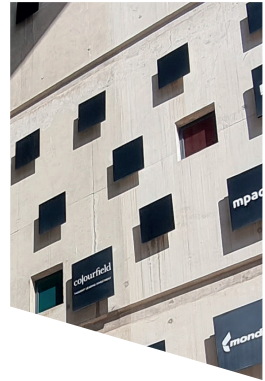



Unaudited condensed consolidated
financial statements

2022

For the six months ended
31 December





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.

Heriot at a glance

Interim dividend of

52,04 cents per share, equating to **100%**
of distributable earnings

Investment properties
valued at

R5,291 billion

Average cost of debt

7,7%

Net property income
growth of

11,1%

Net asset value ("NAV")
per share

R13,30

Distributable earnings
growth of

3,2%

Portfolio vacancy

1,9%

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 Limited (“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 R5,291 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. Further, Heriot continues to pursue greenfield development opportunities that will create perpetual growth in distributions.

Financial results

Distributable earnings of the group for the six months ended 31 December 2022 (the “reporting period”) of R132,900 million, or 52,04 cents per share, are 3,2% ahead of distributable earnings of 50,42 cents per share for the comparable period in 2021. Distribution per share remains Heriot’s measure of performance.

Net property operating income grew by 11,1%. While net operating income from the retail and specialised portfolio has grown through normal rental escalations of 6% to 8%, the industrial portfolio has significantly improved as a result of reduced vacancies together with rental increases on lease renewals. The residential portfolio has benefited from enhanced rentals achieved through short-term lettings. However, the office sector is still suffering the effects of the COVID-19 pandemic with challenges in filling vacancies and reduced rentals on lease renewals.

While the group achieved double-digit growth from its property operations, distributions for the reporting period were severely affected by the cumulative 225bps increase in the repo rate during the reporting period as all of the group debt is linked to floating facilities. As a result, the average cost of borrowings increased by 1,34%, from 6,39% in the comparable period to 7,73%, reducing distributable earnings growth to 3,2%.

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 52,04 cents per share.

Heriot’s net asset value per share increased by 3,55% from R12,84 at 30 June 2022 to R13,30 at 31 December 2022. This increase is mainly attributable to an increase of R130,7 million in the valuation of the property portfolio, which is supported by the positive rental reversions achieved on renewals and relets across the portfolio during the period.

Investment in Safari

Through the general offer made by Heriot to acquire shares in Safari Investments RSA Limited (“Safari”) at an offer price of R5,60 per share, Heriot acquired a further 23 664 848 shares in Safari at R5,60 during the reporting period, increasing Heriot’s shareholding to 26,8% at the reporting date. The total cost of the additional shares of R132,5 million was funded by Heriot’s own cash resources.

Post the reporting date, Heriot:

- acquired a further 20,0 million Safari shares at R5,60 per share (“additional shares”), further increasing its interest in Safari to 33,2%; and
- drew R244,5 million, being the total cost of the additional shares and shares acquired in terms of the general offer, from the Nedbank facility secured to fund the offer.

On 22 February 2023, Safari issued a firm intention announcement to repurchase 53,0 million Southern Palace shares (“SP shares”) at a price of R5,87 per share. The general meeting to vote on this repurchase is to be held on 31 March 2023.

In the event that approval is granted to repurchase the SP shares, Heriot’s shareholding in Safari will increase to 40,1%. Together with two concert parties, Heriot Investments Proprietary Limited and Reya Gola Investments Proprietary Limited, the wider Heriot group’s shareholding in Safari will increase to 146 516 751 shares, an effective interest of 56,8%.

Investment property

Heriot’s investment property portfolio comprises 40 properties across all major sectors within South Africa. At the reporting date, the portfolio was independently valued at R5,291 billion by Peter Parfitt of Quadrant Properties Proprietary Limited, a registered valuer in terms of Section 19 of the Property Valuers Professional Act, (Act No 47 of 2000), using the discounted cash flow method.

On a like-for-like basis, the investment property portfolio increased by an effective 2,9% from 30 June 2022 to 31 December 2022. The overall increase in the value of the portfolio is reflective of the resilience displayed by Heriot’s retail and industrial properties.

During the period, Heriot completed the development of an 8 141m² extension to Siyabuswa Mall which officially opened on 24 November 2022. The R88,2 million extension is expected to yield 15%.

Heriot’s 50% interest in a residential development was transferred to Investment property, at a total cost of R40,3 million, on its completion in August 2022.

Over and above Heriot’s investment property portfolio, the group owns a property which is being redeveloped into student accommodation. At the reporting date, the property, valued at R91,2 million, was classified as property under development.

Heriot further owns the group’s head office, comprising 717m² 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, and positive letting activity has reduced vacancies from 3,0% at 30 June 2022 to 1,9% at 31 December 2022. This reduction is mainly attributable to the letting of 2 426m² of industrial space and 2 066m² of office space.

In addition, a 24 910m² distribution centre in Wadeville was relet on market-related terms.

Funding

Heriot’s secured borrowings of R2,388 billion at 31 December 2022 equate to of a gearing ratio of 41,3% (30 June 2022: 40,7%). The increase in gearing is primarily as a result of a drawdown from the revolver facilities to fund the acquisition of additional shares in Safari and new funding for the extension of the Siyabuswa Mall.

The average cost of borrowings, including the amortisation of facility raising fees, was 7,73% for the reporting period (30 June 2022: 6,29%) and, at the reporting date, all borrowings are at floating rates. The continued rate hikes have been the main contributor to the increased cost of borrowings.

The board continues to monitor interest rate risk on a regular basis and as part of its effective cash management policy, surplus cash is invested into revolver facilities to reduce the overall cost of funding.

Debt amounting to R102,1 million is expiring within 12 months and has been reflected as current. Management is in advanced stages of discussions with the funders to refinance these facilities and is confident that the facilities will be refinanced on similar terms and conditions.

Investment in associates

At the reporting date, Heriot owned a strategic stake of 26,8% in Safari and post the reporting date, increased this holding to 33,2%.

On the basis of this holding, together with SB Herring's chairmanship of both Heriot and Safari, Heriot is deemed to have significant influence over Safari and accordingly, the investment has been classified as an associate in terms of IAS 28 *Investments in Associates*. In accordance with this classification, Heriot has recognised its share of Safari's comprehensive income for the period ended 30 September 2022 in its statement of comprehensive income. However, for purposes of calculating its distributable income for the reporting period, Heriot only includes the dividends declared by or received from its associates during the reporting period.

Financial assets

Financial assets comprise loans of R34,0 million to participants of the employee share purchase scheme and a loan of R51,5 million to a related party of SB Herring. The loans bear interest at the group's average cost of borrowings.

Share capital

There were no changes to the issued share capital during the reporting period. As at 31 December 2022, the company had 255 395 858 shares in issue, excluding the 900 000 treasury shares owned by the group.

Subsequent events

Heriot has commenced with the redevelopment of 132 Adderley Street, a commercial property located in Cape Town's CBD, into 151 residential apartments at a cost of approximately R90,0 million. The project is expected to yield a return of 14%.

Sustainability

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

To date, Heriot has installed solar plants at its five major retail centres at a cost of R40,0 million. The plants are fully operational with a combined 5,16MWp of installed capacity. Heriot plans to increase the current solar roll-out rate by 50% to achieve a total portfolio of 12MWp by early 2024.

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

Prospects

Heriot's results for the reporting period demonstrate the resilience of its portfolio and, in particular, its emerging market retail and industrial properties. The current local and global macroeconomic conditions have created difficult trading conditions for the company in the short to medium term. Future prospects are inherently 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 elevated interest rates, increasing costs of fuel, electricity shortages, unprecedented levels of unemployment and high 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.

Despite difficult trading conditions, management is pursuing growth of 3,0% to 7,0% in the distribution per share for the year ending 30 June 2023.

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

- 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
- Interest rates will increase by no more than 50bps during the six months ending 30 June 2023, excluding the 25bps increase that was announced in January 2023.

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 has adequate financial resources to continue its operations for the foreseeable future and, accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. This 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 reflected by the net asset value of R13,30 per share at the reporting date;
- 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, included as part of current liabilities at the end of the reporting period, are already at an advanced stage and close to being concluded on similar terms and conditions.

Changes to the board

Mr Trevor John Cohen retired from the board of directors of Heriot (the "board") with effect from the date of the annual general meeting ("AGM") held on Wednesday, 7 December 2022. Subsequent to Mr Cohen's retirement, Mr Robin Lockhart-Ross, a current independent non-executive of Heriot, has been appointed to the remuneration committee of Heriot in Mr Cohen's place, and Mr Nelson Ngale was elected as a member of the audit and risk committee at the AGM.

Responsibility statement

Heriot 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.

Condensed consolidated statement of financial position

	Unaudited 30 December 2022 R'000	Unaudited 31 December 2021 R'000	Audited 30 June 2022 R'000
Assets			
Non-current assets			
Investment property	5 199 900	4 509 950	4 955 600
Property under development	91 264	115 191	129 263
Property, plant and equipment	28 130	26 335	26 277
Investment in associate	464 391	319 959	333 449
Financial assets	34 037	34 569	34 219
	5 817 722	5 006 004	5 478 808
Current assets			
Trade and other receivables	48 395	44 487	45 283
Financial assets	51 493	51 724	49 573
Current tax receivable	35	18	6
Cash and cash equivalents	95 564	160 527	122 959
	195 487	256 756	217 821
Total assets	6 013 209	5 262 760	5 696 629
Equity and liabilities			
Equity			
Stated capital	2 548 624	2 548 624	2 548 624
Retained earnings	846 993	430 841	730 469
	3 395 617	2 979 465	3 279 093
Non-controlling interests	47 108	50 954	42 391
	3 442 725	3 030 419	3 321 484
Non-current liabilities			
Interest-bearing liabilities	2 285 800	1 501 256	1 968 816
Deferred taxation	62 093	63 733	62 092
	2 347 893	1 564 989	2 030 908
Current liabilities			
Interest-bearing liabilities	102 139	575 248	247 055
Trade and other payables	120 452	92 104	97 182
	222 591	667 352	344 237
Total equity and financial liabilities	6 013 209	5 262 760	5 696 629
Net asset value per share (cents)	1 329,55	1 166,61	1 283,93
Net tangible asset value per share (excluding deferred taxation) (cents)	1 353,86	1 191,56	1 308,24

Condensed consolidated statement of profit or loss and other comprehensive income

	Unaudited Six months ended 31 December 2022 R'000	Unaudited Six months ended 31 December 2021 R'000	Audited Year ended 30 June 2022 R'000
Rental income	305 508	282 320	575 984
Contractual rental income and recoveries	314 570	286 325	580 203
Straight-line rental income	(9 062)	(4 005)	(4 219)
Property expenses	(104 751)	(96 028)	(192 618)
Net property income	200 757	186 292	383 366
Equity-accounted profits/(losses) (net of taxation)	25 575	13 191	114 894
Other income	6 394	9 172	14 625
Administrative expenses and corporate costs	(26 714)	(22 572)	(48 097)
Net impairment losses	–	–	(76 110)
Profit from operations	206 012	186 083	388 678
Finance income	4 895	6 627	(132 107)
Finance charges	(84 456)	(66 852)	12 733
Profit before fair value adjustments	126 451	125 858	269 304
Fair value adjustments	130 683	60 487	344 775
Investment properties	130 683	54 582	338 870
Derivative financial instrument	–	5 905	5 905
Profit before taxation	257 134	186 345	614 079
Taxation	(1 440)	(760)	146
Total comprehensive income for the period	255 694	185 585	614 225
Attributable to:			
Equity holders of the company	248 385	181 180	609 579
Non-controlling interests	7 309	4 405	4 646
	255 694	185 585	614 225
Reconciliation of earnings and headline earnings			
Profit attributable to equity holders of the company	248 385	181 180	609 579
Change in fair value of investment properties attributable to shareholders of the company	(126 714)	(54 755)	(354 036)
Fair value adjustments: investment properties	(130 683)	(54 582)	(338 870)
Non-controlling shareholder portion of fair value adjustments	3 969	(173)	(3 907)
Bargain purchase on acquisition of associate	–	–	(76 109)
Impairment of associate	–	–	76 110
Fair value adjustments: equity-accounted investments	–	–	(11 260)
Headline earnings attributable to equity holders	121 671	126 425	255 543
Number of shares in issue at 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)	97,25	70,94	238,68
Basic and diluted headline earnings per share (cents)	47,64	49,50	100,06
Distribution per share (cents)	52,04	50,42	102,05

* Excluding 900 000 treasury shares.

Condensed consolidated statement of cash flows

	Unaudited Six months ended 31 December 2022 R'000	Unaudited Six months ended 31 December 2021 R'000	Audited Year ended 30 June 2022 R'000
Cash generated from operations	228 032	175 029	365 435
Net finance charges	(78 301)	(57 335)	(115 385)
Taxation paid	(1 469)	(809)	(1 529)
Net cash flows from operating activities	148 262	116 885	248 521
Acquisition and development of investment property	(84 550)	(11 146)	(187 132)
Proceeds from disposal of investment property		83 250	83 250
Acquisition of property, plant and equipment	(2 712)	(65)	(762)
Acquisition of shares in associate	(132 854)	(280 663)	(287 643)
Acquisition of non-controlling interest shares	(21 239)	–	–
Dividends received from associates	27 488	17 195	17 195
Loan repaid by related party	175	–	4 000
Loan advanced to related party	(175)	(1 413)	(126)
Share scheme debt repaid	1 505	1 548	2 974
Net cash used in investing activities	(212 362)	(191 294)	(368 244)
Dividend distributions to owners of the company	(131 861)	(119 730)	(248 502)
Dividends paid to non-controlling shareholders	(3 502)	(3 850)	(6 699)
Interest-bearing borrowings raised	362 068	280 000	467 900
Interest-bearing borrowings repaid	(190 000)	(31 784)	(80 317)
Net cash generated from/(used in) financing activities	36 705	124 636	132 382
Net movement in cash and cash equivalents	(27 395)	50 227	12 659
Cash and cash equivalents at the beginning of the period	122 959	110 300	110 300
Cash and cash equivalents at the end of the period	95 564	160 527	122 959

Condensed consolidated statement of changes in equity

	Stated capital 2022 R'000	Reserves 2022 R'000	Non-controlling interests 2022 R'000	Total 2022 R'000
Reviewed				
Balance as at 1 July 2021	2 548 624	369 392	46 549	2 964 565
Total comprehensive income for the year	–	181 180	4 405	185 585
Dividends	–	(119 729)	–	(119 729)
Balance as at 31 December 2021	2 548 624	430 841	50 954	3 030 419
Audited				
Balance as at 1 July 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
Reviewed				
Total comprehensive income for the year	–	248 385	7 309	255 694
Acquisition of minority interest	–	–	(2 489)	(2 489)
Dividends	–	(131 861)	(103)	(131 964)
Balance as at 31 December 2022	2 548 624	846 993	47 108	3 442 725

Notes to the financial statements

1. Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards, ("IFRS") IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa, 71 of 2008. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements, and are consistent with those used in the audited annual financial statements for the year ended 30 June 2022.

The preparation of the group's interim results for the six months ended 31 December 2022 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 2022, other than those disclosed in this announcement, that require any additional disclosure or adjustment to the financial statements.

The unaudited condensed consolidated interim financial statements were approved by the board on 14 March 2023.

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

The second edition of the BPR was published in November 2019 encouraging consistent presentation and disclosure of relevant metrics in the SA REIT sector. We support the aim to enhance transparency and comparability and have included these metrics for the period ended 31 December 2022.

2. Non-IFRS measures – distributable earnings

In terms of Real Estate Investment Trust ("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 2022 R'000	Six months ended 31 December 2021 R'000	Year ended 30 June 2022 R'000
Contractual rental income and recoveries, excluding straight-line rental income	314 570	286 325	580 203
Property expenses	(104 751)	(96 028)	(192 618)
Other income	6 394	9 172	14 625
Administrative expenses and corporate costs	(26 460)	(22 320)	(47 593)
Per statement of comprehensive income	(26 714)	(22 572)	(48 097)
Adjust for: Depreciation charged on owner-occupied property	254	252	504
Net finance costs	(79 561)	(60 225)	(119 374)
Finance income	4 895	6 627	(132 107)
Finance charges	(84 456)	(66 852)	12 733
Income tax	(1 440)	(760)	(1 494)
Net dividend received from equity-accounted entities	27 488	17 195	35 436
Dividend received from equity-accounted entities	27 488	17 195	36 277
Losses from associate	–	–	(841)
Non-controlling interest	(3 340)	(4 578)	(8 553)
	132 900	128 781	260 632
Number of shares in issue at reporting date*	255 395 858	255 395 858	255 395 858
Distribution per share (cents)	52,04	50,42	102,05

* Excluding the 900 000 treasury shares in issue.

Notes to the financial statements continued

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:

Sectoral	Six months ended 31 December 2022						
	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
Operating cost recoveries	35 087	29 105	4 772	91	999	–	70 054
Straight-lining of rental income	(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 net income from associates	–	–	–	–	–	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
Net profit before taxation	215 193	88 690	8 704	7 873	10 998	(74 324)	257 134
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
Total assets	2 727 991	1 795 939	301 335	180 412	223 913	783 619	6 013 209
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
Total liabilities	59 138	15 055	4 480	2 448	2 973	2 486 390	2 570 484

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

3. Segmental analysis continued

Sectoral	Six months ended 31 December 2021						
	Retail R'000	Industrial R'000	Office R'000	Specialised R'000	Residential R'000	Other R'000	Total R'000
GLA (m²)	119 379	258 999	24 147	*	9 825	8 939	421 289
Rent	115 155	70 107	23 904	3 959	8 916	–	222 041
Operating cost recoveries	33 304	24 121	5 900	88	871	–	64 284
Straight-lining of rental income	(3 320)	899	(1 549)	(176)	141	–	(4 005)
Total revenue	145 139	95 127	28 255	3 871	9 928	–	282 320
Property expenses	(47 642)	(33 791)	(9 093)	(124)	(4 959)	(419)	(96 028)
Net property income	97 497	61 336	19 162	3 747	4 969	(419)	186 292
Other income and net income from associates	–	–	–	–	–	22 363	22 363
Administration expenses	–	–	–	–	–	(22 572)	(22 572)
Net finance charges	–	–	–	–	–	(60 225)	(60 225)
Change in fair value	38 562	10 324	(1 139)	4 976	1 859	5 905	60 487
Net profit before taxation	136 059	71 660	18 023	8 723	6 828	(54 948)	186 345
Investment property	2 348 200	1 420 050	408 000	163 700	170 000	–	4 509 950
Property under development	–	–	–	–	–	115 191	115 191
Property, plant and equipment	39	–	345	–	2 213	23 738	26 335
Trade and other receivables	8 762	5 785	348	–	2 834	26 758	44 487
Other assets	–	–	–	–	–	566 797	566 797
Total assets	2 357 001	1 425 835	408 693	163 700	175 047	732 484	5 262 760
Trade and other payables	45 513	14 610	4 702	1 526	3 460	22 293	92 104
Other liabilities	–	–	–	–	–	2 140 237	2 140 237
Total liabilities	45 513	14 610	4 702	1 526	3 460	2 162 530	2 232 341

* 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.

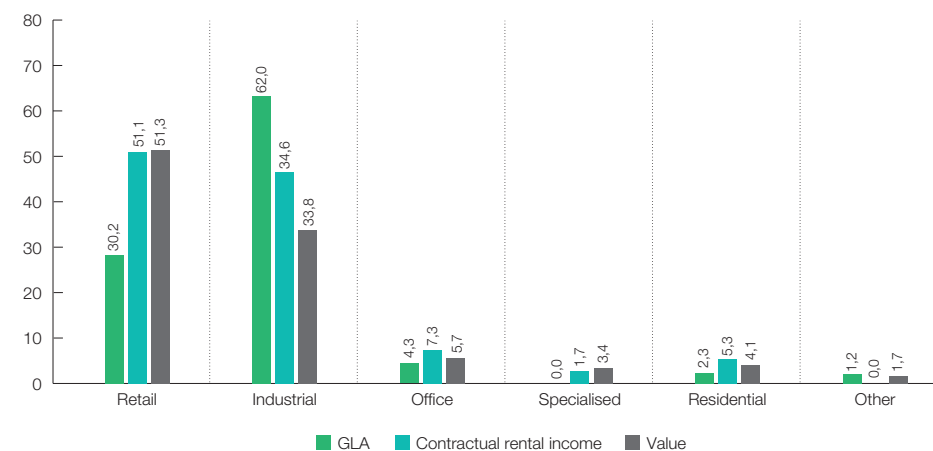
Notes to the financial statements continued

3. Segmental analysis continued

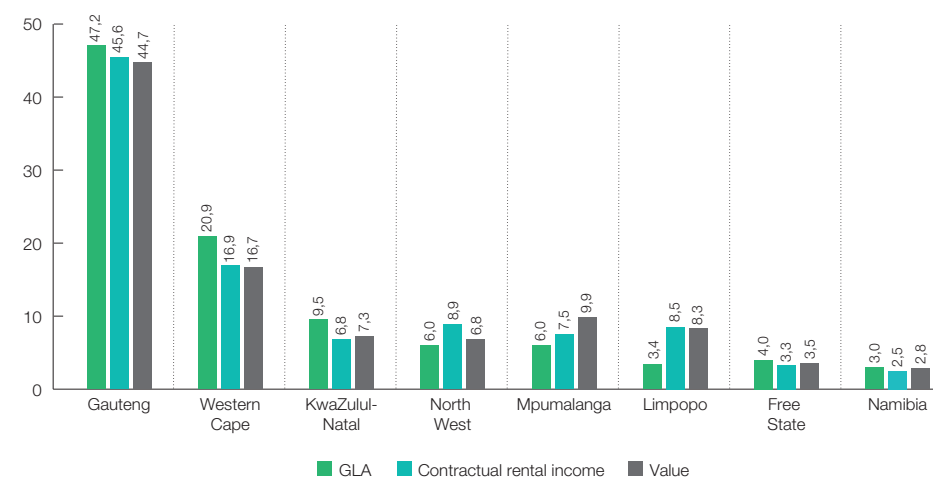
Sectoral	Year ended 30 June 2022						
	Retail R'000	Industrial R'000	Office R'000	Specialised R'000	Residential R'000	Other R'000	Total R'000
GLA (m²)	123 219	275 020	19 169	*	9 825	8 222	435 455
Contractual rental income	233 435	146 388	47 111	8 020	19 180	329	454 463
Operating cost recoveries	66 155	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 net income from associates	–	–	–	–	–	129 519	129 519
Impairment of investment in 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	4 451	3 883	34 088	97 182
Other liabilities	–	–	–	–	–	2 277 963	2 277 963
Total liabilities	41 911	8 901	3 948	4 451	3 883	2 312 051	2 375 145

* 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.

Sectoral (%)



Geographical (%)



Notes to the financial statements continued

3. Segmental analysis continued

Geographical	Six months ended 31 December 2022				Six months ended 31 December 2022				
	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)	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
Total property portfolio	2 363 300	884 664	385 000	359 800	522 000	441 400	185 000	150 000	5 291 164
Contractual rental income	111 306	41 420	16 667	21 803	18 225	20 842	8 039	6 214	244 516
Operating cost 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
Geographical	Six months ended 31 December 2021				Six months ended 31 December 2021				
	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)	211 209	96 777	32 935	26 579	16 257	15 079	8 953	13 500	421 289
Investment property	2 258 300	721 600	245 200	335 600	351 000	413 000	86 250	99 000	4 509 950
Property under development	23 927	91 264	–	–	–	–	–	–	115 191
Total property portfolio	2 282 227	812 864	245 200	335 600	351 000	413 000	86 250	99 000	4 625 141
Contractual rental income	102 770	39 722	11 965	19 669	19 854	20 183	3 748	4 130	222 041
Operating cost recoveries	25 672	17 874	1 391	7 711	5 615	4 805	1 216	–	64 284
	128 442	57 596	13 356	27 380	25 469	24 988	4 964	4 130	286 325
Geographical	Year ended 30 June 2022				Year ended 30 June 2022				
	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)	209 354	94 777	42 003	26 579	16 257	15 079	17 906	13 500	435 455
Investment property	2 292 000	770 000	374 900	354 400	400 300	434 000	182 000	148 000	4 955 600
Property under development	38 000	91 263	–	–	–	–	–	–	129 263
Total property portfolio	2 330 000	861 263	374 900	354 400	400 300	434 000	182 000	148 000	5 084 863
Contractual rental income	215 426	80 807	24 173	40 027	36 089	40 534	7 411	9 996	454 463
Operating cost recoveries	49 359	34 792	2 861	15 146	11 037	9 247	3 298	–	125 740
	264 785	115 599	27 034	55 173	47 126	49 781	10 709	9 996	580 203

4. Net asset value

	Unaudited 31 December 2022 R'000	Unaudited 31 December 2021 R'000	Audited 30 June 2022 R'000
Net asset value ("NAV") per share			
Total assets	6 013 209	5 262 760	5 696 629
Total liabilities, including deferred taxation	(2 617 592)	(2 283 295)	(2 417 536)
Net asset value	3 395 617	2 979 465	3 279 093
Deferred taxation	62 093	63 733	62 092
Net tangible assets	3 457 710	3 043 198	3 341 185
Number of shares in issue	255 395 858	255 395 858	255 395 858
NAV per share (cents)	1 329,55	1 166,61	1 283,93
Tangible NAV per share (cents)	1 353,86	1 191,56	1 308,24

5. Loan-to-value ("LTV")

	Unaudited 31 December 2022 R'000	Unaudited 31 December 2021 R'000	Audited 30 June 2022 R'000
Total secured debt			
Interest-bearing liabilities	2 387 939	2 076 504	2 215 871
Property-related assets			
Investment property	5 199 900	4 509 950	4 955 600
Property under development	91 264	115 191	129 263
Owner-occupied property	22 961	22 961	22 961
Investment in associates	464 391	319 959	333 449
Carrying amount of property-related assets	5 778 516	4 968 061	5 441 272
LTV (%)	41,32	41,80	40,72

6. 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 Professional Act (Act No 47 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 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:

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

	Six months ended 31 December 2022 %	Six months ended 31 December 2021 %	Year ended 30 June 2022 %
The average capitalisation rate applied was:	9,24	9,12	8,93
The rates applied per sector were as follows:			
Retail	8,95	8,75	8,53
Industrial	9,52	9,46	9,25
Office	9,97	9,86	9,70
Specialised	8,50	8,25	8,25
Residential	10,25	10,00	10,00

Payment of dividend

The board has approved and notice is hereby given of the final gross dividend of 52,04000 cents per share for the period ended 31 December 2022. The dividend is payable to Heriot's shareholders in accordance with the timetable set out below.

	2023
Last date to trade <i>cum</i> dividend	Monday, 3 April
Shares trade <i>ex</i> dividend	Tuesday, 4 April
Record date	Thursday, 6 April
Payment date	Tuesday, 11 April

Share certificates may not be dematerialised or rematerialised between Tuesday, 4 April 2023 and Thursday, 6 April 2023, both days inclusive. The dividend will be transferred to dematerialised shareholders' Central Securities Depository Participant ("CSDP")/ broker accounts on Tuesday, 11 April 2023. Certificated shareholders' dividend payments will be posted or paid to certificated shareholders' bank accounts on or about Tuesday, 11 April 2023.

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, 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 above-mentioned 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 41,63200 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
- b) a written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner 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 above-mentioned 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

14 March 2023

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

1. SA REIT BPR funds from operations

	Unaudited 31 December 2022 R'000	Unaudited 31 December 2021 R'000	Audited 30 June 2022 R'000
Profit per IFRS statement of comprehensive income (SOC) attributable to equity holders of the company	248 385	181 180	609 579
<i>Adjusted for:</i>			
Accounting/specific adjustments			
Fair value adjustment to investment properties	(130 683)	(54 582)	(338 870)
Straight-line rental income adjustment	9 062	4 005	4 219
Depreciation of owner-occupied property	254	252	504
Deferred taxation movement	–	–	(1 640)
Adjustments to dividends from equity interests held	1 913	4 004	(3 348)
Hedging items			
Fair value adjustment to derivative instruments	–	(5 905)	(5 905)
Other adjustments			
Non-controlling interests in respect of the above adjustments	3 969	(173)	(3 907)
	132 900	128 781	260 632
Number of shares in issue at reporting date*	255 395 858	255 395 858	255 395 858
Distribution per share (cents)	52,04	50,42	102,05

* Excluding the 900 000 treasury shares in issue.

Additional disclosures in terms of SA REIT BPR continued

2. SA REIT BPR cost-to-income ratio

	Unaudited 31 December 2022 R'000	Unaudited 31 December 2021 R'000	Audited 30 June 2022 R'000
Per IFRS income statement			
Property expenses including municipal expenses and depreciation	104 751	96 028	192 618
Administrative expenses and corporate costs	21 264	18 041	38 046
Per statement of comprehensive income	26 714	22 572	48 097
<i>Adjust for:</i>			
Salary recoveries included in sundry income	(5 196)	(4 279)	(9 547)
Depreciation charged on owner-occupied property	(254)	(252)	(504)
Total expenses	126 015	114 069	230 664
Contractual rental income and utility and operating recoveries, excluding straight-line rental income	314 570	286 325	580 203
Cost-to-income ratio (%)	40,06	39,84	39,76
Administrative cost-to-income ratio (%)	6,76	6,30	6,56

3. SA REIT BPR vacancy rate

	Unaudited 31 December 2022 R'000	Unaudited 31 December 2021 R'000	Audited 30 June 2022 R'000
GLA of property portfolio (m²)	443 412	421 289	435 455
Vacant GLA (m²)	8 373	12 709	12 994
Vacancy rate (%)	1,9	3,0	3,0

4. SA REIT BPR loan-to-value

	Unaudited 31 December 2022 R'000	Unaudited 31 December 2021 R'000	Audited 30 June 2022 R'000
Interest-bearing liabilities	2 387 939	2 076 504	2 215 871
Less: Cash and cash equivalents	(95 564)	(160 527)	(122 959)
Add: Derivative financial instruments	–	–	–
Net debt	2 292 375	1 915 977	2 092 912
Investment property	5 199 900	4 509 950	4 955 600
Property under development	91 264	115 191	129 263
Owner-occupied property	22 961	22 961	22 961
Investments in associates	464 391	319 959	333 449
Carrying amount of property-related assets	5 778 516	4 968 061	5 441 272
Loan-to-value (%)	39,67	38,57	38,46

5. SA REIT BPR NAV

	Unaudited 31 December 2022 R'000	Unaudited 31 December 2021 R'000	Audited 30 June 2022 R'000
Reported NAV	3 395 617	2 979 465	3 279 093
<i>Adjusted for:</i>			
Dividend to be declared	(132 900)	(128 781)	(260 632)
Deferred taxation	62 093	63 733	62 092
SA REIT BPR NAV	3 324 810	2 914 417	3 080 553
Number of shares in issue	255 395 858	255 395 858	255 395 858
NAV per share (cents)	1 301,83	1 141,14	1 206,19

6. SA REIT BPR cost of debt

	Unaudited 31 December 2022 %	Unaudited 31 December 2021 %	Audited 30 June 2022 %
<i>Variable interest rate borrowings</i>			
Floating reference rate plus weighted average margin	7,68	5,45	5,73
<i>Fixed interest rate borrowings</i>			
Weighted average fixed rate	0,00	0,48	0,24
Pre-adjusted weighted average cost of debt	7,68	5,93	5,96
Amortised transaction costs imputed into the effective interest rate	0,05	0,46	0,32
All-in weighted average cost of debt	7,73	6,39	6,29

Corporate information

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")

Company secretary

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

Directors

SB Herring (*Chairperson*)**
RL Herring (*Chief executive officer*)
D Snoyman (*Chief financial officer*)
SJ Blieden**†, JA Finn*
R Lockhart-Ross**†, NA Ngale**†

* Non-executive ^ British † Independent

Transfer secretaries

Computershare Investor Services
Proprietary Limited

Designated advisor

Java Capital

Auditor

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



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