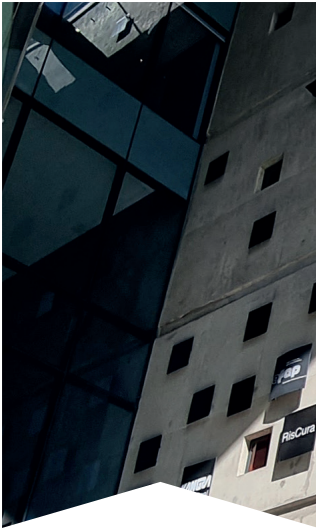


Integrated
Report
2022

for the year ended 30 June



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About this report

This integrated report presents details of the financial and operational performance of Heriot together with an overview of its governance and business practices. It further includes a range of financial and non-financial disclosures and performance measures that will enable stakeholders to assess the value created for the year ended 30 June 2022 and to assess the group's ability to create and sustain value in the future.

Assurance and reporting principles

The financial information provided in the consolidated annual financial statements presented on pages 48 to 107 has been prepared in accordance with International Financial Reporting Standards ("IFRS"), the JSE Limited ("JSE") Listings Requirements, Financial Pronouncements as issued by the Financial Reporting Council and the Companies Act, 71 of 2008 ("Companies Act"). The requirements of the King IV Report on Corporate Governance for South Africa, 2016™ ("King IV™") were taken into consideration during the compilation of this report. Our independent external auditor, BDO South Africa Incorporated, has provided assurance on the presentation of the financial statements, and their report can be viewed on pages 44 to 47.

Materiality

In determining the content and disclosures contained in this integrated report, materiality assessments have been applied to ensure that the report is both concise and relevant to Heriot's stakeholders. The integrated report addresses all reasonable material matters that may have a significant impact on the revenue and profitability of the business and on our ability to create value for our stakeholders over time.

Forward-looking statements

This report contains certain forward-looking statements which are not considered to be forecasts but reflect the group's best expectations of future events. Actual results may differ from our expectations. The group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on them. The group disclaims any intention and assumes no obligation to revise any forward-looking statement, even if new information becomes available, other than as stipulated by the JSE Listings Requirements and other applicable regulations. Any forward-looking statements contained in this report have not been reviewed or reported on by the company's auditor.

Assurance and board responsibility statement

Heriot strives to achieve high standards in all disclosures and, with the assistance of the audit and risk committee, the board recognises its responsibility to ensure the integrity and accuracy of the information included in this integrated report. After thorough review and consultation, the board has applied its judgement and, in its opinion, this integrated report has been presented in accordance with the International Integrated Reporting Framework, addresses all material matters and fairly presents the performance of the group for the year under review.

The report includes material information gathered from executive management and board discussions, and through Heriot's integrated reporting processes, summarised below, the board ensures the integrity of this report:

Integrated report

- Executive management oversight;
- Audit and risk committee oversight; and
- Board oversight and approval.

Annual financial statements

- Independent external audit by BDO South Africa Incorporated;
- Internal controls; and
- Management oversight and approval.

The board, supported by the audit and risk committee, has approved this integrated report and authorised the publication of the report on 28 October 2022.



Heriot at a glance

Heriot is a property holding and investment company that is listed in the “Diversified REITs” sector on the Alternative Exchange (“AltX”) of the JSE. The group is primarily invested in retail and industrial properties situated in areas with high growth potential.

At the reporting date, the property portfolio was valued at R5,084 billion, breaking through the R5,0 billion threshold for the first time since Heriot’s listing in July 2017. The group’s primary objective is to grow and streamline Heriot’s asset base through the acquisition of high-quality properties, the redevelopment of existing properties and the disposal of assets identified as non-core.

39 investment properties valued at
R5,084 billion
with a GLA* of 435,455m²

Distributable earnings growth of
12,5%

Distributable income payout ratio
100%

Net asset value
R12,84
per share

Average cost of debt
6,3%

Gearing ratio of
40,7%

Portfolio vacancy of
2,0%

Total dividend
102,05 cents
per share for the year

* GLA: gross lettable area.

Directorate

Executive directors



Richard Lawrence Herring (50)
Chief executive officer
CA(SA)

Richard is a qualified chartered accountant who served articles at Fisher Hoffman Sithole. In 2003, Richard joined Heriot Properties where he worked closely with the team to build the Heriot portfolio. Today, he is the chief executive officer ("CEO") of Heriot and his responsibilities include the management, growth and development of the portfolio.

Committee member

IC

SEC



Janys Ann Finn (58)
Chief financial officer
(outgoing)
BCom, BAcc, CA(SA)

Janys, after serving articles at Grant Thornton, became the first female partner at the practice in 1993. She served as a partner for 13 years, servicing a large, diversified portfolio of clients, including several listed companies and clients in the property sector, before leaving for commerce in 2005. Since then, Janys has been chief financial officer ("CFO") of Metboard Property Fund, Redefine Properties Limited ("Redefine"), where she was instrumentally involved in the merger of Madison, ApexHi and Redefine, and Rebosis Property Fund Limited. She joined the Heriot group in 2014 and was appointed as a director of Heriot on 18 April 2017.

Post year end, Janys advised that in order to focus on the Herring family assets, she will step down as an executive director of the company with effect from 30 November 2022. She will, however, remain a non-executive director of Heriot. Daniel Snoyman, the current deputy CFO of Heriot, will assume the role of CFO with effect from 1 December 2022.

Committee member

IC

SEC

Non-executive directors



Steven Bernard Herring (51)
Non-executive chairman
Undergraduate degree in Marketing
(University of Johannesburg), Masters
of Business Administration –
Heriot-Watt University

Steven started Heriot Properties in South Africa in 1998, operating out of a small office. He led investments into industrial property where covenants were of a blue-chip nature and the leases ensured sustainable long-term cash flows. Through the relationships formed from these strong covenants, Heriot Properties continued to acquire a number of industrial properties throughout South Africa, all anchored by blue-chip tenants. In 2003, Steven put a team of professionals together and began constructing retail shopping centres, focusing on CBDs, rural and township areas, developing over 20 malls tenanted mainly by national brands that underpinned the sustainable cash flow model. Today, Heriot continues to own six of these malls together with six small strip malls. Steven won the Johnnie Walker Jewish Entrepreneurial Award in 2011. He was appointed as a director of Heriot on 18 April 2017.

Committee member

RNC

IC



Daniel Snoyman (35)
Chief financial officer
(incoming)
CA(SA), BCom, Higher diploma
(Accounting)

Daniel obtained a business accounting science degree and higher diploma in accounting at Witwatersrand University in 2010 and completed his articles at PKF (now BDO). He qualified as a chartered accountant in 2013. Daniel joined Heriot as financial manager on 1 November 2017. Prior to joining Heriot, he was involved in the financial and operational management of a non-listed portfolio of over 300 residential properties that were redeveloped in the Johannesburg CBD.

Committees

ARC Audit and risk committee

RNC Remuneration and nomination committee

IC Investment committee

SEC Social and ethics committee



Trevor John Cohen (80)
Independent non-executive director
BCom, LLB

In 1980, **Trevor** joined Ellerines Group where, as head of the real estate department, his primary function was to secure sites for Ellerines' expansion programme. After eight years with Ellerines, he joined OK Bazaars ("OK"), which was then a subsidiary of South African Breweries. As joint head of the real estate division, he was responsible for building shopping centres for OK Supermarket as the anchor tenant. His responsibilities further included the leasing of line shops including negotiations with landlords, drafting, concluding and signing of lease agreements and managing the rent rolls of the various centres. In October 1997, OK was acquired by the Shoprite Group and Trevor was absorbed into the property division as the head of the Gauteng branch of the new business development division where he continued in this role until retirement age in March 2005. He remained in Shoprite's employ as a senior consultant until, by mutual consent, he retired in April 2017.

Committee member **ARC** **RNC**



Robin Lockhart-Ross (64)
Independent non-executive director
CA(SA), BCom, Higher diploma
(Accounting), BCom (Hons) (Tax),
MAcc (Tax)

Robin graduated with a Masters in Accounting (Tax) from the University of Natal. After completing articles at Pim Goldby (now Deloitte) in 1982, he spent time at the South African Revenue Service as a senior tax officer. In 1986, he joined PricewaterhouseCoopers as a tax manager, a position he held for two years prior to joining the Tongaat-Hulett Group as their group tax consultant. He was subsequently appointed as the financial director of Moreland Developments and Tongaat-Hulett Properties where he spent a further eight years.

From 1999 to 2003, Robin was head of risk at BoE Corporate: Property and Asset Finance, during which period he also acted as interim managing executive of NBS Homeloans and as chairman of Bond Choice Proprietary Limited. In 2003, he was appointed as head of risk at Nedbank Property Finance, a position that he held for 12 years. Subsequently, for the period November 2014 to June 2018, Robin held the position of managing executive of Nedbank CIB: Commercial Property Finance. During that period, Robin was the chairman of the divisional management committee, enterprise-wide risk committee and the investment committee. He was also a member of the CIB executive committee, enterprise-wide risk committee and divisional credit committee.

Rob is currently an independent non-executive director of Fortress REIT Limited and Trematon Capital Investments Limited. He is also an independent external committee member of the RMB property finance credit committee.

Committee member **ARC** **IC**



Selwyn Joel Blieden (50)
Lead independent non-executive director
PhD (Cambridge), CFA

Selwyn is co-head of Caleo Private Equity, managing direct private equity investments in South Africa and several other jurisdictions. From 2015 until mid-2019, he led the commercial property finance business of Absa Bank (formerly Barclays Africa) in Africa, other than South Africa. Prior to taking on this role, Selwyn worked at the Rand Merchant Bank Group for 12 years. He co-founded and managed Rand Merchant Bank's Opportunities in Global Real Estate portfolio which had exposure to international property assets exceeding US\$250 million. Selwyn also led the structuring and corporate management of several property developments in Nigeria in his role as a member of the RMB Westport team, which managed a private equity real estate subsidiary of Rand Merchant Bank. Before joining Rand Merchant Bank, Selwyn was a consultant in the Johannesburg office of McKinsey & Company, serving clients in several African jurisdictions. Selwyn is a CFA Charterholder and holds a PhD in Mathematics from the University of Cambridge.

Committee member **ARC** **RNC**



Nelson Abram Ngale (60)
Independent non-executive director

Nelson is a former Cosatu chairman and ANC regional treasurer. Previously, he developed petrol stations and shopping centres in rural areas in South Africa. Nelson is currently the chairman of EBM Projects (formerly Exxaro Base Metal – Zinco). The company was a zinc refinery, but it is now focused on rehabilitating slime dams and the mining of lead, zinc and gold for resale to China.

Committee member **SEC**

Portfolio review

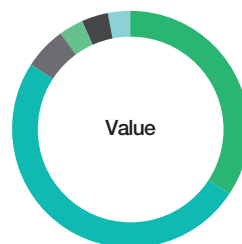
Property	Address
Retail	
Tsakane*	Modjadji and Mandela Streets, Tsakane, Brakpan, Gauteng
Tembisa	Cnr Andrew Mapheto Drive and Isimuku Road, Tembisa, Gauteng
Phokeng Mall	Sun City Main Road, Phokeng, North West
Shoprite Fishhoek	54 Main Road, Fishhoek, Western Cape
Shoprite Sea Point	Main Road, The Towers, Sea Point, Cape Town, Western Cape
Score Itsoeng	President Mangope Drive, Itsoeng, North West
Siyabuswa Mall	Bongimfundo Street, Siyabuswa, Mpumalanga
Burgersfort Mall	Cnr Dirk Winterbach and Mpumula Street, Burgersfort, Limpopo
Shoprite Athlone	Cnr Birchwood and Cornhill Street, Athlone, Western Cape
Shoprite Kempton Park	Cnr West Street and Oak Avenue, Kempton Park, Johannesburg, Gauteng
Shoprite Emmarentia	Barry Hertzog Avenue, Emmarentia, Johannesburg, Gauteng
Shoprite Rustenburg	10 Kroep Street, Ou Dorp, Rustenburg, North West
Total retail	
Industrial	
Voltex Cleveland	11 Cleveland Road, Cleveland Ext 5, Johannesburg, Gauteng
Hermans (Supergroup) Midrand	875 and 876 Freight Road, Louwlandia, Centurion, Gauteng
Masscash Denver	65 Mimetes Avenue, Denver, Johannesburg, Gauteng
Mpact Pinetown	17 Oppenheimer Street, Pinetown, KwaZulu-Natal
Mpact Epping	Lossack Street, Epping Extension 2, Cape Town, Western Cape
Mpact Kuilsriver	40 Fabriek Street, Kuilsriver, Western Cape
Mpact Brakpan	1 Molecule Road, Vulcania, Brakpan, Gauteng
Mpact Wadeville	Cnr Moore/Dekema and Lantern Road, Wadeville, Johannesburg, Gauteng
Dawn*	Cnr Barlow Road and Cavaliers Drive, Jupiter, Elandsfontein, Gauteng
ABB Alrode	4 and 6 Clarke Street, Alrode, Johannesburg, Gauteng
Metro Devland	Cnr East Street and Piston Road, Soweto, Devland, Johannesburg, Gauteng
Metro Hyper Windhoek	Erf 1211, Klein Kuppe, Windhoek, Namibia
Imperial Bloemfontein	19 HoofLaan, Estoire, Bloemfontein, Free State
Imperial Mount Edgecombe	27 Siphosethu Road, Mount Edgecombe, Durban, KwaZulu-Natal
Hagley	Nooiensfontein Road, Hagley, Cape Town, Western Cape
Total industrial	

* Heriot owns a 50% undivided share in this property. The table above reflects 100% of the GLA of the property but only Heriot's 50% interest in the value of the property.

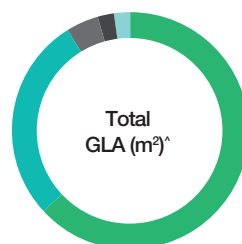
^ The specialised property comprises 8 382 hectares of industrial farms and the inclusion of this in the analysis by m² would not provide meaningful analysis of the portfolio as a whole.

	GLA m ²	Average rent per m ²	Vacancy m ²	Valuation R'000
	19 684	149,32	210	444 000
	25 014	224,16	84	754 000
	16 918	138,85	109	230 000
	3 497	142,37	–	56 000
	2 638	170,29	10	61 000
	1 500	81,54	10	4 900
	16 257	163,55	–	383 500
	15 079	197,04	–	327 000
	3 832	108,65	–	50 500
	6 799	64,52	–	53 000
	3 840	112,09	–	61 500
	8 161	107,86	–	119 500
	123 219	160,37	423	2 544 900
	8 966	29,94	–	34 000
	3 069	160,99	–	52 500
	34 100	44,50	–	193 000
	23 867	51,29	–	152 000
	28 894	42,46	–	173 500
	20 409	33,11	–	100 000
	24 936	21,30	–	79 000
	23 000	50,20	–	130 000
	24 911	44,43	4 480	142 000
	18 605	48,19	2 000	113 000
	6 635	53,43	–	48 500
	13 500	61,71	–	148 000
	17 906	68,19	–	182 000
	18 136	64,73	–	170 000
	8 086	23,72	686	39 000
	275 020	46,80	7 166	1 756 500

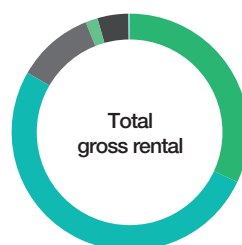
Sectoral profile



- 34,40% Industrial
- 49,80% Retail
- 5,90% Office
- 3,50% Specialised
- 3,40% Residential
- 3,00% Other



- 63,05% Industrial
- 28,25% Retail
- 4,39% Office
- Specialised
- 2,25% Residential
- 2,06% Other



- 32,21% Industrial
- 51,37% Retail
- 10,37% Office
- 1,76% Specialised
- 4,22% Residential
- 0,07% Other

Portfolio review continued

Property	Address
Office	
Super Group	27 Impala Road, Chiselhurst, Sandton, Gauteng
132 Adderley	132 Adderley Street, Cape Town, Western Cape
Melrose Arch – Unit 9a	Unit 9a, 1st Floor, 3 Melrose Boulevard, Melrose Arch, Johannesburg, Gauteng
Melrose Arch 4th Floor	4th Floor, 3 Melrose Boulevard, Melrose Arch, Johannesburg, Gauteng
Wynberg Mews	1 Brodie Road, Wynberg, Cape Town, Western Cape
Total office	
Specialised – paper plantations	
Lions Glen/Ihlathi/Geluk/ Gemsbokfontein	Lions Glen – North West Ihlathi – Holkrans, KwaZulu-Natal Geluk – Mpumalanga Gemsbokfontein – Limpopo
Hinze	Farm Vlakplaats 201, KwaZulu-Natal
Newbrough Grange	Keerom 1190, KwaZulu-Natal
Bushmans Bend	Portion 1 of Bushmans Bend 433, Mpumalanga
Total specialised	
Residential	
The Heriot	2 Adderley Street, Cape Town, Western Cape
Total residential	
Investment property	
<p>[*] Heriot owns a 50% undivided share in this property. The table above reflects 100% of the GLA of the property but only Heriots' 50% interest in the value of the property.</p> <p>[^] 8,38 ha² of paper plantations not included in total GLA.</p>	
Property under development	
Mowbray	Cnr Main Road and Rhodes Avenue, Rosebank, Mowbray, Western Cape
Linksvlei	13 Corlett Drive, Illovo, Johannesburg, Gauteng
Total property under development	
Total investment property and property under development	
Owner-occupied*	
Head office	Suite 1, 3 Melrose Boulevard, Melrose Arch, Johannesburg, Gauteng
Total owner-occupied	
Total property portfolio	

^{*} Classified as property plant and equipment.

Average annualised property portfolio yield 7,9%.

	GLA m ²	Average rent per m ²	Vacancy m ²	Valuation R'000
	3 702	164,07	–	98 000
	4 946	127,17	1 890	46 000
	309	265,34	–	9 500
	3 094	193,67	1 149	80 000
	7 118	107,61	2 366	70 000
	19 169	140,00	5 405	303 500

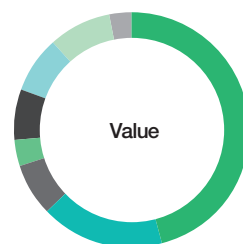
	*	R68,78/ha	–	107 000
	*	R157,41/ha	–	33 200
	*	R84,42/ha	–	16 800
	*	R74,89/ha	–	19 700
		R79,79/ha		176 700

	9 825	219,53	–	174 000
	9 825	219,53	–	174 000
	427 233	87,71	12 994	4 955 600

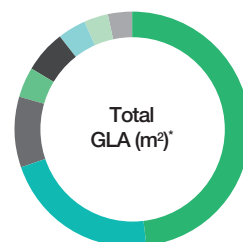
	5 532	–	–	91 264
	2 690	–	–	37 998
	8 222	–	–	129 263
	435 455	87,71	12 994	5 084 863

	717	–	–	22 686
	717	–	–	22 686
	436 172			5 107 548

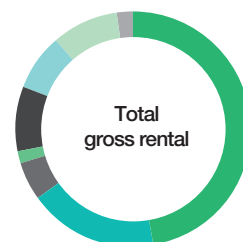
Geographical profile



46,06%	Gauteng
16,86%	Western Cape
7,34%	KwaZulu-Natal
3,56%	Free State
6,94%	North West
7,84%	Mpumalanga
–	Eastern Cape
8,50%	Limpopo
2,90%	Namibia



48,16%	Gauteng
21,73%	Western Cape
9,63%	KwaZulu-Natal
4,11%	Free State
6,09%	North West
3,73%	Mpumalanga
–	Eastern Cape
3,45%	Limpopo
3,10%	Namibia



47,40%	Gauteng
17,78%	Western Cape
5,32%	KwaZulu-Natal
1,63%	Free State
8,81%	North West
7,94%	Mpumalanga
–	Eastern Cape
8,92%	Limpopo
2,20%	Namibia

Portfolio review continued

Tenant analysis profile

Tenant profile	Based on rental %	Based on GLA (m ²)* %	Based on GLA (ha)* %
A	76,9	80,7	100,0
B	11,3	8,0	–
C	11,8	8,3	–
Vacant	–	3,0	–
Total	100,0	100,0	100,0

Heriot's policy is to grade tenants on the following basis:

A = National and provincial government, large metro municipalities, national retailers and large blue-chip companies.

B = Medium companies and franchisees.

C = Other small tenants. These comprise approximately 380 tenants.

Weighted average lease expiry (years)

Sector	GLA (m ²)* Number of years	GLA (ha)* Number of years	Gross rental Number of years
Overall portfolio	2,83	8,60	2,58
Industrial	3,11	–	3,17
Retail	2,58	–	2,37
Office	1,07	–	1,11
Specialised	–	8,60	7,87
Residential	0,27	–	0,35

Weighted average lease escalation

Sector	Based on GLA (m ²)* %	Based on GLA (ha)* %
Overall portfolio	6,0	6,0
Retail	6,1	–
Office	7,0	–
Industrial	6,0	–
Residential	– [^]	–
Specialised	–	6,0

* The specialised property comprises 8 382 hectares of industrial farms and the inclusion of this in the analysis by m² would not provide meaningful analysis of the portfolio as a whole.

[^] All leases in the residential portfolio are short term with no lease escalations.

Lease expiry profile

	Total GLA (m ²)* %	Total GLA (ha)* %	Total gross rental %
Total portfolio			
Vacant	3,1	–	–
Monthly	0,4	–	–
Year ending			
June 2023	22,5	–	25,2
June 2024	16,7	–	21,8
June 2025	15,8	10,2	14,7
June 2026	17,7	19,3	19,7
June 2027	15,0	–	9,2
> June 2028	8,8	70,5	9,4
Total	100,0	100,0	100,0

	Total GLA (m ²) %	Total gross rental %
Industrial		
Vacant	2,6	–
Monthly	–	–
Year ending		
June 2023	21,1	22,4
June 2024	11,3	8,1
June 2025	18,4	17,2
June 2026	17,4	21,4
June 2027	21,3	23,1
> June 2028	7,9	7,8
Total	100,0	100,0

Retail		
Vacant	0,3	–
Monthly	–	–
Year ending		
June 2023	20,7	21,7
June 2024	27,7	28,0
June 2025	13,3	15,8
June 2026	21,3	21,7
June 2027	4,1	2,1
> June 2028	12,6	10,7
Total	100,0	100,0

	Total GLA (m ²) %	Total gross rental %
Office		
Vacant	28,2	–
Monthly	0,5	–
June 2023	34,7	37,0
June 2024	29,6	55,2
June 2025	0,7	0,8
June 2026	6,3	6,5
June 2027	–	–
> June 2028	–	0,5
Total	100,0	100,0

Residential		
Vacant	–	–
Monthly	22,0	–
June 2023	78,0	100,0
June 2024	–	–
June 2025	–	–
June 2026	–	–
June 2027	–	–
> June 2028	–	–
Total	100,0	100,0

Specialised		
Vacant	–	–
Monthly	–	–
June 2023	–	–
June 2024	–	1,8
June 2025	10,1	17,7
June 2026	19,3	19,2
June 2027	–	–
> June 2028	70,6	61,3
Total	100,0	100,0

* The analysis by GLA is split between industrial farms of 8 382 hectares and the rest of the portfolio. Given the nature of the industrial farms and the measurement of land area by hectare, inclusion thereof in the analysis by m² would not be a meaningful analysis of the portfolio as a whole.

Chairman's and chief executive officer's report



Steven
Herring



Richard
Herring

It is our pleasure to present Heriot's integrated report together with the group's results for the year ended 30 June 2022.

We started the financial year coming out of COVID-19 and looking forward to a brighter future but the challenges we faced were relentless. The year started with the devastating July riots and the bad news kept coming with Russia's illegal invasion of Ukraine and the resulting increase in fuel costs, rising inflation and creeping interest rates, Eskom power outages that rose to stage 6 when we thought that stage 5 was the limit before a total blackout, record levels of unemployment with unrivalled levels of youth unemployment, weaknesses in infrastructure, depressed consumer confidence, corruption and the list goes on.

South Africans are generally resilient and the team at Heriot thankfully remained exceptionally positive throughout these stormy times. Despite the enormous challenges faced in 2022, the team focused its energy on the opportunities presented by this turbulent market and continued to capitalise on the group's core strengths, resulting in impressive growth for the year.

Results

Heriot's retail assets, valued at R2,5 billion, mainly comprise convenience or community centres in non-metropolitan areas that continue to perform exceptionally well. Trading densities are increasing, occupancies remain high with vacancies of only 0,3% at year end, retail arrears are negligible and we have growing waiting lists of tenants looking to take up space in this market.

The group further holds investments in a sizeable industrial portfolio, valued at R1,7 billion, that is underpinned by long-term leases with national tenants, many of which are blue-chip companies. Together with the strong retail portfolio, this defensive mix of assets has supported the weaker residential and office sectors.

Heriot's distribution growth of 12,5% for the year ended 30 June 2022 is mainly attributable to the group's defensive portfolio, its investment in strategic assets and its relatively low cost of debt during the period.

During July 2021, we invested R280 million into increasing our shareholding in Safari Investments RSA Limited ("Safari"), a listed real estate investment trust ("REIT") that specialises in quality commercial properties, especially convenience and small regional shopping centres in non-metropolitan areas. Together with related parties, Heriot owned a strategic 33,1% holding in Safari at year end. On 13 October 2022, an offer circular was posted to Safari shareholders in terms of which Heriot has made an unconditional offer to all Safari

Heriot's net asset value per share increased by

161,4 cents to
R12,84
per share

Driven by a

net increase of
R328,7
million

in the fair value of investment property.

shareholders, other than the related parties and the nominee company, that holds 53,0 million Safari shares which are accounted for as treasury shares in Safari, to acquire their shares for a cash consideration of R5,60 per Safari share. We consider Safari's portfolio to be complementary to our own portfolio and are of the opinion that an increased shareholding in Safari will allow Heriot to expand its real estate investments.

Property portfolio

The group is continually looking at ways to grow and streamline Heriot's asset base through the acquisition of high-quality properties, the redevelopment of existing properties and the disposal of assets identified as non-core.

Heriot's asset values increased by an effective 7,6% on a like-for-like basis, and as at 30 June 2022, the portfolio was valued at R5,1 billion, breaking through the R5,0 billion ceiling for the first time since its listing in 2017. The overall increase in the value of the portfolio is reflective of the resilience displayed by the retail and industrial properties.

However, the number of properties decreased from 44 to 39, predominantly due to an asset swap arrangement entered into with a co-owner in terms of which Heriot disposed of its 50% undivided share in four properties to gain full control of two industrial assets for a pay-in of R50,5 million.

During the year, we continued to roll out rooftop solar systems and borehole initiatives throughout the retail portfolio as part of Heriot's commitment to sustainability initiatives. A core medium-term strategy of the group is to reduce our reliance on the national grid and to protect the portfolio against the eroding national infrastructure as much as possible. To this end, further solar and borehole installations are planned for the 2023 financial year.

Funding

Heriot's gearing and interest cover ratios of 40,6% and 2,95 times, respectively, are well within the banks' covenant requirements. As Heriot's only interest rate hedge expired in November 2021, the group benefited from the relatively low interest rates prevailing during the period, resulting in an average cost of borrowings of 6,29% for the year. However, we are cognisant of the rising levels of debt and management, together with the board, regularly monitors and assesses interest rate trends and bond curves and engages with various financial institutions to evaluate debt hedging pricing and structures. At an appropriate time in the future, Heriot will put relevant hedging strategies in place.

Governance and corporate social responsibility

While Heriot established solid governance structures on its listing in 2017, the board remains fully committed to the principles of good governance and collectively works to ensure all governance standards are aligned with best practice.

Our combination of retail assets and our industrial portfolio has proved to be a defensive mix through challenging times.

Heriot recognises the support from the communities surrounding our shopping centres and we continue to invest in initiatives that will improve the quality of life of the people living within these communities. Not only do the properties create local employment opportunities but the group is currently rolling out boreholes in these areas to provide the residents with access to water.

Additional details of these initiatives have been provided in the report of the social and ethics committee on pages 33 and 34 of this integrated report.

Outlook

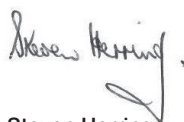
Heriot's results for the reporting period are reflective of the resilience of its portfolio and in particular, the strength of its emerging market retail properties that weathered not only the COVID-19 pandemic but also the July 2021 unrest. However, future prospects are intrinsically linked to the group's operating environment and to significant macro issues facing the company. The board is committed to a proactive yet conservative approach to mitigate the effects of rising interest rates, increasing costs of fuel, electricity shortages, unprecedented levels of unemployment and accelerating levels of inflation.

Heriot will continue to explore strategic opportunities that will extract value from its existing portfolio while continuing to grow its asset base through the acquisition of high-yielding properties in its target markets. Furthermore, given the strength of Heriot's cash flows, the board has resolved to maintain the 100% payout ratio of distributable earnings.

Appreciation

We express our sincere thanks and appreciation to the executive and the entire Heriot team for their hard work, commitment and dedication in delivering exceptional results. We also wish to thank our tenants, bankers, shareholders and all business partners for their unwavering support.

Finally, to our fellow board members, thank you for your valuable input during the period under review. To Janys Finn, the outgoing CFO, we thank you for your invaluable contribution to Heriot's listing and for guiding the company with wisdom and insight since then. We wish you much success in your new role and look forward to continuing to benefit from your knowledge and experience as a non-executive director of Heriot. We welcome Daniel Snoyman to the board in his new role as CFO and thank Janys for mentoring him over the years. We are confident that Daniel will rise to meet the expectations of the Heriot team.



Steven Herring
Chairman



Richard Herring
Chief executive officer

28 October 2022

Heriot's portfolio is resilient and through its policy of securing long-term leases with blue-chip tenants and sector diversification, Heriot has delivered outstanding results despite the tough economic and political landscape currently prevailing in South Africa.

Environmental, social and governance review

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Environmental

ESG, the term for environmental, social, and governance, recognises that sustainability extends beyond just environmental issues. It is about creating sustained outcomes that drive value and fuel growth while strengthening our environment and societies.

Heriot recognises that there is a strong relationship between its strategy, governance and financial performance and the social, environmental and economic framework within which it operates.

Heriot is committed to developing a framework that helps stakeholders understand how it is managing risks and opportunities related to ESG criteria. While the responsibility for this framework is that of the board, the drafting of the relevant ESG policies and procedures has been delegated to executive management. The board is responsible for regularly reviewing these policies and practices in order to assess both the financial impact of implementation or failure to implement these policies.

Sustainability

Heriot is aware of the influence its assets may have on climate change, the strain on the national power grid and impact on poorer communities. We want to ensure that we do our part in assisting society by resolving the pressing issues we face both as a planet and as a nation. A responsible and sustainable approach ensures that we are serving the planet and uplifting local communities with services and employment.

The group has therefore dedicated substantial resources for the roll-out of sustainability projects with a focus on:

- 1 Reducing our carbon footprint**
Our contribution of carbon emissions and the footprint we leave has motivated us to set an example of efficiency and action to the point that we eventually become carbon-neutral.
- 2 Reducing the use of fossil fuels**
With coal being the primary source of energy for electrical production, South Africa has become the world's highest polluter of sulphur dioxide. Our electrical generation and consumption initiatives have started moving us away from limited sources of unclean fossil fuels to those that are cleaner and more sustainable.
- 3 Reducing the use of scarce natural resources**
Our intention is to achieve water independence by harvesting and reclaiming water sources, relieving the pressure on the water grid and redirecting the resource to vital industries like agriculture. Our focus is to ensure that water sources remain clean and sustainable.

4 Increasing communal sustainability education projects

Our community-based projects are geared toward sustainability, empowerment and upliftment. Schools and communities have started to receive water independence and agricultural assistance such as training and equipment.

5 Recycling

We demarcate large yard areas for refuse sorting into recyclable product groups. Community members process the product which they then sell to recycling plants. We further ensure that any work done on our assets involves the recycling process. As an example, our solar projects typically produce a ton of cardboard and plastic that is placed within the recycling areas and repurposed.

6 Gearing building maintenance towards increased efficiency

Each addition to or maintenance done on our properties is driven by being as building passive as possible. This includes the use of specialised roof paint, the installation of new LEDs (that minimise heat impact) and inverter technologies (that reduce consumption).

7 Assisting the national power grid

Plans are being implemented to generate power for the purpose of supplementing the national grid and making a meaningful contribution to end load-reduction measures.

8 Solar and water

Heriot introduced its solar power roll-out by installing a 5,16MWp plant across five retail assets with the aim of reducing reliance on the grid by 8,2GWh per year and reducing carbon emissions by 3,6 kilotonnes per year – that is 2 million kilogrammes of coal saved or 125 000 trees planted. In addition, Heriot was able to reclaim or source 10ML of water not used by local communities or essential services.

For the 2023 financial year, Heriot plans to increase the current solar roll-out rate by 50% to achieve a total portfolio of 12MWp with the intention of saving 15GWh of coal-generated power. We also plan to increase water savings by a further 10ML a year.



Social

Heriot is dedicated to improving the quality of life of the people, communities and organisations surrounding our shopping centres through various programmes and projects.

Community projects

Not only do we assist communities by creating local employment opportunities but during the 2022 financial year, the following initiatives were undertaken:

1 Women's Day

Women's Day was celebrated at all the major retail centres owned by Heriot. The campaign focused on recognising women who are the heart of these communities. 500 care packages were distributed at each centre, rewarding 2 000 women of all ages with various products including deodorant, body lotion, toothbrushes, toothpaste and sanitary towels.

2 Smile Initiative

Oral health is often overlooked by the youth particularly in rural communities. In partnership with local medical professionals, we sponsored 37 schools in the Tembisa, Burgersfort, Rustenburg and Mpumalanga communities with oral healthcare packages. In so doing, we provided over 27 000 children with products to start their journey to healthier teeth.

3 Sanitary towel drive

Education among young girls often takes a backseat for several days during every month due to limited access to and availability of affordable sanitary products. As part of Heriot's continued commitment to this drive, we provided over 8 000 young women with sanitary towels in an effort to reduce absenteeism and improve the opportunities for these women to complete their education with dignity.

4 Stationery drive

As education is at the forefront of South Africa's priorities to reduce unemployment and to promote growth in the country, Heriot assisted in ensuring that our young scholars were well looked after. To this end, over 4 000 stationery hampers were distributed to local communities in Tembisa, Burgersfort, Rustenburg and Mpumalanga.

5 Be wise – sanitise

COVID-19 had a massive impact worldwide. Within our local communities, access to clean running water is a problem so with this in mind, Heriot launched the "Be wise – sanitise" drive and donated 1 000 sanitisers, helping over 4 000 people to stay safe during this time.

6 Borehole community initiative

Currently, it is estimated that over 55% of South Africans do not have access to clean running water. As Heriot believes that running water is a basic human right, we have initiated the "Amanzi Ubunti" project that is aimed at sinking boreholes to serve the communities surrounding our retail centres. By partnering with key stakeholders in each area, we are hoping to provide the communities with secure and safe water. The Burgersfort, Siyabuswa and Phokeng communities will be the first to benefit from this initiative.

Corporate governance

The non-executive directors contribute a wide range of relevant industry skills, knowledge and experience to the board's decision-making processes.

The board

Ultimate control of the group rests with the board as a whole while the executives are responsible for the proper execution of the group's strategy.

The board has adopted a charter that sets out the practices and processes it follows to discharge its responsibilities. The charter specifically describes the roles, functions, responsibilities and powers of the board and the chairman, as well as the executive and non-executive directors. The charter deals with matters such as corporate governance, board meeting procedures and record-keeping for the nomination, appointment, induction, training and evaluation of directors. There is an appropriate

balance of power and authority on the board so that no individual has unfettered decision-making powers and no individual dominates the board's deliberations and decisions. Quarterly board meetings are held with additional meetings convened where necessary.

The board comprises seven directors; two executive directors, four independent non-executive directors and one non-executive director. The roles of the chairman and the CEO are separate. The non-executive directors contribute a wide range of relevant industry skills, knowledge and experience to the board's decision-making processes.

In accordance with the JSE Listings Requirements, all directors, other than Robin Lockhart-Ross who was specifically exempted, have attended a formal director induction programme with the Institute of Directors.

After recommendation by the remuneration and nomination committee, board appointments are considered by the board as a whole in accordance with the company's policy. Appointments are made in a formal and transparent manner and directors appointed during the year are required to have their appointment confirmed by shareholders at the next general or annual general meeting following their appointment.

In line with the provisions of the company's memorandum of incorporation, one-third of both non-executive and executive directors, and all directors appointed by the board during the year, are required to retire at the annual general meeting. In both cases, directors, if eligible, may make themselves available for re-election.

A full list of directors' interests is maintained. At the beginning of each board meeting, directors are required to confirm that their interests, as previously disclosed, remain current. In line with best practice and section 75 of the Companies Act, directors are required to recuse themselves from any discussion and decision in which they have a financial interest.

Functions and responsibilities of the board

The board is responsible for the following functions as set out in the board charter:

- Adopting strategic plans and ensuring that these plans are implemented by the executives;
- Providing strategic direction to the company, appointing the CEO and ensuring that a succession plan is in place;
- Monitoring operational performance of the business against predetermined budgets and targets;
- Reviewing and approving the financial objectives, plans and actions, including significant capital allocations and expenditure;
- Ensuring that risk is managed in a manner that supports the company in achieving its strategic objectives;
- Ensuring compliance with all relevant laws, regulations and codes of business practice;
- Maintaining good corporate governance;
- Ensuring that the group's affairs are conducted in a responsible and professional manner;
- Upholding the board's responsibilities to all stakeholders;
- Reviewing processes and procedures to ensure the effectiveness of the company's internal systems of control so that its decision-making capability and the accuracy of its reporting are maintained at a high level at all times;
- Ensuring the integrity of the group's integrated report; and
- Establishing a framework for the delegation of authority.

Board committees

The board has delegated certain responsibilities to the following committees:

- Audit and risk committee;
- Remuneration and nomination committee;
- Social and ethics committee; and
- Investment committee.

While overall responsibility and accountability remains with the board, these committees assist the board in discharging its responsibilities and duties. Full transparency and disclosure of committee deliberations are encouraged and the minutes of all committee meetings are made available to all directors. The board has unrestricted access to the external auditor, professional advisors, the executives and staff of the company and the services of the company secretary. Directors are encouraged to take independent advice, at the company's expense, for the proper execution of their duties and responsibilities.

ARC

Audit and risk committee

Members

Selwyn Joel Blieden (*Chairman*)

Trevor John Cohen

Robin Lockhart-Ross

The CEO, CFO and representatives from the external auditor attend the meetings by invitation.

The board nominates members from its number for appointment to the audit and risk committee. Appointments are subject to the approval and confirmation of shareholders annually at the company's annual general meeting. The audit and risk committee meets at least three times per year and special meetings are convened as and when required. The audit and risk committee is governed by a board-approved charter.

Audit and risk committee members have unfettered access to all information, documents and explanations required in support of the discharge of their duties, as well as to the external auditor.

The responsibilities of the audit and risk committee include:

- reviewing the finance function of the company on an annual basis;
- considering and confirming the independence and objectivity of the external auditor and making recommendations to shareholders regarding the appointment or reappointment of the independent external auditor;
- overseeing the audit process and the relationship with the external auditor;
- assisting the board in discharging its duties relating to the safeguarding of assets and the operation of adequate systems and internal control processes;
- ensuring that an effective plan for risk management is implemented;
- overseeing the preparation of accurate financial reports and statements in compliance with all applicable legal requirements and accounting standards; and
- ensuring compliance with good corporate governance best practices.

The board is satisfied that the members of the audit and risk committee have the skills and experience necessary to contribute meaningfully to the committee's deliberations. Brief CVs in respect of each member of the audit and risk committee are available to view on pages 2 and 3 of the integrated report.

Remuneration and nomination committee

RNC

Members

Selwyn Joel Blieden (*Chairman*)

Trevor John Cohen

Steven Bernard Herring

The CEO and Robin Lockhart-Ross attend the meetings by invitation.

In view of the fact that certain of the functions of the remuneration committee and the nomination committee overlap, the board resolved to establish a combined remuneration and nomination committee comprising two independent non-executive directors and one non-executive director. The terms of reference of the remuneration and nomination committee detail the formal and transparent procedures for appointments to the board as well as for directors' and executives' remuneration. In line with the recommendations of King IV™, the remuneration and nomination committee is chaired by an independent non-executive director.

In terms of the board-approved terms of reference, the remuneration and nomination committee responsibilities include:

Remuneration matters

- Determine and agree on the framework for the remuneration of the CEO, the CFO and other members of the executive management team;
- Within the terms of the agreed framework, determine the total remuneration package of the CEO and each executive director including, where appropriate, bonuses, incentive payments and share options and/or conditional rights;
- Approve the service agreements for the CEO and the executive directors, termination payments and compensation commitments;
- Review appropriate market information regarding remuneration-related matters;
- Oversee any major changes in employee benefit structures throughout the company;
- Produce a remuneration report for inclusion in the company's integrated report; and
- Make recommendations to the board on the fees of the chairman and the non-executive directors, for subsequent approval by the company's shareholders at the annual general meeting.



Corporate governance

continued

IC

Investment committee

Members

Steven Bernard Herring (*Chairman*)

Janys Ann Finn

Richard Lawrence Herring

Robin Lockhart-Ross

All members of the investment committee have extensive experience in the property market.

The investment committee assists the board with regard to investment decisions relating to the acquisition and disposal of property in line with its stated strategy.

The investment committee's activities are governed by a charter that has been approved by the board and are focused on:

- sustaining income growth and capital appreciation;
- making yield-enhancing acquisitions that provide a platform for growth; and
- identifying properties for disposal that no longer fit within the group's investment criteria, geographically or otherwise.

SEC

Social and ethics committee

Members

Nelson Abram Ngale (*Chairman*)

Janys Ann Finn

Richard Lawrence Herring

The social and ethics committee is a statutory committee established pursuant to the provisions of section 72 of the Companies Act and regulation 43 of the Companies Regulations, 2011. The duties and responsibilities of the social and ethics committee are set out in formal terms of reference which have been approved by both the social and ethics committee and the board. The main duties of the social and ethics committee are to review and approve the policy and strategy for the management of social, ethical and transformational matters in the group.

Board and committee attendance

The attendance register of directors for each board and committee meeting for the period ended 30 June 2022 is set out below.

	Meeting date			
	30 Sep 2021	1 Dec 2021	24 Feb 2022	2 Jun 2022
Board				
Steven Herring (<i>Chairman</i>)	√	√	√	√
Selwyn Blieden	√	√	√	√
Trevor Cohen	√	√	√	√
Janys Finn	√	√	√	√
Richard Herring	√	√	√	√
Nelson Ngale	√	√	√	√
Robin Lockhart-Ross	√	√	√	√
		30 Sep 2021	24 Feb 2022	2 Jun 2022
Audit and risk committee				
Selwyn Blieden (<i>Chairman</i>)		√	√	√
Trevor Cohen		√	√	√
Robin Lockhart-Ross		√	√	√
Janys Finn [^]		√	√	√
Steven Herring [^]		√	√	√
Richard Herring [^]		√	√	√
				1 Dec 2021
Remuneration and nomination committee				
Selwyn Blieden (<i>Chairman</i>)				√
Trevor Cohen				√
Steven Herring				√
Robin Lockhart-Ross [^]				√
				2 Jun 2022
Social and ethics committee				
Nelson Ngale (<i>Chairman</i>)				√
Janys Finn				√
Richard Herring				√

[^] Attended by invitation.

Risk management

The objective of risk management is to identify, assess, manage and monitor the risks to which Heriot is exposed. The board retains overall responsibility for risk management and for the definition of the company's overall risk strategy and tolerance.

Investment property portfolio

1 Inability to source suitable properties for acquisition

Impact of risk

Restricts ability to grow the portfolio

Mitigation strategy

- Regular interaction with key people in the industry

2 Damage to investment property

Impact of risk

Financial loss to the company and reduced asset value

Mitigation strategies

- Comprehensive insurance policy based on the replacement cost of investment properties
- Regular review of the insurance policy and insured values

3 Inadequate and/or irregular maintenance of investment property

Impact of risk

Devaluation and/or depreciation of properties due to lack of maintenance

Mitigation strategies

- Implementation of a programme for ongoing maintenance
- Budget to allow for adequate and regular maintenance of investment property
- Regular building inspections by portfolio managers, property managers, asset managers and executive management

Operational performance

4 Vacancies and rental default

Impact of risk

Rental growth, capital appreciation and return to shareholders may be adversely impacted by increased vacancies and tenant defaults

Mitigation strategies

- Strong focus on tenant relationships to ensure retention
- Targeted leasing strategy
- Early renewal negotiations
- Effective credit control procedures for defaulting tenants

5 Significant increases in rates and taxes, other municipal costs and poor service delivery

Impact of risk

- The increased cost of occupancy for tenants
- A decrease in net operating income for the group
- A decrease in valuation of assets

Mitigation strategies

- Heriot thoroughly reviews municipal valuations and lodges objections when appropriate
- Investment in solar and boreholes to reduce reliance on municipal power and services

Operational performance continued

6 Political riots and unrest

Impact of risk	Mitigation strategies
Violence and looting leads to more poverty, increased unemployment and the loss of innocent life, negatively impacting the communities we serve, our employees and the group's properties, particularly the retail malls	<ul style="list-style-type: none"> • Heriot has dedicated managers at all our retail properties who liaise with the on-site security function on a regular basis to assess risks • Appropriate insurance cover is in place • Emergency evacuation plans for tenants and employees

Financing

7 Interest rate risk

Impact of risk	Mitigation strategies
Increased cost of borrowings will reduce return to shareholders	<ul style="list-style-type: none"> • Continual review of policy regarding fixed interest rates and hedging • Negotiations with banks to reduce cost of borrowings

8 Availability of finance for property acquisitions and redevelopment

Impact of risk	Mitigation strategies
Inability to grow the portfolio	<ul style="list-style-type: none"> • Regular interaction with bankers to ensure the availability of debt for funding • Facilitate access to equity in the future through engagement with analysts and fund managers to create awareness of Heriot

9 Refinance risk

Impact of risk	Mitigation strategies
Risk of refinancing when existing debt facilities near expiry	<ul style="list-style-type: none"> • Maintain gearing at below 45% loan-to-value • Stagger debt expiry profile • Policy of being multi-banked

Governance

10 Non-compliance with regulations

Impact of risk	Mitigation strategies
<ul style="list-style-type: none"> • Suspension or termination of the company's listing • Failure to comply with key laws and regulations of the jurisdictions in which the entity operates may result in fines and penalties, reputational harm or potential loss of REIT status 	<ul style="list-style-type: none"> • Active monitoring by the designated advisor and company secretary • Member of the SA REIT Association • Management encouraged to consult with specialists to ensure compliance with all laws

Skills and systems

11 Retention of key staff and adequate human resourcing	
Impact of risk	Mitigation strategies
<ul style="list-style-type: none">Loss of key staff or being under-resourced will impact the ability to achieve the group's objective effectively	<ul style="list-style-type: none">Executive management constantly assesses the capacity of staff and closely monitors staffing requirements as the business growsAll staff members are awarded short-term incentive bonusesA long-term incentive scheme that aligns the interests of staff members with the performance of the company is being investigated

Information technology ("IT") failure

12	
Impact of risk	Mitigation strategy
<ul style="list-style-type: none">Loss of revenue as a result of loss of dataImpact on the company's reputation in the event that the data is not recovered promptly	<ul style="list-style-type: none">Support of appropriately skilled IT resources and contractors

Fraud and errors

13	
Impact of risk	Mitigation strategy
Financial loss as a result of employee fraud going undetected	<ul style="list-style-type: none">Regular review of internal controls

King IV™

Application register

The board has benchmarked the company's governance practices against the principles of King IV™. This King IV™ application register explains the extent to which Heriot complies with King IV™. It should further be noted that in terms of the JSE Listings Requirements, companies that are listed on the AltX are only required to comply with the disclosure requirements set out in part 5.3, comprising principles 6 to 10. The board has, however, decided to embrace all King IV™ principles as set out below.

Governance outcome: Ethical culture	
Principle 1: Ethical leadership	
King IV™ principle: The governing body should lead ethically and effectively	Application: The board has approved a code of ethics ("code") that ensures that the conduct of both the board and management reflects Heriot's obligation to behave as a responsible corporate citizen in compliance with the Companies Act and King IV™. Measures are in place to ensure that all board members have sufficient working knowledge of the company, its industry, its operating context and all key laws, rules, codes and standards.

Governance outcome: Ethical culture continued

Principle 2: Organisation values, ethics and culture

King IV™ principle:

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture

Application:

The board has adopted a code of ethics which clearly sets out the business practices for the company to follow as well as the standards of behaviour for all persons within the company.

The board ensures that compliance with its code is integrated into the strategy and operations, conduct and the way Heriot treats its stakeholders.

Principle 3: Responsible corporate citizenship

King IV™ principle:

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen

Application:

The board has undertaken a full review of the company's position with regard to being a responsible corporate citizen. This includes a review of the company's remuneration policies and work environment.

Heriot is a socially responsible company that is committed to sustainable transformation in line with the objectives of the Broad-based Black Economic Empowerment Act and the National Development Plan. The company promotes a non-racial and culturally diverse philosophy.

Heriot is committed to becoming a Broad-based Black Economic Empowerment ("B-BBEE")-compliant company through employment equity promotion in the workplace, procurement practices that support developing businesses and suppliers, enterprise creation and equity ownership in the group. However, although Heriot mainly contracts with B-BBEE-compliant suppliers, the company remains non-compliant.

Governance outcome: Performance and value creation

Principle 4: Strategy, implementation and performance

King IV™ principle:

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

Application:

The board takes account of the interests and expectations of Heriot's legitimate stakeholders in its decision-making while striving to act in the best interests of the company. Management has processes in place to define and align the group's short-, medium- and long-term macroeconomic, financial, operational and strategic objectives with the company's risk appetite.

Policies and operational plans approved by the board include financial, ethical, compliance, sustainability, performance and risk measures.

Principle 5: Reports and disclosure

King IV™ principle:

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

Application:

The board assumes responsibility for the development and implementation of Heriot's strategy which is aligned with its business model. Heriot's integrated report reflects the company's thinking in this regard.

Heriot's investment committee assists the board with regard to investment decisions relating to the acquisition and disposal of properties in line with its stated strategy. The terms of reference of the investment committee that have been approved by the board are broadly:

- to make yield-enhancing acquisitions that provide a platform for growth; and
- to dispose of properties that no longer fit within the group's investment criteria, geographically or otherwise.

Governance outcome: Adequate and effective control

Principle 6: Role of the governing body

King IV™ principle:

The governing body should serve as the focal point and custodian of corporate governance in the organisation

Application:

The board has adopted a board charter and code of ethics and has established an audit and risk committee, a remuneration and nomination committee, an investment committee and a social and ethics committee, each of which has adopted terms of reference. The board is satisfied that it has fulfilled its responsibilities in accordance with its board charter for the reporting period, and will continue to monitor progress or shortcomings.

Principle 7: Composition of the governing body

King IV™ principle:

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

Application:

The company recognises the value of diversity in the composition of the board and acknowledges that diversity of skills, experience, knowledge, culture, race and gender strengthens the company's ability to effectively carry out its duties and add value to the group. The board has adopted a diversity policy and is committed to the principle of diversity at board level. All new appointments to the board are considered in the context of achieving diversity while keeping the operational requirements of the company in mind. The board, as presently constituted, is diverse and experienced and comprises a majority of non-executive directors and, while no targets have been set as regards diversity, this is reviewed on an annual basis.

In determining the number of directors needed, the board considers factors such as the appropriate mix of business, commercial and industry experience and skills and decides on the optimum combination of executive, non-executive and independent non-executive members. The board comprises a majority of non-executive directors and the roles of the chairman and the CEO are separate. As presently constituted, the board is diverse and experienced and has a wealth of knowledge of the property industry.

The board has unrestricted access to the external auditor, professional advisors, the services of the company secretary and to the executives and staff of the company at any given time. Furthermore, the board has unrestricted access to all information, records, documents and property of the company.

Principle 8: Committees of the governing body

King IV™ principle:

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

Application:

The board has established an audit and risk committee, a remuneration and nomination committee, an investment committee and a social and ethics committee. Each committee has a board-approved charter that defines its roles and responsibilities.

Governance outcome: Adequate and effective control continued

Principle 9: Performance evaluations

King IV™ principle:

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness

Application:

The board establishes the functions, responsibilities and performance criteria of the board, the directors and the board sub-committees. While a formal annual self-evaluation is yet to be introduced for the board and its sub-committees, the board satisfied itself that it and its sub-committees operated effectively during the year under review. In addition, the chairman regularly engages with the executive and non-executive directors, addressing any matters of concern as regards performance.

Principle 10: Delegation to management

King IV™ principle:

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

Application:

A detailed delegation of authority policy and framework identifies matters reserved for the board and those delegated to management. The board is satisfied that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.

In instances where delegation has taken place to management or committees, preapproved materiality levels and terms of reference apply.

The CEO, Richard Herring, is responsible for executing strategy and for the day-to-day business of the company. The CEO is not a member of the remuneration committee or the audit and risk committee.

Heriot complies with the provisions of the Companies Act in relation to the appointment and removal of the company secretary. The function of the company secretary is outsourced and the role is formalised.

Principle 11: Risk and opportunity governance

King IV™ principle:

The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives

Application:

The board is ultimately responsible for setting the risk appetite of the group, identifying strategic risks and opportunities and managing these. The board has delegated the management of risk to the group's management team, which executes this responsibility through processes within an established risk management policy and governance framework and reports to the audit and risk committee in this regard.

The board has established an investment committee to assist in its investment decisions and the audit and risk committee guides the board in terms of ensuring that its funding strategies are in line with the group's risk appetite.

Principle 12: Technology and information governance

King IV™ principle:

The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives

Application:

The board is responsible for IT governance. The CEO directs, controls and measures the IT activities and processes of the group. Internal IT controls are assessed by the audit and risk committee on behalf of the board.

There is a flat infrastructure with an on-site file server and information backups are managed internally. There are strict login processes to access emails which are hosted off-site by an external third-party service provider.

The responsibility for key technology activities and processes is outsourced.

Governance outcome: Adequate and effective control continued

Principle 13: Compliance governance

King IV™ principle:

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

Application:

The board ensures compliance with all relevant South African legislation, the JSE Listings Requirements and King IV™.

Principle 14: Remuneration governance

King IV™ principle:

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

Application:

The remuneration and nomination committee provides guidance to the board regarding the company's remuneration policy which is designed to attract, retain and motivate employees to achieve the strategic objectives of the group.

The full remuneration policy as well as the remuneration implementation report are contained in the report of the remuneration and nomination committee on pages 29 to 31 of this integrated report.

Principle 15: Assurance

King IV™ principle:

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

Application:

The board has approved terms of reference that mandate the audit and risk committee to oversee internal controls established not only for financial matters, but also for operational, compliance and sustainability issues.

Governance outcome: Trust, good reputation and legitimacy

Principle 16: Stakeholders

King IV™ principle:

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

Application:

Stakeholders are integral to Heriot and stakeholder risks and concerns are therefore carefully considered when reviewing and refining strategy. The CEO and CFO regularly engage with shareholders, tenants and financiers.

Compliance with applicable laws

The company has remained compliant with the Companies Act, particularly with reference to the incorporation provisions as set out in the Companies Act, and has operated in conformity with the company's memorandum of incorporation during the year under review.

Report of the remuneration and nomination committee

It is my privilege to present Heriot's remuneration report for 2022. This report sets out how Heriot has developed and formalised its remuneration policy.

As with previous reports, it is presented in three sections, in line with King IV™:

- Background statement;
- Overview of the remuneration policy; and
- The implementation report indicating the actual remuneration paid for the reporting period in accordance with the remuneration policy.

Background statement

The group is committed to maintaining fair and transparent remuneration policies and systems. Attraction, retention and motivation of a skilled management team are required for the group to maintain its high standard of performance and achieve its strategic objectives.

The remuneration and nomination committee is responsible for oversight with regard to remuneration decisions. In particular, the committee determines the criteria necessary to measure the performance of members of the executive management team in discharging their functions and responsibilities. In accordance with its terms of reference, the committee works to ensure that management are fairly but responsibly rewarded for their individual contributions and performance.

The remuneration policy and the remuneration implementation report that appear below will, as in previous years, be put to a non-binding advisory shareholder vote at the upcoming annual general meeting of the company. This meeting is to be held on Wednesday, 7 December 2022.

The board undertakes that should 25% or more of shares be voted against the proposal presented for this non-binding shareholder vote, the board will actively engage with dissenting shareholders in order to address all legitimate concerns.

Overview of the remuneration policy

The remuneration policy is reviewed annually.

The remuneration applicable to executive management (including executive directors and senior management) comprises three elements as follows:

- Guaranteed pay – a total guaranteed annual package;
- Short-term incentive – an annual cash bonus; and
- Long-term incentive – structures to align management with shareholders and retain skills.

Report of the remuneration and nomination committee continued

Guaranteed pay

Members of the executive management team are remunerated in terms of their employment contracts. These allow for a guaranteed annual package but no additional benefits or allowances. Our remuneration policy is to target market-related pay in respect of guaranteed pay, benchmarking against companies that are comparable in terms of size, market sector and complexity. Annual increases, awarded on 1 January, are determined with reference to inflation, individual performance and affordability.

Short-term incentive

Members of executive management are awarded an annual cash bonus that is linked to both individual and company performance. The committee ensures that bonuses are only awarded if affordable to the company.

In 2021, the committee undertook a project to assess performance and measurement methodologies suitable for Heriot staff. Work included the building of models and analyses of the approaches taken by other companies, with the intention that the outcomes of this exercise would be formally implemented. A decision has been taken to defer this as we await the completion of various strategic growth initiatives of the group. These initiatives remain in progress and deferral of the implementation of such systems and processes continues. For the present, we will maintain a discretionary cash bonus system, as described in the preceding paragraph.

Long-term incentive

The company instituted a long-term share purchase scheme at listing in 2017. In terms of this scheme, employees who were chosen as scheme participants were offered loans to purchase shares in Heriot. Since

listing, no further allocations have been made in terms of this scheme. Previous reports of this committee would indicate that we have been considering discontinuing this scheme on the basis that it was not considered suitable for achieving alignment between shareholders and management. However, recent discussions with staff indicate that there is revived interest from several key staff members for the company to offer this scheme, and circumstances now allow for greater alignment between staff and shareholders. The committee will take this into consideration as it continues work on potential incentivisation systems, as mentioned earlier in this report.

Remuneration implementation report

As mentioned elsewhere in this integrated report, the current CFO has announced her resignation from the company and is currently serving her notice period. The incoming CFO has previously served as deputy CFO and before that as a financial manager in the group. His existing contract allows for a notice period of one month. The CEO has no service contract but is subject to two months' notice. No restraint of trade clauses or similar contractual obligations are imposed on executive management. Accordingly, management would not benefit from any separation payments.

Details of the remuneration paid to the executive directors for the year ended 30 June 2022, which is in line with the remuneration policy, are set out in note 24 to the annual financial statements that form part of this integrated report.

Non-executive directors' fees comprise an annual fee in recognition of their ongoing fiduciary duties and responsibilities. Directors who serve on committees are paid an additional fee for attending the meetings of the various committees of which they are members.

Non-executive directors have been remunerated in terms of a special resolution passed by shareholders at the annual general meeting held on 8 December 2020, setting remuneration for a period of two years from that date. The maximum amounts were set as follows:

Position	Fees per annum R
Annual fee	
Chairman of the board	325 000
Member of the board	300 000
Fee per committee meeting	
Audit and risk committee member (including the chairperson)	25 000
Social and ethics committee member (including the chairperson)	25 000
Remuneration and nomination committee member (including the chairperson)	25 000
Investment committee member (including the chairperson)	25 000

Given that the existing approval for non-executive directors' remuneration is coming to an end, it is proposed that for the year 2023 these fees be increased by 7,5%. It should be noted that this will result in the first increase in non-executive directors' fees since listing. Non-executive directors' fees for the year ended 30 June 2022 and proposed fees for 2023 are set out as follows:

	Actual 2022 R	Proposed 2023 R
Annual fee		
Chairman of the board	300 000	322 500
Member of the board	200 000	215 000
Fee per committee meeting		
Audit and risk committee member (including the chairperson)	25 000	26 875
Social and ethics committee member (including the chairperson)	25 000	26 875
Remuneration and nomination committee member (including the chairperson)	25 000	26 875
Investment committee member (including the chairperson)	25 000	26 875



Selwyn Blieden

Remuneration and nomination committee chairman

28 October 2022

Report of the investment committee

The investment committee is chaired by the founder and chairman of Heriot, Steven Herring, and further comprises the executive directors and non-executive director, Robin Lockhart-Ross.

The role of the committee is to evaluate all investment opportunities and make recommendations to the board with regard thereto.

The committee meets when decisions are required to acquire, dispose of or significantly redevelop property assets.

The committee oversees the group's investment strategy which is to identify value-enhancing opportunities within the industrial and retail property sectors in South Africa, focusing on convenience and small regional retail centres in peri-urban and rural areas, and to create a stable and diverse portfolio of property assets for the purpose of generating secure income streams and creating capital growth.

The responsibility of the committee is to consider recommendations from management for acquisitions, capital expenditure or disposals and in this regard, the committee must:

- ensure that acquisitions are income-enhancing and within Heriot's target market;
- give careful consideration to acquisitions that are dilutionary; and
- identify properties for disposal that no longer fit within the group's investment criteria, geographically or otherwise.

The committee has the power to approve transactions that are within its limits of authority without reference to the board.

The limits of authority are as follows:

- 5% of the value of the property portfolio per transaction and up to 10% of the value of the property portfolio in respect of acquisitions, refurbishments and redevelopment projects;
- Individual sales transactions below R100 million or 10% of the portfolio value in respect of disposals, in aggregate, totalling not more than 10% of the portfolio value; and

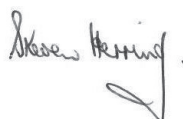
- Raise funding for acquisitions provided that Heriot's gearing levels do not exceed 40% at any point in time.

Any transactions in excess of the mandated limits must be considered by the committee and approved by the board. All transactions are subject to any applicable statutory and regulatory conditions and compliance, including but not limited to the JSE Listings Requirements and the Competition Act.

A key focus of the committee during the 2022 financial year has been to formulate the strategy to further increase Heriot's holding in Safari so as to expand its investment in real estate in a portfolio identified to be complementary to Heriot's own portfolio. Pursuant to this strategy, in June 2022, Heriot announced its intention to make a general offer to purchase Safari's listed securities at an offer price of R5,60 per Safari share. The offer circular was posted to Safari shareholders on 13 October 2022.

While no formal meetings of the committee were held during the year, the committee considered a number of strategic transactions and approved the following:

- The acquisition of a further 50 078 280 shares in Safari for a total consideration of R280,438 million or R5,60 per share, increasing Heriot's holding to 18,86% at the date of this report;
- The disposal of the Mpact Nelspruit property for R77,0 million;
- The acquisition of Shoprite Emmarentia for R58,0 million;
- The asset swap arrangement in terms of which Heriot disposed of its 50% undivided share in four properties (three office properties and one industrial property) to gain full control of two industrial assets for a pay-in of R50,5 million; and
- The continued investment into rooftop solar.



Steven Herring
Investment committee chairman

28 October 2022

Report of the social and ethics committee

The social and ethics committee (the “committee”) has been constituted to assist the board with social and ethics-related matters, as provided for in the Companies Act and the regulations thereto, as well as the recommendations of King IV™ and the JSE Listings Requirements.

The committee is governed by terms of reference and acts as the custodian and co-ordinator of activities and initiatives leading to the creation and maintenance of an ethical culture in the company.

In terms of the charter, the committee is responsible for:

- the functions and responsibilities provided for in the Companies Act, including monitoring the company's activities with regard to matters relating to social and economic development, good corporate citizenship, the environment, health and public safety and the impact of the company's activities thereon, consumer relationships and the company's employment relationships;
- monitoring the company's efforts and activities relating to ethical leadership and good corporate citizenship;
- instilling an ethical culture in the company, including the incorporation of ethics into the operations of the business systems, procedures and practices by ensuring that the practices as set out in the code of conduct and ethics are embodied in all dealings of the company;
- drawing matters within its mandate to the attention of the board as occasion requires; and
- reporting, through one of its members, to the shareholders at the company's annual general meeting on the matters within its mandate.

Membership

The committee comprises non-executive director, Nelson Ngale (chairman), the CEO, Richard Herring and the CFO, Janys Finn.

Activities

A primary focus of the committee is to improve the quality of life of the people and the communities living within the surrounds of our properties. In pursuit of this objective, we are dedicated to ensuring that we create local employment opportunities by awarding contracts and jobs for servicing and maintenance needs of our properties to B-BBEE entities. Further, our retail portfolio assists local communities by providing them with easy access to a superior shopping experience that caters for their daily needs.

Report of the social and ethics committee continued

The committee is also responsible for Heriot's social investment programmes that are designed to benefit the local communities and during the 2022 financial year, Heriot engaged in a number of social initiatives and community projects as summarised below:

- The Women's Day Campaign focused on recognising women through the distribution of 2 000 care packages to women of all ages, providing them with various products including deodorant, body lotion, toothbrushes, toothpaste and sanitary towels;
- The Smile Initiative focused on oral hygiene and in partnership with local medical professionals, we sponsored over 27 000 children at 37 schools with products to start their journey to healthier teeth;
- The sanitary towel drive afforded over 8 000 young women with sanitary towels in an effort to reduce absenteeism and improve the educational opportunities for these women;
- The stationery drive delivered 4 000 stationery hampers to the younger members of our communities; and
- The "Be wise – sanitise" drive provided communities with sanitiser to help protect them during the COVID-19 pandemic.

The company has recently commenced with the "Amanzi Ubuntu" project, a borehole initiative that is aimed at providing the communities surrounding our retail centres with access to safe water. The Burgersfort, Siyabuswa and Phokeng communities will be the first to benefit from this initiative.

B-BBEE scorecard

While Heriot is committed to becoming a B-BBEE-compliant company through employment equity promotion in the workplace, including procurement practices which support developing businesses and suppliers, enterprise creation and equity ownership in the group, the company remains non-compliant.

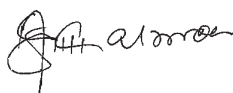
The board acknowledges that, in order to remain competitive within the industry and to ensure long-term sustainability and profitability, it is important that it complies with the requirements of the Broad-based Black Economic Empowerment Act and related codes of good practice. To achieve this, the board has tasked the committee with drafting a transformation policy that aligns with the principles of the property sector codes and with the group's transformation objectives of equal opportunity employment, diversity management, recruitment and selection, rewards and benefits, leadership development and training.

While the focus is to improve the group's rating per the B-BBEE scorecard, the committee is mindful of the need to ensure that the costs relating thereto are not disproportionate to the operations of the group and that the improvement in the scorecard is in the context of growing the group's portfolio of assets, improving the shareholder spread and increasing diversity in the recruitment of full-time employees.

Going forward

Heriot is committed to the empowerment, development and growth of disadvantaged communities and will continue to seek ways to uplift these communities. We continue to assess the needs of the communities surrounding our shopping centres and will endeavour to implement several sustainable initiatives that will improve the quality of life for the rural communities over the short to medium term.

In the forthcoming year, we will continue to host non-profit organisations in our retail malls, enabling these organisations to access the communities we serve.



Nelson Ngale

Social and ethics committee chairman

28 October 2022

The Group's continued growth is testimony to its strong and diversified property portfolio and investment in strategic assets.

Annual financial statements

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Directors' responsibility and approval

The directors are required by the Companies Act, 71 of 2008 ("Companies Act") to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the group and company as at the end of the financial year and the results of its operations and cash flows for the year then ended in conformity with International Financial Reporting Standards ("IFRS"), the JSE Limited ("JSE") Listings Requirements, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act. The external auditor is engaged to express an independent opinion of the consolidated and separate financial statements.

The consolidated and separate financial statements are prepared in accordance with IFRS, the JSE Listings Requirements, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the group and company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and management is required to maintain the highest ethical standards in ensuring the group and company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group and company is on identifying, assessing, managing and monitoring all known forms of risk within the group and company. While operating risk cannot be fully eliminated, the group and company endeavour to

minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

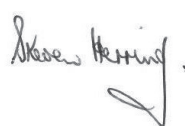
The group and company's audit and risk committee plays an integral role in risk management as well as overseeing the group and company's integrated reporting. The Code of Corporate Practices and Conduct has been integrated into the group and company's strategies and operations.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group and company's cash flow forecast for the year to 30 June 2023 and, based on this review and the current financial position, they are satisfied that the group and company has access to, adequate resources to continue in operational existence for the foreseeable future.

The external auditor was given unrestricted access to all financial records and related data, including minutes of meetings of the board of directors and the committees of the board. The consolidated and separate financial statements have been examined by the group and company's external auditor and his report is presented on pages 44 to 47.

The consolidated and separate financial statements set out on pages 48 to 107, which have been prepared on the going concern basis, were approved by the board of directors on 28 October 2022 and were signed on its behalf by:



Steven Herring
Chairman



Richard Herring
Chief executive officer ("CEO")

Chief executive officer's and chief financial officer's responsibility statement

In line with paragraph 3.84(k) of the JSE Listings Requirements, the chief executive officer and chief financial officer ("CFO") hereby confirm that:

- the annual financial statements set out on pages 48 to 107, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for the implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit and risk committee and the auditor any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.



Richard Herring
Chief executive officer



Janys Finn
Chief financial officer

28 October 2022

Group company secretary's certificate

Declaration by the company secretary in respect of section 88(2)(e) of the Companies Act

In accordance with the provisions of section 88(2)(e) of the Companies Act, I certify that for the year ended 30 June 2022, the company has lodged with the registrar of companies all such returns as are required of a company in terms of the Companies Act, and that all such returns are true, correct and up to date.



CIS Company Secretaries Proprietary Limited
Company secretary

28 October 2022

Report of the audit and risk committee

The audit and risk committee (the “committee”) is an independent statutory committee to which duties are delegated by the board. Committee members are appointed by the board, subject to approval by shareholders at the annual general meeting.

The committee is chaired by independent non-executive director, Selwyn Blieden, and further comprises two independent non-executive directors, Trevor Cohen and Robin Lockhart-Ross. The CEO, CFO and representatives of the external auditor are present at meetings by standing invitation.

The committee is governed by a formal charter that is reviewed annually. The committee meets at least three times per year and special meetings are convened when necessary. Details of attendance by members at meetings for the year ended 30 June 2022 are set out on page 21.

The board has satisfied itself that:

- committee members have the required knowledge and experience as set out in section 94(5) of the Companies Act and regulation 42 of the Companies Regulations, 2011;
- committee members act independently;
- committee members have unrestricted access to all information, documents and explanations required in support of the discharge of their duties, as well as to the external auditor; and
- the committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein.

The committee is responsible for performing the functions required in terms of section 94(7) of the Companies Act. These functions include nominating and appointing the group’s auditor and ensuring that such auditor is independent of the group; determining the fees to be paid to the auditor and the auditor’s terms of engagement; ensuring that the appointment of the auditor complies with the provisions of the Companies Act and any other relevant legislation; determining the nature and extent of any non-audit services that the auditor may provide to the company; receiving and dealing appropriately with any concerns or complaints, whether from within or outside the

company, or on its own initiative, relating to the accounting practices of the company, the content or auditing of the company’s financial statements, the internal financial controls of the company or any related matter; and performing any other oversight functions as may be determined by the board.

Other responsibilities of the committee include:

- adopting and implementing an appropriate financial risk management policy in accordance with industry practice and monitoring compliance with this policy;
- reporting in the integrated report that the group has, in all material respects, complied with the policy during the year concerned; and
- reporting to the JSE in the annual compliance declaration (as referred to in paragraph 13.49(d) of the JSE Listings Requirements) that it has monitored compliance with the policy and that the group has, in all material respects, complied with the policy during the year concerned.

The committee has satisfied itself that, for the year under review:

- BDO South Africa Incorporated and Paul Badrick, the designated auditor and individual audit partner, are independent of the company and further confirm that the suitability for their appointment is in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements;
- The CFO, Janys Finn, is competent and that the finance function has adequate resources and sufficient expertise;
- The company secretary has the requisite skills and experience and has maintained an arm’s-length relationship with the board for the year under review;
- Appropriate risk management processes are in place;
- The company has complied with the risk management policy as regards derivative transactions;
- The policies and procedures adopted to date are adequate and appropriate, having regard to Heriot’s size and range of activities; and
- The company has established appropriate reporting procedures that are operating effectively.

The designated auditor, Paul Badrick, will be retiring in terms of the rotational requirements of section 92 of the Companies Act. The committee has satisfied itself as to the suitability of Vianca Pretorius who will be the designated auditor for the 2023 financial year.

The committee uses the combined assurance model for assisting the board in assessing whether the significant risks facing the group are adequately mitigated. This model is about effectively co-ordinating management and internal and external assurance providers, increasing collaboration and developing a more holistic view of the organisation's risk.

The committee has reviewed the annual financial statements for the year ended 30 June 2022 and is of the view that they comply with IFRS in all material respects. Further, the committee reviewed this integrated report and is satisfied that the information is reliable, consistent, fairly represented, prepared in accordance with appropriate reporting standards and conforms to the requirements of King IV™ and the JSE Listings Requirements and has recommended the annual financial statements for the year ended 30 June 2022 for approval by the board of directors.

The annual financial statements, which the board has approved, will be presented for discussion and adoption at the annual general meeting to be held on Wednesday, 7 December 2022.



Selwyn Blieden

Audit and risk committee chairman

28 October 2022

Directors' report

The directors have pleasure in submitting their report on the financial statements of Heriot REIT Limited ("Heriot", the "company" or the "group") and its subsidiaries for the year ended 30 June 2022.

Nature of business

Heriot is a property holding and investment company that is listed in the "Diversified REITs" sector on the Alternative Exchange of the JSE. The group is primarily invested in retail and industrial properties situated in areas with high growth potential. At the reporting date, the property portfolio was valued at R5,084 billion. The group's primary objective is to grow and streamline Heriot's asset base through the acquisition of high-quality properties, the redevelopment of existing properties and the disposal of assets identified as non-core.

Heriot further manages a portfolio of retail assets located in Zambia and the Democratic Republic of the Congo ("DRC").

Accounting policies

The financial statements of the company and group have been prepared in conformity with IFRS, the JSE Listings Requirements, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act. The accounting policies have been applied consistently with those of the previous year.

Review of financial results and activities

The operating results and state of affairs of the group and company are fully set out in the attached financial statements.

The group recorded distributable earnings of R260,6 million for the year, 12,5% ahead of distributable earnings generated for the previous financial year. This is testimony to its strong and diversified property portfolio and investment in strategic assets. The focus on retail properties located in non-metropolitan areas, together with the fact that a high percentage of the portfolio is tenanted by blue-chip tenants with long-term leases and high trading densities, ensured that tenancies remained stable and vacancy levels remained low during the period. Distributions during the period were boosted by the

recovery of an insurance claim of R5,0 million for the loss of rental income incurred during the COVID-19 hard lockdown period in 2020 and by the relatively low interest rates prevailing in South Africa over the past few years, resulting in an average cost of borrowings of 6,29% for the reporting period.

The fair value of investment property increased by R329,95 million, or 8,6% on a like-for-like basis. The increase was primarily driven by increases of R113,2 million and R203,1 million in the fair value of properties in the retail and industrial sectors, respectively, offset by a decrease of R11,5 million in the value of office assets. The enhancement in the value of retail property is reflective of the resilience displayed by properties in non-metropolitan areas throughout and post the COVID-19 pandemic with record trading densities being reported, while the increase in the value of the industrial properties is mainly as a result of the positive reversions and re-lets across this sector. The decrease in the value of the office portfolio is as a result of increased vacancies and negative rent reversions with this sector remaining under pressure during the reporting period.

Heriot's net asset value per share increased by 141,4 cents to R12,84 per share, largely as a result of the increase in the fair value of investment property.

Stated capital

There were no changes to the authorised or issued share capital during the year. At the reporting date, the company had 256 295 858 shares in issue.

Dividends

In terms of real estate investment trust ("REIT") legislation, at least 75% of distributable earnings must be distributed by a REIT to shareholders every year. Since its listing in July 2017, Heriot has maintained a 100% dividend payout ratio. In respect of the year ended 30 June 2022, the following dividends were declared by the company:

- Dividend number 8 – an interim dividend of 50,42000 cents per share for the six months ended 31 December 2021 was declared on 24 February 2022. The total dividend of R128,771 million was paid to shareholders on 22 March 2022; and

- Dividend number 9 – a final dividend of 51,63000 cents per share for the six months ended 30 June 2022 was declared to shareholders on 21 September 2022. The total dividend of R131,861 million was paid to shareholders on 17 October 2022.

The dividends have been declared from distributable earnings and meet the requirement of a REIT “qualifying distribution” for purposes of section 25BB of the Income Tax Act, 58 of 1962 (as amended).

Distributable earnings

Heriot uses distribution per share as its trading statement relevant measure. Heriot’s distributable income has been calculated as follows:

	Year ended 30 June 2022 R'000	Year ended 30 June 2021 R'000
Contractual rental income and recoveries, excluding straight-line rental income	580 203	529 977
Property expenses	(192 618)	(154 615)
Other income	14 625	10 050
Administrative expenses and corporate costs	(47 593)	(40 116)
Per statement of comprehensive income	(48 097)	(40 622)
Adjusted for: depreciation charged on owner-occupied property	504	506
Net finance costs	(119 374)	(104 252)
Finance income	12 733	10 163
Finance charges	(132 107)	(114 415)
Income tax	(1 494)	(1 539)
Net dividend received from equity-accounted entities	35 436	–
Dividend received from equity-accounted entities	36 277	–
Losses from associate	(841)	–
Non-controlling interest	(8 553)	(7 817)
	260 632	231 688
Number of shares in issue at the reporting date*	255 395 858	255 395 858
Distribution per share (cents)	102,05	90,72

* Excluding the 900 000 treasury shares in issue.

Directors

The directors of the company for the year under review and at the date of this report were as follows:

Executive

RL Herring *Chief executive officer*
JA Finn *Chief financial officer*

Non-executive

SJ Blieden *Lead independent non-executive director*
TJ Cohen *Independent*
SB Herring *Chairman*
R Lockhart-Ross *Independent*
NA Ngale *Independent*

Directors' report continued

Post year end, Janys Finn advised that in order to focus on the Herring family assets, she will be stepping down as an executive director of the company with effect from 30 November 2022. Janys will, however, remain a non-executive director of Heriot.

Daniel Snoyman, the current deputy CFO of Heriot, will assume the role of CFO with effect from 1 December 2022.

Directors' interests in shares

As at 30 June 2021 and 30 June 2022, the directors held the following direct and indirect interests in shares in the company:

	Beneficial holdings		Non-beneficial holdings		Total	%
	Direct	Indirect	Direct	Indirect		
RL Herring*	2 800 000	11 377 339	–	–	14 177 339	5,5
JA Finn*	–	–	–	–	–	–
SJ Blieden	–	–	–	–	–	–
TJ Cohen	–	–	–	–	–	–
SB Herring	–	222 790 183	–	–	222 790 183	86,9
R Lockhart-Ross	–	–	–	–	–	–
NA Ngale	–	–	–	–	–	–
	2 800 000	234 167 522	–	–	236 967 522	92,4

* RL Herring has pledged his direct holding of 2 800 000 shares as security for an amount owed to the company in terms of the employee share scheme. As at 30 June 2022, the loans amounted to R29,092 million (2021: R29,759 million)

There has been no change to the directors' interests in shares between the years ended 30 June 2021 and 30 June 2022 and the date of the approval of the annual financial statements.

Directors' interests in contracts

None of the directors had any direct or indirect material beneficial interest in contracts with the company or its subsidiaries during the reporting period.

Events after the reporting period

At year end, Heriot owned a 55% interest in an industrial property valued at R39,0 million (the "Hagley property"). Post year end, Heriot entered into agreements to acquire the minority interests from the three minority shareholders. The purchase price of R7,08 million for each 15% interest was funded by Heriot's available cash resources.

Pursuant to its strategy to acquire a controlling stake in Safari Investments RSA Limited, on 13 October 2022 Heriot published an offer circular to Safari shareholders outlining details of its general offer to purchase Safari's listed securities at an offer price of R5,60 per Safari share. The offer closes on Friday, 25 November 2022 and the results of the offer will be published on SENS on Monday, 28 November 2022.

Going concern

The directors have satisfied themselves that the group and company are in a sound financial position with access to sufficient facilities to meet foreseeable cash requirements. On this basis, the directors believe that the group and company have adequate cash resources to continue operating for the foreseeable future and accordingly, the financial statements have been prepared on a going concern basis.

Auditor

Subject to the approval of the shareholders at the upcoming annual general meeting, BDO South Africa Incorporated will continue in office in accordance with section 90 of the Companies Act. In terms of the rotational requirement of section 92 of the Companies Act, Vianca Pretorius will replace Paul Badrick as the partner responsible for the audit for the 2023 financial year end. The board thanks Paul for his valuable contribution to the group for the five years since Heriot's listing in July 2017.

Company secretary

CIS Company Secretaries Proprietary Limited is the company secretary. During the year, CIS was represented by Mosa Matlosa who is an associate member of Chartered Secretaries South Africa.

As required by the JSE Listings Requirements, the board has satisfied itself that the company secretary has the appropriate qualifications, expertise and experience. In addition, the board has satisfied itself that there is an arm's-length relationship with the company secretary due to the fact that the company secretary is not a director of the company.

The address of the secretary is set out below:

Postal address Private Bag X9000
 Saxonwold
 2132

Business address Rosebank Towers
 15 Biermann Avenue
 Rosebank
 Johannesburg
 2196

Preparer

The financial statements were compiled by Janys Finn CA(SA).

Independent auditor's report

To the shareholders of Heriot REIT Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Heriot REIT Limited (the group and company) set out on pages 48 to 107, which comprise the consolidated and separate statements of financial position as at 30 June 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Heriot REIT Limited as at 30 June 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board of Auditors' Code of *Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of *Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment property – Group Significant judgements and estimates are required by directors in determining the fair value of investment property.</p> <p>The portfolio is valued annually by an external independent valuator – Quadrant Properties Proprietary Limited. The valuations were based on a discounted cash flow model.</p> <p>Note 2 sets out the most significant inputs into valuations, all of which are unobservable.</p> <p>We considered the valuation of investment property a matter of most significance to our current year audit of the consolidated financial statements due to the significance of the balance, the significant judgements and estimates associated with determining fair value and the sensitivity of the valuations to changes in assumptions.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • We evaluated the competence, capabilities, and objectivity of the external valuer. This included verifying professional qualifications and an assessment of the independence and appropriateness of the valuator used. • Through discussions with the external valuator, obtained an understanding of the work performed, which included, the valuation methodology adopted, the significant assumptions used, and critical judgement areas applied, such as vacancy levels, discount rates and terminal capitalization rates. • We performed substantive procedures which involved developing independent expectations based on available market data, in order to identify properties for testing. • For the properties that were selected for testing, we verified the mathematical accuracy of the models applied, evaluated the reasonability of the significant inputs, and assessed the reasonability of management's forecast by comparing the forecast to the actual historical results. We also assessed the reasonableness of the capitalization, discount rates, exit cap rates and growth rates used to the SAPOA and Rode's reports. • Making use of our internal corporate finance expertise we assessed whether the valuation methodology is appropriate, and compared for reasonability the significant assumptions and judgements used by the valuator against historical inputs and market data, where available, and investigated unexpected movements. We assessed the adequacy of the disclosure in the consolidated financial statements, including the disclosure on significant inputs and sensitivity analysis, against the requirements of International Financial Reporting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Heriot REIT Limited Integrated report for the year ended 30 June 2022", which includes the Directors' Report, Report of the audit and risk Committee and the Group Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention

in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and /or the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Heriot REIT Limited for five years.

BDO South Africa Inc

BDO South Africa Incorporated
Registered Auditors

Paul Badrick
Director
Registered Auditor

31 October 2022

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Statements of financial position

as at 30 June 2022

		Group		Company	
	Note	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Assets					
Non-current assets		5 478 808	4 746 026	2 379 468	2 792 921
Investment property at fair value	2	4 955 600	4 531 350	–	–
Property under development	3	129 263	109 242	–	–
Property, plant and equipment	4	26 277	27 094	–	–
Investment in subsidiaries	5	–	–	2 345 249	2 360 428
Investment in associates and joint ventures	6	333 449	4 824	–	–
Financial assets	7	34 219	73 516	34 219	432 493
Current assets		217 821	195 611	146 002	433 368
Trade and other receivables	8	45 283	35 000	–	20
Dividends receivable from subsidiaries	9	–	–	35 449	199 334
Financial assets	7	49 573	50 311	–	137 889
Taxation		6	–	–	–
Cash and cash equivalents	10	122 959	110 300	110 553	96 125
Non-current assets held for sale		–	6 500	–	–
Total assets		5 696 629	4 948 137	2 525 470	3 226 289
Equity and liabilities					
Equity		3 321 484	2 964 565	2 495 227	2 476 570
Shareholders' interest		3 279 093	2 918 016	2 495 227	2 476 570
Stated capital	12	2 548 624	2 548 624	2 557 648	2 557 648
Reserves		730 469	369 392	(62 421)	(81 078)
Non-controlling interests	13	42 391	46 549	–	–
Liabilities		2 030 908	1 460 997	–	740 045
Interest-bearing borrowings	14	1 968 816	1 397 265	–	740 045
Deferred taxation	16	62 092	63 732	–	–
Current liabilities		344 237	522 575	30 243	9 674
Interest-bearing borrowings	14	247 055	431 024	–	–
Derivative financial instrument	15	–	5 905	–	–
Other financial liabilities	17	–	–	30 243	–
Trade and other payables	18	87 251	77 791	–	9 674
Dividend payable to non-controlling shareholders	19	9 931	7 826	–	–
Taxation		–	29	–	–
Total equity and liabilities		5 696 629	4 948 137	2 525 470	3 226 289

Statements of profit or loss and other comprehensive income

for the year ended 30 June 2022

	Note	Group		Company	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
Revenue	20	575 984	504 134	270 984	261 535
Contractual rental income		454 463	424 558	–	–
Dividends received		–	–	270 984	261 535
Operating cost recoveries		125 740	105 419	–	–
Straight-line rental income accrual		(4 219)	(25 843)	–	–
Operating costs		(192 618)	(154 615)	–	–
Net property income		383 366	349 519	270 984	261 535
Equity-accounted profits/(losses) (net of taxation)	6	114 894	(2 269)	–	–
Other income	21	14 625	10 050	–	–
Administration costs		(48 097)	(40 622)	(2 318)	(2 483)
Net impairment losses	22	(76 110)	–	7 401	(70 730)
Profit from operations	23	388 678	316 678	276 067	188 322
Finance charges	25	(132 107)	(114 415)	(20 016)	(38 597)
Finance income	26	12 733	10 163	11 982	11 323
Profit before fair value adjustments		269 304	212 426	268 033	161 048
Fair value adjustments	27	344 775	111 819	–	–
Profit before taxation		614 079	324 245	268 033	161 048
Taxation	28	146	(1 847)	–	–
Total comprehensive income for the year		614 225	322 398	268 033	161 048
<i>Attributable to:</i>					
Heriot shareholders		609 579	313 027		
Non-controlling shareholders		4 646	9 371		
		614 225	322 398		
Basic earnings and diluted earnings per share (cents)	29	238,68	122,57		

Statements of changes in equity

for the year ended 30 June 2022

	Group			
	Stated capital R'000	Reserves R'000	Non-controlling interests R'000	Total R'000
Balance as at 30 June 2020	2 548 624	279 300	45 144	2 873 068
For the year ended 30 June 2021				
Total comprehensive income for the year		313 027	9 371	322 398
Dividends		(222 935)	(7 966)	(230 901)
Balance as at 30 June 2021	2 548 624	369 392	46 549	2 964 565
Total comprehensive income for the year		609 579	4 646	614 225
Dividends		(248 502)	(8 804)	(257 306)
Balance as at 30 June 2022	2 548 624	730 469	42 391	3 321 484
Note	12		13	

	Company		
	Stated capital R'000	Reserves R'000	Total R'000
Balance as at 30 June 2020	2 557 648	(18 405)	2 539 243
For the year ended 30 June 2021			
Total comprehensive income for the year		161 048	161 048
Dividends		(223 721)	(223 721)
Balance as at 30 June 2021	2 557 648	(81 078)	2 476 570
Total comprehensive income for the year		268 033	268 033
Dividends		(249 376)	(249 376)
Balance as at 30 June 2022	2 557 648	(62 421)	2 495 227
Note	12		

Statements of cash flows

for the year ended 30 June 2022

	Note	Group		Company	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
Net cash flows generated from operating activities		248 521	252 960	260 578	245 976
Cash generated from/(used in) operations	30.2	365 435	354 742	(11 972)	(2 461)
Finance charges		(122 830)	(110 449)	(20 016)	(28 956)
Finance income		7 445	10 163	5 545	966
Dividends received	9	–	–	287 021	276 427
Taxation paid	30.5	(1 529)	(1 496)	–	–
Net cash (used in)/generated from investing activities		(368 244)	(62 363)	3 274	66 471
Acquisitions/improvements to investment property	30.6	(187 132)	(75 325)	–	–
Proceeds on disposal of investment property	30.7	83 250	47 500	–	–
Acquisition of property, plant and equipment	4	(762)	(2 397)	–	–
Acquisition of shares in associate	6	(287 643)	–	–	–
Acquisition of listed shares		–	(29 925)	–	–
Dividends received from associates	6	17 195	–	–	–
Loans to subsidiaries repaid	7	–	–	300	122 315
Loans advanced to subsidiaries	8	–	–	–	(58 318)
Loan repaid by related party	7	4 000	389	–	–
Loan advanced to related party	7	(126)	(5 079)	–	–
Share scheme debt repaid	7	2 974	2 474	2 974	2 474
Net cash generated from/(used in) financing activities		132 382	(166 555)	(249 424)	(216 326)
Dividends paid to Heriot shareholders		(248 502)	(222 935)	(249 376)	(223 721)
Dividends paid to non-controlling shareholders	19	(6 699)	(5 658)	–	–
Interest-bearing borrowings raised	30.8	467 900	92 038	–	7 395
Interest-bearing borrowings repaid	30.8	(80 317)	(30 000)	(48)	–
Net movement in cash and cash equivalents		12 659	24 042	14 428	96 121
Cash and cash equivalents at the beginning of the year		110 300	86 258	96 125	4
Cash and cash equivalents at the end of the year	10	122 959	110 300	110 553	96 125

Notes to the annual financial statements

for the year ended 30 June 2022

Heriot is a corporate REIT incorporated and registered in South Africa.

Accounting policies

1.1 Basis of preparation

The consolidated and separate financial statements are prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair value, and incorporate the principle accounting policies set out below. These accounting policies are consistent with those applied in the previous period other than for the new and revised accounting standards, outlined in note 1.16 to the annual financial statements, which had no material impact on the results.

The financial statements are prepared on the going concern basis and all values are rounded to the nearest thousand (R'000), except where otherwise indicated.

1.2 Statement of compliance

The consolidated and separate financial statements are prepared in accordance with IFRS, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act and the JSE Listings Requirements.

1.3 Use of estimates and judgements

In preparing the consolidated and separate financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated and separate financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated and separate financial statements.

Significant judgements

Expected credit loss

Impairment of trade receivables

Trade receivables are amounts due from customers, mainly relating to rental income and operating cost recoveries. They are generally due for settlement within seven days and therefore are all classified as current. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses the lifetime expected credit loss approach. These lifetime

expected credit losses are estimated using a provision matrix.

Impairment provisions for trade receivables are based on assumptions about risk of default and expected loss rates. Judgement, based on past history, existing market conditions and forward-looking estimates, is used in making these assumptions at the end of each reporting period.

Impairment of financial assets and dividends receivable from subsidiaries

In terms of the provisions of IFRS 9 *Financial Instruments*, which requires a loss allowance to be recognised for all exposures to credit risk, the group applies the general approach to measuring expected credit losses in respect of related party loans, share scheme loans and amounts receivable from subsidiaries. The loss allowance for these receivables is calculated based on 12-month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either 12-month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears for more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

Write-off policy

The group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no prospect of recovery e.g. when the counterparty has been placed in liquidation or has entered into business rescue proceedings. Loans written off may still be subject to enforcement, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Taxation

Due to the complexity of the tax legislation, judgement is required in determining the provision for income taxes.

Heriot is a REIT and tax and deferred tax are accounted for accordingly. On this basis, dividends

paid to shareholders are allowable as a tax deduction and no deferred tax is provided on movements in the fair value of investment property as no capital gains tax is payable on disposal of properties. Deferred tax is, however, provided for capital allowances claimed in respect of investment property acquired in terms of the business combination which allowances will be recouped on the disposal of such assets.

Sources of estimation uncertainty

Investment properties

The property portfolio is valued externally by a professional valuer on an annual basis using discounted cash flow projections. Cash flow projections are based on estimates of future net rental cash flows, discounted using rates that reflect current market assessments, together with external evidence such as current market rentals for similar properties in the same location.

Future rentals are estimated taking into account existing lease contracts and escalations, location, the condition of the property, lease covenants, current market rentals, conditions and the economy.

Derivative financial instruments

The valuation of derivative financial instruments is determined using the discounted cash flow projections, based on estimates of future cash flows, together with the relevant swap agreements as obtained from the recognised derivative dealer that values the instrument. The valuation further takes into account current market prices and conditions.

The estimates, judgements and underlying assumptions are reviewed on an ongoing basis.

1.4 Basis of consolidation

Subsidiaries

The consolidated annual financial statements incorporate the annual financial statements of the group and entities controlled by the company and its subsidiaries. The group has control of an investee when it has power over the investee and has the ability to use its power to affect the amount the investee returns to the investor.

The results of subsidiaries are included from the date control was acquired up to the date control ceased. Cost comprises the fair value of any assets transferred, liabilities or obligations assumed and equity instruments issued and excludes transaction costs.

Investments in subsidiaries in the separate financial statements of the company are reflected at cost less accumulated impairment losses.

The accounting policies of the subsidiaries are consistent with those of the group.

Associates

An associate is an entity over which the group has significant influence.

Investments in associates are accounted for at cost less accumulated impairment losses in the company's separate financial statements. At group level, these investments are initially measured at cost subsequently using the equity method. The group's investment in associates includes goodwill identified on acquisition (net of any accumulated impairment loss).

The consolidated financial statements include the group's share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the accounting policies with those of the group, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses equals or exceeds its interest in an equity-accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the group has an obligation or has made payments on behalf of the investee.

Unrealised gains on transactions between the group and associate are eliminated to the extent of the group's interest in the associates. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

1.5 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are measured at their fair values at the acquisition date.

Notes to the annual financial statements continued

for the year ended 30 June 2022

1.6 Investment property

Investment property

Investment property is property held to earn rental income for capital appreciation.

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

After initial recognition, investment property is measured at fair value. 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.

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

Tenant installation and lease commission costs are capitalised and amortised over the period of the lease. The carrying values of lease commissions and tenant installations are included with investment properties.

Investment property under development

Investment property under development is stated at fair value less estimated costs to completion. Fair values are determined annually by external independent registered valuers on the open market value basis. The valuers apply either the discounted cash flow or the capitalisation of net income method to projected cash flows for the completed

development to determine fair value. If the fair value of the developments cannot be reliably measured, the property will be carried at cost.

On completion, investment property under development is transferred to investment property.

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. 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 groups, the weighted average cost of borrowings.

1.7 Property, plant and equipment

Properties that are occupied by the company for internal purposes are recognised in terms of the accounting policy for property, plant and equipment.

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment, if any.

Depreciation is calculated on the straight-line method to write off the cost to their residual values over their estimated useful lives. The depreciation rates applicable are as follows:

Buildings	50 years
Computer equipment	3 years
Furniture, fittings and equipment	10 years
Motor vehicles	5 years

The useful lives and residual values of property, plant and equipment are assessed annually.

1.8 Financial instruments

The group's financial instruments consist of equity instruments, loans receivable and payable, trade and other receivables, trade and other payables, cash, borrowings and derivative financial instruments.

Financial instruments are initially measured at fair value plus, in the case of financial instruments not measured at fair value through profit or loss, transaction costs. Subsequent to initial recognition, these instruments are measured as set out below.

Cash and cash equivalents	Carried at amortised cost
Financial assets including related party loans, share scheme loans and amounts receivable from subsidiaries	Stated at amortised cost using the effective interest method less accumulated impairment losses
Trade and other receivables	Stated at amortised cost using the effective interest method less accumulated impairment losses
Trade and other payables	Stated at amortised cost using the effective interest method
Related party loans payable	Stated at amortised cost using the effective interest method
Financial liabilities	Non-derivative financial liabilities not at fair value through profit or loss are recognised at amortised cost using the effective interest method
Derivative financial instruments	Derivative financial instruments are recognised through profit or loss initially and subsequently stated at fair value

The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. Directly attributable transaction costs are recognised in profit or loss when incurred.

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.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Impairment

The group recognises a loss allowance for expected credit losses on trade and other receivables and loan receivables.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised in respect of defaulting trade receivables from initial recognition of the receivables. Defaulting trade receivables are those receivables for which there have been no collections for more than 90 days. Trade receivable are derecognised when there is information indicating that the debtor is in severe financial difficulty and that there is no realistic prospect of recovery. Any recoveries made are recognised in profit or loss.

For loans receivable, credit risk is assessed based on the borrower's ability to service its debt as it falls due. The group and company apply the IFRS 9 general approach to measuring expected credit losses. The loss allowance for these financial assets is calculated with reference to expected credit losses for the next 12 months where credit risk has remained unchanged from the last reporting period. Where there has been a significant change in risk, the loss allowance is calculated based on lifetime expected credit losses.

Notes to the annual financial statements continued

for the year ended 30 June 2022

1.9 Revenue

Revenue comprises gross rental revenue and recoveries from tenants, excluding value added taxation. The company recognises revenue in accordance with:

- IFRS 16 – Contractual rental income; and
- IFRS 15 – Revenue from cost recoveries.

Rental revenue from investment property is recognised on a straight-line lease basis when a lease is signed and the tenant has taken occupation of the premises. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Turnover rentals are recognised as revenue when the amounts can be reliably measured.

Operating cost recoveries, comprising the group's recovery of costs for providing the tenant with services as determined by the lease agreement, are levied monthly in arrears. Operating cost recoveries are based on consumption and actual expenses incurred and are accounted for in accordance with IFRS 15. Recovery income is allocated between the group's operating segments in order to depict how the nature, timing, amount and uncertainty of revenue and cash flows are affected by economic factors.

Rental and recoveries are billed on a monthly basis and payment is due by the first of the month.

At company level, revenue comprises dividend income received from subsidiaries.

1.10 Property operating expenses

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

1.11 Financing costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method.

1.12 Finance income

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

1.13 Income tax

As the group is a REIT, no provision has been provided for current tax in respect of South African subsidiaries as the group's distributable income is paid

to shareholders. No deferred tax has been provided on movements in the fair value of investment property as no capital gains tax is payable on disposal of properties due to REIT legislation. Deferred tax has been provided for capital allowances claimed in respect of investment property acquired in terms of the business combination which allowances will be recouped on the disposal of such assets.

1.14. Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues or incur expenses for which discrete financial information is available. The segments are determined based on the group's management and internal reporting structure that are determined by the group's executive directors.

The group's primary segments are as follows:

- Retail;
- Industrial;
- Offices;
- Specialised;
- Residential; and
- Other.

There are no secondary segments.

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

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of group revenue and expenses that can be allocated on a reasonable basis to a segment. Segmental assets comprise those assets that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Unallocated items comprise mainly head office expenses and income tax assets and liabilities.

1.15 Impairment of non-financial assets

At the end of each reporting period, an assessment is made as to whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount for the individual asset is estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell, and its value-in-use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by way of an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

At each reporting date, an assessment is made as to whether an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

For investments in subsidiaries, the carrying value of each investment is assessed for impairment in terms of IAS 36 and in instances where the investment is considered to be impaired, the investment was written down to its estimated recoverable amount by way of an impairment loss. The estimated recoverable amount of each subsidiary is calculated by reference to its net asset value.

1.16 New standards, interpretations and amendments

1.16.1 Standards and interpretations effective and adopted in the current period

In the current year, the company has adopted the following standards and interpretations that are relevant to its operations.

None of these changes had a material impact on the results of the group.

IAS 16 Property, Plant and Equipment

Amendments to IAS 16 – Proceeds before Intended Use

The amendment prohibits a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.

The amendment is effective for annual periods beginning on or after 1 January 2022.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendment is effective for annual periods beginning on or after 1 January 2022.

IFRS 7 Financial Instruments: Disclosures – Interest rate benchmark (“IBOR”) reforms phase 2, IFRS 9 Financial Instruments: Recognition and Measurement – Interest rate benchmark reforms phase 2 and IFRS 16 Leases – Interest rate benchmark reforms phase 2

The amendments to IFRS 7, IFRS 9 and IFRS 16 amend the requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities, lease liabilities, hedge accounting and disclosures.

The amendments to IFRS 7 require a company to make additional disclosures in its financial statements so that investors can better understand the effects of IBOR reform on that company.

The amendments to IFRS 9 enable a company to apply a practical expedient to account for a change in the contractual cash flows required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform.

The amendments to IFRS 9 enable (and require) companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by IBOR reform, by requiring companies to amend their hedging relationships to reflect the designation of an alternative benchmark rate as the hedged risk; or changing the description of the hedged item, including the designated portion, or of the hedging instrument.

The amendments to IFRS 16 enable a company to apply a practical expedient to account for a lease modification required by IBOR reform.

Notes to the annual financial statements continued

for the year ended 30 June 2022

The amendments are effective for annual periods beginning on or after 1 January 2021.

Amendments to IFRS 9 enable a company to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform. The amendments to IFRS 9 enable (and require) companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the IBOR reform, by requiring companies to amend their hedging relationships to reflect the designation of an alternative benchmark rate as the hedged risk; or changing the description of the hedged item, including the designated portion, or of the hedging instrument.

Amendments to IFRS 16 enable a company to apply a practical expedient to account for a lease modification required by the IBOR reform.

1.16.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 July 2022 or later periods. None of these standards, amendments and interpretations are expected to have a material impact on the results of the group.

Standard/interpretation	Effective date – years beginning on or after
<p>IAS 12 <i>Income Taxes</i> (Amendment – Deferred tax related to assets and liabilities arising from a single transaction)</p> <p>The International Accounting Standards Board (“IASB”) issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.</p>	1 January 2023
<p>IAS 1 <i>Presentation of Financial Statements</i> – Classification of liabilities as current or non-current and disclosure of accounting policies</p> <p>The IASB issued the classification of liabilities as current or non-current (amendments to IAS 1) providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.</p>	1 January 2023
<p>IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> (Amendment – Definition of accounting estimates)</p> <p>The IASB issued amendments to IAS 8, in which it introduces a new definition of “accounting estimates”. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors, as well as how entities use measurement techniques and inputs to develop accounting estimates.</p>	1 January 2023

	Group	
	2022 R'000	2021 R'000
2. Investment property		
Investment property at valuation	4 955 600	4 531 350
Comprising:		
Investment property	4 839 145	4 401 291
Cost	4 360 085	4 260 561
Fair value surplus	479 060	140 730
Straight-line rental income accrual	116 455	130 059
	4 955 600	4 531 350
Movement for the year		
Investment properties at the beginning of the year	4 531 350	4 417 400
Investment property	4 595 715	4 455 922
Cumulative straight-line rental income adjustment	(64 365)	(38 522)
Acquisitions and improvements capitalised to investment property	283 286	53 999
Disposals	(183 000)	–
Straight-line rental income accrual for the year	(4 219)	(25 843)
Transfer to non-current assets held for sale	–	(6 500)
Change in fair value (refer to note 27)	328 945	91 498
Tenant installations	(762)	796
Capitalised	–	1 546
Amortised	(762)	(750)
Balance at the end of the year	4 955 600	4 531 350
Movement in straight line rental income accrual		
Balance at the beginning of the year	130 059	154 518
Arising during the year	(4 219)	(25 843)
(Reversed)/recognised in respect of investment property disposed/acquired of during the year	(9 385)	1 384
Balance at the end of the year	116 455	130 059

First mortgage bonds have been registered over investment property valued at R4,587 billion (2021: R4,235 billion) as security for interest-bearing borrowings of R2,216 billion (2021: R1,828 billion) (note 14).

Notes to the annual financial statements continued

for the year ended 30 June 2022

2. Investment property continued

The properties were valued by Peter Parfitt of Quadrant Properties Proprietary Limited who is a registered valuer in terms of section 19 of the Property Valuers Profession Act 47 of 2000. The properties were valued using the discounted cash flow method which method values the properties by discounting the cash flows of future income streams of the properties, taking into account expected rental and expense growth rates, vacancies and costs not recoverable from tenants. The discounted cash flow valuations are tested for reasonableness by benchmarking against recent comparable sales activity and available market surveys and comparing the discounted cash flow values to the capitalised cash flow values. The capitalised cash flow values are calculated by applying appropriate capitalisation rates to the future earnings potential of the properties. The capitalisation rates are dependent on a number of factors such as location, the condition of the property, lease covenants and current market conditions.

Significant unobservable inputs

Significant unobservable inputs include the financial information used to calculate the forecast net income, including exit capitalisation rates, future growth in revenue, operating costs and discount rates.

	Group				
	Capitali- sation rates %	Rental growth rates %	Operating expense growth rates %	Discount rates %	Vacancy rates %
As at 30 June 2022					
Industrial	9,25	7,76	9,93	14,71	0,79
Retail	8,53	7,30	8,81	13,89	1,27
Office	9,70	5,43	10,38	15,12	4,19
Specialised	8,25	4,76	4,79	12,25	0,00
Residential	10,00	6,56	6,71	15,25	2,60
Portfolio average	8,93	7,24	9,08	14,29	1,27
As at 30 June 2021					
Industrial	9,46	6,50	11,36	14,92	0,77
Retail	8,75	6,16	8,66	14,24	1,30
Office	9,86	5,01	10,75	15,43	3,65
Specialised	8,25	5,29	4,48	12,25	0,00
Residential	10,00	6,26	6,51	15,25	3,00
Portfolio average	9,12	6,14	9,50	14,54	1,36

Inter-relationship between key unobservable inputs and fair value measurement

The fair value of investment properties would be affected by:

- change in expected market rental growth;
- change in expected expense growth;
- occupancy, vacancy and beneficial occupancy periods; and
- change in discount and capitalisation rates.

2. Investment property continued

The table below illustrates the sensitivity to key observable inputs in determining the valuation of investment property for those properties that were valued utilising the discounted cash flow method.

	2022			
	Decrease in capitalisation rate R'000	Increase in capitalisation rate R'000	Decrease in discount rate R'000	Increase in discount rate R'000
Industrial	93 559	(83 875)	55 662	(53 418)
Retail	153 240	(136 661)	85 823	(82 323)
Office	23 492	(20 959)	9 656	(9 266)
Specialised*	6 964	(6 137)	942	(913)
Residential	8 417	(7 616)	5 388	(5 174)
Total	285 672	(255 248)	157 471	(151 094)

	2021			
	Decrease in capitalisation rate R'000	Increase in capitalisation rate R'000	Decrease in discount rate R'000	Increase in discount rate R'000
Industrial	78 340	(70 443)	46 066	(44 226)
Retail	135 672	(120 988)	74 729	(71 676)
Office	25 699	(23 133)	12 622	(12 121)
Specialised*	6 677	(5 884)	1 051	(1 016)
Residential	8 037	(7 272)	5 216	(5 008)
Total	254 425	(227 720)	139 684	(134 047)

* There is no terminal value for these properties. This sector comprises paper plantations that are underpinned by long term leases with Mondi. The valuation of these properties has been based on the value of the land together with the value of the timber on lease expiry, discounted to present value.

If the valuer were to increase both the terminal capitalisation and discount rates by 0,50%, the total valuation would decrease by R255,248 million and R151,094 million respectively (2021: R227,720 million and R134,047 million).

If the valuer were to decrease both the terminal capitalisation and discount rates by 0,50%, the total valuation would increase by R285 672 million and R157,471 million respectively (2021: R254,425 million and R139,684 million).

Notes to the annual financial statements continued
for the year ended 30 June 2022

	Group	
	2022 R'000	2021 R'000
3. Property under development		
Balance at the beginning of the year	109 242	89 462
Development costs	9 846	18 250
Capitalised borrowing costs	–	1 530
Change in fair value	10 175	–
	129 263	109 242

Property under development comprises two properties, one of which is being redeveloped into student accommodation and the other into residential space, to enhance their values and to maximise returns on these well-located properties.

The properties have been bonded in favour of Nedbank Limited as security for interest bearing borrowings (note 14).

	Group	
	2022 R'000	2021 R'000
4. Property, plant and equipment		
Property	22 685	23 190
Cost	25 226	25 226
Accumulated depreciation	(2 541)	(2 036)
Computer equipment	337	573
Cost	1 079	1 016
Accumulated depreciation	(742)	(443)
Motor vehicles	–	75
Cost	527	731
Accumulated depreciation	(527)	(656)
Furniture, fittings and equipment	3 255	3 256
Cost	4 801	4 102
Accumulated depreciation	(1 546)	(846)
	26 277	27 094

Property comprises the owner-occupied property situated at Unit 32 of Sectional Scheme 1 and 3 Melrose Boulevard. This property has been bonded in favour of Nedbank Limited as security for interest-bearing borrowings (note 14).

		Group	
		2022 R'000	2021 R'000
4.1 Movement for the year			
Balance at the beginning of the year		27 094	26 003
Additions		762	2 397
Computers		63	616
Furniture, fittings and equipment		699	1 781
Depreciation for the year		(1 579)	(1 306)
Owner-occupied property		(505)	(505)
Computers		(299)	(256)
Furniture, fittings and equipment		(700)	(424)
Motor vehicles		(75)	(121)
		26 277	27 094

		Company	
	Holding %	Carrying amount 2022 R'000	Carrying amount 2021 R'000
5. Investment in subsidiaries			
Bait Away Trading Proprietary Limited [^]	100	27 566	25 550
Beneficial Interest in Heriot Trust No. 1 [^]	100	89 502	87 325
Beneficial Interest in Heriot Trust No. 3 [^]	100	71 625	71 625
Chasie Investments Proprietary Limited*	100	49 085	49 085
Croszie Proprietary Limited [^]	100	–	–
Fin Properties 107 Proprietary Limited [^]	100	24 396	24 180
Heriot Properties International Proprietary Limited [^]	90	158 135	158 135
Heriot Properties Proprietary Limited [^]	100	1 515 451	1 515 451
Heriot Properties West Proprietary Limited [^]	100	64 900	76 900
Moditouch Proprietary Limited [^]	50	12 506	16 594
Phokeng Mall Proprietary Limited [^]	100	129 866	133 134
Terrace Drive Properties 34 Proprietary Limited [^]	100	200 736	200 736
Tiger Stripes Investments 31 Proprietary Limited [^]	100	1 481	1 713
		2 345 249	2 360 428

[^] Registered and operational in South Africa.

* Registered and operational in Namibia.

Notes to the annual financial statements continued
for the year ended 30 June 2022

		Company	
		2022 R'000	2021 R'000
5. Investment in subsidiaries	continued		
Movement for the year			
Balance at the beginning of the year		2 360 428	2 434 070
Net impairment losses		(15 179)	(73 642)
Bait Away Trading Proprietary Limited		2 016	98
Beneficial Interest in Heriot Trust No. 1		2 177	(6 029)
Fin Properties 107 Proprietary Limited		216	(69 143)
Heriot Properties West Proprietary Limited		(12 000)	3 622
Moditouch Proprietary Limited		(4 088)	(1 310)
Phokeng Mall Proprietary Limited		(3 268)	979
Tiger Stripes Investments 31 Proprietary Limited		(232)	(1 859)
		2 345 249	2 360 428

At the reporting date, the carrying value of each investment was assessed for impairment in terms of IAS 36. In instances where the net asset value of the subsidiary was lower than the carrying value of the investment, the investment was considered to be impaired and was written down to its estimated recoverable amount by way of an impairment loss. The estimated recoverable amount of each subsidiary was calculated with reference to its value-in-use. As the investment properties owned by each subsidiary are fair valued at each reporting date, the net asset value of the subsidiary equates to its value-in-use. Any increase or decrease in impairment losses for the year is as a result of a change in the fair value of the investment properties owned by the subsidiaries.

		Group	
		2022 R'000	2021 R'000
6. Investment in associates and joint ventures			
Safari Investments RSA Limited ("Safari")	19,2	328 336	–
Fixtrade 605 Proprietary Limited ("Fixtrade")	50,0	4 454	4 824
Polly Cat Security Proprietary Limited ("Polly Cat")	50,0	659	–
		333 449	4 824

6. Investment in associates and joint ventures continued

	2022			
	Safari R'000	Fixtrade R'000	Polly Cat R'000	Total R'000
Opening balance	–	4 824	–	4 824
Transfer from financial assets (note 7.3)	38 475	–	–	38 475
Acquisition costs of associates and joint ventures	286 143	–	1 500	287 643
Share of profits/(losses) for the year	115 705	30	(841)	114 894
Distributable profits/(losses)	39 596	30	(841)	38 785
Bargain purchase on acquisition of associate	76 109	–	–	76 109
Impairment of associates	(76 110)	–	–	(76 110)
Dividends paid by associates and joint ventures	(35 877)	(400)	–	(36 277)
Balance at the end of the year	328 336	4 454	659	333 449

	2021			
	Safari R'000	Fixtrade R'000	Polly Cat R'000	Total R'000
Opening balance	–	7 093	–	7 093
Share of loss for the year	–	(2 269)	–	(2 269)
Balance at the end of the year	–	4 824	–	4 824

6.1 Investment in associates

6.1.1 19,2% interest in Safari

Safari is a property investment company listed on the JSE as a REIT that specialises in quality commercial investments, especially convenience and small regional shopping centres.

Heriot increased its holding in Safari to an effective 19,18% through the acquisition of 51 081 630 shares on 26 July 2022. In addition, SB Herring is chairman of both Safari and Heriot, and on this basis Heriot is deemed to have significant influence over Safari and accordingly, Safari has been accounted for as an associate from 26 July 2022.

6.1.2 49,5% interest in Fixtrade

The associate owns a portfolio of townhouses located in Newcastle, KwaZulu-Natal. The property is held for rental income and capital appreciation. Heriot's interest in the associate is not material to the group.

Fixtrade is managed and controlled by the co-shareholder. All strategic and operational decisions are made by this co-shareholder and on this basis, Heriot is deemed to have significant influence but no control over Fixtrade.

Notes to the annual financial statements continued
for the year ended 30 June 2022

6. Investment in associates and joint ventures continued

	Group	
	2022	2021
6.1.3 Summarised financial information for each material associate		
Interest in Safari		
Number of shares held	59 631 630	8 550 000
Effective interest (%)	19,18	2,75
Closing price – 30 June 2022	R5,70	R4,50

	Group	
	31 March 2022	31 March 2021
Summarised statement of financial position		
Non-current assets	3 377 056	3 420 391
Investment property	3 307 122	3 350 401
Loans to shareholders	40 436	43 077
Other non-current assets	29 498	26 913
Current assets	93 597	133 758
Inventories	60 026	106 000
Other current assets	33 571	27 758
Investment property held for sale	175 900	–
Total assets	3 646 553	3 554 149
Non-current liabilities	1 285 199	567 298
Interest bearing borrowings	1 248 844	516 065
Other non-current liabilities	36 355	51 233
Current liabilities	86 877	837 661
Interest-bearing borrowings	52 655	804 386
Other non-current liabilities	34 222	33 275
Total liabilities	1 372 076	1 404 959
Net assets	2 274 477	2 149 190

6. Investment in associates and joint ventures continued

	Group	
	31 March 2022	31 March 2021
6.1.3 Summarised financial information for each material associate continued		
Summarised statement of comprehensive income		
Revenue	416 068	342 712
Other income	34 581	6 376
Operating costs	(157 790)	(116 993)
Other costs	(47 715)	(16 864)
Fair value adjustments investment property	88 038	153 058
Fair value adjustments hedging instruments	23 902	(12 835)
Investment income	4 161	4 426
Finance costs	(98 264)	(97 662)
Taxation	(9 246)	5 361
Total comprehensive income	253 735	267 579
Summarised statement of cash flows		
Cash flows from operating activities	54 427	18 977
Cash flows from investing activities	(32 491)	(34 490)
Cash flows from financing activities	(19 890)	14 493
Net increase/(decrease) in cash and cash equivalents	2 046	(1 020)
Cash and cash equivalents at the beginning of the year	5 085	6 105
Cash and cash equivalents at the end of the year	7 131	5 085

6.2 Investment in joint ventures

6.2.1 50% interest in Polly Cat

Polly Cat is jointly owned by Heriot and Safari. The company was incorporated to provide security services to the retail properties in the Heriot and Safari portfolios. Decisions about the relevant activities are jointly controlled through voting mechanisms and unanimous consent. Neither shareholder can prevent the other from making unilateral decisions on relevant activities without the other shareholder's consent.

Notes to the annual financial statements continued
for the year ended 30 June 2022

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
7. Financial assets				
Loans to participants of the employee share scheme (note 7.1)	34 219	35 041	34 219	35 041
Loan to related party (note 7.2)	49 573	50 311	–	–
Investment in listed shares (note 7.3)	–	38 475	–	–
Loan to subsidiaries (net of provision for impairment) (note 7.4)	–	–	–	535 341
	83 792	123 827	34 219	570 382
Less: Short-term portion	(49 573)	(50 311)	–	(137 889)
	34 219	73 516	34 219	432 493
Movement for the year				
<i>Loans to participants of the employee share scheme</i>				
Balance at the beginning of the year	35 041	35 359	35 041	35 359
Loans repaid during the year	(2 974)	(2 474)	(2 974)	(2 474)
Interest received	2 152	2 156	2 152	2 156
Balance at the end of the year	34 219	35 041	34 219	35 041
<i>Loan to related party</i>				
Balance at the beginning of the year	50 311	45 621	–	–
Advanced during the year	126	5 079	–	–
Interest charged	3 136	–	–	–
Repaid during the year	(4 000)	(389)	–	–
Balance at the end of the year	49 573	50 311	–	–
<i>Investment in listed shares</i>				
Balance at the beginning of the year	38 475	–	–	–
Acquisition – 8 550 000 shares in Safari Investments	–	29 925	–	–
Fair value adjustment	–	8 550	–	–
Transfer to investment in associates	(38 475)	–	–	–
Balance at the end of the year	–	38 475	–	–
<i>Loan to subsidiaries</i>				
Balance at the beginning of the year			535 341	9 995
Transferred to/(from) loans from subsidiaries (note 17)			30 243	(154 420)
Secured liabilities refinanced by subsidiary companies			(739 997)	–
Secured liabilities of subsidiaries refinanced by the company			–	732 650
Transferred from dividends receivable			151 087	–
Advanced during the year			–	58 318
Repaid during the year			(300)	(122 315)
Interest charged			1 046	8 201
Allowance for expected credit losses			22 580	2 912
Balance at the end of the year			–	535 341

7. Financial assets continued

- 7.1** Loans due from participants of the employee share scheme arose on the acquisition of Heriot shares by employees at the listing price of R10 per share. The loans are subject to the following conditions:
- The loans bear interest at the group's average cost of borrowings of 6,29% (2021: 8,48%) for the year;
 - If the interest payable on the loans exceeds the dividends in respect of the year for which such dividends are declared, then such excess shall be added to and shall be deemed to form part of the loans;
 - If the dividends payable on the plan shares in respect of the year for which such dividends are declared exceed the interest payable for such year, then such excess shall be made available to the participant unless the participant has indicated that such excess is to be applied in reducing the loan;
 - The loans are secured by a pledge of shares to the company;
 - The company is entitled to demand payment of the debt outstanding in respect of any plan shares at any time after the expiration of 10 years from the date of the agreement;
 - The employees to whom the shares have been issued remain liable for the relevant outstanding scheme debt, irrespective of the value of the underlying shares, i.e. the employee is unconditionally bound to repay the loan, notwithstanding any decrease in the underlying value of the shares; and
 - At the reporting date, the expected credit loss considerations relating to the loans were the share price, interest rates and historical and projected dividends. As the market value of each Heriot share of R11,50 exceeds the carrying amount of R10,37 owed by each participant of the employee share scheme and projected dividends exceed the expected interest repayments, the credit risk relating to the loans has not increased. Accordingly, on the basis of a 12-month expected credit loss assessment, no credit loss allowance has been provided for.
- 7.2** The loan to the related party is unsecured, bears interest at the group's average cost of borrowings of 6,29% (2021: 8,48%) per annum and is repayable on demand. At year end, the expected credit risk relating to the loan has not increased significantly. This assessment has been based on the fact that the loan is recoverable from the ultimate majority shareholder of the company, being a family trust of SB Herring. The expected loss considerations relating to the loan were the share price and historical and projected dividends from the company. Accordingly, on the basis of a 12-month expected credit loss assessment, no credit loss allowance has been provided for.
- 7.3** The fair value of listed investments is determined using the closing market price on the relevant exchange. At year end, the investment has been accounted for as an investment in associate due to Heriot's increased investment in Safari together with the fact that Heriot is deemed to have significant influence over Safari (refer note 6.1.1).
- 7.4** Loans receivable from subsidiaries are subject to the impairment provisions of IFRS 9 *Financial Instruments*, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for group loans receivable is calculated based on 12-month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either 12-month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears for more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

During the current period, all subsidiary loans were ceded to Heriot Properties Proprietary Limited, a wholly-owned subsidiary of the company (refer to note 17).

Notes to the annual financial statements continued
for the year ended 30 June 2022

7. Financial assets continued

The table below presents the expected credit loss rates applied to each loan at 30 June 2021.

	2021			
	Basis of expected credit losses ("ECL")	Gross carrying value of loans	Loss allowance (lifetime expected credit loss)	Net carrying value of loans
Bait Away Trading Proprietary Limited	12-month ECL	16 211	–	16 211
Chasie Investments Proprietary Limited	12-month ECL	24 388	–	24 388
Croszie Proprietary Limited	Lifetime ECL	57 150	(22 580)	34 570
Fin Properties 107 Proprietary Limited	12-month ECL	116 724	–	116 724
Heriot Properties Proprietary Limited	12-month ECL	137 889	–	137 889
Heriot Properties International Proprietary Limited	12-month ECL	99 588	–	99 588
Heriot Properties West Proprietary Limited	12-month ECL	84 407	–	84 407
Heriot Trust No. 3	12-month ECL	21 564	–	21 564
		557 921	(22 580)	535 341

	Group	
	2022 R'000	2021 R'000
Reconciliation of loss allowances		
Balance at the beginning of the year	(22 580)	(25 492)
Adjustment in loss allowance recognised in profit or loss for the year	22 580	2 912
Balance at the end of the year	–	(22 580)

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
8. Trade and other receivables				
Financial instruments				
Gross trade receivables	10 495	9 426	–	–
Expected credit losses – allowance for credit losses	(4 777)	(4 426)	–	–
Net trade receivables	5 718	5 000	–	–
Municipal deposits	8 080	7 828	–	–
Dividend on Safari shares	19 082	–	–	–
Management fees*	1 854	15 758	–	–
Other receivables**	1 858	2 581	–	–
Non-financial instruments				
Prepayments	5 797	3 833	–	20
Value added taxation	2 894	–	–	–
	45 283	35 000	–	20

* Comprises fees and reimbursement of costs due for the management and development of a portfolio of properties in Zambia and the DRC. Post year end, approximately 85% of the receivable has been recovered. On this basis, the assessment of the credit risk relating to this receivable is that the risk has not increased significantly. Accordingly, on the basis of a 12-month expected credit loss assessment, no credit loss allowance has been provided for.

** Other receivables include an amount of R0,4 million (2021: R1,77 million) owing by a shareholder, JCB Herring. The loan bears interest at the group's weighted average cost of capital, is unsecured and repayable by mutual agreement.

In order to mitigate the risk of financial loss from defaults, the group mainly deals with reputable tenants with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each tenant is analysed individually for creditworthiness, based on information submitted by the tenant as well as external bureau data, before terms and conditions are offered. Tenant credit limits are in place and are reviewed and approved by management. The exposure to credit risk and the creditworthiness of tenants is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting year.

8.1 Credit quality of trade and other receivables

A loss allowance is recognised for all trade receivables in accordance with IFRS 9 *Financial Instruments* and is monitored at the end of each reporting year. The loss allowance is measured using the simplified approach. Under this approach, a loss allowance for lifetime expected credit losses is recognised if there has been a significant increase in credit risk since initial recognition. If, at the reporting date, the credit risk has not increased significantly, a loss allowance for the 12-month expected credit loss is recognised.

Notes to the annual financial statements continued

for the year ended 30 June 2022

8. Trade and other receivables continued

8.1 Credit quality of trade and other receivables continued

Trade receivables are categorised by tenant type to determine the risk related to the receivable, and therefore the probability of default. Tenant collateral in the form of tenant deposits or bank guarantees have also been taken into account in calculating the expected credit loss. In addition, consideration is given to the fact that certain entities, particularly the South African government, may be slow or irregular payers and therefore, a typical arrears or default provision is not necessarily held in such cases. Expected credit losses are estimated using a provision matrix that has been developed by making use of past default experience of debtors and also incorporates forward-looking information and general economic conditions of the industry.

In considering past default events, the following is taken into account:

- The probability that future rental will be paid considering the payment history;
- Collateral held in the form of deposits or guarantees held; and
- Historical information relating to legal proceedings.

Arrears aged 90 days and over are in most instances deemed to be irrecoverable.

In considering forward-looking information, consideration is given to the segments in which the tenants operate, post year end collections and the broader economic environment, both locally and internationally.

In addition to the loss allowance, trade and other receivables are written off when there is no reasonable expectation of recovery, for instance, when a debtor has been placed under liquidation.

The historical credit loss experience does not show significantly different loss patterns for different tenant segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade receivables through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in the credit loss allowance. The loss allowance provision is determined as follows:

	Group			
	Estimated gross carrying value at default 2022 R'000	Loss allowance (lifetime expected credit loss) 2022 R'000	Estimated gross carrying value at default 2021 R'000	Loss allowance (lifetime expected credit loss) 2021 R'000
Not past due: 5% (2021: 0%)	3 848	(210)	2 793	–
30 days past due: 31% (2021: 0%)	383	(120)	1 368	–
60 days past due: 26% (2021: 21%) [^]	345	(89)	1 065	(226)
More than 90 days: 74% (2021: 100%) [^]	5 919	(4 358)	4 200	(4 200)
	10 495	(4 777)	9 426	(4 426)

[^] Of the net debtors aged 60 days and over, amounting to R1,8 million at 30 June 2022, R1,1 million related to a dispute with a tenant that was settled in full post year end.

8. Trade and other receivables continued

8.1 Credit quality of trade and other receivables continued

	Group	
	2022 R'000	2021 R'000
Reconciliation of loss allowances		
Balance at the beginning of the year	(4 426)	(2 621)
Recognised in profit or loss for the year	(351)	(1 805)
Loss allowances utilised	816	–
Loss allowance raised	(1 167)	(1 805)
Balance at the end of the year	(4 777)	(4 426)

Mpact Limited and Shoprite Checkers are the group's only major customers, contributing R66,0 million and R53,0 million, respectively, to rental income for the year ended 30 June 2022, equating to 14,5% and 11,7% of total revenue for the year under review (2021: 10,4% and 10,6 %, respectively).

	Company	
	2022 R'000	2021 R'000
9. Dividends receivable from subsidiaries		
Dividends receivable from subsidiaries	35 449	199 334
Movement for the year		
Balance at the beginning of the year	199 334	214 226
Dividends declared by subsidiaries	270 984	261 535
Dividends receivable offset against related party loans	(151 087)	–
Interest receivable on loans to related parties	3 239	–
Cash received	(287 021)	(276 427)
Balance at the end of the year	35 449	199 334

The credit risk relating to dividends receivable from subsidiaries has not increased significantly. The subsidiaries own income-generating properties, are solvent and based on past experience, dividends declared to the company are paid annually. Accordingly, on the basis of a 12-month expected credit loss assessment, no credit loss allowance has been provided for.

Notes to the annual financial statements continued
for the year ended 30 June 2022

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
10. Cash and cash equivalents				
For purposes of the cash flow statement, cash and cash equivalents comprise:				
Bank balances	122 959	110 300	110 553	96 125

Cash is invested with Nedbank Limited and First National Bank Limited, a division of FirstRand Bank Limited. In terms of Moody's ratings, both banks are rated as Ba2 and as such, the risk of default is low.

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
11. Non-current assets held for sale				
Non-current assets held for sale	–	6 500	–	–
Movement for the year				
Balance at the beginning of the year	6 500	47 500	–	–
Change in fair value	(250)	–	–	–
Disposal	(6 250)	(47 500)	–	–
	–	–	–	–

Investment properties reclassified as held for sale are properties that the directors have decided will be recovered through sale rather than through continuing use. As at 30 June 2021, this comprised Heriot's 50% undivided share in an industrial property in Kimberley that was sold for R6,25 million in the 2022 financial year.

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
12. Stated capital				
Authorised				
2 000 000 000 ordinary shares of no par value				
Issued				
256 295 858 ordinary shares of no par value	2 557 624	2 557 624	2 557 648	2 557 648
Less: 900 000 treasury shares	(9 000)	(9 000)	–	–
	2 548 624	2 548 624	2 557 648	2 557 648

The unissued shares are under the control of the directors. This authority remains in force until the next annual general meeting of the company.

		Group	
		2022 R'000	2021 R'000
13. Non-controlling interests			
Heriot Properties International Proprietary Limited	10	24 105	24 247
Moditouch Proprietary Limited	50	12 556	16 645
Hagley 3865 Proprietary Limited	45	2 490	2 501
60 Adderley Proprietary Limited	40	3 240	3 156
		42 391	46 549

Heriot Properties International Proprietary Limited

With effect from 5 June 2017, the group acquired a 90% equity interest in Heriot Properties International Proprietary Limited ("HPI"), a company registered and operational in South Africa. Heriot controls HPI by virtue of the voting rights held.

Moditouch Proprietary Limited

With effect from 5 June 2017, the group acquired a 50% equity interest in Moditouch Proprietary Limited, a company registered and operational in South Africa. Moditouch is controlled by Heriot by virtue of Heriot's right to hold the majority of director positions on the board.

Hagley 3865 Proprietary Limited

With effect from 4 October 2018, the group acquired a 55% equity interest in Hagley 3865 Proprietary Limited ("Hagley"), a company registered and operational in South Africa. Heriot controls Hagley by virtue of the voting rights held. Post year end, Heriot acquired the 45% minority interest for R21,239 million (refer to note 36).

60 Adderley Proprietary Limited

With effect from 1 November 2018, the group acquired a 60% equity interest in 60 Adderley Proprietary Limited ("60 Adderley"), a shelf company registered and operational in South Africa, for no value. Heriot controls 60 Adderley by virtue of the voting rights held.

Notes to the annual financial statements continued
for the year ended 30 June 2022

13. Non-controlling interests continued

The non-controlling interest balance is reconciled as follows:

	2022				
	Heriot Properties International	Moditouch	Hagley 3865	60 Adderley	Total
Opening balance	24 247	16 645	2 501	3 156	46 549
Share of profits/(losses) for the year	2 010	1 140	988	508	4 646
Distributable profits	2 161	5 140	744	508	8 553
Non-distributable profit/(losses)	(151)	(4 000)	244	–	(3 907)
Dividends declared to minorities	(2 152)	(5 229)	(999)	(424)	(8 804)
Balance at the end of the year	24 105	12 556	2 490	3 240	42 391

	2021				
	Heriot Properties International	Moditouch	Hagley 3865	60 Adderley	Total
Opening balance	22 944	18 733	(484)	3 951	45 144
Share of profits/(losses) for the year	3 205	2 626	2 985	555	9 371
Distributable profits	1 837	4 626	(1)	1 355	7 817
Non-distributable profit/(losses)	1 368	(2 000)	2 986	(800)	1 554
Dividends declared to minorities	(1 902)	(4 714)	–	(1 350)	(7 966)
Balance at the end of the year	24 247	16 645	2 501	3 156	46 549

13. Non-controlling interests continued

Summarised financial information is presented below for each subsidiary that has a non-controlling interest. The financial information is prepared by the respective entities in accordance with IFRS.

	2022			
	Heriot Properties International	Moditouch	Hagley 3865	60 Adderley
Non-controlling interest effective interest/ voting rights	10%	50%	45%	40%
Summarised statement of financial position				
Non-current assets	358 502	98 000	39 000	70 265
Investment property	358 500	98 000	39 000	70 000
Other non-current assets	2	–	–	265
Current assets	5 336	596	2 876	2 539
Trade and other receivables	3 858	–	894	307
Cash and cash equivalents	1 478	596	1 982	2 232
Total assets	363 838	98 596	41 876	72 804
Non current liabilities	103 839	70 963	33 383	61 650
Interest-bearing borrowings	–	70 963	31 055	61 650
Loans from group companies	99 588	–	2 328	–
Other non-current liabilities	4 251	–	–	–
Current liabilities	19 266	2 622	1 011	3 061
Interest-bearing borrowings	–	650	–	–
Other non-current liabilities	19 266	1 972	1 011	3 061
Total liabilities	123 105	73 585	34 394	64 711
Net assets	240 733	25 011	7 482	8 093
Net assets attributable to non-controlling interests	24 073	12 506	3 367	3 237

Notes to the annual financial statements continued
for the year ended 30 June 2022

13. Non-controlling interests continued

	2022			
	Heriot Properties International	Moditouch	Hagley 3865	60 Adderley
Summarised statement of comprehensive income				
Revenue	28 949	10 706	6 971	8 637
Other income	11 231	–	1 443	1 676
Operating costs	(15 152)	(276)	(3 845)	(5 356)
Fair value adjustments	1 080	(4 129)	(150)	555
Interest income	34	32	55	3
Interest expense	(6 196)	(4 053)	(2 278)	(4 244)
Taxation	157	–	–	–
Total comprehensive income	20 103	2 280	2 196	1 271
Attributable to non-controlling shareholders:				
Distributable profits	2 161	5 140	743	508
Non-distributable profits/(loses)	(151)	(4 000)	245	–
	2 010	1 140	988	508
Summarised statement of cash flows				
Cash flows from operating activities	22 845	(269)	1 681	1 844
Cash flows from Investing activities	(29 249)	–	(956)	(63)
Cash flows from financing activities	6 165	–	32	(3 375)
Net increase/(decrease) in cash and cash equivalents	(239)	(269)	757	(1 594)
Cash and cash equivalents at the beginning of the year	1 717	865	1 225	3 826
Cash and cash equivalents at the end of the year	1 478	596	1 982	2 232

13. Non-controlling interests continued

	2021			
	Heriot Properties International	Moditouch	Hagley 3865	60 Adderley
Non-controlling interest effective interest/ voting rights	10%	50%	45%	40%
Summarised statement of financial position				
Non-current assets	331 003	106 000	37 500	70 433
Investment property	331 000	106 000	37 500	70 000
Other non-current assets	3	–	–	433
Current assets	26 202	865	2 294	3 935
Loans to group companies	23 465	–	–	–
Trade and other receivables	1 020	–	1 068	110
Cash and cash equivalents	1 717	865	1 226	3 825
Total assets	357 205	106 865	39 794	74 368
Non-current liabilities	103 996	70 686	2 328	61 650
Interest-bearing borrowings	–	70 686	–	61 650
Loans from group companies	99 588	–	–	–
Other non-current liabilities	4 408	–	2 328	–
Current liabilities	11 010	2 991	32 180	4 835
Interest-bearing borrowings	–	650	31 024	–
Other non-current liabilities	11 010	2 341	1 156	4 835
Total liabilities	115 006	73 677	34 508	66 485
Net assets	242 199	33 188	5 286	7 883
Net assets attributable to non-controlling interests	24 220	16 594	2 379	3 153

Notes to the annual financial statements continued
for the year ended 30 June 2022

13. Non-controlling interests continued

	2021			
	Heriot Properties International	Moditouch	Hagley 3865	60 Adderley
Summarised statement of comprehensive income				
Revenue	28 003	10 706	4 848	9 565
Other income	9 982	–	1 080	1 459
Operating costs	(15 761)	(278)	(3 588)	(4 003)
Fair value adjustments	15 055	(1 333)	6 435	(1 608)
Interest income	26	26	24	2
Interest expense	(5 253)	(3 870)	(2 164)	(4 028)
Taxation	–	–	–	–
Total comprehensive income	32 052	5 251	6 635	1 387
Attributable to non-controlling shareholders				
Distributable profits/(losses)	1 837	4 626	(1)	1 355
Non-distributable profits/(losses)	1 368	(2 000)	2 987	(800)
	3 205	2 626	2 986	555
Summarised statement of cash flows				
Cash flows from operating activities	21 864	36	57	3 746
Cash flows from investing activities	(20 995)	–	(113)	(443)
Cash flows from financing activities	(460)	–	873	(1 347)
Net increase in cash and cash equivalents	409	36	817	1 956
Cash and cash equivalents at the beginning of the year	1 308	829	409	1 869
Cash and cash equivalents at the end of the year	1 717	865	1 226	3 825

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
14. Interest-bearing liabilities				
Nedbank Limited	939 801	832 719	–	740 045
Facility 1 Interest-only facility of R399,2 million (2021: R430,0 million) bearing interest at three-month JIBAR plus 175bps (2021: 155bps) and is repayable on 30 June 2027.	399 151	430 000	–	430 000
Facility 2 Interest-only facility of R325,0 million bearing interest at three-month JIBAR plus 169bps and is repayable on 1 July 2024.	310 045	310 045	–	310 045
Facility 3 Interest-only facility of R80,0 million bearing interest at three-month JIBAR plus 190bps and is repayable on 30 June 2024.	80 000	–	–	–
Facility 4 Interest-only facility of R57,9 million bearing interest at three-month JIBAR plus 195 bps and repayable on 21 January 2026.	57 900	–	–	–
Facility 5 The interest-only facility bears interest 0,5% below the prime bank overdraft rate and is repayable on 2 September 2024.	61 650	61 650	–	–
Facility 6 Interest-only facility bears interest at the prime bank overdraft rate and is repayable on 16 January 2023.	31 055	31 024	–	–

Facilities 1 to 4 are secured by first mortgage bonds over investment property valued at R2,212 billion (2021: R1,984 billion). Facilities 5 and 6 are secured by a first mortgage bond over property valued at R70,0 million and R39,0 million, respectively (2021: R70,0 million and R37,5 million).

Notes to the annual financial statements continued
for the year ended 30 June 2022

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
14. Interest-bearing liabilities continued				
Standard Bank	1 060 500	616 000	–	–
Facility 7				
Interest-only facility bearing interest at a rate of three-month JIBAR plus 1,95% (2021: 1,73%).	350 000	350 000	–	–
Interest-only facility bearing interest at a rate of prime less 1,40% (2021: 1,52%).	500	50 000	–	–
The total facility of R400,0 million expires on 31 December 2024				
Facility 8				
Interest-only facility bearing interest at a rate of three-month JIBAR plus 1,87% and is repayable on 25 July 2025.	280 000	–	–	–
Facility 9				
Interest-only facility bearing interest at a rate of three-month JIBAR plus 1,87% and is repayable on 21 December 2025.	164 000	–	–	–
Facility 10				
The interest-only facility bears interest at a rate of three-month JIBAR plus 1,67% and is repayable on 30 September 2022. Post year end, the facility has been extended for three years at a rate of JIBAR plus 1,80%.	145 000	145 000	–	–
Facility 11				
Interest-only facility bearing interest at a rate of three-month JIBAR plus 1,87% and is repayable on 25 July 2025.	50 000	–	–	–
Facility 12				
The interest-only facility bears interest at a rate of three-month JIBAR plus 180bps and is repayable on 29 April 2023.	71 000	71 000	–	–

Facilities 7 to 11 are secured by first mortgage bonds over investment properties valued at R1,899 billion (2021: R995,8 million). Facility 12 is secured by a first covering mortgage bond over investment property valued at R98,0 million (2021: R106,0 million).

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
14. Interest-bearing liabilities continued				
Rand Merchant Bank Limited				
Facility 13				
The loan was refinanced by Standard Bank on 22 December 2021.	–	164 000	–	–
Sanlam Capital Markets Proprietary Limited				
Facility 14				
The interest-only facility bears interest at a rate of three-month JIBAR plus 180bps, is secured by a first mortgage bond over investment property valued at R367,0 million (2021: R353,7 million) and is repayable on 4 August 2025.	215 570	215 570	–	–
	2 215 871	1 828 289	–	740 045
Less: Short-term portion of interest-bearing borrowings	(247 055)	(431 024)	–	–
	1 968 816	1 397 265	–	740 045

At the reporting date, the group had unutilised facilities of R16,0 million.

	Group	
	2022 R'000	2021 R'000
15. Derivative financial instrument		
Interest rate swap	–	5 905
Less: Short-term portion of derivative instrument	–	(5 905)
	–	–
Nominal value (R'000)	–	300 000
Maturity	–	27 Nov 2021
Fixed interest rate (%)	–	7,68

The derivative financial instrument comprised an interest rate swap that expired on 27 November 2021.

	Group	
	2022 R'000	2021 R'000
Movement for the year		
Balance at the beginning of the year	5 905	17 676
Fair value adjustment movement for the year	(5 905)	(11 771)
	–	5 905

Notes to the annual financial statements continued
for the year ended 30 June 2022

	Group	
	2022 R'000	2021 R'000
16. Deferred taxation		
Capital allowances	74 846	76 958
Prepayments	(12 754)	(13 226)
	62 092	63 732
Movement for the year		
Balance at the beginning of the year	63 732	63 424
Per statement of comprehensive income	(1 640)	308
– Arising on capital allowances in the current year	308	308
– Adjustment to rate of taxation	(1 948)	–
Balance at the end of the year	62 092	63 732

With effect from 24 July 2018, the company converted to a REIT resulting in capital gains taxation no longer being applicable on the sale of investment property in terms of section 25BB of the Income Tax Act. The deferred tax rate applied to investment property at the sale rate will therefore be 0%. Consequently, no deferred tax was raised on the fair value adjustments on investment property.

	Company	
	2022 R'000	2021 R'000
17. Other financial liabilities		
Loans from subsidiaries		
Heriot Properties Proprietary Limited	30 243	–
Movement for the year		
Balance at the beginning of the year	–	154 420
Transferred to loans to subsidiaries (note 7)	30 243	(154 420)
Balance at the end of the year	30 243	–

The loans are unsecured, interest-free and repayable on demand.

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
18. Trade and other payables				
Financial instruments				
Accrued interest	21 747	12 470	–	9 641
Accrued expenses	36 220	33 048	–	33
Tenant deposits	10 756	10 660	–	–
Other payables	1 634	3 630	–	–
Non-financial instruments				
Rent received in advance	11 851	13 500	–	–
Value added taxation	5 043	4 483	–	–
	87 251	77 791	–	9 674

	Group	
	2022 R'000	2021 R'000
19. Dividend payable to non-controlling shareholders		
Dividend payable to non-controlling shareholders	9 931	7 826
Movement for the year		
Balance at the beginning of the year	7 826	5 518
Dividends declared	8 804	7 966
Dividends paid	(6 699)	(5 658)
Balance at the end of the year	9 931	7 826

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
20. Revenue				
Gross rent – IFRS 16	454 463	424 558	–	–
Dividends received	–	–	270 984	261 535
Recoveries – IFRS 15	125 740	105 419	–	–
	580 203	529 977	270 984	261 535
Straight-line rental income accrual	(4 219)	(25 843)	–	–
	575 984	504 134	270 984	261 535

Notes to the annual financial statements continued
for the year ended 30 June 2022

	Group	
	2022 R'000	2021 R'000
21. Other income		
Management fees	9 558	8 468
Dividends on listed shares	–	1 454
Insurance proceeds from loss of income – COVID-19	5 000	–
Other	67	128
	14 625	10 050

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
22. Net impairment losses				
Impairment of investment in subsidiaries (refer to note 5)	–	–	(15 179)	(73 642)
Impairment of investment in associate (refer to note 6)	(76 110)	–	–	–
Expected credit loss allowance adjustment – loans to subsidiaries (refer to note 7)	–	–	22 580	2 912
	(76 110)		7 401	(70 730)

	Group	
	2022 R'000	2021 R'000
23. Profit from operations		
Net operating profit includes the following items:		
Charges		
Audit fees	1 591	976
External auditor – audit fees	942	850
External auditor – components	382	(141)
External auditor – non-audit fees	267	267
Amortisation and depreciation	2 341	2 056
Management fees	1 243	682
Staff costs	35 917	29 929

		Group			
		2022 R'000	2021 R'000		
24. Directors' emoluments					
Fees paid to non-executive directors					
SB Herring (Chairman)		300	375		
SJ Blieden		300	350		
TJ Cohen		300	350		
R Lockhart-Ross		300	400		
NA Ngale		250	225		
		1 450	1 700		
Fees paid by a subsidiary company to executive directors					
RL Herring (CEO)		5 098	5 030		
Salaries and allowances		4 265	4 221		
Bonus		833	809		
JA Finn (CFO)		4 587	4 264		
Salaries and allowances		3 754	3 562		
Bonus		833	702		
		9 685	9 294		
		Group		Company	
		2022 R'000	2021 R'000	2022 R'000	2021 R'000
25. Finance charges					
Secured borrowings		125 355	114 042	20 016	38 597
Other		6 752	1 903	–	–
Finance charges for the year		132 107	115 945	20 016	38 597
Capitalised		–	(1 530)	–	–
		132 107	114 415	20 016	38 597

Notes to the annual financial statements continued
for the year ended 30 June 2022

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
26. Finance income				
Interest received – bank	6 781	4 233	5 545	966
Related party loan	5 050	5 002	4 285	8 201
Other	902	928	2 152	2 156
	12 733	10 163	11 982	11 323
Comprising:				
Cash	7 445	10 163	5 545	966
Non-cash	5 288	–	6 437	10 357
	12 733	10 163	11 982	11 323
27. Fair value adjustments				
Unrealised gain on revaluation of investment property (note 2)	328 945	91 498	–	–
Unrealised loss on revaluation of assets held for sale (note 11)	(250)	–	–	–
Net unrealised gain on revaluation of investment property	328 695	91 498	–	–
Unrealised gain on revaluation of property under development	10 175	–	–	–
Unrealised gain on revaluation of investment in listed securities	–	8 550	–	–
Unrealised loss on revaluation of interest rate swap	5 905	11 771	–	–
	344 775	111 819	–	–

28. Taxation

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Normal taxation	(580)	–	–	–
Current	–	–	–	–
Adjustment in respect of the prior year	(580)	–	–	–
Foreign and withholding taxation				
Current	2 074	1 539	–	–
Deferred	(1 640)	308	–	–
Current	308	308	–	–
Reduction in taxation rate	(1 948)	–	–	–
	(146)	1 847	–	–
Reconciliation of taxation charge				
Profit before taxation	614 079	324 245	268 033	161 048
Tax at the applicable rate of 28%	171 942	90 789	75 049	45 093
<i>Taxation effect of:</i>				
Qualifying distributions	(75 209)	(66 954)	(72 977)	(64 897)
Net impairment losses	21 311	–	(2 072)	19 804
Fair value adjustments	(96 537)	(31 309)	–	–
Straight-line rental income accrual	1 181	7 236	–	–
Equity-accounted profits (net of taxation)	(32 170)	635	–	–
Taxable dividends from associate	10 157	–	–	–
Namibian subsidiary	481	362	–	–
Tax rate differential	269	168	–	–
Withholding tax on interest	212	194	–	–
Excess dividend not deductible	1 067	–	–	–
Non-deductible expenditure	190	1 091	–	–
Income in advance	(462)	142	–	–
Provision for doubtful debts	74	379	–	–
Prepayments	357	(709)	–	–
Reduction in taxation rate (28% to 27%)	(1 948)	–	–	–
Adjustment in respect of the prior year	(580)	–	–	–
Unutilised tax losses	–	185	–	–
	(146)	1 847	–	–

Notes to the annual financial statements continued
for the year ended 30 June 2022

	Group	
	2022 R'000	2021 R'000
29. Earnings and headline earnings		
Reconciliation of basic earnings to headline earnings		
Profit attributable to Heriot shareholders	609 579	313 027
Change in fair value of investment properties attributable to Heriot shareholders	(354 036)	(89 944)
Fair value adjustments: investment properties	(338 870)	(91 498)
Non-controlling shareholder portion of fair value adjustments	(3 907)	1 554
Fair value adjustments: equity accounted investments	(11 260)	–
Bargain purchase on acquisition of associate	(76 109)	–
Impairment of associate	76 110	–
Headline earnings attributable to Heriot shareholders	255 543	223 083
Actual number of shares in issue*	255 395 858	255 395 858
Weighted average number of shares in issue	255 395 858	255 395 858
Basic earnings per share (cents)	238,68	122,57
Headline earnings per share (cents)	100,06	87,35

* Excludes 900 000 treasury shares.

30. Notes to the cash flow statement

30.1 The following convention applies to figures other than adjustments:

Outflows of cash are represented by figures in brackets. Inflows of cash are represented by figures without brackets.

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
30.2 Cash generated from/(used in) operations				
Profit before taxation	614 079	324 245	268 033	161 048
Adjusted for:				
Non-cash items	(376 999)	(83 807)	(278 385)	(190 805)
Fair value adjustments	(344 775)	(111 819)	–	–
Net impairment losses/(reversals)	76 110	–	(7 401)	70 730
Straight-line rental income accrual	4 219	25 843	–	–
Dividends received	–	–	(270 984)	(261 535)
Equity-accounted losses/(profits) (net of taxation)	(114 894)	2 269	–	–
Interest received on loans to participants of the employee share scheme	–	(2 156)	–	–
Depreciation and amortisation	2 341	2 056	–	–
Finance charges	132 107	114 415	20 016	38 597
Finance income	(12 733)	(10 163)	(11 982)	(11 323)
Operating profit before working capital changes	356 454	344 690	(2 318)	(2 483)
Working capital changes	8 981	10 052	(9 654)	22
Trade and other receivables (note 30.3)	8 799	(2 262)	20	(1)
Trade and other payables (note 30.4)	182	12 314	(9 674)	23
Cash generated from operations	365 435	354 742	(11 972)	(2 461)
30.3 Trade and other receivables				
At the beginning of the year	35 000	32 738	20	19
Non-cash – accrued dividend on Safari shares	19 082	–	–	–
At the end of the year	(45 283)	(35 000)	–	(20)
Movement for the year	8 799	(2 262)	20	(1)

Notes to the annual financial statements continued
for the year ended 30 June 2022

	Group	
	2022 R'000	2021 R'000
30. Notes to the cash flow statement continued		
30.4 Trade and other payables		
At the beginning of the year	(65 321)	(53 007)
Per statement of financial position	(77 791)	(61 511)
Non-cash – interest on secured liabilities accrued at the beginning of the year	12 470	8 504
At the end of the year	65 503	65 321
Per statement of financial position	87 251	77 791
Non-cash – interest on secured liabilities accrued at the end of the year	(21 748)	(12 470)
	182	12 314
30.5 Taxation paid		
Taxation (payable)/in advance at the beginning of the year	(29)	14
Taxation for the year	(1 494)	(1 539)
Tax (payable)/in advance at the end of the year	(6)	29
Taxation paid during the year	(1 529)	(1 496)
30.6 Acquisitions and improvements capitalised to investment property		
Acquisitions and improvements capitalised to investment property (note 2)	283 286	55 545
Costs incurred in respect of property under development (note 3)	9 846	19 780
	293 132	75 325
Assets disposed in terms of an asset swap arrangement (note 30.7)	(106 000)	(75 325)
Cash portion of acquisitions and expenditure capitalised to investment property	187 132	–
30.7 Disposals of investment property		
Carrying value of investment property disposed (notes 2, 11)	189 250	47 500
Assets disposed in terms of an asset swap arrangement (note 30.6)	(106 000)	–
Cash proceeds on disposal of investment properties	83 250	47 500

	Group		
	Long-term borrowings R'000	Short-term borrowings R'000	Total R'000

30. Notes to the cash flow statement continued

30.8 Reconciliation of liabilities arising from financial activities

Balance as at 30 June 2020	1 634 066	132 185	1 766 251
Proceeds	(30 000)	–	(30 000)
Capitalised interest	92 038	–	92 038
Reclassification	(298 839)	298 839	–
Balance as at 30 June 2021	1 397 265	431 024	1 828 289
Repayment	(80 317)	–	(80 317)
Proceeds	467 900	–	467 900
Refinanced	183 969	(183 969)	–
Balance as at 30 June 2022	1 968 817	247 055	2 215 872

	Company		
	Long-term borrowings R'000	Short-term borrowings R'000	Total R'000
Balance as at 30 June 2019/2020	–	–	–
Proceeds	7 395	–	7 395
Secured liabilities of subsidiaries refinanced by the company	732 650	–	732 650
Balance as at 30 June 2021	740 045	–	740 045
Secured liabilities refinanced by subsidiary companies	(739 997)	–	(739 997)
Repayment	(48)	–	(48)
Balance as at 30 June 2022	–	–	–

Notes to the annual financial statements continued
for the year ended 30 June 2022

	Group	
	2022 R'000	2021 R'000
31. Commitments		
Operating expense commitments		
The company has entered into various service contracts for the cleaning and general maintenance of the property portfolio. The operating expense commitments payable to service providers in future years are as follows:		
– Due within one year	19 409	17 005
– Due two to five years	–	–
	19 409	17 005

	Group	
	2022 R'000	2021 R'000
32. Minimum lease payments receivable		
Minimum lease payments comprise contractual rental income from investment properties and operating lease recoveries due in terms of signed lease agreements, not recognised in the financial statements.		
– Receivable within one year	395 929	389 071
– Receivable two to five years	738 515	899 706
– Receivable beyond five years	223 043	327 468
	1 357 487	1 616 245

33. Related parties and related party transactions

Parties are considered related if one party has the ability to exercise control or significant influence over the other party in making financial or operational decisions.

Related parties with whom the company transacted during the year were:

	Company	
	2022 R'000	2021 R'000
Related party balances		
Dividends receivable (2021: loans receivable) from subsidiaries		
Bait Away Trading Proprietary Limited	1 787	16 211
Chasie Investments Proprietary Limited	–	24 388
Crosize Proprietary Limited	9 091	34 570
Fin Properties 107 Proprietary Limited	–	116 724
Heriot Properties Proprietary Limited	–	137 889
Heriot Properties International Proprietary Limited	8 281	99 588
Heriot Properties West Proprietary Limited	–	84 407
Heriot Trust No. 1	2 849	–
Heriot Trust No. 3	–	21 564
Moditouch Proprietary Limited	787	–
Phokeng Mall Proprietary Limited	10 079	–
Terrace Drive Properties 34 Proprietary Limited	2 575	–

Notes to the annual financial statements continued
for the year ended 30 June 2022

33. Related parties and related party transactions continued

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Related party balances continued				
Amounts due from other related parties				
The Gusi Trust – beneficiaries include SB Herring	49 573	50 311	–	–
Loans to participants of employee share scheme	34 219	35 041	34 219	35 041
RL Herring (CEO)	29 092	29 759	29 092	29 759
Other	5 127	5 282	5 127	5 282
JCB Herring – shareholder	508	442	–	–
Related party transactions				
Interest received				
The Gusi Trust	3 136	939	–	–
Steven Herring Consulting CC	–	1 966	–	–
Loans to participants of employee share scheme	2 152	2 156	2 152	2 156
RL Herring	1 828	1 399	1 828	1 399
Other	324	757	324	757
JCB Herring	86	34	–	–
Chasie Investments Proprietary Limited	–	–	1 045	1 895
Heriot Properties International Proprietary Limited	–	–	2 686	5 230
Heriot Trust No. 3	–	–	554	1 076

Compensation of key management is by way of salary and bonus only, the details of which are disclosed in note 24.

34. Financial risk management

The group's financial risk management objective is to manage the capital and financial risk exposure so that the group continues as a going concern and minimises adverse effects of financial risks on returns.

The group has exposure to the following risks from its use of financial instruments:

- Liquidity risk;
- Interest rate risk; and
- Credit risk.

The group's management policies are designed to ensure that there is an acceptable level of risk within the group as a whole.

34.1 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial commitments as and when they fall due. This risk is managed by holding cash balances and a revolving loan facility and by regularly monitoring cash flows.

A maturity analysis at year end is set out below.

	Group			
	Less than one year R'000	Two to five years R'000	More than five years R'000	Total R'000
As at 30 June 2022				
Interest-bearing borrowings – capital	247 055	1 968 816	–	2 215 871
Interest accrual on interest-bearing borrowings	142 925	267 551	–	410 477
Trade and other payables	87 251	–	–	87 251
	477 231	2 236 367	–	2 713 599
As at 30 June 2021				
Interest-bearing borrowings – capital	431 024	1 397 265	–	1 828 289
Interest accrual on interest-bearing borrowings	114 966	189 358	–	304 324
Derivative instrument	5 905	–	–	5 905
Trade and other payables	77 791	–	–	77 791
	629 686	1 586 623	–	2 216 309

Notes to the annual financial statements continued
for the year ended 30 June 2022

34. Financial risk management continued

34.1 Liquidity risk continued

	Company			
	Less than one year R'000	Two to five years R'000	More than five years R'000	Total R'000
As at 30 June 2022				
Interest-bearing borrowings – capital	–	–	–	–
Interest accrual on interest-bearing borrowings	–	–	–	–
	–	–	–	–
As at 30 June 2021				
Interest-bearing borrowings – capital	–	740 045	–	740 045
Interest accrual on interest-bearing borrowings	39 103	33 171	–	72 274
	39 103	773 216	–	812 319

34.2 Categories of financial instruments

	Group		
	At amortised cost R'000	At fair value through profit or loss R'000	Total R'000
As at 30 June 2022			
Financial assets			
Financial assets – non-current	34 219	–	34 219
Trade and other receivables	36 592	–	36 592
Financial assets – current	49 573	–	49 573
Cash and cash equivalents	122 959	–	122 959
	243 343	–	243 343
Financial liabilities			
Interest-bearing borrowings	2 215 871	–	2 215 871
Trade and other payables	70 357	–	70 357
	2 286 228	–	2 286 228

34. Financial risk management continued

34.2 Categories of financial instruments continued

	Group		
	At amortised cost R'000	At fair value through profit or loss R'000	Total R'000
As at 30 June 2021			
Financial assets			
Financial assets – non-current	35 041	38 475	73 516
Trade and other receivables	31 167	–	31 167
Financial assets – current	50 311	–	50 311
Cash and cash equivalents	110 300	–	110 300
	226 819	38 475	265 294
Financial liabilities			
Interest-bearing borrowings	1 828 289	–	1 828 289
Derivative instruments	–	5 905	5 905
Trade and other payables	59 808	–	59 808
	1 888 097	5 905	1 894 002
As at 30 June 2022			
Financial assets			
Financial assets – non-current	34 219	–	34 219
Financial assets – current	–	–	–
Cash and cash equivalents	110 553	–	110 553
	144 772	–	144 772
Financial liabilities			
Interest-bearing borrowings	–	–	–
Interest accrual on interest-bearing borrowings	–	–	–
Trade and other payables	–	–	–
	–	–	–

Notes to the annual financial statements continued

for the year ended 30 June 2022

34. Financial risk management continued

34.2 Categories of financial instruments continued

	Company		
	At amortised cost R'000	At fair value through profit or loss R'000	Total R'000
As at 30 June 2021			
Financial assets			
Financial assets – non-current	432 493	–	432 493
Financial assets – current	137 889	–	137 889
Cash and cash equivalents	96 125	–	96 125
	666 507	–	666 507
Financial liabilities			
Interest-bearing borrowings	740 045	–	740 045
Interest accrual on interest-bearing borrowings	72 274	–	72 274
Trade and other payables	9 674	–	9 674
	821 993	–	821 993

34.3 Interest rate risk

At the reporting date, all borrowings of the group are at floating interest rates. The group is therefore exposed to interest rate risk through its interest-bearing borrowings and variable rate cash balances. 93,7% of interest-bearing debt is subject to interest at a three-month JIBAR rate, essentially fixing interest rates for intervals of three months. Further, surplus funds are invested against revolving debt facilities, thereby reducing the group's exposure to interest rate increases. Management, together with the board, regularly monitors and assesses interest rate risk and will put appropriate hedging strategies in place at a suitable time in the future.

An increase/decrease of 1% in the prime interest rate for the year would have increased/decrease the interest expense by R19,7 million (2021: R20,5 million) in respect of the floating portion of the debt.

34. Financial risk management continued

34.4 Credit risk management

Credit risk is the risk of financial loss to the company if a tenant or counterparty to a financial instrument fails to meet its contractual obligations.

Trade receivables, loans receivable and short-term cash investments are subject to credit risk. The maximum exposure to credit risk is presented in the table below.

	Note	Group		
		Gross carrying amount R'000	Credit loss allowance adjustment R'000	Amortised cost/fair value R'000
As at 30 June 2022				
Financial assets	7	83 792	–	83 792
Trade and other receivables	8	41 369	(4 777)	36 592
Cash and cash equivalents	9	122 959	–	122 959
		248 120	(4 777)	243 343
As at 30 June 2021				
Financial assets	7	123 827	–	123 827
Trade and other receivables	8	35 593	(4 426)	31 167
Cash and cash equivalents	9	110 300	–	110 300
		269 720	(4 426)	265 294

34.5 Fair value hierarchy for financial instruments and investment property

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

The fair value hierarchy has the following levels:

Level 1 – fair value is determined from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair value is determined through the use of valuation techniques based on observable inputs, either directly or indirectly; and

Level 3 – fair value is determined through the use of valuation techniques using significant inputs (refer to note 2 for assumptions applied to valuation of investment property).

Notes to the annual financial statements continued
for the year ended 30 June 2022

34. Financial risk management continued

34.5 Fair value hierarchy for financial instruments and investment property continued

	Group			
	Fair value R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
As at 30 June 2022				
Assets				
Investment properties	4 955 600	–	–	4 955 600
Property under development	129 263	–	–	129 263
	5 084 863	–	–	5 084 863
Liabilities				
Derivative instrument	–	–	–	–
	–	–	–	–
As at 30 June 2021				
Assets				
Investment properties	4 531 350	–	–	4 531 350
Property under development	109 242	–	–	109 242
Non-current assets held for sale	6 500	–	–	6 500
Financial assets – listed shares	38 475	38 475	–	–
	4 685 567	38 475	–	4 647 092
Liabilities				
Derivative instrument	5 905	–	5 905	–
	5 905	–	5 905	–

35. Capital management

In terms of the memorandum of incorporation, the company has limited consolidated borrowings to 60% of consolidated assets. However, to manage the group's risk, the board aims to limit borrowings to below 45% of property assets.

	Group	
	2022 R'000	2021 R'000
As at the reporting date, the group's loan-to-value ratio, net of cash, was:		
Property assets	5 440 997	4 713 581
Investment property	4 955 600	4 531 350
Property under development	129 263	109 242
Non-current assets held for sale	–	6 500
Owner-occupied property	22 685	23 190
Investment in associates	333 449	4 824
Financial assets – shares in listed REIT	–	38 475
Interest-bearing borrowings	2 215 871	1 828 289
Loan to value (%)	40,7	38,8
Interest-bearing borrowings net of cash	2 092 912	1 717 989
Loan to value (net of cash) (%)	38,5	36,4

36. Events after the balance sheet date

At year end, Heriot owned a 55% interest in an industrial property valued at R39,0 million (the "Hagley property"). Post year end, Heriot entered into agreements to acquire the minority interests from the three minority shareholders. The purchase price of R7,08 million for each 15% interest was funded by Heriot's available cash resources.

Pursuant to its strategy to acquire a controlling stake in Safari, on 13 October 2022 Heriot published an offer circular to Safari shareholders outlining details of its general offer to purchase Safari's listed securities at an offer price of R5,60 per Safari share. The offer closes on Friday, 25 November 2022 and the results of the offer will be published on SENS on Monday, 28 November 2022.

37. Going concern

The directors have satisfied themselves that the group and company are in a sound financial position with access to sufficient facilities to meet foreseeable cash requirements. While the group's statement of financial position at 30 June 2022 reflects a net current liability position of R126,4 million, post year end, interest-bearing liabilities of R145,0 million have been refinanced for a period of three years. Further, management is in advanced discussions with funders and is confident that facilities of R102,0 million falling due within 12 months, and classified as current at year end, will be refinanced on favourable terms before they fall due.

On this basis, the directors believe that the group and company have adequate cash resources to continue operating for the foreseeable future and accordingly, the financial statements have been prepared on a going concern basis.

Notes to the annual financial statements continued
for the year ended 30 June 2022

38. Segmental analysis

Sectoral	Group						Total R'000
	Retail R'000	Indus- trial R'000	Office R'000	Specia- lised R'000	Resi- dential R'000	Other R'000	
Year ended 30 June 2022							
Gross lettable area ("GLA") (m ²)	123 219	275 020	24 864	*	9 825	8 439	435 455
Contractual rental income	233 435	146 388	47 111	8 020	19 180	329	454 463
Operating cost recoveries	66 155	46 081	11 496	88	1 737	183	125 740
Straight-lining of rental income	(3 427)	3 302	(3 993)	(367)	266	–	(4 219)
Total revenue	296 163	195 771	54 614	7 741	21 183	512	575 984
Property expenses	(89 019)	(70 413)	(19 044)	(613)	(10 159)	(3 370)	(192 618)
Net property income	207 144	125 358	35 570	7 128	11 024	(2 858)	383 366
Other income and income from associates	–	–	–	–	–	129 519	129 519
Impairment of investment associate	–	–	–	–	–	(76 110)	(76 110)
Administration expenses	–	–	–	–	–	(48 097)	(48 097)
Net finance charges	–	–	–	–	–	(119 374)	(119 374)
Change in fair value	113 223	203 066	(11 495)	18 167	5 734	16 080	344 775
Net profit before taxation	320 367	328 424	24 075	25 295	16 758	(100 840)	614 079
Investment property	2 544 900	1 756 500	303 500	176 700	174 000	–	4 955 600
Property under development	–	–	–	–	–	129 263	129 263
Property, plant and equipment	32	–	265	–	2 456	23 524	26 277
Trade and other receivables	11 161	10 188	683	–	610	22 641	45 283
Other assets	–	–	–	–	–	540 206	540 206
Total assets	2 556 093	1 766 688	304 448	176 700	177 066	715 634	5 696 629
Trade and other payables	41 911	8 901	3 948	4 450	3 883	34 088	97 181
Other liabilities	–	–	–	–	–	2 277 964	2 277 964
Total liabilities	41 911	8 901	3 948	4 450	3 883	2 312 052	2 375 145

* The specialised property comprises 8 382 hectares of industrial farms and the inclusion of this, measured by hectare, in the analysis by GLA would not provide meaningful analysis of the portfolio as a whole.

38. Segmental analysis continued

Sectoral	Group						
	Retail R'000	Indus- trial R'000	Office R'000	Specia- lised R'000	Resi- dential R'000	Other R'000	Total R'000
Year ended 30 June 2021							
GLA (m²)	119 379	271 534	24 864	*	9 825	8 939	434 541
Contractual rental income	212 920	143 285	44 523	7 820	16 010	–	424 558
Operating cost recoveries	57 355	36 122	10 022	201	1 719	–	105 419
Straight-lining of rental income	(3 212)	(20 983)	(1 365)	(283)	–	–	(25 843)
Total revenue	267 063	158 424	53 180	7 738	17 729	–	504 134
Property expenses	(84 407)	(44 952)	(15 128)	(270)	(9 383)	(475)	(154 615)
Net property income	182 656	113 472	38 052	7 468	8 346	(475)	349 519
Other income and income from associates	–	–	–	–	–	7 781	7 781
Administration expenses	–	–	–	–	–	(40 622)	(40 622)
Net finance charges	–	–	–	–	–	(104 252)	(104 252)
Change in fair value	73 217	(31 374)	(2 621)	56 583	(4 307)	20 321	111 819
Net profit before taxation	255 873	82 098	35 431	64 051	4 039	(117 247)	324 245
Investment property	2 312 000	1 481 700	410 750	158 900	168 000	–	4 531 350
Non-current held for sale	–	6 500	–	–	–	–	6 500
Property under development	–	–	–	–	–	109 242	109 242
Property, plant and equipment	31	–	433	–	2 433	24 197	27 094
Trade and other receivables	8 342	4 550	434	–	3 503	18 170	35 000
Other assets	–	–	–	–	–	238 951	238 951
Total assets	2 320 373	1 492 750	411 617	158 900	173 936	390 560	4 948 137
Trade and other payables	36 984	14 465	2 655	3 773	3 215	24 525	85 617
Other liabilities	–	–	–	–	–	1 897 955	1 897 955
Total liabilities	36 984	14 465	2 655	3 773	3 215	1 922 480	1 983 572

* The specialised property comprises 8 382 hectares of industrial farms and the inclusion of this, measured by hectare, in the analysis by GLA would not provide meaningful analysis of the portfolio as a whole.

Notes to the annual financial statements continued

for the year ended 30 June 2022

38. Segmental analysis continued

Geographical	Year ended 30 June 2022				
	Gauteng R'000	Western Cape R'000	KwaZulu- Natal R'000	North West R'000	Mpumalanga R'000
GLA (m ²)	209 354	94 777	42 003	26 579	16 257
Investment property	2 292 001	770 000	374 900	354 400	400 300
Property under development	37 999	91 264	–	–	–
Total property portfolio	2 330 000	861 264	374 900	354 400	400 300
Contracted rental income	215 426	80 807	24 173	40 027	36 089
Operating cost recoveries	49 359	34 792	2 861	15 146	11 037
	264 785	115 599	27 034	55 173	47 126
Year ended 30 June 2021					
GLA (m ²)	211 926	96 777	32 935	26 579	27 614
Investment property	2 236 600	715 450	239 200	330 100	425 800
Property under development	17 978	91 264	–	–	–
Non-current assets held for sale	–	–	–	–	–
Total property portfolio	2 254 578	806 714	239 200	330 100	425 800
Contracted rental income	191 484	72 384	32 312	37 288	37 168
Operating cost recoveries	39 134	30 154	2 600	12 421	9 886
	230 618	102 538	34 912	49 709	47 054

Year ended 30 June 2022				
Limpopo R'000	Free State R'000	Eastern Cape R'000	Namibia R'000	Total R'000
15 079	17 906	–	13 500	435 455
434 000	182 000	–	148 000	4 955 600
				129 263
434 000	182 000	–	148 000	5 084 863
40 534	7 411	–	9 996	454 463
9 247	3 298	–	–	125 740
49 781	10 709	–	9 996	580 203

Year ended 30 June 2021				
15 079	10 131	–	13 500	434 541
403 000	85 200	–	96 000	4 531 350
–	–	–	–	109 242
–	6 500	–	–	6 500
403 000	91 700	–	96 000	4 647 092
37 351	7 826	801	7 944	424 558
8 565	2 459	200	–	105 418
45 916	10 285	1 001	7 944	529 977

ANNEXURE 1

Additional disclosures in terms of SA REIT Best Practice Recommendations ("SA REIT BPR")

	30 June 2022 R'000	30 June 2021 R'000
1. SA REIT BPR funds from operations		
Profit per IFRS statement of comprehensive income attributable to equity holders of the company	609 579	313 027
<i>Adjusted for:</i>		
Accounting/specific adjustments		
Fair value adjustment to investment properties	(338 870)	(91 498)
Straight-line rental income adjustment	4 219	25 843
Fair value adjustment to financial assets	–	(8 550)
Depreciation of owner-occupied property	504	506
Deferred taxation movement	(1 640)	308
Adjustments to dividends from equity interests held	(3 348)	2 269
Hedging items		
Fair value adjustment to derivative instruments	(5 905)	(11 771)
Other adjustments		
Non-controlling interests in respect of the above adjustments	(3 907)	1 554
	260 632	231 688
Number of shares in issue at the reporting date*	255 395 858	255 395 858
Distribution per share (cents)	102,05	90,72

* Excluding the 900 000 treasury shares in issue.

	30 June 2022 R'000	30 June 2021 R'000
2. SA REIT BPR cost-to-income ratio		
Per IFRS income statement		
Property expenses, including municipal expenses and depreciation	192 618	154 615
Administrative expenses and corporate costs	38 046	31 648
Per statement of comprehensive income	48 097	40 622
<i>Adjust for:</i>		
Salary recoveries included in sundry income	(9 547)	(8 468)
Depreciation charged on owner-occupied property	(504)	(506)
Total expenses	230 664	186 263
Contractual rental income and utility and operating recoveries, excluding straight-line rental income	580 203	529 977
Cost-to-income ratio (%)	39,76	35,15
Administrative cost-to-income ratio (%)	6,56	5,97

The cost-to-income ratio has been negatively impacted by the inclusion of once-off costs relating to the Safari transaction together with costs incurred to retenant a 30 000m² distribution centre that was vacated due to a tenant failure. Together with the benefits to be derived from the installation of solar plants in 2023, this ratio is expected to reduce to levels of approximately 36,9% in 2023.

	30 June 2022 R'000	30 June 2021 R'000
3. SA REIT BPR vacancy rate		
GLA of property portfolio (m ²)	435 455	434 541
Vacant GLA (m ²)	12 994	9 271
Vacancy rate (%)	3,0	2,1

ANNEXURE 1

Additional disclosures in terms of SA REIT BPR continued

	30 June 2022 R'000	30 June 2021 R'000
4. SA REIT BPR loan to value		
Interest-bearing liabilities	2 215 871	1 828 289
Less: Cash and cash equivalents	(122 959)	(110 300)
Add: Derivative financial instruments	–	–
Net debt	2 092 912	1 717 989
Investment property	4 955 600	4 531 350
Property under development	129 263	109 242
Non-current assets held for sale	–	6 500
Owner-occupied property	22 961	23 190
Investments in associates	333 449	–
Financial assets – shares in listed REIT	–	38 475
Carrying amount of property-related assets	5 441 273	4 708 757
Loan to value (%)	38,46	36,48
5. SA REIT BPR net asset value (“NAV”)		
Reported NAV	3 279 093	2 918 016
Adjusted for:		
Dividend to be declared	(260 632)	(231 688)
Deferred taxation	62 093	63 732
SA REIT BPR NAV	3 080 554	2 750 060
Number of shares in issue	255 395 858	255 395 858
NAV per share (cents)	1 206,19	1 076,78
	30 June 2022 %	30 June 2021 %
6. SA REIT BPR cost of debt		
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	5,73	5,20
Fixed interest rate borrowings		
Weighted average fixed rate	0,24	1,06
Preadjusted weighted average cost of debt	5,96	6,26
Amortised transaction costs imputed into the effective interest rate	0,32	0,06
All-in weighted average cost of debt	6,29	6,32

Heriot will continue to explore strategic opportunities that will extract value from its existing portfolio while continuing to grow its asset base through the acquisition of high yielding properties in its target markets.

Shareholder information

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Shareholder analysis

Company: Heriot REIT Limited
Register date: 24 June 2022
Issued share capital: 256 295 858

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	29	65,91	3 180	–
1 001 – 10 000 shares	2	4,55	3 747	–
10 001 – 100 000 shares	2	4,55	200 000	0,08
100 001 – 1 000 000 shares	3	6,82	1 570 000	0,61
1 000 001 shares and over	8	18,17	254 518 931	99,31
Total	44	100,00	256 295 858	100,00
Distribution of shareholders				
Banks/brokers	1	2,27	270 000	0,11
Close Corporations	1	2,27	1 747	–
Individuals	35	79,55	11 039 563	4,30
Private companies	6	13,64	244 084 548	95,24
Treasury stock	1	2,27	900 000	0,35
Total	44	100,00	256 295 858	100,00
Public/non-public shareholders				
Non-public shareholders	4	9,09	237 867 522	92,81
Directors and associates of the company	3	6,82	236 967 522	92,46
Treasury stock	1	2,27	900 000	0,35
Public shareholders	40	90,91	18 428 336	7,19
Total	44	100,00	256 295 858	100,00
Beneficial shareholders holding 3% or more				
SB Herring			222 790 183	86,93
RL Herring			14 177 339	5,53
Total			236 967 522	92,46

Notice of annual general meeting



Heriot REIT Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2017/167697/06)
JSE share code: HET
ISIN: ZAE000246740
("Heriot" or "the company" or "the group")

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional advisor immediately.

Notice is hereby given to the shareholders of the company as at Monday, 7 November 2022 being the record date to receive the annual general meeting notice in terms of section 59(1)(a) of the Companies Act, 71 of 2008 ("**Companies Act**"), that the Annual General Meeting of the company will be held at 10:00 on Wednesday, 7 December 2022 at the offices of the Company situated at Suite 1 – Ground Floor, 3 Melrose Boulevard, Melrose North, 2196, Johannesburg to

- (i) consider and, if deemed fit to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited ("**JSE**") Listings Requirements ("**JSE Listings Requirements**") and
- (ii) deal with such other business as may lawfully be dealt with at the meeting, which meeting is to be participated in and voted at by shareholders registered as such as at Friday, 2 December 2022, being the record date to participate in and vote at the annual general meeting in terms of section 62(3)(a), read with section 59(1)(b), of the Companies Act. The last day to trade in the company's shares is therefore Tuesday, 29 November 2022.

Kindly note that in terms of section 63(1) of the Companies Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the Annual General Meeting.

Forms of identification that will be accepted include original and valid identity documents, driver's licenses and passports. Shareholders or their duly authorised proxies who wish to participate in the annual general meeting, must register to do so by lodging a completed Electronic Participation Application Form by Monday, 5 December 2022.

Quorum

A quorum for the purposes of considering the resolutions above shall consist of three shareholders of the company personally present or represented by proxy (and if the shareholder is a body corporate, the representative of the body corporate) and entitled to vote at the annual general meeting. In addition, a quorum shall comprise 25% of all voting rights entitled to be exercised by shareholders in respect of the resolutions above.

Proxies

Voting will be via a poll; every shareholder of the company shall have one vote for every share held in the company by such shareholder.

A shareholder entitled to participate and vote at the annual general meeting is entitled to appoint a proxy or proxies to participate, speak and vote in his/her stead physically. A proxy need not be a shareholder of the company.

Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the Annual General Meeting, by completing the Form of Proxy and lodging this form with the company's transfer secretaries by no later than Monday, 5 December 2022 by:

Notice of annual general meeting continued

- delivery to Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank; or email to **proxy@computershare.co.za**

Any forms of proxy not submitted by this time can still be lodged by email to **proxy@computershare.co.za** and to **mosa.matlosa@computershare.co.za** prior to the commencement of the meeting.

Shareholders are reminded that they are still able to vote normally through proxy submission, despite deciding to participate either, physically or not at all in the Annual General Meeting.

Dematerialised shareholders without “own name” registration

Dematerialised shareholders, other than those with “own name” registration, who wish to participate in the Annual General Meeting, should instruct their Central Securities Depository Participant (“**CSDP**”) or broker to issue them with the necessary letter of representation to participate in the annual general meeting, in the manner stipulated in the relevant custody agreement. The letter of representation will need to be submitted together with the completed Electronic Participation Application Form to the company’s transfer secretaries and to Heriot in the manner and within the timeframe described above under the section titled “Electronic participation” or be provided at the meeting itself on the request of the Company Secretary.

If these shareholders do not wish to participate in the Annual General Meeting in person, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Certificated shareholders and dematerialised shareholders with “own name” registration

Those certificated shareholders and dematerialised shareholders with “own name” registration, who wish to participate in the Annual General Meeting (either in person or represented by proxy), must submit a completed Electronic Participation Application Form

to the company’s transfer secretaries and to Heriot in the manner and within the timeframe described above under the section titled “Electronic participation”.

1. Ordinary resolutions

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% (fifty percent) of the voting rights exercised on the resolution. In the case of ordinary resolution number 10 and number 11, the JSE Listings Requirements prescribe a 75% (seventy-five percent) majority vote.

1.1 Ordinary resolution number 1 – adoption of the annual financial statements

“Resolved that the annual financial statements of the company for the year ended 30 June 2022, incorporating the reports of the auditors, the directors, the Audit and Risk Committee, and the Social and Ethics Committee, which will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act, be and are hereby adopted.”

1.2 Ordinary resolution number 2 – appointment/ election of directors

1.2.1 Re-election of Selwyn Joel Blieden as a non-executive director

“Resolved to re-elect, Selwyn Blieden as a director of the company who, in terms of Article 26.12 of the company’s Memorandum of Incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.”

Note: The curriculum vitae of Selwyn Blieden is provided on page 3 of the integrated annual report.

1.2.2 Appointment of Janys Ann Finn as a non-executive director

“Resolved to elect Janys Finn in terms of Article 26.12 of the company’s Memorandum of Incorporation, as a non-executive director of the company effective immediately for the ensuing year.”

Note: The curriculum vitae of Janys Finn is provided on page 2 of the integrated annual report.

1.3 Ordinary resolution number 3 – appointments to the audit and risk committee

“Resolved that the members of the company’s audit and risk committee set out below be and are hereby appointed, each by way of a separate resolution, with effect from the end of this meeting in terms of section 94(2) of the Companies Act. The membership as proposed by the board is:

1.3.1 Selwyn Joel Blieden (chairman of the audit and risk committee) (If re-elected in ordinary resolution 1.2.1);

1.3.2 Trevor John Cohen; and

1.3.3 Robin Lockhart-Ross.

Note: Brief curricula vitae of Selwyn Joel Blieden, Trevor John Cohen and Robin Lockhart-Ross are set out on page 3 of the integrated report of which this notice forms part.

1.4 Ordinary resolution number 4 – re-appointment of auditor

The audit and risk committee has recommended BDO Inc. for appointment as independent auditor of the company pursuant to section 90(2) (c) of the Companies Act and further confirm their suitability for appointment. The designated auditor, Paul Richard Badrick, will be retiring in terms of the rotational requirements of section 92 of the Companies Act and will be replaced by Vianca Pretorius as the new designated auditor, in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements.

“Resolved that BDO Inc., together with Vianca Pretorius as the designated auditor, be and are hereby re-appointed/appointed as auditor of the company, with effect from the conclusion of this annual general meeting.”

1.5 Ordinary resolution 5: approval of remuneration policy and remuneration implementation report

In line with the King IV™ Report on Corporate Governance, the remuneration policy and the remuneration implementation report must be tabled at each annual general meeting, with both being subject

to separate non-binding advisory votes. This allows shareholders to express their views on the company’s remuneration structures and policies.

In the event that either the remuneration policy or the remuneration implementation report, or both, are voted against by 25% or more of the voting rights exercised, the board is committed to actively engaging with shareholders in this regard, in order to address all legitimate and reasonable objections and concerns.

1.5.1 Ordinary resolution 5.1: approval of remuneration policy

“Resolved that, through a non-binding advisory vote, the company’s remuneration policy, a summary of which is disclosed on pages 29 to 30 of the integrated report be and is hereby approved.”

1.5.2 Ordinary resolution 5.2: approval of remuneration implementation report

“Resolved that, through a non-binding advisory vote, the company’s remuneration implementation report, as disclosed on page 30 of the integrated report be and is hereby approved.”

1.6 Ordinary resolution number 6: general authority to issue shares for cash

“Resolved that, subject to the restrictions set out below and subject to the provisions of the Companies Act and the JSE Listings Requirements, the directors of the company be and are hereby authorised until this authority lapses at the next annual general meeting of the company or 15 months from the date on which this resolution is passed, whichever is the earlier date, to allot and issue shares of the company for cash, on the basis that:

- the shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such shares or rights as are convertible into a class already in issue;
- the allotment and issue of shares for cash shall be made only to persons qualifying as “public shareholders”, as defined in the JSE Listings Requirements, and not to “related parties”;

Notice of annual general meeting continued

- the total aggregate number of shares which may be issued are the subject of general issues for cash shall not exceed 25 539 586 shares being 10% of the company's issued shares (excluding treasury shares) as at the date of this notice of annual general meeting, provided that:
 - any shares issued under this authority, prior to this authority lapsing, shall be deducted from the 25 539 586 shares which the company is authorised to issue in terms of this authority; and
 - in the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
- the maximum discount at which shares may be issued is 10% of the weighted average traded price of such shares measured over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares; and
- after the company has issued shares in terms of this general authority to issue shares for cash representing on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of that issue, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 business days prior to the date that the issue is agreed in writing between the company and the party(ies) subscribing for the shares and an explanation, including supporting information (if any) of the intended use of the funds."

Note: In terms of the JSE Listings Requirements, the approval of a 75% majority of votes cast by shareholders present or represented by proxy at this annual general meeting is required for the passing of this ordinary resolution number 6.

1.7 Ordinary resolution number 7: signature of documentation

"Resolved that any director of the company or the company secretary be and is hereby authorised to sign all such documents and do all such things as may be necessary or incidental to the implementation of any and/or all Resolutions contained in this Notice."

In order for:

- each of ordinary resolutions 1 to 7 and ordinary resolution 9 to be adopted, the support of more than 50% of the total number of votes exercisable by shareholders, present in person or by proxy, is required; and
- each of special resolutions 1, 2 and 3 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

2. Special resolutions

To consider and, if deemed fit, to pass, with or without modification, the following special resolutions. The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution.

1.1 Special resolution number 1 – non-executive directors' fees

"Resolved as a special resolution that, unless otherwise determined by the company in a general meeting, the following annual fees payable by the company to its non-executive directors for their service as directors, with effect from 1 January 2023 are approved:

	Fee for the year ended 30 June 2022 R	Proposed fee year ending 30 June 2023 R
Chairman	300 000	322 500
Director	200 000	215 000

Explanation

Section 66(9) of the Companies Act requires that a company may pay remuneration to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous two years. The reason for, and effect of, special resolution number 1 is to grant the company the authority to pay fees to its non-executive directors for their services as directors. The non-executive directors' fees are benchmarked against similar sized companies listed on the JSE.

1.2 Special resolution number 2 – general approval to acquire own shares

"Resolved, as a general approval by special resolution, that the company and/or any of its subsidiaries from time to time be and they are hereby authorised to acquire ordinary shares in the company in terms of, and subject to, the Companies Act, the Memorandum of Incorporation of the company and its subsidiaries and the Listings Requirements of the JSE Limited ("JSE Listings Requirements"), as amended from time to time. Any acquisition of ordinary shares is also subject to the sanction of any other authority whose approval is required by law, regulation or the JSE Listings Requirements."

Note: The JSE Listings Requirements currently provide, *inter alia*, that:

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business

days immediately preceding the date on which the transaction is effected;

- at any point in time, the company may only appoint one agent to affect any acquisition/s on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital;
- the company may only effect the repurchase once a resolution has been passed by the Board confirming that the Board has authorised the repurchase, that the company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the group;
- the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
- an announcement will be published once the company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter.

Explanation

Special resolution number 2 is to grant the company a general authority for the company and the company's subsidiaries to acquire the company's issued ordinary shares. There is no requirement in the Companies Act for shareholder approval unless the acquisition by the company of any particular class of securities exceeds 5% (five percent) of the issued shares of that class, either alone or together with other transactions in an integrated series of transactions, per sections 48(8), 115 and 116 of the Companies Act.

It is the intention of the directors of the company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it but subject at all times to the requirements of the Companies Act, the JSE Listings Requirements and the Memorandum of Incorporation of the company.

1.2.1 Other disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are contained in the integrated annual report of which this notice forms part:

- Share capital of the company (page 74); and
- Major shareholders of the company (page 110).

1.2.2 Material change

There have been no material changes in the affairs or financial position of the company and its subsidiaries since the company's financial year end and the date of this notice.

1.2.3 Directors' Responsibility Statement

The directors, whose names are given on pages 2 and 3 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

1.2.4 Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of the company will ensure that, after considering the effect of the maximum repurchase and for a period of 12 months thereafter:

- the company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the company and its subsidiaries;

- the issued share capital and reserves of the company and its subsidiaries will be adequate for the purpose of the ordinary business of the company and its subsidiaries; and
- the working capital available to the company and its subsidiaries will be sufficient for the group's requirements.

1.3 Special resolution number 3 – loans or other financial assistance to related companies

"Resolved that, as a special resolution, in terms of section 45 of the Companies Act, the shareholders hereby approve of the company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 3, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation or to a member of any such related or inter-related corporation provided that:

- the Board from time to time, determines:
 - the specific recipient or general category of potential recipients of such financial assistance;
 - the form, nature and extent of such financial assistance;
 - the terms and conditions under which such financial assistance is provided; and
- the Board may not authorise the company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance."

Explanation

The reason for and effect of special resolution number 3 is to grant the Board the authority to authorise the company to provide financial assistance as contemplated in section 45 of the Companies Act, to the persons specified in section 45(2), i.e. a related or inter-related company or corporation, or to a member of a related or inter-related corporation.

This resolution is intended to enable the company to provide inter-company loans and guarantees within the group.

3. Other business

To transact such other business as may be transacted at an annual general meeting of shareholders.

By order of the board



CIS Company Secretaries Proprietary Limited

Company secretary

Pretoria

28 October 2022

Notes to the form of proxy

1. This form of proxy is only to be completed by those ordinary shareholders who are:
 - 1.1 holding ordinary shares in certificated form; or
 - 1.2 recorded in the sub-register in electronic form in their own name,

on the date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services Proprietary Limited, in order to vote at the annual general meeting being Friday, 2 December 2022, and who wish to appoint another person to represent them at the annual general meeting.
2. Certificated shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the company (being Computershare Investor Services Proprietary Limited) that their shares are registered in their name.
3. Beneficial shareholders whose shares are not registered in their own name, but in the name of another, for example, a nominee, may not complete a proxy form, unless a form of proxy is issued to them by a registered shareholder and they should contact the registered shareholder for assistance in issuing instruction on voting their shares, or obtaining a proxy to attend, speak and, on a poll, vote at the annual general meeting.
4. A Heriot shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space. The person whose name stands first on the form of proxy and who is present at the Heriot annual general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
5. A proxy appointed by a Heriot shareholder in terms hereof may not delegate his authority to act on behalf of the Heriot shareholder to any other person.
6. If duly authorised, companies and other corporate bodies who are shareholders of the company having shares registered in their own name may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of that representative. This notice will not be effective at the annual general meeting unless it is accompanied by a duly certified copy of the resolution or other authority in terms of which that representative is appointed and is received at Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, to reach the company by **Monday, 5 December 2022** to allow for processing of the proxy forms. Alternatively, the form of proxy may be handed to the chairman of the annual general meeting at any time prior to the commencement of the annual general meeting or prior to voting on any resolution proposed at the annual general meeting.
7. A Heriot shareholder's instructions to the proxy must be indicated by means of a tick or a cross in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the Heriot shareholder's votes exercisable thereat relating to the resolutions proposed in this form of proxy.
8. The completion and lodging of this form of proxy will not preclude the relevant Heriot shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Heriot shareholder wish to do so. In addition to the foregoing, a Heriot shareholder may revoke the proxy appointment by (i) cancelling it in writing or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Heriot shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
10. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
11. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory(ies).
12. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company.
13. Where there are joint holders of Heriot shares:
 - 13.1 any one holder may sign this form of proxy; and
 - 13.2 the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of Heriot shares.
14. This form of proxy may be used at any adjournment or postponement of the annual general meeting, including any postponement due to a lack of quorum, unless withdrawn by the Heriot shareholder.
15. The foregoing notes contain a summary of the relevant provisions of section 58 of the Companies Act, as required in terms of that section.

Form of proxy



Heriot REIT Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2017/167697/06)
JSE share code: HET
ISIN: ZAE000246740
("Heriot" or "the company")

I/We _____ (names in block letters)

of _____ (address in block letters)

being a shareholder of the company and being the registered owner of _____ (insert number)

Ordinary shares hereby appoint:

or

failing him/her, the chairperson of the meeting, to attend and participate in the meeting and to speak and vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising (including any poll and all resolutions put to the meeting) at the meeting, even if the meeting is postponed, and at any resumption thereof after any adjournment.

My/our proxy shall vote as follows:

(Indicate with a cross how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his/her discretion)

	For	Against	Abstain
Ordinary resolution no. 1: Adoption of the annual financial statements			
Ordinary resolution no. 2: Election of directors			
2.1 Re-election of Selwyn Joel Blieden as a non-executive director			
2.2 Appointment of Janys Ann Finn as a non-executive director			
Ordinary resolution no 3: Appointments to the audit and risk committee			
3.1 Selwyn Joel Blieden			
3.2 Trevor John Cohen			
3.3 Robin Lockhart-Ross			
Ordinary resolution no 4: Re-appointment of auditor			
Ordinary resolution no 5: Approval of remuneration policy and remuneration implementation report			
5.1 Approval of remuneration policy			
5.2 Approval of remuneration implementation report			

Form of proxy continued

	For	Against	Abstain
Ordinary resolution no 6: General authority to issue shares for cash			
Ordinary resolution no 7:			
7.1 Signature of documentation			
7.2 Special resolutions			
Special resolution no 1: Non-executive directors' fees			
Special resolution no 2: General approval to acquire own shares			
Special resolution no 3: Loans or other financial assistance to related companies			

Signed at _____ on the _____ day of _____ 2022

by the shareholder, or authorised representative of the shareholder in case of a juristic entity.

Signature _____

Name _____

Designation _____

Electronic Participation Application Form at the annual general meeting



Heriot REIT Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2017/167697/06)
JSE share code: HET
ISIN: ZAE000246740
(Approved as a REIT by the JSE)
("Heriot" or "the company" or "the group")

Annual general meeting

Capitalised terms which are not defined herein shall bear the meanings assigned in the notice of annual general meeting (the "AGM Notice") to which this form is attached and forms part.

Instructions

Shareholders or their proxies, have the right, as provided for in the company's memorandum of incorporation and the Companies Act, to participate in the annual general meeting by way of electronic communication.

Shareholders or their duly appointed proxies who wish to participate in the annual general meeting must complete this application form and email it (together with the relevant supporting documents referred to below) to the company's transfer secretaries at **proxy@computershare.co.za** and to the company at **mosa.matlosa@computershare.co.za** as soon as possible, but in any event by no later than Monday, 6 December 2022.

Upon receiving a completed Electronic Participation Application Form, the company's transfer secretaries will follow a verification process to verify each applicant's entitlement to participate in the annual general meeting. The company's transfer secretaries will provide the company with the email address of each verified shareholder or their duly appointed proxy (each, "**a Participant**") to enable the company to forward the Participant a Microsoft Teams meeting invitation required to access the annual general meeting.

Heriot will send each Participant a Microsoft Teams meeting invitation with a link to "Join the Microsoft Teams Meeting" on receipt of the Electronic Participation Application Form, but in any event before the annual general meeting on **Wednesday, 7 December 2022** to enable Participants to link up and participate electronically in the annual general meeting. This link will be sent to the email address nominated by the Participant in the table below.

Please note

The electronic platform to be utilised for the annual general meeting does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the annual general meeting, by completing the Form of Proxy and lodging the completed proxy form together with this Electronic Participation Application Form with the company's transfer secretaries.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the annual general meeting. Any such charges will not be for the account of the company's transfer secretaries or Heriot who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such Participant from participating in and/or voting at the annual general meeting.

By signing this application form, the Participant indemnifies and holds the company harmless against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the annual general meeting or any interruption in the ability of the Participant to participate in the annual general meeting via electronic communication, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else, including without limitation the company and its employees.

Electronic Participation Application Form at the annual general meeting

continued

Full name of shareholder

Identity or registration number of shareholder

Full name of authorised representative (if applicable)

Identity number of authorised representative

Email address

Note: This email address will be used by the company to share the Microsoft Teams meeting invitation required to access the annual general meeting electronically.

Cell phone number

Telephone number, including dialling codes

Note: The electronic platform to be utilised for the annual general meeting does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the annual general meeting, by completing the proxy form found on page 121.

Indicate (by marking with an "X") whether:

☐ votes will be submitted by proxy (in which case, please **enclose** the duly completed proxy form with this form); or

By signing this application form, I consent to the processing of my personal information above for the purpose of participating in Heriot's annual general meeting.

Signed at

on

2022

Signed

Documents required to be attached to this application form

1. In order to exercise their voting rights at the annual general meeting, shareholders who choose to participate electronically may appoint a proxy, which proxy may participate in the annual general meeting, provided that a duly completed proxy form has been submitted in accordance with the instructions on that form, and as envisaged in the notice of the annual general meeting.
2. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the annual general meeting, must be attached to this application.
3. A certified copy of the valid identity document/passport of the person attending the annual general meeting by electronic participation, including any person acting in a representative capacity, must be attached to this application.

Applications to participate by electronic communication will only be considered if this application form is completed in full, signed by the shareholder, its proxy or representative, and delivered as detailed above. The company may in its sole discretion accept any incomplete application forms.

Shareholders' diary

Financial year end	30 June
Annual general meeting	8 December 2022
Integrated report released	29 October 2022

Corporate information

Heriot REIT Limited

(Registration number:
2017/167697/06)
JSE share code: HET
ISIN: ZAE000246740

Registered office

Suite 1, 3 Melrose Boulevard
Melrose, Johannesburg 2196
(PO Box 652737, Benmore 2010)

Place and date of incorporation

Incorporated in South Africa on
18 April 2017

Company secretary

CIS Company Secretaries
Proprietary Limited
(Registration number:
2006/024994/07)
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
Private Bag X9000
Saxonwold 2132

Directors

SB Herring (*Chairman*)*
RL Herring (*CEO*)
JA Finn (*CFO*)
SJ Blieden**
TJ Cohen**
R Lockhart-Ross**
NA Ngale**

* *Non-executive* † *Independent*

Corporate advisor

Java Capital Proprietary Limited
(Registration number:
2012/089864/07)
6th Floor, 1 Park Lane
Wierda Valley
Sandton 2196
(PO Box 522606, Saxonwold 2132)

Designated advisor

Java Capital Trustees and Sponsors
Proprietary Limited
(Registration number:
2006/005780/07)
6th Floor, 1 Park Lane
Wierda Valley
Sandton 2196
(PO Box 522606, Saxonwold 2132)

Attorneys

Werksmans Incorporated
(Registration number:
1990/007215/21)
155 5th Street
Sandton 2196
(Private Bag 10015, Sandton 2146)

Independent property valuer

Quadrant Properties Proprietary
Limited
(Registration number:
1995/003097/07)
16 North Road, corner Jan Smuts
Avenue
Dunkeld West 2196
(PO Box 1984, Parklands 2121)

Transfer secretaries

Computershare Investor Services
Proprietary Limited
(Registration number:
2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
Private Bag X900
Saxonwold 2132

Bankers

FirstRand Bank Limited
(Registration number:
1929/001225/06)
Mezzanine Floor
No 3 First Place, Bank City
Corner Jeppe and Simmonds
Streets
Johannesburg 2001
(PO Box 786273, Sandton 2146)

Auditor

BDO South Africa Incorporated
52 Corlett Drive
Wanderers Office Park
Illovo 2196
(Private Bag X28, Benmore 2010)



Heriot
REIT *Committed to excellence*

www.heriotreit.com