2021 UNAUDITED SUMMARISED GROUP RESULTS

for the six months ended 30 June 2021

CONTENTS

HIGHLIGHTS

Safe Spaces

PROVIDING SAFE SPACES FOR OUR PEOPLE, CUSTOMERS, TENANTS AND SHAREHOLDERS REMAINS A PRIORITY

RETAIL OCCUPANCY RATE IMPROVED TO

96.7%

MATERIAL LEASES CONCLUDED –

20 303 m^2 in new deals and

23 803 m^2 in renewals

STRONG BALANCE SHEET – LOAN-TO-VALUE RATIO OF

23.97%

NET ASSET VALUE PER SHARE AT 30 JUNE 2021 OF

R7.62

SUPPORTED BY INDEPENDENT VALUATIONS

Positive Trend

POSITIVE TREND IN MONTHLY TURNOVER GROWTH IN 2021

100% DISTRIBUTION PAY-OUT OF

15.79 cents

COMMENTARY

Profile

Liberty Two Degrees Limited (L2D) is listed on the Johannesburg Stock Exchange (JSE) with a market capitalisation of R4.4 billion at 30 June 2021 (30 June 2020: R4.8 billion). The L2D group includes 2 Degrees Properties Proprietary Limited (the operating subsidiary), STANLIB REIT Fund Managers (RF) Proprietary Limited (the previous management company) and Liberty Two Degrees Restricted Share Plan Trust (trust).

Overview

The comparative half-year results must be seen within the context of strong trading in the first quarter of 2020, followed by the impact of the first lockdown; this severely affected trading and necessitated rental rebates and discounts for the remainder of the year. The steady recovery in trading in the first half of 2021 allowed a consequent reduction in rental rebates and discounts. Accordingly, the interim periods are not directly comparable, and in some cases, we refer to 2019 as a base. We saw a monthly improvement in operational performance in 2021, despite the uncertain socioeconomic environment. Key operational indicators, including customer visits to our malls, tenant occupancies, rental collections, turnover growth and occupational health and safety, have been encouraging. We continue to work with our security team, business partners and government to safeguard our assets, and with our tenants and customers to restore confidence.

The first six months of the year showed promise, buoyed by the easing of restrictions from March 2021, with a steady improvement in footcount and turnover at our malls. This encouraging start to the year contributed to better occupancy rates and good leasing activity in the period. Pleasingly, we saw an improvement in the rental arrears position, with almost all rental relief negotiations related to the 2020 period now concluded. However, the impact on the economy of the ongoing Covid-19 pandemic, along with the recent social unrest, are contributing to a difficult trading environment for the property sector.

Operational performance

Despite challenging trading conditions, demand for L2D space remains strong. Portfolio occupancy improved to 93.7% at June 2021 (December 2020: 93.3%). This highlights the portfolio's resilience and our ability to attract new tenants, especially in the retail portfolio. At June 2021, the retail portfolio occupancy rate had improved to 96.7% (December 2020: 95.3%), remaining ahead of the MSCI Q1 2021 retail occupancy benchmark of 93.2%. The office sector remains under pressure, however, with the industry oversupply further impacted by the shift to working from home. Office occupancies declined to 86.6% at June 2021 (December 2020: 87.6%) but remain above the SAPOA Q2 2021 office occupancy benchmark of 85%. Our leasing strategy continues to pay off, with 133 leases (renewals and new deals) concluded in the first six months, equating to 44 106 m^2. Rental reversions remain negative for both the retail and office sector, down 26.6% and 21.0% respectively; however, these are slightly ahead of our expectation for the year. The negative reversions are due to the challenging operating environment as a result of the ongoing Covid-19 impact.

The retail portfolio showed significantly better turnover and footcount over the period following the easing of the lockdown restrictions. The latest monthly turnover data is provided for May 2021. L2D's turnover after the hard lockdown grew consistently over the first five months of the year. Tenant trading and turnover showed a positive trend, with monthly turnover up 88.1% and 3.7%, compared to May 2020 and May 2019 respectively. Monthly trading density in May 2021 grew 50.2% and 5.2% compared to May 2020 and May 2019 respectively. Portfolio footcount followed a similar recovery, up 106% and 55% in May and June 2021, compared to May and June 2020 respectively.

Improved rental collection supported good cash flow management. Based on the full amounts due and before any rental relief, rental collections showed monthly increases and reached 112% in June 2021. The high collections in June were a result of the settlement of arrears balances as further rent relief negotiations were finalised. At 30 June 2021, 93.2% of negotiations with

COMMENTARY CONTINUED

tenants related to the 2020 period had been concluded (December 71.7%). We continue to provide critical focus and support for tenants most affected by the ongoing Covid-19 pandemic, largely in the restaurant, fast-food, hospitality, gyms and entertainment categories.

The hospitality sector continues to be severely impacted. Only the Sandton Southern Sun hotel is trading, while the Sandton Convention Centre closed following the move to adjusted level 4. This continues to negatively impact the rental income derived from these operations.

Balance sheet and portfolio valuation

Our conservatively managed balance sheet is one of our key strengths. With an LTV of 23.97% at 30 June 2021 (31 December 2020: 20.51%), we have sufficient liquidity and remain well within our bank covenants. Our interest cover ratio is healthy at 3.4x with 79.2% of our interest rate exposure hedged. The average cost of debt remains relatively low at 7.92%. Total unutilised revolving credit facilities amounted to R247 million at 30 June 2021.

L2D's property portfolio was valued at R8.5 billion at 30 June 2021. This is marginally up from the December 2020 valuation, following the significant write down of the property valuation by R1.7 billion in 2020. The values are based on independent property valuations performed at 30 June 2021, which is in line with L2D's policy to have external independent valuations performed at both the interim and final reporting date. The Standard Bank Centre has been classified as a non-current asset held for sale and is reflected at net selling price, following the signing of a binding offer to purchase. The divestment process is underway. L2D's net asset value per share at 30 June 2021 was R7.62.

Financial performance

The revenue decline of 8% compared to the prior year period is mainly as a result of the ongoing closure of the hospitality sector and the Century City sale.

Reported net property income (NPI) grew 19% compared to the comparative period. The improved trading environment resulted in lower levels of rental discount in comparison to the prior period. Coupled with lower vacancies, this resulted in improved rental revenue, albeit off a lower base given the impact of hard lockdowns on rental revenue in the comparative period. On a net basis, lower utility consumption and other cost reductions contributed to savings in property operating expenses, which bolstered NPI for the six-month period. Above-inflation increases in rates and municipal charges remain a concern.

Profit from operations of R215.2 million was up 18% compared to the prior year period. Lower operating costs in line with our strategic response to Covid-19 supported this result. Net interest expense decreased 9% from 30 June 2020 due to the lower JIBAR base rate for floating rate debt. Fair value adjustments include the positive R29.2 million mark to market on the interest rate hedges in place at the end of June 2021, the marginal property valuation uplift of R1.8 million in June 2021, and a R6.8 million adjustment for the straight-lining of operating lease income. The taxation expense of R7.5 million resulted from temporary differences on the deferred tax asset gradually unwinding as provisions are utilised. Including positive fair value adjustments of R37.8 million (30 June 2020: negative R1.5 billion), we recorded profit after taxation of R174.4 million for the six months ended 30 June 2021 (30 June 2020: R1.4 billion loss due to the devaluation of the property portfolio).

Prospects

The Covid-19 third wave, coupled with the recent spate of social unrest, has made the outlook for the rest of the year more uncertain. Given this context, the board has resolved not to provide earnings and distribution guidance for the remainder of the 2021 financial year.

The safety, security and wellbeing of our employees, customers, tenants, service providers and other stakeholders remains our top priority. Despite the climate of uncertainty, our quality assets and tenants should continue to underpin resilient demand for L2D space and trading levels, as evidenced in the first half of the year. The focus of our capital and risk management strategies will be to protect and preserve our balance sheet and control costs, while we carefully pursue the growth opportunities aligned with our strategic value drivers. We have a clear and focused operational strategy, grounded in property fundamentals, and we remain committed to executing our business in a sustainable manner and remaining flexible as we rebuild for growth.

In the light of the improved trading performance and the strength of the balance sheet, the board has declared a mid-year distribution of 15.79 cents per share. No interim distribution was paid in 2020.

Significant judgements applied including additional disclosure amidst uncertainty and risks related to COVID-19

Valuations and changes in fair value

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

Expected credit loss

The expected credit loss (ECL) model methodology has remained unchanged from 2020 with the assumptions used for modelling having been updated for the current environment. In addition to increases in default percentages as a consequence of deteriorating economic variables the assumptions used have considered the trend of rental relief offered on arrear positions and our view on the sustainability of the tenant's operations. The ECL provision has consequently increased to R62.1 million (31 December 2020: R57.5 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 May 2019 to April 2021 (24 months) was extracted and analysed to determine the base tenant billings and collections 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 that are non-recoverable as well as 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 GDP growth, inflation rate growth, interest rate growth, and the 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 a slower growth in retail sales and interest rates forecasted to remain flat for the period under review. The forecasted slower growth in the inflation rate assisted in reducing the impact of the former three factors.

L2D is satisfied with the ECL provision raised with 64.8% of our tenant arrears balance of R95,9 million provided for as at 30 June 2021 and is of the opinion that the balance is recoverable.

Interest-bearing borrowings

The group's interest-bearing borrowings (net of cash and cash equivalents and including the fair value of cash settled hedges) represented 23.97% (30 June 2020: 21.69%) of the value of its property portfolio. Using the SA REIT methodology, the average cost of debt (all Rand-denominated) is 8.21% (30 June 2020: 8.98%), with interest rates hedged through fixed rate contracts on 79.2% (30 June 2020: 66.4%) of borrowings for an average period of 1.62 years (30 June 2020: 2.3 years).

L2D's covenant compliance

	30 June 2021	30 June 2020	Covenant
Loan to value	**23.97%**	21.69%	40%
Interest cover ratio	**3.4x**	3.15x	1.9x

An unutilised revolving credit facility of R200 million is in place as at 30 June 2021. A further R47 million is available to draw on another revolving credit facility which brings the total unutilised bank facilities to R247 million at 30 June 2021. Our modelling of the forecasted cashflow for the business indicates that the current unutilised bank facilities are sufficient for our liquidity needs for the next 12 months and the company is comfortable that it will be able to meet its commitments as they fall due. None of our existing debt facilities have been modified due to Covid-19.

Debt maturity profile

	Term debt exposure	
Maturity periods	**Loan amount**	**Expiry**
Less than one year	**500 000 000**	**31 October 2021**
Less than two years	**802 891 288**	**31 October 2022**
Less than three years	**500 000 000**	**31 October 2023**
Total	**1 802 891 288**	

	Fixed rate exposure	
Counter party	**Fixed rate amount**	**Expiry date**
Absa Bank	**728 500 000**	**1 November 2022**
Absa Bank	**200 000 000**	**31 October 2024**
Standard Bank	**250 000 000**	**31 October 2021**
Standard Bank	**250 000 000**	**31 October 2023**
Total	**1 428 500 000**	

Commitments

Capital commitments outstanding amount to R285.6 million (30 June 2020: R127.8 million), which includes the acquisition of One on Whitely for R128.2 million, and operational capital expenditure of R138.1 million.

Going concern

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

As at 30 June 2021, L2D had a net asset value of R7.62 per share and a stable liquidity position.

In addition to considering factors specific to L2D, management remain cautious given the rise in infections during the third wave in South Africa. However, we have sufficient balance sheet capacity and liquidity to see us through this period and ensure the sustainability of our business.

COMMENTARY CONTINUED

Though heavily impacted by the economic conditions that currently prevail it is management's view that the going concern status of the business remains intact. The pandemic has forced L2D to remain focused on the rebuilding for growth strategy and specifically on responding with Agility, taking a Back- to- basic approach in continuing to build strong property fundamentals and creating new Communities of merged environments to complement our precinct focused strategy.

Property portfolio

The portfolio occupancy rate decreased during the period to 93.7% (30 June 2020: 94.7%). The retail occupancy increased to 96.7% (30 June 2020: 96.5%) and the office occupancy decreased to 86.6% (30 June 2020: 89.9%).

Leases covering 23 803 m² (stated at 100% of asset GLA) (30 June 2020: 43 081 m²) were renewed during the six months ended 30 June 2021 at an overall reversion rate of -25.5% (30 June 2020: -21.7%). The overall reversion rate was heavily impacted by reversions at the super-regional shopping centres as well as at Nelson Mandela Square.

A further 20 303 m² (stated at 100% of asset GLA)(30 June 2020: 9 466 m²) in new tenant lease agreements were concluded across the portfolio during the period.

Gross arrears after rental relief discounts decreased to R95.9 million (31 December 2020: R96.4 million). Of the current arrears, 63% is within 120 days overdue. As at 30 June 2021 93.2% of rental relief provided for in relation to the 2020 year has been contractually concluded.

Geographical profile	Gross lettable area (m²)	Gross lettable area (%)
Gauteng	730 865	77.2
KwaZulu-Natal	121 318	12.8
Western Cape	73 392	7.8
Free State	20 743	2.2
Total	946 318	100.0

Sector composition by GLA	Gross lettable area (m²)[1]	Gross lettable area (%)
Retail	512 701	54.2
Office	316 011	33.4
Specialised	117 606	12.4
Total	946 318	100.0

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

Occupancy profile (%)	June 2021	June 2020
Total retail	96.7	96.5
Total office	86.6	89.9
Total specialised	–	–
Total portfolio occupancy profile	93.7	94.7

Lease expiry profile – gross lettable area (%)	Vacant	Monthly	2021	2022	2023	2024	2025	2026+
Total retail	3.3	8.1	11.9	14.1	15.6	16.3	7.8	22.9
Total office	13.4	5.8	3.7	20.1	6.0	33.9	1.3	15.8
Total specialised	0.0	0.4	0.2	58.0	3.8	0.0	5.7	31.9
Total portfolio lease expiry profile	6.3	6.3	7.7	21.9	10.9	20.0	5.4	21.7

COMMENTARY CONTINUED

Declaration of a cash distribution

The Board has approved and notice is hereby given of a distribution of 15.79 cents per share for the six months ended 30 June 2021 (the distribution).

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

	2021
Last date to trade *cum* dividend	**Tuesday, 24 August**
Shares trade *ex* dividend	**Wednesday, 25 August**
Record date	**Friday, 27 August**
Payment date	**Monday, 30 August**

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 August 2021 and Friday, 27 August 2021, both days inclusive.

Payment of the distribution will be made to shareholders on Monday, 30 August 2021. In respect of dematerialised shares, the distribution will be transferred to the Central Securities Depository Participant (CSDP) accounts/broker accounts on Monday, 30 August 2021. Certificated shareholders' dividend payments will be posted on or about Monday, 30 August 2021.

Shares in issue at the date of declaration of this distribution: 908 443 335, inclusive of 21 356 549 treasury shares.

L2D's income tax reference number: 9178869237.

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

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

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

Distributions received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k) (i) of the Income Tax Act.
Assuming dividend withholding tax will be withheld at a rate of 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the shareholder, the net dividend amount due to non-resident shareholders is 12.632 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

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

Changes in board and board sub-committees

Wolf Cesman, the lead independent director and member of the Audit and Risk, Remuneration and Nomination and Social and Ethics and Transformation Committees retired on 7 May 2021. Craig Ewin was appointed as a member and chairman of the Remuneration and Nomination Committee as well as a member of the Related Party Committee. Barbara Makhubedu was appointed as the lead independent director and was also appointed to the Remuneration and Nominations Committee. David Munro was also appointed as a member of the Remunerations and Nominations Committee. On 14 June 2021 Nick Criticos was appointed as a non-executive director.

COMMENTARY CONTINUED

Events after reporting date

In line with IAS 10 Events after the Reporting Period, the declaration of the interim dividend of 15.79 cents per share for the six months ended 30 June 2021 occurred after the end of the reporting period, resulting in a non-adjusting event which is not recognised in these consolidated interim financial statements.

After 30 June 2021 a further R1.2 million of rental relief negotiations were concluded. The majority of these agreements are not recognised as a lease modification.

Basis of preparation

The unaudited summarised consolidated 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 consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated interim financial statements with the exception of new and revised standards which became effective during the period. José Snyders CA(SA), the financial director, was responsible for supervising the preparation of these summarised consolidated interim financial statements.

These summarised consolidated interim financial statements have not been reviewed or audited by L2D's independent external auditors.

The Board takes full responsibility for the preparation of this report.

By order of the Board of Directors

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

26 July 2021

STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

R'000	**Unaudited June 2021**	Restated unaudited June 2020	Audited December 2020
Assets			
Non-current assets	**8 389 167**	8 689 614	8 521 511
Investment properties	**8 326 533**	8 656 283	8 458 913
Investment properties under development	**28 599**	32 768	30 074
Property plant and equipment	**9 735**	563	716
Deferred tax asset	**24 300**	–	31 808
Current assets	**410 327**	365 500	378 501
Trade and other receivables [1]	**223 219**	286 957	223 070
IFRS 16 – lease asset	**2 397**	563	–
Amount due from group companies	**104 290**	67 244	80 993
Financial assets	**50 443**	825	768
Current taxation receivable	**633**	–	633
Cash and cash equivalents	**29 345**	9 911	73 037
Non-current asset held for sale	**153 300**	123 213	–
Total assets	**8 952 794**	9 178 327	8 900 012
Equity			
Stated capital	**8 780 921**	8 780 921	8 780 921
Treasury shares	**(120 983)**	(62 386)	(80 709)
Retained surplus	**151 458**	140 497	301 075
Share-based payment reserve	**32 852**	23 147	26 212
Mergers/capital reserve	**(426 104)**	(426 104)	(426 104)
Non-distributable reserve	**(1 662 455)**	(1 445 862)	(1 693 432)
Total equity	**6 755 689**	7 010 213	6 907 963
Liabilities			
Non-current liabilities	**1 304 773**	1 910 964	1 240 891
Financial liabilities	**1 302 891**	1 910 964	1 240 891
IFRS 16 – lease liability	**1 882**	–	–
Current liabilities	**892 332**	257 150	751 158
Trade and other payables	**128 959**	157 353	154 854
IFRS 16 – lease liability	**682**	824	–
Employee benefits	**6 769**	10 425	13 844
Amount due to group companies	**284**	178	33
Financial instruments [3]	**31 267**	61 495	60 423
Financial liabilities [2]	**724 371**	26 875	522 004
Total liabilities	**2 197 105**	2 168 114	1 992 049
Total equity and liabilities	**8 952 794**	9 178 327	8 900 012

(1) *Trade and other receivables includes tenant arrears amounting to R95.9 million (30 June 2020: R216.0 million).*

(2) *R500.0 million of term debt will be refinanced.*

(3) *Positive fair value adjustments on the interest rate swap amounted to R29.2 million (30 June 2020: negative R44.6 million).*

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2021

R'000	**Unaudited June 2021**	Restated unaudited June 2020	Audited December 2020
Property portfolio revenue	**438 800**	476 354	878 769
Rental and related income	**445 578**	505 788	945 388
Adjustment for the straight-lining of operating lease income	**(6 778)**	(29 434)	(66 619)
Net loss from hotel operations	**–**	(810)	–
Property operating expenses	**(178 439)**	(161 823)	(341 769)
Change in expected credit losses on property debtors [(1)]	**(19 623)**	(111 924)	(159 728)
Net property income	**240 738**	201 797	377 272
Asset management fee income	**25 642**	31 001	57 263
Development fee income	**1 132**	1 605	2 361
Total net property income and revenue	**267 512**	234 403	436 896
Other Income	**1 319**	770	1 228
Operating costs	**(53 622)**	(53 053)	(95 769)
Profit from operations excluding fair value adjustments	**215 209**	182 120	342 355
Interest expense	**(72 581)**	(80 122)	(149 307)
Interest received	**1 534**	1 692	2 398
Profit before fair value adjustments	**144 162**	103 690	195 446
Net fair value adjustments	**37 755**	(1 509 501)	(1 719 886)
Fair value adjustments on investment properties [(2)]	**1 821**	(1 476 836)	(1 725 478)
Fair value adjustment on derivatives	**29 156**	(44 604)	(43 532)
Fair value adjustment on equity instrument	**–**	(17 495)	(17 495)
Adjustment for the straight-lining of operating lease income	**6 778**	29 434	66 619
Profit/(loss) before taxation	**181 917**	(1 405 811)	(1 524 440)
Taxation	**(7 508)**	–	31 637
Total comprehensive income/(loss)	**174 409**	(1 405 811)	(1 492 803)
Basic earnings per share (cents)	**19.59**	(155.27)	(164.59)
Fully diluted earnings per share (cents)	**19.59**	(155.27)	(164.59)

[(1)] *R15.0 million relates to rental relief granted to tenants and is not subject to any enforcement activity (30 June 2020: R76.1 million).*
[(2)] *The significant negative fair value adjustment to investment properties in June 2020 was a result of the impact of the Covid-19 pandemic on rentals and growth assumptions.*

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021

R'000	Capital	Treasury shares	Share-based payment reserve	Non-distributable reserve	Retained surplus	Mergers/ capital reserve	Total
Balance at 1 January 2020	8 780 921	(39 205)	18 240	93 073	290 081	(426 104)	8 717 006
Total comprehensive income	–	–	–	–	(1 405 811)	–	(1 405 811)
Treasury shares acquired	–	(23 181)	–	–	–	–	(23 181)
Share-based payment transaction	–	–	4 907	–	–	–	4 907
Fair value adjustment on investment properties transferred to non-distributable reserve	–	–	–	(1 476 836)	1 476 836	–	–
Fair value adjustment on derivatives	–	–	–	(44 604)	44 604	–	–
Fair value adjustment on equity instrument	–	–	–	(17 495)	17 495	–	–
Distribution to shareholders	–	–	–	–	(282 708)	–	(282 708)
Balance at 30 June 2020	8 780 921	(62 386)	23 147	(1 445 862)	140 497	(426 104)	7 010 213
Total comprehensive loss	–	–	–	–	(86 992)	–	(86 992)
Treasury shares acquired	–	(18 323)	–	–	–	–	(18 323)
Share-based payment transaction	–	–	3 065	–	–	–	3 065
Fair value adjustment on investment properties transferred to non-distributable reserve	–	–	–	(248 642)	248 642	–	–
Fair value adjustment on derivatives	–	–	–	1 072	(1 072)	–	–
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	**–**	**–**	**–**	**–**	**174 409**	**–**	**174 409**
Treasury shares acquired	**–**	**(40 274)**	**–**	**–**	**–**	**–**	**(40 274)**
Share-based payment transaction	**–**	**–**	**6 640**	**–**	**–**	**–**	**6 640**
Fair value adjustment on investment properties transferred to non-distributable reserve	**–**	**–**	**–**	**1 821**	**(1 821)**	**–**	**–**
Fair value adjustment on derivatives	**–**	**–**	**–**	**29 156**	**(29 156)**	**–**	**–**
Distribution to shareholders	**–**	**–**	**–**	**–**	**(293 049)**	**–**	**(293 049)**
Balance at 30 June 2021	**8 780 921**	**(120 983)**	**32 852**	**(1 662 455)**	**151 458**	**(426 104)**	**6 755 689**

STATEMENT OF CASH FLOWS

for the six months ended 30 June 2021

R'000	**Unaudited June 2021**	Unaudited June 2020	Audited December 2020
Cash flows from operating activities	**(183 737)**	(220 124)	(36 644)
Cash generated by operations	**177 950**	138 348	396 563
Interest received on financial assets	**1 085**	373	477
Interest received	**449**	1 319	1 920
Interest paid	**(70 172)**	(77 382)	(152 022)
Taxation (paid)/received	**–**	(74)	(874)
Distribution to shareholders	**(293 049)**	(282 708)	(282 708)
Cash flows from investing activities	**(81 681)**	(26 746)	41 540
Expenditure on investment properties capitalised	**(22 986)**	(26 582)	(79 424)
Disposal of investment properties	**–**	–	123 213
Expenditure on investment properties under development	**–**	–	(1 426)
Acquisition of property plant and equipment	**(9 019)**	–	(716)
Investment in financial instruments – mutual funds	**(361 909)**	(36 868)	(113 050)
Proceeds from disposal of financial instruments – mutual funds	**312 233**	36 704	112 943
Cash flows from financing activities	**221 726**	191 582	2 942
Treasury shares acquired	**(40 274)**	(23 181)	(41 504)
Lease liability repayments	**–**	(1 201)	(1 446)
Loan paid	**–**	(49 036)	(219 473)
Loans received	**262 000**	265 000	265 365
Net increase/(decrease) in cash and cash equivalents	**(43 692)**	(55 288)	7 838
Cash balance at beginning of the year	**73 037**	65 199	65 199
Cash and cash equivalents at the end of the period	**29 345**	9 911	73 037

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six months ended 30 June 2021

1. Key judgements

Key areas of judgement and sources of uncertainty

The preparation of consolidated interim 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 interim financial statements, as well as the key sources of estimation uncertainty, is set out below.

1.1 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.

1.2 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 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. Two 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. Please refer to the investment properties note of the group consolidated interim financial statements for specific details and the fair value hierarchy for financial instruments and investment property note for the valuation techniques as well as assumptions and a sensitivity analysis on the fair value of these properties to a change in the exit capitalisation and discount rate assumptions. Given the level of management judgement applied in the valuation, these assets are considered to be level 3 in the fair value hierarchy.

1.3 Transfer of investment in subsidiary

As a result of the capital re-organisation in 2018, SRFM’s operations was transferred to 2DP. This included the transfer of the net asset value of SRFM to 2DP. The investment in subsidiaries at L2D company level was adjusted accordingly to transfer the effective cost of the investment in SRFM to the investment in 2DP as the economic benefit of the re-organisation now resides in 2DP. The transfer was done at a value that reflects the economic effect of the transaction, i.e. the value transferred based on the relative values of the transferred operations of SRFM. The remaining investment in SRFM approximates relative values of the transferred operations of SRFM. The remaining investment in SRFM approximates the net asset value of the company.

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

With effect from 1 November 2019 L2D entered into an arrangement with Tsogo Sun Hotels Limited (Tsogo) regarding the day-to-day operations of certain hotel properties. There is significant judgement applied regarding the assessment of economic benefits between the different parties, and control over the relevant activities, being the day-to-day operations of the hotel.

Application of IFRS 16 paragraph B23 considers “If a contract requires a customer to pay the supplier or another party a portion of the cash flows derived from use of an asset as consideration, those cash flows paid as consideration shall be considered to be part of the economic benefits that the customer obtains from use of the asset. For example, if the customer is required to pay the supplier a percentage of sales from use of retail space as consideration for that use, that

1. Key judgements continued

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

requirement does not prevent the customer from having the right to obtain substantially all of the economic benefits from use of the retail space. This is because the cash flows arising from those sales are considered to be economic benefits that the customer obtains from use of the retail space, a portion of which it then pays to the supplier as consideration for the right to use that space, which is interpreted to disregard proportional cash flows paid as compensation in the contract terms in the assessment of economic benefits between the contracted parties.

The decision to measure 'economic benefit' at the distribution line or turnover line is an area of significant judgement. On the face of it the agreements provide for 98% of EBITDAR to flow to the lessors, however where the lessee directs all cashflow generated from the asset and pays the lessor a percentage of such flows, B23 provides for such cashflows to be included in the benefit received by the Lessee.

Given the above and our view that Tsogo has the ability to direct the relevant activities/day-to-day operations when applying paragraph B23 of IFRS 16 to this arrangement, one needs to consider the use of the asset, in this case the hotels. Tsogo has sole use of the hotels and brand. In its capacity as principal, Tsogo obtains substantially all of the economic benefits from the use of the hotels/hotel brand (being the Turnover). Tsogo, as the customer pays the lessors a percentage of EBITDAR generated by the hotel operations. The fact that Tsogo pays a portion of the EBITDAR to the lessors does not preclude Tsogo from having the right to obtain substantially all of the economic benefits in its capacity as principal, being the turnover of the operations.

Tsogo manages the day-to-day operations and manages the hotel brand. This is considered to be a key point in identifying control. The key differences between the previous agreement and the current agreement is that Tsogo now has the ability to direct the relevant activities.

Based on the above, the hotel agreement in our assessment does contain a lease as the lessee retains substantially all the economic benefit and controls the operations as determined above.

IAS 40 para 14 states that judgement is needed to determine whether a property qualifies as investment property. An entity develops criteria so that it can exercise that judgement consistently in accordance with the definition of investment property and with the related guidance in paragraphs 7–13. Paragraph 75(c) requires an entity to disclose these criteria when classification is difficult.

The criteria management has assessed includes the following:

- Although the owners have engaged Tsogo to run the day-to-day operations whilst retaining exposure to the variable returns, L2D retains an estimated 20% of their revenue for basic rental and turnover rental per annum which is not considered sufficiently significant. (Defined in the contract as 98% of EBITDAR);
- Tsogo directly controls how the operations are run as discussed above and therefore leases the hotels; and
- L2D is a passive investor.

The conclusion of the assessment is that Tsogo has majority economic benefits, they control the operations and therefore the arrangement contains a lease. As a result, the hotels will be classified as investment property.

1.4.1 Accounting for the temporary hotel agreement

Effective from 27 March 2020, the current lease agreement between Liberty Group Limited, 2 Degrees Properties Proprietary Limited, Pareto Limited (the Consortium) and Reshub Proprietary Limited (Reshub), a subsidiary of Tsogo, was amended to suspend certain provisions of the lease until such time that the lessee is able to conduct viable economic activity at the hotel premises, which date shall be agreed by the Parties to the addendum. This is referred to as the "Closed period" and follows the hard lockdown and restricted travel period implemented in response to the pandemic. Partial opening for essential services and permitted travel whilst the country is still operating under various lockdown levels in order to achieve some revenue to contribute towards the costs of the hotels does not change the terms of the amended agreement.

The terms of the temporary agreement are summarised as follows:

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

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

1. Key judgements continued

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

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

Given the uncertainty of when lockdown restrictions will be lifted and the complexity in estimating the lease income, L2D has elected not to recognise any rental income for the hotels. L2D continues to recognise the costs incurred as property expenses in the Statement of comprehensive income. The fair value of the hotels is disclosed as investment property in the statement of financial position.

1.5 Accounting for the Sandton Convention Centre agreement

On 31 August 2020, the current lease agreement between Liberty Group Limited, 2 Degrees Properties Proprietary Limited, Pareto Limited (the Consortium) and Tsogo Sun Hotels Limited (the tenant) related to the Sandton Convention Centre expired. In terms of that agreement, the tenant appointed Southern Sun Hotels Interests (SSHI) to operate and manage the business. Tsogo Sun Hotels Limited indicated that they will not be renewing the lease.

SSHI would like to enter into a lease agreement with the Consortium on the same terms and conditions as the lease entered into with Reshub Proprietary Limited in 2019 regarding the hotel agreements relating to certain properties.

However, on the date of the current lease expiry, the negotiations have not been finalised and the parties have agreed to enter into a transition management agreement between the Consortium and SSHI commencing 1 September 2020 until 31 August 2021.

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

IFRS accounting for Sandton Convention Centre from 1 September 2020
IAS 40 Investment Properties set out the principles of accounting for investment properties as defined under IFRS. Investment property is defined as property (land or building or both) held (by the owner or by the lessee as a right-of-use asset) to earn rental or for capital appreciation, or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business.

Owner-occupied property is property held (by the owner or by the lessee as a right-of use asset) for use in the production or supply of goods or services, or for administration purposes.

Both standards allow recognition and measurement at fair value, however under IAS 40 the fair value gains or losses are recognised in profit or loss, whereas under IAS 16 Property, Plant and Equipment they are recognised in other comprehensive income.

Classification under IFRS
IAS 40, Para 11 In some cases, an entity provides ancillary services to the occupants of a property it holds. An entity treats such a property as investment property if the services are insignificant to the arrangement as a whole. An example is when the owner of an office building provides security and maintenance services to the lessees who occupy the building.

Para 12 – In other cases, the services provided are significant. For example, if an entity owns and manages a hotel, services provided to guests are significant to the arrangement as a whole. Therefore, an owner managed hotel is owner occupied property, rather than investment property.

Para 13 – It may be difficult to determine whether ancillary services are so significant that a property does not qualify as investment property. For example, the owner of a hotel sometimes transfers some responsibilities to third parties under a management contract. The terms of such contracts vary widely. At one end of the spectrum, the owner's position may, in substance, be that of a passive investor. At the other end of the spectrum, the owner may simply have outsourced day to day functions while retaining significant exposure to variation in the cash flows generated by the operations of the hotel.

Para 14 – 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.

Management are of the opinion that the Sandton City Convention Centre still meets the definition of an investment property.

The Consortium are all part owners of the property and are responsible for all capital expenditure, and major repairs and maintenance. The property is also held for capital appreciation. The day-to-day operations such as running of the Convention Centre has been outsourced to SSHI in terms of the management agreement and Liberty and L2D are passive investors in this regard. Liberty and L2D themselves do not provide management services to the Convention Centre.

Any short-term income that SSHI receives for the use of the property will be recorded as operating lease income from investment properties, and any expenses will be recorded as property expenses in the accounting records of L2D group.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six months ended 30 June 2021

1. Key judgements continued

1.6 Accounting for rental relief discounts

During the first quarter of 2020 the South-African Government imposed a national lockdown and declared a state of disaster in response to the COVID-19 Pandemic. In line with government guidance our malls partially closed from 27 March 2020 with only essential tenants being allowed to trade through the "hard-lockdown" period. Gradual re-opening of the stores commenced as lockdown restrictions started easing with most of the portfolio able to trade by the third quarter of 2020 albeit under restricted trading conditions and within strict health and safety protocols. The first six months of 2021 has showed promise, buoyed by the easing of lockdown restrictions from March 2021. In addition to focusing on the well-being of our staff and operational sustainability of our business, the primary focus at the start of the lockdown period was on ensuring the properties remain safe and complied with issued guidelines from the applicable authorities and industry best practice protocols. We concurrently participated in various industry forums including the Property Industry Group which aimed to provide a platform for industry participants to discuss the impact of the pandemic on our industry and brainstorm potential measures for mitigation which included guidance or views on rental relief provided to tenants.

Rental relief has been provided using the following categories:

- L2D provided a discount on rentals due, most of which was in arrears. At the date of the agreement the discounts offered related to previous 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 July 2020 to May 2021, on a sliding scale basis. The revised rental relief methodology assumes that tenants will still be liable for certain property expenses and other obligations per the lease in full. Tenants will be liable for a minimum basic rental and property expense recoveries. This will increase based on turnover achieved as a percentage of historical turnover. At a certain level of historical turnover, a tenant will become liable for their full lease obligations including basic rental and property expense recoveries.

IFRS 16 defines a lease modification as 'a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term)'
Per IFRS 16:87 – a lessor accounts for a modification to an operating lease as a new lease.

If a change in lease payments does not result from a lease modification for an operating lease, a lessor recognises the change in payments in income from leases.

Accounting for the changes in lease payments over the term of the lease is an area of judgement that depends on several factors and in this instance is compounded by circumstances not commonly observed. L2D's view for the rental relief contracted and provided for in category one above is that these were not lease modifications, all our leases are operating leases and consequentially the change in payment has been recognised as a reduction in income from leases.

If the change in lease payments was part of the original terms and conditions of the lease the change would not be considered a lease modification. It is an area of judgement on whether the express inclusion of a *force majeure* provision (either in contract or by interpretation of common law provisions) in the contract contemplates the kind of variable payment occasioned by the discount provided in response to COVID-19. Based on the legal advice received at the time our conclusion was that a clear answer was not apparent prior to a court process;

Rental relief that relates to the second category will be classified as a lease modification as the agreement relates to forward looking information. Furthermore, the scope of the agreement has changed to a turnover based rental as opposed to a fixed rental. As a result, these leases will be accounted for as a new lease from the effective date (the date when the agreement was concluded) of the modification.

Different categories of accounting for the rental relief
The rentals relief granted in category one will be accounted for as an impairment against the lease receivable in line with IFRS 9 requirements.

The rental relief granted in category two is subject to an accounting policy choice. L2D has elected to account for the arrears outstanding as an impairment in terms of IFRS 9 and for the forward looking rental to be treated as a lease modification.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six months ended 30 June 2021

1. Key judgements continued

1.7 Deferred tax asset

Deferred tax assets are recognised for taxable temporary differences as management considers that 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 over the next two years 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 increased the net profit after taxation available for distribution in December 2020. When 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.

1.8 Restatement of segment reporting

The group is disclosing L2D's share of GLA excluding co-owners in line with the financial segment earnings. The portfolio underwent a GLA reconciliation in 2020 to ensure alignment between reported GLA and the latest Architect's certificates.

1. Key judgements continued

1.9 Restatement of June 2020

The group is disclosing rental relief granted as at the end of June 2020 of R76.1 million, in line with the accounting policy which has been applied to the December 2020 financial statements. The R76.1 million rental relief was initially disclosed as a provision in accordance with IAS 37.

L2D's accounting treatment for rental relief discounts has been disclosed in note 1.6.

Rental relief granted is accounted for as an impairment against the lease receivable in line with IFRS 9 requirements. As a result, the June 2020 income statement and balance sheet have been restated accordingly to be consistent with the December 2020 accounting treatment and disclosure:

	June 2020 published	June 2020 restated	Change
Statement of financial position impact	R'm	R'm	R'm
Rental and related income	429 697	505 788	(76 091)
Change in expected credit losses on property debtors	(35 833)	(111 924)	76 091
Statement of comprehensive income impact	R'm	R'm	R'm
Trade and other receivables	363 048	286 957	(76 091)
Trade and other payables	233 444	157 353	76 091

2. Headline earnings per share

R'000	**Unaudited June 2021**	Unaudited June 2020	Audited December 2020
Reconciliation between basic earnings and headline earnings			
Total earnings/(loss) (basic earnings)	**174 409**	(1 405 811)	(1 492 803)
Fair value adjustment to investment properties and financial assets	**(37 755)**	1 509 501	1 719 886
Headline earnings	**136 654**	103 690	227 083
	Cents	Cents	Cents
Eearnings/(loss) per share			
Basic and diluted	**19.59**	(155.27)	(164.59)
Headline	**15.35**	11.45	25.04
	000's	000's	000's
Actual number of shares in issue	**908 443**	908 443	908 443
Weighted average number of share in issue*	**890 401**	905 404	906 999
Diluted weighted average number of shares in issue*	**890 401**	905 404	906 999

* *Excludes 21 356 549 treasury shares as at 30 June 2021.*

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 period.

Headline earnings per share is a disclosure requirement in terms of the JSE Listings Requirements for companies listed on the JSE. Circular 1/2019, 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 INTERIM FINANCIAL STATEMENTS
for the six months ended 30 June 2021

3. Segment information

Segmental performance, based on net property income, is assessed using the below metrics at the L2D Executive Committee:

- Retail and offices: occupancies, footfall, trading density, reversions and turnover growth;
- Hotels: occupancy levels and revenue per room (RevPar)

June 2021

Unaudited GLA	Retail	Office	Other specialised	Hotels	Administration/ Other*	Total
Total property GLA m²***	512 701	316 011	117 606	–	–	946 318
L2D's share of total GLA m²**	148 168	55 212	23 833	–	–	227 213

*Administration and other includes 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. The hotels do not form part of the total GLA disclosed.

***Total property GLA is at a 100% ownership share.

3. Segment information continued

3.1 Segment earnings – June 2021

R'000	Retail	Office	Other specialised	Hotels	Administration/ Other*	Total
Property portfolio revenue	285 214	106 279	45 877	1 395	35	438 800
Rental and related income	289 634	107 926	46 588	1 395	35	445 578
Adjustment for the straight-lining of operating lease income	(4 420)	(1 647)	(711)	–	–	(6 778)
Property operating expenses	(112 819)	(42 040)	(18 147)	(4 696)	(737)	(178 439)
Change in expected credit loss on property debtors	(12 797)	(4 768)	(2 058)	–	–	(19 623)
Net property income	159 598	59 471	25 672	(3 301)	(702)	240 738
Asset management fee income	–	–	–	–	25 642	25 642
Development fee income	–	–	–	–	1 132	1 132
Total net property income and revenue	159 598	59 471	25 672	(3 301)	26 072	267 512
Other Income	–	–	–	–	1 319	1 319
Operating costs	–	–	–	–	(53 622)	(53 622)
Profit from operations excluding fair value adjustments	159 598	59 471	25 672	(3 301)	(26 231)	215 209
Interest expense	–	–	–	–	(72 581)	(72 581)
Interest received	–	–	–	–	1 534	1 534
Profit before fair value adjustments	159 598	59 471	25 672	(3 301)	(97 278)	144 162
Net fair value adjustments on investment properties	1 910	712	307	5 670	–	8 599
Fair value adjustments	(2 510)	(935)	(404)	5 670	–	1 821
Adjustment for the straight-lining of operating lease income	4 420	1 647	711	–	–	6 778
Fair value adjustment on derivatives	–	–	–	–	29 156	29 156
Profit/(loss) before taxation	161 508	60 183	25 979	2 369	(68 122)	181 917
Taxation	–	–	–	–	(7 508)	(7 508)
Total comprehensive income/(loss)	161 508	60 183	25 979	2 369	(75 630)	174 409

3. Segment information continued

3.2 Segment assets and liabilities – June 2021

R'000	Retail	Office	Other specialised	Hotels	Administration/ Other*	Total
Investment property	5 266 883	1 962 596	847 176	278 477	–	8 355 132
Non-current asset held for sale	–	153 300	–	–		153 300
Property plant and equipment	–	–	–	–	9 735	9 735
Amount due from group companies	–	–	–	–	104 290	104 290
Trade and other receivables	118 873	44 296	19 121	29 345	11 584	223 219
Financial assets	–	–	–	–	50 443	50 443
Deferred tax asset	–	–	–	–	24 300	24 300
Current taxation receivable	–	–	–	–	633	633
IFRS 16 – lease asset	–	–	–	–	2 397	2 397
Cash and cash equivalents	–	–	–	–	29 345	29 345
Total assets	5 385 756	2 160 192	866 297	307 822	232 727	8 952 794
Trade and other payables	(76 330)	(28 443)	(12 278)	(352)	(11 556)	(128 959)
Employee benefits	–	–	–	–	(6 769)	(6 769)
Amount due to group companies	–	–	–	–	(284)	(284)
Financial instruments	–	–	–	–	(31 267)	(31 267)
IFRS 16 – lease liability	–	–	–	–	(2 564)	(2 564)
Financial liabilities	–	–	–	–	(2 027 262)	(2 027 262)
Net assets	5 309 426	2 131 749	854 019	307 470	(1 846 975)	6 755 689

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

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for the six months ended 30 June 2021

3. Segment information continued

The group is disclosing L2D's share of GLA excluding co-owners in line with the financial segment earnings. The portfolio underwent a GLA reconciliation at the end of 2020 to ensure alignment between reported GLA and the latest Architect's certificates. The changes in GLA have been due to natural attrition and movement in GLA as a result of refurbishments and changes in tenant mix over time. As a result, June 2020 has been recalculated on this basis. This has been restated with the change effected below:

June 2020 – Published	Retail	Office	Other specialised	Hotels	Administration/ Other*	Total
Unaudited GLA						
Total property GLA m²***	523 135	331 326	113 405	–	–	967 866
L2D's share of total GLA m²**	150 070	60 485	23 483	–	–	234 038

June 2020 – Restated	Retail	Office	Other specialised	Hotels	Administration/ Other*	Total
Unaudited GLA						
Total property GLA m²***	512 701	316 011	117 606	–	–	946 318
L2D's share of total GLA m²**	148 168	55 212	23 833	–	–	227 213
Change in unaudited GLA						
Total property GLA m²***	10 434	15 315	(4 201)	–	–	21 548
L2D's share of total GLA m²**	1 902	5 273	(350)	–	–	6 825

* *Administration and other includes 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. The hotels do not form part of the total GLA disclosed.*
*** *Total property GLA is at a 100% ownership share.*

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

3. Segment information continued

3.3 Segment earnings – Restated June 2020

R'000	Retail	Office	Other specialised	Hotels	Administration/ Other*	Total
Property portfolio revenue	308 326	114 891	49 594	3 213	330	476 354
Rental and related income	327 521	122 043	52 681	3 213	330	505 788
Adjustment for the straight-lining of operating lease income	(19 195)	(7 152)	(3 087)	–	–	(29 434)
Net revenue from hotel operations	–	–	–	(810)	–	(810)
Property operating expenses	(105 983)	(39 492)	(17 047)	1 044	(345)	(161 823)
Change in expected credit loss on property debtors	(72 987)	(27 197)	(11 740)	–	–	(111 924)
Net property income	129 356	48 202	20 807	3 447	(15)	201 797
Asset management fee income	–	–	–	–	31 001	31 001
Development fee income	–	–	–	–	1 605	1 605
Total net property income and revenue	129 356	48 202	20 807	3 447	32 591	234 403
Other Income	–	–	–	–	770	770
Operating costs	–	–	–	–	(53 053)	(53 053)
Profit from operations excluding fair value adjustments	129 356	48 202	20 807	3 447	(19 692)	182 120
Interest expense	–	–	–	–	(80 122)	(80 122)
Interest received	–	–	–	–	1 692	1 692
Profit before fair value adjustments	129 356	48 202	20 807	3 447	(98 122)	103 690
Net fair value adjustments on investment properties	(909 061)	(338 743)	(146 223)	(53 375)	–	(1 447 402)
Fair value adjustments	(928 256)	(345 895)	(149 310)	(53 375)	–	(1 476 836)
Adjustment for the straight-lining of operating lease income	19 195	7 152	3 087	–	–	29 434
Fair value adjustment on derivatives	–	–	–	–	(44 604)	(44 604)
Fair value adjustment on equity instrument	–	–	–	–	(17 495)	(17 495)
Loss before taxation	(779 705)	(290 541)	(125 416)	(49 928)	(160 221)	(1 405 811)
Taxation	–	–	–	–	–	–
Total comprehensive loss	(779 705)	(290 541)	(125 416)	(49 928)	(160 221)	(1 405 811)

3. Segment information continued

3.4 Segment assets and liabilities – Restated June 2020

R'000	Retail	Office	Other specialised	Hotels	Administration/ Other*	Total
Investment property	5 467 340	2 037 292	879 419	305 000	–	8 689 051
Non-current asset held for sale	–	123 213	–	–	–	123 213
Property plant and equipment	–	–	–	–	563	563
Amount due from group companies	–	–	–	–	67 244	67 244
Trade and other receivables	130 118	48 486	20 929	58 172	29 252	286 957
Financial assets	–	–	–	–	825	825
IFRS 16 – lease asset	–	–	–	–	563	563
Cash and cash equivalents	–	–	–	–	9 911	9 911
Total assets	5 597 458	2 208 991	900 348	363 172	108 358	9 178 327
Trade and other payables	(72 080)	(26 859)	(11 594)	(27 198)	(19 622)	(157 353)
Employee benefits	–	–	–	–	(10 425)	(10 425)
Amount due from group companies	–	–	–	–	(178)	(178)
Financial instruments	–	–	–	–	(61 495)	(61 495)
Financial liabilities	–	–	–	–	(1 937 839)	(1 937 839)
IFRS 16 – lease liability	–	–	–	–	(824)	(824)
Net assets	5 525 378	2 182 132	888 754	335 974	(1 922 025)	7 010 213

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

4. Investment properties

R'000	Notes	Unaudited June 2021	Unaudited June 2020
4.1 Summary			
Investment properties	4.2	**8 326 533**	8 656 283
Fair value net of straight-lining at the beginning of the year		**8 458 913**	10 235 368
Expenditure on investment properties capitalised during the period		**17 624**	20 964
Fair value adjustment		**3 296**	(1 476 836)
Transfer to assets held for sale		**(153 300)**	(123 213)
Investment properties under development	4.3	**28 599**	32 768
Fair value at the beginning of the year		**30 074**	32 768
Fair value adjustment		**(1 475)**	–
		8 355 132	8 689 051

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4. Investment properties continued

R'000	Notes	Unaudited June 2021	Unaudited June 2020
4.2 Investment properties			
Fair value of investment properties at the beginning of the year		**8 277 628**	9 987 463
Net fair value adjustment for the period		**10 074**	(1 447 402)
Fair value adjustment		**3 296**	(1 476 836)
Net movement on straight-lining operating lease income		**6 778**	29 434
Expenditure on investment properties during the period		**17 624**	20 964
Additions – capitalised subsequent expenditure		**19 485**	22 950
Capitalised tenant installations		**1 678**	1 949
Amortisation of tenant installations		**(2 390)**	(2 258)
Capitalised letting commission		**1 823**	1 682
Amortisation of letting commission		**(2 972)**	(3 359)
Transfer to assets held for sale		**(150 012)**	(122 761)
Transfer to assets held for sale [1]		**(153 300)**	(123 213)
Impact of straight-lining of operating lease income on transfer of property [2]		**3 288**	452
Investment properties at fair value		**8 155 314**	8 438 264
Operating leases accrued adjustment			
Straight-lining balance at the beginning of the year		**181 285**	247 905
Straight-lining of operating lease income of transfer of property to assets held for sale [2]		**(3 288)**	(452)
Net movement on straight-lining of operating lease income		**(6 778)**	(29 434)
Straight-lining of operating lease income		**171 219**	218 019

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4. Investment properties continued

R'000	Notes	Unaudited June 2021	Unaudited June 2020
4.3 Investment properties under development			
Fair value of investment properties under development at the beginning of the year		**30 074**	32 768
Net fair value adjustment for the period		**(1 475)**	–
Fair value adjustment		**(1 475)**	–
Total investment properties under development		**28 599**	32 768
Total investment properties		**8 355 132**	8 689 051

[1] *Standard Bank Simmonds Street was classified as a non-current asset held for sale on 30 June 2021.*
[2] *The impact of straight-lining operating lease income on Standard Bank Simmonds Street for the period 1 January 2021 to 30 June 2021 is R3.3 million.*

Interest expense
Interest incurred during the six month ended 30 June 2021 on debt incurred to acquire the additional undivided share of properties was R59.6 million (2020: R65.7 million).

Basis of valuation

The professional valuers, namely Broll Valuation and Advisory Services and JLL Proprietary Limited are registered valuers in terms of the Property Valuers Professional Act, No. 47 of 2000 and are RICS Registered Valuers.

Valuation process
A panel of at least two independent external valuers are appointed to conduct L2D's interim and year-end valuations. L2D provided the valuers with the relevant information required in the valuation of the properties. Among other inputs, the independent valuers applied current market-related assumptions to risks in rental streams of properties. Once the valuations have been completed by the independent valuers, it was reviewed internally, signed off by the Chief Executive and the Financial Director after which they were submitted to the various governance committees for final recommendation to the Board. The Board provides final approval of the valuations.

4. Investment properties continued

The independent valuers are as follows:

Broll	R Long	BSc, MBA, FRICS, MIV(SA), professional valuer
JLL	S Crous	BSc, MRICS, MIV(SA), professional valuer

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 30 June 2021 in line with the group's valuation policy.

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

The properties have been valued using the discounted cash flow methodology based on significant unobservable inputs and whereby the forecasted net cash flow and residual value of the asset at the end of the forecasted cash flow period is discounted back to the valuation date, resulting in a present value of the asset.

The residual value is calculated by capitalising the net income forecasted for the 12-month period immediately following the final year of the cash flow at the exit capitalisation rate.

The Sandton Convention Centre valuation has been impacted by a change in methodology from previous valuations given the expiry of the Convention Centre lease and the introduction of the interim management agreement. The methodology has changed to a profit's method valuation on expiry of the lease. This method accounts for the underlying fundamentals of the business where previously the property was valued based on the income method utilising the lease rental and reversion on expiry.

The unobservable inputs include:

Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;

Discount rates reflect current market assessments of the uncertainty in the amount and timing of cash flows. Valuers may use any reasonable method for developing an appropriate discount rate with consideration being given to:

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

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

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

4. Investment properties continued

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

Unobservable inputs:

	2021					2020				
	Exit cap rate (%)	Discount rate (%)	Vacancy rate (%)	Rental growth (%)	Expense growth (%)	Exit cap rate (%)	Discount rate (%)	Vacancy rate (%)	Rental growth (%)	Expense growth (%)
Office	8.50	13.25 - 13.50	1.00	Staggered growth rates applied for a period of 5 years which vary per property between 0 – 4.75	Staggered growth rates applied for a period of 5 years which vary per property between 5.00 - 6.00	8.25 – 9.75	13.00 – 14.00	1.00	4.50 – 4.75	6.50
Retail – super regional and regional	7.00 - 8.00	11.00 - 12.00	–	Staggered growth rates applied for a period of 5 years which vary per property between (1.00) – 4.00	Staggered growth rates applied for a period of 5 years which vary per property between 5.50 – 6.00	6.50 – 7.50	11.50 – 12.50	0.50-2.50	(1.00) – 3.50	5.50 – 6.00
Retail – other	7.75 - 8.25	11.75 - 13.25	1.00 - 1.50	Staggered growth rates applied for a period of 5 years which vary per property between (1.00) – 5.00	Staggered growth rates applied for a period of 5 years which vary per property between 5.00 – 6.00	7.25 – 8.25	12.75 – 13.00	1.00-2.50	(1.00) – 4.50	5.50 – 6.50
Hotels**	9.00	13.75 - 14.00	–	–	–	9.00	13.75 – 14.00	–	–	–

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4. Investment properties continued

	2021					2020				
	Exit cap rate (%)	**Discount rate (%)**	**Vacancy rate (%)**	**Rental growth (%)**	**Expense growth (%)**	Exit cap rate (%)	Discount rate (%)	Vacancy rate (%)	Rental growth (%)	Expense growth (%)
Specialised:										
Sandton Convention Centre**	**10.00**	**14.75**	**–**	**–**	**–**	10.00	15.25	1.00	Staggered growth rates applied for a period of 5 years 1.00 – 3.00	Staggered growth rates applied for a period of 5 years 5.50 – 6.00
Virgin Active and Parkade	**8.50**	**12.50**	**–**	**Staggered growth rates applied for a period of 5 years (1.00) – 4.00**	**Staggered growth rates applied for a period of 5 years 5.50 – 6.00**	8.50	13.00	0.50	(1.00) – 3.50	5.50 – 6.00
John Ross Eco Junction*	**8.25 - 9.25**	**13.75 - 14.50**	**1.00**	**Staggered growth rates applied for a period of 5 years 1.00 – 3.00**	**Staggered growth rates applied for a period of 5 years 5.00 – 6.00**	8.25 – 9.25	13.75 – 14.50	1.00	4.50 – 4.75	6.50
John Ross Eco Junction (land)	**–**	**14.50**	**–**	**Staggered growth rates applied for a period of 5 years 0 – 4.00**	**Staggered growth rates applied for a period of 5 years 5.00 – 6.00**	–	15.00	–	3.85	7.00

* *Includes John Ross Eco Junction Tangawizi and Melomed.*
** *There are no growth rates/vacancy rates disclosed for the hotels and the Sandton Convention Centre as the method of valuation is a profits method based on business modelling forecasts.*

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.

4. Investment properties continued

Vacancy rate
The vacancy rate refers to vacancies caused by difficulties inherent to the property which management leaves vacant in order to accommodate the expansion of existing tenants; as well as to allow for rental voids due to tenant movement. Underlying to 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 significany 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
The Office sector comprises the Umhlanga multi tenanted offices, located in KZN, as well as Standard Bank offices located in the Johannesburg CBD. The offices have been negatively impacted by market pressure on rentals resulting in lower achievable rentals and increased voids. The office sector remains under significant pressure due to increased pressure from the 'work from home' trend with business's reassessing their space needs adding additional pressure to the already oversupplied market.

The valuation of Liberty Head office Umhlanga Ridge is impacted by uncertainty around the Liberty renewal which is still in negotiation. This has resulted in an adjustment of the metrics by the valuers to account for the letting risk.

Retail
The Retail category consists of super regional, regional, small regional and community shopping centres geographically diversified. The retail segment has been adversely impacted as a consequence of travel bans and imposed lockdowns brought about by the global pandemic. The valuations of the retail portfolio have been impacted by, inter-alia, rental re-basing and forecast reversions of certain tenants on lease renewal and increased conservatism reflected in forecasted market leases, growth rates, and valuation metrics. While the current conditions present a unique set of circumstances in which to assess property values, the valuers do assume some level of normalisation in the forecast period but remain prudent in their assumptions.

Super regional shopping centres
There has been an upward movement in the Sandton Complex which includes Sandton City, Sandton Office Tower, Atrium on 5th and the Sandton Parkade. The positive impact on the retail side is as a result of reduced provisions. New lettings and recent openings have further improved the valuation cashflow projection as well as positive turnover growth which have improved turnover rental forecasts. The valuers have adjusted the exit cap rate and discount rates to reflect the current climate.

Eastgate has seen a decrease in value largely driven by rentals achieved being lower than previous expectations and continued vacancy in the centre. The valuers have adjusted their market rental forecasts downward perpetuating the negative reversion.

Regional and small regional shopping centres
Liberty Promenade Shopping Centre, Nelson Mandela Square, Liberty Midlands Mall and Lifestyle Centre fall within this category. The valuations in this category have been positively impacted except for NMS that has been negatively impacted by the prolonged effect of COVID-19 on primarily restaurant tenants. The rest of the malls have experienced a decrease in vacancy and improved trading densities which have a positive impact on market rental assumptions.

4. Investment properties continued

Community shopping centre

Botshabelo Mall's valuation is driven by turnover growth and growth in rental due to lease escalations.

Other

Melrose Arch's negative movement in value is driven by prolonged vacancy in the office sector impacting void periods applied. The retail sector continues to be negatively impacted by reduced turnover of the tenants resulting in tenants paying lower based rentals.

Hotels

The Hotels ceased operating for large parts of 2020 and first part of 2021 under lockdown regulations. Although gradual easing of restrictions has allowed a small component to open to trade it is not yet feasible for the vast majority of the hotel operations to resume full trade. However the most significant impact on the hotels were seen in 2020 valuations. As forecast opening dates draw closer, currently at April 2022, valuation upside is expected.

Sandton Convention Centre

As a result of lockdown restrictions and a restriction on international travel imposed in 2020, many events had to be cancelled causing severe pressure on the Sandton Convention Centre. Restrictions on gatherings have still not been lifted fully and this is expected to have a severe impact in 2021. The valuation has been impacted by a change in methodology from previous valuations given the expiry of the Convention Centre lease and the introduction of the interim management agreement. The methodology has changed to a profit's method valuation on expiry of the lease. This method accounts for the underlying fundamentals of the business where previously the property was valued based on the income method utilising the lease rental and reversion on expiry. We are in continued discussions with the lessee and will be in a position to conclude once greater clarity around travel and business tourism prevails.

Virgin Active and Parkade

Lockdown restrictions forced gyms to close down for a number of months in 2020. The valuation is impacted negatively by downward assumptions to the market rental growth rates over the period of the cashflow as well as metric adjustments.

John Ross Eco Junction

John Ross Eco Junction is a diversified commercial and industrial development across 30 sites, appropriate for commercial workshops, light industrial, motor dealerships, general showrooms, office buildings, warehouses, wholesale and mini factory units. Currently the property comprises three components, namely the Melomed Hospital, Tangawizi Motors and the remaining estate (land parcels), which comprises several vacant development land parcels. The two leases (Melomed and Tangawizi) that have been entered into are triple net leases wherein all expenses associated with the operation of the property are for the account of the tenant. These are valued on discounted cashflow methodology. On the land portions, the valuers noted an over supply of development land in the greater KZN area resulting in an adjustment of forecast land sales rates over the sales projection period.

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4. Investment properties continued

No.	Property name and % interest in the undivided shares by L2D	Physical address and province	Main sector	**June 2021 valuation R'000**	June 2020 valuation R'000
1	Standard Bank Centre (16.7%)	5 Simmonds Street, Johannesburg, Gauteng	Office	**Classified as held for sale**	150 153
2	Liberty Centre Head Office (Umhlanga Ridge) (33.3%)	21 Aurora Drive and 2 Park lane, Umhlanga Ridge, KwaZulu-Natal	Office	**93 775**	111 391
3	Sandton City Complex (25.0%)	5th Street, Alice Lane and Sandton Drive, Sandton, Gauteng	Retail	**3 231 733**	3 118 094
4	Nelson Mandela Square Complex (33.3%)	5th Street Sandton, Gauteng	Retail	**354 386**	453 589
5	Eastgate Complex (33.3%)	43 Bradford Road, Bedfordview, Johannesburg, Gauteng	Retail	**2 249 828**	2 371 509
6	Melrose Arch Complex (8.3%)	60 Atholl Oaklands Road and Melrose Blvd, Melrose North, Johannesburg, Gauteng	Retail* *(per unobservable input table)*	**465 783**	473 296
7	Liberty Midlands Mall (33.3%)	Sanctuary Road, Pietermaritzburg, KwaZulu-Natal	Retail	**789 000**	780 902
8	Liberty Promenade Shopping Centre (33.3.%)	Cnr AZ Berman Drive, Morgenster Road and 11th Avenue, Mitchells Plain, Western Cape	Retail	**552 958**	526 384
9	Botshabelo Mall (33.3%)	Portions 2 and 3 of ERF 1 Botshabelo-H, Free State	Retail	**97 005**	96 272
10	John Ross Eco-Junction Estate – Tangawizi (33.3%)	Eco-Junction Business Park, John Ross Highway, Richards Bay, KwaZulu-Natal	Specialised	**21 912**	22 401
11	John Ross Eco-Junction Estate – Melomed (23.3%)	John Ross Eco-Junction, Cnr N2 and MR496, John Ross Highway, KwaZulu-Natal	Specialised	**130 306**	114 898
12	John Ross Eco-Junction Estate (33.3%)	Portion 16 and 17, Erf 11415, Richards Bay, KwaZulu-Natal	Specialised	**28 599**	31 836
13	Sandton Convention Centre (25.0%)	161 Maude Street, Sandton, Gauteng	Specialised	**49 252**	120 904
14	Virgin Active Sandton and Parkade (25.0%)	149 West Street, Sandton, Gauteng	Specialised	**12 118**	12 423
15	Garden Court Sandton (25.0%)	Cnr West and Maude Street, Sandton, Gauteng	Hotels	**115 312**	132 212
16	Sandton Sun and Intercontinental (25.0%)	Cnr 5th and Maude Street, Sandton, Gauteng	Hotels	**163 165**	172 787
Total				**8 355 132**	8 689 051

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

4. Investment properties continued

Below is the vacancy profile per sector (%)

Vacancy profile (%)	**Unaudited June 2021**	Unaudited June 2020
Total retail	**3.3**	3.5
Total office	**13.4**	10.1
Total specialised	**–**	–
Total	**6.3**	5.3

5. Fair value hierarchy for financial instruments and investment property

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

The fair value hierarchy has the following levels:

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

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

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

Fair value hierarchy for financial instruments and investment properties

	Six months ended 30 June 2021			
(R'000)	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Investment properties	**8 326 533**	**–**	**–**	**8 326 533**
Investment property under development	**28 599**	**–**	**–**	**28 599**
Non-current assets held for sale	**153 300**	**–**	**–**	**153 300**
Financial assets	**50 443**	**–**	**50 443**	
	8 558 875	**–**	**50 443**	**8 508 432**
Liabilities				
Interest rate swap	**31 267**	**–**	**31 267**	**–**
	31 267	**–**	**31 267**	**–**

5. Fair value hierarchy for financial instruments and investment property continued

	Six months ended 30 June 2020			
(R'000)	Fair value	Level 1	Level 2	Level 3
Assets				
Investment properties	8 656 283	–	–	8 656 283
Investment property under development	32 768	–	–	32 768
Financial assets	825	–	825	–
	8 689 876	–	825	8 689 051
Liabilities				
Interest rate swap	61 495	–	61 495	–
	61 495	–	61 495	–

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

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

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

5. Fair value hierarchy for financial instruments and investment property continued

Valuation techniques

Valuation techniques used in determining the fair values 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	Price-not applicable
2	Derivative liabilities	Quoted swap rates and inter-bank borrowing rates	Price-not applicable
3	Unlisted equity	Discounted cash flow	Discount rate
3	Investment properties	Discounted cash flow	Refer to Investment Properties Note for detail regarding assumptions
3	Investment properties under development	Fair value	Refer to Investment Properties Note for detail regarding assumptions

Reconciliation of level 2 assets

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

R'000	**Unaudited June 2021**	Unaudited June 2020
Financial assets		
Fair value at the beginning of the year	**768**	660
Additions - investment in financial assets	**361 909**	36 868
Disposals -withrawals in financial assets	**(312 234)**	(36 703)
Closing balance at the end of the period	**50 443**	825

Reconciliation of level 2 liabilities

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

R'000	**Unaudited June 2021**	Unaudited June 2020
Interest rate swap		
Fair value at the beginning of the year	**60 423**	16 891
Fair value adjustments	**(29 156)**	44 604
Closing balance at the end of the period	**31 267**	61 495

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 30 June 2021, 79.2% of the group's term debt is at fixed rates.

5. Fair value hierarchy for financial instruments and investment property continued

Reconciliation of level 3 assets and liabilities

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

R'000	**Unaudited June 2021**	Unaudited June 2020
Investment property and investment property under development		
Fair value at the beginning of the period	**8 488 987**	10 144 923
Transferred to non-current assets held for sale	**(153 300)**	–
Capitalised cost	**17 624**	20 964
Fair value adjustments	**1 821**	(1 476 836)
Closing balance at the end of the period	**8 355 132**	8 689 051
Non-current assets held for sale		
Fair value at the beginning of the period	**–**	–
Transferred from investment property	**153 300**	123 213
Closing balance at the end of the period	**153 300**	123 213
Unlisted equity		
Fair value at the beginning of the period	**–**	17 495
Fair value adjustments	**–**	(17 495)
Closing balance at the end of the period	**–**	–

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

5. Fair value hierarchy for financial instruments and investment property continued

Sensitivity analysis of level 3 assets

Investment property

Investment properties' fair value were determined using the discounted cash flow methodology. The exit capitalisation rates applied at 30 June 2021 range between 7.0% and 10.0% (30 June 2020: 6.5% and 10.0%).

The table below indicates the sensitivity of the aggregate market values for a 100 bps (30 June 2020: 100 bps) change in the exit capitalisation rate.

	Change in exit capitalisation rate		
	Rm	100 bps increase	100 bps decrease
2021			
Properties below 6.8% exit capitalisation rate	**–**	**–**	**–**
Properties between 6.8% – 8.5% exit capitalisation rate	**7 977**	**7 317**	**8 838**
Properties between 8.6% – 10.0% exit capitalisation rate	**531**	**514**	**553**
Total	**8 508**	**7 831**	**9 391**
2020			
Properties below 6.8% exit capitalisation rate	2 997	2 707	3 366
Properties between 6.8% – 8.5% exit capitalisation rate	5 151	4 708	5 647
Properties between 8.6% – 10.0% exit capitalisation rate	664	629	707
Total	8 812	8 044	9 720

The table below indicates the sensitivity of the aggregate market values for a 100bps (30 June 2020: 100 bps) change in the discount rate (excludes hotel buildings).

	Change in discount rate		
	Rm	100 bps increase	100 bps decrease
2021			
Total property portfolio	**8 508**	**8 189**	**8 840**
2020			
Total property portfolio	8 812	8 353	9 025

6. Related party disclosure

List of related parties as defined

Ultimate parent
Standard Bank Group Limited (SBG).

Parent
Liberty Group Limited (LGL).

Fellow subsidiaries
All subsidiaries of LGL are fellow subsidiaries of L2D group – a full list can be obtained from the company secretary and details are contained in the published consolidated interim financial statements of LGL. Notably, 2 Degrees Properties (2DP), and the Manager, the previous management company (SRFM), are all wholly-owned subsidiaries of L2D Limited.

Transactions with related entities

Transactions with SBG
As at 30 June 2021, R1.2 billion is owed to SBG for debt borrowed for the purchase of properties as well as the purchase of the SRFM business in 2018. (30 June 2020: R1.2 billion)

Standard Bank Centre
The Standard Bank Centre is fully let to SBG on a seven-year lease. Rental income received by L2D group for the six months ended 30 June 2021 was R8.6 million (30 June 2020: R8.0 million).

Transactions with 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 (L2D CISIP)
As at 30 June 2021, R192 474 is receivable from L2D CSIP (30 June 2020: R240 050).

Transactions with LGL

Liberty Centre Head Office Cape Town
83.1% of the property was let to LGL, the parent of L2D group. The property was effectively sold and transferred to Spear REIT Limited on 9 July 2020. No rental income was received by L2D group for the six months ended 30 June 2021 (30 June 2020: R6.9 million).

Liberty Centre Head Office Umhlanga Ridge
Approximately 74.2% of the property is let to LGL on a five-year lease.

Rental income received by L2D group for the six months ended 30 June 2021 was R5.2 million (30 June 2020: R5.0 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 six months ended 30 June 2021 was R1.5 million (30 June 2020: R1.4 million).

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 six months ended 30 June 2021 was R266 712 (30 June 2020: R270 541)

Liberty Promenade
LGL took occupation at Liberty Promenade effective 1 March 2021, and occupies 106 m² of office space.

Rental income received by L2D group for the six months ended 30 June 2021 was R67 149 (30 June 2020: R0).

Development fee income
Development fee income amounting to R1.1 million was earned for the six months ended 30 June 2021 (30 June 2020: R1.6 million).

Asset management fee income
Management fees on assets under management amounting to R25.6 million was earned for the six months ended 30 June 2021 (30 June 2020: R31.0 million).

Loan with LGL
As at 30 June 2021, R104.3 million is owed by LGL for working capital (30 June 2020: R67.2 million).

R53.2 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 (30 June 2020: R83.2 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 R1.3 million (30 June 2020: R2.4 million) as an operating lease expense for rental of its premises in the Melrose Arch precinct in Johannesburg.

L2D group leased its head office premises from Stanlib Wealth Management up until 30 September 2020. L2D's new head office premises is in Nelson Mandela Square. The effective lease commencement date is 9 April 2021, with R373,125 payable to Liberty Consortium as at 30 June 2021.

6. Related party disclosure continued

JHI Retail Property Proprietary Limited ("JHI")
The property management function in respect of L2D group is undertaken predominantly by JHI. JHI manages the Sandton City Complex, the Eastgate Complex, Liberty Promenade Shopping Centre, Liberty Midlands Mall, Nelson Mandela Square, 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 six months ended 30 June 2021 amounted to R11.1 million (30 June 2020: R10.1 million).

Loan with STANLIB Asset Management Limited
As at 30 June 2021, R330 is owed to STANLIB Asset Management Limited (30 June 2020: R177 581).

Loan with STANLIB Wealth Management Limited
As at 30 June 2021, R283 377 is owed to STANLIB Wealth Management Limited (30 June 2020: R150 821).

Intercompany transactions
As at 30 June 2021, The Liberty Two Degrees Restricted Share Plan Trust (Trust) obtained a capital contribution from 2DP of R91.5 million to acquire shares for the long-term incentive plan (30 June 2020: R62.1 million).

As at 30 June 2021, 2DP has a loan with SRFM of R6.2 million (30 June 2020: R6.3 million).

As at 30 June 2021, L2D Limited has a loan with 2DP of R124.9 million (30 June 2020: R125.2 million). This relates to a working capital loan.

As at 30 June 2021, L2D Limited has a loan payable to the Trust of R25.4 million relating to a contribution made to the trust to do good its losses (30 June 2020: R615 405 loan receivable).

ANNEXURES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

Adoption of best practice recommendations

The principles encompassed in the calculations below are aligned with the best practice recommendations ("BPR") by the SA REIT Association published in 2019 and do not comply with IFRS. The BPR is effective for financials year-ends commencing on or after 1 January 2020.

Reconciliation between earnings and distributable earnings

The company has established strict guidelines regarding its distribution policy to ensure that the distributable earnings is a fair reflection of sustainable earnings. This comprises property-related income net of property-related expenditure, interest expense and administrative costs.

The specific adjustments are detailed in the statement of funds from operations below. All of these adjustments are derived from the face of the statement of comprehensive income presented and the accompanying notes to the financial statements.

SA REIT Funds from Operations (SA REIT FFO) per share	**Unaudited June 2021 R'000**	Unaudited June 2020 R'000	Audited December 2020 R'000
Profit or loss per IFRS Statement of Comprehensive Income (SOCI) attributable to the parent	**174 409**	(1 405 811)	(1 492 803)
Adjusted for:			
Accounting/specific adjustments:	**(23 343)**	1 540 333	1 757 221
Fair value adjustments to:	**(37 755)**	1 509 501	1 719 886
– Investment property			
– Debt and equity instruments held at fair value through profit or loss			
Depreciation and amortisation of intangible assets	**126**	1 398	2 524
Deferred tax movement recognised in profit or loss	**7 508**	–	(31 808)
Straight-lining operating lease adjustment	**6 778**	29 434	66 619
Other adjustments:	**(3 551)**	(1 373)	(3 780)
Antecedent earnings adjustment	**(3 551)**	(1 373)	(3 780)
SA REIT FFO:	**147 515**	133 149	260 638
Number of shares outstanding at end of period (net of treasury shares)	**887 087**	899 169	895 457
SA REIT FFO per share: (cents)	**16.63**	14.81	29.11
Company-specific adjustments (per share)	**(0.84)**	(14.81)	3.22
Depreciation/amortisation	**(0.01)**	–	(0.28)
Deferred tax	**(0.85)**	–	3.55
2DP/trust earnings	**0.02**	–	(0.05)
Dividends not distributed	**–**	(14.81)	–
Dividend per share: (cents)	**15.79**	–	32.33

ANNEXURES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six months ended 30 June 2021

Adoption of best practice recommendations continued

Reconciliation of SA REIT funds from operations (SA REIT FFO) to cash generated from operations	**Unaudited June 2021 R'000**	Unaudited June 2020 R'000	Audited December 2020 R'000
SA REIT FFO	**147 515**	133 149	260 638
Adjustments			
Interest received	**(1 534)**	(1 692)	(2 398)
Interest expense	**72 581**	80 122	149 307
Amortisation of tenant installation and letting commission	**5 362**	5 617	11 307
Tax expense	**–**	–	171
Other non-cash items	**6 640**	4 908	7 972
Antecedent earnings adjustment	**3 551**	1 371	3 780
Working capital changes			
(Increase)/decrease in trade and other receivables	**(149)**	(33 716)	30 171
(Increase)/decrease in amounts due from Group companies	**(23 046)**	(961)	(14 855)
Increase/(decrease) in employee benefits	**(7 075)**	(6 898)	(3 479)
Increase/(decrease) in trade and other payables	**(25 895)**	(43 552)	(46 051)
Cash generated from operations	**177 950**	138 348	396 563

SA REIT Net Asset Value (SA REIT NAV)		**Unaudited June 2021 R'000**	Unaudited June 2020 R'000	Audited December 2020 R'000
Reported NAV attributable to the parent		**6 755 689**	7 010 213	6 907 963
Adjustments:				
Dividend to be declared		**(143 443)**	–	(293 049)
Deferred tax		**(24 300)**		(31 808)
SA REIT NAV	A	**6 587 946**	7 010 213	6 583 108
Shares outstanding				
Number of shares in issue at period-end (net of treasury shares)		**887 087**	899 169	895 457
Effect of dilutive instruments (options, convertibles and equity interests)		**–**	–	–
Dilutive number of shares in issue	B	**887087**	899 169	895 457
SA REIT NAV per share	A/B	**7.43**	7.80	7.35

ANNEXURES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

Adoption of best practice recommendations continued

SA REIT cost-to-income ratio		**Unaudited June 2021 R'000**	Unaudited June 2020 R'000	Audited December 2020 R'000
Expenses				
Operating expenses per IFRS income statement (includes municipal expenses)		**198 062**	274 557	501 497
Administrative expenses per IFRS income statement		**53 622**	53 053	95 769
Exclude:				
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets		**(126)**	(1 398)	(2 524)
Rental discounts granted		**(15 020)**	(76 091)	(112 030)
ECL provision (COVID-19)		**-**	-	(15 760)
Operating costs	A	**236 538**	250 121	466 952
Rental income				
Contractual rental income per IFRS income statement (excluding straight-lining)		**327 119**	380 286	705 451
Utility and operating recoveries per IFRS income statement		**118 459**	125 502	239 937
Gross rental income	B	**445 578**	505 788	945 388
SA REIT cost-to-income ratio (1)	(A/B)	**53.1%**	49.5%	49.4%

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

SA REIT administrative cost-to-income ratio		**Unaudited June 2021 R'000**	Unaudited June 2020 R'000	Audited December 2020 R'000
Expenses				
Administrative expenses as per IFRS income statement		**53 622**	53 053	95 769
Administrative costs	A	**53 622**	53 053	95 769
Rental income				
Contractual rental income per IFRS income statement (excluding straight-lining)		**327 119**	380 286	705 451
Utility and operating recoveries per IFRS income statement		**118 459**	125 502	239 937
Gross rental income	B	**445 578**	505 788	945 388
SA REIT administrative cost-to-income ratio	(A/B)	**12.0%**	10.5%	10.1%

ANNEXURES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

Adoption of best practice recommendations continued

SA REIT GLA vacancy rate		**Unaudited June 2021 R'000**	Unaudited June 2020 R'000	Audited December 2020 R'000
Gross lettable area of vacant space	A	**59 477**	51 589	63 065
Gross lettable area of total property portfolio	B	**946 318**	946 318	946 318
SA REIT GLA vacancy rate	(A/B)	**6.3%**	5.5%	6.7%

Cost of debt		**Unaudited June 2021 R'000**	Unaudited June 2020 R'000	Audited December 2020 R'000
Variable interest-rate borrowings				
Floating reference rate plus weighted average margin		**4.9%**	7.8%	7.0%
Fixed interest-rate borrowings				
Weighted average fixed rate		**9.2%**	9.2%	9.2%
Pre-adjusted weighted average cost of debt	A	**6.1%**	8.1%	7.6%
Adjustments:				
Impact of interest rate derivatives	B	**2.1%**	0.9%	1.1%
All-in weighted average cost of debt	A+B	**8.2%**	9.0%	8.7%

ANNEXURES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2021

Adoption of best practice recommendations continued

SA REIT loan-to-value		**Unaudited June 2021 R'000**	Unaudited June 2020 R'000	Audited December 2020 R'000
Gross debt		**2 002 891**	1 910 964	1 740 891
Less:				
Cash and cash equivalents		**(29 345)**	(9 911)	(73 037)
Add/Less:				
Derivative financial instruments		**31 267**	61 495	60 423
Net debt	A	**2 004 813**	1 962 548	1 728 277
Total assets – per Statement of Financial Position		**8 952 794**	9 178 327	8 900 012
Less:				
Cash and cash equivalents		**(29 345)**	(9 911)	(73 037)
Trade and other receivables		**(327 509)**	(354 201)	(304 064)
Carrying amount of property-related assets	B	**8 595 940**	8 814 215	8 522 911
SA REIT loan-to-value ("SA REIT LTV")	A/B	**23.3%**	22.3%	20.3%

Net initial yield		**Unaudited June 2021 R'000**	Unaudited June 2020 R'000	Audited December 2020 R'000
Investment property		**8 508 432**	8 812 264	8 488 987
Less:				
Properties under development		**(28 599)**	(32 768)	(30 074)
Grossed up property value	A	**8 479 833**	8 779 496	8 458 913
Property income				
Contractual cash rentals		**646 120**	606 771	666 281
Less:				
Non-recoverable property expenses		**(106 131)**	(144 309)	(141 282)
Add:				
Notional rental for rent-free periods, discounted rentals, stepped rentals and lease incentives		**15 020**	76 091	–
Annualised net rental	B	**555 009**	538 553	524 999
Net initial yield	B/A	**6.5%**	6.1%	6.2%

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

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