



Heriot

REIT

*Committed to excellence*

Reviewed condensed  
consolidated financial  
statements

2024

for the year ended 30 June

# Group HIGHLIGHTS

INVESTMENT PROPERTIES VALUED AT

**R11,616  
billion**

(2023: R9,258 billion)

TOTAL DIVIDEND PER SHARE

**106,69  
cents**

EQUATING TO 100% OF  
DISTRIBUTABLE EARNINGS  
(2023: 106,33 cents)

**15,1%**

GROWTH IN NET ASSET VALUE PER SHARE TO

**R17,53**

(30 June 2023: R15,23)

INCREASE IN SHAREHOLDING IN SAFARI TO

**59,2%**

(2023: 46,5%)

RENTAL COLLECTION RATE

**98%**

(2023: 100%)

DISTRIBUTABLE EARNINGS GROWTH OF

**13,7%**

(2023: 4,2%)

PORTFOLIO VACANCY OF

**3,1%**

(2023: 2,6%)

**26bps**

REDUCTION IN INTEREST MARGINS  
ON THE REFINANCE OF DEBT OF

**R3,819  
billion**

AVERAGE COST OF DEBT

**10,27%**

(2023: 8,68%)

GEARING RATIO OF

**42,06%**

(2023: 41,09%)



# BOARD COMMENTARY

## PROFILE

Heriot REIT Limited (“**Heriot**” or “**the Company**”) is a property holding and investment company that is listed in the “Diversified REITs” sector on the Alternative Exchange of the JSE Limited (“**JSE**”).

Heriot and its subsidiaries (“**the Group**”) are primarily invested in retail and industrial properties situated in areas with high growth potential and have a strategic interest of 59,2% 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. Pursuant to its investment strategy, Heriot acquired Thibault REIT Limited (“**Thibault**”) as a business combination under common control (“**BCUCC**”) in the current reporting period (“**Thibault acquisition**”).

## GROUP FINANCIAL RESULTS

The 2024 financial year has been a challenging year for Heriot given the volatile market conditions faced at both a local and international level. The highest interest rates in 15 years, post-COVID inflation pressures and low local economic growth have made trading conditions extremely difficult. Notwithstanding these pressures, Heriot has reported a solid set of results which is a testament to the strength of its management team and portfolio which is underpinned by blue-chip national tenants across its diversified fund. Heriot’s entrepreneurial spirit remains entrenched in its DNA where it continues to look for opportunities to grow the fund in a multitude of sectors namely the rural market retail, industrial and hospitality sectors.

Heriot’s results for the year ended 30 June 2024 were materially impacted by the following:

- High interest rate environment;
- Increased stake in Safari;
- Acquisition of Thibault, a company listed on the Cape Town Stock Exchange (“**CTSE**”);
- Increased expected credit loss (“**ECL**”) provisions arising as a result of the early termination of a large industrial lease; and

- Underperformance of aparthotels relative to management expectations resulting in a change in strategy in terms of which buildings were upgraded and management was outsourced to hotel operators.

Distributable earnings of the Group for the year ended 30 June 2024 (the “**reporting period**”) of R308,754 million are 13,7% ahead of distributable earnings of R271,552 million in 2023. The increase is mainly as a result of the inclusion of Thibault’s R37,2 million dividend declared to Heriot as a non-IFRS® Accounting Standards adjustment in its distributable earnings to 30 June 2024. Excluding the dividend from Thibault, distributable earnings are flat compared to the previous period. Dividends per share of 106,69 cents are 0,3% ahead of distributable earnings of 106,33 cents per share for the comparable period in 2023. Distribution per share remains Heriot’s measure of performance.

Heriot obtained control of Safari on 31 March 2023 and consolidated Safari’s statement of financial position for the year ended 31 March 2023 in its results for the year ended 30 June 2023. Post 31 March 2023, Safari changed its year end to 30 June. As a result of including Safari’s statement of comprehensive income for the 15 months ended 30 June 2024 and the increases in Group property valuations in the current reporting period, net property operating income (“**NOI**”) and headline earnings grew by 103,1% and 11,5%, respectively. Heriot’s asset base grew by 28,2% as a result of the Thibault acquisition. Basic earnings per share reduced by 31,1% predominantly due to the prior year bargain gain of R464,3 million that was recognised through the statement of comprehensive income as a result of Heriot obtaining control of Safari on 31 March 2023.

Excluding Safari, NOI grew by 4,7% led by the strong performance of the retail and industrial assets. An extraordinary ECL provision of R7,5 million raised against an arrear arising from the early termination of an industrial lease and the full effect of the 350bps interest rate increase impacted NOI growth and the results for the reporting period.

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 a final dividend of 56,81 cents per share for the six-month period ended 30 June 2024.

Heriot’s net asset value per share increased by 15,1% from R15,23 at 30 June 2023 to R17,53 at 30 June 2024. The growth has been driven by the following:

- An increase in the value of the Group’s property portfolio, that is supported by positive rental escalations on renewals and re-lets across the portfolio during the period; and
- A bargain gain of R373,5 million recognised through the statement of changes in equity on the Thibault acquisition (refer to note 2.1).

## INVESTMENT IN THIBAUT

Effective 28 June 2024, Heriot entered into an exchange agreement with Thibault and its shareholders for the acquisition of 100% of the issued shares in Thibault in terms of Section 42 of the Income Tax Act No 58 of 1962. In terms of this transaction, Heriot acquired all of the 103,009,878 issued shares of Thibault in exchange for 63,866,124 new Heriot shares, equating to an exchange ratio of 62 new Heriot shares for every 100 Thibault shares in issue.

The swap ratio of 62% was deemed fair and reasonable by an independent expert who assessed the transaction on behalf of the shareholders. The opinion was presented to and approved by the JSE, CSTE and Takeover Regulation Panel. Shares were formally issued on 28 June 2024 being the effective date of the Thibault acquisition.

The acquisition is consistent with the Group’s primary objective to explore strategic opportunities to grow and streamline Heriot’s asset base by acquiring high-yielding properties in its target markets.

Thibault’s assets of R2,2 billion include the iconic mixed-use One Thibault Square located in the Cape Town CBD and three retail centres, anchored by Checkers, a division of Shoprite Holding Limited. Further, Thibault owns 21,5% and 10,0% in Texton Property Fund Limited (“**Texton**”) and Safari, respectively.

There are significant synergies and cost benefits that will be achieved through the merger that include, *inter alia*, the following:

- Corporate cost savings of R1,7 million;
- A boost of R3,0 million in cash resources arising from the conversion of previously amortised Thibault debt to interest-only facilities on the strength of a guarantee issued by Heriot for the debt;
- Better lending rates for the Group based on the growth in Heriot’s investment property portfolio to R11,6 billion; and
- An increased shareholding in Safari from 49,2% to 59,2% through the acquisition of Thibault’s 10,0% interest in Safari.

## Accounting treatment of the Thibault acquisition

The acquisition of Thibault was accounted for as a BCUCC as a result of Heriot Investment’s controlling stake in Heriot and Thibault prior to and after the Thibault acquisition. As IFRS® Accounting Standards do not provide guidance on the accounting for a BCUCC, Heriot applied significant judgement when developing this policy and applied the predecessor value method in accounting for the BCUCC.

In terms of this method, the purchaser recognises the assets acquired and liabilities assumed at their carrying amounts on the date on which it assumes control of a subsidiary.

As the carrying amounts of the assets and liabilities assumed exceed the consideration transferred to acquire the subsidiary, a bargain purchase gain was recognised in the statement of changes in equity.

## Purchase consideration

On 28 June 2024, Heriot acquired 100% of Thibault through the issue of 63,866,124 new Heriot shares at the market value of R15,00 per share, equating to a purchase consideration of R957,992 million.

On 30 June 2024, Thibault declared a distribution of R37,203 million to Heriot, reducing the total purchase consideration to R920,789 million.

Further, Thibault's net assets included a 10,0% interest of 25,952,710 shares in Safari, valued at R257,931 million, being the value of Thibault's interest in Safari at R9,94 per share on the date of the Thibault acquisition. As Heriot already owned a controlling stake in Safari, the effect of the Thibault acquisition at a group level was a reduction in the non-controlling interest in Safari and a reduction in the purchase price of Thibault to R662,858 million.

## Bargain gain

The application of the predecessor business combination method resulted in the acquisition of Thibault's net assets at the carrying value of R1,036 billion on the effective date.

As the carrying value of Thibault's net assets exceeded the net purchase consideration of R662,858 million, a bargain gain of R373,524 million was realised through the statement of changes in equity.

## Distribution from Thibault

Thibault's distribution of R37,203 million to Heriot for the year ended 30 June 2024 has been included as a non-IFRS® Accounting Standards distributable earnings adjustment in its results to 30 June 2024, increasing its distributable earnings to R308,754 million or 106,69 cents per share. The effect of this distributable earnings adjustment over the increased number of shares in issue is a once-off marginal increase of 0,36 cents per share.

The Thibault acquisition has resulted in a dilution of approximately 4,0% in Heriot's distribution per share and an initial increase of 7,0% in Heriot's net asset value per share.

## Thibault's financial performance

A summary of Thibault's results for the year ended 30 June 2024 is as follows:

- Distributable earnings of R37,203 million;
- Loan-to-value ("LTV") of 45,56% is below covenant of 50%;
- Interest cover ratio ("ICR") of 1,43 times is above the ICR covenant of 1,4 times;
- Property valuation growth of 5,0%;
- Low vacancies of 1,5% at year end;
- Minimal arrears;
- 2,500m² extension of Helderberg Mall at an estimated cost of R121,0 million in progress. The extension, funded by Standard Bank, includes the cost of a solar plant and a Checkers tenant installation of R11,0 million and R50,0 million, respectively, and is expected to be completed by 30 November 2024; and
- The acquisition of a further 9,7 million shares in Texton at a cost of R22,7 million or 2,34 cents per share, increasing the shareholding in Texton from 15,0% to 21,5%.

While Heriot, through its wholly owned subsidiary Thibault, has a 21,5% shareholding in Texton, the following significant judgements were applied in order to conclude that neither Heriot nor Thibault had significant influence over the company due to the following factors:

- Heriot nor Thibault has the ability to appoint a director to the Texton board;
- Heriot nor Thibault is permitted to participate in any policy-making processes, including decisions about dividends or other distributions;
- The only material transactions between the entities are the Texton shares acquired by Thibault and the dividends received from Texton;

- There is no interchange of managerial personnel between the companies; and
- Heriot and Thibault only have access to publicly available information as released by Texton.

On this basis, the investment in Texton has been classified under non-current financial assets and accounted for at fair value through profit or loss in terms of IFRS 9 at the reporting date (refer to note 2.1).

## INVESTMENT IN SAFARI

Heriot is continuing to increase its strategic interest in Safari and at the date of the report, its stake in Safari has increased from 46,5% to 59,2% through the acquisition of 5,470,088 Safari shares at a cost of R30,722 million and through the acquisition of a further 25,952,710 shares in Safari as a result of the Thibault acquisition. As at 30 June 2024, Heriot owned 151,349,878 shares in Safari.

## Accounting treatment of Safari

Until 30 June 2023, Heriot applied lag accounting and consolidated Safari's results for the year ended 31 March 2023 into its results for the year ended 30 June 2023. Safari has now changed its year end from March to June to align with Heriot's year end, and Heriot has therefore included 15 months of Safari's distributable earnings in its 2024 financial results. Safari released its 15-month results to 30 June 2024 on 26 September 2024.

## Safari's year end results for the 15 months ended 30 June 2024

Consistent with the sector, Safari had a challenging year predominantly as a result of high interest rates, inflation and a subdued South African economy. Safari's dividend of 61,0 cents per share for the 12 months ended 31 March 2024 equates to a 6% decrease compared to the distribution of 65 cents per share for the year ended 31 March 2023.

Safari's distribution for the year ended 31 March 2023 included insurance proceeds of R25,2 million for the settlement of the COVID-19 claim and July 2021 unrest. For the three-month period April to June 2024, the final distribution of 17,0 cents per share tracked to budget increasing the total distribution to 78,0 cents for the 15-month financial year ended 30 June 2024.

A summary of Safari's financial results is as follows:

- NOI grew by 7% on a like-for-like basis;
- 33% LTV is well below the covenant of 50%;
- 2,21 ICR is above the ICR covenant of 2,0 times;
- Low vacancies of 2,49% at 30 June 2024;
- Average cost of debt of 10,35% of which 27% or R390,0 million is hedged;
- A reduction of 39bps in average interest rate margins during the current financial year as a result of the renewal of R800,0 million debt at substantially better rates;
- 86% of debt is linked to three-month JIBAR;
- Implemented a more efficient insurance structure, significantly reducing SASRIA premiums; and
- Completed a full refurbishment of Denlyn Shopping Centre at a cost of R27,5 million, with the centre continuing to dominate the Mamelodi market.

## HERIOT'S OPERATIONAL PERFORMANCE, EXCLUDING SAFARI AND THIBAUT

### 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 due to shrinking disposable income of customers owing to current economic conditions. This sector achieved double-digit growth of 10,7% for the reporting period.

## 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 with difficulty in filling vacancies and reduced rentals on renewals. Despite the challenges, Heriot's overall industrial portfolio has remained robust and achieved growth of 5,7% for the year ended 30 June 2024, before accounting for the extraordinary ECL provision of R7,5 million.

## Office

The office sector remains under pressure with difficulty in filling vacancies and negative rental reversions on renewals. The office sector NOI reduced by 33,2% relative to the comparative period predominantly as a result of rental reversions of tenants based in Johannesburg who occupied space measuring 4 065m<sup>2</sup>.

## Residential/aparthotels

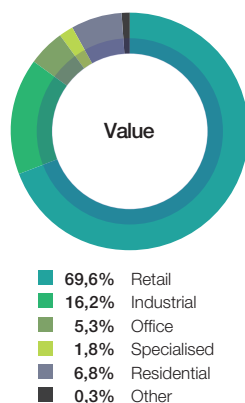
The hospitality assets are located in Cape Town which has seen record growth in the sector post the COVID period. However, due to operational, product and system issues, the assets did not meet forecast expectations in the current reporting period. In January 2024, management of these assets was externalised and initial results indicate increased revenue and improved operating efficiencies. Although the sector performance did not meet management expectations, the sector achieved growth of 13,3% relative to the comparative period predominantly as a result of a new redevelopment coming online in December 2023.

## Specialised

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

## GROUP INVESTMENT PROPERTY

At the reporting date, the property portfolio was valued at R11,616 billion including properties under development and held for sale.



The Group's investment property portfolio, including properties held for sale, comprise 53 properties across all major sectors within South Africa. The Heriot portfolio was independently valued at R11,616 billion by Peter Parfitt of Quadrant Properties Proprietary Limited at 30 June 2024, a registered valuer in terms of Section 19 of the Property Valuers Profession Act No 47 of 2000, using the discounted cash flow and comparable sales methods.

On a like-for-like basis, the value of the investment property portfolio increased by an effective 6,2% from 30 June 2023.

The refurbishment of 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 R79,0 million and a projected initial yield of 15%. Management has applied the aparthotel model for the residential space comprising 151 units, known as Habitat. Further upgrades to the development were installed post year end at a cost of R7,0 million, which is projected to increase the average daily rate and projected to yield 18%.

Safari spent R97,2 million on upgrading and refurbishing Denlyn, Thabong and The Victorian Shopping Centres during their 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 R92,5 million, was classified as property under development.

## Vacancies and letting activity

In an extremely challenging economic environment, the Group's tenancies remained relatively stable throughout the reporting period.

Vacancies marginally increased from 2,6% at 30 June 2023 to 3,1% at 30 June 2024. The increase in vacancies is mainly attributable to an industrial property located in Cleveland, Johannesburg measuring 8 966m<sup>2</sup>.

The vacancy table below excludes the following GLA:

- The specialised property comprising 8 382ha of paper plantations;
- Hospitality assets, measuring 20 550m<sup>2</sup>, as the preferred metrics to report on are average daily rates and occupancies; and
- Vacant land measuring 18 665m<sup>2</sup>.

Sector	Group vacancies: 30 June 2023 to 30 June 2024					
	At 30 June 2024			At 30 June 2023		
	Total m <sup>2</sup>	m <sup>2</sup> vacant	%	Total m <sup>2</sup>	m <sup>2</sup> vacant	%
Industrial	268 704	12 400	4,6	275 020	7 195	2,6
Retail	378 074	5 641	1,5	313 261	6 666	2,1
Office	30 496	2 407	7,9	14 223	1 559	8,1
Residential	6 478	645	10,0	2 690	141	1,4
	683 752	21 093	3,1	605 194	15 561	2,6

## Aparthotel occupancy analysis

The aparthotel sector comprises three properties located in the Cape Town CBD with a combined gross lettable area ("GLA") of 20 550m<sup>2</sup> or 623 units. These assets are included in the residential sector for segmental reporting purposes.

Seasonal trends dictate the occupancy levels for the sector. The occupancies were lower in the first and fourth quarters due to lower demand during the off-peak period and increased in the second and third quarters from higher demand heading into the festive season. The average annual occupancy rate was 53,0%, and the average daily rate for the sector was R731 per night for the reporting period.

## FUNDING

Heriot's secured borrowings are R5,053 billion at 30 June 2024 (2023: R4,021 billion), inclusive of Safari's and Thibault's debt of R1,352 billion and R965 million, respectively, which equates to a gearing ratio of 42,06% (June 2023: 41,09%). The average cost of borrowings, including the amortisation of facility raising fees, was 10,27% for the reporting period (2023: 8,68%). The effect of the recent interest rate hikes that were in effect for the full reporting period has been the main contributor to the increased cost of borrowings. 89,5% of Heriot's Group debt was linked to floating facilities with 7,1% or R390,0 million hedged at the reporting date. The Board continues to monitor interest rate risk on a regular basis.

During the reporting period, 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 26bps from the effective dates.

Although the LTV has increased by 0,97% to 42,06% as a result of the Thibault acquisition, the LTV is still comfortably below the Group covenant of 50%.

The Group's ICR is 2,05 times as at 30 June 2024 (2023: 2,64) which is above the 2 times covenant. The high interest rate environment was the main factor that affected the ICR metric in the current reporting period.

As at the reporting period end, the average remaining term of the debt is 2,9 years. Renewal terms are at their final stages for facilities expiring within the next 12 months.

## INVESTMENT IN ASSOCIATES

Until 29 February 2024, the associate balance comprised Heriot's 49,9% interest in Fixtrade 605 Proprietary Limited ("Fixtrade"), a company that owns 50 townhouses in Newcastle, KwaZulu-Natal. Heriot equity-accounted its share of profits from 1 July 2023 to 29 February 2024.

On 1 March 2024, Heriot acquired the balance of the 50,1% shareholding in Fixtrade for R4,7 million and has consolidated this investment from that date. The net assets were acquired at fair value and on this basis no goodwill or bargain gain was recognised.

## ASSETS AND LIABILITIES HELD FOR SALE

On 30 June 2023, Heriot signed an agreement to dispose of 100% of its interest in Hagley 3865 Proprietary Limited ("Hagley"), a wholly owned subsidiary, to Heriot Investments Proprietary Limited ("Heriot Investments"). In terms of the agreement of sale, Heriot had a call option to acquire up to 100% of the equity in Hagley. Therefore, the sale was not recognised for accounting purposes at that date.

Hagley's sole asset comprised an investment property on which a 35 000m<sup>2</sup> distribution warehouse was being developed for a blue-chip tenant under a 12-year triple net lease. The asset was internally valued by management for the purposes of the results for the year ended 30 June 2023.

At 31 December 2023, Hagley had incurred an additional R179,6 million in development costs, financed through a debt facility provided by Sanlam. The property was revalued at that date, realising a significant increase of R47,1 million in the fair value resulting from:

- an increase in rental/m<sup>2</sup> and GLA as agreed to in terms of an addendum to the lease signed in November 2023; and
- an external valuation of the property by an independent professional valuer who applied a reduced capitalisation rate to value the property, in line with latest market conditions.

On 31 December 2023, the call option was cancelled and, on this basis, Heriot recognised the sale of Hagley to Heriot Investments. As the sale price was increased from R40,3 million to R67,3 million, being the net asset value of Hagley on that date, no profit or loss on disposal was realised.

At 30 June 2024, assets held for sale relate to Safari non-core assets valued at R180,1 million. The intended disposals are consistent with Safari's long-term policy to focus its activities on higher-yielding retail opportunities as well as to optimise capital allocation.

The proceeds from disposals are expected to be in line with the fair value of the related assets and liabilities and, accordingly, no impairment losses have been recognised on the classification of these assets as held for sale.

## FINANCIAL ASSETS

Other financial assets include the following related party balances:

- Share scheme loan of R34,265 million; and
- A loan of R66,8 million to Heriot Investments for the sale of Hagley. This vendor financing of R66,8 million bears interest at three-month JIBAR plus 185bps and is repayable by no later than 24 months after the advance date.

The balance of the other financial assets comprises Thibault's investment in Texton valued at R212,868 million as at the reporting date (refer to note 2.1).

## SHARE CAPITAL

Heriot increased its number of shares in issue by 63,866,124 as a result of the BCUC with Thibault on 28 June 2024. As at 30 June 2024, the Company had 319 261 982 (2023: 255,395,858) shares in issue, excluding the 900,000 (2023: 900,000) treasury shares owned by the Group.

## CAPITAL COMMITMENTS

At 30 June 2024, the Group's capital commitments of R533,339 million comprise improvements to investment property. These commitments have been authorised and committed by both Heriot's and Safari's Boards. These costs will be funded by the Group's cash reserves together with unutilised, committed and future credit facilities.

Summary of capital commitments are as follows:

	R'000
Heriot	204,469
Safari	214,075
Thibault	114,795
	533,339

## SUBSEQUENT EVENTS

### Heriot

An offer of R76,1 million to acquire a 2 500m<sup>2</sup> residential property of 19 units, located in Cape Town, was accepted on 6 May 2024 and transfer concluded on 3 July 2024. Heriot plans to redevelop the property into 36 units at an estimated cost of R80,0 million, with a projected starting yield of 12%. Development is expected to commence in October 2024 with a projected completion date of September 2025. The property will be managed on the aparthotel model. The acquisition and redevelopment will be funded by way of a combination of Heriot's own resources and bank debt.

On 6 September 2024, Heriot increased its Nedbank debt revolver facility by R100,0 million thereby increasing the total facility to R250,0 million. Additional mortgage bonds of R342,0 million were secured against the debt facility. The balance of the terms remain unadjusted.

### Safari

On 18 September 2024, Safari's Board approved additional capital expenditure of R18,8 million to expand Nkomo Village Shopping Centre with an 850m<sup>2</sup> Dis-Chem and a change in scope of the BP filling station at Mnandi.

Safari is currently in the process of finalising the legal agreement to implement a new Standard Bank facility of R250,0 million to fund capital projects and possible acquisitions.



## BOARD COMMENTARY continued

### Thibault

Thibault was delisted from the CTSE in July 2024 and is in the process of being converted into a private company.

Standard Bank reduced the interest rate margin by 5bps in respect of facilities totalling R610,7 million as a result of Heriot providing a guarantee for the facilities.

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, Heriot has continued to invest in renewable energy projects and water harvesting systems.

To date, the Heriot Group has installed solar plants at most of its major retail centres with a combined 12,16MWp of installed capacity. The Heriot Group plans to increase the current solar roll-out rate by 1,86MWp by the end of 2025.

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

### CHANGES TO THE BOARD

In accordance with paragraph 3.59 of the JSE Listings Requirements, shareholders are advised that Nelson Ngale and Janys Finn have resigned from the board of directors of Heriot with effect from 30 September 2024.

The board would like to thank Nelson for his tireless and dedicated contribution to Heriot, as a non-executive director of the Company and as a member of Heriot's audit and risk committee and social and ethics committee and wish him well in his future endeavours.

While Janys will be stepping down from her duties as a non-executive director of Heriot, she will continue to play a significant role for the Group by providing support to the Heriot executive team and overseeing the management of the Herring family's global assets.

Andile Mazwai has been appointed to the board as a non-executive director and chair of the social and ethics committee with effect 30 September 2024. Heriot will announce Nelson's replacement on the audit and risk committee in due course.

Andile brings a wealth of experience to the board. He currently holds several positions including CEO of the National Stokvels Association of South Africa, CBD Investments Proprietary Limited and Katlego Property Investments Proprietary Limited, Chairman of Bidvest Bank Limited, independent non-executive director of Alexander Forbes Group Holdings Limited, non-executive director of Alexander Forbes Life Limited, member of The Institute of Directors and South African Institute of Stockbrokers and trustee of JSE Education Fund.

The Board welcomes Andile and looks forward to his contributions to the Company.

### PROSPECTS

Heriot'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 but developments over recent months are laying the foundations for growth in the short to medium term. These include improvements in Eskom's energy availability, the establishment of the Government of National Unity and the commencement of the long-awaited interest rate cutting cycle.

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.

In light of the changing face of the South African political and economic environment, management is pursuing growth of 10,0% to 15,0% in the dividend per share for the year ending 30 June 2025.

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

- 75bps interest rate cut within the 2025 financial year;
- Forecast property income is based on contractual rental escalations and market-related renewals;
- Adequate allowance has been made for vacancies and rent reversions; and
- No further major corporate and tenant failures will occur.

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 reviewed condensed consolidated 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 R17,13 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.

### RESPONSIBILITY STATEMENT

The Directors of Heriot accept responsibility for the information contained in this announcement and certify that, to the best of their 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 FINANCIAL POSITION

as at 30 June 2024

	Note	Reviewed 30 June 2024 R'000	Audited 30 June 2023 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	4	11 343 750	8 891 700
Property under development		92 525	91 345
Property, plant and equipment		56 763	31 251
Investment in associate		–	4 135
Derivative financial instrument		–	1 017
Right-of-use assets		1 515	3 997
Financial assets	2.1	313 958	74 425
		11 808 511	9 097 870
<b>Current assets</b>			
Trade and other receivables		104 386	47 248
Inventories		11 593	29 869
Derivative financial instrument		163	1 615
Cash and cash equivalents		69 025	45 695
		185 167	124 427
<b>Non-current assets held for sale</b>		180 100	275 206
<b>Total assets</b>		12 173 778	9 497 503

	Note	Reviewed 30 June 2024 R'000	Audited 30 June 2023 R'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital		3 468 665	2 548 624
Retained earnings		2 204 684	1 404 967
		5 673 349	3 953 591
Non-controlling interests		1 107 228	1 350 884
		6 780 577	5 304 475
<b>Non-current liabilities</b>			
Interest-bearing liabilities		4 888 407	3 225 122
Lease liabilities		2 153	4 531
Deferred taxation		104 066	76 285
		4 994 626	3 305 938
<b>Current liabilities</b>			
Interest-bearing liabilities		164 933	608 926
Other financial liabilities		–	40 309
Trade and other payables		186 701	154 641
Lease liabilities		816	993
Dividend payable to non-controlling shareholders	SOCIE	46 060	10 778
Taxation payable		65	402
		398 575	816 049
<b>Non-current liabilities held for sale</b>		–	71 041
<b>Total equity and liabilities</b>		12 173 778	9 497 503



# CONDENSED CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed Year ended 30 June 2024 R'000	Audited Year ended 30 June 2023 R'000
Revenue	1 385 418	625 956
Contractual rental income and recoveries	1 349 789	643 022
Revenue from sale of inventory	19 666	–
Straight-line rental income	15 963	(17 066)
Property expenses	(499 267)	(202 032)
Cost of inventory sold	(24 190)	–
Impairment of inventory	(957)	–
<b>Net property income</b>	<b>861 004</b>	<b>423 924</b>
Equity-accounted profits (net of taxation)	790	78 122
Other income	20 743	12 467
Loss on sale of property, plant and equipment	(236)	–
Administrative expenses and corporate costs	(82 286)	(46 710)
<b>Profit from operations</b>	<b>800 015</b>	<b>467 803</b>
Finance income	15 551	10 747
Finance charges	(432 118)	(202 701)
<b>Profit before fair value adjustments and bargain purchase gain</b>	<b>383 448</b>	<b>275 849</b>
Fair value adjustments	506 281	241 599
Investment properties	466 198	289 306
Fair value adjustment on previously held equity interest	–	(47 707)
Fair value adjustment on non-current assets held for sale	42 593	–
Derivative financial instrument	(2 510)	–
Bargain purchase gain on business combination	–	464 289
<b>Profit before taxation</b>	<b>889 729</b>	<b>981 737</b>
Taxation	(20 636)	(4 327)
<b>Total comprehensive income for the period</b>	<b>869 093</b>	<b>977 410</b>

	Reviewed Year ended 30 June 2024 R'000	Audited Year ended 30 June 2023 R'000
<b>Attributable to:</b>		
Equity holders of the Company	664 734	964 022
Non-controlling interests	204 359	13 388
	<b>869 093</b>	<b>977 410</b>
<b>Reconciliation of earnings and headline earnings</b>		
Profit attributable to equity holders of the Company	664 734	964 022
<b>Adjustments attributable to:</b>	<b>(406 347)</b>	<b>(732 575)</b>
Fair value adjustments: investment properties	(466 198)	(289 306)
Non-controlling shareholder portion of fair value adjustments	102 917	7 011
Bargain purchase gain on business combination	–	(464 289)
Loss on sale of property, plant and equipment	236	–
Fair value adjustment on sale of non-current assets	(42 593)	–
Fair value adjustment on previously held equity interest	(709)	47 707
Fair value adjustments: equity-accounted investment property	–	(33 698)
<b>Headline earnings attributable to equity holders</b>	<b>258 387</b>	<b>231 447</b>
Number of shares in issue at the reporting date <sup>1</sup>	319 261 982	255 395 858
Weighted average number of shares in issue	255 744 853	255 395 858
Basic and diluted earnings per share (cents)	259,92	377,46
Basic and diluted headline earnings per share (cents)	101,03	90,62
<b>Distribution per share (cents)</b>	<b>106,69</b>	<b>106,33</b>

<sup>1</sup> Excluding 900,000 treasury shares (2023: 900,000).

# Statement of CONDENSED CONSOLIDATED CASH FLOWS

	Notes	Reviewed Year ended 30 June 2024 R'000	Audited Year ended 30 June 2023 R'000
Cash generated from operations		789 769	453 579
Finance charges		(427 090)	(192 024)
Finance income		6 401	4 782
Taxation paid		(931)	(2 975)
<b>Net cash flows from operating activities</b>		<b>368 149</b>	<b>263 362</b>
Acquisition and development of investment property		(353 954)	(178 456)
Proceeds from disposal of property, plant and equipment		196	–
Acquisition of property, plant and equipment		(16 980)	(6 325)
Acquisition of shares in associate		–	(293 061)
Cash acquired on business combination (Safari)	2.2	–	10 914
Cash acquired on business combination (Thibault)	2.1	2 719	–
Net cost of business combination (Fixtrade)		(4 084)	–
Dividends received from associates		225	27 638
Loan repaid by related party		15 240	450
Loan advanced to related party		(9 267)	(1 577)
Share scheme debt repaid		3 352	3 026
<b>Net cash used in investing activities</b>		<b>(362 553)</b>	<b>(437 391)</b>
Share issue expenses	SOCIE	(748)	–
Dividend distributions to owners of the Company	SOCIE	(266 023)	(264 769)
Dividends paid to non-controlling shareholders	SOCIE	(86 047)	(6 252)
Acquisition of minority interest		–	(21 239)
Acquisition of additional shares in subsidiary (Safari)	SOCIE	(41 273)	–
Subscription by minority for additional shares in subsidiary		–	5 500
Proceeds from disposal of shares in subsidiary		–	8 801
Interest-bearing borrowings raised – assets and liabilities held for sale		179 153	–
Interest-bearing borrowings raised		902 184	800 332
Interest-bearing borrowings repaid		(668 608)	(424 856)
Lease liability payments		(904)	–
<b>Net cash generated from/(used in) financing activities</b>		<b>17 734</b>	<b>97 517</b>
<b>Net movement in cash and cash equivalents</b>		<b>23 330</b>	<b>(76 512)</b>
<b>Cash and cash equivalents transferred to held for sale</b>		<b>–</b>	<b>(752)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>45 695</b>	<b>122 959</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>69 025</b>	<b>45 695</b>

# Statement of CONDENSED CONSOLIDATED CHANGES IN EQUITY

	Notes	Stated capital R'000	Reserves R'000	Non- controlling interests R'000	Total R'000
<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	2.2	–	–	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>Reviewed</b>					
Balance at 1 July 2023		2 548 624	1 404 967	1 350 884	5 304 475
Total comprehensive income for the year		–	664 734	204 359	869 093
Acquisition of shares in Safari (Heriot purchases) <sup>1</sup>		–	19 738	(50 460)	(30 722)
Safari treasury share purchases <sup>2</sup>		–	7 744	(18 295)	(10 551)
Shares issued for Thibault acquisition	2.1	957 992	–	–	957 992
Dividend declared in lieu of shares acquired in Thibault (non-cash) <sup>3</sup>	2.1	(37 203)	37 203	–	–
Bargain gain on common control (Thibault acquisition) <sup>3</sup>	2.1	–	336 321	(257 931)	78 390
Share issue expenses <sup>4</sup>		(748)	–	–	(748)
Dividends <sup>5</sup>		–	(266 023)	(121 329)	(387 352)
<b>Balance at 30 June 2024</b>		<b>3 468 665</b>	<b>2 204 684</b>	<b>1 107 228</b>	<b>6 780 577</b>

The total consideration of R41,273 million for shares acquired by Heriot and Safari on the market comprises:

<sup>1</sup> Heriot's acquisition of 5,470,088 Safari shares for R30,722 million; and

<sup>2</sup> Safari's acquisition of 1,915,153 treasury shares for R10,551 million.

<sup>3</sup> The gain of R373,524 million recognised through the statement of changes in equity comprises the following:

- The bargain gain of R336,321 million as a result of the carrying amount exceeding the purchase consideration transferred (refer to note 2.1); and
- The R37,203 million dividend declared by Thibault reducing the purchase consideration and increasing Heriot's equity (refer to note 2.1).

<sup>4</sup> Heriot incurred R748 000 costs related to the issue of new shares as a result of the Thibault acquisition.

<sup>5</sup> Of the R121,329 million declared to non-controlling shareholders, R86,047 million was paid during the reporting period. At year end, the balance of unpaid dividends to minority shareholders was as a result of Safari declaring their second interim distribution on 27 June 2024 and paid on 15 July 2024.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The reviewed condensed consolidated financial statements for the year ended 30 June 2024 have been prepared in accordance with the JSE Listings Requirements for condensed reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require these condensed financial results to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS® 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 financial statements are in terms of IFRS® Accounting Standards and are consistent with those applied in the previous consolidated financial statements for the year ended 30 June 2023, except for the new common control policy adopted for the Thibault acquisition whereby the predecessor business combination method was applied (refer to note 2.1).

The reviewed condensed consolidated financial statements were prepared under the supervision of the Chief Financial Officer, Daniel Snoyman CA(SA). The Directors are not aware of any matters or circumstances arising subsequent to the year ended 30 June 2024, other than those disclosed in note 8 and page 8 of this announcement, that require any additional disclosure or adjustment to the financial statements. The Directors further take full responsibility for the preparation of these reviewed condensed consolidated financial statements.

The reviewed condensed consolidated financial statements for the year ended 30 June 2024 have been reviewed by BDO South Africa Incorporated, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Company's registered office together with the reviewed financial statements identified in the auditor's report. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying reviewed financial information from the issuer's registered office.

The reviewed condensed consolidated financial statements were approved by the Board on 30 September 2024.

## 2. BUSINESS COMBINATION

### 2.1 Thibault business combination

Effective 28 June 2024, Heriot entered into exchange agreements with Thibault and its shareholders for the acquisition of 100% of the issued shares in Thibault in terms of Section 42 of the Income Tax Act No 58 of 1962.

In terms of this transaction, Heriot acquired all of the 103 009 878 issued shares of Thibault in exchange for 63,866,124 new Heriot shares, equating to an exchange ratio of 62 new Heriot shares for every 100 Thibault shares in issue. The swap ratio of 62% was deemed fair and reasonable by an independent expert who assessed the transaction on behalf of the shareholders of both Heriot and Thibault. The opinion was presented to and approved by the Takeover Regulation Panel, the CTSE and the JSE. Shares were formally issued on 28 June 2024 being the effective date of the acquisition.

The carrying value of the assets and liabilities arising from the acquisition is as follows:

	30 June 2024 R'000
<b>Assets</b>	<b>2 036 033</b>
Investment property at fair value	1 794 750
Investment property – carrying value	1 781 939
Straight-line income accrual	12 811
Property, plant and equipment	12 438
Other financial assets <sup>1</sup>	212 868
Trade and other receivables	13 258
Cash and cash equivalents	2 719
<b>Liabilities</b>	<b>(999 651)</b>
Interest-bearing borrowings – non-current	(964 561)
Deferred tax – net liability	(5 216)
Trade and other payables	(29 428)
Current tax payable	(446)
<b>Carrying amount of net assets acquired (A)</b>	<b>1 036 382</b>

<sup>1</sup> Other financial assets are comprised of 64,116,874 shares held in Texton accounted for at fair value through profit and loss in terms of IFRS 9 at the reporting date. Refer to pages 3 and 4 for further details.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 2. BUSINESS COMBINATION continued

#### 2.1 Thibault business combination continued

Note	30 June 2024 R'000
<b>The purchase consideration was settled as follows:</b>	
Cost of shares issued is as follows:	
Number of shares issued	63 866 124
Market value per share on acquisition date (Rand)	15,00
Market value of shares issued	957 992
Less: Dividend declared by Thibault to Heriot	(37 203)
<b>Adjusted purchase consideration<sup>1</sup></b>	<b>920 789</b>
Less: acquisition of 10% non-controlling interest in Safari <sup>1</sup>	(257 931)
<b>Net purchase consideration (B)</b>	<b>662 858</b>
<b>Bargain gain through equity (A-B)</b>	<b>373 524</b>
Equity contribution from Thibault shareholders	(37 203)
<b>Net bargain gain in equity</b>	<b>336 321</b>
<b>Net cash inflow on acquisition</b>	
Cash and cash equivalents acquired on acquisition	2 719
<b>Total cash and cash equivalents acquired</b>	<b>2 719</b>
	CASH FLOW

<sup>1</sup> Thibault had a 10,0% shareholding in Safari equating to 25,952,710 shares. The net asset value of the Safari shares was R9,94 or R257,931 million on the acquisition date.

The benefits of synergies between both companies will further enhance revenue growth, future developments and streamline operating costs.

### 2. BUSINESS COMBINATION continued

#### 2.1 Thibault business combination continued

The following additional information is not required from an IFRS® Accounting Standards perspective but is relevant for assessing Thibault's financial performance for the period ended 30 June 2024. Further, the statement comprehensive income and cash flow statement movements have not been included on a line basis as a result of the result of the Thibault acquisition occurring on 28 June 2024:

	30 June 2024 R'000
<b>Summary of consolidated statement of comprehensive income</b>	
Revenue	238 803
Contractual rental income	166 647
Revenue from sale of inventory	5 665
Operating cost recoveries	53 680
Straight-line rental income accrual	12 811
Cost of inventory sold	(3 599)
Operating costs	(106 254)
<b>Net property income</b>	<b>128 950</b>
Other income	26 670
Loss on disposal of assets	(382)
Administration costs	(11 978)
<b>Profit from operations</b>	<b>143 260</b>
Finance income	1 398
Finance charges	(95 026)
<b>Profit before fair value adjustments</b>	<b>49 632</b>
Fair value adjustments	117 916
Investment properties	61 050
Listed shares	56 866
<b>Profit before taxation</b>	<b>167 548</b>
Taxation	(15)
<b>Total comprehensive income for the year</b>	<b>167 533</b>
<i>Distributable earnings adjustments:</i>	
Fair value adjustments	(117 916)
Straight-line rental income accrual	(12 811)
Deferred taxation	15
Loss on disposal of assets	382
<b>Distributable earnings for the year ended 30 June 2024</b>	<b>37 203</b>
<b>Summary of consolidated statement of cash flows</b>	
Net cash flows generated from operating activities	38 164
Net cash used in investing activities	(210 506)
Net cash generated from financing activities	175 061
<b>Net movement in cash and cash equivalents</b>	<b>2 719</b>
Cash and cash equivalents at the beginning of the year	–
<b>Cash and cash equivalents at the end of the year</b>	<b>2 719</b>



## NOTES TO THE FINANCIAL STATEMENTS continued

### 2. BUSINESS COMBINATION continued

#### 2.2 Safari business combination

In January 2020, Heriot identified Safari as a company with a synergistic property portfolio, comprising quality convenience and small regional shopping centres predominantly located in Gauteng, and commenced with its medium-term strategy of acquiring a significant holding in Safari.

In September 2021, Steven Herring was appointed as non-executive Chairman of Safari and by 30 June 2022, Heriot owned 19,2% of Safari.

On the basis of Heriot's shareholding, together with Steven Herring's chairmanship of both Heriot and Safari, it was assessed that Heriot had significant influence over Safari at 30 June 2022 and Heriot equity-accounted its interest in Safari accordingly.

Through a general offer to purchase shares in Safari at R5,60 per share, Heriot increased its interest to 26,8% on 9 December 2022. By 31 January 2023, Heriot's interest increased to 33,2% through further share acquisitions.

At this stage, Heriot had become aware of three major shareholding blocks within Safari that together controlled 36,4% of Safari, including Southern Palace that owned 53,0 million shares or 17,1% in Safari and a block holding a 17,3% interest that had entered into a voting pool agreement. The purpose of the voting pool agreement was, *inter alia*, to protect this shareholder block from any potential corporate action relating to Safari. On this basis, Heriot concluded that it did not own a controlling interest in Safari at 31 January 2023.

On 31 March 2023, the Company increased its interest in Safari to 39,1% through the acquisition of additional shares. On that same date, Safari repurchased and cancelled 53,0 million Southern Palace shares, thereby increasing Heriot's effective holding in Safari to 47,1%.

On this date, Heriot once again assessed the level of influence it exercised over Safari and concluded that it had now acquired control of Safari for the following reasons:

- Steven Herring's position as Chairman of both Heriot and Safari;
- An analysis of Safari's historical voting patterns indicated that on 31 March 2023, Heriot's voting percentage exceeded 50% as a result of:
  - Heriot's increased shareholding of Safari through the acquisition of a further 5,9% interest in Safari; and
  - the repurchase and cancellation of the Southern Palace shares, effectively reducing the number of shares issued by Safari and eliminating a significant shareholding block.

For purposes of the consolidation of Safari, the "lag accounting principle" was adopted to accommodate the fact that Safari and Heriot's year ends were not coterminous at the date on which control was assumed. On this basis, Safari was consolidated with effect from 31 March 2023 by applying the lag accounting principle as follows:

- Safari's statement of financial position, as extracted from its year end results at 31 March 2023, was consolidated by Heriot at 30 June 2023; and
- Heriot did not consolidate Safari's comprehensive income for the three months ended 30 June 2023 ("three-month results").

### 2. BUSINESS COMBINATION continued

#### 2.2 Safari business combination continued

The impact of adopting the lag accounting was considered immaterial to Heriot's results for the year ended 30 June 2023. In assessing the materiality of not consolidating Safari's three-month results, the following was considered:

- At the time of producing its results for the year ended 30 June 2023, which were announced on the Stock Exchange News Service on 27 September 2023, Heriot's management did not have access to Safari's three-month results as these had not been released by Safari to investors. The three-month results formed part of Safari's interim results in respect of the six-month period ended 30 September 2023, released by Safari on 16 November 2023. Heriot's management therefore projected Safari's three-month results using Safari's 12-month results to 31 March 2023 and its interim results to 30 September 2022 and assessed the impact of these projected results on Heriot's results for the year ended 30 June 2023;
- The impact on Heriot's distributable income per share, being its main performance metric; and
- The impact on Heriot's net asset value and LTV.

The Board assessed the impact of adopting the lag accounting principle and concluded that Heriot's financial results and main metrics were not materially affected by consolidating Safari's results to 31 March 2023 in Heriot's results to 30 June 2023.

In April 2023, Safari changed its year end from 31 March to 30 June, thereby aligning with Heriot's year end. As a result, Safari's current reporting was for 15 months ended 30 June 2024.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 2. BUSINESS COMBINATION continued

#### 2.2 Safari business combination continued

The assets and liabilities that arose from the acquisition were as follows:

	30 June 2023 R'000
<b>Assets</b>	3 793 341
Investment property at fair value	3 535 800
Investment property – closing carrying value	3 429 996
Straight-line income accrual	105 804
Investment property held for sale	184 900
Property, plant and equipment	603
Investment in associates and joint ventures	1 500
Right-of-use assets	3 997
Derivatives	2 632
Inventories	29 869
Trade and other receivables	23 126
Cash and cash equivalents	10 914
<b>Liabilities</b>	(1 364 272)
Interest-bearing borrowings	(1 313 530)
Deferred tax – net liability	(13 249)
Trade and other payables	(31 969)
Lease liabilities	(5 524)
<b>Fair value of net assets acquired</b>	2 429 069
Non-controlling interest	(1 284 387)
<b>Fair value of Heriot's share of net assets acquired<sup>1</sup></b>	1 144 682
Carrying amount of investment in associate	(680 393)
<b>Bargain purchase gain</b>	464 289

<sup>1</sup> Settled by funds advanced by Nedbank and utilising Heriot's excess cash available.

A bargain gain arose due to the fair value of the assets acquired exceeding the market value of the previously held equity-accounted investment. This gain arose when control was obtained and further highlights Heriot's view of the unrealised value of Safari. The synergies between Heriot and Safari will further enhance revenue growth, future developments and streamline operating costs.

### 2. BUSINESS COMBINATION continued

#### 2.2 Safari business combination continued

	30 June 2023 R'000
<b>Net cash inflow on acquisition</b>	
Cash and cash equivalents acquired	10 914
<b>Included in the consolidated results for the year</b>	
Equity-accounted profits	80 450
Dividends received from previously held equity interest	27 488
<b>Had the business combination been included for the entire year</b>	
Group profit after tax	322 912
Group turnover	456 899

## NOTES TO THE FINANCIAL STATEMENTS continued

### 3. DISTRIBUTABLE INCOME

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:

	Year ended 30 June 2024 R'000	Year ended 30 June 2023 R'000
Contractual rental income and recoveries, excluding straight-line rental income and revenue from sale of inventory	1 349 789	643 022
Property expenses	(499 267)	(202 032)
Other income	20 743	12 467
Administrative expenses and corporate costs	(81 782)	(46 206)
Per statement of comprehensive income	(82 286)	(46 710)
Adjust for: Depreciation charged on owner-occupied property	504	504
Net finance costs	(416 567)	(191 954)
Finance income	15 551	10 747
Finance charges	(432 118)	(202 701)
Income tax	(148)	(3 383)
Net dividend distributed from equity-accounted entities	225	66 015
Thibault distribution declared to Heriot (refer to page 3)	37 203	–
Non-controlling interest	(101 442)	(6 377)
	308 754	271 552
Number of shares in issue at the reporting date <sup>1</sup> (interim)	255 395 858	255 395 858
Number of shares in issue at the reporting date <sup>1</sup> (final)	319 261 982	255 395 858
Total distribution (R'000)	308 754	271 552
Interim distribution	127 371	132 900
Final distribution	181 383	138 652
Total distribution per share (cents)	106,68536	106,32910
Interim distribution	49,87199	52,04000
Final distribution	56,81337	54,28910

<sup>1</sup> Excluding the 900,000 treasury shares in issue (2023: 900,000).

### 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.

	Reviewed Year ended 30 June 2024 %	Audited Year ended 30 June 2023 %
The average capitalisation rate applied was:	8,92	9,10
The rates applied per sector were as follows:		
Retail	8,89	8,99
Industrial	9,39	9,49
Office	9,23	9,43
Specialised	8,50	8,50
Residential	9,00	9,00

## NOTES TO THE FINANCIAL STATEMENTS continued

### 4. INVESTMENT PROPERTY continued

	Reviewed Year ended 30 June 2024 R'000	Audited Year ended 30 June 2023 R'000
<b>Value per sector</b>		
Retail <sup>1</sup>	7 894 850	6 296 600
Industrial	1 837 000	1 777 000
Office	600 200	324 000
Specialised	201 400	194 100
Residential	776 300	266 000
Other	34 000	34 000
	<b>11 343 750</b>	<b>8 891 700</b>

<sup>1</sup> Excludes assets held for sale of R180,1 million (2023: R275,2 million).

### 4. INVESTMENT PROPERTY continued

	Year ended 30 June 2024			
	Heriot R'000	Safari R'000	Thibault R'000	Total R'000
Split between Heriot, Safari and Thibault assets as at the reporting date:				
Retail	2 965 300	3 826 800	1 102 750	7 894 850
Industrial	1 837 000	–	–	1 837 000
Office	248 200	–	352 000	600 200
Specialised	201 400	–	–	201 400
Residential	436 300	–	340 000	776 300
Other	–	34 000	–	34 000
	<b>5 688 200</b>	<b>3 860 800</b>	<b>1 794 750</b>	<b>11 343 750</b>
Split between Heriot and Safari assets as at 30 June 2023:				
Retail	2 794 800	3 501 800	–	6 296 600
Industrial	1 777 000	–	–	1 777 000
Office	324 000	–	–	324 000
Specialised	194 100	–	–	194 100
Residential	266 000	–	–	266 000
Other	–	34 000	–	34 000
	<b>5 355 900</b>	<b>3 535 800</b>	<b>–</b>	<b>8 891 700</b>



## NOTES TO THE FINANCIAL STATEMENTS continued

### 5. SEGMENTAL ANALYSIS

The Group's portfolio is organised into three operating segments, namely sectoral, geographical and Group components. The segments are consistent with the way the Group reports internally and enables management to assess each segment's contribution to the Group. The Group component segment was adopted in the current reporting period, which includes the comparative period disclosure, to accommodate the recent acquisition of significant subsidiaries to the Group. The contribution of each segment to the overall performance of the Group is as follows:

Sectoral	Year ended 30 June 2024						
	Retail R'000	Industrial R'000	Office R'000	Specia- lised R'000	Resi- dential R'000	Other R'000	Total R'000
<b>GLA (m²)</b>	<b>378 073</b>	<b>268 705</b>	<b>30 496</b>	<b>*</b>	<b>27 028</b>	<b>18 665</b>	<b>722 967</b>
Contractual rental income	735 379	166 965	25 756	9 115	46 096	854	984 165
Recoveries	297 354	58 036	7 133	283	2 753	65	365 624
Revenue from sale of inventory	–	–	–	–	19 666	–	19 666
Straight-lining of rental income	24 332	(7 016)	(1 108)	(550)	140	165	15 963
Total revenue	1 057 065	217 985	31 781	8 848	68 655	1 084	1 385 418
Property expenses	(360 725)	(70 773)	(15 712)	(283)	(33 142)	(18 632)	(499 267)
Cost of inventory sold	–	–	–	–	(24 190)	–	(24 190)
Impairment of inventory	–	–	–	–	(957)	–	(957)
Net property income	696 340	147 212	16 069	8 565	10 366	(17 548)	861 004
Other income and equity-accounted profit/(losses)	–	–	–	–	–	21 533	21 533
Loss on sale of assets	–	–	–	–	(236)	–	(236)
Administration expenses	–	–	–	–	–	(82 286)	(82 286)
Net finance charges	–	–	–	–	–	(416 567)	(416 567)
Change in fair value of derivative instrument	–	–	–	–	–	(2 510)	(2 510)
Change in fair value of properties	367 517	109 521	(4 474)	7 850	28 598	(221)	508 791
<b>Net profit before taxation</b>	<b>1 063 857</b>	<b>256 733</b>	<b>11 595</b>	<b>16 415</b>	<b>38 728</b>	<b>(497 599)</b>	<b>889 729</b>
Investment property	7 894 850	1 837 000	600 200	201 400	776 300	34 000	11 343 750
Non-current held for sale	180 100	–	–	–	–	–	180 100
Property under development	–	–	–	–	–	92 525	92 525
Property, plant and equipment	2 644	–	76	–	31 735	22 308	56 763
Trade and other receivables	52 076	11 375	1 132	–	6 973	32 830	104 386
Other assets	–	–	–	–	–	396 254	396 254
<b>Total assets</b>	<b>8 129 670</b>	<b>1 848 375</b>	<b>601 408</b>	<b>201 400</b>	<b>815 008</b>	<b>577 917</b>	<b>12 173 778</b>
Trade and other payables	115 374	16 449	9 592	4 688	12 944	73 714	232 761
Other liabilities	–	–	–	–	–	5 160 440	5 160 440
<b>Total liabilities</b>	<b>115 374</b>	<b>16 449</b>	<b>9 592</b>	<b>4 688</b>	<b>12 944</b>	<b>5 234 154</b>	<b>5 393 201</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.

### 5. SEGMENTAL ANALYSIS continued

Sectoral	Year ended 30 June 2023						
	Retail R'000	Industrial R'000	Office R'000	Specia- lised R'000	Resi- dential R'000	Other R'000	Total R'000
<b>GLA (m²)</b>	<b>313 261</b>	<b>275 020</b>	<b>19 169</b>	<b>*</b>	<b>10 270</b>	<b>18 665</b>	<b>636 385</b>
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	(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	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 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>

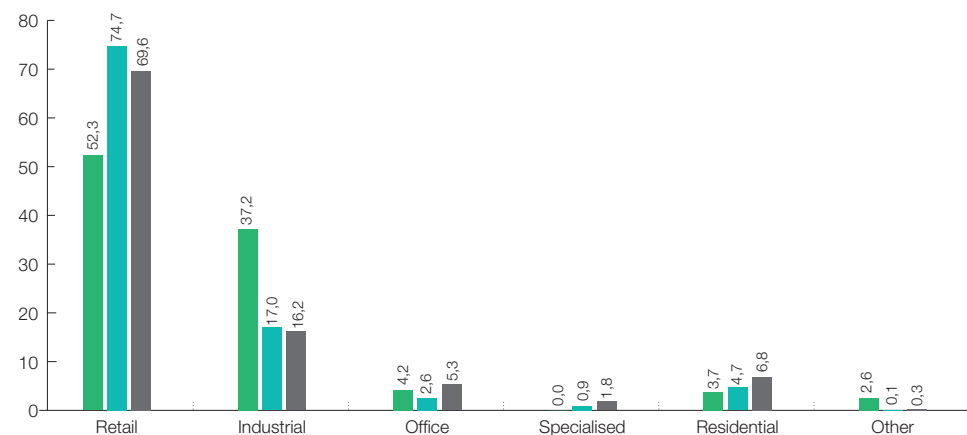
\* The specialised property comprises 8 382ha of industrial farms and the inclusion of this, measured by hectare, in the analysis by GLA would not provide meaningful analysis of the portfolio as a whole.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 5. SEGMENTAL ANALYSIS continued

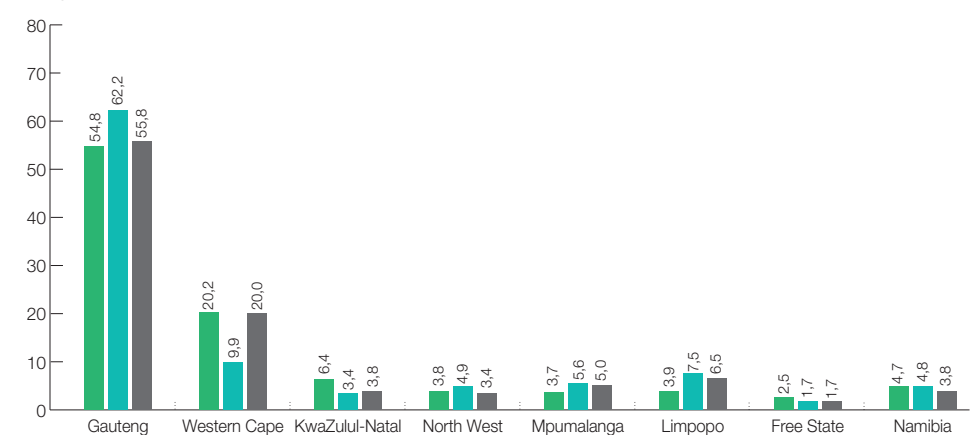
Geographical	Year ended 30 June 2024				Year ended 30 June 2024				Total R'000
	Gauteng R'000	Western Cape R'000	KwaZulu-Natal R'000	North West R'000	Mpumalanga R'000	Limpopo R'000	Free State R'000	Namibia R'000	
<b>GLA (m²)</b>	396 402	146 165	46 050	27 231	26 459	27 889	17 906	34 865	722 967
Investment property	6 299 000	2 231 750	440 200	394 300	577 000	758 000	195 000	448 500	11 343 750
Property under development	–	92 525	–	–	–	–	–	–	92 525
Non-current assets held for sale	180 100	–	–	–	–	–	–	–	180 100
<b>Total property portfolio</b>	<b>6 479 100</b>	<b>2 324 275</b>	<b>440 200</b>	<b>394 300</b>	<b>577 000</b>	<b>758 000</b>	<b>195 000</b>	<b>448 500</b>	<b>11 616 375</b>
Contractual rental income	612 465	97 110	33 248	48 680	54 911	74 056	16 933	46 762	984 165
Recoveries	236 769	38 533	7 301	17 713	17 261	24 510	8 168	15 369	365 624
	849 234	135 643	40 549	66 393	72 172	98 566	25 101	62 131	1 349 789
Geographical	Year ended 30 June 2023				Year ended 30 June 2023				Total R'000
	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	
<b>GLA (m²)</b>	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

**Sectoral (%)**



■ GLA ■ Contractual rental income ■ Value

**Geographical (%)**



■ GLA ■ Contractual rental income ■ Value

## NOTES TO THE FINANCIAL STATEMENTS continued

### 5. SEGMENTAL ANALYSIS continued

Group components	Year ended 30 June 2024			
	Heriot R'000	Safari R'000	Thibault R'000	Group total R'000
<b>GLA (m²)</b>	<b>443 318</b>	<b>192 400</b>	<b>87 249</b>	<b>722 967</b>
Contractual rental income	536 400	447 765	–	984 165
Recoveries	174 787	190 837	–	365 624
Revenue from sale of inventory	–	19 666	–	19 666
Straight-lining of rental income	(5 876)	21 839	–	15 963
Total revenue	705 311	680 107	–	1 385 418
Property expenses	(252 654)	(246 613)	–	(499 267)
Cost of inventory sold	–	(24 190)	–	(24 190)
Impairment of inventory	–	(957)	–	(957)
Net property income	452 657	408 347	–	861 004
Other income and equity-accounted profit/(losses)	13 025	8 508	–	21 533
Loss on sale of assets	(236)	–	–	(236)
Administration expenses	(47 127)	(35 159)	–	(82 286)
Net finance charges	(250 999)	(165 568)	–	(416 567)
Change in fair value of derivative instrument	–	(2 510)	–	(2 510)
Change in fair value of properties	302 816	205 975	–	508 791
<b>Net profit before taxation</b>	<b>470 136</b>	<b>419 593</b>	<b>–</b>	<b>889 729</b>
Investment property	5 688 200	3 860 800	1 794 750	11 343 750
Non-current held for sale	–	180 100	–	180 100
Property under development	92 525	–	–	92 525
Property, plant and equipment	42 686	1 639	12 438	56 763
Trade and other receivables	55 193	35 935	13 258	104 386
Other assets	152 114	28 553	215 587	396 254
<b>Total assets</b>	<b>6 030 718</b>	<b>4 107 027</b>	<b>2 036 033</b>	<b>12 173 778</b>
Trade and other payables	111 925	91 408	29 428	232 761
Other liabilities	2 805 289	1 384 928	970 223	5 160 440
<b>Total liabilities</b>	<b>2 917 214</b>	<b>1 476 336</b>	<b>999 651</b>	<b>5 393 201</b>

### 5. SEGMENTAL ANALYSIS continued

Group components	Year ended 30 June 2023		
	Heriot R'000	Safari R'000	Group total R'000
<b>GLA (m²)</b>	<b>443 412</b>	<b>192 973</b>	<b>636 385</b>
Contractual rental income	501 933	–	501 933
Recoveries	141 089	–	141 089
Straight-lining of rental income	(17 066)	–	(17 066)
Total revenue	625 956	–	625 956
Property expenses	(202 032)	–	(202 032)
Net property income	423 924	–	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	289 306	–	289 306
<b>Net profit before taxation</b>	<b>981 737</b>	<b>–</b>	<b>981 737</b>
Investment property	5 355 900	3 535 800	8 891 700
Non-current held for sale	90 306	184 900	275 206
Property under development	91 345	–	91 345
Property, plant and equipment	30 648	603	31 251
Trade and other receivables	24 122	23 126	47 248
Other assets	111 841	48 912	160 753
<b>Total assets</b>	<b>5 704 162</b>	<b>3 793 341</b>	<b>9 497 503</b>
Trade and other payables	133 449	31 970	165 419
Non-current liabilities held for sale	71 041	–	71 041
Other liabilities	2 624 266	1 332 302	3 956 568
<b>Total liabilities</b>	<b>2 828 756</b>	<b>1 364 272</b>	<b>4 193 028</b>

## NOTES TO THE FINANCIAL STATEMENTS continued

### 6. GOING CONCERN

The directors have satisfied themselves that the group are in a sound financial position with access to sufficient facilities to meet foreseeable cash requirements. As a result of maturing facilities, the Group's current liabilities exceed its current assets. Refinancing discussions with new and current financial institutions are at an advanced state, and the Group's financial performance and position have been taken into consideration. To date, the Group has successfully secured new or renewed facilities with its current lenders. The Group has unutilised debt facilities of R440,503 million, including the additional revolver facility of R100,0 million raised after the reporting date, that can be accessed to meet financial obligations at the date of this report. On this basis, the directors believe that the Group have adequate cash resources to continue operating for the foreseeable future and accordingly, the financial statements have been prepared on a going concern basis.

### 7. CAPITAL COMMITMENTS

At 30 June 2024, the Group's capital commitments of R533,339 million comprise improvements to investment property. Refer to page 9 for the further details.

### 8. SUBSEQUENT EVENTS

The Directors are not aware of any other material reportable events that occurred after the reporting period other than those disclosed on pages 9 and 10.

### 9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

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

Relationships are as follows:

Beneficial ownership	The Gusi Trust – beneficiaries include SB Herring
Majority shareholder	Heriot Investments Proprietary Limited
JCB Herring	Shareholder
Thibault Investments Proprietary Limited (refer to note 2.1)	Subsidiary
14th Avenue Investments Proprietary Limited	Directorship

### 9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS continued

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

	Reviewed Year ended 30 June 2024 R'000	Audited Year ended 30 June 2023 R'000
<b>Amount included in other financial assets</b>		
Heriot Investments Proprietary Limited	66 825	40 309
Loans to participants of employee share scheme	34 265	34 219
RL Herring – Chief executive officer	29 150	29 092
Other employees	5 115	5 127
	101 090	74 528
<b>Amount included in other financial liabilities</b>		
Heriot Investments Proprietary Limited – deferred capital proceeds	–	40 309
<b>Amount included in trade and other receivables</b>		
JCB Herring – shareholder	340	508
<b>Related party transactions</b>		
<b>Interest received</b>		
Heriot Investments Proprietary Limited	5 649	–
The Gusi Trust	–	3 041
Loans to participants of employee share scheme	3 501	2 923
RL Herring	2 977	2 485
Other	524	438
JCB Herring	129	46
	9 279	6 010
<b>Other income (management fees and letting commission)</b>		
14th Avenue Investments Proprietary Limited	2 723	2 645



NOTES TO THE FINANCIAL STATEMENTS continued

Payment of dividend

The Board has approved and notice is hereby given of the final gross dividend of 56,81331 cents per share for the period ended 30 June 2024. The dividend is payable to Heriot's shareholders in accordance with the timetable set out below:

2024	
Declaration date	Monday, 30 September
Finalisation date	Tuesday, 8 October
Last date to trade	
cum dividend	Tuesday, 15 October
Shares trade ex dividend	Wednesday, 16 October
Record date	Friday, 18 October
Payment date	Monday, 21 October

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 October 2024 and Friday, 18 October 2024, both days inclusive. The dividend will be transferred to dematerialised shareholders' CSDP/broker accounts on Monday, 21 October 2024. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about, Monday, 21 October 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 Central Securities Depository Participant ("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 45,45065 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 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:  
319,261,982 (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 shareholder's 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

30 September 2024

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

## ADDITIONAL DISCLOSURES IN TERMS OF SA REIT BPR

The second edition of the SA REIT BPR 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 year ended 30 June 2024 as an annexure to this announcement. Heriot adopted the SA REIT BPR in its 30 June 2023 reporting period.

### 1. PRIOR PERIOD RESTATEMENT

	Restated 30 June 2023 R'000	Reported 30 June 2023 R'000
<b>SA REIT BPR vacancy rate</b>		
In previous reporting periods, Heriot disclosed 100% of the GLA when calculating the Group vacancy rate. Heriot now believes that disclosing the GLA excluding vacant land, property under development and hospitality assets would result in a fairer representation of Group vacancies. The vacancy analysis has been prepared on this basis, including a restatement of the GLAs for the prior reporting periods.		
GLA of property portfolio (m <sup>2</sup> )	605 194	636 385
Total GLA per segmental analysis	636 385	636 385
Vacant land and under development	(18 665)	–
Aparthotel GLA	(12 526)	–
Vacant GLA (m <sup>2</sup> )	15 561	15 561
Vacancy rate (%)	2,6	2,4
<b>SA REIT BPR net asset value</b>		
In previous reporting periods, Heriot deducted the annual distribution declared and omitted to adjust for the fair value of derivative financial instruments when calculating the net asset value per share using the BPR method. Heriot has corrected the previous reporting period net asset value per share calculation and prepared the current periods on the following basis:		
Reported NAV	3 953 591	3 953 591
<i>Adjusted for:</i>		
Dividend to be declared	(138 652)	(271 552)
Fair value of derivative financial instruments	(2 632)	–
Deferred taxation	76 285	76 285
<b>SA REIT BPR NAV</b>	<b>3 888 592</b>	<b>3 758 324</b>
Number of shares in issue	255 395 858	255 395 858
NAV per share (cents)	1 522,57	1 471,57

### 2. SA REIT BPR FUNDS FROM OPERATIONS

	30 June 2024 R'000	30 June 2023 R'000
Profit per IFRS® Accounting Standards statement of comprehensive income attributable to equity holders of the Company	664 734	964 022
<i>Adjusted for:</i>		
<b>Accounting/specific adjustments</b>		
Fair value adjustment to investment properties	(466 198)	(289 306)
Fair value adjustment to investment properties held for sale	(42 593)	–
Straight-line rental income adjustment	(15 963)	17 066
Bargain purchase gain on business combination	–	(464 289)
Depreciation of owner-occupied property	504	504
Loss on sale of assets	236	–
Net impairment losses	957	–
Loss on sale of inventory	4 524	–
Thibault distribution declared to Heriot (refer to page 3)	37 203	–
Deferred taxation movement	20 488	944
Adjustments to dividends from equity interests held	(565)	35 600
<b>Hedging items</b>		
Fair value adjustment to derivative instruments	2 510	–
<b>Other adjustments</b>		
Non-controlling interests in respect of the above adjustments	102 917	7 011
	<b>308 754</b>	<b>271 552</b>
Number of shares in issue at the reporting date <sup>1</sup> (interim)	255 395 858	255 395 858
Number of shares in issue at the reporting date <sup>1</sup> (final)	319 261 982	255 395 858
Interim distribution per share (cents)	49,87199	52,04000
Final distribution per share (cents)	56,81337	54,28910
Total distribution per share (cents)	106,68536	106,32910

<sup>1</sup> Excluding the 900,000 treasury shares in issue (2023:900,000).

## ADDITIONAL DISCLOSURES IN TERMS OF SA REIT BPR continued

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

	30 June 2024 R'000	30 June 2023 R'000
Per IFRS® Accounting Standards income statement		
Property expenses, including municipal expenses and depreciation	499 267	202 032
Administrative expenses and corporate costs	73 669	36 772
Per statement of comprehensive income	82 286	46 710
<i>Adjust for:</i>		
Salary recoveries included in sundry income	(8 112)	(9 434)
Depreciation charged on owner-occupied property	(505)	(504)
<b>Total expenses</b>	<b>572 936</b>	<b>238 804</b>
Contractual rental income and utility and operating recoveries, excluding straight-line rental income	1 349 789	643 022
Cost-to-income ratio (%)	42,45	37,14
Administrative cost-to-income ratio (%)	5,46	5,72

The cost-to-income ratio has been negatively impacted by the inclusion of Safari's statement of comprehensive income for their 15-month results ended 30 June 2024. Safari's cost-to-income ratio is 44% on a stand-alone basis. Heriot's cost-to-income ratio on a stand-alone basis increased to 40,34% mainly as a result of the change in strategy to operate The Heriot and Habitat properties on the aparthotel models.

### 4. SA REIT BPR VACANCY RATE

	30 June 2024 R'000	30 June 2023 R'000
GLA of property portfolio (m²)	683 752	605 194
Total GLA per segmental analysis	722 967	636 385
Vacant land and under development	(18 665)	(18 665)
Aparthotel GLA	(20 550)	(12 526)
Vacant GLA (m²)	21 094	15 561
Vacancy rate (%)	3,1	2,6

The increase is predominantly as a result of the Cleveland distribution centre measuring 8 966m² remaining vacant from 1 March 2024 to the date of this report.

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 aparthotels included in the sector comprise three properties located in the Cape Town CBD with a combined GLA of 20 550m² or 623 units (2023: GLA of 12 526 m² or 366 units).

### 5. SA REIT BPR LOAN-TO-VALUE ("LTV")

	30 June 2024 R'000	30 June 2023 R'000
Interest-bearing liabilities	5 053 340	3 834 048
Less: Cash and cash equivalents	(69 025)	(45 695)
Less: Derivative financial instruments	(163)	(2 632)
<b>Net debt</b>	<b>4 984 152</b>	<b>3 785 721</b>
Investment property	11 343 750	8 891 700
Property under development	92 525	91 345
Non-current assets and liabilities held for sale	180 100	204 165
Owner-occupied property	21 678	22 184
Investment in listed REITs	212 868	–
Investment in associates	–	4 135
<b>Carrying amount of property-related assets</b>	<b>11 850 921</b>	<b>9 213 529</b>
LTV (%)	42,06	41,09

## ADDITIONAL DISCLOSURES IN TERMS OF SA REIT BPR continued

### 6. SA REIT BPR NET ASSET VALUE ("NAV")

	30 June 2024 R'000	30 June 2023 R'000
Reported NAV	5 673 349	3 953 591
<i>Adjusted for:</i>		
Dividend to be declared	(181 383)	(138 652)
Fair value of derivative financial instruments	(163)	(2 632)
Deferred taxation	104 066	76 285
<b>SA REIT BPR NAV</b>	<b>5 595 869</b>	<b>3 888 592</b>
Number of shares in issue	319 261 982	255 395 858
NAV per share (cents)	1 752,75	1 522,57

### 7. SA REIT BPR COST OF DEBT

	30 June 2024 %	30 June 2023 %
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	10,16	8,61
<i>Fixed interest rate borrowings</i>		
Weighted average fixed rate	(0,07)	0,00
Pre-adjusted weighted average cost of debt	10,09	8,61
Amortised transaction costs imputed into the effective interest rate	0,18	0,07
<b>All-in weighted average cost of debt</b>	<b>10,27</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  
(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 (*Chairman*)<sup>1,2</sup>  
RL Herring (*Chief Executive Officer*)  
D Snoyman (*Chief Financial Officer*)  
SJ Blieden<sup>1,3</sup>  
R Lockhart-Ross<sup>1,3</sup>  
A Mazwai<sup>1</sup>

<sup>1</sup> Non-executive

<sup>2</sup> British

<sup>3</sup> Independent

### TRANSFER SECRETARIES

Computershare Investor Services  
Proprietary Limited

### DESIGNATED ADVISOR

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