LIBERTY two°degrees

SUMMARISED GROUP RESULTS

for the year ended 31 December 2022

SUSTAINABLE SPACES Creating smart, good, interactive and safe spaces

SUSTAINABLE SPACES

Experiential spaces that benefit generations today and for tomorrow.

2022

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HIGHLIGHTS

100% distribution pay-out of 36.47 cents per share with distribution growth of 6.95%

DISTRIBUTION REDUCED BY CIRCA 2 CENTS PER SHARE AS A RESULT OF UNSUCCESSFUL OUTCOME OF SANDTON CITY RATES APPEAL

- **Retail turnover up 21.9% on FY21** (18.3% vs FY19)
- **Portfolio footcount up 24.9% on FY21** (9.9% vs FY19)
- **Retail occupancy increased to 97.9%**
- **Retail reversion improved to -9.7%** (FY21: -26.0%)

Notable recovery in average hotel occupancies

- **STRONG BALANCE SHEET WITH LOAN-TO-VALUE** of 24.42%
- **DEBT AND HEDGE DURATION HAS INCREASED** to 3.42 and 3.25 years, respectively

Net asset value per share decreased marginally by 0.64% to R7.51

COMMENTARY

PROFILE

Liberty Two Degrees Limited (L2D) is listed on the Johannesburg Stock Exchange (JSE) with a market capitalisation of R4.3 billion at 31 December 2022 (31 December 2021: R4.3 billion). The L2D Group includes 2 Degrees Properties Proprietary Limited (the operating subsidiary), STANLIB REIT Fund Managers (RF) Proprietary Limited ("SRFM", the previous management company) and Liberty Two Degrees Restricted Share Plan Trust (Trust).

OVERVIEW

L2D continued a strong recovery in its operational and financial metrics during 2022. The year saw South Africa, in line with the rest of the world, lifting the last of its Covid-19 restrictions buoying consumer confidence, travel and tourism and general sentiment which supported the positive momentum in performance.

L2D's operational metrics have shown good growth in 2022 with the Portfolio's turnover and footcount exceeding 2019 (pre-Covid) levels. The Portfolio generated a 21.9% increase in turnover compared to 2021 (18.3% vs 2019) and recorded a 24.9% growth in footcount compared to 2021 (9.9% vs 2019). Higher demand for retail space resulted in improved retail occupancy rates and positive leasing outcomes, providing an enhanced customer experience. Although the office recovery has been muted the office Portfolio occupancy rate has improved on a like-for-like basis. Portfolio reversions, while still negative, have improved considerably to -10.4% from -25.9% in the prior period.

Net property income, excluding the impact of lease straight lining, grew by 7.3% over the period supported by the core retail portfolio and a recovery in the hospitality assets. However, the continued double digit increases in administered municipal and utility costs, coupled with increased periods of loadshedding, prevailed in 2022 and, remain a concern. Additionally, notification was received post year end that the Sandton City Complex rates appeal has been unsuccessful. Consequently, provision for the arrear rates and interest has been made resulting in a net impact of approximately 2 cents per share on the distribution per share for the financial year ended 31 December 2022.

Supported by a strong balance sheet, we are pleased to report another 100% full year distribution pay-out for the 2022 annual period of 36.47 cents per share which is an increase of 6.95% over the prior period.

RETAIL TRADING PERFORMANCE

Turnover across L2D's retail portfolio was 21.9% higher than the comparative period and 18.3% higher than 2019. Trading gained momentum as the year progressed, with turnover in Q4 up 21.0% on Q4 2019. The portfolio experienced an exceptional December trading period, with Sandton City in particular generating R1.25 billion in turnover.

Turnover growth	**Q1 2022 vs 2019**	**Q2 2022 vs 2019**	**Q3 2022 vs 2019**	**Q4 2022 vs 2019**	**2022 vs 2019**	**2022 vs 2021**
Sandton City	29.4%	33.1%	**37.0%**	**35.9%**	**34.1%**	**27.7%**
Eastgate	(5.6%)	2.6%	**0.5%**	**7.6%**	**1.8%**	**15.6%**
Nelson Mandela Square	(7.8%)	(6.1%)	**7.9%**	**9.1%**	**1.0%**	**44.6%**
Midlands Mall	21.9%	25.5%	**18.3%**	**20.6%**	**21.5%**	**14.3%**
Midlands Lifestyle Centre	63.2%	80.8%	**57.6%**	**46.8%**	**61.1%**	**21.3%**
Promenade	(4.0%)	0.2%	**-1.0%**	**3.3%**	**0.0%**	**11.2%**
Botshabelo Mall	40.6%	36.3%	**28.4%**	**27.0%**	**32.2%**	**9.4%**
Total portfolio (excl. MA)	**14.2%**	**19.2%**	**19.5%**	**21.3%**	**18.8%**	**21.1%**
Melrose Arch (MA)	1.9%	1.7%	**14.9%**	**15.1%**	**8.6%**	**42.3%**
Portfolio full	**13.6%**	**18.4%**	**19.3%**	**21.0%**	**18.3%**	**21.9%**

OCCUPANCY AND LEASING PERFORMANCE

The Portfolio occupancy level improved to 93.5% in December 2022 with demand for both retail and office space increasing. Pleasingly, retail occupancy improved to 97.9% (June 2022: 97.2%, December 2021: 96.8%).

While L2D's office portfolio represents only 26.1% of total portfolio GLA and therefore carries less weighting on the overall vacancy, we remain focused on office leasing with various strategic measures in place. The decline in the office occupancy to 80% at December 2022 (vs. June 2022 83.3%), was due to the sale of the fully let Standard Bank building. The occupancy level in the office portfolio, on a like-for-like basis, has improved since June 2022 due to increased leasing in Sandton Office Tower, Atrium on 5th and Nelson Mandela Square offices.

Demand for retail space in the L2D portfolio remains strong. We concluded 344 leases (renewals and new deals) over the full year 2022, equating to 84 443m², composed of retail of 53 132m² and office of 31 311m².

Leasing initiatives over the last three years have resulted in rentals reset downwards to more sustainable levels. However, the Portfolio has made positive strides improving the reversion trend over the 2022 financial year. Rental reversions across the Portfolio were -10.4%, with retail renewals -9.7% and offices -25.5% which is a significant improvement to the negative reversions achieved in 2021 (portfolio -25.9%, retail -26.0%, office: -24.8%).

COMMENTARY CONTINUED

Leasing update: December 2022	GLA composition to portfolio	Occupancy (%) Dec 22	Jun 22	Dec 21	Jun 21
Retail	60.1%	97.9%	97.2%	96.8%	96.7%
Office	26.1%	80.0%	83.3%	86.2%	86.6%
Specialised	13.8%	100.0%	100.0%	100.0%	100.0%
Portfolio	**100.0%**	**93.5%**	**92.9%**	**93.7%**	**93.7%**

FINANCIAL PERFORMANCE

	FY22 Contribution to NPI (R'm)	% Change in NPI FY 22 vs FY 21	% Change in NPI FY 22 vs FY 19
Retail	**470.4**	**0.3%**	**(18%)**
Offices	**24.9**	**(16%)**	**(35%)**
Hospitality	**33.1**	**544%**	**(42%)**
Other	**40.2**	**4%**	**(20%)**
Total NPI[1]	**568.6**	**7.3%**	**(21%)**

[1] *Total NPI excluding the adjustment for straight-lining of operating lease income.*

Net property income, excluding lease straight-lining, increased by 7.3% to R568.6 million compared to the prior year, supported by lease income escalations and improved activity in the retail portfolio and hospitality assets. Included herein, utility costs increased due to higher consumption which was compounded by the increased cost associated with load shedding, municipal tariff hikes and provisions raised in respect of ongoing objections to municipal rates valuations. The increase in utility costs was partly negated by improved recoveries over the financial year. The hospitality sector has continued to show signs of recovery with increased occupancies at the Sandton Sun, Sandton Towers and Garden Court hotels. Net revenue from these assets was up R30.7 million from the prior year. Head Office operating costs were 7.9% higher than the comparative 2021 year, primarily driven by a combination of inflationary adjustments to the cost base, early retirements and depreciation upon completion of our office fit-out, with the benefit of the reversal of share based incentive payments for shares due to vest in 2023 but forfeited as performance conditions will not be met.

Net interest expense increased by 12.13%, largely driven by refinanced debt at higher interest rates for longer duration in the debt maturity and interest hedging profile. Fair value adjustments on investment properties of R106 million, partially offset by a positive R18.9 million mark to market on the interest rate hedges are reflected in profit before tax. The taxation expense of R5.5 million resulted from temporary differences on the deferred tax asset unwinding.

Subsequent to year end, notification was received that L2D's appeal to the Valuations Appeal Board (VAB), in respect of the latest municipal valuation for Sandton City Complex, was unsuccessful. Whilst still reviewing the detail of the decision and considering what further steps are required we have made the appropriate adjustments to provide both for the arrear rates and interest due to the City of Johannesburg based on the VAB outcome. The net impact thereof on the financial year ended 31 December 2022 equates to approximately 2 cents in distribution per share.

BALANCE SHEET AND PORTFOLIO VALUATION

The balance sheet remains robust. The loan to value (LTV) is 24.42% (2021: 23.87%), and interest cover ratio is healthy at 2.95 times, both well within banking covenant requirements. R850 million of term debt which expired in the second half of the year was refinanced and 80.27% of interest rate exposure is hedged. As at 31 December 2022, the average cost of debt is 9.23% with total unutilised bank facilities available of R339 million.

L2D's property portfolio was valued at R8.2 billion as at 31 December 2022, a marginal 0.33% increase on the June 2022 valuation and a 0.39% decrease on the December 2021 valuation (on a like-for-like basis). Values are based on independent third-party property valuations as at 31 December 2022, which is in line with L2D's policy to have external independent valuations performed at both the interim and final reporting date.

COMMENTARY CONTINUED

PROSPECTS

South Africa's economic prospects in 2023 remain challenged by several headwinds. High levels of inflation, rising interest rates, and high levels of unemployment weigh on disposable incomes. The inability of Eskom to provide consistent and adequate supply of electricity compounds the country's weak economic outlook and limited growth prospects.

Notwithstanding this challenging macro-economic environment, we remain steadfast in executing initiatives in support of our strategic value drivers. We have the benefit of world class retail assets that have shown resilience and which remain in high demand amongst our tenants and shoppers. Our strategy includes a focused drive on cost containment, extracting value from efficiencies and considered capital allocation, including investment in renewable energy, modernising our Heating, Ventilation and Airconditioning ("HVAC") systems and utilising rain water harvesting to defray continued excessive increases in utility costs. Improving on the muted office performance and recovery in the hospitality sector remains a focus. Overall, we believe the portfolio rentals and cost of operations for tenants in our portfolio have rebased to more sustainable levels boding well for rental growth in lease negotiations going forward. However, we continue to expect a lag between the improving operational metrics translating into rental income due to the contractual nature of leases and timing of renewals.

Given the level of uncertainty in our operating environment, providing distribution guidance remains difficult and needs to be considered in this context. Our guidance is reliant on the following key assumptions: forecasted net property income is based on contractual rental escalations and market-related renewals, appropriate allowance for vacancies have been included in the forecast and that no major tenant failures will occur.

Based on our current forecasts, and assuming that the board of directors of L2D (Board) continues to approve a 100% distribution pay-out ratio, we expect the 2023 full year distribution to be between 0% and 8% up on the prior year amount. This is dependent on no further significant negative changes in the intensity of loadshedding, cost of diesel or the municipal rates valuations of the portfolio. The forecast or any forward-looking statements have not been reviewed or reported on by L2D's external auditors.

SIGNIFICANT JUDGEMENTS APPLIED

Valuations and changes in fair value

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

Expected credit loss

The expected credit loss (ECL) model methodology has remained unchanged from 2021 with the assumptions used for modelling having been updated for the current environment. The default percentages have increased due to the recategorisation of tenants to the high risk category, which contains higher default rate percentages. The assumptions used have considered the current operating environment and our view of the sustainability of the tenants operations. The ECL provision has consequently decreased to R13.1 million (31 December 2021: R34.8 million).

In terms of IFRS 9, a prospective ECL provision is calculated by applying a pre-determined default percentage to the standard tenant arrear ageing buckets of current, 30 days, 60 days, 90 days and 120 plus days at a reporting period. The base line default percentage (historical loss rate) is derived from historical tenant arrear default trends. The historical data of November 2020 to October 2022 (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 an increase in interest rates forecasted for the period under review. The forecasted slower growth in the inflation rate, together with improved tenant performance assisted in reducing the impact of the economic growth and interest rate factors. The economic factor adjustment has improved slightly in comparison to the prior year due to the less punitive GDP growth factor and no forecast of decline in retail sales.

L2D is satisfied with the ECL provision raised with 48.7% of our tenant arrears of R26.7 million provided for in the current year.

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 22.73% (31 December 2021: 23.87%) of the value of its property portfolio. Using the SA REIT methodology, the average cost of debt (all Rand-denominated) is 8.5% (31 December 2021: 8.2%), with interest rates hedged through fixed rate contracts on 80.3% (31 December 2021: 75.8%) of borrowings for an average period of 3.25 years (31 December 2021: 2.09 years). We successfully completed the process of refinancing the term debt that expired on 31 October 2022 for a further 5 years. Post the refinance our term debt facilities will have an average maturity of 3.42 years (31 December 2021: 1.64 years).

COMMENTARY CONTINUED

L2D'S COVENANT COMPLIANCE

	31 December 2022	31 December 2021	Covenant
Loan to value	**24.42%**	23.87%	40%
Interest cover ratio	**2.95x**	3.09x	1.9x

An unutilised revolving credit facility of R200 million is in place as at 31 December 2022. A further R31 million is available to draw on another revolving credit facility which brings the total unutilised revolving credit facilities to R231 million at 31 December 2022. Our modelling of the forecasted cashflow for the business indicates 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 its commitments as they fall due.

DEBT MATURITY PROFILE

	TERM DEBT EXPOSURE	
Maturity periods	Loan amount (Rand)	Expiry
Less than one year	**500 000 000**	**31 October 2023**
Less than four years	**600 000 000**	**31 October 2026**
Less than five years	**741 945 151**	**31 October 2027**
Total	**1 841 945 151**	

	FIXED RATE EXPOSURE	
Counter party	Fixed rate amount (Rand)	Expiry date
Absa Bank	**728 500 000**	**3 November 2025**
Absa Bank	**200 000 000**	**31 October 2024**
Standard Bank	**300 000 000**	**31 October 2026**
Standard Bank	**250 000 000**	**31 October 2027**
Total	**1 478 500 000**	

COMMITMENTS

Capital commitments outstanding amount to R436.3 million (31 December 2021: R299.9 million) and relate to the potential acquisition of One on Whitely for R128.2 million, sustainability capital expenditure of R180.2 million and operational capital expenditure of R127.9 million.

GOING CONCERN

Management have assessed L2D's ability to continue as a going concern. The assessment includes solvency and liquidity tests which include a forecast of debt covenants such as the loan-to-value and interest cover ratios. The liquidity tests consider expected cash flows in the next 12 months, including cash flow relating to funding and capital expenditure.

As at 31 December 2022, L2D had a net asset value of R7.51 per share and a stable liquidity position.

In addition to considering factors specific to L2D, management remain cautious given the weak economic outlook for the South African economy, high inflation environment with rising interest rates which are compounded by instability in electrical supply. Despite these headwinds, we are of the view that the business has sufficient balance sheet capacity and liquidity to ensure the sustainability of our business.

PROPERTY PORTFOLIO

The portfolio occupancy rate marginally decreased during the period to 93.5% (31 December 2021: 93.7%). Encouragingly, retail occupancy increased to 97.9% (31 December 2021: 96.8%), however, office occupancy decreased to 80% (31 December 2021: 86.2%) following the disposal of the Standard Bank Centre property.

Leases covering 44 766m² (stated at 100% of asset GLA) (31 December 2021: 120 677 m²) were renewed during the year ended 31 December 2022 at an overall reversion rate of -10.4% (31 December 2021: -25.9%). The improvement in reversions were supported by improved trading densities, most notably at our super regional centres whilst improving occupancy. A further 39 677m² (stated at 100% of asset GLA) (31 December 2021: 26 830m²) in new tenant lease agreements were concluded across the portfolio during the period. Renewals and new leases translate to R30.4 million in value.

COMMENTARY CONTINUED

Geographical profile	Gross lettable area (m²)	Gross lettable area (%)
Gauteng	638 076	74.8
KwaZulu-Natal	121 319	14.2
Western Cape	73 392	8.6
Free State	20 743	2.4
Total	**853 530**	**100.0**

Sector composition by GLA	Gross lettable area (m²)[1]	Gross lettable area (%)
Retail	512 701	60.1
Office	223 223	26.1
Specialised	117 606	13.8
Total	**853 530**	**100.0**

[1] *Gross lettable area is at 100% ownership share.*

Occupancy rate (%)	December 2022	December 2021
Total retail	97.9	96.8
Total office	80.0	86.2
Total specialised	100.0	100.0
Total portfolio occupancy rate	**93.5**	**93.7**

Lease expiry rate – gross lettable area (%)	Vacant	Monthly	2023	2024	2025	2026	2027+
Total retail	2.1	8.5	19.6	19.7	13.2	14.8	22.1
Total office	20.0	14.1	14.2	9.6	9.0	7.9	25.3
Total specialised	–	5.1	3.6	–	10.9	2.7	77.7
Total portfolio lease expiry rate	**6.5**	**9.3**	**16.0**	**14.4**	**11.9**	**11.4**	**30.6**

TRADE RECEIVABLES

Gross arrears after rental relief discounts decreased to R26.7 million (31 December 2021: R66.4 million). The impairment allowance on trade receivables decreased year on year to R13 million (31 December 2021: R34.8 million), largely as a result of a combination of an improvement in default provision rates (supported by improved collection rates) and lower gross debtors.

DECLARATION OF A CASH DISTRIBUTION

The Board has approved, and notice is hereby given, of a distribution of 18.99 cents per share for the six months ended 31 December 2022 (the distribution). In addition to the interim distribution of 17.48 cents per share, the full year distribution for 2022 amounts to 36.47 cents per share.

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

	2023
Last date to trade *cum* dividend	Tuesday, 14 March
Shares trade *ex* dividend	Wednesday, 15 March
Record date	Friday, 17 March
Payment date	Monday, 20 March

L2D uses distribution per share as a relevant measure of financial performance. Share certificates may not be dematerialised or rematerialised between Wednesday, 15 March 2023 and Friday, 17 March 2023, both days inclusive. Payment of the distribution will be made to shareholders on Monday, 20 March 2023. In respect of dematerialised shares, the distribution will be transferred to the Central Securities Depository Participant (CSDP) accounts/broker accounts on Monday, 20 March 2023. Certificated shareholders' dividend payments will be posted on or about Monday, 20 March 2023.

COMMENTARY CONTINUED

Shares in issue at the date of declaration of this distribution: 908 443 334, inclusive of 38 744 477 treasury shares.

L2D's income tax reference number: 9178869237.

In accordance with L2D's status as a REIT, shareholders are advised that the distribution meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 (Income Tax Act).

The distribution on the shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act. The distribution received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a distribution distributed by a REIT. This distribution is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders provide the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

- a declaration that the distribution is exempt from dividends tax; and
- a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner ceases to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the Company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

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

Assuming dividend withholding tax will be withheld at a rate of 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the shareholder, the net dividend amount due to non-resident shareholders is 15.19200 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

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

Any forecast or forward-looking statements have not been reviewed or audited by L2D's external auditors.

CHANGES IN BOARD AND BOARD SUB-COMMITTEES

Angus Band, the outgoing Chairman of the Board, retired on 1 March 2022. Nick Criticos was appointed Chairman of the Board from 1 March 2022 and replaced Angus on the following Committees:

- Chairman of the Nomination Committee;
- Member of the Remuneration Committee; and
- Member of the Social, Ethics and Transformation Committee.

Dr Puleng Makhoalibe resigned as an independent non-executive director with effect from 11 August 2022.

Ms Nonhlanhla Mayisela, Ms Itumeleng Dlamini and Ms Philisiwe Mthethwa were appointed as independent non-executive directors, all with effect from 24 November 2022.

Events after reporting date

In line with IAS 10 Events after Reporting period, the declaration of the final dividend of 18.99 cents per share for the year ended 31 December 2022 occurred after the end of the reporting period, resulting in a non-adjusting event which is not recognised in these consolidated annual financial statements.

A subsequent event occurred after the end of the reporting period, on 15 February 2023, when we received notification that L2D's appeal to the Valuations Appeal Board, in respect of the latest municipal valuation for Sandton City, was unsuccessful. We have accordingly made the appropriate adjustments to both provide for the arrear rates and interest due to the City of Johannesburg as well as to raise a receivable for our best estimate of the amount recoverable from tenants.

COMMENTARY CONTINUED

The following changes in directors' functions were made after the Reporting Period:

- José Snyders, the current Financial Director, has been promoted to Chief Commercial Officer with effect from 1 March 2023. In his new role, José will focus on value creation by maximising income streams, leading strategic commercial negotiations and managing large capital projects and investment transactions. He will continue to serve as an executive director.
- Barbara Makhubedu has been appointed as the Chief Financial Officer and will serve as an executive director with effect from 1 March 2023. Barbara is a Chartered Accountant with over 20 years of experience in finance, audit, treasury, tax, acquisitions, and divestments in various sectors in the listed environment. Barbara will step down as the Lead Independent Director with immediate effect.
- Peter Nelson has been appointed as the new Lead Independent Director with immediate effect. He has served on the boards and committees of companies across various sectors in the listed, unlisted, and private equity environments. Peter was appointed to the L2D Board as an independent non-executive director in May 2020.

Further to the above, the following changes have been made to the Board committees with immediate effect:

- Barbara Makhubedu has stepped down from all the committees on which she served, being the Audit and Risk, Related Party and Nomination and Remuneration Committees.
- Lynette Ntuli has stepped down from the Nomination and Remuneration Committees.
- David Munro has stepped down from the Nominations Committee.
- Philisiwe Mthethwa has been appointed as a member of the Audit and Risk Committee.
- Nonhlanhla Mayisela and Tumi Dlamini have been appointed as members of the Social, Ethics and Transformation Committee.
- Tumi Dlamini has been appointed as a member of the Related Party Committee.

BASIS OF PREPARATION

The summarised consolidated annual financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 annual Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act (Act 71 of 2008), as amended and the JSE Listings Requirements. The accounting policies applied in the preparation of the summarised consolidated annual financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous summarised consolidated annual financial statements except where new standards have been introduced as disclosed in the notes. José Snyders CA(SA), the Financial Director, was responsible for supervising the preparation of the summarised consolidated annual financial statements.

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

On behalf of the Board

Nick Criticos	**Amelia Beattie**	**José Snyders**
Chairman	*Chief Executive*	*Financial Director*

27 February 2023

SUMMARY STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

		GROUP	
R'000	Notes	2022	2021
Assets			
Non-current assets		**8 255 539**	8 294 634
Investment properties	4	**8 205 855**	8 237 792
Investment properties under development	4	**27 706**	27 683
Property plant and equipment		**9 428**	10 591
IFRS 16 – lease asset		**1 640**	2 144
Deferred tax asset		**10 910**	16 424
Current assets		**548 899**	481 320
Trade and other receivables[1]		**235 355**	256 789
Amount due from group companies		**126 617**	99 108
Financial assets held at fair value through profit or loss		**47 422**	22 075
Current taxation receivable		**–**	633
Cash and cash equivalents		**139 135**	102 715
Financial instruments[3]		**369**	–
Non-current asset held for sale		**–**	153 300
Total assets		**8 804 437**	8 929 254
Equity			
Stated capital		**8 780 921**	8 780 921
Treasury shares		**(198 205)**	(158 065)
Retained surplus		**189 283**	175 465
Share-based payment reserve		**34 766**	31 077
Mergers/capital reserve		**(426 104)**	(426 104)
Non-distributable reserve		**(1 847 610)**	(1 760 017)
Total equity		**6 533 051**	6 643 277

SUMMARY STATEMENT OF FINANCIAL POSITION CONTINUED

as at 31 December 2022

		GROUP	
R'000	Notes	**2022**	2021
Liabilities			
Non-current liabilities		**1 343 179**	1 161 709
Financial liabilities		**1 341 945**	1 160 000
IFRS 16 – lease liability		**1 234**	1 709
Current liabilities		**928 207**	1 124 268
Trade and other payables		**204 580**	207 229
IFRS 16 – lease liability		**590**	541
Employee benefits		**24 863**	22 710
Amount due to group companies		**81**	528
Current taxation payable		**32**	–
Financial instruments		**–**	18 535
Financial liabilities[(2)]		**698 061**	874 725
Total liabilities		**2 271 386**	2 285 977
Total equity and liabilities		**8 804 437**	8 929 254

(1) *Trade and other receivables includes tenant arrears amounting to R26.7 million (31 December 2021: R66.4 million).*
(2) *R500 million of term due to expire is included under current liabilities (31 December 2021: R849 million).*
(3) *Positive fair value adjustments on the interest rate swap amounted to R369 thousand (31 December 2021: -R18.5 million).*

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

		GROUP	
R'000	Notes	**2022**	2021
Property portfolio revenue		**974 044**	888 240
Rental and related income		**988 586**	902 304
Adjustment for the straight-lining of operating lease income		**(14 542)**	(14 064)
Property operating expenses		**(448 830)**	(387 219)
Change in expected credit losses on property debtors and rental relief [1]		**28 863**	14 981
Net property income		**554 077**	516 002
Asset management fee income		**50 372**	51 336
Development fee income		**3 099**	1 921
Total net property income and revenue		**607 548**	569 259
Other Income		**2 073**	2 412
Operating costs		**(121 288)**	(112 455)
Profit from operations excluding fair value adjustments		**488 333**	459 216
Interest expense		**(172 036)**	(151 181)
Interest received		**5 989**	3 096
Profit before fair value adjustments		**322 286**	311 131
Net fair value adjustments		**(73 051)**	(52 521)
Fair value adjustments on investment properties		**(106 497)**	(108 473)
Fair value adjustment on derivatives		**18 904**	41 888
Adjustment for the straight-lining of operating lease income		**14 542**	14 064
Profit before taxation		**249 235**	258 610
Taxation		**(5 498)**	(15 384)
Total comprehensive income		**243 737**	243 226
Basic earnings per share (cents)		**27.99**	27.40
Fully diluted earnings per share (cents)		**27.99**	27.40

(1) *R7.1 million relates to rental relief granted to tenants and is not subject to any enforcement activity (31 December 2021: R7.8 million).*

SUMMARY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	GROUP						
R'000	Capital	Treasury shares	Share-based payment reserve	Non-distributable reserve	Retained surplus	Mergers/ capital reserve	Total
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	–	(77 356)	–	–	–	–	(77 356)
Share-based payment transaction	–	–	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 1 January 2022	8 780 921	(158 065)	31 077	(1 760 017)	175 465	(426 104)	6 643 277
Total comprehensive income	**–**	**–**	**–**	**–**	**243 737**	**–**	**243 737**
Treasury shares movement	**–**	**(40 140)**	**–**	**–**	**–**	**–**	**(40 140)**
Share-based payment transaction	**–**	**–**	**3 689**	**–**	**–**	**–**	**3 689**
Fair value adjustment on investment properties transferred to non-distributable reserve	**–**	**–**	**–**	**(106 497)**	**106 497**	**–**	**–**
Fair value adjustment on derivatives	**–**	**–**	**–**	**18 904**	**(18 904)**	**–**	**–**
Distribution to shareholders	**–**	**–**	**–**	**–**	**(317 512)**	**–**	**(317 512)**
Balance at 31 December 2022	**8 780 921**	**(198 205)**	**34 766**	**(1 847 610)**	**189 283**	**(426 104)**	**6 533 051**

SUMMARY STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

		GROUP	
R'000	Notes	2022	2021
Cash flows from operating activities		**36 804**	(80 050)
Cash generated from operations		**510 430**	500 624
Interest received		**5 989**	3 097
Interest paid		**(162 646)**	(148 230)
Interest paid – lease liability repayments		**(136)**	(120)
Taxation received		**679**	–
Distribution to shareholders		**(317 512)**	(435 421)
Cash flows from investing activities		**39 128**	(81 643)
Expenditure on investment properties capitalised		**(90 078)**	(50 440)
Disposal of investment properties		**153 300**	–
Acquisition of property plant and equipment		**(1 066)**	(9 896)
Investment in financial instruments – mutual funds		**(312 272)**	(362 540)
Proceeds from disposal of financial instruments – mutual funds		**289 244**	341 233
Cash flows from financing activities		**(39 512)**	191 371
Treasury shares acquired		**(50 455)**	(96 843)
Treasury shares sold and vested		**10 315**	19 487
Lease liability repayments		**(426)**	(273)
Loan paid		**(107 946)**	(169 000)
Loans received		**109 000**	438 000
Net (decrease)/increase in cash and cash equivalents		**36 420**	29 678
Cash and cash equivalents at the beginning of the year		**102 715**	73 037
Cash and cash equivalents at the end of the period		**139 135**	102 715

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. KEY JUDGEMENTS

1.1 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.

1.2 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.

1.3 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 the investment properties note of the group consolidated annual financial statements for specific details and the fair value hierarchy for financial instruments and investment property note for the valuation techniques as well as 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 level of management judgement applied in the valuation, these assets are considered to be level 3 in the fair value hierarchy.

1.4 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, the entity changed its name to Southern Sun Hotel Interests (SSHI) in 2022, 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,

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

1. KEY JUDGEMENTS continued

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 SSHI 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. SSHI has sole use of the hotels and brand. In its capacity as principal, SSHI obtains substantially all of the economic benefits from the use of the hotels/hotel brand (being the Turnover). SSHI , as the customer pays the lessors a percentage of EBITDAR generated by the hotel operations. The fact that SSHI pays a portion of the EBITDAR to the lessors does not preclude SSHI from having the right to obtain substantially all of the economic benefits in its capacity as principal, being the turnover of the operations.

SSHI 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 SSHI 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 paragraph 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 SSHI 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);
- SSHI 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 SSHI 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.

1.5 Accounting for the temporary hotel agreement

Effective from 27 March 2020, the current lease agreement between Liberty Group Limited, 2 Degrees Properties Proprietary Limited and Pareto Limited (the Consortium) and Reshub Proprietary Limited (Reshub), a subsidiary of SSHI, 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 to 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.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

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 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 profit or loss and other comprehensive income. The fair value of the hotels is disclosed as investment property in the Statement of financial position.

The Parties have agreed that the leases will be reactivated in April 2023, after the reopening of all the hotels along with the determination that viable economic activity can be conducted at the hotel premises. Furthermore, the term of the temporary agreement dealing with the suspension of the administration fee, marketing charge, licence fee, management fee and management incentive fee, was lifted in October 2022.

1.6 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 Southern Sun Hotel Interests (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.

As a result of the transition management agreement, judgement is involved in the determination of whether the Convention Centre 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 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 day-to-day operations such as running of the Convention Centre has been outsourced to SSHI in terms of the transition 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 SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

2. HEADLINE EARNINGS PER SHARE

	GROUP	
R'000	**2022**	2021
Reconciliation between basic earnings and headline earnings		
Total earnings (basic earnings)	**243 737**	243 226
Fair value adjustment to investment properties and financial assets	**73 051**	52 521
Headline earnings	**316 788**	295 747
	Cents	**Cents**
Earnings per share		
Basic and diluted	**27.99**	27.40
Headline	**36.37**	33.32
	000's	**000's**
Actual number of shares in issue	**908 443**	908 443
Weighted average number of share in issue*	**870 931**	887 552
Diluted weighted average number of shares in issue*	**870 931**	887 552

* *Excludes 38 744 474 treasury shares as at 31 December 2022 (31 December 2021: 29 608 280).*

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 SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

3. 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 meetings:

- Retail and offices: occupancies, 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 2022

Unaudited GLA	Retail	Office****	Other*** specialised	Hotels**	Administration/ Other*	Total
Total property GLA m²	**512 701**	**223 222**	**117 606**	**–**	**–**	**853 529**
L2D's share of total GLA m²	**148 169**	**39 762**	**23 833**	**–**	**–**	**211 764**

* *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.*

**** *Change in office GLA in 2022 following the sale of Standard Bank Simmonds Street.*

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

3. SEGMENT INFORMATION continued

3.1 Segment earnings – December 2022

R'000	Retail	Office****	Other specialised***	Hotels**	Administration/ Other*	Total
Property portfolio revenue	659 654	177 022	106 104	29 356	1 908	974 044
Rental and related income	669 828	179 753	107 741	29 356	1 908	988 586
Adjustment for the straight-lining of operating lease income	(10 174)	(2 731)	(1 637)	–	–	(14 542)
Property operating expenses	(313 328)	(84 084)	(50 399)	(583)	(436)	(448 830)
Change in expected credit losses on property debtors and rental relief	20 195	5 420	3 248	–	–	28 863
Net property income	366 521	98 358	58 953	28 773	1 472	554 077
Asset management fee income	–	–	–	–	50 372	50 372
Development fee income	–	–	–	–	3 099	3 099
Total net property income and revenue	366 521	98 358	58 953	28 773	54 943	607 548
Other Income	–	–	–	–	2 073	2 073
Operating costs	–	–	–	–	(121 288)	(121 288)
Profit/(Loss) from operations excluding fair value adjustments	366 521	98 358	58 953	28 773	(64 272)	488 333
Interest expense	–	–	–	–	(172 036)	(172 036)
Interest received	–	–	–	–	5 989	5 989
Profit/(Loss) before fair value adjustments	366 521	98 358	58 953	28 773	(230 319)	322 286
Net fair value adjustments on investment properties	(111 554)	(29 935)	(17 943)	67 477	–	(91 955)
Fair value adjustments on investment properties	(121 728)	(32 666)	(19 580)	67 477	–	(106 497)
Adjustment for the straight-lining of operating lease income	10 174	2 731	1 637	–	–	14 542
Fair value adjustment on derivatives	–	–	–	–	18 904	18 904
Profit/(Loss) before taxation	254 967	68 423	41 010	96 250	(211 415)	249 235
Taxation	–	–	–	–	(5 498)	(5 498)
Total comprehensive income/(loss)	254 967	68 423	41 010	96 250	(216 913)	243 737

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

3. SEGMENT INFORMATION continued

3.2 Segment assets and liabilities – December 2022

R'000	Retail	Office	Other specialised***	Hotels**	Administration/ Other*	Total
Investment property	5 508 141	1 478 145	885 981	361 296	–	8 233 563
Non-current asset held for sale****	–	–	–	–	–	–
Property plant and equipment	–	–	–	–	9 428	9 428
Amount due from group companies	–	–	–	–	126 617	126 617
Trade and other receivables	142 105	38 135	22 858	25 353	6 904	235 355
Financial assets held at fair value through profit or loss	–	–	–	–	47 422	47 422
Deferred tax asset	–	–	–	–	10 910	10 910
IFRS 16 – lease asset*****	–	–	–	–	1 640	1 640
Financial instruments					369	369
Cash and cash equivalents	–	–	–	–	139 135	139 135
Total assets	5 650 246	1 516 280	908 839	386 649	342 425	8 804 438
Trade and other payables	(122 459)	(32 862)	(19 697)	(93)	(29 469)	(204 580)
Employee benefits	–	–	–	–	(24 863)	(24 863)
IFRS 16 – lease liability*****	–	–	–	–	(1 824)	(1 824)
Amounts due to Group companies	–	–	–	–	(81)	(81)
Current taxation payable	–	–	–	–	(32)	(32)
Financial liabilities	–	–	–	–	(2 040 006)	(2 040 006)
Net assets	5 527 787	1 483 418	889 142	386 556	(1 753 850)	6 533 052

* *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 effectively transferred on 15 September 2022.*

***** *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 SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

3. SEGMENT INFORMATION continued

3.3 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 losses 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)	53 104	569 260
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)	(56 939)	459 217
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)	(205 024)	311 132
Net fair value adjustments on investment properties	(71 986)	(26 824)	(11 578)	15 979	–	(94 409)
Fair value adjustments on investment properties	(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	42 770	14 008	(163 136)	258 610
Taxation	–	–	–	–	(15 384)	(15 384)
Total comprehensive income/(loss)	265 891	99 079	42 770	14 008	(178 520)	243 226

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

3. SEGMENT INFORMATION continued

3.4 Segment assets and liabilities – December 2021

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
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
IFRS 16 – lease asset*****	–	–	–	–	2 144	2 144
Cash and cash equivalents	–	–	–	–	102 715	102 715
Total assets	5 341 599	2 134 795	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)
Amount due to group companies	–	–	–	–	(528)	(528)
Financial instruments	–	–	–	–	(18 535)	(18 535)
Financial liabilities	–	–	–	–	(2 034 725)	(2 034 725)
IFRS 16 – lease liability*****	–	–	–	–	(2 250)	(2 250)
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 SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. INVESTMENT PROPERTIES

R'000	Notes	GROUP 2022	GROUP 2021
4.1 Summary			
Investment properties	4.2	**8 205 855**	8 237 792
Fair value net of straight-lining at the beginning of the year		**8 237 792**	8 458 913
Expenditure on investment properties capitalised during the period		**74 607**	38 287
Fair value adjustment		**(106 544)**	(106 108)
Transfer to assets held for sale		**–**	(153 300)
Investment properties under development	4.3	**27 706**	27 683
Fair value at the beginning of the year		**27 683**	30 074
Expenditure on investment properties capitalised during the period		**84**	–
Fair value adjustment		**(61)**	(2 391)
Total investment properties		**8 233 562**	8 265 476
4.2 Investment properties			
Fair value of investment properties at the beginning of the year		**8 073 896**	8 277 628
Net fair value adjustment for the period		**(95 327)**	(92 007)
Fair value adjustment		**(106 544)**	(106 108)
Net movement on straight-lining of operating lease income		**11 217**	14 101
Expenditure on investment properties during the period		**74 607**	38 287
Additions – capitalised subsequent expenditure		**66 878**	40 198
Capitalised tenant installations		**9 402**	4 733
Amortisation of tenant installations		**(5 724)**	(4 737)
Capitalised letting commission		**13 713**	5 509
Amortisation of letting commission		**(9 662)**	(7 416)
Transfer to non-current assets held for sale		**–**	(150 012)
Transfer to non-current assets held for sale [1]		**–**	(153 300)
Impact of straight-lining of operating lease income on transfer of property		**–**	3 288
Investment properties at fair value		**8 053 176**	8 073 896

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. INVESTMENT PROPERTIES continued

4.2 Investment properties continued

R'000	Notes	GROUP 2022	GROUP 2021
Operating leases accrued adjustment			
Straight-lining balance at the beginning of the year		**163 896**	181 285
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		**(11 217)**	(14 101)
Straight-lining of operating lease income		**152 679**	163 896
Total investment properties		**8 205 855**	8 237 792
4.3 Investment properties under development			
Fair value of investment properties under development at the beginning of the year		**27 683**	30 074
Net fair value adjustment for the period		**(61)**	(2 391)
Fair value adjustment		**(61)**	(2 391)
Expenditure on investment properties during the period		**84**	–
Additions – capitalised subsequent expenditure		**84**	–
Total investment properties under development		**27 706**	27 683
Total investment properties		**8 233 562**	8 265 475

[1] *Standard Bank Simmonds Street was classified as a non-current asset held for sale on 30 June 2021 and the property was sold 15 September 2022. The fair value adjustment for the period is R0.1 million. This has been excluded above and included in the non-current assets held for sale note in the full set of AFS.*

Basis of valuation

Valuation process

For the December 2022 year end valuation, an external independent valuer performed the valuation process. L2D provided the valuer with the cash flows required in the valuation of the properties. Among other inputs, the independent valuer applied current market-related assumptions to risks in the rental streams of properties. Once the valuations had been completed by the independent valuer, 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 provided final approval of the valuations. The professional valuer, namely Broll Valuation is a registered valuer in terms of the Property Valuers Professional Act, No. 47 of 2000 and are RICS Registered Valuers (the prime retail portfolio was re-allocated to Broll Valuations and Advisory Services due to Jones Lang LaSalle Proprietary Limited (JLL) terminating their valuation services nationally).

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 2022 in line with the Group's valuation policy.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. INVESTMENT PROPERTIES continued

4.3 Investment properties under development continued

The independent valuer is as follows:

Broll	J Karg	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 and the hotels are valued using the profit methodology. This method accounts for the underlying fundamentals of the business using business modelling forecasting.

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 are based on current and expected future market conditions after expiry of any current lease.

Capitalisation rates are 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 Morgan Stanley Capital International (MSCI) and South African Property Owners Association (SAPOA).

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. INVESTMENT PROPERTIES continued

Unobservable inputs:

	2022					2021				
	Exit cap rate (%)	Discount rate (%)	Vacancy rate (%)	Rental growth (%)	Expense growth (%)	**Exit cap rate (%)**	**Discount rate (%)**	**Vacancy rate (%)**	**Rental growth (%)**	**Expense growth (%)**
Office (%)	**8.50**	**14.00–14.25**	**1.00**	**Staggered growth rates applied for a period of 5 years which vary per property between 1.00 and 8.00**	**Constant growth rate applied over a period of five years of 6.00**	8.50	13.25–13.50	1.00	Staggered growth rates applied for a period of 5 years which vary per property between 0 – 4.75	Staggered growth rates applied for a period of 5 years which vary per property between 5.00 - 6.00
Retail – super regional and regional (%)	**7.00–7.75**	**12.00–13.50**	**1.50–5.00**	**Staggered growth rates applied for a period of 5 years which vary per property between 4.00 and 5.50**	**Constant growth rate applied over a period of five years of 6.00**	7.00 - 7.75	10.50–11.50	0.00–5.00	Staggered growth rates applied for a period of 5 years which vary per property between (1.00) – 4.00	Staggered growth rates applied for a period of 5 years which vary per property between 5.50 - 6.00
Retail – other	**8.00–8.50**	**12.50**	**1.00–5.00**	**Staggered growth rates applied over a period of 5 years which vary per property between 4.00 – 5.50**	**Constant growth rate applied over a period of five years of 6.00**	7.75–8.25	11.75–12.00	0.00–1.50	Staggered growth rates applied for a period of 5 years which vary per property between (1.00) – 5.00	Staggered growth rates applied for a period of 5 years which vary per property between 5.50 - 6.00

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. INVESTMENT PROPERTIES continued

	2022					2021				
	Exit cap rate (%)	Discount rate (%)	Vacancy rate (%)	Rental growth (%)	Expense growth (%)	**Exit cap rate (%)**	**Discount rate (%)**	**Vacancy rate (%)**	**Rental growth (%)**	**Expense growth (%)**
Specialised:										
Virgin Active and Parkade	**10.50**	**14.5**	**-**	**Staggered growth rates applied over a period of 5 years 4.00 – 5.00**	**Constant growth rate applied over a period of five years of 6.00**	8.00	10.00	–	Staggered growth rates applied for a period of 5 years (1.00) – 4.00	Staggered growth rates applied for a period of 5 years 5.50 – 6.00
John Ross Eco Junction*	**8.75–9.50**	**14.00–14.50**	**-**	**Staggered growth rates applied over a period of 5 years 2.00 – 4.50**	**Constant growth rate applied over a period of five years of 6.00**	8.25–9.25	13.75–14.50	1.00	Staggered growth rates applied for a period of 5 years 0.00 – 4.75	Staggered growth rates applied for a period of 5 years 5.00 – 6.00
John Ross Eco Junction (land)	**–**	**14.75**	**–**	**Staggered growth rates applied for a period of 5 years which vary between 0 and 2.00**	**Constant growth rate applied over a period of five years of 6.00**	–	14.50	–	Staggered growth rates applied over a period of 5 years 0.00 – 2.5	Staggered growth rates applied for a period of 5 years 5.00 – 6.00
Hotels**	**9.25 - 10.00**	**14.25**	**–**			9.00	13.75 - 14.00	0	-	-
Sandton Convention Centre**	**10.50**	**14.50**	**–**			10.00	14.75	0	-	-

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

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

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.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. INVESTMENT PROPERTIES continued

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).

Valuation summary

Offices

Standard Bank Centre which was disposed of effective 15 September 2022 no longer falls within this category. Umhlanga Offices located in Umhlanga Ridge are the remaining properties in this category. Sandton Office Tower and Atrium on 5th have been valued together with Sandton Complex, Eastgate Office Tower has been valued with Eastgate Shopping Centre and the office component of Melrose Arch is valued with the precinct as Other.

Both Umhlanga Ridge Office Block and the Liberty Head Office Umhlanga Ridge are multi-tenanted offices. Umhlanga Ridge office block valuation has been negatively impacted by market pressure in the office sector and "work from home" trends. Despite the market pressure in the office sector the Liberty Head Office Umhlanga Ridge office was positively impacted by the higher than market related gross rental paid by Liberty.

Retail

The Retail category consists of super regional, regional, small regional and community shopping centres. Some of the properties valued within the portfolio 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 upwards due to the perceived instance of risk applied by the valuers. Further adjustment of market rental assumptions have also been applied along with increased void periods and more conservative renewal assumptions. While the current conditions present a number of challenges to the portfolio, we have observed continued improvement in the the foot count, collections and turnover growth figures, compared to the prior reporting period.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. INVESTMENT PROPERTIES continued

Super regional shopping centres

There has been a downward movement in the Sandton Complex valuations largely driven by an increase in discount rates since December 2021. The Eastgate valuation has remained flat year on year. The office component of the Sandton Complex valuation being Office Tower and Atrium on 5th have been negatively impacted by stagnant letting activity and continued pressure on achievable gross markets rentals in the office sector.

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 specifically Promenade and Midlands Mall and Lifestyle centre have been positively impacted by escalations in contracted income and improvement in trading trends positively impacting achievable rental assumptions.Nelson Mandela square has been negatively impacted by an increased discount rate applied by the valuers due to their views on the risks associated with a mixed use property.

Community shopping centre

Botshabelo Mall's positive valuation movement is as a result change in metrics used, particularly the impact of the increased discount rate from December 2021 as a result of the valuers views on the market was wholly offset by the low vacancies in the mall and healthy tenant trading.

Other

Melrose Arch Precinct has seen a decrease in the valuation as compared to December 2021. This is mainly due to high vacanies within the precinct relating to offices due to businesses reassing their need for office space. Furthermore the shift in metrics used by the valuer particularly an increased discount rate and exit capitalisation rate due to rebased future assumptions on market rentals sepcifically in the office sector has negatively impacted the valuation of the precinct.

Hotels

The Hotel valuations have seen significant positive movement due to modeled recovery of business travel as the travel industry recovers over the forecasted period. The recovery in business occupancy has been modeled conservatively in the first year with more meaningful recovery expected from 2024 onwards.

Sandton Convention Centre

The Sandton Convention Centre valuation has seen a negative movement due to an increased risk of an economic recession which has impacted the demand for conferencing space where business conferencing recovery is slower than anticipated.

Virgin Active and Parkade

The Virgin Active valuation has seen positive movement from a low base of December 2021 due to modelled recovery of activity in the Sandton Node as restrictions lift and more individuals are expected to return to the office over the next few months.

John Ross Eco Junction

The John Ross Eco Junction valuation as a whole has been negatively impacted by the downwards valuation for the motor dealership Tangawizi, whereas the Melomed valuation remained relatively flat year on year. The Tangawizi motor dealership has seen a negative downward valuation due to downward revised market rentals due to low economic activity in the node.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. INVESTMENT PROPERTIES continued

No.	Property name and % interest in the undivided shares by L2D	Physical address and province	Main sector	December 2022 valuation R'000	December 2021 valuation R'000
1	Standard Bank Centre (0%)*	5 Simmonds Street, Johannesburg, Gauteng	Office	–	153 300
2	Liberty Centre Head Office (Umhlanga Ridge) (33.3%)	21 Aurora Drive and 2 Park lane, Umhlanga Ridge, KwaZulu-Natal	Office	77 957	77 857
3	Sandton City Complex (25.0%)	5th Street, Alice Lane and Sandton Drive, Sandton, Gauteng	Retail	3 019 498	3 110 502
4	Nelson Mandela Square Complex (33.3%)	5th Street Sandton, Gauteng	Retail	417 191	422 020
5	Eastgate Complex (33.3%)	43 Bradford Road, Bedfordview, Johannesburg, Gauteng	Retail	2 116 138	2 110 265
6	Melrose Arch Complex (8.3%)	60 Atholl Oaklands Road and Melrose Blvd, Melrose North, Johannesburg, Gauteng	Retail* *(per unobservable input table)*	431 085	480 801
7	Liberty Midlands Mall (33.3%)	Sanctuary Road, Pietermaritzburg, KwaZulu-Natal	Retail	842 042	838 761
8	Liberty Promenade Shopping Centre (33.3.%)	Cnr AZ Berman Drive, Morgenster Road and 11th Avenue, Mitchells Plain, Western Cape	Retail	607 038	583 961
9	Botshabelo Mall (33.3%)	Portions 2 and 3 of ERF 1 Botshabelo-H, Free State	Retail	122 780	112 301
10	John Ross Eco-Junction Estate – Tangawizi (33.3%)	Eco-Junction Business Park, John Ross Highway, Richards Bay, KwaZulu-Natal	Specialised	19 481	20 347
11	John Ross Eco-Junction Estate – Melomed (23.3%)	John Ross Eco-Junction, Cnr N2 and MR496, John Ross Highway, KwaZulu-Natal	Specialised	130 236	130 306
12	John Ross Eco-Junction Estate (33.3%)	Portion 16 and 17, Erf 11415, Richards Bay, KwaZulu-Natal	Specialised	27 706	27 683
13	Sandton Convention Centre (25.0%)	161 Maude Street, Sandton, Gauteng	Specialised	48 228	49 766
14	Virgin Active Sandton and Parkade (25.0%)	149 West Street, Sandton, Gauteng	Specialised	12 887	11 913
15	Garden Court Sandton (25.0%)	Cnr West and Maude Street, Sandton, Gauteng	Hotels	147 505	116 973
16	Sandton Sun and Intercontinental (25.0%)	Cnr 5th and Maude Street, Sandton, Gauteng	Hotels	213 789	172 019
Total				8 233 562	8 418 777

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

* *Standard Bank Centre has been disposed effective 15 September 2022.*

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. INVESTMENT PROPERTIES continued

Below is the vacancy profile per sector (%):

Vacancy profile (%)	Unaudited December 2022	Unaudited December 2021
Total retail	**2.1**	3.2
Total office	**20.0**	13.8
Total specialised	**0.0**	0.0
Total	**6.5**	6.3

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

5. 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); and

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 2022			
(R'000)	Fair value	Level 1	Level 2	Level 3
Assets				
Investment properties	**8 205 855**	**–**	**–**	**8 205 855**
Investment property under development	**27 706**	**–**	**–**	**27 706**
Interest rate swap	**369**	**–**	**369**	**–**
Financial assets at fair value through profit and loss	**47 422**	**–**	**47 422**	**–**
	8 281 352	**–**	**47 791**	**8 233 561**

	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 assets held for sale	153 300	–	–	153 300
Financial assets at fair value through profit and loss	22 075	–	22 075	–
	8 440 850	–	22 075	8 418 775
Liabilities				
Interest rate swap	18 535	–	18 535	–
	18 535	–	18 535	–

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 SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

5. 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 Investment Properties Note 4 for detail regarding assumptions
3	Investment properties under development	Fair value	Refer to Investment Properties Note for detail regarding assumptions

Reconciliation of level 2 assets

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

R'000	2022	2021
Financial assets held at fair value through profit or loss		
Fair value at the beginning of the year	**22 074**	768
Additions	**312 272**	360 809
Disposals	**(289 244)**	(341 233)
Interest earned on investment	**2 319**	1 731
Fair value at the end of the year	**47 422**	22 074

The table below analyses the movement of level 2 liabilities for the year under review.

R'000	2022	2021
Interest rate swap		
Fair value at the beginning of the year	**(18 535)**	(60 423)
Fair value adjustments	**18 904**	41 888
Fair value at the end of the year	**369**	(18 535)

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 2022, 80.27% of the Group's term debt is at fixed rates.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

5. 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 year under review.

R'000	2022	2021
Investment property and investment property under development		
Fair value at the beginning of the period	**8 265 475**	8 488 987
Transferred to non-current assets held for sale	**–**	(153 300)
Capitalised cost	**74 583**	38 287
Fair value adjustments	**(106 497)**	(108 499)
Fair value at the end of the year	**8 233 561**	8 265 475
Non-current assets held for sale		
Fair value at the beginning of the year	**153 300**	–
Transferred from investment property	**–**	153 300
Amortisation	**(108)**	(26)
Disposal	**(153 300)**	–
Fair value adjustments	**108**	26
Fair value at the end of the year	**–**	153 300

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

Sensitivity analysis of level 3 assets

Investment property

Investment properties' fair value were determined using the discounted cash flow methodology and a profit method valuation on expiry for Sandton Convention Centre and the Hotels. The exit capitalisation rates applied at 31 December 2022 range between 7.0% and 10.5% (2021: 7.0% and 10.0%).

The table below indicates the sensitivity of the aggregate market values for a 100 bps (31 December 2021: 100 bps) change in the exit capitalisation rate.

	CHANGE IN EXIT CAPITALISATION RATE		
	Rm	100 bps increase	100 bps decrease
2022			
Properties below 7.3% exit capitalisation rate	**5 136**	**4 689**	**5 728**
Properties between 7.3% – 8.5% exit capitalisation rate	**2 498**	**2 296**	**2 760**
Properties between 8.6% – 10.0% exit capitalisation rate	**600**	**570**	**637**
Total	**8 234**	**7 555**	**9 125**

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

5. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY continued

	CHANGE IN EXIT CAPITALISATION RATE		
	Rm	100 bps increase	100 bps decrease
2021			
Properties below 6.8% exit capitalisation rate	3 110	2 832	3 482
Properties between 6.8% – 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

* *Standard Bank Simmonds Street was classified as a non-current asset held for sale on 30 June 2021.*

The table below indicates the sensitivity of the aggregate market values for a 50bps (31 December 2021: 50 bps) change in the discount rate.

	CHANGE IN DISCOUNT RATE		
	Rm	50 bps increase	50 bps decrease
2022			
Total property portfolio	**8 234**	**8 079**	**8 392**
2021			
Total property portfolio	8 418	8 260	8 582

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

6. 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 2022, R975 million is owed to SBG for debt borrowed for the purchase of properties as well as the purchase of the SRFM business in 2018. (31 December 2021: R1.3 billion).

Standard Bank Centre

Prior to the effective transfer of the property on the 15 September 2022, the Standard Bank Centre was fully let to SBG on a seven-year lease. Rental income received by L2D Group for the year ended 31 December 2022 was R12.7 million (2021: R17 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 2022, R0 is receivable from L2D CSIP (2021: R192 474).

Transactions with LGL

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 2022 was R9.4 million (2021: R11.7 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 R3.4 million (2021: R3.1 million).

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

6. RELATED PARTY DISCLOSURE continued

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 2022 was R625 405 (2021: R570 761).

Liberty Promenade

LGL occupied 105 m² of office space in the Promenade, effective 1 April 2021.

Rental income received by L2D Group for the year ended 31 December 2022 was R182 988 (2021: R160 239).

Development fee income

Development fee income is earned on development management of projects in the Liberty Portfolio. Development fee income amounting to R3.1 million was earned during 2022 (2021: R1.9 million). L2D commenced work on the Liberty Centre Braamfontein development in 2021, development fee income earned in 2022 was R156 432 (2021: R1.5 million).

Asset management fee income

Management fees on assets under management amounting to R50.4 million was earned during 2022 (2021: R51.3 million).

Loan with LGL

As at 31 December 2022, R126.9 million is owed by LGL for working capital (2021: R99.1 million). The loan is unsecured and there are no fixed terms of repayment, the loan attracts no interest.

R53.3 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 (2021: R54.5 million). A money market interest rate is earned on the amount outstanding and a portion of the interest earned is allocated to shopping centre merchants' associations for centre marketing.

Transactions with other related entities

Operating lease payments

STANLIB Wealth Management Limited, as a lessee, paid an amount of R2.8 million (2021: R2.7 million) as an operating lease expense for rental of its premises in the Melrose Arch precinct in Johannesburg.

L2D's 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 R573 078 payable to Liberty Consortium as at 31 December 2022 (2021: R369 078).

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 2022 amounted to R23.7 million (2021: R22.9 million).

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

6. RELATED PARTY DISCLOSURE continued

Loan with STANLIB Asset Management Limited

As at 31 December 2022, R81 362 is owed to STANLIB Asset Management Limited (2021: R528 142).

Loan with STANLIB Wealth Management Limited

As at 30 June 2022, R0 is owed to STANLIB Wealth Management Limited (30 June 2021: R283,377).

Stanlib Corporate Money Market Fund

As at 31 December 2022, L2D Group had R47.4 million (2021: R22.1 million) invested in the Stanlib Corporate Money Market Fund.

Interest earned during 2022 amounted to R2.5 million (2021: R1.7 million).

Intercompany transactions

As at 31 December 2022, The Liberty Two Degrees Restricted Share Plan Trust (Trust) held a capital contribution from 2DP of R105.3 million to acquire shares for the LTIP (2021: R91.5 million).

As at 31 December 2022, 2DP has a loan with SRFM of R6.0 million (2021: R6.1 million).

As at 31 December 2022, 2DP has a loan with L2D Limited of R61.4 million (receivable) (2021: R58.3 million payable). This includes a dividend receivable of R169.1 million and the balance relates to a working capital loan (2021: R182.6 million).

As at 31 December 2022, L2D Limited has a loan payable to the Trust of R29.3 million relating to a contribution to the Trust to make good its losses (2021: R26.6 million).

ANNEXURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

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	2022 R'000	2021 R'000
Profit or loss per IFRS Statement of Comprehensive Income (SOCI) attributable to the parent	**243 737**	243 226
Adjusted for:		
Accounting/specific adjustments:	**95 841**	82 369
Fair value adjustments to:		
Investment property	**106 497**	108 473
Debt and equity instruments held at fair value through profit or loss	**(18 904)**	(41 888)
Straight-lining operating lease adjustment	**(14 542)**	(14 064)
Depreciation and amortisation of intangible assets	**2 734**	400
Deferred tax movement recognised in profit or loss	**5 514**	15 384
Straight-lining operating lease adjustment	**14 542**	14 064
Other adjustments:	**(14 483)**	(10 612)
Antecedent earnings adjustment	**(14 483)**	(10 612)
SA REIT FFO:	**325 095**	314 983
Number of shares outstanding at end of period (net of treasury shares)	**869 699**	878 835
SA REIT FFO per share: (cents)	**37.38**	35.84
Company-specific adjustments (per share)	**(0.91)**	(1.74)
Depreciation/amortisation	**(0.31)**	(0.05)
Deferred tax	**(0.63)**	(1.75)
2DP/trust earnings	**0.04**	0.06
Dividends not distributed	**–**	–
Dividend per share: (cents)	**36.47**	34.10

ANNEXURES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

A. ADOPTION OF BEST PRACTICE RECOMMENDATIONS continued

Reconciliation of SA REIT funds from operations (SA REIT FFO) to cash generated from operations	2022 R'000	2021 R'000
SA REIT FFO	**325 095**	314 983
Adjustments		
Interest received	**(5 989)**	(3 096)
Interest expense	**167 010**	151 181
Amortisation of tenant installation and letting commission	**15 495**	12 179
Tax expense	**(15)**	–
Other non-cash items	**1 370**	4 863
Antecedent earnings adjustment	**14 483**	10 612
Working capital changes		
(Increase)/decrease in trade and other receivables	**21 434**	(33 719)
(Increase)/decrease in amounts due from Group companies	**(27 956)**	(17 620)
Increase/(decrease) in employee benefits	**2 153**	8 866
Increase/(decrease) in trade and other payables	**(2 649)**	52 375
Cash generated from operations	**510 430**	500 624

SA REIT Net Asset Value (SA REIT NAV)		2022 R'000	2021 R'000
Reported NAV attributable to the parent		**6 533 052**	6 643 277
Adjustments:			
Dividend to be declared		**(317 179)**	(299 714)
Deferred tax		**(10 910)**	(16 424)
SA REIT NAV	A	**6 204 962**	6 327 139
Shares outstanding			
Number of shares in issue at period-end (net of treasury shares)		**869 699**	878 835
Effect of dilutive instruments (options, convertibles and equity interests)		**–**	–
Dilutive number of shares in issue	B	**869 699**	878 835
SA REIT NAV per share	A/B	**7.13**	7.20

ANNEXURES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

A. ADOPTION OF BEST PRACTICE RECOMMENDATIONS continued

SA REIT cost-to-income ratio		2022 R'000	2021 R'000
Expenses			
Operating expenses per IFRS income statement (includes municipal expenses)[2]		**419 967**	372 238
Administrative expenses per IFRS income statement		**121 288**	112 455
Exclude:			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets		**(2 734)**	(400)
Rental discounts granted		**7 079**	(7 758)
ECL provision (COVID-19)		**–**	–
Operating costs	**A**	**545 600**	476 535
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)		**705 927**	668 323
Utility and operating recoveries per IFRS income statement		**282 659**	233 981
Gross rental income	**B**	**988 586**	902 304
SA REIT cost-to-income ratio [1]	**(A/B)**	**55.2%**	52.8%

(1) *Property operating expenses include provisions for the Sandton City and Nelson Mandela Square Valuation Appeal Board (VAB) rates dispute.*

(2) *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.*

ANNEXURES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

A. ADOPTION OF BEST PRACTICE RECOMMENDATIONS continued

SA REIT administrative cost-to-income ratio		2022 R'000	2021 R'000
Expenses			
Administrative expenses as per IFRS income statement [1]		**121 288**	112 455
Administrative costs	**A**	**121 288**	112 455
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)		**705 927**	668 323
Utility and operating recoveries per IFRS income statement		**282 659**	233 981
Gross rental income	**B**	**988 586**	902 304
SA REIT administrative cost-to-income ratio	**(A/B)**	**12.3%**	12.5%
		–	–

SA REIT GLA vacancy rate		2022 R'000	2021 R'000
Gross lettable area of vacant space	**A**	**55 189**	59 685
Gross lettable area of total property portfolio	**B**	**853 529**	946 318
SA REIT GLA vacancy rate	**(A/B)**	**6.5%**	6.3%

[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.*

Cost of debt		2022 R'000	2021 R'000
Variable interest-rate borrowings			
Floating reference rate plus weighted average margin		**7.0%**	5.3%
Fixed interest-rate borrowings			
Weighted average fixed rate		**8.6%**	8.9%
Pre-adjusted weighted average cost of debt	**A**	**7.4%**	6.3%
Adjustments:			
Impact of interest rate derivatives	**B**	**1.1%**	1.9%
All-in weighted average cost of debt	**A+B**	**8.5%**	8.2%

ANNEXURES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

A. ADOPTION OF BEST PRACTICE RECOMMENDATIONS continued

SA REIT loan-to-value		2022 R'000	2021 R'000
Gross debt		**2 010 945**	2 009 891
Less:			
Cash and cash equivalents		**(139 135)**	(102 715)
Add/Less:			
Derivative financial instruments		**(369)**	18 535
Net debt	**A**	**1 871 441**	1 925 711
Total assets – per Statement of Financial Position		**8 804 437**	8 929 254
Less:			
Cash and cash equivalents		**(139 135)**	(102 715)
Trade and other receivables		**(361 972)**	(355 897)
Carrying amount of property-related assets	**B**	**8 303 330**	8 470 642
SA REIT loan-to-value ("SA REIT LTV")	**A/B**	**22.5%**	22.7%

Net initial yield		2022 R'000	2021 R'000
Investment property		**8 233 562**	8 418 775
Less:			
Properties under development		**(27 706)**	(27 683)
Grossed up property value	**A**	**8 205 855**	8 391 092
Property income			
Contractual cash rentals		**715 225**	655 077
Less:			
Non-recoverable property expenses		**(150 523)**	(158 158)
Add:			
Notional rental for rent-free periods, discounted rentals, stepped rentals and lease incentives		**–**	5 189
Annualised net rental	**B**	**564 702**	502 108
Net initial yield	**B/A**	**6.9%**	6.0%

CORPORATE INFORMATION

Date of registration: 10 July 2018

Liberty Two Degrees Limited

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

Company secretary

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