



LIBERTY

two°degrees

# Summarised Unaudited Results

for the six months ended 30 June 2017



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# Highlights

INTERIM DISTRIBUTION OF

✓ **30.00 cents**

PER UNIT

NET ASSET VALUE PER UNIT  
INCREASED BY

▲ **3.1%**

TO R9.94

INVESTMENT PROPERTIES  
INCREASED BY

▲ **R84 million**

✓ **R2.5 billion**

OF CAPITAL COMMITTED  
FOR ASSET ACQUISITION

PORTFOLIO VACANCY RATE  
DECREASED TO

▼ **3.3%**

FROM 4.6%

# Commentary

## Profile

Liberty Two Degrees ("L2D") is a portfolio established under the Liberty Two Degrees Scheme ("the Scheme") in terms of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002) ("CISCA"), as amended, to afford investors growth in income and capital by investing at fair prices in a balanced spread of immovable properties and related assets as permitted by the Trust Deed. L2D is required by CISCA to be structured as a JSE-listed portfolio within a trust with an external independent trustee and an external management company. The Scheme was registered by the Registrar of Collective Investment Schemes on 28 October 2016 and is managed by STANLIB REIT Fund Managers Proprietary Limited (RF) ("the Manager") and the appointed external independent trustee is FirstRand Bank Limited acting through its RMB Trustee Services Division. The Manager has also been appointed as the asset manager of Liberty Group Limited ("LGL")'s interest in the Liberty Property Portfolio ("LPP"). L2D acquired its undivided shares (and other interests) in the LPP effective 1 December 2016 and commenced its business operations with effect from that date.

L2D currently has no interest-bearing debt and will be able to take on debt (in line with its trust deed and considering market norms) to fund future acquisitions, as appropriate.

L2D is listed on the Johannesburg Stock Exchange ("JSE") with a market capitalisation of R8.6 billion at 30 June 2017 (FY2016: R9.5 billion) and is included in the South African Listed Property index ("SAPY").

At 30 June 2017, L2D's defensive and 100% local direct property portfolio was valued at R6.14 billion (FY2016: R6.06 billion) and there is R2.9 billion (FY2016: R2.8 billion) of cash invested of which R2.5 billion has been committed post-balance sheet date.

## Financial results

L2D's Board has declared a distribution of 30.00 cents per unit for the six months ended 30 June 2017.

Operating costs were 30.3% (FY2016: 30.8%) of contractual rental income and reflects the robust management of costs in tough economic conditions.

## Changes in fair values

L2D's property portfolio was valued by external independent registered valuers on an open market value basis at 30 June 2017 resulting in a net increase in value of R41 million. In total investment properties increased by R84 million with the balance as a result of capitalised development and maintenance capital expenditure. In terms of IAS 40 and IFRS 13, L2D's investment properties are measured at fair value through profit or loss using valuation inputs which are categorised as level 3 on the fair value hierarchy. There were no transfers between levels 1, 2 and 3 during the period.

## Property portfolio

The portfolio vacancy rate decreased during the period by 1.3% to 3.3% (FY2016: 4.6%).

Leases covering 34 166m<sup>2</sup> were renewed during the period at an average rental increase of 5.4%. A further 15 633m<sup>2</sup> in new tenant deals were concluded across the portfolio during the period.

Arrears increased to 5.33% (FY2016: 4.76%) of the collectable book debt. The marginal increase in arrears is principally a result of the current economic environment.

Geographic profile	Gross lettable area <sup>(1)</sup> (m <sup>2</sup> )	Gross lettable area (%)
Gauteng	675 180	77.5%
Western Cape	92 588	10.6%
KwaZulu-Natal	83 385	9.6%
Free State	20 390	2.3%
<b>Portfolio</b>	<b>871 543</b>	<b>100.0%</b>

  

Sectoral profile	Gross lettable area <sup>(1)</sup> (m <sup>2</sup> )	Gross lettable area (%)
Retail	500 973	57.5%
Office	332 290	38.1%
Specialised	38 280	4.4%
<b>Portfolio</b>	<b>871 543</b>	<b>100.0%</b>

<sup>(1)</sup> L2D owns a 22% undivided share of the properties as at 30 June 2017.

## Commentary (continued)

Vacancy profile – June 2017	Gross lettable area (%)
Office	6.0%
Retail	1.8%
Specialised	0.0%
<b>Portfolio</b>	<b>3.3%</b>

Lease expiry profile (Gross lettable area %)	Monthly at June 2017	Vacant at June 2017	2017	2018	2019	2020	2021	2021+
Office	0.0%	7.0%	11.7%	8.7%	35.4%	8.2%	5.4%	23.6%
Retail	1.4%	1.7%	12.4%	10.5%	16.0%	9.5%	11.3%	37.2%
Specialised	0.0%	0.0%	0.6%	33.2%	15.9%	4.8%	0.0%	45.5%
Portfolio	0.8%	3.6%	11.6%	10.9%	23.2%	8.8%	8.6%	32.5%

### L2D's portfolio strategy

L2D's strategy remains anchored on:

- An iconic retail focused real estate portfolio with a mix of defensive anchor assets and supplemented by growth from selected developments;
- Focusing on enhancing growth opportunities in South Africa;
- Maintaining industry leading operational metrics and prudent balance sheet management to support future returns; and
- Evolution and growth of the portfolio by the management team whilst benefiting from a proven track record, industry expertise and familiarity with portfolio assets.

### Commitments

Capital development commitments outstanding amount to R241.0 million (FY2016: R293.1 million). Capital commitments will be funded from existing resources. As discussed herein L2D has committed R2.5 billion of reserves to the acquisition of additional assets from Liberty with a transaction effective date of 1 July 2017.

### Prospects

The performance of the L2D assets is underpinned by the quality of the portfolio. In spite of the tough economic environment and the resultant impact on the consumer, the portfolio remains resilient. We are in the process of implementing the acquisition of a further proportional share in the co-owned portfolio to the value of R2.5 billion following the exercise of the PUT option by Liberty. The differential between interest earned (per the pre-listing statement forecasted at 8%) and the net yield earned on the real estate assets acquired, which is calculated as 6.8% may reduce our 2017 distribution set out in the pre-listing statement by 2.5 cents per unit. The net yield is calculated by dividing the expected net property income of these additional properties by the purchase price. The remaining assumptions in the pre-listing statement remain valid. The additional stake in these high quality assets that are already managed by SRFM, enhances the total return of the portfolio going forward. The forecast has not been reviewed or reported on by L2D's independent external auditors. L2D uses distribution per unit as a relevant measure of financial performance.

### Declaration of a cash distribution

The Manager has approved and notice is hereby given of a distribution of 30.00 cents per unit for the six months ended 30 June 2017 ("the distribution").

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

	2017
Last date to trade <i>cum</i> dividend:	Tuesday, 12 September
Units trade <i>ex</i> dividend:	Wednesday, 13 September
Record date:	Friday, 15 September
Payment date:	Monday, 18 September

Unit certificates may not be dematerialised or rematerialised between Wednesday, 13 September 2017 and Friday, 15 September 2017, both days inclusive.

Payment of the distribution will be made to unitholders on Monday, 18 September 2017. In respect of dematerialised units, the distribution will be transferred to the CSDP accounts/broker accounts on Monday, 18 September 2017. Certificated unitholders' dividend payments will be posted on or about Monday, 18 September 2017.

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

Liberty Two Degrees' income tax reference number: 9087144235

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

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

- a) a declaration that the distribution is exempt from dividends tax; and
- b) a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Unitholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

Distributions received by non-resident unitholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. On 22 February 2017, the dividends withholding tax rate was increased from 15% to 20% and accordingly, any dividend received by a non-resident from a REIT will be subject to distributions withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the unitholder. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident unitholders is 24.00 cents per unit. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident unitholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated units, or the company, in respect of certificated units:

- a) a declaration that the distribution is subject to a reduced rate as a result of the application of a DTA; and
- b) a written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident unitholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

## Events after reporting date

In line with IAS 10 Events after the Reporting Period, the declaration of the distribution occurred after the end of the reporting period, resulting in a non-adjusting event which is not recognised in these financial statements. In addition, post the interim reporting date, LGL has exercised its put option to sell to L2D a further R2.5 billion worth of undivided shares in the properties that it co-owns with L2D. L2D has elected to settle the consideration payable in cash.

## Changes in directors of the Manager

The Scheme as a trust has no directors of its own. L2D is managed by the Manager in terms of CISCA and the Trust Deed.

The following changes in the board of the Manager took place during the period:

- Mr José Snyders was appointed as financial director replacing Mr John Sturgeon, effective 23 March 2017. Mr Sturgeon remains on the board as a non-executive director;
- Mr Peter Moyo resigned on 3 April 2017 and Mr Michael Ilsley was appointed as the interim chairman, until such time a new chairman is appointed; and
- Mr Angus Band was appointed as an independent non-executive director and chairman of the board, effective 26 July 2017. In addition Ms Lynette Ntuli was appointed as an independent non-executive director of the board, also effective 26 July 2017.

## Basis of preparation

The summarised unaudited interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa and the JSE Listings Requirements. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous financial statements. José Snyders CA(SA), the Manager's financial director, was responsible for supervising the preparation of these summarised interim financial statements. These summarised interim financial statements have not been reviewed or audited by L2D's independent external auditors.

By order of the Board of Directors

31 July 2017

## Statement of financial position

	Unaudited 30 June 2017 R'000	Audited 31 December 2016 R'000
<b>Assets</b>		
<b>Non-current assets</b>	<b>6 143 980</b>	6 060 439
Investment properties	<b>6 073 167</b>	5 997 200
Investment properties under development	<b>70 813</b>	63 239
<b>Current assets</b>	<b>3 000 102</b>	2 868 431
Trade and other receivables	<b>80 286</b>	91 871
Financial investments	<b>2 919 705</b>	2 774 878
Cash and cash equivalents	<b>111</b>	1 682
<b>Total assets</b>	<b>9 144 082</b>	8 928 870
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	<b>114 321</b>	168 449
<b>Total liabilities</b>	<b>114 321</b>	168 449
<b>Participatory units' capital and reserves</b>		
Capital	<b>8 663 658</b>	8 663 855
Retained surplus	<b>272 540</b>	44 063
Non-distributable reserve	<b>93 563</b>	52 503
<b>Total unitholders' funds</b>	<b>9 029 761</b>	8 760 421
<b>Total unitholders' funds and liabilities</b>	<b>9 144 082</b>	8 928 870
Supplementary information:		
Number of units in issue	<b>908 443</b>	908 443
Net asset value per unit (R)	<b>9.94</b>	9.64

## Statement of comprehensive income

	Unaudited 30 June 2017 R'000	Audited 31 December 2016 R'000
Property portfolio revenue	259 578	43 924
Rental and related income	264 186	46 665
Adjustment for the straight-lining of operating lease income	(4 608)	(2 741)
Property operating expenses	(80 052)	(14 391)
<b>Net rental and related income</b>	<b>179 526</b>	<b>29 533</b>
Administration expenses	(1 968)	(887)
<b>Net property income</b>	<b>177 558</b>	<b>28 646</b>
Asset management fee	(18 771)	(2 202)
<b>Profit from operations</b>	<b>158 787</b>	<b>26 444</b>
Interest received	109 144	14 878
<b>Profit before fair value adjustments</b>	<b>267 931</b>	<b>41 322</b>
Net fair value adjustments	45 669	55 244
Fair value adjustments	41 061	52 503
Adjustment for the straight-lining of operating lease income	4 608	2 741
<b>Total earnings</b>	<b>313 600</b>	<b>96 566</b>
<b>Basic and diluted earnings per unit</b>		
Basic earnings per unit (cents)	34.52	11.21
Fully diluted earnings per unit (cents)	34.52	11.21

# Statement of changes in participatory unitholders' capital and reserves

for the period ended 30 June 2017

	Capital R'000	Non- distributable reserve R'000	Retained surplus R'000	Total R'000
Units issued in exchange for the undivided share in property	6 000 000			6 000 000
Units issued for cash upon listing	2 780 212			2 780 212
Costs relating to common control transaction and issue of new units	(116 357)			(116 357)
Total earnings for the period			96 566	96 566
Fair value adjustment on investment properties transferred to non-distributable reserve		52 502	(52 502)	
<b>Balance at 1 January 2017</b>	<b>8 663 855</b>	<b>52 502</b>	<b>44 064</b>	<b>8 760 421</b>
Transaction costs for issue of new units	(197)			(197)
Total earnings for the period			313 600	313 600
Fair value adjustment on investment properties transferred to non-distributable reserve		41 061	(41 061)	
Distribution to unitholders			(44 063)	(44 063)
<b>Balance at 30 June 2017</b>	<b>8 663 658</b>	<b>93 563</b>	<b>272 540</b>	<b>9 029 761</b>



## Statement of cash flows

	Unaudited 30 June 2017 R'000	Audited 31 December 2016 R'000
<b>Cash flows from operating activities</b>	<b>187 524</b>	120 809
Cash generated by operations	122 443	105 931
Distribution to unitholders	(44 063)	
Interest received	109 144	14 878
<b>Cash flows from investing activities</b>	<b>(188 898)</b>	(2 782 947)
Expenditure on investment properties	(44 071)	(8 069)
Purchase of financial instruments	(144 827)	(2 774 878)
<b>Cash flows from financing activities</b>	<b>(197)</b>	2 663 820
Units issued for cash on listing		2 780 212
Transaction costs for issue of new units	(197)	(116 392)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1 571)</b>	1 682
<b>Cash balance at the beginning of the year</b>	<b>1 682</b>	
<b>Cash and cash equivalents at the end of the period</b>	<b>111</b>	1 682

## 1. Headline earnings, distributable income and earnings per unit

	2017 R'000
Reconciliation of total earnings to headline earnings and distributable income	
Total earnings (basic earnings)	313 600
Fair value adjustment to investment properties	(45 668)
<b>Headline earnings</b>	<b>267 932</b>
Straight-lining of operating lease income	4 608
<b>Distributable income</b>	<b>272 540</b>
	Cents
<b>Earnings per unit</b>	
Basic and diluted	34.52
Headline	29.49
Distributable income	30.00
	000's
Number of units in issue	908 443
Weighted average number of units in issue	908 443

## 2. Segmental analysis

Total property GLA <sup>(2)</sup> (m <sup>2</sup> )	500 973	332 290	38 280		871 543
L2D's share of total property GLA <sup>(3)</sup> (m <sup>2</sup> )	110 238	73 119	8 423		191 780
<b>Segment earnings</b>					
Property portfolio revenue	<b>148 979</b>	<b>98 817</b>	<b>11 384</b>	<b>398</b>	<b>259 578</b>
Rental and related income	151 628	100 574	11 586	398	264 186
Adjustment for the straight-lining of operating lease income	(2 649)	(1 757)	(202)	-	(4 608)
Property operating expenses	(45 729)	(30 331)	(3 494)	(498)	(80 052)
<b>Net rental and related income</b>	<b>103 250</b>	<b>68 486</b>	<b>7 890</b>	<b>(100)</b>	<b>179 526</b>
Administration expenses				(1 968)	(1 968)
<b>Net property income</b>	<b>103 250</b>	<b>68 486</b>	<b>7 890</b>	<b>(2 068)</b>	<b>177 558</b>
Asset management fee				(18 771)	(18 771)
<b>Profit from operations</b>	<b>103 250</b>	<b>68 486</b>	<b>7 890</b>	<b>(20 839)</b>	<b>158 787</b>
Interest received				109 144	109 144
<b>Profit before fair value adjustments</b>	<b>103 250</b>	<b>68 486</b>	<b>7 890</b>	<b>88 305</b>	<b>267 931</b>
Net fair value adjustments	26 252	17 412	2 005	-	45 669
Fair value adjustments	23 603	15 655	1 803	-	41 061
Adjustment for the straight-lining of operating lease income	2 649	1 757	202	-	4 608
<b>Total earnings</b>	<b>129 502</b>	<b>85 898</b>	<b>9 895</b>	<b>88 305</b>	<b>313 600</b>
<b>Segment assets and liabilities</b>					
Investment property	3 531 631	2 342 493	269 856	-	6 143 980
Trade receivables	43 034	28 544	3 288	5 420	80 286
Financial investment				2 919 705	2 919 705
Cash and cash equivalents				111	111
<b>Total assets</b>	<b>3 574 665</b>	<b>2 371 037</b>	<b>273 144</b>	<b>2 925 236</b>	<b>9 144 082</b>
Trade payables and other	(61 477)	(40 777)	(4 698)	(7 369)	(114 321)
<b>Net assets</b>	<b>3 513 188</b>	<b>2 330 260</b>	<b>268 446</b>	<b>2 917 867</b>	<b>9 029 761</b>

<sup>(1)</sup> Administration and other includes administration expenses, asset management fees and investment income that cannot be allocated specifically to the main operating segments.

Administration assets and liabilities includes the current account with Liberty Group Limited, cash and cash equivalents, VAT payable and accruals, audit and printing fees and asset management fees.

<sup>(2)</sup> The total property GLA allocation was revised to accurately split the precincts GLA between retail, office and specialised.

<sup>(3)</sup> Segment earnings, asset and liabilities have been segmented per category GLA as a percentage of total GLA.

### 3. Fair value hierarchy for financial instruments and investment property

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

The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### Fair value hierarchy for financial instruments and properties

Assets (R'000)	Fair value	Unaudited 30 June 2017		
		Level 1	Level 2	Level 3
Investment properties	6 073 167			6 073 167
Investment properties under development	70 813			70 813
Financial investments – mutual funds	2 919 705		2 919 705	
	9 063 685		2 919 705	6 143 980

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

#### Details of changes in valuation techniques

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

#### Significant transfers between level 1, level 2 and level 3

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

#### Valuation techniques used in determining the fair value of assets in level 2 and 3

Level	Instrument	Valuation basis	Main assumptions
2	Mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable
3	Investment properties	Discounted cash flow	Exit capitalisation rate, discount rate, annual rental and operating escalation, annual cost escalation and vacancy.
3	Investment properties under development	Cost	Not applicable

### Investment properties – basis of valuation

The investment properties were independently valued as at 30 June 2017 by professional valuers, namely Rode & Associates Proprietary Limited, Mills Fitchet Magnus Penny & Wolffs t/a Magnus Penny Associates CC and Jones Lang LaSalle Proprietary Limited, all of which are registered valuers in terms of the Property Valuers Professional Act, No. 47 of 2000.

The valuation of the properties is prepared in accordance with the guidelines of the South African Institute of Valuers for valuation reports and in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors, adapted for South African law and conditions.

The properties have been valued on a discounted cash flow basis. In the majority of cases, discounted cash flows have been used to determine a present value net income to which the capitalisation rate is applied as at 30 June 2017. In order to determine the reversionary rental income on lease expiry, renewal or review, a market gross rental income (basic rental plus operating cost rental) has been applied to give a market-related rental value for each property as at 30 June 2017. Market rental growth has been determined based on the individual property, property market trends and economic forecasts. Vacancies have been considered based on historic and current vacancy factors as well as the nature, location, size and popularity of each building.

Appropriate discount rates have been applied to cash flows for each property to reflect the relative investment risk associated with the particular building, tenant, covenant and the projected income flow. Extensive market research has been conducted to ascertain the most appropriate market-related discount rate to apply, with regard to the current South African long-term bond yield (R204 risk-free rate) and the relative attractiveness that an investor may place on property as an asset class.

On the basis that turnover or profit rental income has a greater degree of uncertainty and risk than the contractual base rental, a risk premium of between 1% and 6% has been added to the discount rate and to the market capitalisation rate, to reflect the greater investment risk associated with the variable rental element on a property by property basis.

### Reconciliation of level 3 assets

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

R'000	2017
<b>Investment property and investment property under development</b>	
Opening balance	6 060 439
Capitalised cost	42 480
Fair value adjustments (unrealised)	41 061
<b>Closing balance</b>	<b>6 143 980</b>

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

### Sensitivity analysis of level 3 assets

#### Investment property

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

The capitalisation rates applied at 30 June 2017 range between 6.25% and 9.00% (FY2016: 6.25% – 9.00%).

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

The estimated fair value would increase/(decrease) if:

- capitalisation rate was lower/(higher)
- market rental growth was higher/(lower)
- expense growth was lower/(higher)
- vacancies were lower/(higher)
- occupancy rate was higher/(lower)
- rent-free periods were shorter/(longer)
- discount rate was lower/(higher)
- reversionary capitalisation rate was lower/(higher).

## 4. Related party disclosure

### Ultimate parent

Standard Bank Group Limited ("Standard Bank")

### Parent

Liberty Holdings Limited ("LHL")

### Transactions with related entities

In terms of the Relationship Agreement entered into between L2D and LGL, L2D granted LGL a put option ("Put Option") in terms of which LGL may sell further portions of its undivided shares in the properties that it co-owns with L2D to L2D from time to time.

Post the interim reporting date, LGL has exercised its Put Option to sell to L2D a further R2.5 billion worth of undivided shares in the properties that it co-owns with L2D.

At 30 June 2017 there is a R39.3 million loan due from LGL to L2D.

### Liberty Centre Head Office Cape Town

The property is fully let to Neil Harvey and Associates and LGL, fellow subsidiaries of L2D. Lease periods are for five and eight years respectively. Rental income received by L2D for the six-month period was R5.6 million.

### Liberty Centre Head Office Umhlanga Ridge

Approximately 80% of the property is let to LGL on a five-year lease. Rental income received by L2D for the six-month period was R2.3 million.

### Transactions with STANLIB REIT Fund Managers Proprietary Limited (RF)

R18.8 million of management fees were paid to the Manager for the period 1 January 2017 to 30 June 2017 in respect of management and administration of the collective investment scheme.

### Transactions with other related entities

JHI Retail Property Proprietary Limited ("JHI")

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

A consortium comprising JHI and Epsidex Proprietary Limited ("Epsidex") is managing the Botshabelo Mall. Amdec Investments Proprietary Limited ("Amdec") continues to manage the Melrose Arch precinct. Neither Amdec nor Epsidex are related parties of L2D.

JHI is 51% owned by JHI Properties Proprietary Limited and 49% by LHL. It is accounted for as a joint venture of the group. Mrs A Beattie and Mr J Sturgeon are directors of both JHI and the Manager. Property management service net fees paid by L2D to JHI for the period 1 January 2017 to 30 June 2017 amounted to R7.8 million.

STANLIB Property Development Proprietary Limited

Development fees amounting to R0.2 million were paid to STANLIB Property Development Proprietary Limited and were capitalised to the relevant development projects.

### Transactions with Standard Bank

Standard Bank Centre

The Standard Bank Centre is fully let to Standard Bank on a seven-year lease. Rental income received by L2D for the period 1 January 2017 to 30 June 2017 was R5.9 million.

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## Liberty Two Degrees

JSE share code: L2D ISIN: ZAE000230553 (Approved as a REIT by the JSE)

("Liberty Two Degrees")

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, and managed by STANLIB REIT Fund Managers Proprietary Limited (RF)

(Registration number: 2007/029492/07)

("the Manager")

## Registered Office

Liberty Life Centre | 1 Ameshoff Street | Braamfontein | 2001

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## Investor Relations

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## Company Secretary

**JM Parratt**

## Sponsor

**Java Capital**

