburg, Gauteng	Retail	**2 110 265**	2 389 292
6	Melrose Arch Complex (8.3%)	60 Atholl Oaklands Road and Melrose Blvd, Melrose North, Johannesburg, Gauteng	Retail* *(per unobservable input table)*	**480 801**	468 757
7	Liberty Midlands Mall (33.3%)	Sanctuary Road, Pietermaritzburg, KwaZulu-Natal	Retail	**838 761**	729 552
8	Liberty Promenade Shopping Centre (33.3.%)	Cnr AZ Berman Drive, Morgenster Road and 11th Avenue, Mitchells Plain, Western Cape	Retail	**583 961**	536 141
9	Botshabelo Mall (33.3%)	Portions 2 and 3 of ERF 1 Botshabelo-H, Free State	Retail	**112 301**	93 275
10	John Ross Eco-Junction Estate – Tangawizi (33.3%)	Eco-Junction Business Park, John Ross Highway, Richards, KwaZulu-Natal	Specialised	**20 347**	21 645
11	John Ross Eco-Junction Estate – Melomed (23.3%)	John Ross Eco-Junction, Cnr N2 and MR496, John Ross Highway, KwaZulu-Natal	Specialised	**130 306**	126 010
12	John Ross Eco-Junction Estate (33.3%)	Portion 16 and 17, Erf 11415, Richards Bay, KwaZulu-Natal	Specialised	**27 683**	30 074
13	Sandton Convention Centre (25.0%)	161 Maude Street, Sandton, Gauteng	Specialised	**49 766**	48 980
14	Virgin Active Sandton and Parkade (25.0%)	149 West Street, Sandton, Gauteng	Specialised	**11 913**	11 862
15	Garden Court Sandton (25.0%)	Cnr West and Maude Street, Sandton, Gauteng	Hotels	**116 973**	114 037
16	Sandton Sun and Intercontinental (25.0%)	Cnr 5th and Maude Street, Sandton, Gauteng	Hotels	**172 019**	158 738
Total				**8 418 775**	**8 488 987**

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 (%)	2021	2020
Total retail	**3.2**	4.7
Total office	**13.8**	12.4
Total specialised	**–**	–
Total	**6.3**	6.7

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

6. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
R'000	Notes	**2021**	2020	**2021**	2019
Trade and other receivables include the following:					
Property debtors		**234 553**	239 129	**–**	–
Insurance claim outstanding		**–**	51	**–**	–
Municipal deposits		**3 491**	3 385	**–**	–
Loan with LGL		**54 385**	52 432	**–**	–
Trade debtors		**72 111**	57 269	**–**	–
Accrued income		**1 746**	2 027	**–**	–
Unallocated receipts		**22 046**	19 092	**–**	–
Other receivables		**9 718**	3 745	**–**	–
Tenant arrears		**66 357**	96 404	**–**	–
Marketing fund loan account		**2 960**	1 758	**–**	–
Profit distributions from Melrose Arch		**1 739**	2 442	**–**	–
Loan with Melrose Arch Property Owners Association		**–**	524	**–**	–
Prepayments:					
– Insurance		**2 744**	2 329	**–**	–
– Other		**201**	365	**–**	–
Impairment of property debtors	6.1	**(34 803)**	(57 541)	**–**	–
Sundry debtors[1]		**24 631**	10 523	**110**	–
Hotel debtors[2]		**29 463**	28 265	**–**	–
Total trade and other receivables		**256 789**	223 070	**110**	–

[1] *Sundry debtors consist largely of settlement of working capital balances.*

[2] *Hotel debtors consist largely of cash and working capital balances.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

6.1 Impairment losses on trade and lease receivables

	GROUP				COMPANY			
	2021		2020		**2021**		2020	
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	**–**	**(57 541)**	–	(9 843)	**–**	**–**	–	–
Decrease/(increase) in loss allowance recognised in profit or loss during the period	**–**	**14 980**	–	(159 728)	**–**	**–**	–	–
Reversal of impairment/(impairment) as a result of ECL adjustments	**–**	**22 738**	–	(47 698)	**–**	**–**	–	–
Impairment as a result of rental relief offered	**–**	**(7 758)**	–	(112 030)	**–**	**–**	–	–
Derecognition of impairment allowances	**–**	**7 758**	–	112 030	**–**	**–**	–	–
Closing impairment loss allowance under IFRS 9	**–**	**(34 803)**	–	(57 541)	**–**	**–**	–	–

Refer to note 22.3 for detail on the ECL provision.

Rental relief discounts

L2D provided a discount on rentals due, for affected tenants of increased restrictions. At the date of the agreement, the discounts offered related to prior months that had already been invoiced to tenants. For certain categories of tenants including restaurants, the rental relief offered was in the form of a rental determined on a turnover basis from January 2021 to December 2021, on a sliding scale basis. Tenants will be liable for a minimum basic rental and property expense recoveries, which will increase based on turnover achieved as a percentage of historical turnover. The rental relief offered resulted in a derecognition of the tenant arrears.

The table below summarises the discount granted per tenant category:

Category	**Discount**
Retail	**8 181**
Offices	**(1 082)**
Specialised	**659**
Hotels	**–**
	7 758

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

6.2 Property debtors net of impairment loss

	2021				2020			
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]		225 235	–	225 235	–	184 208	–	184 208
Current (ECL)	7.68	8 264	(634)	7 630	13.37	10 384	(1 389)	8 995
1 to 30 days past due	23.60	6 131	(1 447)	4 684	14.39	18 495	(2 661)	15 834
31 to 60 days past due	34.23	4 922	(1 685)	3 237	22.71	11 427	(2 595)	8 832
61 to 90 days past due	24.33	7 760	(1 888)	5 872	35.65	8 083	(2 882)	5 201
More than 90 days past due	74.21	39 281	(29 149)	10 132	100.00	48 014	(48 014)	–
		291 593	(34 803)	256 790		280 611	(57 541)	223 070

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 are 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.

Both hotel debtors and sundry debtors are considered current debtors. The ECL calculation performed considered forward-looking information and determined that the ECL adjustment is immaterial.

Included in the current gross carrying amount of R225.2 million, is the Liberty Group Limited loan balance of R54.4 million. The ECL calculation performed considered forward-looking information and determined that the ECL adjustment is immaterial.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

7. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

7.1 Financial assets comprise:

	GROUP		COMPANY	
R'000	**2021**	2020	**2021**	2019
Financial assets at fair value through profit or loss (default)				
Mutual funds	**22 075**	768	**–**	–
Unlisted	**22 075**	768	**–**	–
Total financial assets at fair value through profit and loss	**22 075**	768	**–**	–
Current	**22 075**	768	**–**	–
Non-current	**–**	–	**–**	–

7.2 Movement analysis of financial assets

	2021			2020		
	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	**768**	**–**	**768**	660	17 495	18 155
Additions	**360 809**	**–**	**360 809**	112 574	–	112 574
Disposals	**(341 233)**	**–**	**(341 233)**	(112 943)	–	(112 943)
Interest earned on investment	**1 731**	**–**	**1 731**	477	–	477
Fair value adjustments – through profit or loss	**–**	**–**	**–**	–	(17 495)	(17 495)
Balance at the end of the year	**22 075**	**–**	**22 075**	768	–	768

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

8. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
R'000	2021	2020	2021	2020
Cash at bank and on hand[1]	102 715	73 037	26	101

[1] *The ECL is considered immaterial as balances are held with a reputable bank in South Africa.*

9. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
R'000	2021	2020	2021	2020
Trade and other payables include the following:				
Trade creditors	–	6 385	–	–
Tenant deposits	25 569	26 508	–	–
Municipal charges	25 251	13 986	–	–
Unredeemed gift cards	15 019	19 296	–	–
Insurance claim outstanding	566	–	–	–
Accruals:	32 104	53 143	176	461
– Audit fees	695	703	–	–
– Printing and publishing costs	–	78	–	–
– Valuation costs	649	317	–	–
– Listing costs	–	328	–	328
– Capital calls	250	451	–	–
– Property sundry accruals	13 003	12 857	–	–
– Outsourced services	42	42	–	–
– Liberty Group Limited working capital	15 114	37 511	–	–
– Other	2 351	856	176	133
Sundry payables	108 720	35 536	–	–
– Income received in advance	18 534	11 341	–	–
– Value added taxation payable	19 743	10 718	–	–
– Property sundry creditors	70 437	13 477	–	–
– Other	6	–	–	–
Total trade and other payables	**207 229**	**154 854**	**176**	**461**
Current	207 229	154 854	176	461
Non-current	–	–	–	–

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

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, investment properties and non-current assets held for sale

	Year ended 31 December 2021			
(R'000)	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Investment properties	**8 237 792**	**–**	**–**	**8 237 792**
Investment property under development	**27 683**	**–**	**–**	**27 683**
Non-current asset held for sale	**153 300**	**–**	**–**	**153 300**
Financial assets	**22 075**	**–**	**22 075**	**–**
	8 440 850	**–**	**22 075**	**8 418 775**
Liabilities				
Interest rate swap	**18 535**	**–**	**18 535**	**–**
R'000	**18 535**	**–**	**18 535**	**–**

	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	–

The fair value of trade and other receivables, amounts due from and to Group companies, cash and cash equivalents, and 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

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, investment property and non-current assets held for sale for the period under review.

Valuation techniques

Valuation techniques used in determining the fair values of assets and liabilities 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	Investment properties	Discounted cash flow methodology and profit methodology for Sandton Convention Centre and the Hotels.	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 assets and liabilities

The table below analyses the movement of level 2 assets and liabilities for the period under review.

R'000	2021	2020
Financial assets		
Fair value at the beginning of the year	**768**	660
Additions	**360 809**	112 574
Disposals	**(341 233)**	(112 943)
Interest earned on investment	**1 731**	477
Closing balance at the end of the year	**22 075**	768

R'000	2021	2020
Interest rate swap		
Fair value at the beginning of the year	**(60 423)**	(16 891)
Fair value adjustments	**41 888**	(43 532)
Closing balance at the end of the year	**(18 535)**	(60 423)

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 2021, 75.8% of the Group's term debt is at fixed rates.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

10. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY CONTINUED

Reconciliation of level 3 assets

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

R'000	2021	2020
Investment property and investment property under development		
Fair value at the beginning of the year	8 488 987	10 144 923
Transferred to non-current assets held for sale	(153 300)	–
Capitalised cost	38 287	68 986
Fair value adjustments	(108 499)	(1 724 922)
Closing balance at the end of the year	**8 265 475**	8 488 987
Non-current assets held for sale		
Fair value at the beginning of the year	–	123 213
Transferred from investment property	153 300	–
Capitalised cost	–	904
Amortisation	(26)	(347)
Disposal		(123 213)
Fair value adjustments	26	(557)
Closing balance at the end of the year	**153 300**	–
Unlisted equity		
Fair value at the beginning of the year	–	17 495
Fair value adjustments	–	(17 495)
Closing balance at the end of the year	**–**	–

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

10. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY CONTINUED

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 2021 range between 7.0% and 10.0% (2020: 6.5% and 10.0%).

The table below indicates the sensitivity of the aggregate market values for a 100 bps (2020: 100 bps) change in the exit capitalisation rate.

	Change in exit capitalisation rate		
	Rm	100 bps increase	100 bps decrease
2021			
Properties below 7.3% exit capitalisation rate	**3 110**	**2 832**	**3 482**
Properties between 7.3% – 8.5% exit capitalisation rate	**4 768**	**4 395**	**5 253**
Properties between 8.6% – 10.0% exit capitalisation rate	**540**	**522**	**563**
Total	**8 418**	**7 749**	**9 298**
2020			
Properties below 6.8% exit capitalisation rate	4 047	3 679	4 545
Properties between 6.8% – 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

The table below indicates the sensitivity of the aggregate market values for a 50 bps (2020: 50 bps) change in the discount rate.

	Change in discount rate		
	Rm	50 bps increase	50 bps decrease
2021			
Total property portfolio	**8 418**	**8 260**	**8 582**
2020			
Total property portfolio	8 489	8 216	8 557

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

11. STATED CAPITAL AND TREASURY SHARES

	GROUP		COMPANY	
R'000	**2021**	2020	**2021**	2020
Authorised capital				
5 000 000 000 ordinary shares of no par value (2020: 5 000 000 000)				
Issued capital				
908 443 334 ordinary shares of no par value (2020: 908 443 334)				
Ordinary shares	**8 780 921**	8 780 921	**8 780 921**	8 780 921
Balance at the beginning of the year	**8 780 921**	8 780 921	**8 780 921**	8 780 921
Treasury shares	**(158 065)**	(80 709)	**–**	–
Balance at the beginning of the year	**(80 709)**	(39 205)	**–**	–
Purchased during the year[1]	**(96 843)**	(45 420)	**–**	–
Sold during the year	**17 007**	106	**–**	–
Vested during the year	**2 480**	3 810	**–**	–
Balance at 31 December	**8 622 856**	8 700 212	**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
Treasury shares	**(29 608)**	(12 986)	**–**	–
Balance at the beginning of the year	**(12 986)**	(5 558)	**–**	–
Purchase during the year[1]	**(21 024)**	(8 010)	**–**	–
Sold during the year	**3 829**	16	**–**	–
Vested during the year	**573**	566	**–**	–
Balance at 31 December	**878 835**	895 457	**908 443**	908 443

[1] *Purchased (at an average price of R4.61 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. The Liberty Two Degrees Restricted Share Plan Trust holds shares to fulfil the obligation to deliver shares to employees who participate in the LTIP.*

Rights attached to ordinary shares include:

- the right for the owner thereof to be entered in the securities register of L2D as the registered holder thereof;
- the right to vote on any matter to be decided by the ordinary shareholders of L2D;
- the right to participate proportionally in any distribution made by L2D in respect of the ordinary shares;
- an irrevocable right to vote on any proposal to amend the preferences, rights, limitations and other terms associated with the ordinary shares

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

12. NON-DISTRIBUTABLE RESERVE

	GROUP		COMPANY	
R'000	**2021**	2020	**2021**	2020
Components of the non-distributable reserve				
Balance at the beginning of the year	**(1 693 432)**	93 073	**(2 157 788)**	–
Fair value adjustment on investment property	**(108 473)**	(1 725 478)	**–**	–
Fair value adjustment on derivatives	**41 888**	(43 532)	**–**	–
Fair value adjustment on equity instrument	**–**	(17 495)	**–**	–
Impairment in subsidiary	**–**	–	**(74 380)**	(2 157 788)
Total non-distributable reserve	**(1 760 017)**	(1 693 432)	**(2 232 168)**	(2 157 788)

13. RENTAL AND RELATED INCOME

	GROUP		COMPANY	
R'000	**2021**	2020	**2021**	2020
Property rental	**609 062**	660 756	**–**	–
Recoveries – property and utility expenses	**233 981**	239 938	**–**	–
Parking income	**28 730**	27 577	**–**	–
Interest income	**2 524**	4 145	**–**	–
Fund level income	**68**	275	**–**	–
Marketing income – tenant and alternative income	**15 813**	12 697	**–**	–
Sundry income – business interruption Covid-19 claim[1]	**12 126**	–	**–**	–
Total rental and related income	**902 304**	945 388	**–**	–

[1] *The business interruption COVID-19 claim was finalised during the reporting year with insurers and covered the period 1 April 2020 to 31 December 2020. The quantum of the claim was finalised at the loss limit, under the infectious disease clause of the assets all risks cover.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

14. PROPERTY OPERATING EXPENSES

	GROUP		COMPANY	
R'000	**2021**	2020	**2021**	2020
Advertising and promotions	**(5 388)**	(4 030)	**–**	–
Cleaning	**(14 703)**	(15 008)	**–**	–
Amortisation on tenant installation and letting commission	**(12 179)**	(11 307)	**–**	–
Insurance	**(5 101)**	(4 570)	**–**	–
Legal fees	**(1 168)**	(1 576)	**–**	–
Municipal charges	**(249 507)**	(216 558)	**–**	–
Property management fees	**(23 919)**	(21 605)	**–**	–
Repairs and maintenance	**(20 892)**	(17 887)	**–**	–
Salaries	**(20 924)**	(18 472)	**–**	–
Security	**(22 654)**	(21 049)	**–**	–
Other	**(10 784)**	(9 707)	**–**	–
Total property operating expenses	**(387 219)**	(341 769)	**–**	–

15. OPERATING COSTS

	GROUP		COMPANY	
R'000	**2021**	2020	**2021**	2020
Audit fee	**(2 124)**	(1 778)	**(337)**	(294)
Property valuation fees	**(829)**	(547)	**–**	–
Trustee fee	**(35)**	(35)	**–**	–
Printing and publishing costs	**(1 646)**	(348)	**(1 455)**	(15)
Legal costs	**(275)**	(942)	**–**	–
Annual listing cost	**(180)**	(465)	**(180)**	(465)
Employee costs	**(77 801)**	(69 832)	**(14 258)**	(38 456)
Office costs	**(25 480)**	(20 780)	**(6 068)**	(5 150)
Asset management fee	**(233)**	(175)	**–**	–
Other	**(3 852)**	(867)	**(289)**	(116)
Total operating expenses	**(112 455)**	(95 769)	**(22 587)**	(44 496)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

16. REVENUE FROM CONTRACTS WITH CUSTOMERS

	GROUP		COMPANY	
R'000	2021	2020	2021	2020
Fee revenue	**53 257**	59 624	**–**	–
Management fees on assets under management[2]	**51 336**	57 263	**–**	–
Development fee income	**1 921**	2 361	**–**	–
Total revenue from contracts with customers[1]	**53 257**	59 624	**–**	–

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

[2] *Fees earned for managing the co-owned assets on behalf of a third-party.*

17. OTHER INCOME

	GROUP		COMPANY	
R'000	2021	2020	2021	2020
Other income	**2 412**	1 228	**2 239**	1 249
Sundry income	**2 412**	1 228	**2 239**	1 249
Total other income	**2 412**	1 228	**2 239**	1 249

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

18. CAPITAL COMMITMENTS

	GROUP		COMPANY	
R'000	**2021**	2020	**2021**	2020
Equipment				
Under contracts	**2 861**	–	**–**	–
Authorised by the directors but not contracted	**5 046**	3 234	**–**	–
Investment properties				
Under contracts	**25 899**	13 155	**–**	–
Authorised by the directors but not contracted	**124 812**	179 230	**–**	–
Capital improvements on existing properties				
Under contracts	**140 267**	137 256	**–**	–
Authorised by the directors but not contracted	**1 029**	12 207	**–**	–
Closing balance[1]	**299 914**	345 082	**–**	–
The capital commitments have been classified into the following categories				
– Within 12 months	**299 914**	345 082	**–**	–
– Longer than 12 months	**–**	–	**–**	–

[1] *Capital commitments outstanding amount to R299.9 million (31 December 2020: R345.1 million), which includes the acquisition of One on Whitely for R128.2 million, and operational capital expenditure of R158.6 million.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

19. CASH GENERATED FROM OPERATIONS

	GROUP		COMPANY	
R'000	**2021**	2020	**2021**	Restated 2020[2]
Total earnings	**258 610**	(1 524 440)	**223 021**	(1 901 894)
Adjusted for:				
– Interest received	**(3 096)**	(2 398)	**(110)**	(99)
– Interest expense	**151 181**	149 307	**19 613**	23 217
– Amortisation of tenant installation and letting commission	**12 179**	11 307	**–**	–
– Depreciation and IFRS 16 amortisation	**400**	2 524	**–**	–
– Impairment	**–**	–	**74 380**	2 157 788
– Dividend received[1]			**(489 417)**	(282 707)
– Other non-cash items	**4 863**	7 972	**7 861**	12 963
– Fair value adjustment on investment properties	**108 473**	1 725 478	**–**	–
– Fair value adjustment on financial instrument	**(41 888)**	43 532	**–**	–
– Fair value adjustment on equity instrument	**–**	17 495	**–**	–
Working capital changes	**9 902**	(34 214)	**130 023**	15 084
(Increase)/decrease in trade and other receivables	**(33 719)**	30 171	**(110)**	–
(Increase)/decrease in amounts due from Group companies[2]	**(17 620)**	(14 855)	**130 418**	14 953
Increase/(decrease) in employee benefits	**8 866**	(3 479)	**–**	–
Increase/(decrease) in trade and other payables	**52 375**	(46 051)	**(285)**	131
Total cash generated from operations	**500 624**	396 563	**(34 629)**	24 352

1 *The R343million (2020: R329 million) per the statement of profit or loss and other comprehensive income relates to the actual dividends declared by 2DP to L2D during the year, including R182.6 million which will be received in the 2022 financial year.*

2 *Restatement on the cash flow from operating activities disclosed on the statement of cash flows.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

19. CASH GENERATED FROM OPERATIONS CONTINUED

Restatement of 2020 cash flow line items

In the 2020 financial statements, the dividend income received by the Company was incorrectly disclosed in the Cash generated from operations line on the face of the cash flow statement and in note 19 as part of "decrease in amounts due from group companies". The 2021 financial statements have been restated to reflect the correct disclosure. The restatement has had no impact on profit or loss or net assets.

Herewith is the effect of the restatement on the cash flow statement:

Extract of the Statement of Cash flows	**2020 as previously stated R'000**	**Adjustment (increase)/ decrease R'000**	**2020 Restated R'000**
Cash generated from operations	307 059	(282 707)	24 352
Dividends received	–	282 707	282 707
Extract of note 19 – Cash generated from operations			
(Increase)/decrease in amounts due from Group companies	343 913	(328 960)	14 953
Dividend income	(328 960)	46 253	(282 707)
Total cash generated from operations	307 059	(282 707)	24 352

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

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 2021, R1.3 billion is owed to SBG for debt borrowed for the purchase of properties as well as the purchase of the SRFM business in 2018 (2020: R1.1 billion). Refer to detail disclosed in note 31.

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 2021 was R17.0 million (2020: R16.1 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 2021, R192 474 is receivable from L2D CSIP (2020: R168 032).

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. No rental income was received by L2D Group for the year ended 31 December 2021 (2020: R7.4 million).

Liberty Centre Head Office Umhlanga Ridge
LGL occupies 9 466 m² of office space in the Liberty Centre Head Office Umhlanga Ridge

Rental income received by L2D Group for the year ended 31 December 2021 was R11.7 million (2020: R10.7 million).

Eastgate Office Tower
LGL occupies 2 824 m² of office space in the Eastgate Office Tower.

Rental income received by L2D Group for the year ended 31 December 2021 was R3.1 million (2020: R2.9 million).

Liberty Promenade Shopping Centre
LGL occupied 106 m² of office space in the Promenade, effective 1 April 2021.

Rental income received by L2D Group for the year ended 31 December 2021 was R160 239.

Liberty Midlands Lifestyle Centre
LGL occupies 758 m² of office space in the Liberty Midlands Lifestyle centre.

Rental income received by L2D Group for the year ended 31 December 2021 was R570 761 (2020: R460 085).

Development fee income
Development fee income is earned on development management of projects in the Liberty Portfolio. Development fee income amounting to R1.9 million was earned during 2021 (2020: R2.4 million). L2D commenced work on the Liberty Centre Braamfontein development in 2021, development fee income earned in 2021 was R1.5 million.

Asset management fee income
Management fees on assets under management amounting to R51.3 million was earned during 2021 (2020: R57.3 million).

Loan with LGL
As at 31 December 2021, R99.1 million is owed by LGL for working capital (2020: R81.0 million). The loan is unsecured and there are no fixed terms of repayment, the loan attracts no interest.

R54.5 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 (2020: R52.4 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

20. RELATED PARTY DISCLOSURE CONTINUED

Transactions with other related entities

Operating lease payments
STANLIB Wealth Management Limited, as a lessee, paid an amount of R2.7 million (2020: R3.2 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 are located at Nelson Mandela Square and consist of 1 337m² of office space. The effective lease commencement date was 9 April 2021, with R0 payable to Liberty Consortium as at 31 December 2021.

JHI Retail Property Proprietary Limited ("JHI")
The property management function in respect of the 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 2021 amounted to R22.9 million (2020: R20.6 million).

Loan with STANLIB Asset Management Limited
As at 31 December 2021, R528 142 is owed to STANLIB Asset Management Limited (2020: R32 789).

Stanlib Corporate Money Market Fund
As at 31 December 2021, L2D Group had R22.1 million (2020: R0.8 million) invested in the Stanlib Corporate Money Market Fund.

Interest earned during 2021 amounted to R1.7 million (2020: R0.5 million).

Intercompany transactions
As at 31 December 2021, The Liberty Two Degrees Restricted Share Plan Trust (Trust) held a capital contribution from 2DP of R91.5 million to acquire shares for the LTIP (2020: R75.1 million).

As at 31 December 2021, 2DP has a loan with SRFM of R6.1 million (2020: R6.3 million).

As at 31 December 2021, L2D Limited has a loan with 2DP of R58.3 million. This includes a dividend receivable of R182.6 million and the remainder is a working capital loan (2020: R186.3 million).

As at 31 December 2021, L2D Limited has a loan payable to the Trust of R26.6 million relating to a contribution to the trust to make good its losses (2020: R24.2 million.).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

20. RELATED PARTY DISCLOSURE 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)
2021			
STANLIB Multi-Manager Property	**63**	**1 108**	**5 263**
STANLIB Multi-Manager Defensive Balanced Fund	**95**	**–**	**–**
STANLIB Multi-Manager Equity Fund	**79**	**727**	**3 455**
STANLIB Capped Property Index Tracker Fund	**93**	**–**	**–**
STANLIB Multi-Manager Real Return Fund	**72**	**–**	**–**
STANLIB Multi-Manager Balanced Fund	**90**	**–**	**–**
1NVEST SA Property ETF	**63**	**1 115**	**5 294**
Total	**–**	**2 950**	**14 012**
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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

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)
2021			
Wolf Cesman[2]	**467 290**	**–**	**467 290**
Angus Band[3]	**991 300**	**–**	**991 300**
David Munro[4]	**–**	**18 312 000**	**18 312 000**
Barbara Makhubedu[5]	**507 523**	**–**	**507 523**
Peter Nelson[6]	**588 000**	**–**	**588 000**
Craig Ewin[7]	**462 055**	**–**	**462 055**
Nick Criticos[8]	**165 205**	**–**	**165 205**
Puleng Makhoalibe[9]	**373 750**	**–**	**373 750**
Lynette Ntuli	**432 167**	**–**	**432 167**
Total	**3 987 290**	**18 312 000**	**22 299 290**
2020			
Wolf Cesman[2]	1 014 037	–	1 014 037
Angus Band[3]	986 700	730 261	1 716 961
David Munro[4]	–	11 675 000	11 675 000
Barbara Makhubedu[5]	54 555	–	54 555
Peter Nelson[6]	390 492	–	390 492
Puleng Makhoalibe[9]	86 585	–	86 585
Zaida Adams[10]	395 800	–	395 800
Lynette Ntuli	464 711	–	464 711
Total	3 392 880	12 405 261	15 798 141

1 *Other Liberty Group is defined as LHL and its subsidiaries excluding L2D Group.*
2 *Wolf Cesman received a composite fee of £24 000 for the 2021 year (2020: £47 700). Wolf Cesman retired on 7 May 2021.*
3 *Angus Band receives a composite fee from L2D. He was the Lead independent director at LHL until 15 May 2020. Fees disclosed in 2020 is for the period 1 January 2020 to 15 May 2020.*
4 *David Munro is the Chief Executive of LHL. David Munro's fixed remuneration for the year ended 31 December 2021 is R8.7 million. The variable remuneration awards (being both the short-term and long-term incentives) for David Munro are price sensitive and subject to the required governance approval by the LHL Board of Directors. This information was not yet publicly available on 28 February 2022. At the date of these consolidated annual financial statements, the long-term variable remuneration rewards were not yet determined and payable. This is disclosed in the Liberty Holdings Limited Group annual financial statements to be publicly released on 11 March 2022. David Munro was appointed as member of the Nomination Committee on 7 May 2021.*
5 *Barbara Mahhubedu was appointed as a non-executive director effective 21 October 2020. Effective 7 May 2021, Barbara Makhubedu was appointed as lead independent director, as well as a member of the Remuneration and Nominations Committee.*
6 *Peter Nelson was appointed non-executive director effective 26 May 2020.*
7 *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. He was also appointed as a chairman of the Remuneration Committee and member of the Nomination Committee as well as a member of the Related Party Committee on 7 May 2021.*
8 *Nick Criticos was appointed as a non-executive director on 14 June 2021.*
9 *Puleng Makhoalibe was appointed as a non-executive director effective 21 October 2020.*
10 *Zaida Adams resigned as a non-executive director on 13 August 2020.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

20. RELATED PARTY DISCLOSURE CONTINUED

Executive directors' remuneration	2021 (R'000)	2020 (R'000)	% change
Amelia Beattie (Chief executive)			
Fixed remuneration	**3 698**	3 600	2.73%
Cash portion of package	**3 170**	3 091	–
Other benefits	**120**	114	–
Retirement contributions	**408**	395	–
Annual variable awards	**4 961**	1 836	170.22%
Cash	**3 773**	1 469	–
Restricted share plan (deferred plan)	**1 188**	367	–
Long-term awards	**3 074**	1 988	54.66%
Restricted share plan (long-term plan)	**1 190**	1 166	–
Distribution	**1 884**	822	–
Total remuneration	**11 733**	7 424	58.05%
José Snyders (Financial director)			
Fixed remuneration	**3 078**	3 000	2.60%
Cash portion of package	**2 629**	2 577	–
Other benefits	**114**	108	–
Retirement contributions	**335**	315	–
Annual variable awards	**3 365**	1 500	124.33%
Cash	**2 655**	1 200	–
Restricted share plan (deferred plan)	**710**	300	–
Long-term awards	**2 090**	1 315	58.92%
Restricted share plan (long-term plan)	**860**	733	–
Distribution	**1 230**	582	–
Total remuneration	**8 533**	5 815	46.74%

Fixed remuneration

The executive directors' fixed remuneration increase was effective from 1 April 2021.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

20. RELATED PARTY DISCLOSURE CONTINUED

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 2021 are provided below:

				Target						
L2D Financial Scorecard	**Performance condition link to strategy**	**Weight**	**Comments: YTD 31 December 2021**	**Gate (80%)**	**90%**	**100% Achievement**	**120%**	**145%**	**Actual**	**Delivery in 2021**
Distribution Growth for 2021	Deliver distribution growth for stakeholders.	**30%**	As at 31 December 2021, L2D's distribution per share was marginally above budget by 1.77cps. Actual Dec 21: 34.10 cps	Delivery	28.53 cps (-10%)	Deliver distribution 32.33 cps	38.04 cps (+20%)	Remuneration Committee discretion	34.10 cps	**105%**
Net Property Income Growth[1]	Deliver net property income growth.	**30%**	NPI at a 100% property level was up 36.3%. Excluding rent relief provisions: +6.0%	12.24% (-20%)	<13.77% (-10%)	Deliver net property income growth of 15.3%	18.3% (+20%)	Remuneration Committee discretion	19.4%	**120%**
Risk Management	No significant audit findings ensuring effective risk management.	**10%**	No significant audit items			No significant audit items			No significant audit items	**100%**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

20. RELATED PARTY DISCLOSURE CONTINUED

L2D Financial Scorecard	Performance condition link to strategy	Weight	Comments: YTD 31 December 2021	Target: Gate (80%)	Target: 90%	Target: 100% Achievement	Target: 120%	Target: 145%	Actual	Delivery in 2021
Capital Management	Maintain interest rate and debt exposure within board approved limits.	**10%**	Interest rate and debt exposure maintained within board approved limits. LTV: 23.87% LTV Hedge ratio: 75.8% Weighted average cost of debt 7.85% Group interest cover ratio: 3.1			Interest rate and debt exposure maintained within board approved limits.			Weighted average cost of debt 7.85%. LTV 23.87% within Board approved limits	**100%**
Operational Performance[2]	Optimised tenant occupation and trading density growth measured against MSCI benchmark.	**20%**	Weighted super regional and regional retail vacancy L2D: 2.71% Benchmark: 6.42% Weighted super regional and regional ATD growth L2D: 19.15% MSCI benchmark: 14.46%	60% of benchmark achieved	80% of benchmark achieved	Meets or exceeds benchmark data	120% of benchmark achieved	145% of benchmark achieved	L2D vacancy and ATD growth performance exceeds benchmark by more than 45% (47%)	**145%**
		100%								**117%**

[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 2021.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

20. RELATED PARTY DISCLOSURE CONTINUED

During the year, we continued to face significant uncertainty with changing lockdown levels and social unrest in South Africa. The L2D team delivered performance in 2021 ahead of the expected budget; at the time of setting the targets, the world was uncertain and the team managed to deliver on most of the key performance areas in a consistent manner.

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 2021

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%	117%	30%	95%	R 3 708 000	R 4 961 304	R 1 188 391	134%
JR Snyders	70%	117%	30%	90%	R 3 090 000	R 3 365 000	R 709 500	109%

* *Fixed remuneration calculated on final monthly salary at 31 December 2021.*

21. DISTRIBUTION TO SHAREHOLDERS

	GROUP		COMPANY	
R'000	**2021**	2020	**2021**	2020
Amounts unpaid at the beginning of the year	**–**	–	**–**	–
Distribution declared to shareholders during the year	**(435 421)**	(282 708)	**(435 421)**	(282 708)
Amounts unpaid at the end of the year	**–**	–	**–**	–
Total distribution to shareholders	**(435 421)**	(282 708)	**(435 421)**	(282 708)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

22. FINANCIAL RISK MANAGEMENT

L2D Group is exposed to market risk, liquidity risk, credit risk and emerging 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

Property market risk is the risk of adverse financial impacts due to changes in fair values of future cash flows. The unobservable inputs used in the property valuation include the exit cap rate, discount rate, vacancy rate, rental growth and expense growth, which have been disclosed in note 5. Sensitivity analysis has been applied to unobservable inputs and is disclosed in note 10. 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 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. 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 R340 million in unutilised revolving credit facilities available at 31 December 2021, and will re-finance R849.9 million of the debt facilities due during 2022.

The L2D Group made use of R2 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	Less than two years	Less than three years	Less than four years	Less than five years	Total
Year ended 31 December 2021						
Financial liabilities						
Interest-bearing borrowings	**849 891**	**560 000**	**–**	**–**	**600 000**	**2 009 891**
Interest payable on interest borrowings	**118 793**	**85 225**	**35 648**	**42 661**	**42 661**	**324 988**
Interest rate swap	**18 535**	**–**	**–**	**–**	**–**	**18 535**
Other financial liabilities[1]	**24 523**	**–**	**–**	**–**	**–**	**24 523**
Trade and other payables	**168 952**	**–**	**–**	**–**	**–**	**168 952**
R'000	**1 180 694**	**645 225**	**35 648**	**42 661**	**642 661**	**2 546 889**
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	89 616	14 783	–	261 676
Interest rate swap	60 423	–	–	–	–	60 423
Other financial liabilities	31 583	26 547			–	58 130
Trade and other payables	132 794	–	–	–	–	132 794
	833 007	816 508	589 616	14 783	–	2 253 914

[1] *Other financial liabilities relates to interest due on the interest rate swap, expiring on 1 November 2022.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

22. FINANCIAL RISK MANAGEMENT CONTINUED

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 write off policy considers legal matters wherein there is no reasonable expectation of a recovery of an arrear debtor amount after all recovery attempts have been exhausted. The write off of the outstanding debt will be administered within the Delegation of Authority as a write off of a non-recoverable amount.

The expected credit loss (ECL) model methodology has remained unchanged from 2020 with the assumptions used for modelling having been updated for the current environment. The default percentages have reduced as a consequence of improving tenant collections and 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 decreased to R34.8 million (31 December 2020: R57.4 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 November 2019 to October 2021 (24 months) was extracted and analysed to determine the base tenant billings for the 24 months and the actual losses incurred and potential non-recoverable amounts, relating to the same period and tenant billings.

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 retail sales forecasted to remain flat with a slight increase in interest rates forecasted for the period under review. The forecasted slower growth in the inflation rate assisted in reducing the impact of the former three factors. The economic factor adjustment has deteriorated in comparison to the prior year. L2D is satisfied with the ECL provision raised with 52.4% of our tenant arrears of R66.4 million 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 only deposits cash with financial institutions that have high quality credit standings.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

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. 75.82% 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	**2021**	2020	**2021**	2020
Effect on equity and profit or loss				
50 basis points increase	**(7 342)**	(5 773)	**(1 040)**	(960)
50 basis points decrease	**7 342**	5 773	**1 040**	960

22.5 Emerging risk

Climate-related emerging risk

The Group is exposed to climate related emerging risk. Property portfolios face significant risk as a result of climate change – both physical and transitional in nature.

Physical risks include damage to buildings from extreme weather events caused by climate change, while transition risks arise from efforts to address climate change and the transition to a low-carbon economy.

The Group reduces its exposure to physical risk through comprehensive insurance and does not foresee that climate-related risks will impact the useful life of L2D's investment properties.

The Group reduces its exposure to transition risk by:

- Disclosure of GHG emissions through our GHG report. The energy, water and waste performance of all properties are reported via an online analytics platform that provides insights into normalised performance, targets and energy-use intensity, carbon intensities and many other reporting functions.
- Investigating renewable and alternative energy projects by:
  - Reducing wasteful use of electricity and implementing efficiency technology;
  - Investigating rainwater harvesting and promoting water efficiency;
  - Annually assessing all relevant sustainability risks and opportunities that will potentially have a material impact on the business at an individual property level.
- Setting Net-zero Targets for carbon to proactively mitigate our negative environmental impact and improve environmental performance. Our Net-zero journey includes: Net-zero Waste ready by 2022; Net-zero Water by 2025 and Net-zero Carbon by 2030, which is in line with the Green Building Council of South Africa's Net-Zero/Net-Positive Certifications scheme.
- Ongoing communication and leadership in communicating sustainability goals.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

23. CAPITAL MANAGEMENT

In terms of the Memorandum of Incorporation, L2D Group has a limit on borrowings of 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 support 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	**2021**	2020
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)	**537 416**	587 717
– Medium term (greater than one year and up to five years)	**1 019 135**	1 126 162
– Long term (greater than five years)	**558 425**	643 968

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

25. EMPLOYEE BENEFITS LIABILITIES

	GROUP		COMPANY	
R'000	**2021**	2020	**2021**	2020
Liabilities				
Leave pay	**1 710**	1 844	**–**	–
Short-term incentive	**21 000**	12 000	**–**	–
Total liability	**22 710**	13 844	**–**	–

Analysis of employee benefits	Leave pay				Short-term incentive			
	GROUP		COMPANY		GROUP		COMPANY	
R'000	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Balance at the beginning of the year	**1 844**	668	**–**	–	**12 000**	16 655	**–**	–
Additional provision raised	**908**	1 528	**–**	–	**21 000**	11 912	**–**	–
Utilised during the year	**(1 042)**	(352)	**–**	–	**(12 000)**	(16 567)	**–**	–
Balance at the end of the year	**1 710**	1 844	**–**	–	**21 000**	12 000	**–**	–

Leave pay

In terms of the company policy, employees are entitled to accumulate a maximum of 20 days compulsory leave and 20 days 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 as set out in note 20.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

26. SHARE-BASED PAYMENTS

R'000	GROUP 2021	GROUP Restated[1] 2020	COMPANY 2021	COMPANY Restated[1] 2020
Reconciliation of reserve				
Long-term incentive plan	**31 077**	26 212	**21 824**	22 647
Total share-based payments reserves	**31 077**	26 212	**21 824**	22 647
Total share-based payments reserves at the beginning of the year	**26 212**	18 240	**22 647**	17 258
Movement for the year	**4 865**	7 972	**(823)**	5 389
Per profit or loss equity-settled schemes	**17 846**	16 571	**17 846**	16 571
Per profit or loss forfeited shares[2]	**(8 262)**	(3 608)	**(8 262)**	(3 608)
Transfer of vested rights to retained surplus	**(4 719)**	(4 991)	**(4 719)**	(4 991)
Transfer of vested rights to retained surplus (dividends)	**–**	–	**1 422**	312
Payment of L2D Limited dividend to restricted share plans participants	**–**	–	**(7 110)**	(2 895)
Total share-based payments reserves at the end of the year	**31 077**	26 212	**21 824**	22 647

[1] *In the current year, it was noted that the amounts in the share-based payment reconciliation were not accurate in the 2020 AFS, despite the Statement of Changes in Equity in 2020 being correct. The December 2020 figures in the share based payment reconciliation have been restated accordingly.*

[2] *2021 is inclusive of 1 173 160 shares due to vest in March 2022 but forfeited as performance conditions will not be met. 2020 is inclusive of 474 949 shares due to vest in March 2021 but forfeited as performance conditions were not met.*

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

26. SHARE-BASED PAYMENTS CONTINUED

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.

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, no discretion has been applied to waiver Performance Conditions during the 2021 year.

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.

Summary of movements under restricted share plans

	2021		2020	
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	**R4.55 – R10.20**	**8 805**	R7.05 – R10.20	5 145
Granted	**R 4.78**	**3 627**	R4.55 – R5.79	3 853
Exercised	**R4.25 – R4.38**	**(324)**	R6.72 – R6.74	(177)
Cancellations	**R4.25 – R4.38**	**(1 699)**	R6.74	(16)
Shares outstanding at the end of the year		**10 409**		8 805

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

26. SHARE-BASED PAYMENTS CONTINUED

	2021		2020	
Liberty Two Degrees restricted share plan (deferred plan)	**Price range**	**Number**	Price range	Number
Movement summary				
Shares outstanding at the beginning of the year	**R5.79 – R10.21**	**378**	R7.05 – R10.21	414
Granted	**R 4.78**	**140**	R5.79	353
Exercised	**R4.38**	**(249)**	R6.72	(389)
Cancellations	**R4.25 – R4.38**	**(15)**	–	–
Shares outstanding at the end of the year		**254**		378

	2021		2020	
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	**R4.60**	**2 792**	–	–
Granted	**–**	**–**	R4.60	2 792
Exercised	**–**	**–**	–	–
Cancellations	**R4.38 – R5.00**	**(220)**	–	–
Shares outstanding at the end of the year		**2 572**		2 792

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

27. AMOUNTS DUE (TO)/FROM GROUP COMPANIES

	GROUP		COMPANY	
R'000	**2021**	2020	**2021**	2020
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.	**(528)**	(33)	**–**	–
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.	**–**	–	**(26 625)**	(24 190)
Total (liability)	**(528)**	(33)	**(26 625)**	(24 190)
Amounts due from Group companies				
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.	**–**	–	**58 300**	186 283
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.	**99 108**	80 993	**–**	–
Total asset	**99 108**	80 993	**58 300**	186 283

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

28. PROPERTY, PLANT AND EQUIPMENT

	GROUP		COMPANY	
R'000	2021	2020	2021	2020
Computer equipment				
Carrying amount at the beginning of the year	–	4	–	–
Additions	128	–	–	–
Depreciation	(21)	(4)	–	–
Net carrying value at the end of the year	107	–	–	–
Furniture and fittings				
Carrying amount at the beginning of the year	716	721	–	–
Additions	9 768	716	–	–
Depreciation	–	(721)	–	–
Net carrying value at the end of the year	10 484	716	–	–
Office equipment				
Carrying amount at the beginning of the year	–	111	–	–
Additions	–	–	–	–
Depreciation	–	(111)	–	–
Net carrying value at the end of the year	–	–	–	–
Total property, plant and equipment	10 591	716	–	–

29. RIGHT-OF-USE ASSETS

	GROUP		COMPANY	
R'000	2021	2020	2021	2020
29.1 Summary				
Right-of-use asset	2 144	–	–	–
Cost (note 29.2)	2 523	–	–	–
Accumulated depreciation (note 29.3)	(379)	–	–	–

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

29. RIGHTS-OF-USE ASSETS CONTINUED

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					
2021					
Cost – movement					
Right-of-use asset	**–**	**2 523**	**–**	**–**	**2 523**
Total cost	**–**	**2 523**	**–**	**–**	**2 523**
2020					
Cost – movement					
Right-of-use asset	3 938	–	–	(3 938)	–
Total cost	3 938	–	–	(3 938)	–

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				
2021				
Accumulated depreciation – movement				
Right-of-use asset	**–**	**(379)**	**–**	**(379)**
Total accumulated depreciation	**–**	**(379)**	**–**	**(379)**
2020				
Accumulated depreciation – movement				
Right-of-use asset	(2 250)	(1 688)	3 938	–
Total accumulated depreciation	(2 250)	(1 688)	3 938	–

L2D entered into a five year lease with Liberty Group Limited, effective April 2021 to occupy 1 337m² of office space at Nelson Mandela Square. L2D's ownership percentage of Nelson Mandela Square is 33.3007%.

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

30. LEASE LIABILITY

R'000	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
30.1 Summary				
Total lease liabilities	**2 250**	–	**–**	–
Finance lease liabilities – measured at amortised cost (note 30.2)	**2 250**	–	**–**	–

R'000	Finance lease liabilities – measured at amortised cost	Total
30.2 Finance lease liabilities – measured at amortised cost		
2021		
Lease liability		
Balance at the beginning of the year	**–**	**–**
Additions	**2 523**	**2 523**
Finance costs	**120**	**120**
Repayments	**(393)**	**(393)**
Balance at the end of the year	**2 250**	**2 250**
2020		
Lease liability		
Balance at the beginning of the year	1 995	1 995
Additions	–	–
Finance costs	(549)	(549)
Repayments	(1 446)	(1 446)
Balance at the end of the year	–	–

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

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	2021	2020	2021	2020
Absa Bank loan facility	2018-11-01	2022-10-31	6 month JIBAR + margin	150 000	151 391	**150 000**	150 000	**57 946**	57 946
		2026-10-31	3 month JIBAR + margin	300 000	302 237	**300 000**	–	**50 000**	–
		2021-11-01	6 month JIBAR + margin	–	–	**–**	250 000	**–**	50 000
		2023-11-01	6 month JIBAR + margin	250 000	252 311	**250 000**	250 000	**50 000**	50 000
Standard Bank loan facility	2018-11-01	2022-10-31	6 month JIBAR + margin	699 891	706 047	**699 891**	590 891	**50 000**	50 000
		2026-10-31	fixed rate + margin	300 000	303 063	**300 000**	–	**50 000**	–
		2021-11-01	fixed rate + margin	–	–	**–**	250 000	**–**	50 000
		2023-11-01	fixed rate + margin	250 000	252 064	**250 000**	250 000	**50 000**	50 000
Nedbank loan facility	2021-01-31	2023-12-15	6 month JIBAR + margin	60 000	60 226	**60 000**	–	**–**	–
Total financial liabilities at amortised cost				2 009 891	2 027 339	**2 009 891**	1 740 891	**307 946**	307 946
Current						**849 891**[1]	500 000	**107 946**[2]	100 000
Non-current						**1 160 000**	1 240 891	**200 000**	207 946

[1] *Excludes interest of R24.8 million reflected as current liability (2020: R22.0 million).*

[2] *Excludes interest of R3.2 million reflected as current liability (2020: R3.1 million).*

	GROUP		COMPANY	
	Financial liabilities measured at amortised cost		Financial liabilities measured at amortised cost	
R'000	2021	2020	2021	2020
31.2 Reconciliation of movement in financing activities disclosed in the statement of cash flows				
Balance at the beginning of the year	**1 762 895**	1 719 166	**311 085**	312 437
Finance costs	**126 227**	127 847	**16 413**	20 078
Interest accrual	**24 833**	22 004	**3 199**	3 139
Repayments interest	**(148 230)**	(152 014)	**(19 552)**	(24 569)
Repayments – capital[1]	**(669 000)**	(219 473)	**(100 000)**	–
Arising through new loans offered[1]	**938 000**	265 365	**100 000**	–
Balance at the end of the year	**2 034 725**	1 762 895	**311 145**	311 085
Current	**874 725**	522 004	**219 091**	103 139
Non-current	**1 160 000**	1 240 891	**200 000**	207 946

[1] *Non-cash flow items include R500 million of term debt refinanced in 2021 by L2D Group, R100 million of which was at a Company level.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

32. TAXATION

	GROUP		COMPANY	
R'000	2021	2020	2021	2020
South African normal taxation	**15 384**	(31 637)	**–**	17
Current year taxation	**–**	–	**–**	–
(Over)/under provision prior year current taxation	**–**	171	**–**	17
Current deferred taxation	**15 384**	(31 808)	**–**	–
South African capital gains taxation	**–**	–	**–**	–
Current year taxation	**–**	–	**–**	–
Deferred taxation	**–**	–	**–**	–
Reconciliation between applicable tax rate and effective tax rate				
Profit before tax	**258 610**	(1 524 441)	**223 021**	(1 901 894)
Taxation effect of:				
Other inclusions or exclusions in taxable income[1]	**(62 584)**	138 829	**12 411**	2 195 026
Fair value adjustment on investment properties	**108 473**	1 725 478		
Wear and tear allowances on moveable assets	**(62 821)**	(59 147)	**–**	–
S25BB qualifying distribution	**(241 678)**	(280 719)	**(235 432)**	(293 132)
SA normal taxation rate applied to profit before taxation (28% corporate tax rate)	**–**	–	**–**	–
Under provision of taxation in respect of prior years	**–**	(171)	**–**	(17)
Deferred tax	**(15 384)**	31 808	**–**	–
Tax charge as per statements of comprehensive income	**(15 384)**	31 637	**–**	(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 provision movements and other accounting related adjustments.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

32. TAXATION CONTINUED

	GROUP		COMPANY	
R'000	**2021**	2020	**2021**	**2020**
32.1 Taxation (paid)/received				
Taxation at the beginning of the period	**633**	(74)	**–**	–
Charged to statements of comprehensive income during the year	**–**	(171)	**–**	(17)
Prior year interest paid to SARS	**–**	4	**–**	–
Income tax (receivable)/payable at the end of the period	**(633)**	(633)	**–**	–
Tax (paid)/received	**–**	(874)	**–**	(17)
32.2 Deferred tax balance				
Rental relief and ECL provision	**21 267**	27 825	**–**	–
Revenue received in advance	**(1 857)**	3 175	**–**	–
Other timing difference	**(2 986)**	808		
Deferred tax asset balance	**16 424**	31 808	**–**	–
32.3 Deferred tax movements				
Balance at the beginning of the year	**31 808**	–	**–**	–
Movements to income statement (temporary differences)				
Rental relief and ECL provision	**(6 558)**	27 825	**–**	–
Revenue received in advance	**(3 175)**	3 175	**–**	–
Other timing difference	**(5 651)**	808		
Deferred tax asset balance	**16 424**	31 808	**–**	–

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

33. INVESTMENT IN SUBSIDIARIES

R'000	Amount of issued share capital Units	Effective interest %	Investment R	Intergroup balances R
2021				
Subsidiaries				
2 Degrees Properties (Pty) Ltd opening balance	**908 443**	**100**	**7 034 336**	**–**
Impairment			**(74 210)**	**–**
2 Degrees Properties (Pty) Ltd closing balance			**6 960 126**	**58 300**
Stanlib REIT Fund Managers (RF) Pty Ltd opening balance	**0.2**	**100**	**7 112**	**–**
Impairment			**(170)**	**–**
Stanlib REIT Fund Managers (RF) Pty Ltd closing balance			**6 942**	**–**
Closing balance			**6 967 068**	**58 300**
2020				
Subsidiaries				
2 Degrees Properties (Pty) Ltd	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	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

33.1 Impairment of subsidiary

2DP and SRFM, both based in South Africa, are 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. The net asset value is largely determined by the fair value of the underlying properties within the company, which is based on discounted cash flow methodology, and profit methodology for Sandton Convention Cente and the hotels. L2D's property portfolio declined by R108.5 million in 2021.

The recoverable amount, being the higher of the fair value less costs of disposal and value-in-use was assessed to be R7 billion. A discount rate of 10.9% was applied to determine the value in use. The recoverable amount was based on the fair value less cost of disposal assessment. This resulted in an impairment loss of R74.4 million to reflect the fair value of the investment as at 31 December 2021. (2020: R2.2 billion)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

34. NON-CURRENT ASSETS HELD FOR SALE

R'000	2021	2020
Balance at the beginning of the year	–	123 213
Transfer from Investment property	153 300	–
Additions	–	904
Amortisation	(26)	(347)
Change in fair value	26	(557)
Disposal	–	(123 213)
Balance at the end of the year	153 300	–

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.

Standard Bank Simmonds Street was re-classified from investment properties to a non-current asset held for sale effective 30 June 2021, after the offer to purchase was signed on 21 June 2021. The property had not been transferred at as 31 December 2021.

35. SUBSEQUENT EVENTS

In line with IAS 10 Events after Reporting period, the declaration of the final dividend of 34.10 cents per share for the year ended 31 December 2021 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 2021, a further R0.4 million of rental relief negotiations were concluded. The majority of these agreements are not recognised as a lease modification.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

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 test considers expected cash flows in the next 12 months, including cash flow relating to funding and capital expenditure. As at 31 December 2021, L2D had a net asset value of R7.56 per share and a stable liquidity position.

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 23.87% (31 December 2020: 20.51%) of the value of its property portfolio. Using SA REIT methodology, the average cost of debt (all Rand-denominated) is 8.16% (31 December 2020: 8.72%), interest rates are hedged through fixed rate contracts on 75.82% (31 December 2020: 82.06%) of borrowings for an average period of 2.09 years (31 December 2020: 2.11 years).

As at 31 December 2021, L2D remains well capitalised, with sufficient liquidity, reflecting our prudent approach towards capital management, and the underlying quality of our portfolio.

L2D Group's LTV is well within our banking covenants of 40% and the Group target of 35%.

The total unutilised revolving credit facilities amount to R340 million as at 31 December 2021. 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.

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

Civil unrest Impact

The L2D property portfolio did not suffer any damage as a result of the civil unrest which occurred in parts of South Africa in July 2021.

As a precautionary measure, L2D had extensive security placed at our retail assets and were satisfied with the comprehensive insurance cover in place.

Covid 19 impact and business interruption Covid-19 claim

In many categories within the retail portfolio, trading levels met or exceeded 2019 pre-Covid levels. Easing Covid-19 restrictions and momentum in vaccinations drove footcount 22.6% higher during the second half of the year. The year ended with a comparatively strong festive period. Net property income contribution from the retail portfolio improved by 27.3%, an increase of R100 million compared to 2020 however was 18% (R103 million) below 2019 which indicates the continued impact of Covid-19 being felt. The Business Interruption COVID-19 claim was successfully finalised with R12.1 million recognised as sundry income in 2021. The quantum of the claim was finalised at the loss limit, under the infectious disease clause of the assets all risks cover.

Management have therefore concluded that the Group has adequate resources to continue operating for the foreseeable future, and that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

ANNEXURES

for the year ended 31 December 2021

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	**2021 R'000**	2020 R'000
Profit or (loss) per IFRS Statement of Comprehensive Income (SOCI) attributable to the parent	**243 226**	(1 492 803)
Adjusted for:		
Accounting/specific adjustments	**82 369**	1 757 221
Fair value adjustments to:		
– Investment property	**108 473**	1 725 478
– Debt and equity instruments held at fair value through profit or loss	**(41 888)**	61 027
– Straight-lining operating lease adjustment	**(14 064)**	(66 619)
Depreciation and amortisation of intangible assets	**400**	2 524
Deferred tax movement recognised in profit or loss	**15 384**	(31 808)
Straight-lining operating lease adjustment	**14 064**	66 619
Other adjustments	**(10 612)**	(3 780)
Antecedent earnings adjustment	**(10 612)**	(3 780)
SA REIT FFO	**314 983**	260 638
Number of shares outstanding at end of period (net of treasury shares)	**878 835**	895 457
	Cents	Cents
SA REIT FFO per share (cents)	**35.84**	29.11
Company-specific adjustments (per share)	**(1.74)**	3.22
Depreciation/amortisation	**(0.05)**	(0.28)
Deferred tax	**(1.75)**	3.55
2DP/trust earnings	**0.06**	(0.05)
Dividend per share (cents)	**34.10**	32.33

ANNEXURES

for the year ended 31 December 2021

A. ADOPTION OF BEST PRACTICE RECOMMENDATIONS CONTINUED

Reconciliation of SA REIT funds from operations (SA REIT FFO) to cash generated from operations		2021 R'000	2020 R'000
SA REIT FFO		314 983	260 638
Adjustments			
Interest received		(3 096)	(2 398)
Interest expense		151 181	149 307
Amortisation of tenant installation and letting commission		12 179	11 307
Tax expense		–	171
Other non cash items		4 863	7 972
Antecedent earnings adjustment		10 612	3 780
Working capital changes			
(Increase)/decrease in trade and other receivables		(33 719)	30 171
(Increase)/decrease in amounts due from Group companies		(17 620)	(14 855)
Increase/(decrease) in employee benefits		8 866	(3 479)
Increase/(decrease) in trade and other payables		52 375	(46 051)
Cash generated from operations		500 623	396 563

SA REIT Net Asset Value (SA REIT NAV)		2021 R'000	2020 R'000
Reported NAV attributable to the parent		6 643 277	6 907 963
Adjustments:			
Dividend to be declared (net of 2DP and trust)		(299 714)	(289 503)
Deferred tax		(16 424)	(31 808)
SA REIT NAV	A	6 327 139	6 586 652
Shares outstanding			
Number of shares in issue at period end (net of treasury shares)		878 835	895 457
Effect of dilutive instruments (options, convertibles and equity interests)		–	–
Dilutive number of shares in issue	B	878 835	895 457
SA REIT NAV per share	A/B	7.20	7.36

ANNEXURES

for the year ended 31 December 2021

A. ADOPTION OF BEST PRACTICE RECOMMENDATIONS CONTINUED

SA REIT cost-to-income ratio		2021 R'000	2020 R'000
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)		**372 238**	501 497
Administrative expenses per IFRS income statement		**112 455**	95 769
Exclude:			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets		**(400)**	(2 524)
Rental discounts granted		**(7 758)**	(112 030)
ECL provision (COVID-19)		**–**	(15 760)
Operating costs	A	**476 535**	466 952
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)		**656 197**	705 451
Utility and operating recoveries per IFRS income statement		**233 981**	239 937
Gross rental income	B	**890 178**	945 388
SA REIT cost-to-income ratio[1]	(A/B)	**53.5%**	49.4%

[1] *Operating costs include the costs of managing the co-owned assets on behalf of a third-party, however, the management fee is not included in gross rental income above.*

SA REIT administrative cost-to-income ratio		2021 R'000	2020 R'000
Expenses			
Administrative expenses as per IFRS income statement		**112 455**	95 769
Administrative costs	A	**112 455**	95 769
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)		**656 197**	705 451
Utility and operating recoveries per IFRS income statement		**233 981**	239 937
Gross rental income	B	**890 178**	945 388
SA REIT administrative cost-to-income ratio	(A/B)	**12.6%**	10.1%

ANNEXURES

for the year ended 31 December 2021

A. ADOPTION OF BEST PRACTICE RECOMMENDATIONS CONTINUED

SA REIT GLA vacancy rate		2021	2020
Gross lettable area of vacant space	A	**59 685**	63 065
Gross lettable area of total property portfolio	B	**946 318**	946 318
SA REIT GLA vacancy rate	(A/B)	**6.3%**	6.7%

Cost of debt		2021 %	2020 %
Variable interest-rate borrowings			
Floating reference rate plus weighted average margin		**5.3%**	7.0%
Fixed interest-rate borrowings			
Weighted average fixed rate		**8.9%**	9.2%
Pre-adjusted weighted average cost of debt	A	**6.3%**	7.6%
Adjustments:			
Impact of interest rate derivatives	B	**1.9%**	1.1%
All-in weighted average cost of debt	A+B	**8.2%**	**8.7%**

SA REIT loan-to-value		2021 R'000	2020 R'000
Gross debt		**2 009 891**	1 740 891
Less:			
Cash and cash equivalents		**(102 715)**	(73 037)
Add/Less:			
Derivative financial instruments		**18 535**	60 423
Net debt	A	**1 925 711**	1 728 277
Total assets – per Statement of Financial Position		**8 929 254**	8 900 012
Less:			
Cash and cash equivalents		**(102 715)**	(73 037)
Trade and other receivables		**(355 897)**	(304 064)
Carrying amount of property-related assets	B	**8 470 643**	8 522 911
SA REIT loan-to-value ("SA REIT LTV")	A/B	**22.7%**	20.3%

ANNEXURES

for the year ended 31 December 2021

A. ADOPTION OF BEST PRACTICE RECOMMENDATIONS CONTINUED

Net initial yield		2021 R'000	2020 R'000
Investment property		**8 418 775**	8 488 987
Less:			
Properties under development		**(27 683)**	(30 074)
Grossed up property value	A	**8 391 092**	8 458 913
Property income			
Contractual cash rentals		**655 077**	660 635
Less:			
Non-recoverable property expenses		**(158 158)**	(141 282)
Add:			
Notional rental for rent-free periods, discounted rentals, stepped rentals and lease incentives		**5 189**	5 646
Annualised net rental	B	**502 108**	524 999
Net initial yield	B/A	**6.0%**	6.2%

ANNEXURES

for the year ended 31 December 2021

B. INVESTMENT PROPERTIES

Schedule of properties as at 31 December 2021

No	Property	Percentage interest in the undivided shares by L2D	Physical address and province	Main sector	Grading	December 2021 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 Regional	**3 110 502**	**425**	**48 937**	**195 941**
				– Retail				**36 137**	**144 689**
				– Office				**12 800**	**51 252**
2	Eastgate Complex	33.3	43 Bradford Road, Bedfordview, Johannesburg, Gauteng	Mixed	Super Regional	**2 110 265**	**335**	**47 735**	**143 344**
				– Retail				**44 588**	**133 894**
				– 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	**480 801**	**153**	**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	**838 761**	**226**	**26 057**	**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	**422 020**	**218**	**12 852**	**38 595**
				– Retail				**6 532**	**19 617**
				– Office				**6 320**	**18 978**

ANNEXURES

for the year ended 31 December 2021

B. INVESTMENT PROPERTIES CONTINUED

No	Property	Percentage interest in the undivided shares by L2D	Physical address and province	Main sector	Grading	December 2021 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	**583 961**	**188**	**24 440**	**73 392**
7	Botshabelo Mall	33.3	Portions 2 and 3 of Erf 1 Botshabelo-H, Free State	Retail	Community	**112 301**	**142**	**6 908**	**20 743**
8	Standard Bank Centre	16.7	5 Simmonds Street, Johannesburg, Gauteng	Office	A Grade	**153 300**	**87**	**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	**77 857**	**98**	**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	**20 347**	**75**	**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	**130 306**	**227**	**3 219**	**13 809**
12	John Ross Eco Junction Estate	33.3	Portion 16 and 17, Erf 11415, Richards Bay, KwaZulu-Natal	Specialised	Land	**27 683**	**–**	**–**	**–**
13	Sandton Convention Centre	25.0	161 Maude Street, Sandton, Gauteng	Specialised	Specialised	**49 766**	**11**	**14 463**	**57 910**
14	Virgin Active Sandton and Parkade	25.0	149 West Street, Sandton, Gauteng	Specialised	Specialised	**11 913**	**194**	**851**	**3 406**
15	Garden Court Sandton	25.0	Cnr West and Maude Street, Sandton, Gauteng	Specialised	Hotel	**116 973**	**–**	**4 435**	**17 757**
16	Sandton Sun and Intercontinental	25.0	Cnr 5th and Maude Street, Sandton, Gauteng	Specialised	Hotel	**172 019**	**–**	**8 662**	**34 682**
	Total					**8 418 775**	**250**	**227 213**	**946 318**

Hotels not included in total GLA.

Hotels operational for five months of the year and SSC for the full twelve months with restrictions imposed in certain periods.

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

ANNEXURES

for the year ended 31 December 2021

B. INVESTMENT PROPERTIES CONTINUED

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 Regional	3 105 732	447	48 937	195 941
				– Retail				36 137	144 689
				– Office				12 800	51 252
2	Eastgate Complex	33.3	43 Bradford Road, Bedfordview, Johannesburg, Gauteng	Mixed	Super Regional	2 389 292	356	47 735	143 344
				– Retail				44 588	133 894
				– 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	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	26 057	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				6 532	19 617
				– Office				6 320	18 978

ANNEXURES

for the year ended 31 December 2021

B. INVESTMENT PROPERTIES 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	25.0	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 total GLA.

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

for the year ended 31 December 2021

C. PORTFOLIO INFORMATION

Geographic profile by	Gross lettable area (m²)	Gross lettable area (%)	Gross monthly rental (R'000)
Gauteng	730 865	77.2	43 760
KwaZulu-Natal	121 318	12.8	7 535
Western Cape	73 392	7.8	4 596
Free State	20 743	2.2	983
Total	**946 318**	**100.0**	**56 874**

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

Sector composition by GLA	Gross lettable area (m²)	Gross lettable area (%)	Gross monthly rental (R'000)
Retail	512 701	54.2	48 075
Office	316 011	33.4	7 093
Specialised	117 606	12.4	1 706
Total	**946 318**	**100.0**	**56 874**

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

Tenant profile (m²)	A %	B %	C %
Retail	36	12	7
Office	21	4	6
Specialised	10	2	2
Total	**67**	**18**	**15**

Tenant category based on existing tenants at 100% ownership share.

ANNEXURES

for the year ended 31 December 2021

C. PORTFOLIO INFORMATION CONTINUED

Occupancy profile (%)	2021	2020
Total retail	96.8	95.3
Total office	86.2	87.6
Total specialised	–	–
Total	**93.7**	93.3

Lease expiry profile – gross lettable area (%)	Vacant	Monthly	2022	2023	2024	2025	2026+
Total retail	3.2	9.7	14.2	16.4	19.2	8.4	28.9
Total office	13.8	4.8	19.8	7.3	35.3	1.3	17.7
Total specialised	0.0	0.0	19.1	0.0	0.0	23.6	57.3
Total	6.3	7.6	16.4	12.6	24.3	6.4	26.4

Lease expiry profile – revenue (%)	Vacant	Monthly	2022	2023	2024	2025	2026+
Total retail		11.2	23.7	17.3	22.0	9.4	16.4
Total office		6.6	43.5	12.0	17.8	1.4	18.7
Total specialised		0.8	0.4	0.0	0.0	12.8	86.0
Total		10.2	26.5	16.1	20.9	8.1	18.2

Sector profile by	Office	Retail	Specialised	Portfolio
Weighted average rental per m² by rentable area	87	308	59	250
Weighted average rental escalation (%)	7.1	6.7	8.1	6.7

ANNEXURES

for the year ended 31 December 2021

C. PORTFOLIO INFORMATION CONTINUED

Hotels Statistics	12 months based on full capacity 2021	12 months 2020	Change %	12 months open for trade 2021	12 months 2020	Change %
Garden Court Sandton						
Number of rooms	**444**	444		**444**	444	
Occupancy (%)	**10**	14	(28.6%)	**19**	61	(68.9%)
Average room rate (R)	**708**	1 052	(32.7%)	**708**	1 052	(32.7%)
RevPar (R)	**68**	148	(54.1%)	**135**	643	(79.0%)
Intercontinental Towers Sandton						
Number of rooms	**231**	231		**231**	231	
Occupancy (%)	**0**	14	(100%)	**0**	59	(100%)
Average room rate (R)	**0**	1 868	(100%)	**0**	1 868	(100%)
RevPar (R)	**0**	256	(100%)	**0**	1 101	(100%)
Sandton Sun						
Number of rooms	**326**	326		**326**	326	
Occupancy (%)	**47**	31	51.6%	**47**	39	20.5%
Average room rate (R)	**1 357**	1 448	(6.3%)	**1 357**	1 448	(6.3%)
RevPar (R)	**639**	444	43.9%	**641**	558	14.9%

Figures applied above based on a 12-month average

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

ANNEXURES

for the year ended 31 December 2021

C. PORTFOLIO INFORMATION CONTINUED

Major tenants per property by GLA

Property	Tenants
Sandton City Shopping Centre	Woolworths, Edgars, Checkers
Sandton Office Tower	Tugendhaft Wapnick Banchet, Emirates, Nedbank, Eltel
Atrium on 5th	Mitsubishi Corporation, Woodmead Country Club, Empire Technology
Eastgate Shopping Centre	Woolworths, Checkers, Edgars, Mega Mica
Melrose Arch Retail	Woolworths, @Home, Istanbul Kebab, Arch Cycles, Clicks
Melrose Arch Office	Worley Parsons, Vat IT, Stanlib
Liberty Midlands Mall	Woolworths, Game, Pick n Pay, Edgars
Lifestyle Centre	Checkers, Planet Fitness, The Hub, @Home, Coricraft/Volpes
Nelson Mandela Square Retail	Marco Polo Lounge, 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, Woolworths
Botshabelo Mall	Checkers, Pick 'n Pay, Cashbuild
Standard Bank	Standard Bank
Liberty Centre Head Office (Umhlanga Ridge)	Liberty, Regus, Affinity Solutions, Ison BPO, CXP House
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 Specialised	Fire and Ice Hotel, African Pride Hotel, Bentley, Moove, Virgin Active

Top tenants by gross rent

Tenant
Woolworths Group
The Foschini Group
Retailability
The Power of Trading
Truworths Group
Pepkor
Mr Price Group
Shoprite Checkers
The Standard Bank of SA
Firtsrand Bank Limited

ANNEXURES

for the year ended 31 December 2021

D. ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2021

	Number of shareholdings	Percentage of total shareholdings	Number of shares	Percentage of issued capital
Shareholder spread				
1 – 1 000	1542	61.0%	182 938	0.0%
1 001 – 10 000	473	18.7%	2 192 751	0.3%
10 001 – 100 000	278	11.0%	10 271 160	1.1%
100 001 – 1 000 000	177	7.0%	56 353 888	6.2%
Over 1 000 000	58	2.3%	839 442 597	92.4%
Total	**2528**	**100.0%**	**908 443 334**	**100.0%**
Distribution of shareholders				
Assurance Companies	6	0.2%	449 055 601	49.5%
Close Corporation	15	0.6%	452 908	0.0%
Collateral Accounts	1	0.0%	40 936	0.0%
Collective Investment Schemes	137	5.4%	307 557 421	33.9%
Foundations and Charitable Funds	22	0.9%	7 430 832	0.8%
Hedge Funds	1	0.0%	322 486	0.0%
Insurance Companies	18	0.7%	3 676 303	0.4%
Investment Partnerships	16	0.6%	238 304	0.0%
Medical Aid Funds	13	0.5%	5 640 709	0.6%
Private Companies	41	1.6%	17 946 259	2.0%
Retail Shareholders	2039	80.9%	8 053 325	0.9%
Retirement Benefit Funds	122	4.8%	84 128 676	9.3%
Scrip Lending	4	0.2%	1 217 248	0.1%
Share Schemes	1	0.0%	13 235 261	1.5%
Stockbrokers and Nominees	18	0.7%	5 442 924	0.6%
Trusts	74	2.9%	4 004 141	0.4%
Total	**2 528**	**100.0%**	**908 443 334**	**100.0%**
Shareholder type				
Non-public shareholders	**8**	**0.3%**	**561 642 634**	**61.9%**
Directors and Associates	3	0.1%	469 651	0.1%
Beneficial holders >10% – Liberty Group	3	0.1%	531 564 703	58.5%
Share Schemes	1	–	13 235 261	1.5%
Subsidiary	1	–	16 373 019	1.8%
Public Shareholders	**2520**	**99.7%**	**346 800 700**	**38.1%**
Total	**2 528**	**100.0%**	**908 443 334**	**100.0%**

ANNEXURES

for the year ended 31 December 2021

D. ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2021 CONTINUED

	Number of shares	Percentage of issued capital
Fund managers with a holding greater than 3% of the issued shares		
Stanlib Asset Management	525 860 720	57.9%
Coronation Fund Managers	207 456 699	22.8%
Total	**733 317 419**	**80.7%**
Beneficial shareholders with a holding greater than 3% of the issued shares		
Liberty Group	531 564 703	58.5%
Coronation Fund Managers	144 822 309	15.9%
Total	**676 387 012**	**74.4%**

Total number of shareholdings	2 528
Total number of shares in issue	908 443 334
Share price performance	
Opening Price 04 January 2021	R 4.25
Closing Price 31 December 2021	R 4.75
Closing high for period	R 5.22
Closing low for period	R 3.55
Number of shares in issue	908 443 334
Volume traded during period	220 912 855
Ratio of volume traded to shares issued (%)	24%
Rand value traded during the period	R 957 612 535
Price/earnings ratio as at 31 December 2021	16.4
Earnings yield as at 31 December 2021	6.1
Dividend yield as at 31 December 2021[1]	6.8
Market capitalisation at 31 December 2021	R 4 315 105 837

1 *Historical dividend yield calculated on the 2020 full year distribution.*

ANNEXURES

for the year ended 31 December 2021

D. ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2021 CONTINUED

Non-public breakdown 31 December 2021 **908 443 334**

Directors of the company or any of its subsidiaries	Count	Holding	%
Beneficial holders >10%			
Liberty Group	1	531 564 703	58.5%
	1	531 564 703	58.5%
Share Schemes			
L2D Restricted Share Plan Trust	1	13 235 261	1.5%
	1	13 235 261	1.5%
Subsidiary			
2 Degrees Properties (Pty) Ltd	1	16 373 019	1.8%
	1	16 373 019	1.8%

Directors and officers	Count	Direct	%	Count	Indirect	%	Total Holdings	Total %
Amelia Beattie	1	279 668	0.0%	0	–	0.0%	279 668	0.0%
José Snyders	1	157 178	0.0%	0	–	0.0%	157 178	0.0%
Benjamin Swanepoel (Company Secretary)	1	32 805	0.0%	0	–	0.0%	32 805	0.0%
	3	469 651	0.1%	0	–	0.0%	469 651	0.1%

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
www.liberty2degrees.co.za
(Postnet Suite 202, Private Bag X9, Benmore, 2010)

Auditors

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

Sponsor – 31 December 2021

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

Sponsor – effective 1 January 2022

Merchantec Capital
(Registration number 2008/027362/07)
13th Floor, Illovo Point, 68 Melville Rd, Illovo,
Sandton, 2196
(PO Box 41480, Craighall, 2024)
Tel: 011 325 6363