



CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

**Experiential
spaces that benefit
generations today
and for tomorrow.**

2022

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PREPARATION OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

The preparation of the consolidated and separate annual financial statements of Liberty Two Degrees Limited for the year ended 31 December 2022 was supervised by José Snyders CA(SA) in his capacity as Financial Director.

These consolidated and separate annual financial statements have been audited by PricewaterhouseCoopers Inc. in accordance with the requirements of the Companies Act (Act 71 of 2008), as amended (Companies Act) and are available free of charge on the request of an investor as well as on the Liberty Two Degrees website.

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Liberty Two Degrees Limited. These consolidated and separate annual financial statements comprise the statements of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, as well as the accounting policies and the notes to the consolidated and separate annual financial statements. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, and the JSE Listings Requirements. In addition, the directors are responsible for preparing the directors' report.

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

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

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

APPROVAL OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

The consolidated and separate annual financial statements of Liberty Two Degrees Limited and its subsidiaries ("group"), as identified in the first paragraph, were approved by the board on 26 February 2023 and are signed by:



Nick Criticos
Chairman

26 February 2023



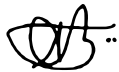
Amelia Beattie
Chief Executive

APPROVAL BY THE CHIEF EXECUTIVE AND FINANCIAL DIRECTOR

for the year ended 31 December 2022

Each of the directors whose names are stated below, hereby confirm that:

- the consolidated and separate annual financial statements set out on pages 11 to 83, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls; and
- we are not aware of any fraud involving directors.



Amelia Beattie
Chief Executive

26 February 2023



José Snyders
Financial Director

CERTIFICATE BY COMPANY SECRETARY

for the year ended 31 December 2022

In terms of section 88(2)(e) of the Companies Act of South Africa, as amended, I declare that to the best of my knowledge, for the year ended 31 December 2022, Liberty Two Degrees Limited has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.



Ben Swanepoel
Company Secretary

26 February 2023

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 December 2022

The audit and risk committee (ARC) is pleased to present its report for the financial year ended 31 December 2022, as required in terms of the Companies Act of South Africa.

COMPOSITION AND FUNCTIONS

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

Four scheduled ARC meetings and one ad-hoc ARC meeting were held during the year under review.

DISCHARGE OF RESPONSIBILITIES

The Chief Executive, Financial Director, Chief Risk Officer and Compliance Officer attend ARC meetings by invitation. The external and internal auditors attend ARC meetings by invitation, annually and when required. The external and internal auditors meet independently with the ARC when required. The ARC has operated in compliance with the terms of reference contained in its board approved mandate and has discharged its responsibilities accordingly. These terms of reference, including roles and responsibilities, are aligned with the requirements of King IV, the Companies Act and other regulatory requirements. In instances where King IV principles and requirements have not been applied, these are explained in the Governance section of the company's 2022 integrated report which is available on the company's website from 28 April 2023.

EXTERNAL AUDIT

The ARC considered the performance of the external auditor for the 2022 year and concluded that the performance and extent of audit coverage is satisfactory. At the meeting held on 20 February 2023, the ARC recommended that PricewaterhouseCoopers Inc. (PwC) be reappointed as external auditor for the 2023 year at the 2023 annual general meeting, and that Mr Shiraz Hassim be the designated auditor responsible for performing the function of auditor for the 2023 year, which will be the first year of his three-year term, which is capped due to mandatory firm rotation.

PwC has been the auditor of the group (Liberty Two Degrees Limited and its subsidiary companies) for seven years and may serve as the appointed auditor for an additional three years. The designated audit partner responsible is rotated on a five-yearly basis. The 2022 year is the fifth year of Ms Julianie Basson's five-year term.

The ARC approved the external auditors plan and fees for the 2022 year and satisfied itself that the auditor is independent of the group and are able to conduct their audit functions without any undue influence from the group. The ARC has approved a policy for the provision of non-audit services and reviewed compliance with this policy for the year under review.

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

Specifically, the key audit matters for the 2022 year, as reported in the independent auditor's report, were discussed by the ARC. After reviewing and considering input from management and the external auditor, the ARC was satisfied that these matters have been appropriately reflected in the consolidated and separate annual financial statements for the year ended 31 December 2022.

INTERNAL AUDIT

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

The ARC Chairman provides input on the assessment of the performance of the internal audit function. The effectiveness of the internal audit control function was considered to be satisfactory by the ARC. Internal audit operates according to an ARC approved internal audit mandate. The ARC approved its internal audit plan and resourcing for the 2023 financial year.

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

REPORT OF THE AUDIT AND RISK COMMITTEE

CONTINUED

for the year ended December 2022

INTERNAL FINANCIAL CONTROLS

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

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

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

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

COMBINED ASSURANCE

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

FINANCIAL DIRECTOR

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

FINANCE FUNCTION

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

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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



Peter Nelson
Chairman
Audit and risk committee

26 February 2023

DIRECTORS' REPORT

for the year ended 31 December 2022

To the shareholders of Liberty Two Degrees Limited

NATURE OF THE BUSINESS

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

FINANCIAL RESULTS

The financial results for the year ended 31 December 2022 are set out in detail on pages 11 to 83 of these consolidated and separate annual financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

STATED CAPITAL

The company was incorporated on 10 July 2018 with an authorised stated capital of 5 000 000 000 ordinary shares of no par value. At 31 December 2022, there were 908 443 334 shares in issue, all of which rank for the dividend declared on 26 February 2023. As at 31 December 2022, 16 601 303 treasury shares were held by the Liberty Two Degrees Restricted Share Plan trust and 22 143 171 shares were held by 2 Degrees Properties (Pty) Ltd.

DIVIDEND DISTRIBUTIONS

The board declared an interim dividend of 17.48 cents per share for the six months ended 30 June 2022.

Subsequent to year-end, on 26 February 2023, the board declared a final dividend of 18.99 cents per share for the six months ended 31 December 2022, which will be paid on 20 March 2023.

This brings the full year distribution to 36.47 cents per share (2021: 34.10 cents per share).

Both dividends amounting to 36.47 cents per share in aggregate have been determined with reference to the financial results of the company for the year ended 31 December 2022.

Both dividends amounting to 36.47 cents per share in aggregate have been declared from distributable earnings and meet the requirement of a REIT 'qualifying distribution' for purposes of section 25BB of the Income Tax Act, No 58 of 1962, as amended.

The group uses distribution per share as a relevant measure of results.

DIRECTORATE

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

Executive directors

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

Non-executive directors

- Nick Criticos – Chairman (Appointed: 14 June 2021 as a Non-executive director and 1 March 2022 as Chairman)
- Lynette Ntuli* (Appointed: 19 July 2018)
- David Munro (Appointed: 29 July 2019)
- Peter Nelson* (Appointed: 26 May 2020)
- Barbara Makhubedu* Lead Independent Director (Appointed: 21 October 2020)
- Craig Ewin* (Appointed: 1 January 2021)
- Nonhlanhla Mayisela* (Appointed: 24 November 2022)
- Itumeleng Dlamini* (Appointed: 24 November 2022)
- Philisiwe Mthethwa* (Appointed: 24 November 2022)
- Puleng Makhoalibe* (Resigned and ceased to be a director of the company with effect from 11 August 2022)
- Angus Band – (Retired and ceased to be a director and Chairman of the company with effect from 1 March 2022)

* Independent

Subsequent to year end, on 23 February 2023, the following changes in directors functions have been made:

- Peter Nelson has been appointed as the new Lead Independent Director.
- 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.

DIRECTORS' EMOLUMENTS AND INTERESTS

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

SERVICE CONTRACTS

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

SHAREHOLDERS' ANALYSIS

Refer to pages 97 to 99 of the consolidated and separate annual financial statements for disclosure regarding shareholders' analysis.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Liberty Two Degrees Limited

Report on the audit of the consolidated and separate financial statements

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Liberty Two Degrees Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2022, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

Liberty Two Degrees Limited's consolidated and separate financial statements set out on pages 11 to 83 comprise:

- the consolidated and separate statements of financial position as at 31 December 2022;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

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

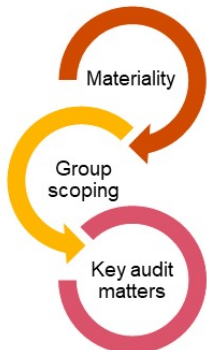
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

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

OUR AUDIT APPROACH

Overview

	Overall group materiality <ul style="list-style-type: none"> • R65.3 million, which represents 1% of the consolidated net asset value.
	Group audit scope <ul style="list-style-type: none"> • The Group consists of five components of which full scope audits were performed at two components and analytical procedures were performed over the remaining components as they were deemed to be financially insignificant.
	Key audit matters <ul style="list-style-type: none"> • Valuation of investment properties (consolidated financial statements).

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Liberty Two Degrees Limited

MATERIALITY

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

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

Overall group materiality	R 65.3 million
How we determined it	1% of the consolidated net asset value.
Rationale for the materiality benchmark applied	<p>We chose consolidated net asset value as the benchmark because, in our view, it is the key benchmark against which the performance of the Group is most commonly measured by users of the financial statements.</p> <p>Although the entity is profit-orientated, its strategic focus is to deliver long-term shareholder returns through the acquisition and development of investment property.</p> <p>As a Real Estate Investment Trust (REIT), the users are likely to be more focussed on the net assets underlying the Group, as compared to its profitability.</p> <p>In addition, the loan-to-value ratio (value of loans compared to the value of assets) is a key metric for the Group.</p> <p>We chose 1% based on our professional judgement, and after consideration of the range of quantitative materiality thresholds that we would typically apply when using net assets to compute materiality.</p>

HOW WE TAILORED OUR GROUP AUDIT SCOPE

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

The Group's financial statements are a consolidation of the Company, its three subsidiaries and a restricted employee share plan trust.

A full scope audit was performed on the group's financially significant component and the holding company. Analytical procedures were performed on insignificant components in order to obtain sufficient appropriate audit evidence on which to base the group audit opinion.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team. Where work, over certain financial statement line items included within the financially significant component, was performed by a separate audit team we determined the level of involvement we needed to have in the audit work of that audit team to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

KEY AUDIT MATTERS

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

We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Liberty Two Degrees Limited

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment property</p> <p>Refer to the following accounting policies and notes to the consolidated financial statements:</p> <ul style="list-style-type: none"> • Note 1.4 Investment property and investment property under development • Note 1.19 Fair value measurement • Note 2.2 Key Judgements: Investment properties fair value measurement • Note 5 Investment properties • Note 10 Fair value hierarchy for financial instruments, investment properties and non-current assets held for sale <p>The majority of the Group's investment properties comprise retail investment properties.</p> <p>At 31 December 2022, the carrying value of the Group's total investment properties was R8.2 billion and a related fair value loss of R106.5 million was recognised for the year.</p> <p>The Group's accounting policy is to measure investment properties at their fair value based on bi-annual external valuations performed by external independent registered valuers using the discounted cash flow model and profits method.</p> <p>The inputs made by management in determining the fair value of the investment properties are set out in note 2.2 and note 5 to the consolidated financial statements and include amongst others the key assumptions relating to exit capitalisation rates and discount rates.</p> <p>We considered the year-end valuation of investment properties as a matter of most significance to our current year audit due to the:</p> <ul style="list-style-type: none"> • inherent subjectivity of the key assumptions that underpin the valuation of investment properties; and • magnitude of the investment properties balance at year-end recorded in the consolidated statement of financial position, as well as the changes in fair value relating to the investment properties recorded in the consolidated statement of profit or loss and other comprehensive income. 	<p>We obtained an understanding of the approaches followed by management and the independent valuer for the valuation of the Group's investment property portfolio through discussions with management and the external valuer, as well as inspection of minutes of meetings of the board of directors.</p> <p>We have evaluated the independent valuer by assessing their competence, independence, and capabilities with reference to their qualifications and industry experience and noted no aspects requiring further consideration.</p> <p>We updated our understanding of and tested the relevant controls related to:</p> <ul style="list-style-type: none"> • Setting and approval of budgets by the Group; • Consideration of external valuation reports by an internally appointed appraiser; and • Board approval of the valuations obtained. <p>We obtained an understanding of, and tested the relevant controls relating to the valuation of investment properties, which included controls in relation to the entering and renewal of leases in support of contractual rental income which forms the basis for the cash flows used in the valuation models.</p> <p>We noted no aspects requiring further consideration.</p> <p>We performed the following procedures on a representative, risk based, sample of the investment properties, in order to assess the acceptability of the valuation approach as well as the reasonableness of the inputs into the valuation:</p> <ul style="list-style-type: none"> • We inspected the valuation reports and assessed whether the valuation approach for each of these properties was in accordance with International Financial Reporting Standards (IFRS) and suitable for use in determining the fair value for the purpose of the consolidated financial statements. We found no aspects requiring further attention. • We assessed the reasonableness of the cash flows of each of these properties used by the valuer in the valuation models. This involved: <ul style="list-style-type: none"> – Agreeing the current year cash flows used in the model to the actual results for the year ended 31 December 2022; and – Assessing the assumptions used in the preparation of the forecasted cash flows against market information. • We found no aspects requiring further attention. • Making use of our internal valuation experts where necessary, we evaluated the significant assumptions, including discount rates, exit capitalisation rates and occupancy rates, against appropriate market information in order to assess whether they were within a reasonable range for the respective market, sector and asset. We found no aspects requiring further attention. • Based on the outcome of the evaluation of the significant assumptions (as noted above) we assessed the reasonability of the fair value of the sample of investment properties. We found management's valuation to be reasonable. <p>We inspected the final valuation reports and agreed the fair values to the Group's accounting records noting no material exceptions.</p>

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Liberty Two Degrees Limited

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Liberty Two Degrees Limited Consolidated and Separate Annual Financial Statements for the year ended 31 December 2022", which includes the Directors' report, the Report of the audit and risk committee and the Certificate by the company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Liberty Two Degrees 2022 Integrated Report", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Liberty Two Degrees Limited

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The logo for PricewaterhouseCoopers Inc. is written in a stylized, cursive script.

PricewaterhouseCoopers Inc.

Director: J. Basson

Registered Auditor

Johannesburg, South Africa
26 February 2023

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2022

R'000	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Assets					
Non-current assets		8 255 539	8 294 634	6 885 314	6 967 068
Investment properties	5	8 205 855	8 237 792	-	-
Investment properties under development	5	27 706	27 683	-	-
Property plant and equipment	28	9 428	10 591	-	-
Investment in subsidiaries	33	-	-	6 885 314	6 967 068
IFRS 16 – lease asset	29	1 640	2 144	-	-
Deferred tax asset	32	10 910	16 424	-	-
Current assets		548 898	481 320	252	58 436
Trade and other receivables	6	235 355	256 789	96	110
Amounts due from group companies	27	126 617	99 108	-	58 300
Financial assets held at fair value through profit or loss	7	47 422	22 075	-	-
Current taxation receivable	32	-	633	-	-
Cash and cash equivalents	8	139 135	102 715	156	26
Financial instruments	10	369	-	-	-
Non-current asset held for sale	34	-	153 300	-	-
Total assets		8 804 437	8 929 254	6 885 566	7 025 504
Equity					
Stated capital	11	8 780 921	8 780 921	8 780 921	8 780 921
Treasury shares	11	(198 205)	(158 065)	-	-
Retained surplus		189 283	175 465	117 817	116 981
Share-based payment reserve	26	34 766	31 077	20 473	21 824
Mergers/capital reserve		(426 104)	(426 104)	-	-
Non-distributable reserve	12	(1 847 610)	(1 760 017)	(2 313 921)	(2 232 168)
Total equity		6 533 051	6 643 277	6 605 290	6 687 558
Liabilities					
Non-current liabilities		1 343 179	1 161 709	100 000	200 000
Financial liabilities	31	1 341 945	1 160 000	100 000	200 000
IFRS 16 – lease liability	30	1 234	1 709	-	-
Current liabilities		928 207	1 124 268	180 276	137 946
Trade and other payables	9	204 580	207 229	35	176
IFRS 16 – lease liability	30	590	541	-	-
Employee benefits	25	24 863	22 710	-	-
Amount due to group companies	27	81	528	77 312	26 625
Current taxation payable	32	32	-	32	-
Financial instruments	10	-	18 535	-	-
Financial liabilities	31	698 061	874 725	102 897	111 145
Total liabilities		2 271 386	2 285 977	280 276	337 946
Total equity and liabilities		8 804 437	8 929 254	6 885 566	7 025 504

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 2022

R'000	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Property portfolio revenue		974 044	888 240	-	-
Rental and related income	13	988 586	902 304	-	-
Adjustment for the straight-lining of operating lease income	5.2	(14 542)	(14 064)	-	-
Property operating expenses	14	(448 830)	(387 219)	-	-
Change in expected credit losses on property debtors and rental relief	6.1	28 863	14 981	-	-
Net property income		554 077	516 002	-	-
Asset management fee income	16	50 372	51 336	-	-
Development fee income	16	3 099	1 921	-	-
Total net property income and fee income		607 548	569 259	-	-
Other income	17	2 073	2 412	2 008	2 239
Operating costs	15	(121 288)	(112 455)	(20 733)	(22 587)
Profit/(loss) from operations excluding fair value adjustments		488 333	459 216	(18 725)	(20 348)
Finance costs		(172 036)	(151 181)	(26 980)	(25 415)
Interest income		5 989	3 096	114	110
Impairment loss	33	-	-	(81 753)	(74 380)
Dividend income ¹		-	-	362 033	343 054
Profit before fair value adjustments		322 286	311 131	234 689	223 021
Net fair value adjustments		(73 051)	(52 521)	-	-
Fair value adjustments on investment properties	5.2	(106 497)	(108 473)	-	-
Fair value adjustment on derivatives	12	18 904	41 888	-	-
Adjustment for the straight-lining of operating lease income	5.2	14 542	14 064	-	-
Profit before taxation		249 235	258 610	234 689	223 021
Taxation	32	(5 498)	(15 384)	(31)	-
Total comprehensive income		243 737	243 226	234 658	223 021
Basic earnings per share (cents)	3	27.99	27.40	-	-
Fully diluted earnings per share (cents)	3	27.99	27.40	-	-

¹ The R362.0 million (2021: R343.0 million) per the statement of profit or loss and other comprehensive income relates to the actual dividends declared by 2DP to L2D during the year, including R182.4 million which will be received in the 2023 financial year.

STATEMENT OF CHANGES IN EQUITY

for the year ended December 2022

	GROUP						Total
	Stated capital	Treasury shares	Share-based payment reserve	Non-distributable reserve	Retained surplus	Mergers/capital reserve	
R'000							
Balance at 1 January 2021	8 780 921	(80 709)	26 212	(1 693 432)	301 075	(426 104)	6 907 963
Total comprehensive income	-	-	-	-	243 226	-	243 226
Treasury shares movement (note 11)	-	(77 356)	-	-	-	-	(77 356)
Share-based payment transaction (note 26)	-	-	4 865	-	-	-	4 865
Fair value adjustment on investment properties transferred to non-distributable reserve	-	-	-	(108 473)	108 473	-	-
Fair value adjustment on derivatives	-	-	-	41 888	(41 888)	-	-
Distribution to shareholders	-	-	-	-	(435 421)	-	(435 421)
Balance at 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 (note 11)	-	(40 140)	-	-	-	-	(40 140)
Share-based payment transaction (note 26)	-	-	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

STATEMENT OF CHANGES IN EQUITY CONTINUED

for the year ended December 2022

	COMPANY						Total
	Stated capital	Treasury shares	Share-based payment reserve	Non-distributable reserve	Retained surplus	Mergers/capital reserve	
R'000							
Balance at 1 January 2021	8 780 921	-	22 647	(2 157 788)	246 316	-	6 892 096
Total comprehensive income	-	-	-	-	223 021	-	223 021
Share-based payment transaction (note 26)	-	-	(823)	-	8 685	-	7 862
Impairment in subsidiary (note 33)	-	-	-	(74 380)	74 380	-	-
Distribution to shareholders	-	-	-	-	(435 421)	-	(435 421)
Balance at 1 January 2022	8 780 921	-	21 824	(2 232 168)	116 981	-	6 687 558
Total comprehensive income	-	-	-	-	234 658	-	234 658
Share-based payment transaction (note 26)	-	-	(1 351)	-	1 937	-	586
Impairment in subsidiary (note 33)	-	-	-	(81 753)	81 753	-	-
Distribution to shareholders	-	-	-	-	(317 512)	-	(317 512)
Balance at 31 December 2022	8 780 921	-	20 473	(2 313 921)	117 817	-	6 605 290

STATEMENTS OF CASH FLOWS

for the year ended December 2022

R'000	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Cash flows from operating activities		36 804	(80 050)	108 076	(75)
Cash generated from operations	19	510 430	500 624	83 764	(34 629)
Interest received		5 989	3 097	114	110
Interest paid	31.2	(162 646)	(148 230)	(20 502)	(19 552)
Lease liability interest repayments	30.2	(136)	(120)	-	-
Taxation received	32.1	679	-	-	-
Dividends received		-	-	362 212	489 417
Distribution to shareholders	21	(317 512)	(435 421)	(317 512)	(435 421)
Cash flows from investing activities		39 128	(81 643)	-	-
Expenditure on investment properties capitalised	5.2	(90 078)	(50 440)	-	-
Disposal of investment properties	5.2	153 300	-	-	-
Acquisition of property plant and equipment	28	(1 066)	(9 896)	-	-
Investment in financial instruments – mutual funds	7.2	(312 272)	(362 540)	-	-
Proceeds from disposal of financial instruments – mutual funds	7.2	289 244	341 233	-	-
Cash flows from financing activities		(39 512)	191 371	(107 946)	-
Treasury shares acquired	11	(50 455)	(96 843)	-	-
Treasury shares sold and vested	11	10 315	19 487	-	-
Lease liability capital repayments	30.2	(426)	(273)	-	-
Loan paid	31.2	(107 946)	(169 000)	(107 946)	-
Loans received	31.2	109 000	438 000	-	-
Net increase/(decrease) in cash and cash equivalents		36 420	29 678	130	(75)
Cash and cash equivalents at the beginning of the year	8	102 715	73 037	26	101
Cash and cash equivalents at the end of the year	8	139 135	102 715	156	26

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

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

1. ACCOUNTING POLICIES

1.1 Statement of compliance

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

1.2 Basis of consolidation

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

1.2.1 Subsidiaries

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

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

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

1.2.1.1 Investment in subsidiary

Interests in subsidiary companies in the company's annual financial statements comprise shares (accounted for under IAS 27) and intergroup loans (accounted for under IFRS 9). Shares are measured at cost less any required impairment. Acquisition costs are recorded as an expense in the period in which they are incurred, except for the costs to issue debt or equity securities, which are part of the consideration transferred. The carrying amounts of these investments are reviewed annually for impairment. Under the IFRS 9 business model assessment, for 2022, intergroup loan balances are measured at amortised cost.

1.2.2 Merger reserve

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

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

1. ACCOUNTING POLICIES CONTINUED

1.2 Basis of consolidation continued

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

1.3 Reconciliation between earnings and distributable income – group

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

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

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

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

1.4 Investment property and investment property under development

Investment property is property held to earn rental income or for capital appreciation or both, and that is not occupied by L2D group. Investment property also includes property that is being constructed or developed for future use as investment property. L2D entered into a five year lease, effective April 2021 to occupy 1 337m² of office space at Nelson Mandela Square. L2D's ownership percentage of Nelson Mandela Square is 33.3007%. Considering the immateriality of this transaction, we did not reclassify from investment property to owner-occupied property.

1.4.1 Investment property

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

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

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

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

1.4.2 Investment property under development

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

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

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

1.5 Equity

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

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

1.5.1 Treasury shares

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

1. ACCOUNTING POLICIES CONTINUED

1.5 Equity continued

1.5.2 Distributions to shareholders

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

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

1.5.3 Non-distributable reserves

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

1.6 Financial instruments

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

Financial instruments:

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

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

Financial assets:

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

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

The financial assets of the group are classified as follows:

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

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

Financial liabilities:

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

The financial liabilities of the group are classified as follows:

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

The group derecognises a financial liability when the group's obligations specified in the contract expire or are discharged or cancelled.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

1. ACCOUNTING POLICIES CONTINUED

1.6 Financial instruments continued

Impairment of financial instruments:

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

This is applied to financial assets measured at amortised cost.

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

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 – credit impaired assets	<p>A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired:</p> <ul style="list-style-type: none"> • Default: A financial asset is considered to be in default when there is objective evidence of impairment. Exposures which are overdue for more than 120 days are also considered to be in default. • Significant financial difficulty of borrower and/or modification. • Probability of bankruptcy or financial re-organisation. • Disappearance of an active market due to financial difficulties.

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

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

Derivative financial instruments

The group enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Derivatives are recognised and measured as described above in the financial instrument note 1.6. Further detail on derivative financial instruments is disclosed in note 22, Financial risk management.

Cash and cash equivalents

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

1.7 Leases

As a lessor

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

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

Refer to note 1.8.2 for the accounting policy in respect of rental and related income.

As a lessee

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

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right then the asset is not identified.
- The group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and the group has the right to direct the use of the asset. The group has this right when it has the decision-making rights that are relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the assets use is determined, the group has the right to direct the use of the asset either:
 - The group has the right to operate the asset; or

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

1. ACCOUNTING POLICIES CONTINUED

1.7 Leases continued

- The group designed the asset in a way that predetermines how and for what purpose it will be used for.

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

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

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

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

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

Short-term leases and leases of low value assets

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

Policy elections

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

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

1.8 Revenue

1.8.1 Rental and related income

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

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

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

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

Fund level income relates to interest income earned in the property portfolio, which is not attributable to a specific property and is recognised as it accrues.

Sundry income in 2021 results from income earned on the business interruption COVID-19 claim.

1.9 Other income

1.9.1 Fee income

Fee income from contracts with customers arises from transactions not associated with financial instruments, or investment properties. Fee income is recognised either when the performance obligation has been satisfied ('point in time') or as control of the goods or service is transferred to the customer ('over time'). This requires an assessment of the group's performance obligations and of when control is transferred to the customer. Where fee income is recognised over time, and there is a performance obligation over time, the group applies a revenue recognition method that faithfully depicts the group's performance in transferring control of the service to the customer. Due to the nature of the group's business, the majority of its fee income is considered to be recognised 'over time'. For each, fee income is measured based on the consideration specified in contracts with customers. Such amounts are only included based on the expected value or most likely outcome method, and only to the extent that it is highly probable that no significant fee income reversal will occur. In assessing whether a significant

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

1. ACCOUNTING POLICIES CONTINUED

1.9 Other income continued

reversal will occur, the group considers both the likelihood and the magnitude of the potential fee income reversal. Payment terms and conditions included in customer contracts are typically due in full within 30 days.

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

REVENUE TYPE	DESCRIPTION	NATURE, TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS AND MEASUREMENT
Fee income	Management fees on assets under management and property development fees.	Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements. Development fees are recognised over the period of the contract-based on percentage of completion as obtained from quantity surveyors.

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

1.9.2 Other income

Other income comprises of gains on shares which have vested in the employee share scheme and is recognised upon vesting date.

1.9.3 Dividend income

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

1.9.4 Interest income

Interest income comprises interest received and is recognised, in profit or loss, using the effective interest rate method.

1.10 Property operating expenses

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

1.11 Letting commissions

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

1.12 Property, plant and equipment

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

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

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

1.13 Segmental reporting

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

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

L2D group has the following operating segments:

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

1. ACCOUNTING POLICIES CONTINUED

1.13 Segmental reporting continued

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

1.14 Earnings per share

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

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

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

There are no dilutionary instruments in issue.

1.15 Taxation

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

1.15.1 Current tax

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

1.15.2 Deferred tax

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

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

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

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

1.16 Employee benefits

Leave pay – provision

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

Incentive scheme

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

1. ACCOUNTING POLICIES CONTINUED

1.17 Share-based payments

Long-term incentive plan (LTIP)

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

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

1.18 Non-current assets held for sale

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

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

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

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

1.19 Fair value measurement

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

The three levels of the hierarchy are as follows:

Level 1

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

Level 2

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

Level 3

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

1.20 Impairment loss

The carrying amounts of the investment in subsidiaries are reviewed on an annual basis to determine whether there is any indication of impairment, other than of a temporary nature. If any such indication exists, the assets' recoverable amounts are determined and impairment provisions will be raised on any shortfall to carrying value.

1.21 Operating costs

Operating costs for service contracts entered into are expensed as incurred.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

1. ACCOUNTING POLICIES CONTINUED

1.22 Finance costs

Finance costs are calculated on the effective interest rate method and are inclusive of debt arrangement fees and RCF commitment fees.

1.23 New IFRS standards and amendments

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

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

STANDARD	SCOPE	POTENTIAL IMPACT TO L2D GROUP
IAS 1 Presentation of Financial Statements (amendments) - effective 1 January 2024	The amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity.	The amendment will be applied retrospectively. These are clarifications, not changes, to the existing requirements, and so are not expected to affect L2D group's financial statements significantly. However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa.

1.23.2 Amendments and improvements to standards

The adoption of new and amended standards on 1 January 2022 did not affect the group or company's previously reported financial results, disclosures or accounting policies and did not impact the group or company's results upon transition.

Other amendments to standards that are effective for annual periods beginning on or after 1 January 2022, but not mentioned previously, are not expected to have a significant impact on the group and company's reported assets and liabilities. Annual improvements effective 1 January 2022 that were not early adopted are not expected to have a significant impact on the group and company's reported assets and liabilities and disclosures.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

2. KEY JUDGEMENTS

Key areas of judgement and sources of uncertainty

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

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

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

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

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

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

2.2 Investment properties fair value measurement

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

The key assumptions in the determination of the fair value are the exit capitalisation rates and discount rates. Other inputs considered relate to existing tenant terms, location, rental growth, vacancy levels and restriction, if any, on the sale or use of the asset. The group makes judgement regarding the unit of account, i.e., whether it should be valued as a stand-alone property or as a group of properties. Three groups of properties (Sandton City Complex, Nelson Mandela Square, and the Melrose Arch precinct) are valued as one unit of account under IFRS 13 Fair Value Measurement. Determination of the fair value also considers the current use of the property in terms of its highest and best use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible.

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

2.3 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, 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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

2. KEY JUDGEMENTS CONTINUED

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

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

The criteria management has assessed includes the following:

- Although the owners have engaged 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.

2.3.1 Accounting for the temporary hotel agreement

Effective from 27 March 2020, the current lease agreement between Liberty Group Limited, 2 Degrees Properties Proprietary Limited 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 by the Parties to the addendum. This is referred to as the "Closed period" and follows the hard lockdown and restricted travel period implemented in response to the pandemic. Partial opening for essential services and permitted travel whilst the country is still operating under various lockdown levels in order to achieve some revenue to contribute towards the costs of the hotels does not change the terms of the amended agreement.

The terms of the temporary agreement are summarised as follows:

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

2. KEY JUDGEMENTS CONTINUED

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

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.

2.4 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.

2.5 Deferred tax asset

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

2. KEY JUDGEMENTS CONTINUED

2.6 Sandton City and Nelson Mandela Square Valuation Appeal Board (VAB) rates dispute

Objections have been lodged against the GV2018 (general valuation roll 2018) Sandton Complex and Nelson Mandela Square municipal valuations. A subsequent event occurred after the end of the reporting period, namely that on 15 February 2023 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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

3. HEADLINE EARNINGS PER SHARE

	GROUP	
R'000	2022	2021
Reconciliation between basic earnings and headline earnings		
Total comprehensive income (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		
Earnings per share		
Basic and diluted	27.99	27.40
Headline	36.37	33.32
R'000s		
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 CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. SEGMENT INFORMATION

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

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

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

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

December 2022

Unaudited GLA	Retail	Office****	Other specialised***	Hotels**	Administration/ Other*	Total
Total property GLA m ²	512 701	223 222	117 606	-	-	853 529
L2D's share of total GLA m ²	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 CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. SEGMENT INFORMATION CONTINUED

4.1 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 loss 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 fee income	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
Finance costs	-	-	-	-	(172 036)	(172 036)
Interest income	-	-	-	-	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

* 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 CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

4. SEGMENT INFORMATION CONTINUED

4.2 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	361 295	-	8 233 562
Property plant and equipment	-	-	-	-	9 428	9 428
Amount due from group companies	-	-	-	-	126 617	126 617
IFRS 16 – Lease asset****	-	-	-	-	1 640	1 640
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
Financial instruments	-	-	-	-	369	369
Cash and cash equivalents	-	-	-	-	139 135	139 135
Total assets	5 650 246	1 516 280	908 839	386 648	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)
Amount 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	386 555	(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.

**** L2D entered into a five year lease with Liberty Group Limited, effective April 2021 to occupy 1 337m² of office space at Nelson Mandela Square. L2D's ownership percentage of Nelson Mandela Square is 33.3007%. L2D recognised a right-of-use asset representing its right to use the underlying leased asset and depreciated this over the lease term. A lease liability representing its obligation to make lease payments was simultaneously recognised.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. SEGMENT INFORMATION CONTINUED

December 2021

Unaudited GLA	Retail	Office	Other specialised***	Hotels**	Administration/ Other*	Total
Total property GLA m ²	512 701	316 011	117 606	-	-	946 318
L2D's share of total GLA m ^{2**}	148 168	55 212	23 833	-	-	227 213

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. SEGMENT INFORMATION CONTINUED

4.3 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 loss on property debtors and rental relief	9 769	3 640	1 572	-	-	14 981
Net property income	337 877	125 903	54 347	(1 971)	(154)	516 002
Asset management fee income	-	-	-	-	51 336	51 336
Development fee income	-	-	-	-	1 921	1 921
Total net property income and fee income	337 877	125 903	54 347	(1 971)	53 103	569 259
Other Income	-	-	-	-	2 412	2 412
Operating costs	-	-	-	-	(112 455)	(112 455)
Profit/(loss) from operations excluding fair value adjustments	337 877	125 903	54 347	(1 971)	(56 940)	459 216
Finance costs	-	-	-	-	(151 181)	(151 181)
Interest income	-	-	-	-	3 096	3 096
Profit/(loss) before fair value adjustments	337 877	125 903	54 347	(1 971)	(205 025)	311 131
Net fair value adjustments on investment properties	(71 986)	(26 824)	(11 578)	15 979	-	(94 409)
Fair value adjustments 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	42 769	14 008	(163 137)	258 610
Taxation	-	-	-	-	(15 384)	(15 384)
Total comprehensive income/(loss)	265 891	99 079	42 769	14 008	(178 521)	243 226

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

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

4. SEGMENT INFORMATION CONTINUED

4.4 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
IFRS 16 – Lease asset*****	-	-	-	-	2 144	2 144
Trade and other receivables	140 036	43 244	18 667	29 802	25 040	256 789
Financial assets held at fair value through profit or loss	-	-	-	-	22 075	22 075
Deferred tax asset	-	-	-	-	16 424	16 424
Current taxation receivable	-	-	-	-	633	633
Cash and cash equivalents	-	-	-	-	102 715	102 715
Total assets	5 341 599	2 134 796	855 335	318 794	278 730	8 929 254
Trade and other payables	(124 447)	(37 434)	(16 159)	(64)	(29 125)	(207 229)
Employee benefits	-	-	-	-	(22 710)	(22 710)
IFRS 16 – Lease liability	-	-	-	-	(2 250)	(2 250)
Amount due to group companies	-	-	-	-	(528)	(528)
Financial instruments	-	-	-	-	(18 535)	(18 535)
Financial liabilities	-	-	-	-	(2 034 725)	(2 034 725)
Net assets	5 217 152	2 097 362	839 176	318 730	(1 829 143)	6 643 277

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

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

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

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

***** L2D entered into a five year lease with Liberty Group Limited, effective April 2021 to occupy 1 337m² of office space at Nelson Mandela Square. L2D's ownership percentage of Nelson Mandela Square is 33.3007%. L2D recognised a right-of-use asset representing its right to use the underlying leased asset and depreciated this over the lease term. A lease liability representing its obligation to make lease payments was simultaneously recognised.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

5. INVESTMENT PROPERTIES

		GROUP		COMPANY	
R'000	Notes	2022	2021	2022	2021
5.1 Summary					
Investment properties	5.2	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	5.3	27 706	27 683	-	-
Fair value at the beginning of the year		27 683	30 074	-	-
Expenditure on investment properties under development during the year		84	-	-	-
Fair value adjustment		(61)	(2 391)	-	-
Total investment properties		8 233 561	8 265 475	-	-
5.2 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 ¹		(106 544)	(106 108)	-	-
Net movement on straight-lining operating lease income		11 217	14 101	-	-
Expenditure capitalised to 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		-	(153 300)	-	-
Impact of straight-lining of operating lease income on transfer of property to non-current assets held for sale		-	3 288	-	-
Investment properties at fair value		8 053 176	8 073 896	-	-

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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

5. INVESTMENT PROPERTIES CONTINUED

5.2 Investment properties continued

R'000

Operating leases accrued adjustment

Straight-lining balance at the beginning of the year

Straight-lining of operating lease income of transfer of property to assets held for sale

Net movement on straight-lining of operating lease income³

Straight-lining of operating lease income

Total investment properties

5.3 Investment properties under development

Fair value of investment properties under development at the beginning of the year

Net fair value adjustment for the period

Fair value adjustment

Expenditure on investment properties under development during the period

Additions – capitalised subsequent expenditure

Total investment properties under development

Total investment properties

	GROUP		COMPANY	
	2022	2021	2022	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 ³	(11 217)	(14 101)	-	-
Straight-lining of operating lease income	152 679	163 896	-	-
Total investment properties	8 205 855	8 237 792	-	-
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 under development during the period	84	-	-	-
Additions – capitalised subsequent expenditure	84	-	-	-
Total investment properties under development	27 706	27 683	-	-
Total investment properties	8 233 561	8 265 475	-	-

³ The impact of straight-lining operating lease income on Standard Bank Simmonds Street up to date of sale is R3.3 million. The total income statement movement for the year, which includes the straight-lining operating lease income on Standard Bank Simmond Street, from straight-lining is R14.5 million (2021: R14.1 million).

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

5. INVESTMENT PROPERTIES CONTINUED

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 (refer to key judgement note 2.2).

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

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

5. 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 (%)	8.5	14.0 - 14.25	1.0	Staggered growth rates applied over a period of five years which vary per property between 1.0 - 8.0	Constant growth rate applied over a period of five years of 6%	8.5	13.25 - 13.5	1	Staggered growth rates applied over a period of five years which vary per property between 0 - 4.75	Staggered growth rates applied over a period of five years which vary per property between 5 - 6
Retail – super regional and regional (%)	7.0 - 7.5	12.0 - 13.25	1.5 - 5.0	Staggered growth rates applied over a period of five years which vary per property between 4.0 - 5.5	Constant growth rate applied over a period of five years of 6%	7 - 7.75	10.5 - 11.5	0 - 5	Staggered growth rates applied over a period of five years which vary per property between (1) - 4	Staggered growth rates applied over a period of five years which vary per property between 5.5 - 6
Retail – other	8.0 - 8.5	12.5	1.0-5.0	Staggered growth rates applied over a period of five years which vary per property between 4.0 - 5.5	Constant growth rate applied over a period of five years of 6%	7.75 - 8.25	11.75 - 12	0 - 1.5	Staggered growth rates applied over a period of five years which vary per property between (1) - 5	Staggered growth rates applied over a period of five years which vary per property between 5.5 - 6
Specialised										

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

5. 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 (%)
Virgin Active and Parkade	10.5	14.5	-	Staggered growth rates applied over a period of five years 4.0 - 5.0	Constant growth rate applied over a period of five years of 6%	8.0	10.0	-	Staggered growth rates applied over a period of five years (1) - 4	Staggered growth rates applied over a period of five years 5.5 - 6
John Ross Eco Junction*	8.75 - 9.50	14.0 - 14.5	-	Staggered growth rates applied over a period of five years 2.0 - 4.5	Constant growth rate applied over a period of five years of 6%	8.25 - 9.25	13.75 - 14.5	1	Staggered growth rates applied over a period of five years 0 - 4.75	Staggered growth rates applied over a period of five years 5 - 6
John Ross Eco Junction (land)	-	14.75	-	Staggered growth rates applied over a period of five years 0.0 - 2.0	Constant growth rate applied over a period of five years of 6%	-	14.5	-	Staggered growth rates applied over a period of five years 0 - 2.5	Staggered growth rates applied over a period of five years 5 - 6
Hotels (%)**	9.25 - 10.0	14.25	-	-	-	9.0	13.75 - 14.0	-	-	-
Sandton Convention Centre (%)**	10.5	14.5	-	-	-	10.0	14.75	-	-	-

* 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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

5. INVESTMENT PROPERTIES CONTINUED

Understanding the unobservable inputs

Discount rate

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

Exit capitalisation rate

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

Vacancy rate

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

Rental growth

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

Expense growth

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

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

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

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

Other inputs that impact the value less significantly are:

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

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 CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

5. 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 of the shift 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 has seen a decrease in the precincts valuation as compared to December 2021. This is mainly due to high vacancies within the precinct relating to offices due to businesses reassessing 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 specifically 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 CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

5. INVESTMENT PROPERTIES CONTINUED

No.	Property name and % interest in the undivided shares held 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, 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 Sandton Towers (25.0%)	Cnr 5th and Maude Street, Sandton, Gauteng	Hotels	213 789	172 019
Total				8 233 561	8 418 775

* 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 CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 December 2022

6. TRADE AND OTHER RECEIVABLES

R'000	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Trade and other receivables include the following:					
Property debtors		211 830	234 553	-	-
Municipal deposits		3 720	3 491	-	-
Loan with LGL		53 295	54 385	-	-
Trade debtors		61 391	62 885	-	-
Municipal clearances		16 434	9 226	-	-
Tenant rates recoveries		21 744	-	-	-
Accrued income		2 667	1 746	-	-
Unallocated receipts		12 586	22 046	-	-
Other receivables		6 306	9 718	-	-
Tenant arrears		26 738	66 357	-	-
Marketing fund loan account		5 327	2 960	-	-
Profit distributions from Melrose Arch		1 622	1 739	-	-
Prepayments:					
- Insurance		4 109	2 744	-	-
- Other		607	201	37	-
Impairment of property debtors	6.1	(13 019)	(34 803)	-	-
Sundry debtors ¹		6 295	24 631	59	110
Hotel debtors ²		25 533	29 463	-	-
Total trade and other receivables		235 355	256 789	96	110

¹ Sundry debtors consist largely of settlement of working capital balances.

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

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for the year ended 31 December 2022

6. TRADE AND OTHER RECEIVABLES CONTINUED

6.1 Impairment losses on trade and lease receivables

	GROUP				COMPANY			
	2022		2021		2022		2021	
	Hotel debtors	Property debtors	Hotel debtors	Property debtors	Hotel debtors	Property debtors	Hotel debtors	Property debtors
R'000								
Opening impairment loss allowance under IFRS 9	-	(34 803)	-	(57 541)	-	-	-	-
Decrease/(increase) in loss allowance recognised in profit or loss during the period	-	28 863	-	14 980	-	-	-	-
Reversal of impairment/(impairment) as a result of ECL adjustments	-	21 784	-	22 738	-	-	-	-
Impairment as a result of rental relief offered	-	7 079	-	(7 758)	-	-	-	-
Derecognition of impairment allowances	-	(7 079)	-	7 758	-	-	-	-
Closing impairment loss allowance under IFRS 9	-	(13 019)	-	(34 803)	-	-	-	-

Refer to note 22.3 for detail on the ECL provision.

Rental relief discounts

L2D provided a discount on rentals due, for affected tenants of increased restrictions. At the date of the agreement, the discounts offered related to prior months that had already been invoiced to tenants. For certain categories of tenants including restaurants, the rental relief offered was in the form of a rental determined on a turnover basis from January 2022 to December 2022, on a sliding scale basis. Tenants will be liable for a minimum basic rental and property expense recoveries, which will increase based on turnover achieved as a percentage of historical turnover. The rental relief offered resulted in a derecognition of the tenant arrears. Included in 2022 is the reversal of provisions made for rent relief discounts in 2020 and 2021 for which the discounts have been settled and no liability remains.

The table below summarises the discount granted per tenant category:

Category	2022	2021
Retail	(6 995)	8 181
Offices	(84)	(1 082)
Specialised	-	659
Hotels	-	-
	(7 079)	7 758

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

6. TRADE AND OTHER RECEIVABLES CONTINUED

6.2 Property debtors net of impairment loss

Rm	2022				2021			
	ECL rate % ²	Gross carrying amount	Impairment allowance	Net carrying amount	ECL rate % ²	Gross carrying amount	Impairment allowance	Net carrying amount
Current ¹	-	221 636	-	221 636	-	225 235	-	225 235
Current (ECL)	23.4%	1 510	(353)	1 157	7.7%	8 264	(634)	7 630
1 to 30 days past due	26.8%	2 092	(561)	1 531	23.6%	6 131	(1 447)	4 684
31 to 60 days past due	46.5%	1 361	(633)	728	34.2%	4 922	(1 685)	3 237
61 to 90 days past due	50.4%	945	(477)	468	24.3%	7 760	(1 888)	5 872
More than 90 days past due	52.8%	20 830	(10 995)	9 835	74.2%	39 281	(29 149)	10 132
		248 374	(13 019)	235 355		291 593	(34 803)	256 790

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

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

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

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

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

Included in the current gross carrying amount of R221.6 million, is the Liberty Group Limited loan balance of R53.3 million. The ECL calculation performed considered forward-looking information and determined that the ECL adjustment is immaterial.

The tenant rate recoveries includes the provisioning for the Sandton and Nelson Mandela Square rates appeal matters and is based on conservative recovery assumptions.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

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

7.1 Financial assets comprise:

	GROUP		COMPANY	
	2022	2021	2022	2021
R'000				
Financial assets at fair value through profit or loss				
Mutual funds unlisted	47 422	22 075	-	-
Total financial assets at fair value through profit and loss	47 422	22 075	-	-
Current	47 422	22 075	-	-
Non-current	-	-	-	-

7.2 Movement analysis of financial assets

	2022	2021
	Fair value through profit or loss	Fair value through profit or loss
	Total mutual funds	Total mutual funds
R'000		
Balance at the beginning of the year	22 075	768
Additions	312 272	360 809
Disposals	(289 244)	(341 233)
Interest earned on investment	2 319	1 731
Balance at the end of the year	47 422	22 075

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

8. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
R'000	2022	2021	2022	2021
Cash at bank and on hand ¹	139 135	102 715	156	26

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

9. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
R'000	2022	2021	2022	2021
Trade and other payables include the following:				
Trade creditors	2 254	-	-	-
Tenant deposits	27 507	25 569	-	-
Municipal charges	17 864	25 251	-	-
City of Johannesburg rates provision	67 537	15 485	-	-
Unredeemed gift cards	15 145	15 019	-	-
Insurance claim outstanding	1 784	566	-	-
Accruals:	33 118	32 104	35	176
- Audit fees	1 413	695	-	-
- Valuation costs	1 009	649	-	-
- Capital calls	4 767	250	-	-
- Property sundry accruals	4 908	13 003	-	-
- Outsourced services	-	42	-	-
- Liberty Group Limited working capital	20 063	15 114	-	-
- Other	958	2 351	35	176
Sundry payables	39 371	93 235	-	-
- Income received in advance	16 461	18 534	-	-
- Value added taxation payable	10 507	19 743	-	-
- Property sundry creditors	12 403	54 952	-	-
- Other	-	6	-	-
Total trade and other payables	204 580	207 229	35	176
Current	204 580	207 229	35	176
Non-current	-	-	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 December 2022

10. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS, INVESTMENT PROPERTIES AND NON-CURRENT ASSETS HELD FOR SALE

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

The fair value hierarchy has the following levels:

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

Fair value hierarchy for financial instruments, investment properties and non-current assets held for sale

(R'000)	Year ended 31 December 2022			
	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 held at fair value through profit or 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 asset held for sale	153 300	-	-	153 300
Financial assets held at fair value through profit or 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 CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 December 2022

10. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS, INVESTMENT PROPERTIES AND NON-CURRENT ASSETS HELD FOR SALE

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 asset and liabilities	Quoted swap rates and inter-bank borrowing rates	Price-not applicable
3	Investment properties	Discounted cash flow methodology and profit methodology for Sandton Convention Centre and the Hotels.	Refer to note 5 for detail regarding assumptions
3	Investment properties under development	Fair value	Refer to note 5 for detail regarding assumptions

Reconciliation of level 2 assets and liabilities

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

R'000	2022	2021
Financial assets held at fair value through profit or loss		
Fair value at the beginning of the year	22 075	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	22 075
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 CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

10. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS, INVESTMENT PROPERTIES AND NON-CURRENT ASSETS HELD FOR SALE CONTINUED

Reconciliation of level 3 assets

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

R'000	2022	2021
Investment property and investment property under development		
Fair value at the beginning of the year	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
Capitalised cost	-	-
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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 December 2022

10. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS, INVESTMENT PROPERTIES AND NON-CURRENT ASSETS HELD FOR SALE

CONTINUED

Sensitivity analysis of level 3 assets

Investment property

Investment properties' fair value were determined using the discounted cash flow methodology and a profit method valuation on expiry for Sandton Convention Centre and the Hotels. The exit capitalisation rates applied at 31 December 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 (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% – 10.5% exit capitalisation rate	600	570	637
Total	8 234	7 555	9 125
2021			
Properties below 7.3% exit capitalisation rate	3 110	2 832	3 482
Properties between 7.3% – 8.5% exit capitalisation rate	4 768	4 395	5 253
Properties between 8.6% – 10.0% exit capitalisation rate	540	522	563
Total	8 418	7 749	9 298

The table below indicates the sensitivity of the aggregate market values for a 50 bps (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 CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 December 2022

11. STATED CAPITAL AND TREASURY SHARES

	GROUP		COMPANY	
R'000	2022	2021	2022	2021
Authorised capital				
5 000 000 000 ordinary shares of no par value (2021: 5 000 000 000)				
Issued capital				
908 443 334 ordinary shares of no par value (2021: 908 443 334)				
Ordinary shares	8 780 921	8 780 921	8 780 921	8 780 921
Balance at the beginning of the year	8 780 921	8 780 921	8 780 921	8 780 921
Treasury shares	(198 205)	(158 065)	-	-
Balance at the beginning of the year	(158 065)	(80 709)	-	-
Purchased during the year ¹	(50 455)	(96 843)	-	-
Sold during the year	7 807	17 007	-	-
Vested during the year	2 508	2 480	-	-
Balance at 31 December	8 582 716	8 622 856	8 780 921	8 780 921
Ordinary shares of no par value	908 443	908 443	908 443	908 443
Balance at the beginning of the year	908 443	908 443	908 443	908 443
Treasury shares	(38 744)	(29 608)	-	-
Balance at the beginning of the year	(29 608)	(12 986)	-	-
Purchased during the year ¹	(11 481)	(21 024)	-	-
Sold during the year	1 776	3 829	-	-
Vested during the year	569	573	-	-
Balance at 31 December	869 699	878 835	908 443	908 443

¹ Purchased (at an average price of R4.39 per share) during the year by the Liberty Two Degrees Restricted Share Plan Trust and 2 Degrees Properties Proprietary Limited and held as treasury shares. The Liberty Two Degrees Restricted Share Plan Trust holds shares to fulfil the obligation to deliver shares to employees who participate in the LTIP.

Rights attached to ordinary shares include:

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

12. NON-DISTRIBUTABLE RESERVE

R'000	GROUP		COMPANY	
	2022	2021	2022	2021
Components of the non-distributable reserve				
Balance at the beginning of the year	(1 760 017)	(1 693 432)	(2 232 168)	(2 157 788)
Fair value adjustment on investment property	(106 497)	(108 473)	-	-
Fair value adjustment on derivatives	18 904	41 888	-	-
Impairment in subsidiary	-	-	(81 753)	(74 380)
Total non-distributable reserve	(1 847 610)	(1 760 017)	(2 313 921)	(2 232 168)

13. RENTAL AND RELATED INCOME

R'000	GROUP		COMPANY	
	2022	2021	2022	2021
Property rental	635 836	609 062	-	-
Recoveries – property and utility expenses	282 659	233 981	-	-
Parking income	34 015	28 730	-	-
Interest income	4 028	2 524	-	-
Fund level income	2 419	68	-	-
Marketing income – tenant and alternative income	29 629	15 813	-	-
Sundry income – business interruption Covid-19 claim ¹	-	12 126	-	-
Total rental and related income	988 586	902 304	-	-

¹ The business interruption COVID-19 claim was finalised during the 2021 reporting year with insurers and covered the period 1 April 2020 to 31 December 2020. The quantum of the claim was finalised at the loss limit, under the infectious disease clause of the assets all risks cover.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 December 2022

14. PROPERTY OPERATING EXPENSES

R'000	GROUP		COMPANY	
	2022	2021	2022	2021
Advertising and promotions	(4 527)	(5 388)	-	-
Cleaning	(15 180)	(14 703)	-	-
Amortisation on tenant installation and letting commission	(15 495)	(12 179)	-	-
Insurance	(6 434)	(5 101)	-	-
Legal fees	(1 279)	(1 168)	-	-
Municipal charges	(291 386)	(249 507)	-	-
Property management fees	(26 979)	(23 919)	-	-
Repairs and maintenance	(34 407)	(20 892)	-	-
Salaries	(20 879)	(20 924)	-	-
Security	(22 037)	(22 654)	-	-
Other	(10 227)	(10 784)	-	-
Total property operating expenses	(448 830)	(387 219)	-	-

15. OPERATING COSTS

R'000	GROUP		COMPANY	
	2022	2021	2022	2021
Audit fee	(2 168)	(2 124)	(246)	(337)
Property valuation fees	(867)	(829)	-	-
Trustee fee	(35)	(35)	-	-
Printing and publishing costs	(1 668)	(1 646)	(1 534)	(1 455)
Legal costs	(928)	(275)	-	-
Annual listing cost	(544)	(180)	(544)	(180)
Employee costs	(85 643)	(77 801)	(12 858)	(14 258)
Office costs	(23 662)	(25 480)	(5 377)	(6 068)
Asset management fee	(167)	(233)	-	-
Other	(5 606)	(3 852)	(174)	(289)
Total operating costs	(121 288)	(112 455)	(20 733)	(22 587)

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 December 2022

16. FEE INCOME

R'000	GROUP		COMPANY	
	2022	2021	2022	2021
Fee income	53 471	53 257	-	-
Management fees on assets under management ²	50 372	51 336	-	-
Development fee income	3 099	1 921	-	-
Total fee income¹	53 471	53 257	-	-

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

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

17. OTHER INCOME

R'000	GROUP		COMPANY	
	2022	2021	2022	2021
Other income	2 073	2 412	2 008	2 239
Sundry income	2 073	2 412	2 008	2 239
Total other income	2 073	2 412	2 008	2 239

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 December 2022

18. CAPITAL COMMITMENTS

R'000	GROUP		COMPANY	
	2022	2021	2022	2021
Equipment				
Under contracts	-	2 861	-	-
Authorised by the directors but not contracted	6 072	5 046	-	-
Investment properties				
Under contracts	7 877	25 899	-	-
Authorised by the directors but not contracted	91 986	124 812	-	-
Capital improvements on existing properties				
Under contracts	302 578	140 267	-	-
Authorised by the directors but not contracted	27 782	1 029	-	-
Closing balance¹	436 295	299 914	-	-
The capital commitments have been classified into the following categories				
- Within 12 months	436 295	299 914	-	-
- Longer than 12 months	-	-	-	-

¹ Capital commitments outstanding amount to R436.3 million (31 December 2021: R299.9 million), which includes the acquisition of One on Whitely for R128.2 million, and operational capital expenditure of R105.9 million, the remainder of which is development capital expenditure.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 December 2022

19. CASH GENERATED FROM OPERATIONS

R'000	GROUP		COMPANY	
	2022	2021	2022	2021
Total earnings	249 235	258 610	234 689	223 021
Adjusted for:				
– Interest received	(5 989)	(3 096)	(114)	(110)
– Interest expense	167 010	151 181	20 227	19 613
– Amortisation of tenant installation and letting commission	15 495	12 179	–	–
– Depreciation and IFRS 16 depreciation	2 734	400	–	–
– Impairment	–	–	81 753	74 380
– Dividend received ¹	–	–	(362 212)	(489 417)
– Share based payment reserve	3 689	4 863	(1 352)	(823)
– Other non-cash items	(2 319)	–	1 913	8 684
– Fair value adjustment on investment properties	106 497	108 473	–	–
– Fair value adjustment on financial instrument	(18 904)	(41 888)	–	–
Working capital changes	(7 018)	9 902	108 860	130 023
(Increase)/decrease in trade and other receivables	21 434	(33 719)	14	(110)
(Increase)/decrease in amounts due from group companies	(27 956)	(17 620)	108 987	130 418
Increase/(decrease) in employee benefits	2 153	8 866	–	–
Increase/(decrease) in trade and other payables	(2 649)	52 375	(141)	(285)
Total cash generated from operations	510 430	500 624	83 764	(34 629)

¹ The R362.0 million (2021: R343.0 million) per the statement of profit or loss and other comprehensive income relates to the actual dividends declared by 2DP to L2D during the year, including R182.4 million which will be received in the 2023 financial year.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

20. RELATED PARTY DISCLOSURE

List of related parties as defined

Ultimate parent

Standard Bank Group Limited (SBG).

Parent

Liberty Group Limited (LGL).

Fellow subsidiaries

All subsidiaries of LGL are fellow subsidiaries of L2D group – a full list can be obtained from the company secretary and details are contained in the published consolidated annual financial statements of LGL. Notably, 2 Degrees Properties (2DP), and the previous management company SRFM ('the Manager'), 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 (2021: R1.3 billion). Refer to detail disclosed in note 31.

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: R17.0 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).

Liberty Promenade Shopping Centre

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).

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).

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 paid to Liberty Consortium as at 31 December 2022 (2021: R369 078).

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2022

20. RELATED PARTY DISCLOSURE CONTINUED

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).

Loan with STANLIB Wealth Management Limited

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

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 R48.0 million (receivable) (2021: R58.3 million payable). This includes a dividend receivable of R182.4 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.).

Consolidated unit trusts

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

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20. RELATED PARTY DISCLOSURE CONTINUED

Fund name	Liberty economic holding in fund (%)	Number of L2D group shares ('000)	Market value of L2D group shares (R'000)
2022			
STANLIB Multi-Manager Property	43	870	4 089
STANLIB Multi-Manager Equity Fund	44	197	926
INVEST SA Property ETF	80	724	3 402
Total	-	1 791	8 417
2021			
STANLIB Multi-Manager Property	63	1 108	5 263
STANLIB Multi-Manager Equity Fund	79	727	3 455
INVEST SA Property ETF	63	1 115	5 294
Total	-	2 950	14 012

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20. RELATED PARTY DISCLOSURE CONTINUED

Key management personnel

Directors' remuneration

	Directors of L2D (Rand)	Other Liberty Group ¹ (Rand)	Total remuneration (Rand)
Non-executive directors' remuneration			
2022			
Angus Band ³	172 239	-	172 239
David Munro ⁴	-	29 014 000	29 014 000
Barbara Makhubedu	607 910	-	607 910
Peter Nelson	624 830	-	624 830
Craig Ewin	528 530	-	528 530
Nick Criticos ⁵	907 553	-	907 553
Puleng Makhoalibe ⁶	266 127	-	266 127
Lynette Ntuli	361 923	-	361 923
Nonhlanhla Mayisela ⁷	25 180	-	25 180
Itumeleng Dlamini ⁸	25 180	-	25 180
Philisiwe Mthethwa ⁹	25 180	-	25 180
Total	3 544 652	29 014 000	32 558 652
2021			
Wolf Cesman ²	467 290	-	467 290
Angus Band ³	991 300	-	991 300
David Munro ⁴	-	18 312 000	18 312 000
Barbara Makhubedu	507 523	-	507 523
Peter Nelson	588 000	-	588 000
Craig Ewin	462 055	-	462 055
Nick Criticos ⁵	165 205	-	165 205
Puleng Makhoalibe ⁶	373 750	-	373 750
Lynette Ntuli	432 167	-	432 167
Total	3 987 290	18 312 000	22 299 920

¹ Other Liberty Group is defined as LHL and its subsidiaries excluding L2D group.

² Wolf Cesman received a composite fee of £24 000 for the 2021 year. Wolf Cesman retired on 7 May 2021.

³ Angus Band received a composite fee from L2D. Angus Band retired on 1 March 2022.

⁴ David Munro was appointed as member of the Nomination Committee on 7 May 2021. David Munro was the Chief Executive of LHL up to 9 March 2022 and was appointed as a non-executive director on 10 March 2022. David Munro's fixed remuneration for the year ended 31 December 2022 is R9.0 million. The variable remuneration awards (being both the short-term and long-term incentives) for David Munro are price sensitive and subject to the required governance approval by the Standard Bank Board of Directors. This information was not yet publicly available on 27 February 2023. At the date of these consolidated annual financial statements, the variable remuneration rewards were not yet determined and payable. This is disclosed in the Standard Bank Group annual financial statements publicly released on 9 March 2023.

⁵ Nick Criticos was appointed as L2D Chairman effective 1 March 2022

⁶ Puleng Makhoalibe resigned on 11 August 2022.

⁷ Nonhlanhla Mayisela was appointed as non-executive director effective 24 November 2022.

⁸ Itumeleng Dlamini was appointed as non-executive director effective 24 November 2022.

⁹ Philisiwe Mthethwa was appointed as non-executive director effective 24 November 2022.

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for the year ended 31 December 2022

20. RELATED PARTY DISCLOSURE CONTINUED

	2022 (R'000)	2021 (R'000)	% change
Executive directors' remuneration			
Amelia Beattie (Chief executive)			
Fixed remuneration	3 844	3 698	3.94%
Cash portion of package	3 334	3 170	-
Other benefits	81	120	-
Retirement contributions	429	408	-
Annual variable awards	4 878	4 961	(1.68%)
Cash	3 715	3 773	-
Restricted share plan (deferred plan)	1 163	1 188	-
Long-term awards	2 826	3 074	(8.07%)
Restricted share plan (long-term plan)	1 082	1 190	-
Distribution	1 744	1 884	-
Total remuneration	11 548	11 733	(1.57%)
José Snyders (Financial director)			
Fixed remuneration	3 201	3 078	4.00%
Cash portion of package	2 730	2 629	-
Other benefits	114	114	-
Retirement contributions	357	335	-
Annual variable awards	3 150	3 365	(6.39%)
Cash	2 505	2 655	-
Restricted share plan (deferred plan)	645	710	-
Long-term awards	1 918	2 090	(8.24%)
Restricted share plan (long-term plan)	800	860	-
Distribution	1 118	1 230	-
Total remuneration	8 269	8 533	(3.10%)

Fixed remuneration

The executive directors' fixed remuneration increase was effective from 1 April 2022.

Short-term incentive plan

Short-term incentive awards are conditional upon meeting set performance objectives and targets as approved by the board. The objectives and targets are composed of company financial and individual non-financial strategic objectives. Individual accountability is also linked in the assessment of executive director's performance during the performance measurement cycle.

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21. DISTRIBUTION TO SHAREHOLDERS

R'000	GROUP		COMPANY	
	2022	2021	2022	2021
Amounts unpaid at the beginning of the year	-	-	-	-
Distribution declared to shareholders during the year	(317 512)	(435 421)	(317 512)	(435 421)
Amounts unpaid at the end of the year	-	-	-	-
Total distribution to shareholders	(317 512)	(435 421)	(317 512)	(435 421)

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22. FINANCIAL RISK MANAGEMENT

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

22.1 Property market risk

Property market risk is the risk of adverse financial impacts due to changes in fair values of future cash flows. The unobservable inputs used in the property valuation include the exit cap rate, discount rate, vacancy rate, rental growth and expense growth, which have been disclosed in note 5. Sensitivity analysis has been applied to unobservable inputs and is disclosed in note 10. L2D group is exposed to tenant default, depressed market rentals and unlet space affecting property values and rental income. The managed diversity of the property portfolio and the existence of multi-tenanted buildings specifically reduces the exposure to this risk. Refer to note 4 Segment information and note 5 Investment properties, for detail on concentration risk.

22.2 Liquidity risk

Liquidity risk is the risk that L2D group is not able to meet its payment obligations as they fall due. 95% of L2D group's assets are invested in illiquid assets. Illiquid assets are those that are considered to be realisable in excess of six months. Liquidity is subject to a sale of investment property and related time frame. Management prepares monthly cash flow forecasts to consider liquidity requirements going forward. L2D group has sufficient reserves and debt capacity to meet forecasted commitments as they fall due. L2D currently has R231 million in unutilised revolving credit facilities available at 31 December 2022, and has successfully re-financed R849.9 million of the debt facilities in 2022.

The L2D group made use of R2 billion of term facilities to date.

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

R'000	Less than one year	Less than two years	Less than three years	Less than four years	Less than five years	Total
Year ended 31 December 2022						
Financial liabilities						
Interest-bearing borrowings	669 000	-	-	600 000	741 945	2 010 945
Interest payable on interest borrowings	169 038	117 073	116 753	108 263	54 999	566 126
Interest rate swap	-	-	-	-	-	-
Other financial liabilities ¹	8 512	8 536	12 406	-	-	29 454
Trade and other payables	177 612	-	-	-	-	177 612
R'000	1 024 162	125 609	129 159	708 263	796 944	2 784 137
Year ended 31 December 2021						
Financial liabilities						
Interest-bearing borrowings	849 891	560 000	-	-	600 000	2 009 891
Interest payable on interest borrowings	118 793	85 225	35 648	42 661	42 661	324 988
Interest rate swap	18 535	-	-	-	-	18 535
Other financial liabilities ¹	24 523	-	-	-	-	24 523
Trade and other payables	168 952	-	-	-	-	168 952
	1 180 694	645 225	35 648	42 661	642 661	2 546 889

¹ Other financial liabilities relates to interest due on the interest rate swap, expiring on 31 October 2024 and 3 November 2025.

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for the year ended 31 December 2022

22. FINANCIAL RISK MANAGEMENT CONTINUED

22.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. L2D group is exposed to credit risk on its financial instruments such as financial assets, trade and other receivables and cash and cash equivalents.

The risk arises due to a change in credit rating of the counter party subsequent to L2D group obtaining the financial assets. Refer to note 6 and note 10 for details of credit risk exposure. L2D has formal policies and procedures in place to ensure management of credit risk. A formal credit assessment is performed for all new tenants and lease contracts are entered into with tenants with an appropriate credit history. Credit risk is managed by requiring tenants to pay rentals in advance, plus the provision of a deposit of at least one month's rental (Only applicable to non-national tenants). Outstanding tenants' receivables are regularly monitored. The write off policy considers legal matters wherein there is no reasonable expectation of a recovery of an arrear debtor amount after all recovery attempts have been exhausted. The write off of the outstanding debt will be administered within the Delegation of Authority as a write off of a non-recoverable amount.

The expected credit loss (ECL) model methodology has remained unchanged from 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.

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

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

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for the year ended 31 December 2022

22. FINANCIAL RISK MANAGEMENT CONTINUED

22.4 Market risk

Interest rate risk

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

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

This is achieved by entering into swap agreements to receive variable and pay fixed interest rates. 80.27% of borrowings have been hedged through fixed rate contracts.

Cash flow sensitivity analysis for variable rate instruments

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

R'000	GROUP		COMPANY	
	2022	2021	2022	2021
Effect on equity and profit or loss				
50 basis points increase	(928)	(4 364)	(889)	(3 864)
50 basis points decrease	928	4 364	889	3 864

The comparative figures have been updated to reflect the impact of hedges in place.

22.5 Emerging risk

Climate-related emerging risk

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

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

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

The group reduces its exposure to transition risk by:

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

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for the year ended 31 December 2022

23. CAPITAL MANAGEMENT

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

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

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

24. MINIMUM LEASE PAYMENTS RECEIVABLE

R'000	2022	2021
Minimum lease payments comprise contractual rental income and operating expense recoveries from investment property. The minimum lease payments receivable from tenants have been classified into the following categories:		
– Short term (up to one year)	537 144	537 416
– Medium term (greater than one year and up to five years)	971 653	1 019 135
– Long term (greater than five years)	466 719	558 425

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for the year ended 31 December 2022

25. EMPLOYEE BENEFITS LIABILITIES

	GROUP		COMPANY	
R'000	2022	2021	2022	2021
Liabilities				
Leave pay	1 792	1 710	-	-
Short-term incentive	23 071	21 000	-	-
Total liability	24 863	22 710	-	-

Analysis of employee benefits

	Leave pay				Short-term incentive			
	GROUP		COMPANY		GROUP		COMPANY	
R'000	2022	2021	2022	2021	2022	2021	2022	2021
Balance at the beginning of the year	1 710	1 844	-	-	21 000	12 000	-	-
Additional provision raised	1 198	908	-	-	23 563	21 000	-	-
Utilised during the year	(1 116)	(1 042)	-	-	(21 492)	(12 000)	-	-
Balance at the end of the year	1 792	1 710	-	-	23 071	21 000	-	-

Leave pay

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

Short-term incentive scheme (cash-settled)

In terms of the company remuneration policy, all permanent employees are eligible to receive incentives in terms of various board approved incentive schemes. These schemes recognise both individual and financial performance of the company as set out in note 20.

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26. SHARE-BASED PAYMENTS

	GROUP		COMPANY	
R'000	2022	2021	2022	2021
Reconciliation of share-based payments reserve				
Long-term incentive plan	34 766	31 077	20 473	21 824
Total share-based payments reserves	34 766	31 077	20 473	21 824
Total share-based payments reserves at the beginning of the year	31 077	26 212	21 824	22 647
Movement for the year	3 689	4 865	(1 351)	(823)
Per profit or loss equity-settled schemes	21 561	17 846	21 561	17 846
Per profit or loss forfeited shares ¹	(13 355)	(8 262)	(13 355)	(8 262)
Transfer of vested rights to retained surplus	(4 517)	(4 719)	(4 517)	(4 719)
Transfer of vested rights to retained surplus (dividends)	-	-	1 167	1 422
Payment of L2D Limited dividend to restricted share plans participants	-	-	(6 207)	(7 110)
Total share-based payments reserves at the end of the year	34 766	31 077	20 473	21 824

¹ 2022 is inclusive of 2 086 104 shares due to vest in March 2023 but forfeited as performance conditions will not be met. 2021 is inclusive of 1 173 160 shares due to vest in March 2022 but forfeited as performance conditions were not met.

26.1 Long-Term Incentive Plan

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

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

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

The Liberty Two Degrees Restricted Share Plan Trust (Trust)

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

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26. SHARE-BASED PAYMENTS CONTINUED

26.1 Long-Term Incentive Plan continued

The LTIP method of participation

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

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

Performance conditions	<ul style="list-style-type: none"> – Awards granted are subject to vesting and/or performance conditions. – The performance conditions are relevant to the full award (all three tranches). – Performance conditions will be tested at the date of vesting. Linear vesting will apply to the extent that the performance conditions are met. – Unvested shares are forfeited on termination of employment. – No re-testing of performance conditions is permitted.
Vesting period	– Three-, four- and five-year anniversary performance condition on all vestings for LTIP.
Other	<ul style="list-style-type: none"> – Applicable distributions are paid to participants. No voting rights are attached to the shares held in trust. – Shares need to be acquired in the market. – Share awards are based on the L2D share price seven days prior to the last day to trade <i>cum</i> dividend on the JSE.

To the extent that the L2D Performance Conditions or Performance Criteria are partially met (but without detracting from Remco's general discretion to waive L2D Performance Conditions or Performance Criteria in whole or in part), pro-rating of awards will apply on a linear scale, i.e. shares will be awarded based on the percentage of the target achieved, no discretion has been applied to waiver Performance Conditions during the 2022 year.

General provisions applicable to the plan

Remco and the trustees may amend any provision of the plan; provided that an amendment affecting the vested rights of a participant requires the consent of that participant and the consent of the JSE where applicable.

Summary of movements under restricted share plans

Liberty Two Degrees restricted share plan (long-term plan)	2022		2021	
	Price range	Number	Price range	Number
Movement summary				
Shares outstanding at the beginning of the year	R4.55 – R10.20	10 409	R4.55 – R10.20	8 805
Granted	R3.70 – R5.70	4 913	R4.78	3 627
Exercised	R4.38 – R4.43	(310)	R4.25 – R4.38	(324)
Cancellations	R4.38 – R4.42	(1 526)	R4.25 – R4.38	(1 699)
Shares outstanding at the end of the year		13 486		10 409

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26. SHARE-BASED PAYMENTS CONTINUED

	2022		2021	
	Price range	Number	Price range	Number
Liberty Two Degrees restricted share plan (deferred plan)				
Movement summary				
Shares outstanding at the beginning of the year	R4.78 – R7.05	254	R5.79 – R10.21	378
Granted	R4.20	798	R4.78	140
Exercised	R4.43	(259)	R4.38	(249)
Cancellations	R4.42	(105)	R4.25 – R4.38	(15)
Shares outstanding at the end of the year		688		254
Liberty Two Degrees restricted share plan (special once-off long-term plan)				
	2022		2021	
	Price range	Number	Price range	Number
Movement summary				
Shares outstanding at the beginning of the year	R4.60	2 572	R4.60	2 792
Granted	-	-	-	-
Exercised	-	-	-	-
Cancellations	R4.42	(145)	R4.38 – R5.00	(220)
Shares outstanding at the end of the year		2 427		2 572

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27. AMOUNTS DUE (TO)/FROM GROUP COMPANIES

		GROUP		COMPANY	
R'000		2022	2021	2022	2021
27.1	Amounts due to group companies				
	STANLIB Wealth Management Limited	(81)	(528)	-	-
	The current account with a fellow subsidiary is unsecured and there are no fixed terms of repayment. The loan is interest free and repayable on demand when the company is solvent.				
	Liberty Two Degrees Restricted Share Plan Trust	-	-	(29 269)	(26 625)
	The current account with a subsidiary is unsecured and there are no fixed terms of repayment. The loan is interest free and repayable on demand when the company is solvent.				
	2 Degrees Properties Proprietary Limited	-	-	(48 043)	-
	The current account with a subsidiary is unsecured and there are no fixed terms of repayment. The loan is interest-free and repayable on demand when the company is solvent.				
	Total (liability)	(81)	(528)	(77 312)	(26 625)
27.2	Amounts due from group companies				
	2 Degrees Properties Proprietary Limited	-	-	-	58 300
	The current account with a subsidiary is unsecured and there are no fixed terms of repayment. The loan is interest free and repayable on demand when the company is solvent.				
	Liberty Group Limited	126 617	99 108	-	-
	The current account with the parent company is unsecured and there are no fixed terms of repayment. The loan is interest free and repayable on demand when the company is solvent.				
	Total asset	126 617	99 108	-	58 300

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28. PROPERTY, PLANT AND EQUIPMENT

	GROUP		COMPANY	
R'000	2022	2021	2022	2021
Computer equipment				
Carrying amount at the beginning of the year	107	-	-	-
Additions	653	128	-	-
Depreciation	(186)	(21)	-	-
Net carrying value at the end of the year	574	107	-	-
Furniture and fittings				
Carrying amount at the beginning of the year	10 484	716	-	-
Additions	413	9 768	-	-
Depreciation	(2 043)	-	-	-
Net carrying value at the end of the year	8 854	10 484	-	-
Total property, plant and equipment	9 428	10 591	-	-

29. RIGHT-OF-USE ASSETS

	GROUP		COMPANY	
R'000	2022	2021	2022	2021
29.1 Summary				
Right-of-use asset	1 640	2 144	-	-
Cost (note 29.2)	2 523	2 523	-	-
Accumulated depreciation (note 29.3)	(883)	(379)	-	-

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29. RIGHT-OF-USE ASSETS CONTINUED

	R'000	Balance at the beginning of the year	Additions	Disposals	Derecognition	Balance at the end of the year
29.2 Right-of-use asset – cost						
2022						
Cost – movement						
Right-of-use asset		2 523	-	-	-	2 523
Total cost		2 523	-	-	-	2 523
2021						
Cost – movement						
Right-of-use asset		-	2 523	-	-	2 523
Total cost		-	2 523	-	-	2 523

	R'000	Balance at the beginning of the year	Depreciation	Derecognition	Balance at the end of the year
29.3 Right-of-use asset – accumulated depreciation					
2022					
Accumulated depreciation – movement					
Right-of-use asset		(379)	(504)	-	(883)
Total accumulated depreciation		(379)	(504)	-	(883)
2021					
Accumulated depreciation – movement					
Right-of-use asset		-	(379)	-	(379)
Total accumulated depreciation		-	(379)	-	(379)

2DP entered into a five year lease with Liberty Group Limited, effective April 2021 to occupy 1 337m² of office space at Nelson Mandela Square. 2DP's ownership percentage of Nelson Mandela Square is 33.3007%.

2DP recognised a right-of-use asset representing its right to use the underlying leased asset and depreciated this over the lease term. A lease liability representing its obligation to make lease payments was simultaneously recognised.

Refer to note 30 for disclosure on the lease liability.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

30. LEASE LIABILITY

		GROUP		COMPANY	
R'000		2022	2021	2022	2021
30.1 Summary					
Total lease liabilities		1 824	2 250	-	-
Finance lease liabilities – measured at amortised cost (note 30.2)		1 824	2 250	-	-
Current		590	541	-	-
Non-current		1 234	1 709	-	-
				Finance lease liabilities – measured at amortised cost	Total
R'000					
30.2 Finance lease liabilities – measured at amortised cost					
2022					
Lease liability					
Balance at the beginning of the year				2 250	2 250
Additions				-	-
Finance costs				136	136
Lease liability interest repayments				(136)	(136)
Lease liability capital repayments				(426)	(426)
Balance at the end of the year				1 824	1 824
2021					
Lease liability					
Balance at the beginning of the year				-	-
Additions				2 523	2 523
Finance costs				120	120
Lease liability interest repayments				(120)	(120)
Lease liability capital repayments				(273)	(273)
Balance at the end of the year				2 250	2 250

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

31. FINANCIAL LIABILITIES

31.1 Financial liabilities measured at amortised cost

R'000	Issue date	Maturity date	Interest payable	Amount	Fair value	GROUP		COMPANY	
						Carrying value		Carrying value	
						2022	2021	2022	2021
Absa Bank loan facility	2018-11-01	2022-10-31	6 month JIBAR + margin	-	-	-	150 000	-	57 946
		2026-10-31	3 month JIBAR + margin	300 000	304 066	300 000	300 000	50 000	50 000
		2023-11-01	6 month JIBAR + margin	250 000	253 692	250 000	250 000	50 000	50 000
Standard Bank loan facility	2018-11-01	2022-10-31	6 month JIBAR + margin	-	-	-	699 891	-	50 000
		2026-10-31	fixed rate + margin	300 000	304 145	300 000	300 000	50 000	50 000
		2023-11-01	6 month JIBAR + margin	250 000	253 678	250 000	250 000	50 000	50 000
	2022-11-01	2027-10-31	3 month JIBAR + margin	175 000	177 500	175 000	-	-	-
		2027-10-31	fixed rate + margin	250 000	254 235	250 000	-	-	-
Nedbank loan facility	2021-01-31	2023-12-15	6 month JIBAR + margin	169 000	169 000	169 000	60 000	-	-
	2022-11-01	2027-10-31	3 month JIBAR + margin	425 000	321 210	316 945	-	-	-
Total financial liabilities at amortised cost				2 119 000	2 037 527	2 010 945	2 009 891	200 000	307 946
Current						669 000 ¹	849 891	100 000 ²	107 946
Non-current						1 341 945	1 160 000	100 000	200 000

¹ Excludes interest of R29.1 million reflected as current liability (2021: R24.8 million).

² Excludes interest of R2.9 million reflected as current liability (2021: R3.2 million).

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

31. FINANCIAL LIABILITIES CONTINUED

	GROUP		COMPANY	
	Financial liabilities measured at amortised cost		Financial liabilities measured at amortised cost	
	2022	2021	2022	2021
R'000				
31.2 Reconciliation of movement in financing activities disclosed in the statement of cash flows				
Balance at the beginning of the year	2 034 725	1 762 895	311 145	311 085
Finance costs	137 812	126 227	17 303	16 413
Interest accrual	29 061	24 833	2 897	3 199
Repayments interest	(162 646)	(148 230)	(20 502)	(19 552)
Repayments – capital ¹	(849 891)	(669 000)	(107 946)	(100 000)
Arising through new loans offered ¹	850 945	938 000	-	100 000
Balance at the end of the year	2 040 006	2 034 725	202 897	311 145
Current	698 061	874 725	102 897	111 145
Non-current	1 341 945	1 160 000	100 000	200 000

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

32. TAXATION

R'000

South African normal taxation

Current year taxation

(Over)/under provision prior year current taxation

Current deferred taxation

South African capital gains taxation

Current year taxation

Deferred taxation

Reconciliation between applicable tax rate and effective tax rate

Profit before tax

Taxation effect of:

Other inclusions or exclusions in taxable income¹

Fair value adjustment on investment properties

Wear and tear allowances on moveable assets

S25BB qualifying distribution

SA normal taxation rate applied to profit before taxation (28% corporate tax rate)

Over/(under) provision of taxation in respect of prior years

Deferred tax

Tax charge as per statements of comprehensive income

GROUP		COMPANY	
2022	2021	2022	2021
5 498	15 384	31	-
-	-	-	-
(16)	-	31	-
5 514	15 384	-	-
-	-	-	-
-	-	-	-
-	-	-	-
249 235	258 610	234 689	223 021
43 499	(62 584)	92 574	12 411
106 497	108 473	-	-
(61 370)	(62 821)	-	-
(337 861)	(241 678)	(327 263)	(235 432)
-	-	-	-
16	-	(31)	-
(5 514)	(15 384)	-	-
(5 498)	(15 384)	(31)	-

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

¹ Consists of provision movements and other accounting related adjustments.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

32. TAXATION CONTINUED

		GROUP		COMPANY	
R'000		2022	2021	2022	2021
32.1	Taxation (paid)/received				
	Taxation at the beginning of the period	633	633	-	-
	Charged to statements of comprehensive income during the year	15	-	(31)	-
	Prior year interest payable to SARS	(1)	-	(1)	-
	Income tax (receivable)/payable at the end of the period	32	(633)	32	-
	Tax (paid)/received	679	-	-	-
32.2	Deferred tax balance				
	Rental relief and ECL provision	3 816	21 267	-	-
	Share based payment reserve	2 305	(1 857)	-	-
	Other timing difference	4 789	(2 986)	-	-
	Deferred tax asset balance	10 910	16 424	-	-
32.3	Deferred tax movements				
	Balance at the beginning of the year	16 424	31 808	-	-
	<i>Movements to income statement (temporary differences)</i>				
	Rental relief and ECL provision	(9 034)	(6 558)	-	-
	Revenue received in advance	-	(3 175)	-	-
	Share based payment reserve	4 162	-	-	-
	Other timing difference	(642)	(5 651)	-	-
	Deferred tax asset balance	10 910	16 424	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

33. INVESTMENT IN SUBSIDIARIES

R'000	Amount of issued share capital Units	Effective interest %	Investment R	Intergroup balances R
2022				
Subsidiaries				
2 Degrees Properties (Pty) Ltd opening balance	908 443	100	6 960 126	-
Impairment			(81 571)	-
2 Degrees Properties (Pty) Ltd closing balance			6 878 555	(48 043)
Stanlib REIT Fund Managers (RF) Pty Ltd opening balance	0.2	100	6 942	-
Impairment			(183)	-
Stanlib REIT Fund Managers (RF) Pty Ltd closing balance			6 759	-
Closing balance			6 885 314	(48 043)
2021				
Subsidiaries				
2 Degrees Properties (Pty) Ltd opening balance	908 443	100	7 034 336	-
Impairment			(74 210)	-
2 Degrees Properties (Pty) Ltd closing balance			6 960 126	58 300
Stanlib REIT Fund Managers (RF) Pty Ltd opening balance	0.2	100	7 112	-
Impairment			(170)	-
Stanlib REIT Fund Managers (RF) Pty Ltd closing balance			6 942	-
Closing balance			6 967 068	58 300

33.1 Impairment of subsidiary

2DP and SRFM, both based in South Africa, are investments in L2D's separate financial statements. An impairment assessment has been performed in accordance with IAS 36. The net asset value is largely determined by the fair value of the underlying properties within the company, which is based on discounted cash flow methodology, and profit methodology for Sandton Convention Centre and the hotels. L2D's property portfolio declined by R106.5 million in 2022 (2021: R108.5 million).

The recoverable amount, being the higher of the fair value less costs of disposal and value-in-use was assessed to be R6.9 billion. A discount rate of 11.0% was applied to determine the value in use. The recoverable amount was based on the fair value less cost of disposal assessment. This resulted in an impairment loss of R81.8 million to reflect the fair value of the investment as at 31 December 2022. (2021: R74.4 million)

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

34. NON-CURRENT ASSETS HELD FOR SALE

R'000	2022	2021
Standard Bank Simmonds Street		
Balance at the beginning of the year	153 300	-
Transfer from Investment property	-	153 300
Amortisation	(108)	(26)
Change in fair value	108	26
Disposal	(153 300)	-
Balance at the end of the year	-	153 300

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

Standard Bank Simmonds Street was re-classified from investment properties to a non-current asset held for sale effective 30 June 2021, after the offer to purchase was signed on 21 June 2021. The property was effectively transferred on 15 September 2022.

35. SUBSEQUENT EVENTS

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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 December 2022

36. GOING CONCERN

Management have assessed L2D's ability to continue as a going concern. The assessment includes solvency and liquidity tests which include a forecast of debt covenants such as the loan-to-value and interest cover ratios. The liquidity test considers expected cash flows in the next 12 months, including cash flow relating to funding and capital expenditure. As at 31 December 2022, L2D had a net asset value of R7.51 per share and a stable liquidity position.

Interest-bearing borrowings

The group's interest-bearing borrowings represented 24.42% (31 December 2021: 23.87%) of the value of its property portfolio. The average cost of debt (all Rand-denominated) is 9.23% (31 December 2021: 7.85%), interest rates are hedged through fixed rate contracts on 80.27% (31 December 2021: 75.82%) of borrowings for an average period of 3.25 years (31 December 2021: 2.09 years).

As at 31 December 2022, L2D remains well capitalised, with sufficient liquidity, reflecting our prudent approach towards capital management, and the underlying quality of our portfolio.

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

The total unutilised revolving credit facilities amount to R231 million as at 31 December 2022, with an additional R108 million available to draw on a bank term facility, taking the total unutilised bank facilities to R339 million. Our modeling of the business forecasted cashflow indicate that the current unutilised bank facilities are sufficient for our liquidity needs for the next 12 months and the company is comfortable that it will be able to meet its commitments as they fall due.

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

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

ANNEXURES

for the year ended 31 December 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, finance costs 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 statements of profit or loss and other comprehensive income presented and the accompanying notes to the consolidated and separate annual financial statements.

	2022 R'000	2021 R'000
SA REIT Funds from Operations (SA REIT FFO) per share		
Profit per IFRS "Statement of profit or loss and other comprehensive Income" 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 of operating lease income 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 income adjustment	14 542	14 064
Other adjustments	(14 484)	(10 612)
Antecedent earnings adjustment	(14 484)	(10 612)
SA REIT FFO	325 094	314 983
Number of shares outstanding at end of period (net of treasury shares)	869 699 Cents	878 835 Cents
SA REIT FFO per share (cents)	37.38	35.84
Company-specific adjustments per share (cents)	(0.91)	(1.74)
Depreciation/amortisation	(0.31)	(0.05)
Deferred tax	(0.64)	(1.75)
2DP/trust earnings	0.04	0.06
Dividend per share (cents)	36.47	34.10

ANNEXURES

for the year ended 31 December 2022

A. ADOPTION OF BEST PRACTICE RECOMMENDATIONS CONTINUE

	2022 R'000	2021 R'000
Reconciliation of SA REIT funds from operations (SA REIT FFO) to cash generated from operations		
SA REIT FFO	325 094	314 983
Adjustments		
Interest income	(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
<i>Working capital changes</i>		
(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	6 533 051	6 643 277
Adjustments:		
Dividend to be declared (net of 2DP and trust)	(317 179)	(299 714)
Deferred tax	(10 910)	(16 424)
SA REIT NAV	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		
SA REIT NAV per share	7.13	7.20

ANNEXURES

for the year ended 31 December 2022

A. ADOPTION OF BEST PRACTICE RECOMMENDATIONS CONTINUE

SA REIT cost-to-income ratio		2022 R'000	2021 R'000
<i>Expenses</i>			
Property operating expenses per IFRS "Statement of profit or loss and other comprehensive Income" (includes municipal expenses) ¹		419 967	372 238
Operating costs per IFRS "Statement of profit or loss and other comprehensive Income" ²		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
<i>Rental income</i>			
Contractual rental income per IFRS "Statement of profit or loss and other comprehensive Income" (excluding straight-lining)		705 927	668 323
Utility and operating recoveries per IFRS "Statement of profit or loss and other comprehensive Income"		282 659	233 981
Rental and related income "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.

SA REIT administrative cost-to-income ratio		2022 R'000	2021 R'000
<i>Expenses</i>			
Operating costs per IFRS "Statement of profit or loss and other comprehensive Income" ¹		121 288	112 455
Administrative costs	A	121 288	112 455
<i>Rental income</i>			
Contractual rental income per IFRS "Statement of profit or loss and other comprehensive Income" (excluding straight-lining)		705 927	668 323
Utility and operating recoveries per IFRS "Statement of profit or loss and other comprehensive Income"		282 659	233 981
Rental and related income "Gross rental income"	B	988 586	902 304
SA REIT administrative cost-to-income ratio	(A/B)	12.3%	12.5%

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.

ANNEXURES

for the year ended 31 December 2022

A. ADOPTION OF BEST PRACTICE RECOMMENDATIONS CONTINUE

SA REIT GLA vacancy rate		2022	2021
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%

* Change in GLA in 2022 results from the Sale of Standard Bank Simmonds Street.

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

SA REIT loan-to-value		2022 R'000	2021 R'000
Gross debt		2 010 945	2 009 891
<i>Less:</i>			
Cash and cash equivalents		(139 135)	(102 715)
<i>Add/Less:</i>			
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
<i>Less:</i>			
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	8 470 643
SA REIT loan-to-value (“SA REIT LTV”)	A/B	22.5%	22.7%

ANNEXURES

for the year ended 31 December 2022

A. ADOPTION OF BEST PRACTICE RECOMMENDATIONS CONTINUE

		2022 R'000	2021 R'000
Net initial yield			
Investment property		8 233 561	8 418 775
Less:			
Properties under development		(27 706)	(27 683)
Grossed up property value	A	8 205 855	8 391 092
<i>Property income</i>			
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%

ANNEXURES

for the year ended 31 December 2022

B. INVESTMENT PROPERTIES

Schedule of properties as at 31 December 2022

No	Property	Percentage interest in the undivided shares by L2D	Physical address and province	Main sector	Grading	December 2022 valuation L2D share R'000	Average gross rental per m ²	L2D's gross lettable area (m ²)	Total gross lettable area (m ²)
1	Sandton City Complex	25.0	5th Street, Alice Lane and Sandton Drive, Sandton, Gauteng	Mixed	Super Regional	3 019 498	412	48 937	195 941
				– Retail				36 137	144 689
				– Office				12 800	51 252
2	Eastgate Complex	33.3	43 Bradford Road, Bedfordview, Johannesburg, Gauteng	Mixed	Super Regional	2 116 138	321	47 735	143 344
				– Retail				44 588	133 894
				– Office				3 147	9 450
3	Melrose Arch Complex	8.3	60 Atholl Oaklands Road and Melrose Blvd, Melrose North, Johannesburg, Gauteng	Mixed	Mixed use	431 085	142	16 557	198 879
				– Retail				3 506	42 116
				– Office				10 102	121 342
				– Specialised				2 949	35 421
4	Liberty Midlands Mall	33.3	Sanctuary Road, Pietermaritzburg, KwaZulu-Natal	Retail	Regional	842 042	236	26 057	78 249
				– Retail (Phase 1)				19 647	59 000
				– Retail (Lifestyle centre)				6 410	19 249
5	Nelson Mandela Square Complex	33.3	5th Street, Sandton, Gauteng	Mixed	Regional	417 191	262	12 852	38 595
				– Retail				6 532	19 617
				– Office				6 320	18 978

ANNEXURES

for the year ended 31 December 2022

B. INVESTMENT PROPERTIES CONTINUE

No	Property	Percentage interest in the undivided shares by L2D	Physical address and province	Main sector	Grading	December 2022 valuation L2D share R'000	Average gross rental per m ²	L2D's gross lettable area (m ²)	Total gross lettable area (m ²)
6	Liberty Promenade Shopping Centre	33.3	Cnr AZ Berman Drive, Morgenster Road and 11th Avenue, Mitchells Plain, Western Cape	Retail	Regional	607 038	198	24 440	73 392
7	Botshabelo Mall	33.3	Portions 2 and 3 of Erf 1 Botshabelo-H, Free State	Retail	Community	122 780	155	6 908	20 743
8	Liberty Centre Head Office (Umhlanga Ridge)	33.3	21 Aurora Drive and 2 Park Lane, Umhlanga Ridge, KwaZulu-Natal	Office	A Grade	77 957	138	7 393	22 201
9	John Ross Eco Junction Estate – Tangawizi	33.3	Eco Junction Business Park, John Ross Highway, Richards Bay, KwaZulu-Natal	Specialised	Motor Showroom	19 481	81	2 351	7 060
10	John Ross Eco Junction Estate – Melomed	23.3	John Ross Eco Junction, Cnr N2 and MR496, John Ross Highway, KwaZulu-Natal	Specialised	Specialised	130 236	245	3 219	13 809
11	John Ross Eco Junction Estate	33.3	Portion 16 and 17, Erf 11415, Richards Bay, KwaZulu-Natal	Specialised	Land	27 706	-	-	-
12	Sandton Convention Centre	25.0	161 Maude Street, Sandton, Gauteng	Specialised	Specialised	48 228	132	14 463	57 910
13	Virgin Active Sandton and Parkade	25.0	149 West Street, Sandton, Gauteng	Specialised	Specialised	12 887	223	851	3 406
14	Garden Court Sandton	25.0	Cnr West and Maude Street, Sandton, Gauteng	Specialised	Hotel	147 505	-	-	-
15	Sandton Sun and Sandton Towers	25.0	Cnr 5th and Maude Street, Sandton, Gauteng	Specialised	Hotel	213 789	-	-	-
Total						8 233 561	271	211 763	853 529

Hotels not included in total GLA.

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

Standard Bank Centre was sold effective 15 September 2022.

Intercontinental was rebranded to Sandton Towers in 2022.

ANNEXURES

for the year ended 31 December 2022

B. INVESTMENT PROPERTIES CONTINUE

Schedule of properties as at 31 December 2021

No	Property	Percentage interest in the undivided shares by L2D	Physical address and province	Main sector	Grading	December 2021 valuation L2D share R'000	Average gross rental per m ²	L2D's gross lettable area (m ²)	Total gross lettable area (m ²)
1	Sandton City Complex	25.0	5th Street, Alice Lane and Sandton Drive, Sandton, Gauteng	Mixed	Super Regional	3 110 502	425	48 937	195 941
				– Retail				36 137	144 689
				– Office				12 800	51 252
2	Eastgate Complex	33.3	43 Bradford Road, Bedfordview, Johannesburg, Gauteng	Mixed	Super Regional	2 110 265	335	47 735	143 344
				– Retail				44 588	133 894
				– Office				3 147	9 450
3	Melrose Arch Complex	8.3	60 Atholl Oaklands Road and Melrose Blvd, Melrose North, Johannesburg, Gauteng	Mixed	Mixed use	480 801	153	16 557	198 879
				– Retail				3 506	42 116
				– Office				10 102	121 342
				– Specialised				2 949	35 421
4	Liberty Midlands Mall	33.3	Sanctuary Road, Pietermaritzburg, KwaZulu-Natal	Retail	Regional	838 761	226	26 057	78 249
				– Retail (Phase 1)				19 647	59 000
				– Retail (Lifestyle centre)				6 410	19 249
5	Nelson Mandela Square Complex	33.3	5th Street, Sandton, Gauteng	Mixed	Regional	422 020	218	12 852	38 595
				– Retail				6 532	19 617
				– Office				6 320	18 978

ANNEXURES

for the year ended 31 December 2022

B. INVESTMENT PROPERTIES CONTINUE

No	Property	Percentage interest in the undivided shares by L2D	Physical address and province	Main sector	Grading	December 2021 valuation L2D share R'000	Average gross rental per m ²	L2D's gross lettable area (m ²)	Total gross lettable area (m ²)
6	Liberty Promenade Shopping Centre	33.3	Cnr AZ Berman Drive, Morgenster Road and 11th Avenue, Mitchells Plain, Western Cape	Retail	Regional	583 961	188	24 440	73 392
7	Botshabelo Mall	33.3	Portions 2 and 3 of Erf 1 Botshabelo-H, Free State	Retail	Community	112 301	142	6 908	20 743
8	Standard Bank Centre	16.7	5 Simmonds Street, Johannesburg, Gauteng	Office	A Grade	153 300	87	15 450	92 789
9	Liberty Centre Head Office (Umhlanga Ridge)	33.3	21 Aurora Drive and 2 Park Lane, Umhlanga Ridge, KwaZulu-Natal	Office	A Grade	77 857	98	7 393	22 201
10	John Ross Eco Junction Estate – Tangawizi	33.3	Eco Junction Business Park, John Ross Highway, Richards Bay, KwaZulu-Natal	Specialised	Motor Showroom	20 347	75	2 351	7 060
11	John Ross Eco Junction Estate – Melomed	23.3	John Ross Eco Junction, Cnr N2 and MR496, John Ross Highway, KwaZulu-Natal	Specialised	Specialised	130 306	227	3 219	13 809
12	John Ross Eco Junction Estate	33.3	Portion 16 and 17, Erf 11415, Richards Bay, KwaZulu-Natal	Specialised	Land	27 683	-	-	-
13	Sandton Convention Centre	25.0	161 Maude Street, Sandton, Gauteng	Specialised	Specialised	49 766	11	14 463	57 910
14	Virgin Active Sandton and Parkade	25.0	149 West Street, Sandton, Gauteng	Specialised	Specialised	11 913	194	851	3 406
15	Garden Court Sandton	25.0	Cnr West and Maude Street, Sandton, Gauteng	Specialised	Hotel	116 973	-	-	-
16	Sandton Sun and Intercontinental	25.0	Cnr 5th and Maude Street, Sandton, Gauteng	Specialised	Hotel	172 019	-	-	-
Total						8 418 775	250	227 213	946 318

Hotels not included in total GLA. Hotels operational for five months of the year and SSC for the full twelve months with restrictions imposed in certain periods.

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

ANNEXURES

for the year ended 31 December 2022

C. PORTFOLIO INFORMATION

Geographic profile by	Gross lettable area (m ²)	Gross lettable area (%)	Gross monthly rental (R'000)
Gauteng	638 076	74.8	43 276
KwaZulu-Natal	121 318	14.2	8 172
Western Cape	73 392	8.6	4 849
Free State	20 743	2.4	1 074
Total	853 529	100.0	57 371

¹ Gross monthly rental is at L2D's ownership share.

² Gross lettable area is at 100% ownership share

Sector composition by GLA	Gross lettable area (m ²)	Gross lettable area (%)	Gross monthly rental (R'000)
Retail	512 701	60.0	47 730
Office	223 222	26.0	6 129
Specialised	117 606	14.0	3 512
Total	853 529	100.0	57 371

¹ Gross monthly rental is at L2D's ownership share.

² Gross lettable area is at 100% ownership share

Tenant profile (m ²)	A %	B %	C %
Retail	44	15	9
Office	13	3	8
Specialised	3	3	2
Total	60	21	19

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

ANNEXURES

for the year ended 31 December 2022

C. PORTFOLIO INFORMATION CONTINUE

Occupancy profile (%)	2022	2021
Total retail	97.9	96.8
Total office	80.0	86.2
Total specialised	-	-
Total	93.5	93.7

Lease expiry profile – gross lettable area (%)	Vacant	Monthly	2023	2024	2025	2026	2027+
Total retail	2.1	8.5	19.5	19.6	13.1	14.7	22.5
Total office	20.0	12.4	12.4	8.4	7.9	6.9	32.0
Total specialised	0.0	9.6	6.9	0.0	20.8	5.1	57.6
Total	6.5	9.6	16.6	15.0	12.3	11.8	28.2

* Lease expiry profile excludes Sandton Convention Centre as it is currently under a management agreement.

Lease expiry profile – revenue (%)	Vacant	Monthly	2023	2024	2025	2026	2027+
Total retail	-	5.0	8.1	21.6	23.5	14.9	26.9
Total office	-	12.4	3.0	18.4	10.9	8.4	46.9
Total specialised	-	1.2	0.6	14.2	0.0	15.7	68.3
Total	-	5.8	7.2	21.0	21.2	14.1	30.7

Geographic profile by	Office	Retail	Specialised	Portfolio
Weighted average rental per m ² by rentable area	101	306	147	271
Weighted average rental escalation (%)	6.6	6.5	7.9	6.6

* Office includes Sandton offices and Umhlanga Ridge. Retail includes Sandton City, Nelson Mandela Square complex, Eastgate complex, Melrose Arch complex, Midlands, Promenade and Botshabelo. Specialised includes Tangawizi, Melomed, Virgin Active Sandton and Convention Centre.

ANNEXURES

for the year ended 31 December 2022

C. PORTFOLIO INFORMATION CONTINUE

Hotels Statistics	12 months based on full capacity 2022	12 months 2021	Change %	12 months open for trade 2022	12 months 2021	Change %
Garden Court Sandton						
Number of rooms	444	444	-	444	444	-
Occupancy (%)	53	10	4.3	53	19	179%
Average room rate (R)	921	708	30%	921	708	30%
RevPar (R)	487	68	616%	487	135	261%
Sandton Towers						
Number of rooms	231	231	-	231	231	-
Occupancy (%)	15	0	N/A	36	0	N/A
Average room rate (R)	2140	0	N/A	2140	0	N/A
RevPar (R)	327	0	N/A	781	0	N/A
Sandton Sun						
Number of rooms	326	326	-	326	326	-
Occupancy (%)	75	47	60%	75	47	60%
Average room rate (R)	1855	1357	37%	1855	1357	37%
RevPar (R)	1388	639	117%	1388	641	117%

Figures applied above based on a 12-month average

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

ANNEXURES

for the year ended 31 December 2022

C. PORTFOLIO INFORMATION CONTINUE

Major tenants per property by GLA

Property	Tenants
Sandton City Shopping Centre	Woolworths, Edgars, Checkers
Sandton Office Tower	Tugendhaft Wapnick Banchet, Emirates, Nedbank, Eltel
Atrium on 5th	Xpert Decision Systems, Spaces, CFAO Holdings
Eastgate Shopping Centre	Woolworths, Checkers, Edgars, Game
Melrose Arch Retail	Woolworths, @Home, Moyo's
Melrose Arch Office	Stanlib, VatIT, Glencore
Liberty Midlands Mall	Woolworths, Game, Pick n Pay, Edgars
Lifestyle Centre	Checkers, Planet Fitness, The Hub, @Home, Galaxy Bingo
Nelson Mandela Square Retail	Marco Polo Lounge, The Butcher Shop, Hard Rock Café
Nelson Mandela Square Office	Regus, Southern Sun, Oneplan, 2 Degrees Properties
Liberty Promenade Shopping Centre	Pick 'n Pay, Game, Edgars, Woolworths
Botshabelo Mall	Checkers, Pick 'n Pay, Cashbuild
Liberty Centre Head Office (Umhlanga Ridge)	Liberty, CXP House, Affinity Solutions, Ison BPO, Regus
John Ross Eco Junction Estate - Tangawizi	Tangawizi Motors
John Ross Eco Junction Estate - Melomed	Melomed Hospital
John Ross Eco Junction Estate	
Sandton Convention Centre	Southern Sun Hotel Interests
Virgin Active Sandton and Parkade	Virgin Active
Melrose Arch Specialised	Fire and Ice Hotel, African Pride Hotel, Bentley, Moove, Virgin Active

Top tenants by gross rent

Tenant
Woolworths Group
The Foschini Group
Retailability
Truworths Group
Pepkor Retail Limited
The Power of Trading
Shoprite Checkers
The Standard Bank of SA
Firststrand Bank Limited

ANNEXURES

for the year ended 31 December 2022

D. ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2022

	Number of shareholdings	Percentage of total shareholdings	Number of shares	Percentage of issued capital
Shareholder spread				
1 – 1 000	2 540	71.5%	187 978	0.0%
1 001 – 10 000	470	13.2%	2 155 803	0.2%
10 001 – 100 000	311	8.8%	11 463 424	1.3%
100 001 – 1 000 000	175	4.9%	54 315 957	6.0%
Over 1 000 000	58	1.6%	840 320 172	92.5%
Total	3 554	100.0%	908 443 334	100.0%
Distribution of shareholders				
Assurance Companies	6	0.2%	534 699 386	58.8%
Close Corporation	17	0.5%	560 394	0.1%
Collateral Accounts	1	0.0%	1 887 600	0.2%
Collective Investment Schemes	162	4.6%	224 662 827	24.7%
Foundations and Charitable Funds	10	0.3%	2 621 567	0.3%
Hedge Funds	-	0.0%	-	0.0%
Insurance Companies	18	0.5%	3 687 464	0.4%
Investment Partnerships	8	0.2%	178 370	0.0%
Medical Aid Funds	13	0.4%	7 440 940	0.8%
Private Companies	60	1.7%	5 098 548	0.6%
Retail Shareholders	3 065	86.1%	10 406 309	1.1%
Retirement Benefit Funds	127	3.6%	69 011 365	7.6%
Scrip Lending	1	0.0%	90 000	0.0%
Share Schemes	2	0.1%	38 744 474	4.3%
Stockbrokers and Nominees	9	0.3%	7 886 181	0.9%
Trusts	55	1.5%	1 467 909	0.2%
Total	3 554	100.0%	908 443 334	100.0%
Shareholder type				
Non-public shareholders	9	0.3%	571 165 873	62.8%
Directors and Associates	3	0.1%	831 696	0.1%
Beneficial holders >10% – Liberty Group	4	0.1%	531 589 703	58.5%
Share Schemes	1	0.0%	16 601 303	1.8%
Subsidiary	1	0.0%	22 143 171	2.4%
Public Shareholders	3 545	99.7%	337 277 461	37.2%
Total	3 554	100.0%	908 443 334	100.0%

ANNEXURES

for the year ended 31 December 2022

D. ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2022 CONTINUE

	Number of shares	Percentage of issued capital
Fund managers with a holding greater than 3% of the issued shares		
Stanlib Asset Management	525 664 763	57.9%
Coronation Fund Managers	187 916 039	20.7%
Total	713 580 802	78.6%
Beneficial shareholders with a holding greater than 3% of the issued shares		
Liberty Group	531 589 703	58.5%
Coronation Fund Managers	125 153 565	13.8%
Total	656 743 268	72.3%
Total number of shareholdings		3 554
Total number of shares in issue		908 443 334
Share price performance		
Opening Price 03 January 2022		R 4.72
Closing Price 31 December 2022		R 4.70
Closing high for period		R 5.20
Closing low for period		R 3.70
Number of shares in issue		908 443 334
Volume traded during period		60 354 493
Ratio of volume traded to shares issued (%)		7%
Rand value traded during the period		R 263 937 806
Price/earnings ratio as at 31 December 2022		13.5
Earnings yield as at 31 December 2022 (%)		7.4%
Dividend yield as at 31 December 2022 ¹ (%)		7.6%
Market capitalisation at 31 December 2022		R 4 269 683 712

¹ Historical dividend yield calculated on the 2021 full year distribution.

ANNEXURES

for the year ended 31 December 2022

D. ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2022 CONTINUE

Non-public breakdown 31 December 2022

908 443 334

Directors of the company or any of its subsidiaries	Count	Holding	%
Beneficial holders >10%			
Liberty Group	4	531 589 703	58.5%
	4	531 589 703	58.5%
Share Schemes			
L2D Restricted Share Plan Trust	1	16 601 303	1.8%
	1	16 601 303	1.8%
Subsidiary			
2 Degrees Properties (Pty) Ltd	1	22 143 171	2.4%
	1	22 143 171	2.4%

2022

Directors and officers	Count	Direct	%	Count	Indirect	%	Total Holdings	Total %
Amelia Beattie	1	537 234	0.1%	0	–	0.0%	537 234	0.1%
José Snyders	1	260 572	0.0%	0	–	0.0%	260 572	0.0%
Benjamin Swanepoel (Company Secretary)	1	33 890	0.0%	0	–	0.0%	33 890	0.0%
	3	831 696	0.1%	0	–	0.0%	831 696	0.1%

2021

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

* There has been no change in directors' interests between the end of the financial year and the date of approval of the annual financial statements.

CORPORATE INFORMATION

Date of registration: 10 July 2018

Liberty Two Degrees Limited

JSE code: L2D

ISIN: ZAE000260576

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

Company secretary

Ben Swanepoel
Liberty Two Degrees
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2196

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