

Group interim unaudited  
results and dividend  
distribution declaration

2023

for the six months ended  
31 December



**Heriot**  
REIT *Committed to excellence*



## HERIOT AT A GLANCE

Investment  
properties valued at  
**R9,372  
billion**

**21,3%**  
growth in net asset  
value per share to  
**R15,78**  
(2022: R13,02)

Like-for-like net  
property operating  
income growth of  
**12,9%**

Portfolio  
vacancy of  
**1,6%**  
(30 June 2023: 2,4%)

Gearing ratio of  
**42,2%**  
(30 June 2023: 41,1%)

Interim dividend  
**49,87  
cents**  
(2022: 52,04 cents)  
per share equating to 100%  
of distributable earnings  
(2022: 100%)

Average cost  
of debt  
**10,23%**  
(30 June 2023: 8,68%)

## BOARD COMMENTARY

### PROFILE

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 and has a strategic interest of 48,7% in Safari Investments RSA Limited (“**Safari**”). Heriot’s primary objective is to grow and streamline its asset base through the acquisition of high-quality properties, the redevelopment of existing properties and the disposal of assets identified as non-core.

### INVESTMENT IN SAFARI

Pursuant to its strategy of increasing its strategic stake in Safari, Heriot has increased its shareholding from 46,5% at 30 June 2023 to 48,7% through the following acquisitions:

- 347 285 Safari shares at R5,75 on 4 July 2023 on the open market;
- 4 077 782 Safari shares at R5,60 on 30 January 2024 on the open market; and
- 807 069 Safari shares at R5,60 on 7 March 2024 from a related party Reya Gola Investments Proprietary Limited.

Safari bought 853 070 of its own shares in the open market during the reporting period at an average price of R5,60 which are held as treasury shares.

Together with a concert party, Thibault REIT Limited, the broader Heriot Group’s shareholding in Safari increased to an effective interest of 58,8% at the date of this report.

### Accounting treatment of Safari

Through the general offer made by Heriot in December 2022 to acquire shares in Safari at an offer price of R5,60 per share, Heriot increased its shareholding in Safari to 26,8%. Together with additional parcels of Safari shares acquired subsequent to the expiry of the general offer, Heriot further increased its holding to 39,1% at 31 March 2023. On that date, Safari’s firm intention

to repurchase and cancel the 53,0 million Southern Palace shares was unanimously approved by shareholders, and this, together with Heriot’s disposal of 1,5 million shares back to Heriot’s holding company, Heriot Investments Proprietary Limited (“**Heriot Investments**”), resulted in Heriot’s effective shareholding in Safari increasing to 46,5% at 30 June 2023.

Based on an analysis of Safari’s historical shareholder voting patterns, together with Heriot’s strategic shareholding in Safari and the fact that Steven Herring is Chairman of both Heriot and Safari, Heriot was deemed to control Safari from 31 March 2023.

On this basis, Heriot equity-accounted Safari’s 12-month results from 1 April 2022 to 31 March 2023, the date prior to which Heriot gained effective control and consolidated Safari’s statement of financial position at 31 March 2023 into its results at 30 June 2023. Heriot did not include Safari’s results for the three months ended 30 June 2023 in its results to 30 June 2023. Instead, Heriot applied the lag accounting principle as Safari’s three-month results were assessed as immaterial to the Group.

Heriot has consolidated Safari’s six-months results ended 30 September 2023 in its results for the reporting period. Post 31 March 2023, Safari changed its year end from March to June to align with Heriot’s year end, and, on this basis, Heriot will consolidate Safari’s 15-months results to 30 June 2024.

### Safari’s interim results for the six months ended 30 September 2023

Safari’s operating profit increased by 8,2% as its core retail assets continue to perform well. However, its interim distribution decreased by 10% from 33,0 cents in 2022 to 30,0 cents per share in 2023 due to interest rate increases and the once-off insurance proceeds for loss of income as a result of the 2022 riots that boosted the 2022 interim distribution.

## FINANCIAL RESULTS

Distributable earnings of the Group for the six months ended 31 December 2023 (the “reporting period”) of R127,371 million, or 49,87 cents per share, are 4,2% below distributable earnings of 52,04 cents per share for the comparable period in 2022. Distribution per share remains Heriot’s measure of performance.

Like-for-like net property operating income (“NOI”) grew by 12,9%, led by the strong performance of the retail and industrial assets. While the Group achieved double-digit growth from its property operations, distributable earnings were significantly reduced as a result of the 350 bps increase in the repo rate over the period 1 July 2022 to 31 December 2023.

The Group’s continued effective cash management and strong cash flows support the payment of 100% of distributable earnings as a dividend and on this basis, the Company is declaring an interim dividend of 49,87 cents per share.

Heriot’s net asset value per share increased by 21,3% from R13,02 at 31 December 2022 to R15,78 at 31 December 2023. This increase is mainly attributable to the consolidation of Safari into Heriot’s statement of financial position at 30 June 2023, which resulted in an unrealised, non-distributable bargain gain of R464,3 million, in the Group’s year end results ended 30 June 2023, equating to R1,82 per share. The growth is further attributable to an increase in the value of the Group’s property portfolio, which is supported by positive rental escalations achieved on renewals and re-lets across the portfolio during the period.

## OPERATIONAL PERFORMANCE

(on a like-for-like basis)

### Retail

Emerging market retail has been one of the best-performing sectors in South Africa. Food and banking tenants continue to trade well while clothing retailers

remain under pressure as a result of shrinking disposable income of customers due to current economic conditions. Growth in NOI of 21,2% in the retail portfolio predominantly relates to the 8 141m<sup>2</sup> extension of Siyabuswa Mall, completed in November 2022, and reduced operating costs as a result of improved performance of the solar plants installed at the major retail centres.

### Industrial

The Western Cape industrial sector has seen substantial growth in rentals due to the high demand and limited supply of industrial properties in the area. The Gauteng industrial sector remains under pressure due to difficulty in filling vacancies and reduced rentals on renewals. Despite the challenges in Gauteng, Heriot’s overall industrial portfolio has remained robust through the tough local economic conditions. Industrial NOI growth of 9,9% was driven by the letting of vacant space and lease renewals at favourable rentals.

### Office

The office sector remains under pressure due to difficulty in filling vacancies and negative rental reversions on renewals.

### Residential/aparthotel

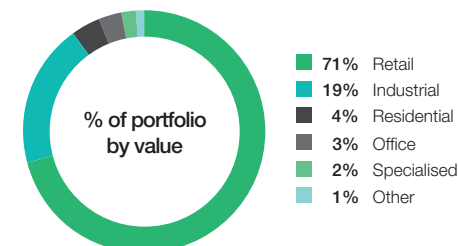
The hospitality assets are located in Cape Town which has seen record growth in the sector post the COVID era. However, due to operational, product and system issues, the assets did not meet forecast expectations in the current reporting period. In January 2024, management of these assets has been externalised and initial results indicate increased revenue and improved operating efficiencies.

### Specialised

The timber plantations reflect stable and steady growth from lease escalations averaging between 6% and 8%.

## INVESTMENT PROPERTY

At the reporting date, the property portfolio was valued at R9,372 billion.



The Group’s investment property portfolio comprises 48 properties across all major sectors within South Africa. The Heriot portfolio was independently valued at R5,576 billion by Peter Parfitt of Quadrant Properties Proprietary Limited at 31 December 2023, a registered valuer in terms of Section 19 of the Property Valuers Professional Act (Act No 47 of 2000), using the discounted cash flow and comparable sales methods.

The value of investment property at 31 December 2023 includes Safari’s property portfolio of R3,796 billion as included in Safari’s interim results at 30 September 2023.

On a like-for-like basis, the value of the Heriot investment property portfolio increased by an effective 2,4% from 30 June 2023.

The refurbishment of 132 Adderly Street, a commercial property measuring 4 946m<sup>2</sup> and located in the Cape Town CBD, into a mixed-use property comprising both commercial and residential space, was completed on 5 December 2023 at a cost of R79 million and a projected yield of 15%. Management has applied the aparthotel model for the residential space comprising 151 units now known as Habitat. Further upgrades to the development are being considered at an estimated cost of R7,0 million. These upgrades would increase the average daily rate and projected yield to 18%.

Safari spent R64,2 million on upgrading and refurbishing the Denlyn, Thabong and The Victorian shopping centres during the reporting period.

Over and above Heriot’s investment property portfolio, the Group owns a property that is to be redeveloped into student accommodation. At the reporting date, the property, valued at R91,6 million, was classified as property under development.

Heriot further owns the Group’s head office, comprising 717m<sup>2</sup> A-grade office space in Melrose Arch. This property has been accounted for as property, plant and equipment in terms of the accounting standard relating to owner-occupied property.

## VACANCIES AND LETTING ACTIVITY

In an extremely challenging economic environment, the Group's tenancies remained stable throughout the reporting period with positive letting activity reducing vacancies from 2,4% at 30 June 2023 to 1,6% at 31 December 2023.

Group vacancies are as follows:

Sector	At 31 December 2023			At 30 June 2023		
	Total m <sup>2</sup>	Vacant m <sup>2</sup>	%	Total m <sup>2</sup>	Vacant m <sup>2</sup>	%
Industrial	266 934	3 434	1,2	275 020	7 195	2,6
Retail	313 261	4 747	1,5	313 261	6 666	2,1
Office	14 223	1 728	12,1	19 169	1 559	8,1
Residential	2 690	86	3,2	10 270	141	1,4
Other	18 665	–	0,0	18 665	–	0,0
	615 773	9 995	1,6	636 385	15 561	2,4

The reduction in vacancies comprises:

- 3 761m<sup>2</sup> of industrial space at an average rental rate of R44m<sup>2</sup>; and
- 1 919m<sup>2</sup> of retail space at an average rental rate of R200m<sup>2</sup>.

Significant re-lets during the reporting period were as follows:

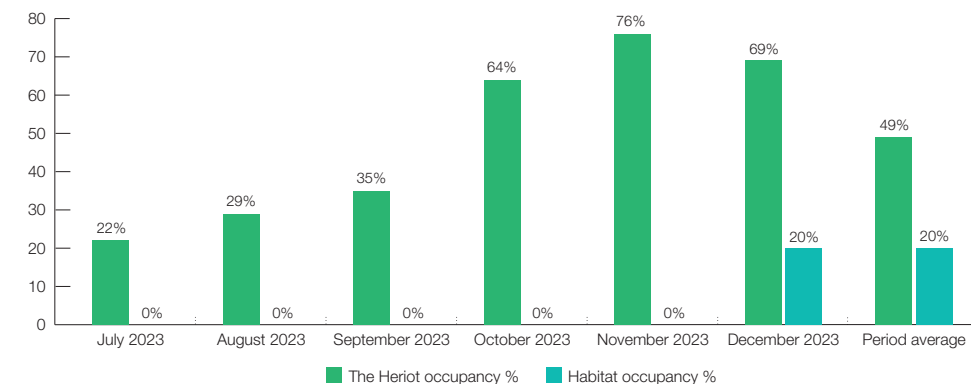
- The 23 867m<sup>2</sup> distribution centre in Pinetown, KwaZulu-Natal was re-let to Mpact for a further five years at R49m<sup>2</sup> from an expiry rental of R50m<sup>2</sup>.

## Aparthotel occupancy analysis

As Heriot's residential portfolio strategy changed from long- to short-term letting, the aparthotels are not included in the previous vacancy analysis as the preferred metrics to report on for these assets are the occupancy levels and average daily rates.

The aparthotel sector comprises two properties located in the Cape Town CBD with a combined gross lettable area ("GLA") of 12 526m<sup>2</sup> or 366 units.

## Aparthotel occupancy analysis (%)



The Habitat was completed on 5 December 2023 and therefore occupancy data for the preceding months is not applicable.

Seasonal trends dictated the occupancy levels at The Heriot. The Heriot's occupancies were lower in the first quarter due to lower demand during the off-peak period and increased in the second quarter as a result of higher demand heading into the festive season. The average daily rate at The Heriot was R625 per night for the period while the Habitat achieved an average daily rate of R920 per night for December 2023.

The Habitat occupancies increased to 77% in February 2024 while The Heriot has achieved average occupancies in excess of 70% post the reporting period.



## FUNDING

The Group's secured borrowings of R4,021 billion at 31 December 2023 (30 June 2023: R3,834 billion), including Safari's debt of R1,389 billion, equate to a gearing ratio of 42,2% (June 2023: 41,1%). The Group's average cost of borrowings, including the amortisation of facility raising fees, was 10,23% for the reporting period (2022: 7,73%). The significant rate hikes during the period have been the main contributor to the increased cost of borrowings. 90,9% of Group debt was linked to floating facilities with 9,1% or R390,0 million hedged at the reporting date. The Board continues to monitor interest rate risk on a regular basis.

During their reporting periods, Heriot and Safari entered into arrangements for the early refinance and renewal of facilities totalling R3,819 billion at substantially better interest rates, resulting in average lending rates reducing by 25bps from the effective dates.

As at the reporting date, the average remaining term of the Group's debt is 2,39 years. This increases to 3,50 years from the effective date of the debt renewals.

## Debt covenants – loan-to-value and interest cover ratio

Debt snapshot	Actual ratios	Covenant ratios
31 December 2023	%	%
Gearing ratio per SA REIT Best Practice Recommendations	42,2	<50
Interest cover ratio	2,09	>2
% Fixed	9,1	N/A
Average remaining term as at 31 December 2023	2,39	N/A
Average remaining term post the reporting period	3,50	N/A

## INVESTMENT IN ASSOCIATES

This comprises Heriot's 49,9% interest in Fixtrade 605 Proprietary Limited, a company that owns 50 townhouses in Newcastle, KwaZulu-Natal. Heriot accounted for its share of profits to 31 December 2023 in its interim results. Post the reporting period, Heriot acquired its co-shareholder's 50,1% interest for R4,7 million.

## ASSETS AND LIABILITIES HELD FOR SALE

At 30 June 2023, assets and liabilities held for sale included net assets of R19,3 million relating to a subsidiary, Hagley 3965 Proprietary Limited (a property holding company) ("**Hagley**"), that was sold by Heriot Properties Proprietary Limited ("**Heriot Properties**"), a wholly owned subsidiary of Heriot, to Heriot Investments for R40,3 million (the "**Initial Hagley Disposal**"). Heriot Investments is the majority shareholder of Heriot. In terms of the Initial Hagley Disposal agreement, Heriot Properties had an option to repurchase up to 100% of Hagley's equity for a period of five years from 30 June 2023 at Heriot's discretion ("**Option**").

Hagley owns a single asset, being a 70 000m<sup>2</sup> property located at Erf 3865 in the City of Cape Town Stellenbosch Division, Province of the Western Cape, situated on Nooiensfontein Road, Wembley Park, Cape Town, on which a 36 900m<sup>2</sup> distribution centre is being constructed for Ackermans. Heriot Properties disposed of Hagley in order to mitigate any development risks associated with the project.

On 31 December 2023, Hagley's investment property was independently valued by Peter Parfitt of Quadrant Properties Proprietary Limited using the discounted cash flow less costs to completion method, resulting in an increase in the valuation of the property of R47,9 million and an increase in the fair value of Hagley to R67,2 million.

The Hagley Disposal agreement has now been amended to remove the Option with effect from 31 December 2023 and to increase the selling price to the current market value of R67,2 million ("**Amended Hagley Disposal**"). On this basis, there is no profit or loss attributable to the transaction. The selling price will be settled in cash upon completion of the redevelopment of the property owned by Hagley ("**Property**"), provided that the amount shall be payable in full by 31 December 2025. The Amended Hagley Disposal is not subject to any conditions precedent.

In terms of the latest management accounts of Hagley, for the six months ended 31 December 2023, the net asset value of Hagley amounted to R67,2 million, while there were no profits or losses after taxation attributable to Hagley for the six months ended 31 December 2023 as all costs were capitalised to the development. The Company is satisfied with the quality of the management accounts.

The proceeds from the disposal of Hagley will be utilised to reduce debt.

Details of the Property owned by Hagley are as follows:

Property name	Location	Sector	Gross lettable area (m <sup>2</sup> )	Weighted average gross rental (m <sup>2</sup> )	Fair value attributable to property (m <sup>2</sup> ) R'million
Wembley Park	Western Cape	Industrial	N/A	N/A	67,2

### Notes:

- Post completion of the construction, the Property will have a GLA of 36 900m<sup>2</sup> and a weighted average gross rental (m<sup>2</sup>) of R76,25 at the commencement of the lease.
- No additional expenditure has been incurred by the Company in connection with the disposal.
- The Property was valued by Peter Parfitt of Quadrant Properties Proprietary Limited who is registered as a professional valuer in terms of the Property Valuers Profession Act, No 47 of 2000 and is an independent valuer as such term is contemplated in the JSE Listings Requirements. The effective date of the valuation was 31 December 2023.

Heriot Investments is 100% owned by The Gusi Trust, being a trust of which Steven Herring and his family are beneficiaries. In addition, Steven Herring is a Director of Heriot and Heriot Investments. The Initial Hagley Disposal and the Amended Hagley Disposal therefore constitute a transaction with a related party, but due to their size in relation to Heriot's market capitalisation, this only requires announcing and is not subject to shareholder approval.

Held for sale assets at the reporting date comprise investment property valued at R184,9 million owned by Safari.

## FINANCIAL ASSETS

Financial assets comprise loans of R34,1 million to participants of the employee share purchase scheme, together with a loan of R75,6 million owing by Heriot Investments for the purchase of Hagley and additional funds advanced for the redevelopment of the Hagley property. The loan to Heriot Investments bears interest at the three-month JIBAR rate plus 185bps and is repayable by no later than 30 June 2025.

## SHARE CAPITAL

There were no changes to the issued share capital during the reporting period. As at 31 December 2023, the Company had 255 395 858 shares in issue, excluding the 900 000 treasury shares owned by the Group.

## SUBSEQUENT EVENTS

On 22 February 2024, Heriot acquired the Burgersfort Mall land, previously held on a land lease, for R18,7 million.

The Directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

## SUSTAINABILITY

Due to the power constraints facing the country, unreliable infrastructure and climate change, the Group has continued to invest in renewable energy projects and water harvesting systems.

To date, the Group has installed solar plants at most of its major retail centres with a combined 12,16MWp of installed capacity. The Group plans to increase the current solar roll-out rate by a further 1,86MWp by the end of 2024.

Thirteen groundwater harvesting plants are in operation with further plants in the exploration phase.

## PROSPECTS

The Group's results for the reporting period demonstrate the resilience of its portfolio and in particular, the durability of its emerging market retail and industrial properties. The current local and global macroeconomic conditions have created difficult trading conditions for the Group in the short to medium term. Future prospects are inherently linked to the Group's operating environment and significant macro issues facing the Group. The Board is committed to a proactive yet conservative approach to mitigate the effects of elevated interest rates, increasing costs of fuel, electricity shortages, unprecedented levels of unemployment and high levels of inflation.

The Group 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 Group's cash flows, the Board has resolved to maintain the payout ratio of 100% of distributable earnings.

Despite difficult trading conditions, management is pursuing growth of 3,0% to 5,0% in the dividend per share for the year ending 30 June 2024.

The forecast in support of this guidance has been prepared using the following key assumptions:

- Group income will include 15 months of distributable earnings from Safari;
- Forecast property income is based on contractual rental escalations and market-related renewals;
- Adequate allowance has been made for vacancies and rent reversions;
- No further major corporate and tenant failures will occur; and
- No further changes to interest rates will occur before 30 June 2024.

This guidance has not been reviewed or reported on by the Company's auditor.

## GOING CONCERN

The Directors are of the opinion that the Company and Group have adequate financial resources to continue operations for the foreseeable future and, accordingly, the condensed consolidated interim financial statements have been prepared on a going concern basis. This opinion is based on:

- the strong current and projected cash flows of the Group;
- the Group comfortably meeting debt covenant ratios;
- the Group's positive solvency position as reflected by the net asset value of R15,78 per share at the reporting date; and
- the Group having access to sufficient borrowing facilities to meet its foreseeable cash requirements for operational activities and capital commitments. This is supported by the fact that negotiations for the refinancing of maturing facilities were concluded on favourable terms during the reporting period and to the date of this report. Further, while the Group's current liabilities exceed current assets, the Group has R289,2 million surplus cash invested in debt revolving facilities that can be used to meet financial obligations at the reporting date.

## CHANGE IN DESIGNATED ADVISOR

In accordance with paragraph 2.7A(b) of the Listings Requirements of the JSE, the Company has changed its designated advisor, with Valeo Capital Proprietary Limited being appointed as the new designated advisor with effect from 1 November 2023.

## RESPONSIBILITY STATEMENT

The Board accepts responsibility for the information contained in this announcement and certifies that, to the best of its knowledge and belief, the information contained herein is true and does not omit anything that is likely to affect the import of such information.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	9 095 479	5 199 900	8 891 700
Property under development	91 579	91 264	91 345
Property, plant and equipment	40 678	28 130	31 251
Investment in associate	4 504	464 391	4 135
Derivative financial instrument	–	–	1 017
Right-of-use assets	3 097	–	3 997
Financial assets	109 758	34 037	74 425
	9 345 095	5 817 722	9 097 870
<b>Current assets</b>			
Trade and other receivables	67 959	48 395	47 248
Inventories	15 476	–	29 869
Financial assets	992	51 493	–
Taxation receivable	–	35	–
Derivative financial instrument	2 523	–	1 615
Cash and cash equivalents	45 566	95 564	45 695
	132 516	195 487	124 427
<b>Non-current assets held for sale</b>	184 900	–	275 206
<b>Total assets</b>	9 662 511	6 013 209	9 497 503

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	2 548 624	2 548 624	2 548 624
Retained earnings	1 531 679	846 993	1 404 967
	4 080 303	3 395 617	3 953 591
Non-controlling interests	1 346 577	47 108	1 350 884
	5 426 880	3 442 725	5 304 475
<b>Non-current liabilities</b>			
Interest-bearing liabilities	3 958 229	2 285 800	3 225 122
Lease liabilities	2 806	–	4 531
Deferred taxation	78 583	62 093	76 285
	4 039 618	2 347 893	3 305 938
<b>Current liabilities</b>			
Interest-bearing liabilities	62 277	102 139	608 926
Other financial liabilities	–	–	40 309
Trade and other payables	132 995	120 452	165 419
Lease liabilities	725	–	993
Taxation payable	16	–	402
	196 013	222 591	816 049
<b>Non-current liabilities held for sale</b>	–	–	71 041
<b>Total equity and liabilities</b>	9 662 511	6 013 209	9 497 503
<b>Net asset value per share (cents) per REIT best practice</b>	1 578,54	1 301,83	1 471,57

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 31 December 2023 R'000	Unaudited Six months ended 31 December 2022 R'000	Audited Year ended 30 June 2023 R'000
Revenue	596 619	305 508	625 956
Contractual rental income and recoveries	575 067	314 570	643 022
Revenue from sale of inventory	15 370	–	–
Straight-line rental income adjustment	6 182	(9 062)	(17 066)
Property expenses	(188 689)	(104 751)	(202 032)
<b>Net property income</b>	<b>407 930</b>	<b>200 757</b>	<b>423 924</b>
Equity-accounted profits (net of taxation)	369	25 575	78 122
Cost of inventory sold	(16 216)	–	–
Other income	11 550	6 394	12 467
Administrative expenses and corporate costs	(41 326)	(26 714)	(46 710)
<b>Profit from operations</b>	<b>362 307</b>	<b>206 012</b>	<b>467 803</b>
Finance income	6 041	4 895	10 747
Finance charges	(193 104)	(84 456)	(202 701)
<b>Profit before fair value adjustments and bargain purchase gain</b>	<b>175 244</b>	<b>126 451</b>	<b>275 849</b>
Fair value adjustments	137 087	130 683	241 599
Investment properties	89 311	130 683	289 306
Fair value adjustment on previously held equity interest	–	–	(47 707)
Fair value adjustment on non-current assets held for sale	47 884	–	–
Derivative financial instrument	(108)	–	–
Bargain purchase gain on business combination	–	–	464 289
<b>Profit before taxation</b>	<b>312 331</b>	<b>257 134</b>	<b>981 737</b>
Taxation	(2 336)	(1 440)	(4 327)
<b>Total comprehensive income for the period</b>	<b>309 995</b>	<b>255 694</b>	<b>977 410</b>

	Unaudited Six months ended 31 December 2023 R'000	Unaudited Six months ended 31 December 2022 R'000	Audited Year ended 30 June 2023 R'000
<b>Attributable to:</b>			
Equity holders of the Company	261 941	248 385	964 022
Non-controlling interests	48 054	7 309	13 388
	<b>309 995</b>	<b>255 694</b>	<b>977 410</b>
<b>Reconciliation of earnings and headline earnings</b>			
Profit attributable to equity holders of the Company	261 941	248 385	964 022
Change in fair values of investment property and investments attributable to Heriot shareholders	(131 525)	(126 714)	(732 575)
Fair value adjustments: investment properties	(89 311)	(130 683)	(289 306)
Non-controlling shareholder portion of fair value adjustments	5 670	3 969	7 011
Bargain purchase gain on business combination	–	–	(464 289)
Fair value adjustment on non-current assets held for sale	(47 884)	–	–
Fair value adjustment on previously held equity interest	–	–	47 707
Fair value adjustments: equity-accounted investment property	–	–	(33 698)
<b>Headline earnings attributable to equity holders</b>	<b>130 416</b>	<b>121 671</b>	<b>231 447</b>
Number of shares in issue at the reporting date*	255 395 858	255 395 858	255 395 858
Weighted average number of shares in issue	255 395 858	255 395 858	255 395 858
Basic and diluted earnings per share (cents)	102,56	97,25	377,46
Basic and diluted headline earnings per share (cents)	51,06	47,64	90,62
<b>Distribution per share (cents)</b>	<b>49,87</b>	<b>52,04</b>	<b>106,33</b>

\* Excluding 900 000 treasury shares.



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 31 December 2023 R'000	Unaudited Six months ended 31 December 2022 R'000	Audited Year ended 30 June 2023 R'000
Cash generated from operations	337 237	228 032	453 579
Net finance charges	(206 748)	(78 301)	(187 242)
Taxation paid	(425)	(1 469)	(2 975)
<b>Net cash flows from operating activities</b>	<b>130 064</b>	<b>148 262</b>	<b>263 362</b>
Acquisition and development of investment property	(107 333)	(84 550)	(178 456)
Acquisition of property, plant and equipment	(10 903)	(2 712)	(6 325)
Acquisition of shares in associate	–	(132 854)	(293 061)
Cash acquired on business combination	–	–	10 914
Acquisition of non-controlling interest	–	(21 239)	–
Dividends received from associates	–	27 488	27 638
Loan repaid by related party	–	175	450
Loan advanced to related party	(7 372)	(175)	(1 577)
Share scheme debt repaid	1 706	1 505	3 026
<b>Net cash used in investing activities</b>	<b>(123 902)</b>	<b>(212 362)</b>	<b>(437 391)</b>
Dividend distributions to owners of the Company	(138 652)	(131 861)	(264 769)
Dividends paid to non-controlling shareholders	(44 570)	(3 502)	(6 252)
Acquisition of minority interest	–	–	(21 239)
Acquisition of shares in subsidiary (Safari)	(5 118)	–	–
Subscription by minority for additional shares in subsidiary	–	–	5 500
Proceeds from disposal of shares in subsidiary	–	–	8 801
Interest-bearing borrowings raised	482 381	362 068	800 332
Interest-bearing borrowings repaid	(299 965)	(190 000)	(424 856)
Lease liability payments	(367)	–	–
<b>Net cash generated from/(used in) financing activities</b>	<b>(6 291)</b>	<b>36 705</b>	<b>97 517</b>
<b>Net movement in cash and cash equivalents</b>	<b>(129)</b>	<b>(27 395)</b>	<b>(76 512)</b>
<b>Cash and cash equivalents transferred to held for sale</b>	<b>–</b>	<b>–</b>	<b>(752)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>45 695</b>	<b>122 959</b>	<b>122 959</b>
<b>Cash and cash equivalents at end of the period</b>	<b>45 566</b>	<b>95 564</b>	<b>45 695</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Reserves R'000	Non- controlling interests R'000	Total R'000
<b>Unaudited</b>				
Balance at 1 July 2022	2 548 624	730 469	42 391	3 321 484
Total comprehensive income for the period	–	248 385	7 309	255 694
Acquisition of minority interest	–	–	(2 489)	(2 489)
Dividends	–	(131 861)	(103)	(131 964)
<b>Balance at 31 December 2022</b>	<b>2 548 624</b>	<b>846 993</b>	<b>47 108</b>	<b>3 442 725</b>
<b>Audited</b>				
Balance at 1 July 2022	2 548 624	730 469	42 391	3 321 484
Total comprehensive income for the year	–	964 022	13 388	977 410
Acquisition of minority interest	–	(18 749)	(2 490)	(21 239)
Subscription by minority for additional shares in subsidiary	–	–	5 500	5 500
Minority interest on acquisition of subsidiary	–	–	1 284 387	1 284 387
Sale of shares in subsidiary	–	(6 006)	14 807	8 801
Dividends	–	(264 769)	(7 099)	(271 868)
<b>Balance at 30 June 2023</b>	<b>2 548 624</b>	<b>1 404 967</b>	<b>1 350 884</b>	<b>5 304 475</b>
<b>Unaudited</b>				
Balance at 1 July 2023	2 548 624	1 404 967	1 350 884	5 304 475
Total comprehensive income for the period	–	261 941	48 054	309 995
Acquisition of minority interest	–	3 423	(8 541)	(5 118)
Dividends	–	(138 652)	(43 820)	(182 472)
<b>Balance at 31 December 2023</b>	<b>2 548 624</b>	<b>1 531 679</b>	<b>1 346 577</b>	<b>5 426 880</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The consolidated interim unaudited financial statements to 31 December 2023 have been prepared in accordance with the JSE Listings Requirements for interim results and the requirements of the Companies Act No 71 of 2008. The JSE Listings Requirements require these interim results to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Accounting Standards (“**Accounting Standards**”), the South African financial reporting requirements per section 8.60 of the JSE Listings Requirements and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of these interim financial statements are in terms of the Accounting Standards and are consistent with those applied in the previous consolidated annual financial statements for the year ended 30 June 2023.

The preparation of the Group's interim results for the six months ended 31 December 2023 was the responsibility of the Chief Financial Officer, Daniel Snoyman CA(SA). The results have not been audited or reviewed by the Group's auditor, BDO South Africa Incorporated.

The Directors are not aware of any matters or circumstances arising subsequent to 31 December 2023, other than those disclosed in this announcement, that require any additional disclosure or adjustment to the financial statements.

The interim unaudited consolidated financial statements were approved by the Board on 28 March 2024.

### Additional disclosures in terms of SA REIT Best Practice Recommendations (“SA REIT BPR”)

The second edition of the SA REIT Association's Best Practice Recommendations was published in November 2019 encouraging consistent presentation and disclosure of relevant metrics in the SA REIT sector. We support this aim to enhance transparency and comparability and have included these metrics for the period ended 31 December 2023 as an annexure to this announcement. Heriot adopted the SA REIT BPR in its 30 June 2023 reporting period.

## 2. NON-IFRS MEASURE – DISTRIBUTABLE EARNINGS

In terms of REIT legislation, a REIT is required to distribute at least 75% of distributable earnings to shareholders annually. Heriot's distributable income has been calculated as follows:

	Six months ended 31 December 2023 R'000	Six months ended 31 December 2022 R'000	Year ended 30 June 2023 R'000
Contractual rental income and recoveries excluding straight-line income adjustment and revenue from sale of inventory	575 067	314 570	643 022
Property expenses	(188 689)	(104 751)	(202 032)
Other income	11 550	6 394	12 467
Administrative expenses and corporate costs	(41 072)	(26 460)	(46 206)
Per statement of comprehensive income	(41 326)	(26 714)	(46 710)
Adjust for: Depreciation charged on owner-occupied property	254	254	504
Net finance costs	(187 063)	(79 561)	(191 954)
Finance income	6 041	4 895	10 747
Finance charges	(193 104)	(84 456)	(202 701)
Income tax	(38)	(1 440)	(3 383)
Net dividend distributed from equity-accounted entities	–	27 488	66 015
Non-controlling interest	(42 384)	(3 340)	(6 377)
	127 371	132 900	271 552
Number of shares in issue at the reporting date*	255 395 858	255 395 858	255 395 858
Distribution per share (cents)	49,87	52,04	106,33

\* Excluding the 900 000 treasury shares in issue.

### 3. SEGMENTAL ANALYSIS

The Group's portfolio is organised into five operating segments, namely retail, industrial, office, residential and specialised. The contribution of each segment to the overall performance of the Group is as follows:

Six months ended 31 December 2023							
Sectoral	Retail R'000	Industrial R'000	Office R'000	Specialised R'000	Residential R'000	Other R'000	Total R'000
GLA (m²)	313 261	266 934	14 223	*	15 216	18 665	628 299
Contractual rental income	319 588	88 757	14 361	4 509	16 326	321	443 862
Recoveries**	90 447	34 485	3 849	283	2 120	21	131 205
Revenue from sale of inventory	15 370	–	–	–	–	–	15 370
Straight-lining of rental income adjustment	8 835	(721)	(1 405)	(538)	22	(11)	6 182
Total revenue	434 240	122 521	16 805	4 254	18 468	331	596 619
Property expenses	(116 786)	(43 445)	(7 616)	(150)	(11 663)	(9 029)	(188 689)
Net property income	317 454	79 076	9 189	4 104	6 805	(8 698)	407 930
Cost of inventory sold	(16 216)	–	–	–	–	–	(16 216)
Other income and equity-accounted profit/(losses)	–	–	–	–	–	11 919	11 919
Administration expenses	–	–	–	–	–	(41 326)	(41 326)
Net finance charges	–	–	–	–	–	(187 063)	(187 063)
Change in fair value	60 105	6 893	(223)	3 038	19 498	47 776	137 087
<b>Net profit before taxation</b>	<b>361 343</b>	<b>85 969</b>	<b>8 966</b>	<b>7 142</b>	<b>26 303</b>	<b>(177 392)</b>	<b>312 331</b>
Investment property	6 428 379	1 785 300	252 200	196 600	399 000	34 000	9 095 479
Non-current assets held for sale	184 900	–	–	–	–	–	184 900
Property under development	–	–	–	–	–	91 579	91 579
Property, plant and equipment	671	–	60	–	17 322	22 625	40 678
Trade and other receivables	39 815	14 475	713	–	2 810	10 146	67 959
Other assets	–	–	–	–	–	181 916	181 916
<b>Total assets</b>	<b>6 653 765</b>	<b>1 799 775</b>	<b>252 973</b>	<b>196 600</b>	<b>419 132</b>	<b>340 266</b>	<b>9 662 511</b>
Trade and other payables	73 986	14 641	3 980	2 391	4 494	33 503	132 995
Other liabilities	–	–	–	–	–	4 102 636	4 102 636
<b>Total liabilities</b>	<b>73 986</b>	<b>14 641</b>	<b>3 980</b>	<b>2 391</b>	<b>4 494</b>	<b>4 136 139</b>	<b>4 235 631</b>

\* The specialised property comprises 8 382ha 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.

\*\* Cost recoveries are recognised at a point in time

### 3. SEGMENTAL ANALYSIS continued

Six months ended 31 December 2022							
Sectoral	Retail R'000	Industrial R'000	Office R'000	Specialised R'000	Residential R'000	Other R'000	Total R'000
GLA (m²)	133 421	275 020	19 169	*	10 270	5 532	443 412
Contractual rental income	124 655	84 684	17 924	4 199	13 054	–	244 516
Recoveries**	35 087	29 105	4 772	91	999	–	70 054
Straight-lining of rental income adjustment	(2 849)	(4 123)	(1 956)	(228)	94	–	(9 062)
Total revenue	156 893	109 666	20 740	4 062	14 147	–	305 508
Property expenses	(48 908)	(40 931)	(8 317)	(117)	(6 460)	(18)	(104 751)
Net property income	107 985	68 735	12 423	3 945	7 687	(18)	200 757
Other income and equity-accounted profit/(losses)	–	–	–	–	–	31 969	31 969
Administration expenses	–	–	–	–	–	(26 714)	(26 714)
Net finance charges	–	–	–	–	–	(79 561)	(79 561)
Change in fair value	107 208	19 955	(3 719)	3 928	3 311	–	130 683
<b>Net profit before taxation</b>	<b>215 193</b>	<b>88 690</b>	<b>8 704</b>	<b>7 873</b>	<b>10 998</b>	<b>(74 324)</b>	<b>257 134</b>
Investment property	2 713 450	1 788 000	300 300	180 400	217 750	–	5 199 900
Property under development	–	–	–	–	–	91 264	91 264
Property, plant and equipment	37	–	134	–	4 777	23 182	28 130
Trade and other receivables	14 504	7 939	901	12	1 386	23 653	48 395
Other assets	–	–	–	–	–	645 520	645 520
<b>Total assets</b>	<b>2 727 991</b>	<b>1 795 939</b>	<b>301 335</b>	<b>180 412</b>	<b>223 913</b>	<b>783 619</b>	<b>6 013 209</b>
Trade and other payables	59 138	15 055	4 480	2 448	2 973	36 358	120 452
Other liabilities	–	–	–	–	–	2 450 032	2 450 032
<b>Total liabilities</b>	<b>59 138</b>	<b>15 055</b>	<b>4 480</b>	<b>2 448</b>	<b>2 973</b>	<b>2 486 390</b>	<b>2 570 484</b>

\* The specialised property comprises 8 382ha 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.

\*\* Cost recoveries are recognised at a point in time

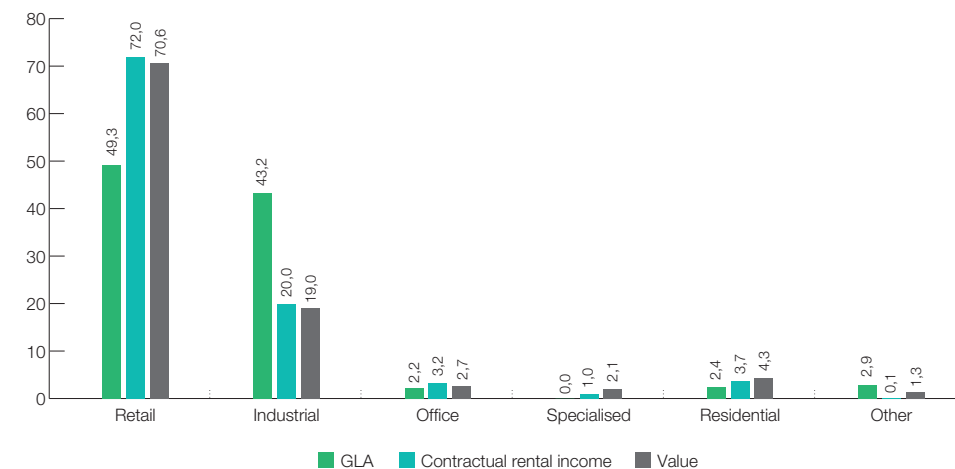
### 3. SEGMENTAL ANALYSIS continued

Sectoral	Year ended 30 June 2023						
	Retail R'000	Industrial R'000	Office R'000	Specialised R'000	Residential R'000	Other R'000	Total R'000
GLA (m²)	313 261	275 020	19 169	*	10 270	18 665	636 385
Contractual rental income	259 300	171 521	35 812	8 543	26 757	–	501 933
Recoveries**	70 575	58 830	8 955	666	2 063	–	141 089
Straight-lining of rental income adjustment	(3 049)	(8 918)	(4 812)	(456)	169	–	(17 066)
Total revenue	326 826	221 433	39 955	8 753	28 989	–	625 956
Property expenses	(88 228)	(77 264)	(16 941)	(399)	(15 360)	(3 840)	(202 032)
Net property income	238 598	144 169	23 014	8 354	13 629	(3 840)	423 924
Other income and equity-accounted profit/(losses)	–	–	–	–	–	90 589	90 589
Bargain purchase gain	–	–	–	–	–	464 289	464 289
Fair value adjustment on previously held equity interest	–	–	–	–	–	(47 707)	(47 707)
Administration expenses	–	–	–	–	–	(46 710)	(46 710)
Net finance charges	–	–	–	–	–	(191 954)	(191 954)
Change in fair value of investment property	161 501	60 686	(1 622)	17 856	50 885	–	289 306
<b>Net profit before taxation</b>	<b>400 099</b>	<b>204 855</b>	<b>21 392</b>	<b>26 210</b>	<b>64 514</b>	<b>264 667</b>	<b>981 737</b>
Investment property	6 296 600	1 777 000	324 000	194 100	266 000	34 000	8 891 700
Non-current assets held for sale	184 900	90 306	–	–	–	–	275 206
Property under development	–	–	–	–	–	91 345	91 345
Property, plant and equipment	766	–	108	–	7 435	22 942	31 251
Trade and other receivables	36 053	4 624	561	–	2 651	3 359	47 248
Other assets	–	–	–	–	–	160 753	160 753
<b>Total assets</b>	<b>6 518 319</b>	<b>1 871 930</b>	<b>324 669</b>	<b>194 100</b>	<b>276 086</b>	<b>312 399</b>	<b>9 497 503</b>
Trade and other payables	84 277	13 354	13 285	5 026	938	48 539	165 419
Non-current liabilities held for sale	–	71 041	–	–	–	–	71 041
Other liabilities	–	–	–	–	–	3 956 568	3 956 568
<b>Total liabilities</b>	<b>84 277</b>	<b>84 395</b>	<b>13 285</b>	<b>5 026</b>	<b>938</b>	<b>4 005 107</b>	<b>4 193 028</b>

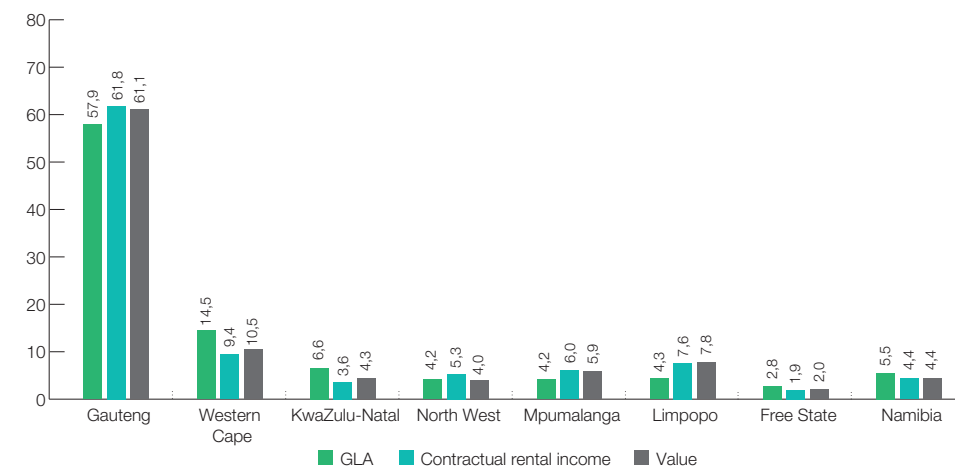
\* The specialised property comprises 8 382ha of industrial farms and the inclusion of this, measured by hectare, in the analysis by GLA would not provide meaningful analysis of the portfolio as a whole.

\*\* Cost recoveries are recognised at a point in time

### Sectoral (%)



### Geographical (%)



### 3. SEGMENTAL ANALYSIS continued

Six months ended 31 December 2023									
Geographical	Gauteng R'000	Western Cape R'000	KwaZulu- Natal R'000	North West R'000	Mpumalanga R'000	Limpopo R'000	Free State R'000	Namibia R'000	Total R'000
GLA (m²)	368 434	84 446	42 003	26 579	26 459	27 469	17 906	35 003	628 299
Investment property	5 539 296	893 000	401 400	375 400	549 700	732 355	191 500	412 828	9 095 479
Property under development	–	91 579	–	–	–	–	–	–	91 579
Non-current assets held for sale	184 900	–	–	–	–	–	–	–	184 900
<b>Total property portfolio</b>	<b>5 724 196</b>	<b>984 579</b>	<b>401 400</b>	<b>375 400</b>	<b>549 700</b>	<b>732 355</b>	<b>191 500</b>	<b>412 828</b>	<b>9 371 958</b>
Contractual rental income	274 110	41 755	16 168	23 328	26 849	33 839	8 466	19 347	443 862
Recoveries	71 846	21 285	3 301	8 330	8 584	11 741	4 086	2 032	131 205
	345 956	63 040	19 469	31 658	35 433	45 580	12 552	21 379	575 067
Six months ended 31 December 2022									
GLA (m²)	209 354	92 532	42 003	26 579	26 459	15 079	17 906	13 500	443 412
Investment property	2 363 300	793 400	385 000	359 800	522 000	441 400	185 000	150 000	5 199 900
Property under development	–	91 264	–	–	–	–	–	–	91 264
<b>Total property portfolio</b>	<b>2 363 300</b>	<b>884 664</b>	<b>385 000</b>	<b>359 800</b>	<b>522 000</b>	<b>441 400</b>	<b>185 000</b>	<b>150 000</b>	<b>5 291 164</b>
Contractual rental income	111 306	41 420	16 667	21 803	18 225	20 842	8 039	6 214	244 516
Recoveries	25 482	19 188	2 504	8 066	5 881	5 732	3 361	(160)	70 054
	136 788	60 608	19 171	29 869	24 106	26 574	11 400	6 054	314 570
Year ended 30 June 2023									
GLA (m²)	368 434	92 532	42 003	26 579	26 459	27 469	17 906	35 003	636 385
Investment property	5 458 200	819 400	394 100	369 000	535 000	725 000	189 000	402 000	8 891 700
Property under development	–	91 345	–	–	–	–	–	–	91 345
Non-current assets held for sale	184 900	90 306	–	–	–	–	–	–	275 206
<b>Total property portfolio</b>	<b>5 643 100</b>	<b>1 001 051</b>	<b>394 100</b>	<b>369 000</b>	<b>535 000</b>	<b>725 000</b>	<b>189 000</b>	<b>402 000</b>	<b>9 258 251</b>
Contractual rental income	228 610	81 938	33 516	43 887	42 848	42 207	16 171	12 756	501 933
Recoveries	52 509	35 162	6 112	16 387	12 801	10 769	7 509	(160)	141 089
	281 119	117 100	39 628	60 274	55 649	52 976	23 680	12 596	643 022



#### 4. INVESTMENT PROPERTY

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 No 47 of 2000. The properties were valued using the discounted cash flow and comparable sales methods, which methods value 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 by 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.

##### 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;
- change in discount and capitalisation rates; and
- current comparable selling rates.

	Unaudited Six months ended 31 December 2023 %	Unaudited Six months ended 31 December 2022 %	Audited Year ended 30 June 2023 %
Average capitalisation rate applied was:	9,08	9,24	9,10
The rates applied per sector were as follows:			
Retail	8,99	8,95	8,99
Industrial	9,42	9,52	9,49
Office	9,56	9,97	9,43
Specialised	8,50	8,50	8,50
Residential	9,00	10,25	9,00

#### 4. INVESTMENT PROPERTY continued

	Unaudited Six months ended 31 December 2023 R'000	Unaudited Six months ended 31 December 2022 R'000	Audited Year ended 30 June 2023 R'000
<b>Value per sector</b>			
Retail*	6 428 379	2 713 450	6 296 600
Industrial	1 785 300	1 788 000	1 777 000
Office	252 200	300 300	324 000
Specialised	196 600	180 400	194 100
Residential	399 000	217 750	266 000
Other	34 000	–	34 000
	<b>9 095 479</b>	<b>5 199 900</b>	<b>8 891 700</b>

\* Includes Safari's portfolio comprising seven properties valued at R3,611 billion.

## PAYMENT OF DIVIDEND

The Board has approved and notice is hereby given of the final gross dividend of 49,87199 cents per share for the period ended 31 December 2023. The dividend is payable to Heriot's shareholders in accordance with the timetable set out below.

### 2024

Declaration date	Thursday, 28 March
Last date to trade	
cum dividend	Tuesday, 16 April
Shares trade ex dividend	Wednesday, 17 April
Record date	Friday, 19 April
Payment date	Monday, 22 April

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 April 2024 and Friday, 19 April 2024, both days inclusive. The dividend will be transferred to dematerialised shareholders' Central Securities Depository Participant ("CSDP")/broker accounts on Monday, 22 April 2024. Certificated shareholders' dividend payments will be posted or paid to certificated shareholders' bank accounts on or about, Monday, 22 April 2024.

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

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. This dividend is, however, exempt from dividend

withholding tax in the hands of South African tax resident shareholders, provided that such shareholders provide the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

- a declaration that the dividend is exempt from dividends tax; and
- a written undertaking to inform the CSDP, broker or the Company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner ceases to be the beneficial owner,

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

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in Section 10(1)(k)(i) of the Income Tax Act. Any distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 39,89759 cents per share.

A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

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

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

Shares in issue at the date of the dividend: 255 395 858 (excluding 900 000 treasury shares)

Heriot's income tax reference number: 9541295185

Where the transfer secretaries do not have the banking details of any certificated shareholders, the cash dividend will be held in trust by the transfer secretaries pending receipt of the relevant certificated shareholders' banking details whereafter the cash dividend will be paid via electronic transfer into the personal bank accounts of certificated shareholders.

By order of the Board

28 March 2024

# ADDITIONAL DISCLOSURES IN TERMS OF SA REIT BEST PRACTICE RECOMMENDATIONS (“SA REIT BPR”)

## 1. SA REIT BPR FUNDS FROM OPERATIONS (“FFO”)

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Profit per IFRS statement of comprehensive income attributable to equity holders of the Company	261 941	248 385	964 022
<i>Adjusted for:</i>			
<b>Accounting/specific adjustments</b>			
Fair value adjustment to investment properties	(89 311)	(130 683)	(289 306)
Fair value adjustment on non-current assets held for sale	(47 884)	–	–
Straight-line rental income adjustment	(6 182)	9 062	17 066
Bargain purchase gain on business combination	–	–	(464 289)
Depreciation of owner-occupied property	254	254	504
Deferred taxation movement	2 298	–	944
Adjustments to dividends from equity interests held	(369)	1 913	35 600
Loss on sale of inventory	846	–	–
<b>Hedging items</b>			
Fair value adjustment to derivative instruments	108	–	–
<b>Other adjustments</b>			
Non-controlling interests in respect of the above adjustments	5 670	3 969	7 011
	127 371	132 900	271 552
Number of shares in issue at the reporting date*	255 395 858	255 395 858	255 395 858
Distribution per share (cents)	49,87	52,04	106,33

\* Excluding the 900 000 treasury shares in issue.

## 2. SA REIT BPR COST-TO-INCOME RATIO

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Per IFRS income statement			
Property expenses including municipal expenses and depreciation	188 689	104 751	202 032
Administrative expenses and corporate costs	36 012	21 264	36 772
Per statement of comprehensive income	41 326	26 714	46 710
<i>Adjust for:</i>			
Salary recoveries included in sundry income	(4 907)	(5 196)	(9 434)
Depreciation charged on owner-occupied property	(407)	(254)	(504)
<b>Total expenses</b>	<b>224 701</b>	<b>126 015</b>	<b>238 804</b>
Contractual rental income and utility and operating recoveries, excluding straight-line rental income	575 067	314 570	643 022
<b>Cost-to-income ratio (%)</b>	<b>39,07</b>	<b>40,06</b>	<b>37,14</b>
<b>Administrative cost-to-income ratio (%)</b>	<b>6,26</b>	<b>6,76</b>	<b>5,72</b>

## 3. SA REIT BPR VACANCY RATE

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
GLA of property portfolio (m²)	615 773	443 412	636 385
Total GLA per segmental analysis	628 299	443 412	636 385
Aparthotel GLA	(12 526)	–	–
Vacant GLA (m²)	9 995	8 373	15 561
Vacancy rate (%)	1,6	1,9	2,4

The aparthotels are not included in the vacancy analysis above as the preferred metrics to report on for these assets are the occupancy levels and average daily rates. The aparthotel sector comprises two properties located in the Cape Town CBD with a combined GLA of 12 526m² or 366 units.

#### 4. SA REIT BPR LOAN-TO-VALUE

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Interest-bearing liabilities	4 020 506	2 387 939	3 834 048
Less: Cash and cash equivalents	(45 566)	(95 564)	(45 695)
Less: Derivative financial instruments	(2 523)	–	(2 632)
<b>Net debt</b>	<b>3 972 417</b>	<b>2 292 375</b>	<b>3 785 721</b>
Investment property	9 095 479	5 199 900	8 891 700
Property under development	91 579	91 264	91 345
Inventory	15 476	–	–
Non-current assets and liabilities held for sale	184 900	–	204 165
Owner-occupied property	21 927	22 961	22 184
Investments in associates	4 504	464 391	4 135
<b>Carrying amount of property-related assets</b>	<b>9 413 865</b>	<b>5 778 516</b>	<b>9 213 529</b>
Loan-to-value (%)	42,20	39,67	41,09

#### 5. SA REIT BPR NET ASSET VALUE (“NAV”)

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Reported NAV	4 080 303	3 395 617	3 953 591
Adjusted for:			
Dividend to be declared	(127 371)	(132 900)	(271 552)
Deferred taxation	78 583	62 093	76 285
<b>SA REIT BPR NAV</b>	<b>4 031 515</b>	<b>3 324 810</b>	<b>3 758 324</b>
Number of shares in issue	255 395 858	255 395 858	255 395 858
NAV per share (cents)	1 578,54	1 301,83	1 471,57

#### 6. SA REIT BPR COST OF DEBT

	Unaudited 31 December 2023 %	Unaudited 31 December 2022 %	Audited 30 June 2023 %
<i>Variable interest rate borrowings</i>			
Floating reference rate plus weighted average margin	10,26	7,68	8,61
<i>Fixed interest rate borrowings</i>			
Weighted average fixed rate	(0,14)	0,00	0,00
Pre-adjusted weighted average cost of debt	10,12	7,68	8,61
Amortised transaction costs imputed into the effective interest rate	0,11	0,05	0,07
<b>All-in weighted average cost of debt</b>	<b>10,23</b>	<b>7,73</b>	<b>8,68</b>

# CORPORATE INFORMATION

## HERIOT REIT LIMITED

(Incorporated in the Republic of South Africa)  
(Registration number: 2017/167697/06)  
JSE share code: HET  
ISIN: ZAE000246740

## COMPANY SECRETARY

CIS Company Secretaries Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank 2196  
PO Box 61051, Marshalltown 2107

## DIRECTORS

SB Herring (*Chairperson*)<sup>\*^</sup>  
RL Herring (*Chief Executive Officer*)  
D Snoyman (*Chief Financial Officer*)  
SJ Blieden<sup>\*†</sup>  
JA Finn<sup>\*</sup>  
R Lockhart-Ross<sup>\*†</sup>  
NA Ngale<sup>\*†</sup>

<sup>\*</sup> Non-executive <sup>^</sup> British <sup>†</sup> Independent

## TRANSFER SECRETARIES

Computershare Investor Services  
Proprietary Limited  
(Registration number: 2004/003647/07)  
Rosebank Towers  
15 Biermann Avenue  
Rosebank 2196  
(Private Bag X9000, Saxonwold 2132)

## DESIGNATED ADVISOR

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Paardevlei  
Somerset West 7130  
Postnet Suite 272, Private Bag X29  
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## AUDITOR

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