

## HERIOT REIT LIMITED

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



## SHORT-FORM ANNOUNCEMENT: REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 AND CHANGES TO THE BOARD OF DIRECTORS

### NATURE OF BUSINESS

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 in the current reporting period.

### KEY FINANCIAL HIGHLIGHTS

	Reviewed for the year ended 30 June 2024	Audited for the year ended 30 June 2023	Change %
Distribution per share (cents)	106.69	106.33	(0,3)
Total assets (R'm)	12,173.78	9,497.50	28,2
Net asset value per share (cents)	1,752.75	1,522.57	15,1
Gross revenue (R'm)	1,385.42	625.96	121,3
Net profit after taxation (R'm)	869.09	977.41	(11,1)
Earnings per shares (cents)	259.92	377.46	(31,1)
Headline earnings per shares (cents)	101.03	90.62	11,5

### THIBAULT ACQUISITION

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 "Thibault acquisition").

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.

The new Heriot 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 and Safari, respectively.

### 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.

## 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 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;
- The Thibault acquisition;
- Increased expected credit loss ("ECL") provisions arising from 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 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 for the Group are flat compared to the previous period. Distribution per share of 106,69 cents is 0,3% ahead of the distribution 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 increase in property valuations for the Group in the current reporting period, net property operating income ("**NOI**") and headline earnings grew by 103,1% and 11,5%, respectively. 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. Heriot's asset base grew by 28,0% as a result of the Thibault acquisition.

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 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

## CHANGES TO THE BOARD OF DIRECTORS

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 foundation 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 is committed to maintaining 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 distribution 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 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.

## PAYMENT OF FINAL DIVIDEND

The board has declared a final gross cash dividend of 56.81337 cents per share out of the Company's distributable income for the year ended 30 June 2024.

The dividend is payable to Heriot shareholders in accordance with the timetable set out below:

2024	
Declaration date	Monday, 30 September
Last date to trade <i>cum</i> dividend	Tuesday, 15 October
Shares trade <i>ex</i> 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' Central Securities Depository Participant ("CSDP") or 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 CSDP or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

- a) a declaration that the dividend is exempt from dividends tax; and
- b) 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 cease to be the beneficial owner,

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

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Any distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("**DTA**") between South Africa and the country of residence of the shareholder. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 45,45070 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 cease to be the beneficial owner,

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

Shares in issue at the date of the dividend: 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 where after the cash dividend will be paid via electronic transfer into the personal bank accounts of certificated shareholders.

## REVIEW CONCLUSION

The condensed consolidated financial statements for the year ended 30 June 2024 ("**Condensed Results**") have been reviewed by the Company's auditors, BDO South Africa Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report together with the condensed financial statements identified in the auditor's report is available for inspection at the Company's registered office or can be accessed on the Company's website at : <https://www.heriotreit.com/results-announcements.php>.

## **ABOUT THIS ANNOUNCEMENT**

This short-form announcement is the responsibility of the directors of Heriot and the contents were approved by the board on 30 September 2024. This short-form announcement is a summary of the information contained in the Condensed Results released on SENS on 30 September 2024 and does not include full or complete details. The short-form announcement has not been audited or reviewed by the Company's external auditors.

The Condensed Results are available on the Company's website at [www.heriotreit.com](http://www.heriotreit.com) and can be accessed using the following JSE link: <https://senspdf.jse.co.za/documents/2024/jse/isse/HETE/FY2024.pdf>

The Condensed Results are available for inspection at the registered offices of the Company or its designated advisor, at no charge, during office hours from Monday, 30 September 2024 to Monday, 7 October 2024 or on the Company's website at [www.heriotreit.com](http://www.heriotreit.com). Any investment decision by investors and/or shareholders should be based on the Condensed Results.

By order of the board

Johannesburg  
30 September 2024  
**COMPANY SECRETARY**  
CIS Company Secretaries Proprietary Limited

## **REGISTERED OFFICE**

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PO Box 652737, Benmore, 2010

## **DIRECTORS**

SB Herring (Chairperson)\*, RL Herring (CEO), D Snoyman (CFO), A Mazwai\*, SJ Blieden\*†, R Lockhart-Ross\*†.

\*Non-executive †Independent

## **TRANSFER SECRETARIES**

Computershare Investor Services Proprietary Limited

## **DESIGNATED ADVISOR**

Valeo Capital, Unit 12 Paardevlei Specialist Medical Centre, Paardevlei, Somerset West, 7130