INTEGRATED REPORT AND ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

LIBERTY

two°degrees

South Africa's most iconic properties

CONTENT

About this report

The integrated report represents the financial and non-financial performance of Liberty Two Degrees (L2D) for the financial year 1 January 2017 to 31 December 2017. This report has been compiled for all L2D stakeholders and is primarily aimed at current and future stakeholders and market analysts. The purpose of this report is to provide its users with an understanding of the business's core values, the environment L2D operates within and the strategies that have been designed for future growth and sustainability of the business.

L2D was formed and listed in December 2016 through the acquisition of an undivided share in the iconic Liberty Property Portfolio (LPP) to the value of R6 billion in exchange for listed participatory units in L2D and has subsequently bought a further R2.5 billion of the LPP.

The report is based on the matters that are material to L2D in terms of creating value on a short, medium and long-term basis. L2D has committed to create value for its stakeholders whilst considering the:

- Socio-economic environment in which it operates;
- Environmental and sustainability effects of our operations; and
- Financial results of the business.

To ensure the most integrated and thorough report is presented we have considered the value drivers to our stakeholders as six capitals, being:

- Financial capital;
- Manufactured capital;
- Intellectual capital;
- Human capital;
- Social and relationship capital; and
- Natural capital.

The contents of this report have been developed in alignment with the:

- King Report on Corporate Governance and the King Code of Governance Principles for South Africa 2016 (King IV);
- International Financial Reporting Standards (IFRS);
- The Companies Act, No. 71 of 2008, as amended (Companies Act);
- The International Integrated Reporting Council (IIRC) Integrated Reporting (IR) Framework;
- Income Tax Act, No. 58 of 1962, as amended; and
- JSE Listings Requirements.

2017 was the first full year of trading for L2D and the integrated report considered and addressed the needs of key stakeholders of L2D based on feedback management has received from various stakeholders.

Key matters that influenced the L2D business in 2017 were:

- The purchase of a further 9.0% share of the LPP valued at R2.5 billion pursuant to Liberty Group Limited (LGL) exercising its put option in July 2017;
- The payment of an interim distribution of 30.00 cents per unit for the six months ended 30 June 2017 and the declaration of a final distribution of a further 29.22 cents per unit for the six months ended 31 December 2017;
- The low business confidence in South Africa and its impact on the South African consumer;
- The impact of the Stuttafords closure and the unexpectedly high Eastgate municipal valuation and its consequential impact on rates and the valuation of Eastgate;
- The implementation of a new sustainability policy; and
- The appointment of a new Financial Director.

We would like to invite all users of this report to visit www.liberty2degrees.co.za for more information on L2D. We aim to provide clear and effective communication to all stakeholders and encourage engagement. Feedback or further requests for information can be directed to the company secretary, Jill Parrat, at jill.parrat@liberty.co.za or telephonically on +27(0) 11 408 4275.

The preparation of the annual financial statements of L2D for the year ended 31 December 2017 was supervised by José Snyders CA(SA) in his capacity as Financial Director.

These annual financial statements have been audited by PricewaterhouseCoopers Inc. in accordance with the requirements of the Collective Investment Schemes Control Act No. 45 of 2002 as well as the Companies Act and are available free of charge at the request of an investor.

Highlights of 2017

Quality, robust portfolio

Portfolio operationally well positioned for future rental growth

Recent signs of recovery in retail environment evident in trading data

Letting of 108 000m^2 in addition to Stuttafords

Property income continues to be the driver of financial performance

"The underlying property income growth remains healthy as our assets continue to be robust during a tough economic climate"

Amelia Beattie, CEO

L2D AT A GLANCE

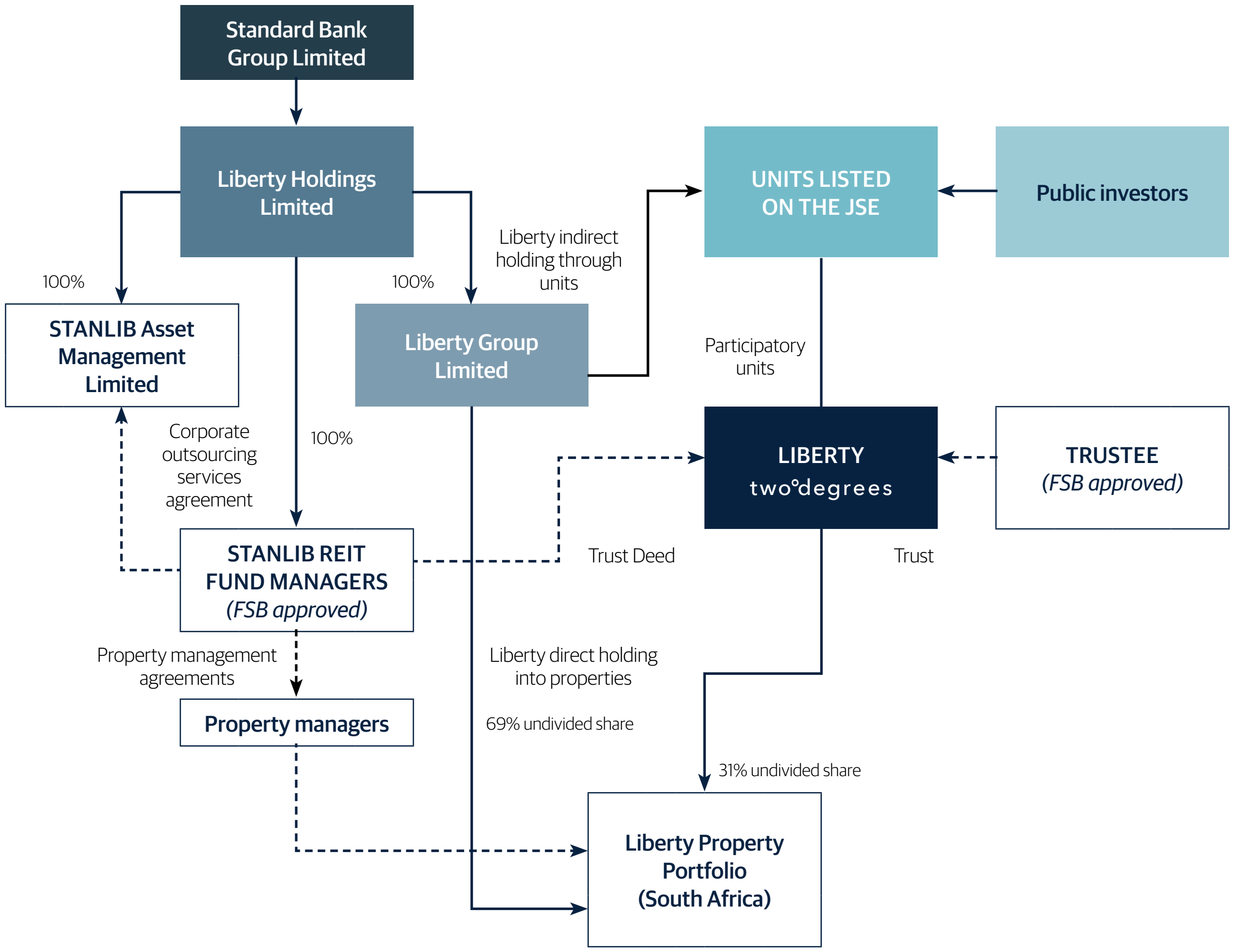
L2D at a Glance

Liberty Two Degrees (L2D) is a portfolio established under the Liberty Two Degrees Scheme (the Scheme) in terms of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002) (CISCA), as amended, to afford investors growth in income and capital by investing at fair prices in a balanced spread of immovable properties and related assets permitted by the L2D Trust Deed (Trust Deed). L2D is required by CISCA to be structured as a JSE-listed portfolio within a trust with an external independent trustee and an external management company.

The Scheme was registered by the Registrar of Collective Investment Schemes on 28 October 2016 and is managed by STANLIB REIT Fund Managers (RF) Proprietary Limited (the Manager or SRFM). The Manager has also been appointed as the asset manager of LGL's interest in the Liberty Property Portfolio (LPP). SRFM is a wholly owned subsidiary of Liberty Holdings Limited (LHL) and the Board of SRFM takes on the fiduciary duties of L2D.

L2D acquired its undivided shares (and other interests) in the LPP effective 1 December 2016 and commenced its business operations with effect from that date. L2D acquired a further 9.0% of the LPP at a cost of R2.5 billion in July 2017 pursuant to LGL exercising its put option. L2D was listed on the JSE on 6 December 2016.

The Liberty Two Degrees group structure is illustrated below:



The market value of the L2D property portfolio at 31 December 2017 was R8.7 billion. The total gross lettable area (GLA) of the Liberty Property Portfolio (LPP), in which L2D holds an undivided share, is approximately 871,543m². The portfolio consists of 11 properties located throughout South Africa in major economic nodes.

The portfolio is a South African retail biased real estate property portfolio with trend setting assets in their respective geographies, including:

- Sandton City, Melrose Arch, Eastgate Shopping Centre and Nelson Mandela Square (Johannesburg)
- Liberty Promenade Mitchells Plain (Cape Town)
- Liberty Midlands Mall (Midlands KZN)
- Botshabelo Mall (Bloemfontein)

As part of the original Exchange Agreement with LPP, an undivided share of the properties in the LPP were transferred to L2D in exchange for listed participatory units in L2D. L2D is ungeared and will be able to take on debt to fund future quality acquisitions, as appropriate. In the short term, L2D will focus its growth strategy within South Africa.

The management structure of L2D allows for the continuity of the team that previously managed the LPP portfolio whilst introducing complementary skills from the broader market. The team retains the skills as the asset manager of LGL's interest in the LPP with core members preserving institutional oversight, governance and expertise, whilst still creating opportunities to develop new skills and expertise. L2D benefits from Liberty and STANLIB's property development and asset management expertise, business legacy, and track record of innovation and successful redevelopments.

Growth is expected to come from the current portfolio as well as from L2D's current developments, these include the Liberty Midlands Mall, Eastgate Shopping Centre and John Ross EcoJunction (which houses Melomed Hospital) and are to be further complemented by quality acquisitions.

L2D will continue to focus on the procurement and development of appropriate retail properties to strengthen the robustness of the portfolio and optimise returns for investors and tenants. Comprehensive understanding of the needs of customers to enhance their shopping experience will ensure that the retail properties in the L2D portfolio remain preferred lifestyle destinations.

The property management function for the majority of the properties owned by L2D has been outsourced to JHI Retail Proprietary Limited (JHI). The only exception to the use of JHI relates to Melrose Arch. The management of this property is outsourced to Amdec Investments Proprietary Limited (Amdec).

L2D appreciates the importance of the relationships with its service providers and has entered into service level agreement with the property managers to assist in administrative matters, including rental collection.

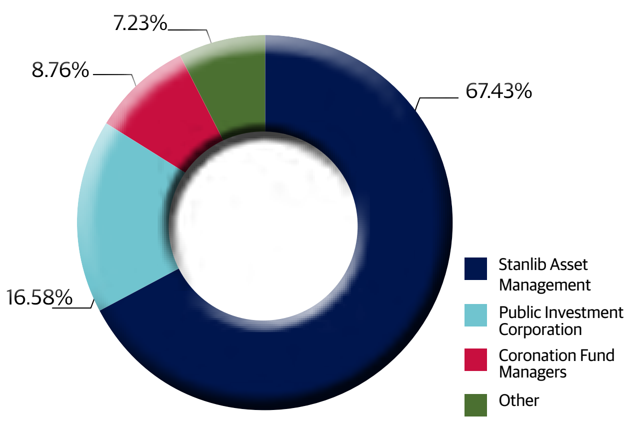
The main source of revenue for L2D is the rental income received from its property portfolio. This income, combined with other non-capital income, is distributed to unit holders after the deduction of operating costs. Income is distributed to the unitholders twice-yearly.

Key Facts

	2017	2016
Number of Properties	**11**	11
Total gross lettable area[1]	**871,543 m²**	848,332 m²
Rental and related income	**R 692.8 million**	R 46.7 million
Market capitalisation	**R 7.59 billion**	R 9.53 billion
Total Value of investment property	**R 8.7 billion**	R 6.0 billion
Net asset value per share	**R9.86**	R9.64
Average Gross Rental per m²	**R317**	R321
Undivided share of LPP	**31%**	22%
Unit price on last trading day	**R8.35**	R10.50

(1) L2D has an undivided share of the total.

Top Unitholders/Fund managers



PURPOSE STATEMENT

Purpose Statement

As a premier, predominantly retail focused South African REIT and a sector benchmark in innovative property asset management capabilities, our investment philosophy remains strong. We aim to make a difference for all our customers through creating great places by investing where it matters.

L2D constantly aims to focus on quality development projects positioned to enhance growth and maintain the robust nature of the portfolio's assets, through unique developments that are dominant in their precincts and most importantly cater to our customers' needs.

As a people business, we are passionate about providing people with distinct shopping experiences that benefit our customers by making our malls an attractive and preferred destination in the retail sector.

Together with the board of directors, L2D has created and remains focused on the three core strategic pillars that enable sustainable growth to ensure we continue to deliver consistent investment returns and remain in high demand of leading local and international brands represented in best of breed retail environments.

Core Competencies	Core Business/Management Values
Robust	• Maintaining strong fundamentals throughout the economic cycle • Effective and efficient precinct management
Quality	• Innovate to respond to slow growth • Prudent cost management • Attract and retain quality tenants
Focus	• Focused retail management and staying abreast of trends • Deliver development projects for enhanced growth

L2D ENVIRONMENTAL OVERVIEW

L2D environmental overview

Macro-economic overview

Retail

The retail market was under pressure during 2017. The contraction of the South African economy and lower consumer confidence were among the main drivers of the downward trend in the demand for retail space and the subdued performance of our existing tenants. The industry average rental rates declined slightly in 2017 and vacancy rates increased due to the lower demand for retail space which was exacerbated by the oversupply of retail space in certain nodes.

We did, however, note several instances where the growth in rental rates has gone against the general retail rental trends. Factors that influenced growth rates, in our view, include the retail property types, the geographical location and the quality of supply in high-end retail spaces.

Office

Though office space is a smaller component of the portfolio, the high volume of development and resultant over supply of space as well as the current slowdown in the economy remain a challenge. L2D's exposure to office space continues to be pressurised by the over supply of office space in the Sandton CBD and to a lesser extent in the Umhlanga node.

In the longer term, the rental growth in the business nodes that L2D invests in is expected to be above inflation. This projection is based on the anticipated growth in the high income and middle-class consumer category which will lead to a higher demand for high quality office space within the environment that L2D operates in.

Robustness

The location and iconic nature of the properties held by L2D continue to support the portfolio's robustness, achieving higher than average trading densities during the 2017 financial year. L2D's approach to establishing iconic, lifestyle and leisure destinations ensure that the retail centres remain relevant despite the cyclical slowdown in consumer confidence and are poised to recapture growth as confidence returns.

The downward trend in consumer confidence in the short term may place pressure on the profit margins of L2D in 2018. However, the positive 2017 fourth quarter retailer figures indicate an improvement in the economic climate and a potential return of consumer confidence. The robust nature of the property portfolio is expected to mitigate some of the effects of the general economic downturn. To ensure continued resilience, investments will remain aligned to the strategic principles that have been applied to date in reaffirming the iconic nature of the portfolio.

Measured and patient acquisition strategy

The stringent requirements set out by the Board for the acquisition of quality properties, that complement the portfolio and align to strategy, limits the scope of properties that can be acquired. Although the put option was exercised in an amount of R2.5 billion to acquire a further 9.0% of the LPP, no new properties were added to the portfolio during the period under review.

Two properties within the L2D property portfolio were included in a recent survey by Cushman & Wakefield. This survey lists the retail properties with the highest average rental rate per square metre. Sandton City was ranked 1st in this survey and Eastgate Shopping Centre ranked 3rd. These results are testament to the quality of L2D's properties and the effectiveness of the strategy implemented in creating value for unitholders.

Exercise of put option

With effect from 1 July 2017, LGL sold further undivided shares in properties (and letting businesses associated therewith) that it co-owns to the value of R2,5 billion to L2D pursuant to LGL exercising its put option (Put Option) in terms of the relationship agreement (Relationship Agreement) entered into between L2D and LGL on or about 10 November 2016. L2D settled the consideration payable in cash in order to deploy the majority of its cash resources. A summary of the Relationship Agreement is set out in paragraph 2.3 of the pre-listing statement issued by L2D on 21 November 2016. Pursuant to the exercise of the Put Option, L2D owns a 31% share of the assets that it co-owns in the LPP.

Eastgate shopping centre rates

Eastgate Mall's municipal valuation has increased from R6.2 billion to R8.1 billion during the year. Management are in the process of objecting to the valuation. However, the impact hereof on rates and valuation of the property has been provided for in the annual financial statements as presented.

Stuttafords

The closure of Stuttafords in Sandton City and Eastgate during the year had a negative impact on the 2017 distribution and contributed to the increase in the portfolio retail vacancy rate. The Stuttafords space is expected to be fully trading by the third quarter of 2018.

BOARD OF DIRECTORS

Board of Directors

L2D is a property portfolio established under the L2D Scheme (the Scheme) in terms of the Collective Investments Schemes Control Act, 2002 (Act No. 45 of 2002) (CISCA), as amended, to afford investors growth in income and capital by investing at fair prices in a balanced spread of immovable properties and related assets permitted by the Trust Deed. The Scheme was registered by the Registrar of Collective Investment Schemes on 28 October 2016, and as a trust has no directors of its own. L2D is managed by STANLIB REIT Fund Managers (RF) Proprietary Limited (the Manager) in terms of CISCA and the Trust Deed. The Board of Directors of the Manager (the Board) that performed the oversight duties were:

Non-Executive Directors

Angus Band (65)

B.A in English and Economics, B.Acc, CA(SA)

- Independent Non-Executive Chairman;
- Chairman of the Nominations Committee;
- Member of the Audit and Risk Committee;
- Member of the Social, Ethics and Transformation Committee; and
- Member of the Investment Committee.

Angus was appointed as the chairman of the Board on 26 July 2017, bringing his extensive and diverse experience to the Board. Angus has worked across several sectors including manufacturing, telecommunications, fast moving consumer goods, construction and financial services. Some of his career highlights are:

- Commercial Director at PGBison Limited;
- Chief Financial Officer of Telkom Limited and director on all subsidiaries including Vodacom;
- Financial Director, CEO and Non-Executive Chairman of Anglovaal Industries Limited (AVI);
- Non-Executive Director on the Board of the Aveng Group; and
- Lead Independent Director of Liberty Life.

Wolf Cesman (75)

B.Com, HDIP Tax Law, CA(SA)

- Independent Non-Executive Director;
- Chairman of the Audit and Risk Committee;
- Chairman of the Remuneration Committee;
- Member of the Social, Ethics and Transformation Committee; and
- Member of the Investment Committee.

Wolf was appointed to the Board on 17 June 2016. Wolf has 48 years' experience in South African property investment, development and asset and property management. He spent 24 years with Liberty Properties Proprietary Limited, serving as CEO for 17 years before retiring in 2000. From 2000 to 2010, Wolf was involved in the formation and growth of the following listed South African Property Funds, and served as a director of:

- Madison Property Fund Managers Limited;
- ApexHi Properties Limited;
- Hyprop Investments Limited; and
- Redefine Properties Limited.

Lynette Ntuli (34)

B.Com in Financial Accounting, CSCM, ACSL, Business Leadership Fellowship Programme (Northwestern University, Chicago)

- Independent Non-Executive Director;
- Member of the Audit and Risk Committee;
- Member of the Social, Ethics and Transformation Committee; and
- Member of the Investment Committee.

Lynette is the CEO of Innate Investment Solutions. She previously held senior leadership positions within the commercial, development and investor spheres of the property, trade, and investment sectors. Sitting on various executive committees and working groups, Lynette brings valuable experience gained over more than ten years in industry. She is passionate about youth development and leadership. Some of her career highlights are:

- Founding Director and Chairman of IgniteSA.com;
- Executive and member of South African Black Property Practitioners, Women's Property Network, South Africa Property Owners Association, International Women's Forum and the Institute of Directors SA;
- Board Member of First National Bank Advisory; and
- Board Member of Maris Stella School.

Executive Directors

Amelia Beattie (47)

B.Com, Certificate in Shopping Centre Management, Fellow of the Royal Institution of Chartered Surveyors

- Chief Executive Officer (CEO).

Amelia was appointed as Director of the Manager on 17 June 2016 and assumed the full-time role of L2D CEO on 1 December 2016. Prior to this, Amelia established the STANLIB Direct Property Investment business, including property asset management and property development management. Amelia has more than 19 years' experience in the property sector; her property sector career was established at Old Mutual Property where she spent more than a decade working in various senior positions. Some of her career highlights are:

- Chief Operating Officer (COO) at Old Mutual Property;
- Head of STANLIB Direct Property Investments;
- President of the South African Property Owners Association (SAPOA); and
- Chair of Women's Property Network.

José Snyders (39)

B.Com Hons in Financial Analysis and Portfolio Management, B.Com Hons in Financial Accounting, CA(SA)

- Financial Director (FD).

José was appointed to the Board on 23 March 2017 to serve as the Financial Director of L2D. José was previously a dealmaker in the Real Estate Investment Banking division of Rand Merchant Bank. He is responsible for financial risk management, investment analysis and the capital structure of the REIT as well as financial planning and balance sheet management. He has significant experience in initiating and implementing transactions in the property sector.

STRATEGY AND BUSINESS MODEL

Strategy and Business Model

Strategy Overview

L2D is focused on delivering sustainable growth, derived from quality property income, to our institutional and retail unitholders. This strategic goal has been the cornerstone of L2D since the inception of our trading activities in 2016. The year under review was the first full year of trading and subsequently L2D has been re-assessing its strategic priorities in order to evaluate its effectiveness and the sustainability of growth achieved during this period.

The evaluation of our financial and non-financial performance indicators against benchmarks confirms that the current strategy is effective and assisted management to achieve the objectives set for the first year of trading. The downturn in the current economic cycle has caused management to focus on maintaining the robust nature of the current assets that are held by L2D and the quality of the underlying income stream. L2D implemented the following steps to ensure the continuation of robust returns from its existing property portfolio:

Strategic goal	Progress made in 2017	Plans to further implement the strategic goals
Attracting new, high-quality, international tenants as affordable luxury continues to perform well	The following stores have opened this year: • Paul Smith • Longchamp • Micheal Kors • Skins • Breitling • NYX • Ted Baker • Jo Malone • Plein Sports • Underarmour • Kappa	JHI have expanded a dedicated team to attract tenants. L2D continues to approach international retailers, engaging them on possible expansion into South Africa. L2D engages with existing tenants that have multiple brands in order to attract more brands within their group.
Reducing vacancy levels in properties	Vacancies in retail increased from 2.5% in December 2016 to 4.3% in December 2017, while increasing from 9.6% to 10.3% in the office portfolio. The retail vacancy rate (excluding Stuttafords) in December 2017 was 1.2%.	L2D plans to reduce vacancies by proactively managing the environments in which we invest and to build on our excellent tenant proposition which allows us to attract, retain and maintain low vacancies.
Increased family entertainment and focus on food offerings	L2D has commenced the upgrade of the lower level of Sandton City through the development of the first Hamleys World and a Halaal Spur which will bring additional family entertainment options to this area. This will be done in conjunction with the upgrade of the Ster Kinekor cinema complex. The upgraded complex will be opened in April 2018. We are continually reviewing our tenant mix based on customers' needs and are aligning family entertainment with education to positively influence the lives of the communities we serve.	*Sandton City Precinct:* Approval to refurbish the food court has been granted and the project will commence in March 2018. Events including Sunrise Yoga and Adidas roof events are planned to attract more consumers to the property. We are exploring the addition of regular wellness events and activities at L2D centres that encourage active lifestyles and offer complementary facilities and experiential activities.
Refurbishment and redevelopment of current properties	Between November 2016 and March 2018, we have added 22,000m^2 of gross lettable area (GLA) to Liberty Midlands Mall. Currently this development is 90% let.	Photovoltaic panels (PV) will be installed at the Liberty Midlands Mall, as a long-term investment strategy, correlating with L2D's strategic sustainability initiatives. In 2018, we shall commence with the refurbishment of Sandton City's food court, creating a modern look and feel, introducing more natural lighting, adding more seating and creating interactive work stations.

Strategic goal	Progress made in 2017	Plans to further implement the strategic goals
Understanding the needs of the shoppers	L2D has begun the rollout of relevant and progressive technologies across our shopping centres. We have installed the Admyt licence plate recognition system, parking analytics, the Syenap camera-based foot count system, Wi-Fi and the Retail Live interpretive early warning system – all aimed at helping us better understand our shoppers and more effectively aligning operational activities to our strategic goals. Market research is frequently conducted to better understand our shoppers' needs.	Through Retail Live we are able to track how tenants are performing versus their competitors in the same shopping centre and in other shopping centres within the L2D property portfolio.
Uncapped, free Wi-Fi connectivity for consumers	Uncapped Wi-Fi is available at Sandton City, Nelson Mandela Square, Eastgate Shopping Centre, Liberty Promenade and Liberty Midlands Mall.	The plan is to integrate all L2D systems and streamline technologies to better understand customers and their experience at L2D retail centres. Using valuable data gained from Wi-Fi users will play a vital role in enhancing the shopping experience at L2D retail centres.

Growth

L2D's growth is supported by the mandate to expand its current property portfolio through the acquisition and development of new properties and the expansion of the current property portfolio.

L2D was listed without gearing. This places it in the enviable position of utilising gearing capacity to fund quality acquisitions and expansions as appropriate.

The Board and the Investment Committee evaluate potential property acquisitions against the following requirements to ensure that investments are aligned to the current property portfolio and that the returns will remain robust in challenging trading conditions:

- Robust super-regional and/or regional retail centres;
- Premium quality, retail biased real estate;
- Sustainable trading metrics;
- Lifestyle and leisure destinations;
- Precinct focused management; and
- Predictable growth prospects.

The Business Model

L2D understands the importance of continuously enhancing the quality and value proposition of our properties. It is this continuous advancement that enables our properties to remain unique within their respective communities and subsequently attract more tenants and shoppers, thus increasing unitholder value.

The ultimate result of providing a premium quality product to stakeholders is the trust earned for the product that L2D provides. This is a major driver in ensuring robust returns for investors and stakeholders.

L2D prides itself on understanding the needs of its stakeholders. Our efficient management team has the ability to adapt and to deliver on the expectations of stakeholders. L2D predominantly focuses on the high and medium income households located in premium business nodes.

The geographical location and reputation of L2D's properties ensure greater robustness against an array of economic factors such as urbanisation, income disparities and slower economic growth.

Property investment is associated with capital growth of properties and L2D's approach is focused on long term sustainable returns. The longer business cycle associated with property investment will create a more stable and predictable income stream for the unitholders of L2D.

Strategy and Business Model (continued)

Six Capitals	Strategic inputs	Observed outputs
Financial Capital	• Investment of capital by institutional and non-institutional equity holders. • Debt financing of new projects.	• Focused investments ensure sustainable long-term distribution yields and capital growth. • Introduction of gearing in a measured approach will enhance capital return.
Manufactured Capital	• Investment in high quality and robust properties. • Identifying new properties that are, or have the ability to become, iconic leisure and lifestyle destinations. • Continuous development and refurbishment of properties already owned.	• The investment into retail focused precincts enables robust returns throughout the economic cycle. • Diversification and sustainable future growth in the value of the property portfolio. • The retention of quality in the current properties makes for sustainable growth.
Intellectual Capital – Reputational and brand awareness	• Iconic shopping centres that are well known and have a reputation for high quality experiences and tenant mix.	• Ability to attract local and international tenants at reasonable and competitive rates due to the reputation of L2D.
Intellectual Capital – Tenant management	• Management of lease administration to ensure that leases are current. • Management of tenant expectations and needs. • Manage underperforming tenants or tenants in arrears. • Management of tenant retention and occupancy.	• Escalations and rate per m^2 higher than average market rates. • Improved tenant mix and higher rates chargeable to tenants. • Reduction of bad debts and rental income write-offs. • Reduced vacancy rates and replacement tenants that improve the quality and attractiveness of the properties.
Intellectual Capital – Information Technology	• Current and efficient information technology infrastructure. • Protection of stakeholder data.	• Improved operational efficiency reducing administration and other overhead costs. • Improvement of stakeholder confidence in L2D.
Natural Capital	• Monitoring of all consumption and environmental factors. • Implementation of sustainability policies. • Increased spending on more efficient and environmentally friendly infrastructure.	• Effective framework to continually improve environmental impacts. • Sustainable and long-term cost savings and a reduced carbon footprint. • Water management projects at the Cape Town properties.
Human Capital	• Retention of expertise. • Continuous development of employees. • Fair and competitive remuneration. • Employee efficiencies. • Equality and fairness. • Ethical employee conduct.	• Improved experience and skill of employees ensuring higher efficiency and the ability to identify new opportunities for growth. • Improved BEE score generating new business opportunities. • Reduced risk of reputational damage and lower likelihood of loss of business.

Six Capitals	Strategic inputs	Observed outputs
Social and Relationship Capital	• Contributing towards the development of the communities. • Committed to positive transformation.	• Continuous and sustainable development projects within the communities in which L2D operates. • BBBEE best practice and socio-economic development has been integrated with the key strategic goals of L2D.

Understanding the Performance of the Real Estate Investment Trust (REIT) Market

The bulk of REITs have very low leverage ratios and this will mitigate the immediate effect of interest rate hikes in the wake of the downgrade in the South African sovereign rating by the large rating agencies. The effect of the downgrade to junk status was further mitigated by interest rate hedging implemented by the vast majority of REITs.

While the immediate effects of the economic downturn on the South African REIT industry have been negligible, in the long-term REITs are expected to experience challenges in growing their portfolios due to hurdles in the form of funding through loans or other debt instruments. The downgrade will lead to less foreign investment capital flows into South Africa and this will create further pressure on the industry to obtain capital from equity investors.

CHAIRMAN'S REPORT

Angus Band

Chairman's Report

Year in review

The operations of L2D delivered satisfactory results in its first full year as a listed entity given a lacklustre economy and political uncertainty resulting in sovereign downgrades.

The poor trading conditions, exacerbated by the impact of the Stuttafords liquidation at our super regional centres and a material partially unrecoverable rates adjustment at Eastgate, resulted in the distribution to unitholders of 59.22c, below the 65c projected in the pre-listing statement.

The exercise by Liberty of its put option resulted in the cash purchase of an additional 9.0% interest in the LPP in July which also contributed to lower earnings in the second half as a result of the differential between the interest being earned compared to the return on the properties. However, the Board is confident that this investment will yield positive returns in the future.

The strategy for L2D has not changed from that documented in the pre-listing statement. L2D has continued to focus on its growth strategy in South Africa through its iconic retail assets and the roll out of a development pipeline which included the expansion of the Liberty Midlands Mall and Eastgate, and the construction of the John Ross EcoJunction and Melomed Hospital. The acquisition that was referred to in the pre-listing statement has not been concluded but management is pursuing other relevant opportunities.

The Board is cognisant of investors' views regarding the corporate structure. Although investors were fully appraised of the details of the Liberty put option as well as the external management company structure in the pre-listing statement, investors are concerned that the ongoing existence of this structure will retard unit pricing and the attractiveness of L2D as an investment. The Board will look to resolve the perceived structural deficiencies in the current year.

Business overview

The Board is satisfied that the portfolio has performed solidly through difficult trading conditions. The increase in the vacancy rate reflects the adverse effect of the liquidation of Stuttafords, in an otherwise robust portfolio. Especially encouraging is the attraction of tenants not previously represented at Sandton City and Eastgate to take up the vacant space following the demise of Stuttafords.

The Board is satisfied with the risk management policy and processes in place and that the key risks have been identified with mitigating plans in place.

Corporate governance

The Board welcomes the new era in corporate governance introduced by the King IV Report on Corporate Governance. L2D will comply with the principles and recommended practices as well as the subsequent amendments to the JSE Listings Requirements relating to the adoption of King IV.

Board changes

I joined the Board as the independent Non-Executive chairman in July 2017, following the resignation of Peter Moyo on 3 April 2017. Michael Ilsley, who was appointed as the interim chairman, left the Board on 31 July 2017.

John Sturgeon, who had been intimately involved in the listing of L2D, resigned as Financial Director on 23 March 2017 but remained on the Board as a Non-Executive director until his retirement on 15 December 2017. The Board thanks John for his dedication and inspiration. He was replaced by José Snyders as Financial Director on 23 March 2017.

Lynette Ntuli was appointed as an independent Non-Executive director of the Board, effective 26 July 2017. We welcome José and Lynette to the Board and look forward to their strong contributions.

I would like to thank the Board for dealing with the disruption caused by the unforeseen Board changes which resulted in the reshuffling of subcommittee memberships which was handled seamlessly.

Prospects

We expect the economic environment to remain tough in the short term, which is evidenced by the South African Reserve Bank's growth projection of 1.4% for 2018.

Although consumers will thus remain under pressure we are confident that our portfolio will deliver solid returns over the medium term. Management forecasts a full year distribution of approximately 60c per participatory unit for the 2018 financial year, of which property income constitutes 99% in comparison to 62% forecast at listing. The forecast 2018 distribution is flat compared to the 2017 distribution due to the switch from interest income to property income as a result of the mid-year put acquisition.

This guidance is based on the following key assumptions:

- Forecast investment net property income is based on contractual rental escalations and market-related renewals;
- Appropriate allowances for vacancies have been incorporated into the forecast;
- No dilutionary gearing is introduced;
- No major corporate and tenant failures will occur; and
- L2D maintains a 31% share of the assets that it co-owns in the LPP.

The forecast has not been reviewed or reported on by L2D's auditors.

Appreciation

My sincere thanks go to all employees for their dedication during this inaugural year for a listed L2D. I would also like to thank the Directors for their contribution. I look forward to working with them in 2018 as we continue to support and guide our CEO, Amelia Beattie, and the executive team who I would like to thank for their focus and commitment.

Angus Band

February 2018

Amelia Beattie

CHIEF EXECUTIVE'S REPORT

Chief Executive's Report

Year in review

L2D's strategy to focus on an iconic retail biased real estate portfolio with a mix of defensive anchor assets has seen our asset performance continue to be robust and in high demand from leading tenants.

The underlying strong performance of the portfolio enabled management to deliver on most operational metrics, despite a stagnant economy resulting in a reduction in consumer discretionary spend and an increasingly difficult operating environment.

In addition to the tough macro-economic environment, various external factors impacted the financial performance of the portfolio.

Our focus will remain on a high-quality retail portfolio and L2D is firmly committed to the strategy of a purely South African offering. We believe in the short- and medium-term benefits of this strategy as it removes risks associated with venturing into environments where we don't have representation on the ground.

Business overview

The challenging trading conditions in the early part of the year were partially offset by overall growth towards the end of the financial year, indicating a positive trading trajectory.

The net asset value remained intact, supported by a decrease in the debtors' book, low vacancies, increased trading densities and rental growth.

The good demand for retail space, especially at Sandton City, limited the increase in the vacancy rate to 6.4%. Excluding the vacancies left by Stuttafords, the vacancy rate in the L2D retail portfolio decreased to a pleasing 1.2%. The rental renewal rate is above expectations and we are pleased with the new tenants taking up most of the space previously occupied by Stuttafords. We look forward to the resulting increase in earnings.

Our new developments, comprising the completion of the much-needed healthcare facility, the 200 bed Melomed hospital in Richards Bay, the extensions to the Midlands Mall and development activities in Sandton City will contribute to an increase in earnings in the current year.

The slowing in the rate of decline in trading densities is encouraging. The improvement is mainly attributed to Sandton City and Eastgate. This may signal the beginning of an improving trading environment, but we remain cautious and continue to look for a sustained growth profile.

New entrants into the South African market ensured continued demand for retail space in our portfolio. Retailers are eager to open their first stores in South Africa at Sandton City to take advantage of the unique feature that weekday trade is as strong as over weekends. The opening of new offices in the area also attracted new clients.

At Eastgate, the massive increase in the municipal rates following the revaluation negatively impacted on our tenants, performance of the centre and the overall portfolio.

Sustainability

To ensure that our malls remain competitive, relevant and to increase dwell time, we continually look to add value to our tenants' businesses and increasing investment in innovations that enhance consumer experiences, making our malls an attractive and preferred destination in the retail sector.

Redevelopments at our malls are aimed at creating a more appealing environment for shoppers, signifying our efforts to stay abreast of developing trends by increasing family entertainment and enhancing the retail food offerings as these categories continue to perform well.

The presence of new international tenants will further attract customers as affordable luxury continues to perform.

The introduction of free Wi-Fi connectivity across most of the assets in the portfolio will enhance the experience of our retail customers.

A new foot-count system, that captures data more comprehensively to assist with asset management and strategic planning, has been installed at Sandton City, Nelson Mandela Square, Liberty Midlands Mall and recently at Eastgate.

A cashless and ticketless parking system that streamlines shopping centre entry and exit was rolled out at Sandton City and Nelson Mandela Square and will be rolled out throughout the portfolio.

We are exploring numerous sustainability initiatives, including water balancing across the portfolio, as well as the optimisation of electricity consumption.

Prospects

The performance of the L2D assets is underpinned by the quality of the portfolio. In spite of the tough economic environment and the resultant impact on the consumer, the portfolio remains robust with strong underlying property income growth.

Our innovative solutions will continue to drive the continued robust performance and defensiveness of our underlying assets. We remain focused on enhancing value through improved cost management and creating environments that remain industry leading, responding adequately to changing retail trends while positioning our assets for growth.

Looking ahead to the next twelve months, we look forward to communicating a credible set of operational results with our team focused on effective asset management and creative innovation.

Appreciation

Lastly, I would like to express my sincere appreciation to the Board for being very supportive during a time of tumultuous changes. My appreciation also goes to our Liberty Two Degrees team and our property management partners for ensuring that our iconic assets remain leaders in the sector as well as to our stakeholders for maintaining open dialogue.

Amelia Beattie

February 2018

FINANCIAL DIRECTOR'S REPORT

José Snyders

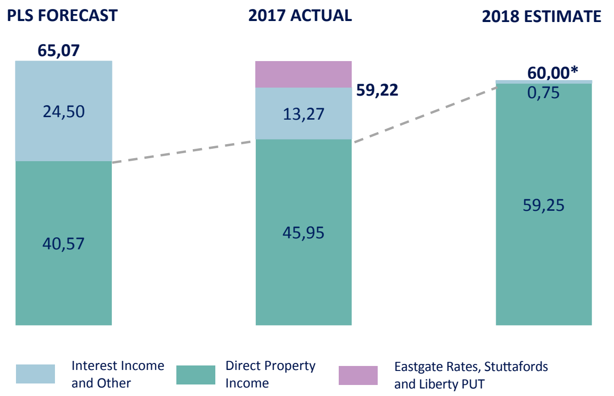
Financial Director's Report

Year in review

The value of the property portfolio increased by R2.65 billion in the year under review. The significant increase is primarily as a result of LGL exercising its put option whereby it sold to L2D further undivided shares in properties that it co-owns to the value of R2.51 billion. The put transaction had a short term dilutionary impact on the 2017 distribution but better positions the portfolio going forward in assets that are expected to achieve net property income growth in excess of 7% in 2018. The year-end valuation process resulted in a decrease of R315 million in Eastgate's valuation (100% of the asset), with the overall value of L2D's undivided share in the portfolio increasing in value to R8.71 billion. Eastgate's valuation was primarily impacted by its significantly increased municipal valuation and the consequential impact on assessment rates. We are objecting to the municipal valuation but have taken the expected impact of the non-recoverable component of rates into our 2017 results.

Including the impact of the revaluations and a mid-year distribution of 30c per unit, the net asset value (NAV) per share increased to R9.86 at the end of December 2017 from R9.64 at 31 December 2016.

The lower than expected cash distribution of 59.22c is largely attributable to an increase in vacancies at Sandton City and Eastgate following the liquidation of Stuttafords as well as the rates increase at Eastgate. The breakdown of the distribution is presented below.



*The estimate has not been reveiwed or reported on by the L2D's auditors

Management are pleased that the majority of income distributions going forward will be derived from the performance of the underlying properties, with the interest income in 2017 being a short term exception. The portfolio net property income growth projected into 2018 on a like for like basis is estimated to achieve 7%. Going forward we aim to enhance total returns through the careful introduction of gearing which will primarily be used to fund acquisitions that are complementary to the portfolio and align to our retail biased precinct focused strategy.

At year end the gross lettable area (GLA) of the portfolio increased to 871 543m², driven by the completion of the Melomed Hospital in Richards Bay and extensions to the Midlands Mall, which will add another 22 000m² to the GLA from March.

The fund remains committed to investing in South African assets, to be transparent in our reporting and strives to maintain the quality of the portfolio.

Business review

The portfolio vacancy rate increased during the year to 6.4%, with the deterioration made up primarily of space previously occupied by Stuttafords. We expect the Stuttafords space to be fully trading by the third quarter of 2018.

Leases covering 67 631m² were renewed during the period at an overall reversion rate of 2.7%. A further 41 078 m² in new tenant deals were concluded across the portfolio. Credit collection at the end of the period was 95.4%, ahead of the portfolio target of 95.0%.

Despite trading densities being under pressure in the retail sector, the rate of decline in the portfolio has slowed down from -6.0% as at June 2017 to -1.7% as at December 2017. We view this as an early sign of recovery in consumer confidence.

The rental income from the portfolio is expected to increase with the contribution from the Melomed Hospital as from February 2018 as well as the extensions at the Midlands Mall expected from April 2018.

Prospects

In the short term we expect the economy to remain challenging, despite encouraging indications that consumer sentiment is increasing.

Vacancies will decrease as new leases are expected to result in the space vacated by Stuttafords being fully let by the third quarter in 2018.

The fund continues to monitor and evaluate the impact of e-commerce and online trading by keeping abreast of trends and improving customer experience at our centres.

We acknowledge the feedback and market sentiment regarding our corporate structure and the uncertainty and concerns regarding the Liberty put option. We are engaging our counterparts and aim to find a resolution that balances the commercial interests of all stakeholders.

I would like to thank our board and CEO for the valued guidance during the year and the L2D team for their continued commitment to the success of the business.

José Snyders

February 2018

PORTFOLIO OVERVIEW

Portfolio Overview

Property Portfolio

L2D prides itself on the quality and iconic nature of all 11 of its properties, details of which are provided below.

Sandton City Complex

Ownership:	23%
Location:	Sandton, Gauteng
Sector:	Retail and office
Value of the Property (R):	13.3 bn
Average net rental per m² (R):	Retail 476 Office 161
GLA (m²):	199,140
Vacancy:	Retail 4.8% Office 30%
Trading density (R/m²):	52,172
Foot Count:	14,161,069* (April '17 – December '17)
Major retail tenants by GLA:	Checkers Hyper, Woolworths, Edgars, Ster Kinekor, Truworths
Number of tenants:	399

Sandton City is the market leader amongst its peers in terms of trading density and retail offering. Diamond Walk remains unique with its luxury brands being a key differentiator. The current retail vacancy of 4.8% relates entirely to the Stuttafords space and thus excluding Stuttafords, the vacancy reduces to 0%. To date 6,212m² has been pre-let with 1,879m² remaining vacant resulting in a vacancy of 0.8%. Pre-let deals refer to signed offers or leases with beneficial occupation pending.

Nelson Mandela Square

Ownership:	31%
Location:	Sandton, Gauteng
Sector:	Retail and office
Value of the Property (R):	1.8 bn
Average net rental per m² (R):	Retail 435 Office 116
GLA (m²):	38,795
Vacancy:	Retail 0.6% Office 33.3%
Trading density (R/m²):	55,084
Foot Count:	10,255,175 (January '17 – December '17)
Major retail tenants by GLA:	Forever 21, Hamley's, Hard Rock Café, The Butcher Shop and Grill, Trumps
Number of tenants:	82

Nelson Mandela Square is unlike other shopping centres as it houses a 6m statue of Nelson Mandela. The statue is one of the most photographed across Africa. A large component of Nelson Mandela Square comprises a fine selection of restaurants. To strengthen the popular restaurant destination, a Halaal Rocco Mamas was opened on the upper level in the last quarter of the year.

* Foot Count is as per the new Syenap System

Property Portfolio (continued)

Eastgate Complex

Ownership:	31%
Location:	Bedfordview, Gauteng
Sector:	Retail and office
Value of the Property (R):	8.4 bn
Average net rental per m² (R):	357 (including offices)
GLA (m²):	145,240
Vacancy:	Retail 7.8% Office 6.3%
Trading density (R/m²):	36,039
Foot Count:	3,968,141* (October '17 – December '17)
Major retail tenants by GLA:	Woolworths, Edgars, Checkers Hyper, Game, Mega Mica
Number of tenants:	270

Eastgate shopping centre is a super regional centre which dominates the Bedfordview node. The centre underwent a major redevelopment to modernise both the retail and office components, which was completed in 2017. The redevelopment refreshed the tenant mix with the introduction of new brands such as Zara, Hamley's and Virgin Active. The retail vacancy rate as at 31 December 2017 is 7.8%, of which 6.1% relates to Stuttafords. Excluding Stuttafords, the vacancy rate reduces to 1.7%. To date 4,260m² has been pre-let with one box of 3,432m² near conclusion and 1,254m² relating to the mezzanine office remaining. Pre-let deals are signed offers or leases with beneficial occupation pending.

Melrose Arch

Ownership:	8%
Location:	Melrose North, Gauteng
Sector:	Retail, office, specialised
Value of the Property (R):	8.3 bn
Average net rental per m² (R):	Retail 236 Office 195
GLA (m²):	199,216
Vacancy:	Retail 0.5% Office 4.8%
Trading density (R/m²):	28,162
Major retail tenants by GLA:	Woolworths, Edgars, @Home, Moyo, Concept Cyclery

Melrose Arch is a mixed-use precinct with retail, office, hotels, residential and showrooms. Melrose Arch epitomises the theme of live, work and play. Retail vacancies remain low at 0.5% due to a well executed leasing strategy that has attracted international brands such as Jamie's Italian, Paul's Patisserie and Starbucks. However, the office vacancies increased due to the oversupply and competitive deals being offered in Rosebank. The One on Whiteley development is on programme with opening scheduled for the second half of 2019. The scheme comprises a Marriott Hotel and a retail component (showrooms and a private gym).

* Foot Count is as per the new Syenap System

Liberty Midlands Mall

Ownership:	31%
Location:	Pietermaritzburg, KwaZulu-Natal
Sector:	Retail
Value of the Property (R):	2.2 bn
Average net rental per m² (R):	207
GLA (m²):	55,973
Vacancy:	0.9%
Trading density (R/m²):	38,378
Foot Count:	4,719,584* (April '17 – December '17)
Major retail tenants by GLA:	Game, Pick n Pay Supermarket, Edgars, Woolworths, Dis-Chem
Number of tenants:	165

Midlands Mall is the only regional shopping centre in Pietermaritzburg. The centre maintains a very low vacancy rate of 0.9%, which equates to 480m². The mall is undergoing an expansion of 22,000m² which opened for trade on the 15 March 2018. The development is approximately 90% let and will provide consumers with a second grocery offering being Checkers, a significantly enlarged Woolworths and a Planet Fitness.

Liberty Promenade Shopping Centre

Ownership:	31%
Location:	Mitchells Plain, Western Cape
Sector:	Retail
Value of the Property (R):	1.5 bn
Average net rental per m² (R):	151
GLA (m²):	73,400
Vacancy:	1.3%
Trading density (R/m²):	39,648
Foot Count:	13,860,396 (January '17 – December '17)
Major retail tenants by GLA:	Pick n Pay, Game, Edgars, Woolworths, Ster Kinekor
Number of tenants:	172

Liberty Promenade shopping centre is currently the best performing asset in the portfolio in terms of its relative trading growth. At the end of 2017, the centre recorded double digit growth in turnover of 10.4% year on year. The improvement in trading density was mainly due to leasing initiatives that refreshed the tenant mix resulting in a reduction in vacancies. The team continues to focus on further enhancing growth by right sizing certain tenants and introducing new tenants for the aspirational shopper. A plan is in place for Day Zero with water saving initiatives already reducing consumption by 20%.

* Foot Count is as per the new Syenap System

Property Portfolio (continued)

Botshabelo Mall

Ownership:	22%
Location:	Botshabelo, Free State
Sector:	Retail
Value of the Property (R):	292.2 mln
Average net rental per m² (R):	115
GLA (m²):	20,390
Vacancy:	8.5%
Trading density (R/m²):	23,202
Foot Count:	3,145,028 (January '17 – December '17)
Major retail tenants by GLA:	Shoprite, Pick n Pay, Woolworths, Cashbuild, Truworths
Number of tenants:	58

Botshabelo Mall celebrated its first full year of trade in November 2017. Turnover grew by 29% in December 2017 compared to December 2016. The mall opened during a subdued economic environment when retailers were downsizing adding pressure to the vacancy rate of 8.5%. A positive trading performance and improved leasing enquiries bode well for the centre going forward.

Standard Bank Centre

Ownership:	16%
Location:	Johannesburg CBD, Gauteng
Sector:	Office
Value of the Property (R):	1.1 bn
Average net rental per m² (R):	90
GLA (m²):	92,789
Vacancy:	0%
Major Tenants:	Standard Bank
Number of tenants:	1

Standard Bank Centre is located in the Johannesburg CBD. It is single tenanted and operates under a triple net lease.

Century City

Ownership:	31%
Location:	Century City, Western Cape
Sector:	Office
Value of the Property (R):	381 mln
Average net rental per m² (R):	164
GLA (m²):	19,188
Vacancy:	22.8%
Major Tenants:	Liberty Group Limited
Number of tenants:	2

The Century City property houses the Liberty Group Limited Head Office in Western Cape, in addition to other smaller tenants. The space relating to the 22.8% vacancy rate is being actively marketed and is anticipated to be fully let in 2018.

Liberty Centre Head Office & Umhlanga Ridge Office Park

Ownership:	31%
Location:	Umhlanga Rocks, KwaZulu-Natal
Sector:	Office
Value of the Property (R):	
Liberty Centre Head Office	248.3 mln
Umhlanga Ridge Office Park	161.1 mln
Average net rental per m² (R):	106
GLA (m²):	20,352 combined
Vacancy:	0%
Major Tenants:	Liberty Group Limited and CCI Call Centre
Number of tenants:	5

The Umhlanga offices are predominantly occupied by the Liberty Group Limited Head Office and CCI Call Centre located in Durban. The property maintains a 0% vacancy rate.

John Ross Eco Junction Estate

Ownership:	31% (Estate & Tangawizi Motors); 21.7% (Melomed Hospital)
Location:	Richards Bay, KwaZulu-Natal
Sector:	Specialised
Value of the Property (R):	
Melomed Hospital	367.3 mln
Estate	155.0 mln
Tangawizi Motors	60.4 mln

John Ross Eco Junction comprises three components that is Melomed Hospital, Tangawizi Motors and the remaining estate.

Melomed Hospital is the portfolio's first hospital development which opened on 15 January 2018. The 200 bed private hospital offers additional healthcare services to the local community and surrounding areas.

Property Portfolio (continued)

Sector Overview

Sectoral Profile

The majority of properties managed by L2D are focused towards retail rental income. The remaining rental income comprises predominantly office space while a small portion can be attributed to specialised rental opportunities. We evaluate the different sectors of rental income separately in order to ensure that L2D is able to respond to specific trends within these rental sectors.

Retail	
Rental Income as percentage of total property Portfolio	84.9%
Gross Lettable Area (m^2)	500 973
Vacancies	4.3%

L2D's portfolio operational performance resulted in the underlying property income growth remaining healthy. Going forward, we expect distribution growth to better track property income now that the asset base is primarily property assets. The retail portfolio comprises several iconic properties across South Africa. These properties are prime destination centres with an exceptionally high level of market dominance. Each centre offers a tenant mix that meets the varying needs of consumers.

Office	
Rental Income as percentage of total property Portfolio	14.9%
Gross Lettable Area (m^2)	332 290
Vacancies	10.3%

L2D's office rental space can be separated into two different types. The first type is that which is part of a mixed-use property offering – dominated by retail. Examples include offices at Sandton City, Nelson Mandela Square, Eastgate and Melrose Arch. These office spaces are usually rented out to multiple tenants.

The second type is standalone office buildings that are leased either fully to one tenant or in sections to multiple tenants. It should be noted that the vast majority of these properties were rented out to Liberty Holdings Limited (majority shareholder of L2D) and Standard Bank therefore, the risk of vacancies is significantly lower than that of other office spaces.

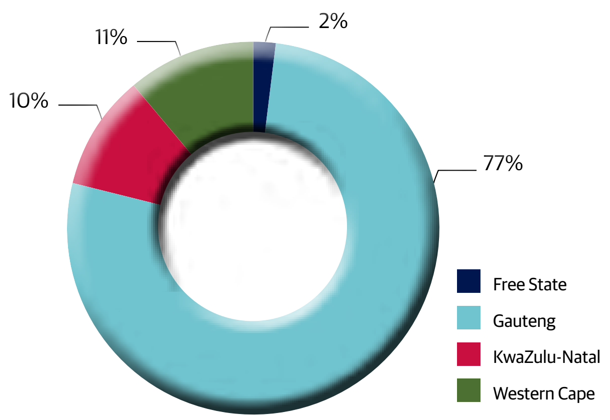
Specialised	
Rental Income as percentage of total property Portfolio	0.2%*
Gross Lettable Area (m^2)	38 280
Vacancies	0%

* Relates to Tangawizi's contributions only

The specialised rental space is primarily located within the Melrose Arch complex and at the John Ross Eco Junction. This includes industrial, gym space, hotels, car showrooms and catering venues.

The tenants occupying specialised space usually enter into long term contracts and will occupy the entire specialised space. This mitigates the risk for vacancies year on year.

Geographical spread of the property (GLA)



A significant portion of properties owned and managed by L2D are located within the Gauteng province. Gauteng is the hub of South Africa, with the Sandton node being the richest square mile in Africa.

Vacancy Profile

Sector	Vacant space (m^2)	% of total GLA
Retail	21 550*	4.3
Offices	34 ,357*	10.3
Specialised	No vacant space	–
Total 2017	**55,907**	**6.4%**

* Vacancy rates excludes all pre-let deals that have been concluded

The closure of Stuttafords impacted many of the large retail landlords in 2017, including L2D, who had two stores in its super regional centres Eastgate and Sandton City. These two stores were however the last to close and remained open until July 2017. The liquidation of Stuttafords resulted in a significant increase in retail vacancy rates during the current financial period. However, L2D was able to secure new tenants to occupy most of the large vacancies created by the Stuttafords departure. Efforts to lease the remaining spaces are underway. The two Stuttafords boxes at Sandton City and Eastgate shopping centre account for 3.1% of the retail vacancy. Excluding Stuttafords the retail vacancy rate would be 1.2%.

The overall subdued economic environment contributed to the higher vacancies within the office portfolio, with properties in Sandton in particular being impacted by the oversupply of office space in the node. Management is committed to reducing these vacancies through ongoing improvement in the value proposition of our offering.

Lease Profile

The current lease profile has been set out in the table below and provides an analysis of when the leases currently in effect will be terminated:

Year	Gross Lettable Area (m²)	%	Monthly Contractual rental (R million)	%
Vacancies	55,907	6.4	–	–
Monthly	43,484	5.0	57	3.6
2018	90,280	10.4	153	9.6
2019	216,980	24.9	321	20.2
2020	95,938	11.0	249	15.7
2021	97,888	11.2	192	12.1
2022 and later	271,066	31.1	615	38.7
Total	**871,543**	**100**	**1,587**	**100**

The ongoing evaluation of the tenant mix and continuous engagement with current and prospective tenants has enabled L2D to maintain a balanced lease expiry profile across the portfolio. In 2017, the new deals and lease renewals concluded in the portfolio amounted to 108,000m², in addition to re-letting the majority of the Stuttafords space. Maintaining the quality of properties and enhancing the attractiveness of the precincts in which they reside, enables L2D to retain current tenants and attract new tenants to the portfolio.

FEATURED PROPERTY: LIBERTY PROMENADE

Featured property: Liberty Promenade

Liberty Promenade, located in the heart of Mitchells Plain, Cape Town, is the shopping destination of choice for residents of both Mitchells Plain and the Khayelitsha area. Promenade caters to a previously underserviced community and offers a safe, accessible place to connect and enjoy a wide range of well-known brands. Promenade is a regional shopping centre covering approximately 74,000m^2 with 172 stores ranging from food, homeware and fashion to specialty stores.

Attracting more than a million shoppers per month, Liberty Promenade is testament to the vision and optimism of L2D. The centre has experienced rapid expansion over the years and is now proudly home to some of the country's most popular eateries and family entertainment offerings which include an indoor sports arena, 8 Ster Kinekor cinemas, a gym and a vibrant food court. It also houses the South African Revenue Services (SARS) and the City of Cape Town, which provides convenience for customers.

For the year ending 2017, Liberty Promenade was the best performing property in terms of trading, recording trading density growth of 6.4% and turnover growth of 10.4% year on year. Foot count grew by 3.2% in the same period with an average of 1,1 million per month. The market, as per the South African Property Owners Association (SAPOA) December 2017 Retail Trends Report, recorded trading density growth of -0.7% for regional shopping centres and a -4.4% decline in foot count across all shopping centre types. At December 2017, the property had a vacancy of 1.3% compared to the SAPOA regional centre vacancy rate of 2.5%.

Liberty Promenade is investigating various projects to reduce water consumption and to become self-sustainable. Current initiatives have resulted in a reduction in water consumption of 20%.The property is driving sustainability and boasts an impressive waste management system reducing its overall carbon footprint by recycling 100% of refuse.

The centre supports local businesses by providing a platform for start-up retailers. These tenants come in as pop-up stores and are later converted into formalised leases. As part of the corporate social investment initiatives, the centre partners with various non-profit organisations driving educational programmes such as Read to Rise and giving back to the local community.

MATERIAL MATTERS

Material Matters

L2D regards material matters as any business aspect that might affect L2D's ability to extract value from its property portfolio or adversely impact the value of the business – with positive and negative aspects considered.

The material matters have been identified by management and approved by the Board. The process took into consideration all the key aspects of L2D including the purpose statement, strategic objectives, stakeholder feedback, risks and property trends in South Africa, sustainability of the economic and natural environments and the socio-economic effect on all the stakeholders of L2D.

The following material matters were reported on in 2017:

JHI service delivery

Related Risk: Poor service delivery from JHI can lead to reputational and financial losses for L2D.

Stakeholders affected: unitholders, tenants, shoppers and employees.

An improvement in the working relationship between JHI and L2D will enable L2D to increase the overall quality of its retail centres by providing better service and support to tenants and shoppers.

This will lead to improved efficiencies in cost management and will enable added value to the distributions that can be made to unitholders.

JHI is a well-known and reputable property management company with significant resources and specialities that are adding value to the L2D portfolio.

Investment into high-quality, iconic properties

Related Risk: Iconic properties are priced at a premium leading to the risk of overspending on the acquisition of properties.

Stakeholders affected: unitholders, tenants and shoppers.

The acquisition of further assets that complement the portfolio and provide opportunities for growth and efficiency is a strategic intent of the business.

The diverse and extensive experience of L2D's management team, particularly in managing flagship properties, will add value to the overall business.

The benefits for the unitholders of these trendsetting lifestyle and leisure destinations include optimised returns even in a low growth environment.

Ensuring that robust and tested valuation and investment methodologies are applied, with the oversight of an experienced board, L2D can value any property at its market value. This will enable L2D to appropriately evaluate investment opportunities.

Experienced and specialised human resources

Related Risk: Employees with specialised knowledge and extensive industry experience could be headhunted resulting in a loss of valuable talent.

Stakeholders: unitholders, employees and the Board.

The specialised nature of the business requires an experienced and knowledgeable management team. Through continuous training and development L2D will be able to effectively identify and address any significant threats before any adverse reputational or financial losses are incurred.

A strong skills base will assist employees to identify new growth opportunities and will ensure an increase in the value creation for unitholders through improved return on investment.

To reduce the risk of employees being headhunted, an effective remuneration strategy, which is based on the employee's level of experience, was implemented and significant emphasis continues to be placed on employee welfare. Continuity is ensured through development of staff and identifying key personnel geared for future progression.

Effective relationship with utility providers and municipalities (Metropoles)

Related Risk: The significant nature of the services received from utility providers and metropoles exposes L2D to significant losses and downtime which could cause financial and reputational losses.

Stakeholders affected: Tenants, shoppers, key service providers and unitholders.

Due to the large presence of some of L2D's shopping centres in metropoles, L2D has the opportunity to directly engage with these metropoles.

An improved relationship with metropoles will enable L2D to implement better, more direct communication channels to ensure effective resolution of service delivery matters and infrastructure surrounding its properties. This will enable synergies in terms of traffic flow and future developmental matters in the respective business nodes.

The challenge of engaging with these stakeholders is due to the shifting economic climate and the high turnover of staff within the service providers' businesses.

Material Matters (continued)

The increased complexity and competitiveness of the economic environment

Related Risk: The increased competitive nature of the property sector can lead to L2D's property portfolio no longer appealing to and being relevant to consumers.

Stakeholders affected: unitholders, suppliers, tenants, shoppers and employees.

An oversupply of retail space within the traditional business nodes has been a growing trend in recent years due to overdevelopment. Combined with the economic pressures and weakened consumer confidence it has resulted in demand for unique offerings for both tenants and shoppers to maintain robust turnover levels.

L2D continues to explore investments into iconic properties to enhance our value proposition and increase our market share. The current business model to acquire and hold only premium properties that attract a diverse tenant mix enables us to generate consistent returns throughout different economic cycles.

The development of iconic and premium-quality properties

Related Risks: The significant speed at which development activity is taking place can easily cause established shopping centres to fall behind new developments.

Stakeholder: unitholders, tenants and shoppers.

Globalisation, change in technologies and shift in building techniques is continually challenging older and more established properties such as those held by L2D. To ensure that L2D's properties maintain their status, the quality of the shopping experience being provided by L2D must be continually enhanced.

The reputation of L2D's properties in the market and the established patronage enables L2D to be at the forefront of implementing new technologies whilst still maintaining cost effectiveness and affording space for growth.

L2D is implementing a range of progressive technologies and innovative approaches to gain insight into the needs of shoppers and pre-empt future needs. L2D has implemented free Wi-Fi in several shopping centres and systems that measure foot count as well as capture data on consumer behaviour at shopping centres. The data and insights will assist L2D in formulating more effective business development strategies that deliver value to tenants, consumers and other stakeholders. It further enables L2D to structure our properties more effectively to cater to the evolving needs of the shoppers and tenants.

The refurbishment of Eastgate and the recently initiated redevelopment of the entertainment area of Sandton City is part of the strategy to maintain the quality of our shopping centres.

Transformation and the implementation of BBBEE

Related Risk: The amendments to BBBEE legislation has increased the pressure on all companies to transform in order to prevent the loss of significant contracts or incur penalties.

Stakeholders affected: unitholders, employees, Board members, suppliers and tenants.

L2D understands and respects the importance of transformation within South Africa's unique socio-economic environment. L2D actively promotes transformation within our long-term sustainable growth action plan. The increased legislative requirements instituted in recent years are placing greater emphasis on the importance of managing transformation effectively.

L2D has implemented several steps to ensure effective, sustainable transformation within the business. This includes the use of more BEE suppliers and effective talent management of L2D employees. L2D will be rated in terms of the Amended Property Sector Charter.

Improved efficiency and management of natural resources

Related Risks: Financial and reputational damage due to non-implementation of efficiency measures.

The rising cost of utilities, such as water and electricity, is leading to significant increases in the operation costs of L2D's property portfolio. Coupled with a growing public consciousness around natural resource management it could result in government imposing fines on non-compliant businesses, resulting in both financial and reputational damage.

The management of L2D understands the importance of efficiently managing natural resources and appreciates the value of sustainable development. We have implemented a sustainability policy to guide on all considerations that need to be factored into any future upgrades or new developments and water management projects are in place for the Cape Town properties. L2D is improving efficiencies within the current property portfolio. L2D has appointed sustainability service providers to assist us in creating green buildings. The final goal of this engagement is to aim for all the buildings within the L2D property portfolio obtaining acceptable green star levels.

Leader in cost efficiency

Related Risks: Inefficient cost management could cut into profit margins resulting in avoidable financial losses.

Stakeholders affected: unitholders, Board, tenants and employees.

The substantial increases in the cost of basic services, such as utilities, continues to strain the South African economy.

In light of these regular and substantial increases, the Board recognises that the need for even greater improvements in cost management is critical to ensure profitability and the business's sustainability. The implementation of cost saving measures, enhancing the efficiency of resources and recovery from tenants are all key to achieving this goal. However, passing on certain costs to tenants could impact our competitiveness. The increased pressure on tenants could indirectly result in a lower demand for rental space and subsequently increased vacancies or lower rental rates per m^2.

Long-term tenant relationships

Related Risks: Loss in anchor tenants leading to lower foot count and a decrease in the quality of L2D shopping centres.

Stakeholders affected: unitholders, Board, tenants and employees.

L2D is committed to maintaining the premium nature of its property portfolio, attracting leading brands and offering a superior retail and leisure experience to consumers. A key aspect of maintaining the iconic status of our properties is ensuring a well-balanced tenant mix and securing exclusive rights to flagship stores.

To do so successfully, L2D needs to establish sustainable, long-term tenant partnerships by proactively and pre-emptively catering to their needs and that of their patrons and addressing any challenges timeously and effectively.

In addition, safety at our shopping centres is of paramount importance and closely monitored to ensure safe shopping environments at all of our centres.

CORPORATE GOVERNANCE REPORT

Corporate Governance Report

Changes to the corporate governance structures of L2D in 2017 entailed changes in the Board which saw the appointment of a new Chairman and Financial Director. As this is only the first full year of trading, the governance structures remain under enhanced review to achieve the relevant level of maturity.

Ethical Leadership

The leadership of L2D is fully committed to the application of and compliance to the highest ethical standards. The Board firmly believes in leading by example and ensuring that the tone is set at the most senior level of the leadership structure. The code of ethics is strictly adhered to in the development and implementation of all business and growth strategies.

All decisions are made with due consideration to the code of ethics that is set out in the employee policies. Every L2D employee is required to familiarise themselves with and adhere to the code of ethical conduct to maintain the highest levels of integrity, honesty and transparency. In order to confirm that all employees understand the stipulations of the code of ethical conduct, management has drafted and implemented policies that address ethical matters. This includes a code of professional conduct and HR policies.

L2D has a zero-tolerance policy on any issues relating to unethical conduct. The company does not, at any level, condone or tolerate any form of fraud, corruption, unlawfulness or other conduct that is irregular. The protection of confidential information and employee data is of the utmost priority for L2D as we understand the severe risks associated with data leaks.

L2D will not, under any circumstance, engage with or condone any transactions or business dealings with third parties – including suppliers, customers and other stakeholders – that are deemed to have materially breached any governance or legislative standards that would have been applicable to these stakeholders.

Application of King IV

The Board is ultimately responsible for ensuring the integrated and holistic implementation of the principles set out by King IV. The Board is satisfied that it has applied all the applicable governance principles and is compliant with the JSE Listings Requirements. The Board is determined to continually improve its application of all the King Code of Governance Principles in the best interest of L2D and its various stakeholders. Where the Board has identified practices that are not in the best interest of L2D and its stakeholders, it explains the alternative approach to that application of governance.

This was the first year of applying the King IV code. The apply and explain policy has been instituted for the first year and a detailed King IV application register has been added to the website of L2D (www.liberty2degrees.co.za).

The table below sets out a brief description of the corporate governance structure of L2D based on the detailed register that has been included on the website of L2D:

Principles as per King IV	Governance of L2D
PRINCIPLE 1: Ethical leadership The governing body should lead ethically and effectively.	The Board understands the importance of ethical decision making that goes beyond the legislative requirements and this will ensure the business activities are sustainable and able to create long term and lasting wealth to investors and subsequently the stakeholders of L2D. The Board leads by setting an ethical example to employees and management of L2D. Assessments of the conduct of senior management are monitored by the Board and the Board will act swiftly in the event of non-compliance.
PRINCIPLE 2: Organisation values, ethics and culture The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board has ensured that a code of conduct and ethics-related policies, through which ethical standards are clearly articulated, have been established and implemented. The Board ensures that compliance with the code of conduct is integrated into the strategy and operations of L2D; i.e. the ethical organisational culture is reflected in L2D's vision and mission; strategies and operations; its decisions and conduct; and the manner in which it treats its internal and external stakeholders. The Board ensures that ethical risks and opportunities are incorporated in the risk management process or ethics programme; i.e. an ethics risk and opportunity profile is compiled.

Corporate Governance Report (continued)

Principles as per King IV	Governance of L2D
PRINCIPLE 3: Responsible corporate citizenship The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The Board considers not only financial performance, but also the impact of L2D's operations on society and the environment. The Social, Ethics and Transformation Committee (SET) has been constituted to assist the Board in the evaluation and ongoing monitoring of the measures and targets agreed with management in all areas. This includes the workplace and the fair treatment of employees. The arrangements in dealing with stakeholders and the management of responsible corporate citizenship is disclosed within the sustainability report.
PRINCIPLE 4: Strategy, implementation and performance The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The Board informs and approves strategy (as opposed to being a passive recipient of strategy as proposed by management). The Board takes steps to ensure that long-term planning will result in sustainable outcomes taking account of people, planet, profit. The Board takes account of the legitimate interests and expectations of its stakeholders in its decision-making in the best interests of L2D. The Board delegates to management the responsibility to implement and execute the approved policies and operational plans. The Board exercises ongoing oversight of the implementation of strategy and operational plans and evaluates management against the agreed performance measures and targets.
PRINCIPLE 5: Reports and disclosure The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	All reports issued by L2D are signed off by the Board after all information has been considered and assessed. The 2017 Integrated Report, which this King IV register forms part of, includes the integrated report and annual financial statements and is available on L2D's website. The Board has not approved a quantitative materiality to establish a threshold for management to communicate key matters above a certain level, however, the Board has communicated, through its ongoing engagements, a qualitative materiality to ensure management communicates all key matters to the Board.
PRINCIPLE 6: Role of the governing body The governing body should serve as the focal point and custodian of corporate governance in the organisation.	All budgets, policies and strategies are approved by the Board before implementation. All the results are overseen by the Board and any material deficiencies are addressed adequately. Directors are permitted to take independent advice in connection with their duties at cost to L2D following a Board approved procedure. The Board has unrestricted access to all company information, records, documents and property, subject to and following a Board approved process. The Board meets at least four times a year. All attendance details are included in the Integrated Report of L2D.

Principles as per King IV	Governance of L2D
PRINCIPLE 7: Composition of the governing body The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The governing body should assume responsibility for its composition. The Board comprises a majority of Non-Executive directors. The Board has a minimum of two Executive Directors – the CEO and the FD. The Board has appointed an adequate number of members to each committee in order to ensure that all the committees can execute their duties effectively and sufficiently. The Board has appointed directors with a diversity of skills and backgrounds in order to ensure that a broad base of factors are assessed upon the execution of any decision, and will continue to source additional directors to add to the skills.
PRINCIPLE 8: Committees of the governing body The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	All the committees were appointed based on the mandates set out by the Board. The ultimate responsibility will remain with the Board. All committees that were appointed by the Board constitute a minimum of three directors from the Board. The role of the Audit and Risk Committee is summarised in the Integrated Report. The Integrated Report includes information regarding any other roles assigned to the Audit and Risk Committee by the Board. The Audit and Risk Committee performs a review of the finance function every year and the results are disclosed in the Integrated Report. The composition of each committee has been carefully considered and is in line with best practices.
PRINCIPLE 9: Performance evaluations The governing body should ensure that the evaluation of its own performance and that of its committees, its chairman and its individual members, support continued improvement in its performance and effectiveness.	The Board assumes responsibility for the annual evaluation of its own performance and that of its committees, its chairman and its individual members. The Members of the Board will be evaluated annually with formal evaluations every two years and self evaluations every other year. The first full evaluation will take place at the end of 2018.
PRINCIPLE 10: Delegation to management The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	The Board appoints the CEO. The CEO is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and should serve as the chief link between management and the Board. The CEO is not a member of the Remuneration and Nominations Committee or Audit and Risk Committee. Key Performance Indicators were set in place to evaluate the performance of the CEO. The responsibility for succession planning has been delegated to the Nominations Committee. The key management function is headed by the CEO and the FD. These individuals have the experience and competencies to head up the management of L2D.
PRINCIPLE 11: Risk and opportunity governance The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.	The Board's responsibility for risk governance is expressed in the Board charter and risk policy and plan. Through the assistance of the Audit and Risk Committee, the Board is able to assess impact of these risks and ensure that they are mitigated or addressed. The Board appreciates the importance of evaluating such risks when developing a growth strategy. The Board is in the process of setting a level of risk tolerance for L2D in pursuit of its business goals in alignment with its vision to create sustainable value and growth. The Board's risk policy and plan are implemented by management by means of risk management systems and processes. The Audit and Risk Committee considers the risk policy and plan. The Board continuously evaluates the organisation's dependence on resources and is seen as part of the capital that is used in the decision-making process.

Corporate Governance Report (continued)

Principles as per King IV	Governance of L2D
PRINCIPLE 12: Technology and information governance The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The Board assumes the responsibility for the governance of IT. IT risks form an integral part of L2D's risk management activities. The Audit and Risk Committee assists the Board in carrying out its IT governance responsibilities by ensuring that IT risks are adequately addressed through its risk management and monitoring processes. The L2D IT function is currently outsourced. The Board oversees the value delivery of IT when appropriate.
PRINCIPLE 13: Compliance governance The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The Board ensures that the legal principles as stipulated in the Trust Deed, are implemented by management. Compliance with applicable laws is understood not only in terms of the obligations that they create, but also for the rights and protection that they afford. The Board receives assurance on the effectiveness of the controls around compliance with laws, rules, codes and standards. L2D has recently appointed a Chief Risk and Compliance Officer that will start in April 2018. The compliance role was previously outsourced to an approved compliance officer. The Board continually monitors compliance with applicable laws, rules, codes and standards. The induction or ongoing training programmes of directors incorporate an overview of and changes to applicable laws, rules, codes and standards. Key areas of compliance were considered by the Board and compliance matters are included in the Integrated Report.
PRINCIPLE 14: Remuneration governance The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium and long-term.	The remuneration policy was drafted by the Remuneration Committee and presented to the Board for approval. The policy was based on fair, responsible and transparent remuneration methods. One of the key focus areas of the Board is to ensure that skills are retained and therefore the remuneration policy has been designed to motivate current employees and to attract new skill with competitive offerings. The Remuneration and Nominations Committee assists the Board in setting and administering remuneration.
PRINCIPLE 15: Assurance The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The Audit and Risk Committee is responsible for the evaluation and the incorporation of the combined assurance approach and to ensure that the various assurance services support the objectives of this model. The responsibility for overseeing that all information reported has been assessed to determine its integrity for the use of internal and external decision making has been delegated to the Audit and Risk Committee. The external audit report was evaluated to ensure that the conclusion reached was in line with the standards required.
PRINCIPLE 16: Stakeholders In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	The Board has assumed the responsibility for the governance of stakeholder relationships by setting the direction for handling stakeholder relationships. This approach is included in the Integrated Report. Methods and strategies have been implemented based on the specific requirements set out for each stakeholder group.

The Board of SRFM takes on the fiduciary duties of L2D and is the highest authority with ultimate responsibility for L2D's application of sound and appropriate corporate governance practices. The Board is tasked with the direction, administration and controlling of the L2D's activities and must execute these roles while maintaining transparency, accountability, fairness and acknowledging its responsibility in all decisions made.

The Board has drafted and implemented a charter that sets out its objectives and the responsibilities that must be adhered to by all its members.

The Board has appointed several committees, as outlined below, to support the Board in maintaining oversight of all L2D activities and to ensure effective execution of its responsibilities and duties in alignment with ethical leadership and the values of L2D:

- The Audit and Risk Committee;
- The Investment Committee;
- Social, Ethics and Transformation Committee; and
- the Remuneration and Nominations Committee.

The ultimate responsibility remains with the Board to whom all committees report to.

These committees have been appropriately constituted, in accordance with all legislative requirements and in line with a clearly documented mandate that sets out their scope, responsibilities, powers and authority. The mandates are reviewed annually.

All annual work plans were drafted in line with the abovementioned amendments.

Attendance of Board meetings

The Board has committed to meet a minimum of four times a year in order to effectively execute their fiduciary role as the team charged with the governance of L2D. The Board is at liberty to call ad hoc Board meetings should a need arise to address any matters relating to operational, financial, governance or any key business issues.

Scheduled quarterly meetings were held, and during the year under review an additional meeting was held to discuss future developmental opportunities. On several occasions external consultants were invited to attend Board meetings to provide guidance and training to the members of the Board on tax legislation and JSE Listings Requirements. These external advisers were not regular attendees of Board meetings.

Director	Meetings atended	Comments on attendance
AWB Band *(Independent Non-Exec)*	3/3	Appointed as chairman on 26 July 2017
WE Cesman *(Independent Non-Exec)*	5/5	
L Ntuli *(Independent Non-Exec)*	1/2	Appointed to the Board on 26 July 2017 and was unable to attend the board meeting on 28 July 2017 where she was appointed
A Beattie *(CEO)*	5/5	
J Snyders *(FD)*	5/5	Appointed as the Financial Director on 23 March 2017
J Sturgeon *(Non-Exec)*	5/5	Resigned from the Board on 16 December 2017
MP Moyo	1/1	Resigned as Chairman on 3 April 2017
MG Ilsley	3/3	Acted as chairman for 2nd meeting on 11 May 2017 Resigned 31 July 2017

Matters discussed during the year

- The SRFM directors were mandated to perform the fiduciary duties for L2D as L2D is a trust without directors and employees.
- JSE Listings Requirements and developments in all other legislation applicable to L2D.
- Ethics discussions to ensure the most appropriate application.
- Discussion of the reports received from the chairman of the Audit and Risk Committee.
- The application of King III and King IV by L2D.
- Discussion of the report from the chairman of the Remuneration and Nominations Committee.
- Financial performance of the property portfolio held by L2D.
- Discussion of the change in Board members.
- Report from the chairman of the Investment Committee.
- Significant changes in the lease administration for the properties.
- Discussion to agree the function of the property management company, JHI.
- The access ramp issue at Nelson Mandela Square.
- Discussion about the expectation of unitholders and the broader market to maintain investor satisfaction.
- Remuneration methodologies and strategies.
- The consumer base performance and its effects on the L2D property portfolio. The importance of premium stores was also addressed.
- Tax compliance of L2D.

Corporate Governance Report (continued)

- Implementation and approval of operational and other policies.
- The status of employee welfare and retention programmes.
- Social and ethics matters.
- Distribution expectations and the shareholding composition.
- Operational matters raised at Exco meetings.
- Investor concerns relating to the corporate structure, Put Option and external management company structure.
- The underperformance of the unit price relative to the NAV per unit.
- Specific considerations on the requirements to operate as a REIT.
- Future options concerning the growth and diversification of the property portfolio.
- Discussion around the top five business risks.
- Approval of the annual financial statements and integrated report.
- The regular evaluation of L2D as a going concern.
- Distribution approval.
- All matters of business concern.

The nature of the Board ensures that it can add value in its decision making to all stakeholders of L2D. The Board is an efficient team of five members consisting of three Independent Non-Executive directors (deemed independent in terms of the requirements set out in King IV) and two Executive members, namely the Chief Executive Officer and the Financial Director.

The Board is diverse with 40% of the Board being female, of which 50% are black female. The total number of black members on the Board amounted to 40%. The Board has adopted a gender diversity policy and is in the process of adopting a policy on the promotion of race diversity.

The Board has experience across various industries and sectors, with many years of experience in the management of property investment companies. The members have the necessary qualifications, knowledge and experience. There is a clear balance of power and authority at board level to ensure that no one director has unfetted powers of decision making.

The chairman of the Board is an independent Non-Executive director. The roles and responsibilities of the Chief Executive Officer and Chairman are separated and clearly defined. The Chairman is responsible for providing overall leadership to the Board and to ensure that the directors can perform effectively. The Chief Executive Officer is responsible for the daily management of L2D's affairs. In addition to the annual work plan, an approval framework is in place which sets out the respective responsibilities and levels of authority of the Board and executive management. The Board is kept informed of all developments within the group, primarily through the Executive Directors. The role of the independent Non-Executive directors is to protect the unitholders' interest. They are also there to ensure that all decisions made by the Board have been subjected to the appropriate scrutiny.

To avoid conflict of interest and ensure compliance with Section 75 of the Companies Act, Board members must disclose their interest in material contracts involving L2D. In addition, Board members must recuse themselves from deliberation or decision-making processes relating to any matter in which such member may have a vested financial interest.

During the financial period under review every director appointed to the Board was required to submit a written declaration relating to any conflict of interest. This was followed up at every Board meeting held during the period under review. No conflict of interest was disclosed by any of the directors appointed to the Board.

Appointments to the Board are made in a formal and transparent manner with due deliberation by the Board and after engagement with the controlling shareholder. Procedures for appointment to the Board include background and reference checks. Every director is also required to be approved by the Financial Services Board (FSB). No appointment of any director is finalised before the approval of this registration has been obtained from the FSB. Board members also need to be willing to devote a sufficient portion of their time to L2D.

In line with the requirements of King IV, the Board carries out an evaluation of the independence of directors. An internal evaluation of the independence of the directors was undertaken for the Non-Executive Directors and the outcome was reviewed by the Board on 11 May 2017. This function was also outsourced to an expert in order to ensure a completely independent evaluation in line with the requirements set out in King III/IV. The independence evaluation was also communicated to the Board on 11 May 2017.

The remuneration of the Executive and Non-Executive Directors is based on the group policy of LHL, the shareholder of SRFM. The Directors' remuneration was based on best practices and applied the requirements of King IV and the Companies Act of South Africa. A detailed analysis of the remuneration of directors is addressed from page 56.

All directors are required to continually develop their skills and understanding of the operational environment and material matters that impact L2D to ensure that they are equipped to perform their duties to the best of their ability.

During the year, presentations and training sessions were conducted at Board meetings to ensure that all the members remain abreast of regulatory changes and legislative requirements that L2D must adhere to.

To ensure that the quality of the Board continues to improve, the Board will conduct an annual assessment of all members. The Board will perform formal evaluations every two years and self evaluations every other year.

The evaluation will not only be based on quantitative measures such as attendance at Board meetings and complying with the requirements set out to the members of the Board, but will also consider qualitative measures, including continuous development of their knowledge base, their understanding of risks facing L2D and the effective implementation of strategies established by the Board.

Rotation and retirement from the Board

During the current financial period, there was a change in the members of the Board, including the appointment of a new Chairman and a new Financial Director. The change in Financial Director was due to the retirement of John Sturgeon, however his expertise and institutional knowledge was retained by his appointment as a Non-Executive Director until December 2017.

The rotation of Board members will be evaluated at the first Board meeting of every year in order to ensure the independence of the independent directors and to obtain new insights into the industry and the operational activities of L2D.

Company Secretary

The Board is cognisant of the duties of the company secretary and the vital role she plays in ensuring that the Board procedures and relevant regulations are fully adhered to. The company secretary is not a director or shareholder of the company, but the Directors have unlimited access to her advice and services. The company secretary acts as secretary for the Board committees of the company. The company secretary is responsible for the flow of information to the Board and to ensure that its sub-committees comply with Section 88 of the Companies Act. She is also actively involved in assisting the Board in its governance initiatives.

Jill Parrat is the appointed company secretary and has more than 20 years' experience as company secretary. She has been registered with the Chartered Secretaries and Administrators since 1999. The Board has determined that the company secretary is sufficiently skilled and experienced to effectively perform in her role.

Chief Executive Officer

Amelia Beattie was appointed as full time CEO of the Manager of L2D with effect from 1 December 2016. The service contract entered into between the CEO and the Manager of L2D is for an indefinite period but may be terminated by the Manager or the CEO on 30 days' written notice. The service contract can be terminated by the Manager of L2D summarily where it is justified by law.

The CEO does not have any other significant directorships on any governing bodies that will place pressures on the CEO in order to execute her duties.

The Board is committed to continuously develop the staff of SRFM to ensure sufficient succession plans are in place upon the resignation of the current CEO.

IT Governance

L2D has outsourced the IT function and understands the importance on the governance of IT within the control environment of L2D. L2D has implemented a IT governance framework within the combined assurance framework being overseen by the Audit and Risk Committee.

The combined risk assessment includes IT Risks within the control environment of L2D. L2D appreciates the importance of assessing the IT risks of JHI and given the importance of JHI to L2D's operations the IT control environment at JHI is on the risk register for monitoring by the Audit and Risk Committee.

Board Committees

The Board has created a number of standing committees to assist the Board with the execution of its responsibilities. Each committee has an agreed upon mandate approved by the Board. The mandates are reviewed annually by the Board. Although the Board delegates certain functions to the committees, it retains ultimate responsibility for all the committees' activities. The mandates set out the following for all the constituted Board committees:

- The composition of the committee.
- The duties of the committee and committee members.
- The responsibility delegated by the Board to the committee.
- The scope of authority that is set out for each committee.

All members of the standing committees evaluate their own performance annually during the first meeting of each committee within the financial period, which takes place every February. All the committees are satisfied that they have fulfilled their responsibilities in accordance with the mandates for the reporting period.

The committees will be evaluated by the Board to ensure that the mandate provided has been upheld and that the committees are effectively fulfilling their duties as required by the Board.

Operations of each committee

Audit and Risk Committee

The Audit and Risk Committee has been mandated to assist the Board in the execution of its oversight responsibilities. The committee has been specifically mandated to oversee the combined assurance approach used to assess the effectiveness and quality of the financial, internal control (including the IT environment) and assurance providers. This is done to provide the Board with an appropriate action plan to identify and mitigate inherent risks for L2D and the industry.

The Audit and Risk Committee is satisfied with the effectiveness of the internal financial controls, based on the audit reports received from the external and internal auditors for the 2017 year. The internal audit charter is reviewed annually and approved by the Board.

The Audit and Risk Committee has reviewed all the significant matters relating to the annual financial statements and is satisfied with the way which these matters were addressed by the management of L2D.

Corporate Governance Report (continued)

Attendance at the Audit and Risk Committee meetings is shown below:

Member	Meetings attended	Notes
AWB Band *(Independent Non-Exec)*	2/2	Member of the committee Appointed 26 July 2017
WE Cesman *(Independent Non-Exec)*	4/4	Chairman of the committee Appointed 28 July 2017
MG Ilsley *(Independent Non-Exec)*	2/3	Resigned 31 July 2017
MP Moyo *(Independent Non-Exec)*	1/1	Outgoing Chairman Resigned 3 April 2017
L Ntuli *(Independent Non-Exec)*	1/1	Member of the committee Appointed 14 November 2017

The following matters were discussed by the Audit and Risk Committee:

- A review of the mandate of the committee.
- Evaluation of external audit function and audit plans.
- Establishment and maintenance of a combined assurance plan.
- The evaluation of the internal audit resources and audit plans.
- The implementation of a risk management process.
- The methodologies used for property valuations and approval of the final values proposed.
- The evaluation and response to significant risks.
- IT Governance as part of the combined assurance model.
- The appointment of the external auditors and evaluation of their fee proposals and independence and quality of the external audit providers.
- The evaluation of litigation risks.
- The financial performance of L2D and the appropriateness of the finance function.
- All matters relating to regulatory compliance and the maintenance of the current REIT status.
- The composition of the committee and the change of its members.
- Accounting matters and approval of the annual financial statements.
- Interim financial results.
- Review of the implementation of the Put Transaction.
- Recommendation for approval of distributions proposed.
- Going concern evaluation.
- Review of results announcement and investor presentation.
- Review of audit findings of internal and external audit.

Social, Ethics and Transformation Committee

The Social, Ethics and Transformation Committee has been mandated to assist the Board in the execution of its oversight responsibilities pertaining to legislation and legal requirements as well as social, environmental and economic development. The committee is required to draft and implement a well-written code of conduct and assess and oversee any ethical or compliance matters relevant to the business or its stakeholders.

Attendance at the Social, Ethics and Transformation Committee meetings is shown below:

Member	Meetings attended	Notes
J Sturgeon *(Non-Exec)*	2/2	Outgoing Chairman Resigned 15 December 2017
MG Ilsley *(Independent Non-Exec)*	1/1	Resigned 31 July 2017
WE Cesman *(Independent Non-Exec)*	2/2	
AWB Band *(Independent Non-Exec)*	1/1	Member of the committee Appointed 26 July 2017
L Ntuli *(Independent Non-Exec)*	1/1	Chairperson of the committee Appointed 24 November 2017

The following matters were discussed by the committee:

- Implementation of a new sustainability policy.
- Transformation strategies.
- Safety and security in our shopping centres.

Investment Committee

The Investment Committee has been mandated to assist the Board in the execution of its oversight responsibilities, specifically to oversee all activities relating to investment opportunities. The committee is responsible for the effective monitoring and evaluation of the properties to ensure effective performance in line with expectations. The composition of this committee has been determined by the Board.

Attendance at the Investment Committee meetings is shown below:

Member	Meetings attended	Notes
WE Cesman *(Independent Non-Exec)*	2/2	Chairman
MP Moyo *(Independent Non-Exec)*	1/1	Resigned 3 April 2017
J Sturgeon *(Non-Exec)*	2/2	Resigned 15 December 2017
AWB Band *(Independent Non-Exec)*	1/1	Member of the committee Appointed 26 July 2017
L Ntuli *(Independent Non-Exec)*	0/0	Member of the committee Appointed 24 November 2017

The following matters were discussed by the committee:

- The mandate of the Investment Committee .
- Deployment of capital.
- Investment and disposal opportunities.
- Developmental opportunities relating to existing assets.
- Approval of the property valuations.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee has been mandated to assist the Board in the execution of its oversight responsibilities, specifically all activities regarding the remuneration and nomination of L2D Board members. The committee is responsible for the effective monitoring of remuneration policies and the implementation thereof and oversees the preparation of the remuneration report in the integrated report. The committee also focuses on the nomination of adequately experienced and skilled directors to serve on the Board of L2D. This committee consists solely of independent Non-Executive Directors and its composition has been determined by the Board.

Attendance at the Remuneration and Nominations Committee meetings is shown below:

Member	Meetings attended	Notes
WE Cesman *(Independent Non-Exec)*	4/4	Chairman of Remuneration Committee
MP Moyo *(Independent Non-Exec)*	1/1	Outgoing member and chairman of Nominations Committee Resigned 3 April 2017
MG Ilsley *(Independent Non-Exec)*	1/1	Outgoing member and chairman of Remuneration Committee Resigned 31 July 2017
L Ntuli *(Independent Non-Exec)*	1/1	Member of the committee Appointed 24 November 2017
AWB Band *(Independent Non-Exec)*	3/4	Chairman of Nominations Committee Appointed 26 July 2017

The following matters were discussed by the committee:

- Remuneration policies of L2D.
- Nomination of new members to the Board.
- Change in Board composition throughout 2017.
- Approval of increases, short term incentives and long term incentives for 2017.
- Approval of the share trust.

RISK MANAGEMENT REPORT

Risk Management report

The Board carries the ultimate responsibility for the governance of risk. Although the Board has delegated the governance of risks to the Audit and Risk Committee, it has not delegated the ultimate responsibility on the governance of risk.

The Board, with the assistance of the Audit and Risk Committee, has set out an integrated risk assessment and combined assurance plan that provides guidance on the management of risk throughout the decision-making and business operations process.

The Board and executive management have compiled a detailed analysis of the operations of L2D, noting the most significant risks.

The Board is in the process of setting a level of risk tolerance for L2D in pursuit of its business goals in line with its vision to create sustainable value and growth. The effect of risks is evaluated and considered through financial performance, social and environmental impacts.

Executive management is responsible for the implementation, monitoring and reporting of an effective risk management plan. The operational risk register of L2D is reviewed monthly, with risks analysed in detail, and updated by the executive management committee. The members include executive and senior management from the operational and finance function of L2D.

The operational risk register is presented to the Audit and Risk Committee quarterly for discussion and approval before being presented to the Board for final approval. During the quarterly meetings, all material non-compliance is evaluated, and an operational plan of action established to address non-compliance.

The control environment implemented to mitigate the residual risks to acceptable levels is evaluated on a continuous basis to ensure relevance and effectiveness in mitigating identified operational risks.

All identified risks are assigned to a risk owner that is responsible for the daily monitoring and ensuring that the risk is effectively addressed. All changes within the risk environment are recorded in the combined assurance plan.

The identification, evaluation and management of risk is an ongoing process and is updated regularly at Board and management level. The Board continues to drive efforts to educate stakeholders on how risks affect operational and strategic decisions and ensure that risks are being managed appropriately.

	Material risks to L2D	Strategic response to mitigate the risks
A	Non-sustainable distribution growth (in comparison to the listed property sector) Capital erosion through poor investment/divestment/redevelopment decisions	Board approves strategy including investment strategy. Board and Investment Committee oversee execution of investment strategy. Property transactions and developments are approved by the Investment Committee or Board. Post-acquisition and development reviews by the Investment Committee. Approved risk tolerance levels by mandated approval body. Detailed viability and feasibility studies. Portfolio performance reviews. Benchmarking against peers.
B	Availability of capital Rising cost of capital Insufficient liquidity to meet commitments	Maintaining relationships and communication with investors and lenders. Manage gearing and Loan to Value (LTV) ratios in line with market norms. Debt funding policy and framework aligned to capital strategy.
C	Internal financial controls are inadequate with the result that the financial reporting cannot be relied on	Standard Operating Procedures (SOPs) are in place for the various transactions to be processed including the preparation of the financial statements. There is adequate segregation of duties involving the financial accounting processes and an adequate review process is in place.

Risk Management report (continued)

	Material risks to L2D	Strategic response to mitigate the risks
D	Increased vacancies, reversions and arrears	Monthly reports on tenants' arrears. Review of tenant trading densities. Tenants' arrears over 60 days to be handed over to attorneys where appropriate. Rehabilitation of tenants through payment plans. Rigorous tenant approval process. Arrears management. Continuous engagement with tenants. Exploring alternate solutions to address tenant arrears.
E	Dependency on Eskom and municipal services	Measuring energy consumption. Expense management. Leases structured for expense recovery. Energy savings strategy approved. Property expense monitoring against benchmarks. Monitor cost recovery ratios. Back-up generators have been installed at each centre to provide power in the event of power outages and load shedding. Less dependent on municipal water supply.
F	Loss of key personnel	Remuneration policy implemented. Incentive scheme implemented. Staff Personal Development Plans are in place. Appropriate notice period for Executives. Independent remuneration benchmarking exercise in progress. Board composition review and succession planning by Remuneration Committee. Outsourcing of property management.
G	Retention and culture	Key staff turnover is closely monitored. Company culture is defined and a health check on culture provided monthly to Exco.
H	Ethics	Regular updates on new laws and regulations impacting the business are provided to employees. Employee training and resources are made available. A documented standard of ethics exists which all employees are required to comply with.
I	Increasing complexity of property market and macroeconomic environment – the actual investment executions result in acquisitions/disposals that do not meet portfolio objectives and distribution forecasts	Governance structures and authority limits have been put in place. Regular management meetings are held with report back on investment activities. Employees regularly updated on strategy and market conditions. Review of strategy execution at Investment Committee and Board meetings.

	Material risks to L2D	Strategic response to mitigate the risks
J	Significant increases in municipal valuations and rates charges	A schedule detailing the municipal valuations for each centre as well as the rate charges has been developed. This will be updated for future changes and monitored in order to have a portfolio view of the impact of changes in both the municipal valuations and rates charges levied by the different municipalities.
K	IT controls are ineffective and put the processing systems at risk	An IT strategy and plan is implemented and managed to ensure that the necessary IT controls are operating as intended.
L	Failure to meet BBBEE requirements	BBBEE procurement is one of the property manager's KPIs. Transformation policy being drafted in accordance with the Property Services Charter (PSC). Monitoring by the Social, Ethics and Transformation Committee (SET).
M	Competition Commission rulings may have a negative impact on leasing and the retail centres ability to attract tenants	Competition Commission rulings are monitored on a regular basis to determine the impact on L2D's centres and tenants. L2D ensures compliance with all Competition Commission regulations.
N	Insurance cover is not adequate or appropriate for the property portfolio	A report on the annual renewal process including the extent of the cover and premium cost will be presented to the Audit and Risk Committee for approval annually.
O	Property management risks: • Tenant mix and retention. • Vacancy rates. • Collection and arrears. • Preventative and corrective maintenance. • Lease administration and recovery of utilities. • Turnover rental management. • Alternative income management. • Health and safety.	Structured approvals framework and delegation to property manager roles. Performance reporting to monthly Exco, Investment Committee and Board. Property Management Agreement (SLA) includes KPIs and allows for partial or complete cancellation in event of poor performance. Regular reporting on property manager's KPIs. Property manager's policies and procedures. Approved business plan. Budgeted and market rentals for all space. Internal audit function at property managers and L2D internal audit and ARC oversight of controls testing and assessment. Management of expiry profiles. Fraud reporting line. L2D representation on governance committees.
P	Safety at shopping centres	Security at all of the centres is outsourced to Fidelity Security Services (FSS). Tactical units are in place to counter the threat of terrorism.
Q	Operational activities outsourced to third parties are inadequately performed	Service provider performance reporting to monthly Exco. SLAs include KPIs and allow for partial or complete cancellation in event of poor performance. Cost budgets are agreed and in place.
R	Tenant covenant and concentration risk. Risk of large tenant exposure within the portfolio	Tenant diversification. Ongoing monitoring of tenant performance and strength. Due diligence on lessee entity. Deposits, guarantees and sureties within policy with leasing managers. Credit vetting policy for tenants.
S	Developments are not completed within approved budgets and the construction quality is not of an acceptable standard	Only approved and vetted contractors and professionals are used based on a pre-qualified list to be maintained. Regular project development management oversight to be maintained in order to identify issues early.

LIBERTY two°degrees

REMUNERATION REPORT

Remuneration report

Remuneration of SRFM's people

Background Statement

SRFM, as the appointed manager of L2D, takes on the fiduciary duties of L2D and its board is the de facto board of L2D. The remuneration paid to directors and employees is borne and paid by SRFM, in relation to services for the Manager.

SRFM's approach to remuneration is to promote the achievement of the strategic objectives, while considering the management of risk, capital and liquidity of L2D and encouraging individual performance through the setting and administration of a policy that articulates and gives effect to fair, responsible and transparent remuneration.

As L2D is a Scheme established in terms of CISCA, no annual general meetings are held and as a result L2D's remuneration policy and implementation report cannot be put to unitholders for a non-binding advisory vote. Unitholders are nevertheless invited to contact the Board should they have any concerns or queries on L2D's remuneration strategy, policy and implementation.

The Remuneration Committee (Remco) welcomed King IV and in particular Principle 14 which states that: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes over the short, medium and long term. This principle is aligned with SRFM's current practice.

This remuneration report complies with the provisions of King IV.

Governance of remuneration

Remuneration policy, structures and processes at SRFM are set within a governance framework. The main levels of authority within this framework are:

- Board – approval of the remuneration policy;
- Remco – recommends policy and monitors the implementation of the remuneration policy; and
- CEO supported by the FD and Human Resource Consultant.

Purpose and role of the remuneration committee

The primary purpose of the Remco is to ensure that the remuneration practices and policy support the delivery of the business strategy. The Remco implements its board mandate through interaction with LHL as the majority shareholder, Board members, external consultants and management. Thorough independent external research on remuneration best practice, industry trends and role profile benchmarking assist the committee in formulating policy and remunerations structures at SRFM. The committee members have unrestricted access to information to independently ensure compliance with the risk appetite, remuneration policy and regulatory requirements. There is communication with the CEO to enable her to manage employees within the approved policy. The Remco is assisted by a dedicated human resource expert that focuses on specific issues. The key objective is to have an appropriate link between levels of remuneration to business performance and strategy implementation while operating within the risk appetite and governance framework.

Internal and external factors that influenced remuneration for 2017

The 2017 financial year was challenging for the Remco, which had to balance a difficult year from a performance perspective with the need to retain key people. The weighted financial performance results against set financial targets relating to the short-term incentive scheme only delivered 68% of the full target.

Independent remuneration consultants

During 2017, PwC Remchannel conducted surveys on SRFM's behalf on remuneration trends and benchmarking of remuneration and benefits as well as remuneration regulations and compliance. The surveys found that the remuneration of junior staff is in line with the benchmark, however, there were instances of senior staff being paid below the benchmark and in these cases adjustments are being made accordingly. The Remco is satisfied that these consultants acted in an independent and objective fashion.

Achievement of the objectives of the remuneration policy

The Remco is committed to ensure that the remuneration practices and policy are fair and responsible and that there is alignment between unitholder and employee interests. The Remco believes that the policy encourages delivery of the strategy and creation of unitholder value in a responsible and sustainable manner.

Overview of the remuneration policy

Summary of SRFM's remuneration policy

SRFM's remuneration policy ensures as far as possible that its employee and unitholder interests are aligned. The remuneration policy is linked to the strategy which is discussed in the integrated report. Competitive remuneration, which is fair to both the individual and to unitholders, is critical in attracting and retaining the best people. Key principles of the policy include:

- remuneration practices which encourage behaviour consistent with L2D's purpose and values;
- remuneration practices which do not encourage excessive risk taking outside of L2D's risk appetite;
- remuneration practices that are not based on race and gender discrimination, as well as internal and external parity;
- the remuneration focus is on total remuneration. It is referenced to "like-for-like" market remuneration levels, adjusted for relative experience and responsibility levels;
- the total remuneration package is geared to meeting both short-term operational goals and long-term strategic objectives;
- fixed and variable pay is appropriately structured according to seniority and roles;
- a strong correlation exists between performance and total remuneration, allowing for upside opportunities for exceptional performance;
- individual rewards are determined according to both business and individual performance; and
- the cost to the business is an important consideration in the design of remuneration structures to ensure an efficient approach to remuneration.

Remuneration Strategy and Policy (continued)

Ensuring alignment of remuneration with risk taken

The CEO reports to the Remco on any excessive risk taking or performance issues that the committee should be aware of. This is considered when determining short and long term incentive awards.

Remuneration structure

SRFM's remuneration structures are designed to attract and retain talent at all staff levels, with an appropriate mix between fixed and variable pay. Remuneration packages are geared to the employee's level of influence and role complexity. The balance between guaranteed and variable pay is appropriately structured and does not reward risk taking outside the board approved risk mandates.

All employees have some level of variable pay. No long-term service agreements are entered into at senior management level and notice periods do not exceed three months.

The approach considered is that of aligning recognition, reward and remuneration to the strategy of the organisation and the achievement of its strategic objectives and KPIs; financial outcomes and the establishment of a value driven culture and the levels of employee engagement.

Each individual member of the team has been mapped to the relevant incentive schemes in the business being the Senior management scheme, the Specialist scheme and the General scheme as was approved by the Board.

For each of the different levels, there are financial KPIs which reference the business financials and an individual KPI section which is set for each person according to their role. The more senior the person, and the bigger impact he/she has on strategy and financial delivery, the higher the percentage linked to the business KPIs.

The extent to which employees have taken ownership of, and are passionate about and committed to the success of the organisation has been a key driver in the assessment of the achievement of the 2017 performance goals set.

The overall spread of the KPI ratings were determined by individual performance and aligned to the delivery of the underlying performance expectations of each member. 50% of the team achieved a score of 2 (partial achievement), 44% of the team achieved a 3 (fully achieved) and 6% a 4 (exceptional achievement).

Short term incentive financial KPIs

During 2017, the Board agreed the following KPIs

Weighting	KPI
60%	Distribution target (post capex)*
20%	Vacancies as a% of the total portfolio
20%	Net income budget* as approved by the Board
Discretionary award	L2D specific objectives, relates to executive directors only

- The above is adjusted for corporate action transaction costs incurred not budgeted.
- The points between the scale are interpolated on a straight line basis.

The weighted average business KPI outcome for 2017 was calculated as 68% and in addition discretionary awards for executive directors were in the range of 30%.

Increases

The guidelines that have been applied to the April 2018 increases are those set by the Remuneration Committee previously at 6%. These have been aligned to the bands in the business and the benchmarking initiative that was completed and approved by the Board in November 2017.

Consideration has been given to the retention risk of certain key individuals in the organisation; being a small team of specialists, the depth in terms of succession is limited within the current structure.

The average total increase proposed effective 1 April 2018 for all SRFM employees (excluding executive directors) is 5,53%.

Short term incentives

The 2017 incentives have been applied according to the rules set and approved by the Board. The incentive is funded by the Manager and within the forecasted number. For the individual portion of each person's KPI, the bands have been applied as per the agreed split between financial and individual delivery. The allocation for individual delivery has also been linked to the performance score and applied as set out below.

Performance rating	Incentive factor
Exceptional achievement (4)	120%
Fully achieved (3)	100%
Partially achieved (2)	80%

Remuneration processes

Benchmarking

SRFM employees are generally benchmarked to the 50th percentile as informed by market survey data. Where necessary, employees are paid closer to the upper quartile of the market to take cognisance of scarce skills. Proportionately higher guaranteed remuneration increases for lower staff levels have been implemented to narrow internal pay gaps.

Guaranteed bonuses

Guaranteed bonuses are made by exception in the context of hiring and only in relation to the first year. Payments of guaranteed bonuses are subject to meeting required performance standards.

Termination payments

Although there are no long-term employment contracts in place in SRFM, severance benefits may be required to be paid which are determined by reference to prevailing labour legislation and any precedents.

Governance

There is an appropriate governance process in place to approve all types of payments listed above. This includes a set delegation of authority with package proposals for new hires being approved by the chairman of the Remco or the full Remco when relevant.

Long-term Share Incentive Scheme

The Manager has adopted a bonus and incentive scheme for its employees. Lexshell 615 Proprietary Limited, a wholly-owned subsidiary of LHL, purchased 2 631 500 L2D units at an issue price of R9.50 a unit which are held for the trust that will be formed in terms of the rules of the incentive scheme.

At 31 December 2017, the L2D Restricted Participating Interest Plan Trust (L2D Trust) has been formalised and approved by the Board. However, although the trust deed has been submitted to the master it has not been registered yet.

Awards are in the format of fully paid-up units in L2D which are to be held in a trust subject to vesting conditions (service and performance) and will be forfeited if these conditions are not met during the performance measurement period.

PERFORMANCE CONDITIONS	• Awards granted are subject to vesting and/or performance conditions. The performance condition is for distribution growth in excess of the inflation rate. • A vesting scale for performance below target levels allows for proportionate vesting of long-term incentives. • Performance conditions will be tested at the date of vesting to the extent that the conditions are not met at this point, the relevant awards will reduce or lapse in line with the vesting scale. • Unvested shares are forfeited on termination of employment. • No re-testing of performance conditions is permitted.
VESTING PERIOD	• 3, 4, 5-year anniversary performance condition on all vestings.
OTHER	• Applicable distributions are paid to participants as and when paid by L2D. • No voting rights are attached to the units held in trust. • Units cannot be issued by L2D hence need to be acquired in the market. • Share awards are based on the L2D unit price one week prior to the last day to trade cum dividend on the JSE.

Remuneration Strategy and Policy (continued)

Implementation report

This component of the report provides details of the remuneration paid to executive and non-executive directors, including details of all awards made under variable remuneration incentive schemes.

Executive directors' remuneration

Executive directors' remuneration was determined in compliance with SRFM's remuneration policy. The Remco set executive director remuneration with due consideration to the performance, experience and responsibility of each director. This evaluation was informed by an extensive benchmarking of similar roles in companies comparable to L2D's size, industry and risk profile.

Executive directors – single figure disclosure in terms of King IV

The executive directors of the board at 31 December 2017 were the chief executive officer and the financial director, Amelia Beattie and José Snyders respectively. These positions qualify as board appointments in line with best practice, succession planning and JSE Listings Requirements.

Remuneration and benefits paid and payable and approved in respect of 2017 for executive directors are detailed below. The determination of the values in the table below is in accordance with King IV.

Executive Directors' remuneration

The remuneration of the two executive directors, A Beattie (Chief Executive Officer) and J Snyders (Financial Director) is in line with the remuneration policy of L2D.

The Remco sets executive director remuneration with due consideration to the performance, experience and responsibility of each director and is further informed by an extensive benchmarking of similar roles in companies comparable to L2D's size, industry and risk profile.

All members of the Board are informed about the predetermined performance indicators that executive directors are evaluated against and the remuneration of the executive directors is dependent on the completion of these key performance indicators (KPIs).

The Manager has implemented a share incentive scheme for staff which is effective during their tenure as employees of SRFM.

All executive directors are eligible for short and long-term incentive awards in line with the approved remuneration policy set out by the Remco.

Executive Directors

	2017			2016[2]		
Director	**Fixed remuneration (R)**	**Annual variable awards (R)**	**Long-term awards (R)**	Fixed remuneration (R)	Annual variable awards (R)	Long-term awards (R)
Amelia Beattie (CEO)	**2 806 000**	**2 250 000**	**278 000**	2 374 000	2 000 000	4 211 000
Jose Snyders (Incoming FD)	**2 067 000**	**1 750 000**	**2 566 000**	N/A	N/A	N/A
John Sturgeon (Outgoing FD) [1]	**3 443 000**	**1 000 000**	**573 000**	3 014 000	1 675 000	3 739 000
Total	**8 316 000**	**5 000 000**	**3 417 000**	5 388 000	3 675 000	7 950 000

N/A: Mr J Snyders was employed by the Manager on 1 January 2017 and appointed as the Financial Director on 23 March 2017 and accordingly no comparative disclosure is presented.

(1) Mr J Sturgeon resigned as the Financial Director on 23 March 2017.

(2) Includes salary for one month in respect of the Manager and L2D and for the period 1 January – 30 November 2016 received in respect of services to STANLIB Asset Management Limited.

Fair value of units issued to executive directors

Amelia Beattie (CEO)

Date granted	Price payable per share	Date fully vested	Opening balance	Shares/ Rights granted/ exercised/ forfeited)	Shares/ Rights at the end of 2017	Value on grant date (R'000)	Value on settlement 2017[1] (R'000)	Fair value at Year End 2017[2] (R'000)
LTIP			**421 053**		**421 053**	**4 000 004**		**3 515 793**
06-Dec-2016	R9,50	01-Mar-2020	140 351		140 351	1 333 335		1 171 931
06-Dec-2016	R9,50	01-Mar-2021	140 351		140 351	1 333 335		1 171 931
06-Dec-2016	R9,50	01-Mar-2022	140 351		140 351	1 333 335		1 171 931
Deferred Restricted participatory interests[3]				**375 865**	**375 865**	**3 640 257**		**3 138 473**
01-Mar-2017	R10,21	01-Sep-2018		32 647	32 647	333 326		272 602
01-Mar-2017	R10,21	01-Sep-2019		32 647	32 647	333 326		272 602
01-Mar-2017	R10,21	01-Sep-2020		32 649	32 649	333 346		272 619
01-Mar-2017	R9,50	01-Apr-2018		119 572	119 572	1 135 934		998 426
01-Mar-2017	R9,50	01-Apr-2019		158 350	158 350	1 504 325		1 322 223
			421 053	**375 865**	**796 918**	**7 640 261**	**–**	**6 654 265**

(1) Value of cash flow is calculated by multiplying the vesting price by the total participatory interests vesting and applying performance conditions where applicable.

(2) The fair value is calculated by multiplying the L2D share price as at 29 December 2017 of R8.35 by the total unvested participatory interests and applying performance conditions where applicable.

(3) Long-term awards granted while in the employment of STANLIB Asset Management Limited that were converted to units in L2D with the same vesting conditions.

José Snyders (Incoming FD)

Date granted	Price payable per share	Date fully vested	Opening balance	Shares/ Rights granted/ exercised/ forfeited)	Shares/ Rights at the end of 2017	Value on grant date (R'000)	Value on settlement 2017[1] (R'000)	Fair value at Year End 2017[2] (R'000)
LTIP					**366 451**	**3 449 996**		**3 059 866**
01-Mar-2017	R10,20	01-Mar-2020	40 849		40 849	416 660		341 089
01-Mar-2017	R10,20	01-Mar-2021	40 849		40 849	416 660		341 089
01-Mar-2017	R10,20	01-Mar-2022	40 851		40 851	416 680		341 106
01-Sep-2017	R9,02	01-Sep-2020	81 300		81 300	733 326		678 855
01-Sep-2017	R9,02	01-Sep-2021	81 300		81 300	733 326		678 855
01-Sep-2017	R9,02	01-Sep-2022	81 302		81 302	733 344		678 872
				–		**3 449 996**	**–**	**3 059 866**

(1) Value of cash flow is calculated by multiplying the vesting price by the total participatory interests vesting and applying performance conditions where applicable.

(2) The fair value is calculated by multiplying the L2D share price as at 29 December 2017 of R8.35 by the total unvested participatory interests and applying performance conditions where applicable.

John Sturgeon (Outgoing FD)

Date granted	Price payable per share	Date fully vested	Opening balance	Shares/ Rights granted/ exercised/ forfeited)	Shares/ Rights at the end of 2017	Value on grant date (R'000)	Value on settlement 2017[1] (R'000)	Fair value at Year End 2017[2] (R'000)
LTIP			**315 789**		**315 789**	**2 999 997**		**2 636 838**
06-Dec-2016	R9,50	01-Mar-2020	105 263		105 263	999 999		878 946
06-Dec-2016	R9,50	01-Mar-2021	105 263		105 263	999 999		878 946
06-Dec-2016	R9,50	01-Mar-2022	105 263		105 263	999 999		878 946
			315 789		**315 789**	**2 999 997**	**–**	**2 636 838**

(1) Value of cash flow is calculated by multiplying the vesting price by the total participatory interests vesting and applying performance conditions where applicable.

(2) The fair value is calculated by multiplying the L2D share price as at 29 December 2017 of R8.35 by the total unvested participatory interests and applying performance conditions where applicable.

Remuneration Strategy and Policy (continued)

Directors' interests

31 December 2017

Director	Beneficial units Direct	Indirect (LGL policies)
Amelia Beattie	**-**	2 466
John Sturgeon	**30 000**	31 311

There have been no changes to the interests of directors, including their families, in the units of L2D as disclosed above from 31 December 2017 to the date of approval of the financial statements, namely 16 February 2018.

31 December 2016

Director	Beneficial units Direct	Indirect (LGL policies)
Amelia Beattie	**-**	2 541
John Sturgeon	**60 000**	30 000

Non-Executive Directors

To ensure independence of the independent Non-Executive Directors, L2D has created a fair and non-incentivised remuneration policy for these directors.

No short-term incentives are paid to any Non-Executive Director based on the performance of L2D or any other indicators that may be dependent on the directors and the decision-making process of the Board. This includes the absence of any long-term incentive schemes where assets accrue to the Non-Executive Directors based on L2D performance.

Non-Executive Directors are only remunerated based on their appointment to the Board and committees of L2D. Directors are paid a fixed yearly amount based on the roles that were held by each specific Non-Executive Director. The rates are based on a detailed benchmarking process incorporating the responsibility placed on the director, the market rates payable within the sector for similar directorship roles and experience of the director.

We have included a detailed analysis of the directors' remuneration in the table below:

Non-Executive Directors

Director	**2017** Remuneration for services as director (R)[1]	**2017** Other Liberty group (R)[2]	2016 Remuneration for services as director (R)[1]	2016 Other Liberty group (R)[2]
AWB Band	**312 500**	**1 590 050**		
MG Ilsley [4]	**332 500**	**923 342**	130 000	1 597 900
WE Cesman[3]	**793 587**		176 248	
MP Moyo [4]	**187 500**	**258 550**	187 500	1 288 400
L Ntuli	**133 333**			
Total	**1 759 420**	**2 771 942**	493 748	2 886 300

(1) Non-executive directors were appointed to the Board of the Manager on 17 June 2016. The remuneration is based on an annual fee and was paid for three months' service during 2016. Liberty Two Degrees was listed on 6 December 2016. Approximately ⅓ of the fees was for services rendered for Liberty Two Degrees.

(2) Other Liberty Group is defined as LHL and its subsidiaries excluding L2D. The comparative amount reflects the total fees for the full 2016 year.

(3) Mr WE Cesman received a composite fee of £45 000 for the full 2017 year (2016: £10 012 for the three months ended 31 December 2016).

(4) Resigned during the 2017 year.

SUSTAINABILITY REPORTING

Sustainability Reporting

Introduction

L2D is cognisant of and respects the value that sustainable businesses play in communities and in their economic segments. We continue to focus on understanding and improving relationships with stakeholders who are directly and indirectly involved in our trading activities, as well as the complexities around the management of these relationships. L2D has recently implemented a sustainability policy and is working closely with the Liberty Group to improve its sustainability efforts.

The continuous monitoring of financial and non-financial indicators has assisted L2D in drafting this report to enable us to gain a better understanding of the sustainability of our business as well as what may be done to further improve this.

During the year under review, the Board determined several factors of significant importance to the sustainability of L2D and these are reported on below.

Delivering value through sustainable financial results

L2D remains committed to delivering robust returns to its investors over the medium and long-term. This goal is supported by the nature of the properties held by L2D, which are premium and iconic in the communities which they serve. The quality of these properties ensures that these shopping centres remain prime lifestyle and leisure destinations even during South Africa's unstable economic climate.

For a more detailed overview of the financial performance of L2D in the 2017 financial year, please refer to the annual financial statements.

Socio-economic and political uncertainties have had a significant effect on the retail industry in South Africa. This has affected all the sectors exposed to retail activities and will have an indirect impact on L2D in 2018.

Despite the reduction in the market capitalisation, the market value of the property portfolio has improved significantly year on year from R6.06 billion to R8.7 billion (a 43.5% increase) post the exercise of the Put Option by LGL in July 2017 whereby L2D acquired a further 9% of the co-owned LPP assets for an amount of R2.51 billion.

Distribution per unit

The key measurement metric used by management to assess the performance of L2D, for trading statement purposes, is the distribution to unitholders.

L2D is required to distribute all earnings that are available to unitholders, given the significant importance of distributions to investors in REIT funds. Management strives to maintain profitability to ensure sustainable distributions to unitholders and all decisions made by management were assessed based on the effect on the distribution per unit.

All available earnings were distributed to unitholders of L2D, reflecting the profitability and sustainability of the business.

A challenging year placed the distribution per unit under pressure. An interim distribution of 30.00 cents per unit was declared and paid in respect of the six months ended 30 June 2017. The final distribution of a further 29.22 cents per unit was approved by the Board on 16 February 2018.

Rental Income

The rental income has grown despite the negative trend in industry averages. This robustness of the property portfolio ensured reliable rental income levels during the year under review. The uncertain economic climate has resulted in targeted rental income not being achieved.

L2D has increased its exposure to international well-known brands in all the shopping malls and will continue to increase the retail space rented out to international brands. This strategy has been agreed upon by the Board based on the positive results from the current initial international offerings.

L2D understands the important link between rental income from tenants and the financial performance of the tenants that occupy the properties. Therefore, to ensure continued growth in rental income, L2D continually improves the quality of its shopping centres and evaluates the needs of shoppers to ensure high trading densities and foot count.

Market value of the properties

The Board of L2D places significant emphasis on maintaining the value of the property portfolio to ensure continuous growth, in line with market expectations.

The largest value driver in generating revenue for all stakeholders lies in the nature of the property portfolio and effective management to secure the best possible valuations.

Our properties are valued bi-annually by independent third-party valuation service providers. Our valuation methodologies are kept consistent but also reviewed regularly to ensure appropriate values that do not fluctuate significantly year on year.

The valuations are also important in the monitoring of the portfolio and assist management in evaluating performance and benchmarking returns based on the actual market value of the properties to ensure that the service received is effective.

Cost Management

The nature of the industry means that L2D is heavily dependent on certain service providers and suppliers. Large monthly expenses relating to electricity and water can only be procured from one supplier hence there are no cost-effective alternatives.

To minimise the impact of this constraint, the Board will implement certain cost management plans to ensure:

- Efficient management of utility expense accounts and the improvement of efficiency to reduce the monthly costs and avoid wasteful expenditure.
- Improved methods to increase the recovery of costs from tenants without overburdening tenants and creating a negative trading environment.

Careful cost management in the year under review has enabled L2D to maintain cost to income ratios that are consistent with prior periods and better manage usage.

L2D sustainability initiatives

Iconic shopping experience

L2D's investment strategy focuses on the acquisition of iconic and well-known shopping centres with established reputations as premium quality shopping destinations. These shopping centres are based in large, well-established business nodes enabling these properties to act as both leisure and shopping destinations, serving predominantly mid to high-income earners. These individuals are usually less affected by the significant pressures from economic downturns as they are formally employed and financially less exposed.

As a result, these shopping centres are expected to yield higher, sustained foot counts and subsequently higher trading densities as well as higher market rental rates.

The 29th edition of Cushman & Wakefield's report: *Main Streets Across the World* indicates that L2D owns two of the top three richest properties in South Africa with Sandton City ranked 1st and Eastgate ranked 3rd.

Understanding the needs of tenants and shoppers

Maintaining and building on the iconic status of our property portfolio and ensuring the highest quality value proposition remains of utmost importance to L2D's management team.

The key factors that we focus on to achieve this goal, are listed below.

Diversified and unique tenant mix

To attract the highest densities of shoppers and create a sustainable shopping environment, a good tenant mix is fundamental.

L2D has employed experienced and skilled property analysts to continuously monitor global and local retail trends to enable us to adapt our tenant mix timeously and effectively without incurring any significant risk of losses and increased vacancy rates.

Staying abreast of trends in the global retail environment and ongoing engagement in face to face meetings with global brands enable us to be more proactive, enhancing our competitiveness. This gives us the opportunity to negotiate with prospective and existing tenants to enter into exclusive agreements to obtain the rights to open flagship stores.

L2D is well positioned to cater for the increase in the demand for international brands and has built a reputation for being the destination of choice for the debut of some of the largest and most exclusive international brands within South Africa. It is this reputation and our effectiveness in servicing these brands that has enabled us to establish effective and profitable contracts with international brands.

The following international brands opened new stores at L2D properties in 2017:

Paul Smith	Ted Baker
Longchamp	Jo Malone
Michael Kors	Plein Sports
Skins	Underarmour
Breitling	Kappa
NYX	

Premium lifestyle and leisure destinations

The ability to understand and pre-empt the needs of customers is paramount to developing new and unique experiences that enable L2D to remain a premium lifestyle and leisure destination. L2D continues to explore innovative and more effective ways of engaging as well as understanding and pre-empting the needs of shoppers and tenants without being invasive.

L2D has installed a new foot count system (Syenap) at Sandton City, Nelson Mandela Square, Liberty Midlands Mall and Eastgate Shopping Centre. This system uses a new methodology to accurately and comprehensively capture foot count data including demographics, age groups, dwell times and areas. These shopper insights contribute to vital business decision-making as they are utilised to improve leasing and marketing strategies enabling more effective asset management and strategic planning.

With consumers seeking to be connected on the go, our free and fast Wi-Fi connectivity roll-out across most of our properties enhances the shopper experience and enables more targeted shopping centre-related content.

To further improve the convenience of visiting our shopping centres, we are rolling out the Admyt license plate recognition system, which is cashless and ticketless. The system was recently installed at Sandton City and Nelson Mandela Square and will be implemented across the entire L2D property portfolio.

Our development pipeline also contributes to address the needs identified. This entails:

- The construction of Melomed Hospital in Richards Bay was completed in July 2017 and the tenant took beneficial occupation in August 2017. Final commissioning took place in November 2017 and operations commenced in January 2018.

Sustainability Reporting (continued)

- The development work at Midlands Mall Phase 3 in KwaZulu-Natal is progressing well with the opening scheduled for March 2018. The development is already 83% let with Checkers and Planet Fitness having taken beneficial occupation to fit-out their premises.
- The planned development activity at Sandton City is underway. This includes the redevelopment of Level 2 to create a new section dedicated to family fun, entertainment and food. It entails a new cinema offering and the launch of the first Hamleys World in South Africa by May 2018. The food court will also be revitalised to create a more appealing environment for shoppers.

Building strong and sustainable social relationships

A sustainable business is built on a bedrock of long-term, invested relationships with all stakeholders – regardless of their size and the impact on the business.

Equity holders are the most vital stakeholder in any commercial business as they provide the financial capital to commence, help sustain and grow the business. To help the business achieve this growth, we recognise the value of the Board in providing adequate governance structures and appointing a management team that is appropriate to realising the business's strategic imperatives.

We therefore believe it is critical to identify and partner with other key stakeholder groups who can provide the capital in the form of talent and other resources that materially influence the value drivers of the business model and subsequently its success.

That said, we also focus on understanding the limitations to this capital and the ability to either renew or find alternative sources on an ongoing basis. The key stakeholders we actively engage with on an ongoing basis to ensure that an optimal balance of the respective objectives is attained, include that these listed below.

Investors

Source of capital and value driver of market capitalisation, these stakeholders expect sustainable and positive returns for their continued investments.

Customers

Tenants: Tenants are the primary customers of L2D and we understand the importance of pre-empting and satisfying their needs. Our tenant assessments are rigorous with significant time spent in assessing their business model requirements and determining whether they are the correct fit for our property portfolio. We also regularly evaluate the administration management function between JHI and our tenants to ensure that our tenants are effectively serviced.

Shoppers: While shoppers are our secondary customers they have a direct impact on the performance and quality of the tenants that rent space within our portfolio and hence, shopper satisfaction is of paramount importance to ensure a sustainable rental income stream.

Suppliers

Key Suppliers: L2D depends on a few key suppliers who are paramount to our operations. These include utility providers such as Eskom and local municipalities that cannot be replaced.

JHI: JHI is the property management company contracted to assist us in managing the operations at our various properties. The significant interaction between this supplier and customers underpins the importance of having open and clear communication channels.

Communities

We continue to focus on maintaining effective relationships with members of the communities in which we operate to deliver mutual value. Part of this focus is on investing in the development of these communities as discussed in more detail below.

Caring for our Environment

L2D understands the impact that large-scale commercial properties, which attract millions of consumers annually, can have on access to resources and the natural environment (especially given their significant carbon footprints).

The demand for resources is fast outgrowing the limited supply and combined with the social, political and economic challenges in South Africa, increases the need to reduce the dependency on resources to engage in more sustainable, self-generation methods.

In its plans for the future, L2D has committed significant capital resources to improve the environmental sustainability of the assets included in the property programme portfolio. L2D is implementing a comprehensive sustainability programme to ensure that the consumption of resources is being managed efficiently and that sustainable growth can be managed in future periods.

The long-term goal of the sustainability plan is to ensure that all the properties in the portfolio achieve a minimum 4-star rating accreditation from the Green Building Council of South Africa. Management aims to achieve this goal within 24 months of the date of this report.

L2D understands the importance of obtaining an understanding of the current sustainability levels of all the properties in the portfolio and is currently benchmarking all the properties to industry norms and standards.

The current upgrades at the Sandton City Complex are being implemented based on consultation with experienced sustainability consultants appointed to assist L2D to improve the sustainability of the entire portfolio.

Water Management project

L2D has recently implemented Zero Water initiatives at the Liberty Promenade Mall in Mitchells Plain, Cape Town. The water crisis presents a unique opportunity to create a property that requires little to no water from the municipal grid and assists in alleviating the pressure currently being placed on water resources in Cape Town. The project is estimated to be completed in July 2018.

In order to achieve this, significant projects are being implemented to create its own water plant, including:

- Building a rain water harvesting plant;
- Cleaning and reusing grey and black water created during daily activities; and
- Implementation of water saving utilities and plumbing.

This project will serve as a pilot project that will be rolled out to all the properties in the portfolio once it has been completed and evaluated.

Producing renewable energy

L2D is rolling out energy projects to improve energy consumption and to create sources of renewable energy to reduce the reliance on external service providers.

Currently in the planning phase is the installation of photovoltaic (PV) cells on the roof of Liberty Midlands Mall as part of the Phase 3 development. The goal is to build a powerplant with the capability of producing approximately 1.1 megawatts of renewable energy. The project is estimated to be finalised during July 2018.

The installation of PV cells also assists with the harvesting of rain water and subsequently improves the water consumption rating of the building.

Usage management

L2D has committed itself to improve the usage habits of its tenants. L2D appreciates the importance of this and the challenges to change people's and business behaviours. L2D has developed focused strategies to create a shift in mind-set on the usage of resources. The main focus of these plans is to provide information and incentivising reduced consumption.

Smart metering will be installed for each tenant in all the properties. This will enable tenants to track their consumption to better understand their monthly usage. This project is already underway throughout the property portfolio.

Upon the conclusion of the plan to create off the grid properties, management will implement all-inclusive rental contracts with a fixed fee structure that will be payable by tenants for all services and utilities. Based on usage, monthly consumption will be evaluated and any significant overconsumption will be penalised severely to motivate lower consumption.

Waste Management

A sustainability plan for waste management is currently in the development phase and will be finalised and tested in 2018. The plan is focused on the management of solid waste and on systems that can be implemented to ensure the highest level of recycling and reusing of waste created.

In conjunction with JHI, L2D has implemented several cost-saving tools to ensure a reduction of the use of these resources with the added benefit of reducing supplier costs.

In conjunction with the Liberty Group, all indicators relating to carbon footprints were monitored and managed, resulting in a decrease in the consumption of resources.

The most recent available figures of the benchmarking process were the 2016 figures. These figures are noted below and include the consumption of various resources across the L2D property portfolio.

Indicator	2016
Electricity consumption at owned properties (MWh)	242 518 347
Total portfolio water consumption (kilolitres)	1 022 529
Tonnage of waste to landfill: shopping centres	6, 015

SRFM sustainability initiatives

Encouraging ethical and committed behaviour

SRFM has implemented KPIs that promote ethical behaviour and aim to achieve sustainable performance.

These KPIs were created on three pillars, including:

- Accountability
- Care
- Excellence

The aim is to promote behaviour that goes further than short-term financial results. Long-term skills transfer, relationship building and ethical behaviour are all large drivers of the KPIs used to assess the performance of managerial and non-managerial staff.

Through these performance objectives and setting the tone at the most senior level within the business, SRFM ensures that employees engage in ethical behaviour at all times and are building sustainable relationships both internally and externally.

Developing employee competencies

Creating an engaged workforce that is invested in the well-being of L2D can be a key differentiator, leading to new opportunities and enhancing the competitiveness of the business.

SRFM's employees are at the heart of all we do and play a pivotal role in the implementation and execution of policies set out by the Board.

SRFM has a small and efficient workforce with strong academic qualifications and experience.

Education level achieved	Total number of employees	Percentage of total employees
Secondary education	17	100%
Tertiary Education	16	94%

Sustainability Reporting (continued)

Retaining skills and experience

The shortage of skills in specific specialised fields has resulted in an increase in headhunting that has affected SRFM in the period under review. The Board has implemented a plan of action to mitigate the risk of talent exiting the business and the success is reflected in staff turnover of only 5.13% in the 2017 financial year. To combat the risk of staff retention, the plan of action implemented by the Board comprises:

- Engagement with staff by executive management members to identify their needs and to create long-term working relationships.
- Implementation of bonus structures that effectively remunerate and encourage hard-working and committed individuals.
- Benchmarking of remuneration structures.
- Customised Key Performance Indicators and Personal Development Plans for all members of staff.
- Long-term incentive awards.

Skills Development

SRFM encourages continued development of employees. The small and agile team enables management to focus on providing employees with the best third-party education opportunities and also assists employees through the bursary programme to further their studies.

SRFM has provided significant financial assistance to employees furthering their studies. During the 2017 year, the following amounts were allocated to the provision of financial support to employees:

Qualification	Spend
Training conferences	R159 085
Training courses	R96 121
Bursaries	R6 830

Investing in our communities

SRFM is serious about making a positive contribution to the communities in which we operate.

We have implemented several social development programmes (particularly in education) to help address the equality challenges inherent in the South African context and the unique socio-economic challenges facing people daily.

SRFM is sponsoring a leg of the Make a Difference (MAD) Foundation's annual fundraiser, which is a unique event in which a group of selfless individuals run from Johannesburg to Cape Town covering a distance of 1 520km in just seven days. The MAD Foundation offers scholarships to academically talented young leaders and believes education to be the best way of improving one's standing in life.

Some of the shopping centre project highlights are:

Shopping Centre	Project
Sandton City	SPCA – Gift wrapping kiosk at Sandton City
Nelson Mandela Square	2017 Mandela Day Donate a Can
Nelson Mandela Square	Job creation – Portrait artists
Nelson Mandela Square	Carols on the Square
Liberty Promenade	Generation Green recycled fashion show
Liberty Promenade	Oaky Inter-School Stage Play competition

Diversity for sustainable future growth

SRFM is committed to sustainable transformation across its operations and recognises the benefits of a diversified workforce in terms of varied experiences, insights and perspectives, amongst others.

The Board is ultimately responsible for ensuring that SRFM meets its South African transformation targets. SRFM adheres to the Employment Equity Act, No. 55 of 1998, and the Property Services Charter. Our employment equity plan is part of our people strategy, which includes talent management and leadership development. The plan comprises numerical affirmative action targets, which are included in executive managements' Key Performance Indicators.

The following results were obtained in the current period under review on the diversity figures of SRFM.

	Number of employees	% of total employees
Permanent employed individuals	17	100
Female employees	12	71
Black female employees	9	53
Black employees	11	65
Disabled employees	0	0

80% of all new appointments were classified as African, Indian and coloured and 60% of new appointments were female.

SRFM has a well-balanced age profile in the work force and understands the importance of this balance to ensure a more complete consideration of all factors that will affect business decisions and effective business continuity.

Age Bracket	Number of employees	% of total employees
<26	1	5.90
26 – 35	6	35.30
36 – 45	6	35.30
46 – 55	4	23.50
>55	0	0

ANNUAL FINANCIAL STATEMENTS

Preparation of annual financial statements

The preparation of the annual financial statements of Liberty Two Degrees for the year ended 31 December 2017 was supervised by José Snyders CA(SA) in his capacity as financial director.

These annual financial statements have been audited by PricewaterhouseCoopers Inc. in accordance with the requirements of the Collective Investment Schemes Control Act of 2002 and are available free of charge on the request of an investor and are available on the Liberty Two Degrees website. Copies of the audited annual financial statements of STANLIB REIT Fund Managers (RF) Proprietary Limited are available free of charge on the request of an investor.

Directors' responsibilities and approval

The directors are responsible for the preparation and fair presentation of the financial statements of L2D. These financial statements comprise the statement of financial position as at 31 December 2017, the statements of comprehensive income, changes in participatory unitholders' capital and reserves and cash flows for the year ended, the accounting policies and the notes to the financial statements, in accordance with International Financial Reporting Standards (IFRS), the requirements of the Collective Investment Schemes Control Act of 2002, the Companies Act and the JSE Listings Requirements. In addition, the directors are responsible for preparing the directors' report.

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

The directors have made an assessment of the ability of L2D to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

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

Approval of the financial statements

The financial statements of L2D, as identified in the first paragraph, were approved by the Board on 16 February 2018 and are signed by

AW Band
Chairman

A Beattie
Chief executive officer

16 February 2018

Report of the audit and risk committee

for the year ended 31 December 2017

The Audit and Risk Committee is a sub-committee of the Board of STANLIB REIT Fund Managers (RF) Proprietary Limited, the Manager of Liberty Two Degrees Trust Scheme (Liberty Two Degrees), and under its mandate has responsibility for the audit committee function of Liberty Two Degrees. Notwithstanding the unincorporated status of Liberty Two Degrees, the Audit and Risk Committee's mandate includes voluntary compliance with the relevant provisions of the Companies Act applicable to audit committees, as well as adherence to the recommendations of King IV regarding the responsibilities of audit and risk committees.

- Liberty Two Degrees was registered under the Collective Investment Schemes Control Act (CISCA) on 28 October 2016 and listed on the JSE on 6 December 2016. The audit and risk committee has held four meetings during the year.

- The Audit and Risk Committee considered and satisfied itself of the overall appropriateness of the finance function's resources, experience and expertise as well as the experience and expertise of the financial director, who is responsible for the financial function. The committee has ensured that the appropriate financial reporting procedures have been established and are operating.

- The Audit and Risk Committee has, in compliance with paragraph 3.84(h)(iii) of the JSE Listings Requirements, assessed the suitability for appointment of the auditors and the designated audit partner, and is satisfied with the appointment of the external auditors and evaluation of their fee proposals and independence and quality of the external audit providers.

The following matters were discussed by this committee at its meetings during the period under review:

- A review of the mandate of the committee.
- Evaluation of external audit function and audit plans.
- Establishment and maintenance of a combined assurance plan.
- The evaluation of the internal audit resources and audit plans.
- The implementation of a risk management process, which includes a provision specifically prohibiting L2D from entering into any derivative transactions that are not in the normal course of its business for the ensuing financial year.
- The methodologies used for property valuations and approval of final values proposed.
- The evaluation and response to significant risks.
- IT Governance as part of the combined assurance model.
- The evaluation of litigation risks.
- The financial performance of L2D and the appropriateness of the finance function.
- All matters relating to regulatory compliance and the maintenance of the current REIT status.
- The composition of the committee and the change of its members.
- Accounting matters and approval of the annual financial statements.
- Interim financial results.
- Review of the implementation of the Put Transaction.
- Approval of distributions proposed.
- Going concern evaluation.
- Review of results announcement and investor presentation.
- Review of audit findings of internal and external audit.

- The committee intends to meet quarterly in the 2018 financial year.

On behalf of the Audit and Risk Committee

W Cesman

Chairman of the audit and risk committee

16 February 2018

Trustee's report to participatory interest holders

for the year ended 31 December 2017

As Trustees to the Liberty Two Degrees Scheme (the Scheme), we are required in terms of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002) (the Act) to report to participatory interest holders on the administration of the Scheme during each annual accounting period.

We advise that for the year ended 31 December 2017, we reasonably believe that the Manager, STANLIB REIT Fund Managers (RF) Proprietary Limited, has administered the Scheme in accordance with:

(i) the limitations imposed on the investment and borrowing powers of the Manager by the Act; and

(ii) the provisions of the Act and the relevant deeds.

We confirm that, according to the records available to us, there were no material instances of compliance contraventions and therefore no consequent losses incurred by the Liberty Two Degrees (L2D) portfolio in the year.

Yours faithfully

Nelia De Beer **Marian Rutters**

On behalf of RMB Trustee Services, a division of FirstRand Bank Limited

Johannesburg

16 February 2018

Independent auditor's report

for the year ended 31 December 2017

To the Participatory Interest holders of Liberty Two Degrees

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Liberty Two Degrees (the Fund) as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Liberty Two Degrees' financial statements set out on pages 73 to 101 comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in participatory unitholders capital and reserves for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

OVERALL MATERIALITY	R25,7 million, which represents 5% of the Fund's total earnings.
Audit scope	The audit was performed by us with the assistance of other auditors under our instruction that performed a specific scope audit on certain financial statement line items in relation to the Fund's undivided share in the Melrose Arch Precinct.
Key audit matters	Valuation of investment properties at year-end of R8.7 billion.

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

Materiality

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

Independent auditor's report (continued)
for the year ended 31 December 2017

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

OVERALL MATERIALITY	R25,7 million.
How we determined it	5% of the Fund's total earnings.
Rationale for the materiality benchmark applied	We chose total earnings as the benchmark because, in our view, it is the benchmark which best represents the performance of the Fund as most commonly measured by users and is a generally accepted benchmark for profit-oriented entities. We chose 5% which is consistent with quantitative materiality thresholds used for widely held, public companies.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, and the industry in which the Fund operates. The Fund holds a 7.7% undivided share in Melrose Arch. To enable us to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Fund's financial statements as a whole, we instructed other auditors to perform an audit of specific material line items of the statement of comprehensive income and statement of financial position in relation to the Melrose Arch Precinct.

Key audit matters

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of investment properties at year-end of R8,7 billion (Note 5) The majority of the Fund's investment property is comprised of retail investment property. At 31 December 2017, the carrying value of the Fund's total investment property portfolio was R8,7 billion representing a R2,7 billion increase compared to the prior year. The increase mainly relates to the acquisition of an additional 9% undivided share in investment properties from the Fund's fellow subsidiary, Liberty Group Limited and R25 million representing a decrease in the fair value of the properties. The Fund's accounting policy is to measure investment properties at fair value using the discounted cash flow approach. The value of investment properties is dependent on the valuation methodology adopted and the inputs into the valuation model. Factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property directly impact fair values.	We obtained the latest independent property market reports to understand the prevailing market conditions in which the Fund invests. We updated our understanding of and tested the relevant controls related to: • Entering and amending of leases in support of contractual rental income; • Setting and approval of budgets by the Fund; • Detailed analysis of forecasts and trends against actual results that inform management of the business; and • Board approval of the valuations obtained. In respect of the appraisers we: • considered their objectivity, independence and expertise by inspecting the external appraisers' valuation reports for a statement of independence and compliance with generally accepted valuation standard; and • confirming the external appraisers' affiliation with the relevant professional body.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Amongst others, the following assumptions are key in determining the fair value: • exit capitalisation rates; and • discount rates. The fair value of the investment properties were determined with reference to the Fund's valuation policy. This policy requires all properties to be externally valued by qualified real estate appraisers (the appraisers). We considered the year-end valuation of the properties a matter of most significance to our current year audit because of the: • significant judgement required in determining the exit capitalisation, discount rates and minority discounts to fractional ownership in certain instances; • relative size of the investment properties in the statement of financial position; and • the increase in the investment property balance as a result of the additional undivided share acquired as well as the valuation loss during the year.	On a risk-based sample basis, we independently tested the calculation of the fair values in the appraisers' valuation reports by performing, the following procedures, which included: • Utilising our internal property valuation experts to assess the appropriateness of the valuation methodology; • Considered the applicability of minority discounts to fractional ownership; • Assessing the reasonableness of the cash flows, growth, exit capitalisation and discount rates against market-related data for similar investment properties noting no exceptions; • Independent recalculation of the accuracy of the valuations; and • We inspected the final valuation reports and agreed the fair value to the Fund's accounting records noting no exceptions.

Other information

The directors of STANLIB REIT Fund Managers (RF) Proprietary Limited (the Manager or the Directors) are responsible for the other information. The other information comprises the information included in the *Liberty Two Degrees annual financial statements*, which we obtained prior to the date of this auditor's report, and the other sections of the *Liberty Two Degrees integrated report and annual financial statements*, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report (continued)

for the year ended 31 December 2017

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

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

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

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

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: A du Preez
Registered Auditor

Waterfall

16 February 2018

Statement of financial position

as at 31 December 2017

R'000	Notes	2017	2016
Assets			
Non-current assets		**8 708 712**	6 060 439
Investment properties	5.2	**8 629 809**	5 997 200
Investment properties under development	5.3	**78 903**	63 239
Current assets		**396 888**	2 868 431
Trade and other receivables	6	**168 793**	91 871
Financial investments	7	**211 772**	2 774 878
Cash and cash equivalents	8	**16 323**	1 682
Total assets		**9 105 600**	8 928 870
Liabilities			
Current liabilities			
Trade and other payables	9	**146 796**	168 449
Total liabilities		**146 796**	168 449
Participatory unitholders capital and reserves			
Capital	11	**8 663 950**	8 663 855
Retained surplus		**265 406**	44 063
Non-distributable reserve	12	**29 448**	52 503
Total unitholders' funds		**8 958 804**	8 760 421
Total unitholders' funds and liabilities		**9 105 600**	8 928 870

Statement of comprehensive income

for the year ended 31 December 2017

R'000	Notes	2017	2016[1]
Property portfolio revenue		**665 854**	43 924
Rental and related income	13	**692 835**	46 665
Adjustment for the straight-lining of operating lease income	5	**(26 981)**	(2 741)
Property operating expenses	14	**(236 709)**	(14 391)
Net rental and related income		**429 145**	29 533
Administration expenses	15	**(4 142)**	(887)
Net property income		**425 003**	28 646
Asset management fee	16	**(34 599)**	(2 202)
Profit from operations		**390 404**	26 444
Net interest		**115 063**	14 878
Interest income		**135 001**	14 878
Interest expense	5.4	**(19 938)**	–
Dividends received on financial instrument		**5 492**	–
Loss on disposal of financial instrument		**(460)**	–
Profit before fair value adjustments		**510 499**	41 322
Net fair value adjustments on investment properties		**2 319**	55 244
Fair value adjustments on investment properties	5	**(24 662)**	52 503
Adjustment for straight-lining of operating lease income	5	**26 981**	2 741
Fair value adjustments on equity instrument	7	**2 067**	–
Total earnings		**514 885**	96 566
Basic and diluted earnings per unit			
Basic earnings per unit (cents)	3	**56.68**	11,21
Fully diluted earnings per unit (cents)	3	**56.68**	11,21

(1) L2D listed on the JSE on 6 December 2016. The statement of comprehensive income reflects one month's operations.

Statement of changes in unitholders' capital and reserves

for the year ended 31 December 2017

R'000	Capital	Non-distributable reserves	Retained earnings	Total
Units issued in exchange for the undivided share in property	6 000 000			6 000 000
Units issued for cash upon listing	2 780 212			2 780 212
Transaction costs for issue of new units	(116 357)			(116 357)
Total earnings for the period			96 566	96 566
Fair value adjustment on financial investment properties transferred to non-distributable reserve		52 503	(52 503)	–
Distribution to unitholders			–	–
Balance at 31 December 2016	8 663 855	52 503	44 063	8 760 421
Reversal of transaction costs for issue of new units	**95**			**95**
Total earnings for the period			**514 885**	**514 885**
Fair value adjustment on investment properties transferred to non-distributable reserve		**(24 662)**	**24 662**	**–**
Fair value adjustment on financial investment transferred to non-distributable reserve		**2 067**	**(2 067)**	**–**
Loss on disposal of financial investment transferred to non-distributable reserve		**(460)**	**460**	**–**
Distribution to unitholders			**(316 597)**	**(316 597)**
Balance at 31 December 2017	**8 663 950**	**29 448**	**265 406**	**8 958 804**

Statement of cash flows

for the year ended 31 December 2017

R'OOO	Notes	2017	2016
Cash flows from operating activities		**127 248**	120 809
Cash generated by operations	18	**328 782**	105 931
Interest received on financial investment	7.2	**133 801**	14 878
Bank interest received		**1 200**	–
Interest paid	5.4	**(19 938)**	–
Distribution to unitholders	19	**(316 597)**	–
Cash flows from investing activities		**(112 702)**	(2 782 947)
Expenditure on investment properties	5.2	**(121 205)**	(8 069)
Expenditure on investment properties under development	5.3	**(43 765)**	–
Acquisition of investment properties	5.2	**(2 476 555)**	–
Acquisition of investment properties under development	5.3	**(36 350)**	–
Investment in financial instruments – mutual funds	7.2	**2 716 799**	(2 774 878)
Investment in financial instruments – equity instrument	7.2	**(182 725)**	–
Disposal of financial instruments – equity instrument	7.2	**31 099**	–
Cash flows from financing activities		**95**	2 663 820
Units issued for cash on listing		**–**	2 780 212
Transaction costs reversal/(incurred) for issue of new units	11	**95**	(116 392)
Net increase in cash and cash equivalents		**14 641**	1 682
Cash and cash equivalents at the beginning of the year		**1 682**	–
Cash and cash equivalents at the end of the year	8	**16 323**	1 682

Notes to the financial statements
for the year ended 31 December 2017

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

1 Accounting policies

1.1 Statement of compliance

L2D's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, interpretations issued by the IFRS Interpretations Committee (IFRS IC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Collective Investment Schemes Control Act of 2002 and the Listings Requirements of the JSE Limited.

1.2 Basis of preparation

The L2D financial statements have been prepared on the historical cost basis modified for the fair value adjustment of investment property measured in terms of IAS 40 and financial assets and financial liabilities measured in terms of IAS 39. The financial statements are prepared on the going concern basis. These are presented in Rand which is L2D's functional currency, and all values are rounded to the nearest thousand (R'000), except where otherwise indicated.

1.3 Acquisition of assets under common control

Transactions in which assets or businesses are ultimately controlled by the same party before and after the transaction and where that control is not transitory, are referred to as common control transactions. Where a transaction meets the definition of a common control transaction, predecessor accounting is applied. Any costs directly attributable to the acquisition are written-off to reserves.

Predecessor accounting values assets and liabilities using the existing carrying value on the effective date with no goodwill or bargain purchase price being recognised. Any excess/deficit of the purchase price over the pre-combination recorded ultimate holding company's carrying values is adjusted directly to equity.

1.4 Investment property

Investment property is property held to earn rental income or for capital appreciation or both, and that is not occupied by L2D. Investment property also includes property that is being constructed or developed for future use as investment property.

1.4.1 Investment property

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

After initial recognition, investment property is measured at fair value, which takes into account characteristics that market participants would consider at the statement of financial position date. Fair values are determined annually by external independent registered valuers on the open market value basis. The valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of both methods to determine fair value.

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

Immediately prior to disposal of investment property, the investment property is revalued to the net sales proceeds and such revaluation is recognised in profit or loss in the period during which it occurs.

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

1.4.2 Investment property under development

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

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

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditure for the development qualifying as acquisition costs, are capitalised.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the asset is substantially ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of development cost financed out of general borrowings, the applicable capitalisation rate is the weighted average cost of borrowings.

Notes to the financial statements (continued)

for the year ended 31 December 2017

1 Accounting policies (continued)

1.5 Equity

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

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

1.5.1 Distributions to participatory interest holders

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

- Distributions payable are recognised as a liability once the amount for distribution has been determined and declared by the board. Distributions exclude items arising as a result of:
- the realised and unrealised fair value adjustments to investment properties;
- the unrealised gains and losses in respect of the fair valuing of financial assets through profit and loss;
- the realised gains and losses on the disposal of financial instruments;
- the straight-lining of lease income; and
- the amortising of upfront lease costs over the period of the leases to which they relate.

1.5.2 Non-distributable reserves

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

1.6 Financial instruments

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

Financial assets:

- L2D classifies its financial assets at initial recognition into categories, namely:
- Held at fair value through profit or loss; and
- Loans and receivables.

The classification depends on the purpose for which the asset was acquired. In general, financial assets are designated as at fair value through profit or loss, in line with managements' strategy that actively measures performance on a fair value basis.

- Subsequent to initial recognition these instruments are measured as set out below:
- Financial assets carried at fair value through profit or loss – subsequent to initial recognition, the fair value is remeasured to fair value at each reporting period. Interest earned on cash invested with financial institutions is recognised separately from the fair value.
- Loans and receivables – non-derivative financial assets, with fixed or determinable payment dates that are not quoted in an active market other than those that are originated with the intention of sale immediately or in the short-term or that have been designated at fair value through profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest rate method less any required impairment.

Financial liabilities:

Financial liabilities that are categorised and designated at initial recognition as being at fair value through profit or loss are recognised at fair value. Transaction costs, which are directly attributable to the acquisition or on issue of these financial liabilities, are recognised immediately in profit or loss. Financial liabilities that are not carried at fair value are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liabilities. Non-derivative financial liabilities not at fair value through profit and loss are recognised at amortised cost using the effective interest rate method.

For all financial instruments carried at amortised cost, where the financial effect of the time value of money is not considered to be material, discounting is not applied as the fair values of these instruments approximate their carrying values.

1.6.1 Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where the contractual rights to receive cash flows from the asset have expired.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

1.6.2 Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when L2D has a legally enforceable right to set-off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6.3 Cash and cash equivalents

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

1 Accounting policies (continued)

1.7 Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in espect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined had no impairment loss initially been recognised. An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

1.8 Revenue

Revenue comprises gross rental revenue including all recoveries from tenants, excluding VAT. Rental revenue from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the lease period. Turnover rentals are recognised on the accrual basis.

When L2D provides incentives to its tenants, the cost of incentives is recognised as an expense over the lease term, on a straight-line basis. Tenant installation costs not yet expensed are capitalised as part of investment property.

L2D acts as a principal on its own account when recovering operating costs, such as utilities, from tenants.

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

Finance income comprises interest received and is recognised as it accrues, taking into account the effective yield on the asset.

1.9 Property operating expenses

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

1.10 Letting commissions

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

1.11 Income tax

No income taxation is accounted for in L2D as all income is distributed to unitholders and is taxable in their hands, as a result L2D is tax neutral. Likewise, no capital gains tax is accounted for in L2D as these gains vest with the unitholders on disposal of their interests.

L2D is not liable for capital gains on the sale of directly held investment properties and accordingly no deferred taxation is provided on the revaluation of the properties.

1.12 Segmental reporting

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

The operating segments are determined based on L2D's management and internal reporting structure, determined by L2D's executive committee.

- L2D has the following operating segments:
- retail;
- office;
- specialised; and
- other.

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

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

1.13 Earnings per participatory unit

L2D presents basic earnings per participatory unit and headline earnings per participatory unit.

Basic earnings per participatory unit is calculated by dividing the profit attributable to unitholders by the weighted average number of units in issue during the year.

Headline earnings per participatory unit is calculated by dividing the headline earnings attributable to unitholders by the weighted average number of units in issue during the year.

There are no dilutionary instruments in issue.

Notes to the financial statements (continued)

for the year ended 31 December 2017

1.15 New IFRS standards and amendments

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

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

STANDARD	SCOPE	POTENTIAL IMPACT TO L2D
IFRS 9 *Financial Instruments* Effective for years commencing 1 January 2018. L2D will apply IFRS 9 retrospectively, without restating comparative figures. Opening retained earnings as at 1 January 2018 will be adjusted for any differences in the carrying amounts of financial instruments.	*Classification and measurement: financial assets* All recognised financial assets that were within the scope of IAS 39 will be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Choices of measurement are limited to fair value or amortised cost. Fair value adjustments, depending on the business model, can be categorised through profit or loss or through other comprehensive income (OCI). Equity instruments and derivatives are mandatory classified as fair value through profit or loss. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and those cash flows are solely payments of principal and interest, must be measured at amortised cost. Debt instruments that are held both to collect contractual cash flows and for selling should be measured at fair value through OCI. All other debt instruments must be measured at fair value through profit or loss. Despite the business model outcome, an entity may, at initial recognition, designate a financial asset at fair value through profit or loss (to eliminate or significantly reduce any accounting mismatch that would arise from measuring financial assets and liabilities on different bases) as an alternative to amortised cost measurement. *Classification and measurement: financial liabilities* Entities that elect to measure a financial liability at fair value are required to present the portion of the change in fair value due to the changes in the entity's own credit risk in OCI, rather than within profit or loss. *Impairment* Financial assets measured at either amortised cost or fair value through OCI, as well as loan commitments when there is present commitment to extend credit, will be recognised on an expected credit loss model. This model is forward-looking and it eliminates the threshold for the recognition of expected credit losses.	The impact on the financial statements has been determined and upon initial adoption IFRS 9 is not expected to have a significant impact on L2D's classification and measurement of financial instruments. The impact of the new expected credit loss model to be used to calculate impairment is not expected to be material due to the immaterial nature of financial assets measured at amortised cost.

1.15 New IFRS standards and amendments (continued)

1.15.1 New standards not yet effective that may significantly impact on the results or disclosures (continued)

STANDARD	SCOPE	POTENTIAL IMPACT TO L2D
IFRS 15 *Revenue from Contracts with Customers* Effective for years commencing 1 January 2018. L2D will apply IFRS 15 retrospectively without restating comparative figures.	The standard establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 replaces the existing revenue standards and their related interpretations. This standard sets out the requirements for recognising revenue that applies to all contracts with customers except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is essentially a 'residual' standard in that an entity first evaluates contracts under any other applicable standard and thereafter applies IFRS 15. The core principle is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer.	The impact to L2D has been assessed and there is not expected to be a significant financial impact on adoption of IFRS 15. More quantitative disclosures are required under the new standard in respect of disaggregation of revenue into appropriate categories, the remaining performance obligations the amount of the transaction price that is allocated to the remaining obligations in a contract, and the changes in contract asset, liabilities and costs. An entity is required to disclose significant judgements applied and changes in judgements in determining the timing of satisfaction of performance obligations, and the determination of the transaction price.
IFRS 16 *Leases* Effective for years commencing 1 January 2019.	The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces the existing leases standard and the related interpretations. *Lessor accounting* Substantially, lessor accounting has remained unchanged. Accordingly, a lessor continues to classify its leases as operating or finance leases and to account for those two types of leases differently. *Lessee accounting* IFRS 16 introduces a single lessee accounting model which requires the lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee recognises depreciation on the right-of-use asset and interest on the lease liability. Cash repayments of the lease liability are classified as either principal or interest repayments.	The financial impact to L2D on adoption of IFRS 16 is not expected to be significant as L2D is primarily a lessor. Enhanced disclosures are required for lessors to improve information disclosed about a lessor's risk exposure, particularly to residual value risk. Lessees will be required to apply judgement in deciding upon the disclosures to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial information of lessees.

1.15.2 Amendments and improvements to standards

Annual improvements effective 1 January 2018 and not early adopted in the year ended 31 December 2017, and amendments and annual improvements to standards that are effective annual periods beginning on or after 1 January 2018, not early adopted in the current financial year, are not expected to have a significant impact on L2D's reported assets and liabilities and disclosures.

Notes to the financial statements (continued)
for the year ended 31 December 2017

2. Key judgements

2.1 Key areas of judgement and sources of uncertainty

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

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

L2D owns various undivided shares in investment properties. L2D, through its appointed asset manager (the Manager) has joint decision-making rights regarding all capital decisions relating to L2D's undivided shares for the benefit of the unitholders in L2D. The Manager is also responsible for letting activities on behalf of and for the benefit of co-owners in these investment properties. L2D has unrestricted rights regarding the relevant yield activities of the investment properties. L2D and the other co-owner entity (LGL) are subsidiaries of LHL.

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.

IFRS 11 *Joint Arrangements* provides guidance for the recognition of such assets and related income activities. L2D therefore 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 has an ownership interest in shared assets.

2.3 Investment properties fair value measurement

Investment properties are measured at fair value taking into account characteristics of the properties that market participants would take into account when pricing the property at measurement date. These include various inputs relating to existing tenant terms, location, vacancy levels and restrictions, if any, on the sale or use of the asset. Judgements are made regarding the unit of account, i.e. whether it should be valued as a standalone property or as a group of properties. Two groups of properties (Sandton City Complex and Nelson Mandela Square, and the Melrose Arch precinct) are valued as one unit account under IFRS 13 *Fair Value Measurement*. Determination of fair value for a non-financial asset 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. Management derived risk adjusted discount rate factors in liquidity and asset class risk.

Refer note 10 for details of capitalisation rates and for a sensitivity analysis on the fair value of these properties to a change in the capitalisation rate assumption respectively. Given the number of management judgements applied in the valuation, these assets are considered to be level three in the fair value hierarchy.

3 Headline earnings, distributable income and earnings per unit

R'000	2017	2016
Reconciliation of total earnings to headline earnings and distributable income		
Total earnings (basic earnings)	**514 885**	96 566
Fair value adjustments to investment properties and financial investment	**(4 386)**	(55 244)
Loss on disposal of equity instrument	**460**	
Headline earnings	**510 959**	41 322
Adjustments for straight-lining of operating lease income	**26 981**	2 741
Distributable income	**537 940**	44 063
	Cents	Cents
Earnings per unit		
Basic and diluted	**56,68**	11,21
Headline	**56,25**	4,80
Distributable income	**59,22**	4,85
	Rands	Rands
Net asset value per unit	**9,86**	9,64
	000's	000's
Number of units in issue	**908 443**	908 443
Weighted average number of units in issue	**908 443**	861 422

Definitions

Basic earnings per unit is basic earnings attributable to unitholders divided by the weighted average number of units in issue during the year.

Headline earnings per unit is a disclosure requirement in terms JSE Listings Requirements for companies listed on the JSE. Circular 2/2015, 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 unit is calculated by dividing the headline earnings by the weighted average number of units in issue during the period.

4 Segment information

L2D's operating segments are determined based on management's reporting structure.

- L2D operates in the following segments:
- retail;
- office;
- specialised; and
- administration/other.

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

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

Notes to the financial statements (continued)

for the year ended 31 December 2017

4 Segment information (continued)

December 2017 R'000	Retail	Office	Specialised	Administration/other(1)	Total
Total property GLA	500 973	332 290	38 280		871 543
L2D's share of total GLA(2)	155 325	103 026	11 869		270 219

4.1 Segment earnings

R'000	Retail	Office	Specialised	Administration/other(1)	Total
Property portfolio revenue	382 210	253 515	29 205	924	665 854
Rental and related income	397 719	263 802	30 390	924	692 835
Adjustment for the straight-lining of operating lease income	(15 509)	(10 287)	(1 185)	0	(26 981)
Property operating expenses	(135 131)	(89 631)	(10 325)	(1 622)	(236 709)
Net rental and related income	247 079	163 884	18 880	(698)	429 145
Administration expenses				(4 142)	(4 142)
Net property income	247 079	163 884	18 880	(4 840)	425 003
Asset management fee				(34 599)	(34 599)
Profit from operations	247 079	163 884	18 880	(39 439)	390 404
Net interest				115 063	115 063
Interest received				135 001	135 001
Interest paid				(19 938)	(19 938)
Income from investment				5 492	5 492
Capital item				(460)	(460)
Profit before fair value adjustments	247 079	163 884	18 880	80 656	510 499
Net fair value adjustments on investment properties	1 333	884	102	-	2 319
Fair value adjustments	(14 176)	(9 403)	(1 083)	-	(24 662)
Adjustment for the straight-lining of operating lease income	15 509	10 287	1 185	-	26 981
Fair value adjustments on equity instrument	-	-	-	2 067	2 067
Total earnings	248 412	164 768	18 982	82 723	514 885

4.2 Segment assets and liabilities

R'000	Retail	Office	Specialised	Administration/other(1)	Total
Investment property	5 005 868	3 320 339	382 505	-	8 708 712
Trade receivables	75 040	49 773	5 734	38 246	168 793
Financial investments				211 772	211 772
Cash and cash equivalents				16 323	16 323
Total assets	5 080 908	3 370 112	388 239	266 341	9 105 600
Trade payables and other	(81 555)	(54 094)	(6 232)	(4 915)	(146 796)
Net assets	4 999 353	3 316 018	382 007	261 426	8 958 804

(1) *Administration and other includes administration expenses, asset management fees and investment income that cannot be allocated specifically to the operating segments revenue.*

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

(2) *Segment earnings, asset and liabilities have been segmented per category GLA as a percentage of total GLA.*

4 Segment information (continued)

December 2016 R'000	Retail	Office	Specialised	Administration/other[1]	Total
Total property GLA	**522 652**	**318 620**	**7 060**		**848 332**
L2D's share of total GLA[2]	**102 732**	**29 925**	**1 553**		**134 210**

R'000	Retail	Office	Specialised	Administration/other[1]	Total
Property portfolio revenue	**33 525**	**9 765**	**507**	**127**	**43 924**
Rental and related income	**35 623**	**10 376**	**539**	**127**	**46 665**
Adjustment for the straight-lining of operating lease income	**(2 098)**	**(611)**	**(32)**		**(2 741)**
Property operating expenses	**(11 016)**	**(3 209)**	**(166)**		**(14 391)**
Net property income	**22 509**	**6 556**	**341**	**(760)**	**28 646**
Asset management fee				**(2 202)**	**(2 202)**
Profit from operations	**22 509**	**6 556**	**341**	**(2 962)**	**26 444**
Interest received				**14 878**	**14 878**
Profit before fair value adjustments	**22 509**	**6 556**	**341**	**11 916**	**41 322**
Net fair value adjustments	**42 287**	**12 318**	**639**		**55 244**
Fair value adjustments	**40 189**	**11 707**	**607**		**52 503**
Adjustment for the straight-lining of operating lease income	**2 098**	**611**	**32**		**2 741**
Total earnings	**64 796**	**18 874**	**980**	**11 916**	**96 566**

R'000	Retail	Office	Specialised	Administration/other[1]	Total
Investment property	4 639 006	1 351 305	70 128		6 060 439
Trade and other receivables	57 429	16 729	868	16 845	91 871
Financial investments				2 774 878	2 774 878
Cash and cash equivalents				1 682	1 682
Total assets	4 696 435	1 368 034	70 996	2 793 405	8 928 870
Total liabilities – trade payables	(47 274)	(13 770)	(715)	(106 690)	(168 449)
Net assets	4 649 161	1 354 264	70 281	2 686 715	8 760 421

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

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

(2) *Segment earnings, assets and liabilities have been allocated to segments based on L2D's GLA.*

Notes to the financial statements (continued)

for the year ended 31 December 2017

5 Investment properties

L2D has undivided shares in various investment properties, which are recorded in registers or registered as usufructs, and may be inspected by unitholders or their duly authorised agents, at the registered office.

R'000	Notes	2017	2016
5.1 Summary			
Investment properties	5.2	**8 629 809**	5 997 200
Fair value net of straight-lining at the beginning of the year		**5 997 200**	–
Additions – property acquired		**2 476 555**	5 936 760
Expenditure on investment properties during the period		**116 265**	7 937
Fair value adjustment		**(24 662)**	52 503
Reclassification of investment properties under development		**64 451**	–
Investment properties under development	5.3	**78 903**	63 239
Fair value at the beginning of the year		**63 239**	–
Additions – property acquired		**36 350**	63 239
Expenditure on investment properties under development during the year		**43 765**	–
Reclassification to investment properties		**(64 451)**	–
Total investment properties		**8 708 712**	6 060 439
5.2 Investment properties			
Fair value of investment properties at the beginning of the year		**5 809 080**	–
Additions – property acquired		**2 401 498**	5 745 899
Additions – property acquired for cash/in exchange for units issued		**2 476 555**	5 936 760
Impact of straight-lining of operating lease income on property acquired		**(75 057)**	(190 861)
Net fair value adjustment for the period		**2 319**	55 244
Fair value adjustment		**(24 662)**	52 503
Net movement on straight-lining operating lease income		**26 981**	2 741
Expenditure on investment properties during the period		**116 265**	7 937
Additions – capitalised subsequent expenditure		**102 717**	4 637
Capitalised tenant installations		**10 823**	3 018
Amortisation of tenant installations		**(2 950)**	(86)
Capitalised letting commission		**7 665**	414
Amortisation of letting commission		**(1 990)**	(46)
Reclassification from investment properties under development		**64 451**	–
Investment properties at fair value		**8 393 613**	5 809 080
Operating leases accrued adjustment			
Straight-lining balance at the beginning of the year		**188 120**	–
Straight-lining of operating lease income balance acquired		**75 057**	190 861
Net movement on straight-lining of operating lease income		**(26 981)**	(2 741)
Straight-lining of operating lease income		**236 196**	188 120
Total investment properties		**8 629 809**	5 997 200

5 Investment properties (continued)

R'000	2017	2016
5.3 Investment properties under development		
Fair value of investment properties under development at the beginning of the year	**63 239**	–
Additions – property acquired for cash/in exchange for units issued	**36 350**	63 239
Expenditure on investment properties under development during the period		
Additions – capitalised subsequent expenditure	**43 765**	–
Reclassification (to) investment properties	**(64 451)**	–
Total investment properties under development	**78 903**	63 239
Total investment properties	**8 708 712**	6 060 439

R'000		
5.4 Interest expense	**(19 938)**	

Interest paid to LGL in relation to the period between the effective date of the exercise of the put option and the cash settlement date.

5.5 Basis of valuation

The full investment properties portfolio was independently valued as at 31 December 2017 by professional valuers, namely Rode & Associates Proprietary Limited, Mills Fitchet Magnus Penny & Wolffs t/a Magnus Penny Associates CC and Jones Lang LaSalle Proprietary Limited, all of which are registered valuers in terms of the Property Valuers Professional Act, No 47 of 2000.

Notes to the financial statements (continued)

for the year ended 31 December 2017

5 Investment properties (continued)

5.5 Basis of valuation (continued

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

Key assumptions

- capitalisation rate
- discount rate

Other assumptions

- annual rental and operating escalation
- annual cost escalation

Commentary on capitalisation rates:

The capitalisation rate is best determined by referring to market transactions of comparable properties as it is based on information derived from market analysis. The capitalisation rate must take the prevailing interest rate into consideration. The higher the interest rate, the better return an investor will require. Similarly, risk is another factor that will influence the capitalisation rate. The higher the risk factor, the better the return an investor will require. The risk inherent to income producing properties is the degree of certainty that the income stream will be realised despite the uncertainty of the future.

Commentary on discount rates:

The discount rate is the minimum annual return requirement and is calculated by adding a risk premium to an estimated risk-free rate of return. The risk premium takes into account liquidity risk and property risk (risks of structural change or market failure).

Commentary on rental and operating expenses annual growth rates:

The annual growth escalations are based on current achievable rentals. Expenditures are based on information received from local authorities and experience with actual growth achieved and expectations as per market comparables of future increases based on budgets.

Valuation technique and significant unobservable inputs

Valuation techniques:

- The basis of value is 'fair value' which is defined as an opinion of the best price (adopting the highest and best use principle) at which the sale of an interest in property, taking into account existing tenant lease terms, would have been completed unconditionally for a cash consideration on the date of valuation assuming:
- a willing seller;
- that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as at the date of valuation;
- that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

The properties have been valued on a discounted cash flow basis. In the majority of cases, discounted cash flows have been used to determine a present value net income to which the capitalisation rate is applied as at 31 December 2017. In order to determine the reversionary rental income on lease expiry, renewal or review, a market gross rental income (basic rental plus operating cost rental) has been applied to give a market-related rental value for each property as at 31 December 2017. Market rental growth has been determined based on the individual property, property market trends and economic forecasts. Vacancies have been considered based on historic and current vacancy factors as well as the nature, location, size and popularity of each building.

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

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

Significant unobservable input:

- exit capitalisation rate: 6.5% – 9.00% (2016: 6.25% – 9.00%)
- discount rate: 12,50% – 14,50% (2016: 12.50% – 14.50%)

Other inputs:

- annual growth escalation: 5.00% – 10.00% (2016: 5.00% – 10.00%)
- vacancy: 0.50% – 3.00% (2016: 0.50% – 3.00%)
- ***Inter-relationship between key unobservable inputs and fair value measurements: The estimated fair value would increase/(decrease) if:***
- exit capitalisation rate was lower/(higher);
- annual growth escalation was higher/(lower); and
- vacancy and bad debt percentage escalation was lower/(higher).

6 Trade and other receivables

R'000	2017	2016
Trade and other receivables		
Trade and other receivables include the following:		
Development project costs to be capitalised		14 180
Municipal deposits	**1 270**	506
Accrued income	**2 030**	784
Loan with Liberty Group Limited	**54 488**	36 121
Other receivables[1]	**57 179**	27 387
Prepayments:		
Insurance	**1 937**	1 177
Other	**25**	
Tenant arrears[2]	**24 985**	11 716
Impairments of tenant arrears	**(8 876)**	
Receivable from sale of listed investment	**14 434**	
Profit distributions for current month	**9 572**	
Loan with Melrose Arch Property owners	**2 225**	
VAT receivable	**9 524**	
Total trade and other receivables	**168 793**	91 871

(1) Includes R10 million rental received by LGL on an agency basis.

(2) Includes sundry receivables from alternate income.

Trade and other receivables are unrated.

7 Financial investments

7.1 *Financial investments comprise:*

	2017	2016
Financial assets at fair value through profit and loss		
Mutual Funds – designated		
Unlisted	**58 079**	2 774 878
Equity Instruments		
Listed	**153 693**	–
Total financial investments	**211 772**	2 774 878

7.2 *Movement analysis*

2017 R'000	Mutual funds	Equity instruments	Total
Balance at the beginning of the year	**2 774 878**	**–**	**2 774 878**
Additions	**522 500**	**182 725**	**705 225**
Disposals	**(3 373 100)**	**(30 639)**	**(3 403 739)**
Loss on disposal of equity instrument	**-**	**(460)**	**(460)**
Fair value adjustment – through profit and loss	**133 801**	**2 067**	**135 868**
Balance at the end of the year	**58 079**	**153 693**	**211 772**

2016 R'000	Mutual funds	Equity instruments	Total
Balance at the beginning of the year	–	–	–
Additions	2 780 000	–	2 780 000
Disposals	(20 000)	–	(20 000)
Fair value adjustment – through profit and loss	14 878	–	14 878
Balance at the end of the year	2 774 878	–	2 774 878

Notes to the financial statements (continued)

for the year ended 31 December 2017

7 Financial investments (continued)

7.2 *Movement analysis* (continued)

The investment in mutual funds is held in a STANLIB money market account. The balance attracts a daily floating rate of interest.

Underlying investments are with South African banks, all with a F1+ Fitch National Short-Term Rating, and with one international bank, having a AA- Fitch International Long-Term Rating.

The investment in equity instruments is in listed and rated securities.

8 Cash and cash equivalents

R'000	2017	2016
Cash at bank and on hand	**16 323**	1 682

Bank balances are with the Standard Bank of South Africa which has a Fitch F1+ National Short-Term Rating.

9 Trade and other payables

R'000	2017	2016
Trade and other payables include the following:		
Creditors control	**4 457**	3 194
Tenant deposits	**25 558**	15 532
Municipal charges	**10 748**	7 847
Unredeemed gift cards[(1)]	**23 734**	
Distribution owing to co-owner	**4 811**	
Accruals		
Audit fee	**983**	339
Printing and publishing costs	**343**	300
Valuation costs	**11**	598
Listing costs[(2)]	**1 000**	97 010
Asset management fee	**2 448**	2 202
Capitals calls	**12 288**	–
Other	**5 489**	2 616
Sundry payables		
Income received in advance	**42 365**	4 465
VAT payable	**–**	8 133
Marketing fund loan accounts	**1 990**	15 922
Other	**10 571**	10 291
Total trade and other payables	**146 796**	168 449
Current	**146 796**	168 449

(1) Represents gift cards purchased not yet honoured.

(2) Included in the accrual for listing costs in 2016 is the accrual for audit fee services provided in the amount of R2.2 million.

10 Fair value hierarchy for financial instruments and investment property

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

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

Fair value hierarchy for financial instruments and properties

Year ended 31 December 2017

Assets (R'000)	Fair value	Level 1	Level 2	Level 3
Investment properties	**8 629 809**			**8 629 809**
Investment property under development	**78 903**			**78 903**
Financial investments	**211 772**	**153 693**	**58 079**	
	8 920 484	**153 693**	**58 079**	**8 708 712**

Period ended 31 December 2016

Assets (R'000)	Fair value	Level 1	Level 2	Level 3
Investment properties	5 997 200			5 997 200
Investment properties under development	63 239			63 239
Financial investments	2 774 878		2 774 878	
	8 835 317		2 774 878	6 060 439

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

Details of changes in valuation techniques

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

Significant transfers between level 1, level 2 and level 3

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

Valuation techniques

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

LEVEL	INSTRUMENT	VALUATION BASIS	MAIN ASSUMPTIONS
1	Listed equity	Listed price	Price-not applicable
2	Mutual funds	Quoted put (exit) price provided by the fund manager	Price- not applicable
3	Investment properties	Discounted cash flow	Refer note 5 for detail regarding assumptions
3	Investment properties under development	Fair value	Not applicable

Notes to the financial statements (continued)
for the year ended 31 December 2017

10 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	2017	2016
Investment property and investment property under development		
Fair value at the beginning of the year	6 060 439	–
Additions – property acquired	2 512 905	6 000 000
Capitalised cost	160 030	7 936
Fair value adjustments (unrealised)	(24 662)	52 503
Closing balance	**8 708 712**	6 060 439

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

Sensitivity analysis of level 3 assets

Investment property

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

The capitalisation rates applied at 31 December 2017 range between 6,25% and 9,00%. This compares to the R186 government bond yield of 9,45%. The non-observable adjustments included in the valuation can therefore be referenced to the variance to the ten-year government rate.

The table below indicates the sensitivity of the aggregate market values for a 100bps (2016: 50 bps) change in the capitalisation rate.

		Change in capitalisation rate	
2017	**Rm**	**100bps increase**	**100bps decrease**
Properties below 6,8% capitalisation rate	6 980	6 035	8 275
Properties between 6,8% – 8,5% capitalisation rate	1 515	1 334	1 755
Properties between 8,6% – 9% capitalisation rate	214	196	237
Total	**8 709**	**7 565**	**10 267**

		Change in capitalisation rate	
2016	**Rm**	**50 bps increase**	**50 bps decrease**
Properties below 6,8% capitalisation rate	5 326	4 941	5 776
Properties between 6,8% – 8,5% capitalisation rate	568	532	608
Properties between 8,6% – 10,5% capitalisation rate	166	158	176
Total	**6 060**	**5 631**	**6 560**

The table below indicates the sensitivity of the aggregate market values for a 50 bps (2016: 50 bps) change in the discount rate.

		Change in discount rate	
2017	**Rm**	**50 bps increase**	**50 bps decrease**
Total property portfolio	**8 678**	**8 494**	**8 845**

		Change in discount rate	
2016	**Rm**	**50 bps increase**	**50 bps decrease**
Total property portfolio	**6 060**	**5 940**	**6 186**

11 Capital

Authorised capital

Unlimited participatory interest units

Units movement analysis:	Number of units ('000) 2017	Capital R'000 2017
Units		
Opening balance	**908 443**	**8 663 855**
Issued during the year	**–**	**–**
Balance at 31 December 2017	**908 443**	**8 663 855**
Transaction costs reversal for issue of new units[1]		**95**
Capital		**8 663 950**

Units movement analysis:	Number of units ('000) 2016	Capital R'000 2016
Units		
Subscription for units – acquisition of portfolio assets	626 316	6 000 000
Subscription for units – private placement	282 127	2 780 212
Balance at 31 December 2016	908 443	8 780 212
Transaction costs for issue of new units		(116 357)
Capital		8 663 855

(1) Reversal of listing cost accruals based on final invoices.

12 Non-distributable reserve

R'000	2017	2016
Components of the non-distributable reserve		
Fair value adjustment on investment property	**27 841**	52 502
Fair value adjustment on equity instrument	**2 067**	–
Realised loss on disposal of equity instrument	**(460)**	–
Total non-distributable reserve	**29 448**	52 502
12.2 Movement analysis		
Balance at the beginning of the year	**52 503**	–
Fair value adjustment on investment property	**(24 662)**	52 502
Fair value adjustment on equity instrument	**2 067**	–
Loss on disposal of equity instrument	**(460)**	–
Balance at the end of the year	**29 448**	52 502

13 Rental and related income

R'000	2017	2016
Rental and related income		
Property rental	**480 567**	42 785
Recoveries	**166 075**	3 880
Parking income	**31 268**	–
Other income	**14 925**	–
Total rental and related income	**692 835**	46 665

Notes to the financial statements (continued)

for the year ended 31 December 2017

14 Property operating expenses

R'000	2017	2016
Property operating expenses		
Advertising and promotions	**(2 935)**	(286)
Cleaning	**(10 765)**	(596)
Amortisation of tenant installations and letting commission	**(4 939)**	(132)
Insurance	**(2 712)**	(183)
Legal fees	**(720)**	(43)
Municipal charges	**(135 579)**	(8 029)
Property management fees	**(18 888)**	(1 406)
Repairs and maintenance	**(15 677)**	(704)
Salaries	**(16 663)**	(572)
Security	**(18 818)**	(1 203)
Bad debts	**(7 320)**	–
Other	**(1 693)**	(1 237)
Total property operating expenses	**(236 709)**	(14 391)

15 Administration expenses

R'000	2017	2016
Audit fee	**(1 011)**	(339)
Property valuation fees	**(621)**	(155)
Trustee fee	**(561)**	(45)
Printing and publishing costs	**(435)**	(300)
Legal costs	**(804)**	–
Annual listing costs	**(343)**	–
Other	**(367)**	(48)
Total administration expenses	**(4 142)**	(887)

16 Asset management fee

The asset management fee is calculated as a monthly management fee of $^1/_{12}$ of 0,4% of the enterprise value of L2D (being the sum of the market capitalisation of the Scheme and all debt in the Scheme). The market capitalisation is based on the average daily closing price of the units as quoted on the Main Board of the JSE of South Africa.

17 Capital commitments

R'000	2017	2016
Investment properties		
Under contracts	**6 016**	9 074
Authorised but not contracted	**138 727**	53 689
Capital improvements on existing properties		
Under contracts	**98 662**	112 051
Authorised but not contracted	**147 272**	118 251
	390 677	293 065

The above capital commitments will be funded from existing resources.

18 Cash generated from operations

R'000	2017	2016
Cash generated from operations		
Total earnings	**514 885**	96 566
Adjusted for:		
Interest received	**(135 001)**	(14 878)
Interest paid	**19 938**	–
Amortisation of tenant installations and letting commission	**4 939**	132
Annual listing costs		36
Fair value adjustments on investment properties	**24 662**	(52 503)
Fair value adjustments on equity instrument	**(2 067)**	–
Working capital changes	**(98 574)**	76 578
Increase in trade and other receivables	**(76 921)**	(91 871)
Decrease/(increase) in trade and other payables	**(21 653)**	168 449
Total cash generated from operations	**328 782**	105 931

19 Distribution to unitholders

R'000	2017	2016
Amounts unpaid at the beginning of the year	**–**	–
Distribution declared during the year	**(316 597)**	–
Amounts unpaid at the end of the year	**–**	–
Total distribution to unitholders	**(316 597)**	–

Notes to the financial statements (continued)

for the year ended 31 December 2017

20 Related party disclosure

List of related parties as defined

Ultimate parent

Standard Bank Group Limited.

Parent

Liberty Holdings Limited (LHL).

Fellow subsidiaries

All subsidiaries of LHL are fellow subsidiaries of L2D – a full list can be obtained from the company secretary and details are contained in the published annual financial statements of LHL. Notably, LGL and the Manager, the fund manager of L2D, are both wholly-owned subsidiaries of LHL.

Transactions with related entities

Transactions with LGL

Put option

L2D has granted LGL a continuing put option to sell further portions of its undivided shares in the existing properties (and letting businesses carried on thereon) to L2D from time to time. This enables L2D to increase its stake in the LPP and enables LGL to reduce its stake as and when required taking into account policyholder changes and exits.

The put option remains in place for so long as LGL and L2D are co-owners of any properties, and relates to the original properties which they co-own on listing date. The put option does not apply to other properties which may be purchased by LGL and L2D as co-owners after listing.

In terms of the put option, Liberty may elect to sell all (or portions having an aggregate value of at least R200 million) of its undivided shares in the existing properties to L2D, but when doing so Liberty must sell the same proportion of its undivided shares in all of the existing properties.

The put option presents an opportunity for L2D to gain further exposure to the LPP. L2D can elect to settle the consideration payable in either units or cash, whichever is the most optimal at the time. The ability to settle in cash provides an opportunity for L2D to utilise any excess cash it may have, or to consider raising gearing to acquire new properties if yields and cost of debt are supportive. Alternatively, the ability to settle in units means L2D can reserve its cash and debt capacity for other uses and at the same time increase the market capitalisation and free float of L2D. The put option will be settled at the higher of the clean volume weighted average price or net asset value per unit.

LGL is exchanging the properties on a like-for-like basis in terms of fair value and consequently this put option is measured at nil value in both LGL and L2D as there is no inherent value in the option for accounting purposes.

Acquisition of properties pursuant to exercise of put option by LGL

LGL sold to L2D further undivided shares in the LPP properties (and letting businesses carried on thereon) that it co-owns to the value of R2,5 million pursuant to LGL exercising its put option. Prior to the exercise of the put option, L2D owned 22% of the LPP Pursuant to the exercise of the put option, L2D owns 31% of the LPP.

Liberty Centre Head Office Cape Town

78% of the property is let to LGL, a fellow subsidiary of L2D. Rental income received by L2D for the year ended 31 December 2017 was R11,6 million (2016: R857 240).

Liberty Centre Head Office Umhlanga Ridge

Approximately 80% of the property is let to LGL on a five-year lease. Rental income received by L2D for the year ended 31 December 2017 was R6,0 million (2016: R406 158).

Eastgate Office Tower

LGL took occupation of 2 617m^2 office space in the Eastgate Office Tower during the year.

Rental income received by L2D for the year ended 31 December 2017 was R892 074.

STANLIB Property Development Proprietary Limited

Development fees amounting to R1,8 million were paid to STANLIB Property Development Proprietary Limited and were capitalised to the relevant development projects.

Loan with LGL

Included in accounts receivable is an amount of R54,5 million which is owing by LGL at 31 December 2017 (2016: R36,1 million). This amount is the L2D proportional share of monies held to meet obligations created by outstanding shopping centre gift cards and tenant deposits. 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 STANLIB REIT Fund Managers (the Manager)

Management fees

R34,6 million fees were paid to the Manager for the period 1 January to 31 December 2017 (2016: R2,2 million) in respect of administration of the collective investment scheme.

20 Related party disclosure (continued)

Transactions with related entities (continued)

Transactions with other related entities

Operating lease payments

STANLIB Wealth Management Limited, as a lessee, paid an amount of R3,9 million (2016: R749 132) as an operating lease expense for rental of its premises in the Melrose Arch precinct in Johannesburg.

JHI Retail Property Proprietary Limited (JHI Retail)

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

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

JHI Retail is 51% owned by JHI Properties Proprietary Limited and 49% by LHL. It is accounted for as a joint venture of the group. Mrs A Beattie is a director of both JHI Retail and the Manager. Property management service net fees paid by L2D to JHI Retail for the year ended 31 December 2017 amounted to R18,3 million (2016: R1,4 million).

Consolidated unit trusts

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

2017 **Fund name**	**Liberty economic holding in fund (%)**	**Number of L2D units ('000)**	**Market value of L2D units (R'000)**
STANLIB Multi-Manager Property	**68**	**1 992**	**16 635**
STANLIB Institutional Property	**54**	**8 793**	**73 422**
STANLIB Multi-Manager Flexible Property	**49**	**804**	**6 710**
STANLIB Multi-Manager Defensive Balanced Fund	**96**	**104**	**871**
STANLIB Multi-Manager Equity Fund	**83**	**53**	**444**
STANLIB Quants Fund	**52**	**4**	**32**
Total		**11 750**	**98 114**

2016 **Fund name**	Liberty economic holding in fund	Number of L2D units ('000)	Market value of L2D units (R'000)
STANLIB Multi-Manager Property	69%	1 868	19 613
STANLIB Institutional Property	59%	7 855	82 477
STANLIB Multi-Manager Flexible Property	49%	275	2 883
STANLIB Multi-Manager Defensive Balanced Fund	97%	118	1 235
Total		10 116	106 208

Transactions with Standard Bank

Standard Bank Centre

The Standard Bank Centre is fully let to Standard Bank on a seven-year lease. Rental income received by L2D for the year ended 31 December 2017 was R11.8 million (2016: R923 416).

Notes to the financial statements (continued)

for the year ended 31 December 2017

20 Related party disclosure (continued)

Key management personnel

Directors remuneration

Below are details of 2017 remuneration of the Manager's directors. The remuneration paid to the directors is borne and paid by the Manager in relation to services for the Manager. Other remuneration is in respect of services rendered to the Liberty group and was not paid by the Manager.

Non-executive directors' remuneration – 2017

R	Directors of the Manager	Other Liberty group[(2)]	Total remuneration
Director			
AWB Band	**312 500**	**1 590 050**	**1 902 550**
MG Ilsley	**332 500**	**923 342**	**1 255 842**
W Cesman[(3)]	**793 587**		**793 587**
MP Moyo	**187 500**	**258 550**	**446 050**
L Ntuli	**133 333**		**133 333**
Total	**1 759 420**	**2 771 942**	**4 531 362**

Non-executive directors' remuneration[(1)] – 2016

R	Directors of the Manager[(1)]	Other Liberty group[(2)]	Total remuneration
Director			
MG Ilsley	130 000	1 597 900	1 727 900
MP Moyo	187 500	1 288 400	1 475 900
W Cesman[(3)]	176 248		176 248
Total	493 748	2 886 300	3 380 048

(1) Non-executive directors were appointed to the Board on 17 June 2016. The remuneration is based on an annual fee and was paid for three months' service during 2016. Liberty Two Degrees was listed on 6 December 2016. Approximately ⅓ of the fees was for services rendered for Liberty Two Degrees.

(2) Other Liberty group is def ined as Liberty Holdings Limited and its subsidiaries excluding Liberty Two Degrees. The comparative amount reflects the total fees for the full 2016 year.

(3) Mr W Cesman received a composite fee of £45 000 for the full 2017 year (2016: £10 012 for the three months ended 31 December 2016.)

Executive directors' remuneration

A Beattie (CEO)	2017 R'000	2016[(1)] R'000	% change
Fixed remuneration	**2 806**	2 374	18.2%
Cash portion of package	**2 347**	2 019	
Other benefits	**137**	121	
Retirement contributions	**322**	234	
Annual variable awards	**2 250**	2 000	12.5%
Cash	**1 875**	1 000	
Restricted Participatory Interest plan (deferred plan)	**375**	1 000	
Long-term awards	**278**	4 211[(2)]	(93.4%)
Restricted Participatory Interest plan (deferred plan)		4 211	
Distribution	**278**		
Total remuneration	**5 334**	8 585	(37.9%)

(1) Mrs A Beattie was appointed as a director of the Manager on 17 June 2016 and assumed the full time role of CEO of L2D on 1 December 2016. Includes salary for one month in respect of the Manager and L2D and for the period 1 January - 30 November 2016, received in respect of services to STANLIB Asset Management Limited.

(2) Long-term awards granted in 2016 amount to 421 053 L2D units. Amount excludes long-term awards granted while in the employment of STANLIB Asset Management Limited, and totalling R3.2m, that were converted to units in L2D with the same vesting conditions.

20 Related party disclosure (continued)

J Snyders (Incoming FD)[1]	2017 R'000	2016 R'000	% change
Fixed remuneration	**2 067**		
Cash portion of package	**1 768**		
Other benefits	**92**		
Retirement contributions	**206**		
Annual variable awards	**1 750**		
Cash	**1 500**		
Restricted Participatory Interest plan (deferred plan)	**250**		
Long-term awards	**2 566**		
Restricted Participatory Interest plan (long-term plan)	**1 023**		
Sign-on bonus	**1 500**		
Distribution	**43**		
Total remuneration	**6 383**		

(1) Mr J Snyders was employed by the Manager on 1 January 2017 and appointed as the financial director, effective 23 March 2017.

J Sturgeon (Outgoing FD)[1]	2017[1] R'000	2016[2] R'000	% change
Fixed remuneration	**3 443**	3 014	14.2%
Cash portion of package	**2 936**	2 645	
Other benefits	**317**	78	
Retirement contributions	**190**	291	
Annual variable awards	**1 000**	1 675	(40.3%)
Cash	**900**	1 440	
Liberty Restricted share plan (deferred shares)	**100**	235	
Restricted Participatory Interest plan (deferred plan)			
Long-term awards	**573**	3 739	(84.7%)
Restricted Participartory Interest Plan (long-term plan)	**-**	3 158	
Distribution	**573**	581	
Total remuneration	**5 016**	8 428	(40.5%)

(1) Mr J Sturgeon served as the financial director until he was replaced by Mr J Snyders, effective 23 March 2017.
Includes salary from 1 January – 22 March 2017 in respect of the Manager and L2D, and for the period 23 March – 31 December 2017 in respect of services to Liberty Holdings Limited.

(2) Mr J Sturgeon was a director of the Manager for the full 2016 year. He was seconded from Liberty to the Manager to fulfil the role as full time FD from 1 December 2016.
Includes salary for 1 month in respect of the Manager and L2D, and for the period 1 January – 30 November 2016 in respect of services to Liberty Holdings Limited.

Share incentive scheme

The Manager has adopted a bonus and incentive scheme for its employees. Lexshell 615 Proprietary Limited, a wholly-owned subsidiary of LHL purchased 2 631 500 participatory units at an issue price of R9.50 a unit which are held for the trust that will be formed in terms of the rules of the incentive scheme.

At 31 December 2017, the L2D Restricted Participating Interest Plan Trust (L2D Trust) has been formalised and approved by the board of directors. However, although the trust deed has been submitted to the master it has not been registered yet and in terms of IFRS 2 the share-based payments transactions are treated as cash-settled until the L2D Trust is registered.

Notes to the financial statements (continued)

for the year ended 31 December 2017

21 Financial risk management

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

21.1 Property market risk

Market risk is the risk of adverse financial impacts due to changes in fair values of future cash flows, in particular for L2D, from fluctuations in property values and / or rental income.

L2D is exposed to tenant default, depressed market rentals and unlet space affecting property values and rental income. The managed diversity of the property portfolio and the existence of multi-tenanted buildings specifically reduces the risk the exposure to this risk.

Refer to note 4 Segment information and note 5 Investment properties, for detail on concentration risk.

21.2 Liquidity risk

Liquidity risk is the risk that L2D is not able to meet its payment obligations as they fall due. Over 95% of L2D's assets are invested in illiquid assets. Illiquid assets are those that are considered to be realisable in excess of six months. Liquidity is subject to a sale of investment property and related time frame.

The table below summarises the maturity profile of the financial instrument liabilities based on the remaining undiscounted contractual obligations. L2D has sufficient cash resources to cover the following liabilities.

Financial liabilities

As at 31 December 2017

R'000	**Within 3 months**	**Variable[(1)]**	**Total[(2)]**
Trade and other payables	**78 873**	**25 558**	**104 431**

As at 31 December 2016

R'000	Within 3 months	Variable[(1)]	Total[(2)]
Trade and other payables	148 452	15 532	163 984

(1) Variable includes rental deposits refundable to lessees on lease expiry.

(2) Excludes income received in advance.

21.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. L2D is exposed to credit risk on its financial assets such as financial investments, trade and other receivables and cash and cash equivalents. The risk arises due to a change in credit rating of the counter party subsequent to L2D obtaining the financial assets. Refer to note 7 for details of credit risk exposure.

L2D has formal policies and procedures in place to ensure management of credit risk. A formal credit assessment is performed for all new tenants and lease contracts are entered into with tenants with an appropriate credit history. Credit risk is managed by requiring tenants to pay rentals in advance, plus the provision of a deposit of at least one month's rental. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. There is no significant concentration of credit risk as exposure is spread over a large number of counterparties. There are no trade receivables that were past due and not impaired as at 31 December 2017. The credit risk exposure to mutual funds and equity instruments is assessed on an ongoing basis with reference to the counterparties.

L2D only deposits cash with financial institutions that have high quality credit standings.

22 Capital management

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

The capital available to L2D is sufficient for L2D's capital requirements for at least the next 12 months. It is L2D's intention to deliver distributions that will reflect the sustainable growth in the high quality portfolio.

The Trust Deed authorises L2D to borrow funds but provides that the total consolidated liabilities of L2D shall not, if measured when any new borrowings are incurred, exceed an amount equal to 60% of the total consolidated asset value of L2D, determined on the last published valuation for L2D in the most recent audited financial statements of L2D, adjusted for any subsequent changes in the value of L2D in accordance with IFRS and taking into account the value of any property to be acquired using a loan.

23 Minimum lease payments receivable

Minimum lease payments comprise contractual rental income and operating expense recoveries from investment properties.

R'000	2017
The minimum lease payments receivable from tenants have been classified into the following categories:	
• Short term (up to one year)	**527 738**
• Medium term (greater than one year and up to five years)	**1 231 226**
• Long term (greater than five years)	**275 128**

Notes to the financial statements (continued)

for the year ended 31 December 2017

24 Investment properties

24.1 Schedule of properties as at 31 December 2017

No	Property name and % interest in the undivided shares by L2D	Physical address and province	Main sector	Valuation[1] R'000	Average rental per m² (R)	L2D's gross lettable area (m²)	Total gross lettable area (m²)
1	Sandton City Complex (23,3%)	5th Street, Alice Lane and Sandton Drive, Sandton, Gauteng	Retail	**3 101 462**	**454**	**46 307**	**199 140**
			– Retail			**34 401**	**147 940**
			– Office			**11 906**	**51 200**
2	Eastgate Complex (31,0%)	43 Bradford Road, Bedfordview, Johannesburg, Gauteng	Retail	**2 616 642**	**412**	**45 031**	**145 240**
			– Retail			**42 101**	**135 790**
			– Office			**2 930**	**9 450**
3	Melrose Arch (7,8%)	60 Atholl Oaklands Road and Melrose Blvd, Melrose North, Johannesburg, 2076	Office	**604 747**	**264**	**15 442**	**199 216**
			– Office			**9 353**	**120 664**
			– Retail			**3 669**	**47 332**
			– Specialised			**2 420**	**31 220**
4	Liberty Midlands Mall (31,0%)	Sanctuary Road, Pietermaritzburg, 3201, KwaZulu-Natal	Retail	**696 552**	**278**	**17 354**	**55 973**
5	Nelson Mandela Square (31,0%)	5th Street, Sandton, Gauteng	Retail	**564 906**	**372**	**12 028**	**38 795**
			– Retail			**6 247**	**20 148**
			– Office			**5 781**	**18 647**
6	Liberty Promenade Shopping Centre (31,0%)	Corner of AZ Berman Drive, Morgenster Road and 11th Avenue, Mitchells Plain, Cape Town, Western Cape	Retail	**474 372**	**176**	**22 757**	**73 400**
7	Botshabelo Mall (21,7%)	Portions 2 and 3 of Erf 1 Botshabelo-H, Free State	Retail	**63 426**	**104**	**4 425**	**20 390**
8	John Ross Eco Junction – varying serviced stands (31,0%)	Portion 16 and Portion 17, Erf 11451, Richards Bay, KwaZulu-Natal	Specialised	**177 076**	**62**	**2 189**	**7 060**
9	Liberty Centre Head Office (Cape Town) (31,0%)	Montague Gardens, Century Boulevard, Century City, Cape Town, Western Cape	Office	**118 147**	**169**	**5 949**	**19 188**
10	Liberty Centre Head Office (Umhlanga Ridge) (31,0%)	21 Aurora Drive and 2 Park Lane, Umhlanga Ridge, KwaZulu-Natal	Office	**126 933**	**165**	**6 310**	**20 352**
11	Standard Bank Centre (15,5%)	5 Simmonds Street, Johannesburg, Gauteng	Office	**164 449**	**97**	**14 384**	**92 789**
	Total			**8 708 712**	**317**	**192 178**	**871 543**

[1] *Excludes the impact of straight-lining of operating lease income.*

24 Investment properties (continued)

Schedule of properties as at 31 December 2016

No	Property name and % interest in the undivided shares by L2D	Physical address and province	Main sector	Initial purchase price R'000[1]	Valuation[1] R'000	Average rental per m² (R)	L2D's gross lettable area (m²)	Total gross lettable area (m²)
1	Sandton City Complex (16,5%)	5th Street, Alice Lane and Sandton Drive, Sandton, Gauteng	Retail	**2 158 335**	**2 168 402**	**454**	**32 720**	**198 304**
			– Retail				**24 272**	**147 104**
			– Office				**8 448**	**51 200**
2	Eastgate Complex[2] (22,0%)	43 Bradford Road, Bedfordview, Johannesburg, Gauteng	Retail	**1 904 510**	**1 926 515**	**436**	**29 874**	**135 790**
3	Melrose Arch (5,5%)	60 Atholl Oaklands Road and Melrose Blvd, Melrose North, Johannesburg, 2076	Office	**421 704**	**423 514**	**267**	**11 020**	**186 291**
			– Office				**7 228**	**122 187**
			– Retail				**2 777**	**46 948**
			– Specialised				**1 015**	**17 156**
4	Liberty Midlands Mall (22,0%)	Sanctuary Road, Pietermaritzburg, 3201, KwaZulu-Natal	Retail	**414 129**	**419 630**	**317**	**12 314**	**55 973**
5	Nelson Mandela Square (22,0%)	5th Street, Sandton, Gauteng	Retail	**387 283**	**393 885**	**341**	**8 535**	**38 795**
			– Retail				**4 433**	**20 148**
			– Office				**4 102**	**18 647**
6	Liberty Promenade Shopping Centre (22,0%)	Corner of AZ Berman Drive, Morgenster Road and 11th Avenue, Mitchells Plain, Cape Town, Western Cape	Retail	**304 326**	**306 966**	**157**	**16 148**	**73 400**
7	Botshabelo Mall (15,4%)	Portions 2 and 3 of Erf 1 Botshabelo-H, Free State	Retail	**49 657**	**49 793**	**88**	**3 140**	**20 390**
8	John Ross Eco Junction – varying serviced stands (22,0%)	Portion 16 and Portion 17, Erf 11451, Richards Bay, KwaZulu-Natal	Specialised	**75 819**	**85 316**	**62**	**1 553**	**7 060**
9	Liberty Centre Head Office (Cape Town) (22,0%)	Montague Gardens, Century Boulevard, Century City, Cape Town, Western Cape	Office	**78 975**	**78 979**	**203**	**4 221**	**19 188**
10	Liberty Centre Head Office (Umhlanga Ridge) (22,0%)	21 Aurora Drive and 2 Park Lane, Umhlanga Ridge, KwaZulu-Natal	Office	**88 526**	**90 550**	**161**	**4 478**	**20 352**
11	Standard Bank Centre (11,0%)	5 Simmonds Street, Johannesburg, Gauteng	Office	**116 736**	**116 889**	**90**	**10 207**	**92 789**
	Total			**6 000 000**	**6 060 439**	**321**	**134 210**	**848 332**

(1) Excludes the impact of straight-lining of operating lease income.

(2) Eastgate office tower was under construction.

Notes to the financial statements (continued)

for the year ended 31 December 2017

24 Investment properties (continued)

24.2 Portfolio information

Geographic profile	Gross lettable area[1] (m²)	Gross lettable area (%)	Gross monthly rental (R'000)
Gauteng	675 180	77,5	43 558
Western Cape	92 588	10,6	4 165
KwaZulu-Natal	83 385	9,6	5 221
Free State	20 390	2,3	403
Portfolio	**871 543**	**100,0**	**53 348**

Sectoral profile	Gross lettable area[1] (m²)	Gross monthly rental (R'000)	Gross monthly rental (%)
Retail	500 973	45 315	84,9
Office	332 290	7 916	14,9
Specialised	38 280	117	0,2
Portfolio	**871 543**	**53 348**	**100,0**

Tenant profile (m²)	Gross lettable area[1]		
	A	B	C
Retail	86 000	15 266	12 840
Office	47 568	11 133	6 608
Specialised	2 145	226	2 238
Portfolio	**135 713**	**26 625**	**21 686**

(1) Gross lettable area is based on L2D's ownership share (31%).

Key

A Large international and national tenants, large listed tenants and government or smaller tenants in respect of which rental guarantees are issued. These include, inter alia, Shoprite, Pick n Pay, Woolworths, MTN, Vodacom, Foschini, Truworths and Bidvest.

B Smaller international and national tenants, smaller listed tenants, major franchisees and medium to large professional firms. These include, inter alia, Anglorand, African Alliance, Cash Crusaders, Doppio Zero, Sorbet and Specsavers.

C Other local tenants and sole proprietors. These comprise over 500 tenants.

Vacancy profile **(%)**	Gross lettable area[1] 2017	Gross lettable area[1] 2016
Office	10,3	9,6
Retail	4,3	2,5
Specialised	0,0	0,0
Portfolio	**6,4**	4,6

(1) Vacancy excludes pre-let deals.

24 Investment properties (continued)

24.2 Portfolio information (continued)

Lease expiry profile – gross lettable area

%	Vacant	Monthly[1]	2018	2019	2020	2021	2020+
Retail	**4,3**	**4,9**	**11,5**	18,0	11,7	14,3	35,2
Office	**10,3**	**5,7**	**9,5**	36,3	10,6	6,6	21,0
Specialised	**–**	**–**	**2,8**	15,8	4,8	11,2	65,4
Portfolio	**6,4**	**5,0**	**10,4**	24,9	11,0	11,2	31,1

Lease expiry profile – revenue

R'000	Vacant	Monthly[1]	2018	2019	2020	2021	2020+
Retail		**33 893**	**117 271**	222 792	197 958	161 024	431 891
Office		**23 598**	**34 153**	93 928	51 020	30 429	148 593
Specialised			**1 208**	3 960		825	34 467
Portfolio		**57 491**	**152 632**	320 680	248 978	192 278	614 952

	Office	Retail	Specialised	Portfolio
Weighted average rental per m^2 by rentable area	**129,35**	**369,08**	**62,19**	**317,50**
Weighted average rental escalation (%)	**7,2**	**7,8**	**7,5**	**7,4**

(1) Month to month expiries consist primarily of leases that have expired, with new leases currently being negotiated, and commitments obtained on a monthly basis in the interim.

%	Average annualised property yield
Portfolio	**6.23**[1]

(1) Average annualised property yield for 2017 including properties under development.

Notes to the financial statements (continued)

for the year ended 31 December 2017

25 Analysis of participatory unitholders as at 31 December 2017

Unitholder spread	Number of unitholdings	% of total unitholdings	Number of units	% of issued units
1 – 1 000	**312**	27,61	**154 778**	0,02
1 001 – 10 000	**464**	41,06	**1 925 107**	0,21
10 001 – 100 000	**198**	17,52	**8 215 113**	0,90
100 001 – 1 000 000	**119**	10,53	**38 519 616**	4,24
Over 1 000 000	**37**	3,27	**859 628 720**	94,63
Total	**1 130**	100,00	**908 443 334**	100,00

Distribution of unitholders	Number of unitholdings	% of total unitholdings	Number of units	% of issued units
Assurance companies	**24**	2,12	**573 630 033**	63,14
Close corporations	**12**	1,06	**170 537**	0,02
Collective investment schemes	**118**	10,44	**116 809 770**	12,86
Control accounts	**1**	0,09	**1**	0,00
Foundations and charitable funds	**19**	1,68	**2 879 473**	0,32
Hedge funds	**1**	0,09	**1 077 298**	0,12
Insurance companies	**4**	0,35	**383 882**	0,04
Investment partnerships	**6**	0,53	**122 558**	0,01
Managed funds	**17**	1,50	**4 626 574**	0,51
Medical aid funds	**9**	0,80	**1 808 254**	0,20
Organs of state	**4**	0,35	**151 597 169**	16,69
Private companies	**34**	3,01	**572 905**	0,06
Public companies	**4**	0,35	**3 684 312**	0,41
Public entities	**4**	0,35	**415 046**	0,05
Retail unitholders	**712**	63,01	**5 581 838**	0,61
Retirement benefit funds	**96**	8,50	**43 350 036**	4,77
Scrip lending	**3**	0,27	**577 313**	0,06
Stockbrokers and nominees	**9**	0,80	**150 899**	0,02
Trusts	**53**	4,69	**1 005 436**	0,11
Total	**1 130**	100,00	**908 443 334**	100,00

Unitholder type	Number of unitholdings	% of total unitholdings	Number of units	% of issued units
Non-public unitholders	**29**	2,57	**724 294 358**	79,73
Directors and associates	**3**	0,27	**63 777**	0,01
Beneficial holders > 10% – Liberty Group	**24**	2,12	**573 212 612**	63,10
Beneficial holders > 10% – Government Employee Pension Fund	**2**	0,18	**151 017 969**	16,62
Public unitholders	**1 101**	97,43	**184 148 976**	20,27
Total	**1 130**	100,00	**908 443 334**	100,00

25 Analysis of participatory unitholders as at 31 December 2017 (continued)

Unitholder type	Number of unitholdings	% of total unitholdings	Number of units	% of issued units
Fund managers with a holding greater than 3% of the issued units			**Number of units**	**% of issued units**
Stanlib Asset Management			**612 534 658**	67,43
Public Investment Corporation			**150 579 200**	16,58
Coronation Fund Managers			**79 589 177**	8,76
Total			**842 703 035**	92,76

Unitholder type	Number of unitholdings	% of total unitholdings	Number of units	% of issued units
Beneficial unitholders with a holding greater than 3% of the issued units			**Number of units**	**% of issued units**
Liberty Group			**573 212 612**	63,10
Government Employees Pension Fund			**151 017 969**	16,62
Coronation Fund Managers			**64 609 116**	7,11
Stanlib			**27 876 928**	3,07
Total			**816 716 625**	89,90
Total number of unitholdings	**1 130**			
Total number of units in issue	**908 443 334**			

Unit price performance

Opening price 30 December 2016	**R10,50**
Closing price 29 December 2017	**R8,35**
Closing high for period	**R10,58**
Closing low for period	**R8,00**
Number of units in issue	**908 443 334**
Volume traded during period	**137 900 571**
Ratio of volume traded to units issued (%)	**15,18**
Rand value traded during the period	**R1 281 205 765**
Price/earnings ratio as at 29 December 2017	**36,53**
Earnings yield as at 29 December 2017	**2,74**
Dividend yield as at 29 December 2017	**-**
Market capitalisation at 29 December 2017	**R7 585 501 839**

Definitions and abbreviations

CISCA	Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), as amended
CISIP	Collective Investment Scheme in Property as contemplated in CISCA
Companies Act	the Companies Act, 2008 (Act No. 71 of 2008), as amended
FSB	Financial Services Board
GLA	gross lettable area being the total area of a property that can be leased to a tenant
JSE	Johannesburg Stock Exchange being the exchange operated by the JSE Limited (Registration number 2005/022939/06), licensed as an exchange under the Financial Markets Act (Act No. 19 of 2012), as amended and a public company registered and incorporated in accordance the laws of South Africa
Liberty Group Limited (LGL)	Liberty Group Limited (Registration number 1957/002788/06), a public company registered and incorporated in accordance with the laws of South Africa, being a registered long-term insurer
Liberty or the group	Liberty Holdings and its subsidiaries from time to time
Liberty Holdings Limited (LHL)	Liberty Holdings Limited (Registration number 1968/002095/06), a public company registered and incorporated in accordance with the laws of South Africa and which shares are listed on the JSE
Liberty Property Portfolio (LPP)	Collectively, the properties set out on pages 24 to 31, excluding the Melrose Arch precinct
Liberty Two Degrees (L2D)	Liberty Two Degrees portfolio, a portfolio established under the Liberty Two Degrees Scheme, the units of which will be listed on the JSE
Liberty Two Degrees Scheme (the Scheme)	Liberty Two Degrees, a trust in a CISIP registered as such in terms of CISCA and managed by STANLIB REIT Fund Managers
Liberty PropCo Proprietary Limited (PropCo)	Liberty PropCo Proprietary Limited (Registration number 2014/121142/07), a private company registered and incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of Liberty Group Limited and the vehicle through which Liberty Group Limited holds its stake in Melrose Arch
Melrose Arch	25% undivided share in Melrose Arch held through PropCo
STANLIB REIT Fund Managers (the Manager)	STANLIB REIT Fund Managers (RF) (Pty) Ltd (Registration number 2007/029492/07), a ring-fenced private company registered and incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of Liberty Holdings and a manager approved by the Registrar as the Manager of Liberty Two Degrees
REIT *or* Real-Estate Investment Trust	an entity which receives REIT status in terms of the Listings Requirements
STANLIB	STANLIB Asset Management Limited (Registration number 1969/002753/07), a public company registered and incorporated in accordance with the laws of South Africa
Trust Deed	the Trust Deed entered into between the Manager and the Trustee to establish the Liberty Two Degrees Scheme and the terms under which it is administered, which was registered by the Registrar on 28 October 2016
undivided shares	undivided shares in the ownership of the Liberty Property Portfolio
units	refers to the participatory units in L2D

Corporate information

Date of registration: **28 October 2016**

Liberty Two Degrees

JSE code: L2D
ISIN: ZAE000230553
(Approved as a REIT by the JSE)
(Liberty Two Degrees)

A portfolio established under the Liberty Two Degrees Scheme, a Collective Investment Scheme in Property established in terms of the Collective Investment Schemes Control Act, No 45 of 2002, as amended.

Company secretary of the Manager

Jill Parratt
Liberty Life Centre
1 Ameshoff Street
Braamfontein
Johannesburg, 2001
(PO Box 10499, Johannesburg, 2000)

Registered office

Liberty Life Centre
1 Ameshoff Street
Braamfontein
Johannesburg, 2001
(PO Box 10499, Johannesburg, 2000)

Contact information

Telephone: +27 11 448 5500
Email: info@liberty2degrees.co.za
www.liberty2degrees.co.za

Manager

STANLIB REIT Fund Managers (RF) (Pty) Ltd
(Registration number 2007/029492/07)
Liberty Life Centre
1 Ameshoff Street
Braamfontein
Johannesburg, 2001
(PO Box 10499, Johannesburg, 2000)

Auditors

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Juskei View
2090

Trustee

RMB Trustee Services, a division of FirstRand Bank Limited
(Registration number 1929/001225/06)
Mezzanine Floor
No 3 First Place
Bank City
Cnr Jeppe and Simmonds Street
Johannesburg, 2001
(PO Box 786273, Sandton, 2146)

Sponsor

Java Capital Trustees and Sponsors Proprietary Limited
(Registration number 2006/005780/07)
6A Sandown Valley Crescent
Sandown
Sandton, 2196
(PO Box 522606, Saxonwold, 2132)

Notes

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ELDRÉ
DTP SERVICES

L2D would like to thank
***Sinead Brook** for taking all the photos*
of the L2D Board and employees.


LA MARTINA