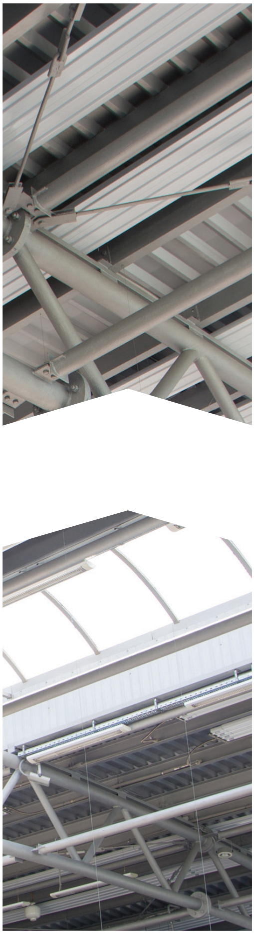
Heriot
REIT *Committed to excellence*



Unaudited condensed consolidated financial statements

for the six months ended
31 December

2020

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)

Company secretary
CIS Company Secretaries
Proprietary Limited
(C Laidlaw)

Registered office
Suite 1, Ground Floor
3 Melrose Boulevard
Melrose Arch
Johannesburg 2196
PO Box 652737
Benmore 2010

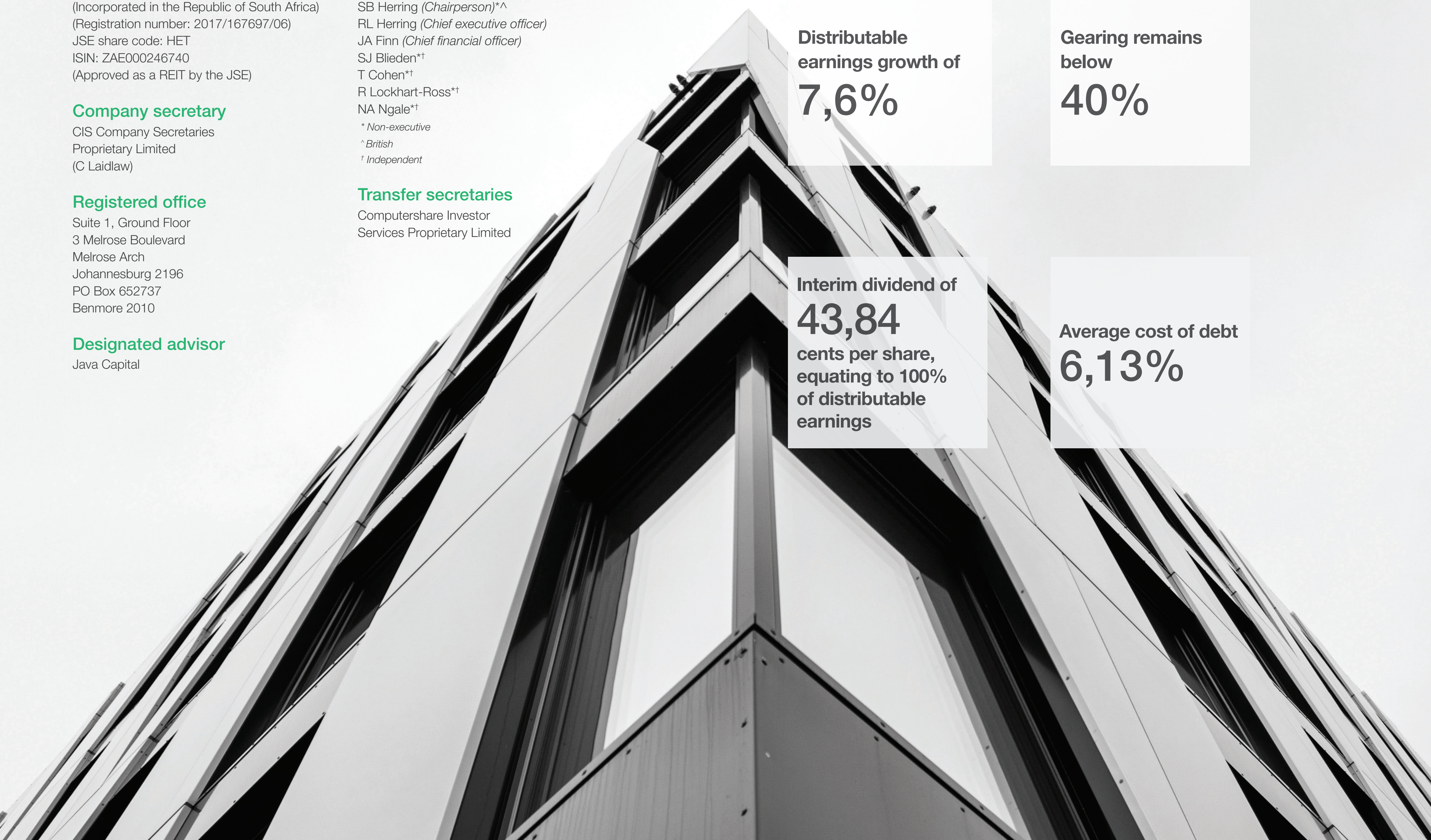
Designated advisor
Java Capital

Directors
SB Herring *(Chairperson)**^
RL Herring *(Chief executive officer)*
JA Finn *(Chief financial officer)*
SJ Blieden*†
T Cohen*†
R Lockhart-Ross*†
NA Ngale*†

* *Non-executive*
^ *British*
† *Independent*

Transfer secretaries
Computershare Investor
Services Proprietary Limited

Highlights



Distributable earnings growth of
7,6%

Gearing remains below
40%

Interim dividend of
43,84
cents per share, equating to 100% of distributable earnings

Average cost of debt
6,13%

Board commentary

Introduction

Heriot, a property holding and investment company listed in the "Diversified REITs" sector on the Alternative Exchange of the JSE Limited ("JSE"), is invested in industrial, retail, office, residential and specialised properties valued at R4,5 billion, situated in areas with high growth potential. The group's primary objective is to develop or acquire yield-enhancing assets within South Africa to create a stable and diverse portfolio of assets for the purpose of generating secure and escalating net rental income streams.

Financial results

Distributable earnings of the group for the six months ended 31 December 2020 (the "reporting period") of R112,0 million, or 43,84 cents per share, are 7,6% ahead of distributable earnings of 40,75 cents per share for the comparable period in 2019. Heriot's solid performance is attributable to the fact that its portfolio is underpinned by a high percentage of national tenants with long-term leases and high trading densities. The group's investment in retail properties in non-metropolitan areas that cater more for daily needs of shoppers, has been relatively resilient to the effects of the global COVID-19 pandemic. Earnings have benefited from the decrease of 300 bps in the repo rate during the 2020 calendar year due to the group's low level of fixed debt. While Heriot's tenancies have remained stable during the reporting period, the tenant in a large single-tenanted industrial property (the "Dawn property"), in which Heriot owns a 50% undivided share, was placed into business rescue resulting in an estimated loss of R10,0 million for the period under review.

At 31 December 2020, Heriot's net asset value per share was R10,96 compared to R11,07 at 31 December 2019. This decrease was largely driven by a decrease of R34,5 million in the fair value of the Dawn property.

The group's effective cash management and resulting strong cash flows have ensured that Heriot has sufficient cash to pay 100% of its distributable earnings for the reporting period as a dividend.

Investment property

Heriot's investment property portfolio comprises 44 properties across all major sectors within South Africa. At the reporting date, the portfolio was externally valued at R4,42 billion.

Over and above Heriot's investment property portfolio, Heriot owns two properties valued at R106,7 million that are under development at the reporting date. These well-located properties are being redeveloped into student accommodation and residential space to enhance their values and to maximise returns on these properties.

Heriot owns the group's head office, comprising 717m² A Grade office space in Melrose Arch. This property has been accounted for as property, plant and equipment in terms of the accounting standard relating to owner occupied property.

Vacancies

Due to the corporate failure of the large industrial tenant in the Dawn property during the period under review, Heriot's vacancy level increased to 7,4% at the reporting date. Excluding Heriot's share of the Dawn vacancy of 24 911m², Heriot's vacancies were 1,6% at 31 December 2020 (30 June 2020: 1,4%).

Trade receivables

COVID-19 relief discounts totalling R12,1 million were granted to tenants on a case-by-case basis with reference to the tenants' ability to trade during the various levels of the lockdown period, of which R11,3 million was provided for in the results for the financial year ended 30 June 2020. In addition, agreements were entered into with tenants in terms of which rentals totalling R1,3 million were deferred to further assist tenants.

After allowing for the rental relief and deferments, receivables have been considered individually for expected credit losses and based on judgement, future expectations and information affecting the debtor, together with historical experience, the expected credit loss has remained unchanged from 30 June 2020.

Funding

Heriot's secured borrowings of R1,828 billion at 31 December 2020 equate to a gearing ratio of 39,8%. The average cost of borrowing was 6,13% for the reporting period (30 June 2020: 8,48%) and at the reporting date, 16,4% of borrowings have been fixed (30 June 2020: 36,7%). During the reporting period, Heriot refinanced facilities totalling R1,09 billion for an average period of 30 months and at an average interest rate of JIBAR plus a margin of 167 bps.

The Group has hedged a portion of its interest rate risk by way of a derivative financial instrument in the form of an interest rate swap for a notional value of R300,0 million at a fixed JIBAR interest rate of 7,68%. The fair value of the swap is obtained from the recognised derivative dealer that values the instrument by discounting future cash flows, while taking into account current market prices and conditions. The swap is classified as level 2 in terms of the fair value hierarchy and expires on 27 November 2021.

Financial assets

Non-current

These comprise loans of R35,0 million to participants of the employee share purchase scheme together with an investment in listed shares valued at R34,1 million. The share scheme loans bear interest at Heriot's average cost of borrowings and the company is entitled to claim repayment of the loans at any time after the expiration of 10 years from the advance date of July 2017. The investment in listed shares comprises 8 550 000 shares in Safari REIT Limited.

Current

This represents a loan to a related party, being a company owned by SB Herring, which loan bears interest at the group's average cost of borrowings and is repayable on demand.

Share capital

There were no changes to the issued share capital during the reporting period. At 31 December 2020, the company had 255 395 858 shares in issue, excluding the 900 000 treasury shares owned by the group.

Prospects

Heriot remains focused on retaining existing tenants and securing new tenants to reduce vacancies in the short term, while continuing to explore opportunities to grow its asset base by way of the acquisition of high-quality properties and through the redevelopment of existing properties.

Despite the difficult economic conditions and the challenges presented by the COVID-19 pandemic, the board remains confident that the resilient nature of Heriot's portfolio, together with the high quality of its tenant base, will deliver growth of 6,0% to 8,0% in the dividend per share for the year ending 30 June 2021.

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

- Forecast property income is based on contractual rental escalations and market-related renewals;
- Adequate allowance has been made for vacancies and rent reversions;
- No further major corporate and tenant failures will occur other than those failures that occurred during the reporting period; and
- Interest rates will remain unchanged.

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

Condensed consolidated statement of financial position

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Assets			
Non-current assets			
Investment property	**4 421 100**	4 747 650	4 417 400
Property under development	**106 677**	–	89 462
Property, plant and equipment	**27 175**	26 046	26 003
Investment in associate	**7 975**	7 236	7 093
Financial assets	**69 108**	35 367	35 359
	4 632 035	4 816 299	4 575 317
Current assets			
Trade and other receivables	**37 851**	32 810	32 738
Financial assets	**48 069**	42 364	45 621
Taxation	**14**	1 117	14
Cash and cash equivalents	**102 811**	21 313	86 258
	188 745	97 604	164 631
Non-current assets held for sale	**6 500**	–	47 500
Total assets	**4 827 280**	4 913 903	4 787 448
Equity and liabilities			
Equity			
Stated capital	**2 548 624**	2 548 624	2 548 624
Retained earnings	**251 095**	481 623	279 300
	2 799 719	3 030 247	2 827 924
Non-controlling interests	**49 238**	53 438	45 144
	2 848 957	3 083 685	2 873 068
Non-current liabilities			
Interest-bearing liabilities	**1 828 312**	631 520	1 634 066
Derivative instrument	**–**	6 123	17 676
Deferred taxation	**63 424**	63 116	63 424
	1 891 736	700 759	1 715 166
Current liabilities			
Interest-bearing liabilities	**–**	1 057 752	132 185
Derivative financial instrument	**12 777**	–	–
Trade and other payables	**73 810**	71 707	67 029
	86 587	1 129 459	199 214
Total equity and liabilities	**4 827 280**	4 913 903	4 787 448
Net asset value per share (cents)	**1 096,23**	1 186,49	1 107,27
Net tangible asset per share (excluding deferred taxation) (cents)	**1 121,06**	1 211,20	1 132,10

Condensed consolidated statement of comprehensive income

	Unaudited six months ended 31 December 2020 R'000	Unaudited six months ended 31 December 2019 R'000	Audited year ended 30 June 2020 R'000
Rental income	**235 783**	264 497	508 088
Contractual rental income and recoveries	**257 733**	265 743	520 931
Straight-line rental income	**(21 950)**	(1 246)	(12 843)
Property expenses	**(74 438)**	(71 671)	(139 416)
Net property income	**161 345**	192 826	368 672
Income from associate	**882**	(191)	266
Other income	**7 645**	5 238	12 955
Administrative expenses and corporate costs	**(20 139)**	(21 853)	(39 172)
Profit from operations	**149 733**	176 020	342 721
Finance income	**5 131**	5 438	10 988
Finance charges	**(59 419)**	(76 123)	(146 283)
Profit before fair value adjustments	**95 445**	105 335	207 426
Fair value adjustments	**(7 774)**	84 877	(117 654)
Investment properties	**(16 864)**	84 696	(106 282)
Financial assets	**4 190**	–	–
Derivative financial instrument	**4 900**	181	(11 372)
Profit before taxation	**87 671**	190 212	89 772
Taxation	**(810)**	(690)	(1 714)
Total comprehensive income for the period	**86 861**	189 522	88 058
Attributable to:			
Equity holders of the company	**82 767**	180 959	82 710
Non-controlling interests	**4 094**	8 563	5 348
	86 861	189 522	88 058
Reconciliation of earnings and headline earnings			
Profit attributable to equity holders of the company	**82 767**	180 959	82 710
Change in fair value of investment properties attributable to shareholders of the company	**16 963**	(78 386)	106 976
Change in fair value of investment properties	**16 864**	(84 696)	106 282
Attributable to non-controlling shareholders	**99**	6 310	694
Headline earnings attributable to equity holders	**99 730**	102 573	189 686
Number of shares in issue at the reporting date*	**255 395 858**	255 395 858	255 395 858
Weighted average number of shares in issue	**255 395 858**	255 395 858	255 395 858
Basic and diluted earnings per share (cents)	**32,41**	70,85	32,39
Basic and diluted headline earnings per share (cents)^	**39,05**	40,16	74,27
Distribution per share (cents)	**43,84**	40,75	84,20

* *Excluding 900 000 treasury shares.*

Condensed consolidated statement of changes in equity

	Unaudited six months ended 31 December 2020 R'000	Unaudited six months ended 31 December 2019 R'000	Audited year ended 30 June 2020 R'000
Balance at the beginning of the period	**2 873 068**	2 999 824	2 999 824
Total comprehensive profit	**86 861**	189 522	88 058
Dividends paid	**(110 972)**	(105 661)	(214 814)
Balance at the end of the period	**2 848 957**	3 083 685	2 873 068

Condensed consolidated statement of cash flows

	Unaudited six months ended 31 December 2020 R'000	Unaudited six months ended 31 December 2019 R'000	Audited year ended 30 June 2020 R'000
Cash generated from operations	**174 321**	182 739	356 052
Net finance charges	**(54 288)**	(70 685)	(135 295)
Taxation paid	**(810)**	(714)	(327)
Cash flows from operating activities	**119 223**	111 340	220 430
Acquisition and development of investment property	**(66 624)**	(77 560)	(86 629)
Proceeds from disposal of investment property	**47 500**	–	–
Acquisition of property, plant and equipment	**(1 841)**	(1 263)	(1 748)
Acquisition of listed shares	**(29 925)**	–	–
Dividends received from associates	**–**	–	600
Loan repaid by related party	**188**	8 041	4 740
Loan advanced to related party	**(2 637)**	(7 087)	(7 043)
Share scheme debt repaid	**1 430**	1 324	2 749
Cash from investing activities	**(51 909)**	(76 545)	(87 331)
Dividend distributions to owners of the company	**(110 972)**	(105 661)	(209 735)
Dividends paid to non-controlling shareholders	**(1 850)**	–	(5 808)
Interest-bearing borrowings raised	**62 061**	64 540	141 063
Net cash generated from financing activities	**(50 761)**	(41 121)	(74 480)
Net movement in cash and cash equivalents	**16 553**	(6 326)	58 619
Cash and cash equivalents at the beginning of the period	**86 258**	27 639	27 639
Cash and cash equivalents at the end of the period	**102 811**	21 313	86 258

Notes to the financial statements

1. Basis of preparation

The preparation of the group's interim results for the six months ended 31 December 2020 was the responsibility of the chief financial officer, JA Finn CA(SA). The results have not been audited or reviewed by the group's auditor, BDO South Africa Incorporated. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards, IAS 34 *Interim Financial Reporting,* the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa, 71 of 2008. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements, and are consistent with those used in the audited annual financial statements for the year ended 30 June 2020.

The directors are not aware of any matters or circumstances arising subsequent to 31 December 2020 that require any additional disclosure or adjustment to the financial statements. The directors further take full responsibility for the preparation of these unaudited condensed consolidated financial statements.

The second edition of the SA REIT Association's best practice recommendations ("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 with the new BPR being effective for our financial year ending 30 June 2021, we have included these metrics in the results for the six months ended 31 December 2020 (refer to page 16).

2. Non-IFRS measure – distributable earnings

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

	Six months ended 31 December 2020 R'000	Six months ended 31 December 2019 R'000	Year ended 30 June 2020 R'000
Contractual rental income and recoveries, excluding straight-line rental income	**257 733**	265 743	520 931
Property expenses	**(74 438)**	(71 671)	(139 416)
Other income	**7 645**	5 238	12 955
Administrative expenses and corporate costs	**(19 887)**	(21 603)	(38 671)
Per statement of comprehensive income	**(20 139)**	(21 853)	(39 172)
Adjusted for: Depreciation charged on owner occupied property	**252**	250	501
Net finance costs	**(54 288)**	(70 685)	(135 295)
Finance income	**5 131**	5 438	10 988
Finance charges	**(59 419)**	(76 123)	(146 283)
Income tax	**(810)**	(690)	(1 406)
Dividend received from equity-accounted entities	**–**	–	600
Non-controlling interest	**(3 994)**	(2 253)	(4 653)
	111 961	104 079	215 045
Number of shares in issue at the reporting date*	**255 395 858**	255 395 858	255 395 858
Distribution per share (cents)	**43,84**	40,75	84,20

* *Excluding the 900 000 treasury shares in issue.*

Notes to the financial statements continued

3. Segmental analysis

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

Six months ended 31 December 2020	Retail R'000	Industrial R'000	Office R'000	Special-ised R'000	Residen-tial R'000	Other R'000	Total R'000
GLA (m^2)	119 379	271 534	24 864	*	9 825	8 222	433 824
Rent	106 675	66 281	21 105	3 738	7 260	–	205 059
Recoveries and other income	27 905	18 950	4 695	144	980	–	52 674
Straight-lining of rental income	(3 469)	(17 898)	(441)	(142)	–	–	(21 950)
Property expenses	(41 999)	(20 624)	(6 492)	(47)	(5 276)	–	(74 438)
Net property income	89 112	46 709	18 867	3 693	2 964	–	161 345
Other income	–	–	–	–	–	8 527	8 527
Administration expenses	–	–	–	–	–	(20 139)	(20 139)
Net finance charges	–	–	–	–	–	(54 288)	(54 288)
Change in fair value	11 853	(20 815)	(8 329)	2 242	(1 815)	9 090	(7 774)
Net profit before taxation	100 965	25 894	10 538	5 935	1 149	(56 810)	87 671
Investment property	2 248 600	1 491 500	406 300	104 700	170 000	–	4 421 100
Non-current assets held for sale	–	6 500	–	–	–	–	6 500
Property under development		–	–	–	–	106 677	106 677
Property, plant and equipment	4	–	437	–	2 539	24 195	27 175
Trade and other receivables	12 292	5 166	1 741	–	2 157	16 495	37 851
Other assets	–	–	–	–	–	227 977	227 977
Total assets	2 260 896	1 503 166	408 478	104 700	174 696	375 344	4 827 280
Trade and other payables	40 333	8 371	2 835	1 166	3 445	17 659	73 810
Other liabilities	–	–	–	–	–	1 904 513	1 904 513
Total liabilities	40 333	8 371	2 835	1 166	3 445	1 922 172	1 978 323

* *The specialised property comprises 8 382ha^2 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.*

3. Segmental analysis continued

Six months ended 31 December 2019	Retail R'000	Industrial R'000	Office R'000	Special-ised R'000	Residen-tial R'000	Other R'000	Total R'000
GLA (m^2)	124 911	282 039	19 918	*	9 825	–	436 693
Rent	105 554	76 310	17 712	3 575	9 049	–	212 200
Recoveries and other income	28 462	18 963	5 435	–	683	–	53 543
Straight-lining of rental income	(5 955)	5 349	16	(656)	–	–	(1 246)
Property expenses	(40 274)	(20 584)	(6 278)	(213)	(4 322)	–	(71 671)
Net property income	87 787	80 038	16 885	2 706	5 410	–	192 826
Other income	–	–	–	–	–	5 047	5 047
Administration expenses	–	–	–	–	–	(21 853)	(21 853)
Net finance charges	–	–	–	–	–	(70 685)	(70 685)
Change in fair value	56 246	15 517	14 973	2 306	(4 346)	181	84 877
Net profit before taxation	144 033	95 555	31 858	5 012	1 064	(87 310)	190 212
Investment property	2 398 100	1 661 400	397 850	100 300	190 000	–	4 747 650
Non-current assets held for sale	–	–	–	–	–	–	–
Property under development	–	–	–	–	–	–	–
Property, plant and equipment	5	–	221	–	905	24 915	26 046
Trade and other receivables	6 269	3 105	1 378	–	292	21 766	32 810
Other assets	–	–	–	–	–	107 397	107 397
Total assets	2 404 374	1 664 505	399 449	100 300	191 197	154 078	4 913 903
Trade and other payables	40 225	8 486	1 465	–	3 687	17 844	71 707
Other liabilities	–	–	–	–	–	1 758 514	1 758 514
Total liabilities	40 225	8 486	1 465	–	3 687	1 776 358	1 830 221

* *The specialised property comprises 8 382ha^2 of industrial farms and the inclusion of this, measured by hectare in the analysis by GLA, would not provide meaningful analysis of the portfolio as a whole.*

Notes to the financial statements continued

3. Segmental analysis continued

Six months ended 30 June 2020	Retail R'000	Industrial R'000	Office R'000	Specialised R'000	Residential R'000	Other R'000	Total R'000
GLA (m²)	119 379	282 039	19 918	*	9 825	5 532	436 693
Rent	198 687	149 758	37 176	7 221	18 362	3 380	414 584
Recoveries and other income	57 653	34 542	10 790	–	1 394	1 968	106 347
Straight-lining of rental income	(7 758)	(6 626)	1 304	(204)	441	–	(12 843)
Property expenses	(77 782)	(36 372)	(14 683)	(248)	(8 146)	(2 185)	(139 416)
Net property income	170 800	141 302	34 587	6 769	12 051	3 163	368 672
Other income	–	–	–	–	–	13 221	13 221
Administration expenses	–	–	–	–	–	(39 172)	(39 172)
Net finance charges	–	–	–	–	–	(135 295)	(135 295)
Change in fair value	(24 626)	(51 113)	(10 963)	4 154	(23 734)	(11 372)	(117 654)
Net profit before taxation	146 174	90 189	23 624	10 923	(11 683)	(169 455)	89 772
Investment property	2 234 500	1 535 800	373 200	102 600	171 300	–	4 417 400
Non-current assets held for sale	–	47 500	–	–	–	–	47 500
Property under development	–	–	–	–	–	89 462	89 462
Property, plant and equipment	4	–	178	–	1 252	24 569	26 003
Trade and other receivables	10 279	6 689	636	–	1 877	13 257	32 738
Other assets	–	–	–	–	–	174 345	174 345
Total assets	2 244 783	1 589 989	374 014	102 600	174 429	301 633	4 787 448
Trade and other payables	31 768	7 801	2 992	3 705	5 606	15 157	67 029
Other liabilities	–	–	–	–	–	1 847 351	1 847 351
Total liabilities	31 768	7 801	2 992	3 705	5 606	1 862 508	1 914 380

* *The specialised property comprises 8 382ha² 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.*

4. Prior period restatement

In previous reporting periods, Heriot disclosed 100% of the GLA but Heriot's 50% interest in the value of those properties in which Heriot owns an undivided 50% share. Heriot now believes that disclosing 50% of the GLA and 50% of the value of the co-owned properties would result in a fairer representation of Heriot's ownership of these assets. The segmental analysis has been prepared on this basis, including a restatement of the GLAs for the prior reporting periods.

The amendment to disclosure results in adjustments as follows:

	At 31 December 2019		At 30 June 2020	
	Restated m²	Reported m²	Restated m²	Reported m²
Retail	124 911	137 345	119 379	131 813
Industrial	282 039	328 149	282 039	328 149
Office	19 918	25 895	19 918	25 613
Specialised	*	*	*	*
Residential	9 825	9 825	9 825	9 825
Other	–	–	5 532	5 532
	436 693	501 214	436 693	500 932
Vacancy (%)	0,6	0,6	1,4	1,3

* *The specialised property comprises 8 382ha² 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. Net asset value ("NAV")

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Net asset value ("NAV") per share			
Total assets	**4 827 280**	4 913 903	4 787 448
Total liabilities, including deferred taxation	**(2 027 561)**	(1 883 659)	(1 959 524)
Net asset value	**2 799 719**	3 030 244	2 827 924
Deferred taxation	**63 424**	63 116	63 424
Net tangible assets	**2 863 143**	3 093 360	2 891 348
Number of shares in issue	**255 395 858**	255 395 858	255 395 858
NAV per share (cents)	**1 096,23**	1 186,49	1 107,27
Tangible NAV per share (cents)	**1 121,06**	1 211,20	1 132,10

Notes to the financial statements continued

6. Investment property

The properties were valued by Peter Parfitt of Quadrant Properties Proprietary Limited who is a registered valuer in terms of Section 19 of the Property Valuers Professional Act (Act No 47 of 2000). The properties were valued using the discounted cash flow method which method values the properties by discounting the cash flows of future income streams of the properties, taking into account expected rental and expense growth rates, vacancies and costs not recoverable from tenants. The discounted cash flow valuations are tested for reasonableness by benchmarking against recent comparable sales activity and available market surveys and comparing the discounted cash flow values to the capitalised cash flow values. The capitalised cash flow values are calculated by applying appropriate capitalisation rates to the future earnings potential of the properties. The capitalisation rates are dependent on a number of factors such as location, the condition of the property, lease covenants and current market conditions.

The fair value of investment properties would be affected by:

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

	Six months ended 31 December 2020	Six months ended 31 December 2019	Year ended 30 June 2020
The average capitalisation rate applied was:	**9,18**	8,71	9,18
The rates applied per sector were as follows:			
Retail	**9,05**	8,60	9,05
Industrial	**9,64**	9,14	9,62
Office	**9,46**	9,00	9,46
Specialised	**8,63**	8,25	8,63
Residential	**10,00**	9,50	10,00

7. Loan to value ("LTV")

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Total secured debt			
Interest-bearing liabilities	**1 828 312**	1 689 275	1 766 251
Property-related assets			
Investment property	**4 421 100**	4 747 650	4 417 400
Property under development	**106 677**	–	89 462
Non-current assets held for sale	**6 500**	–	47 500
Owner occupied property	**23 442**	23 947	23 695
Financial assets – shares in listed REIT	**34 115**	–	–
Carrying amount of property-related assets	**4 591 834**	4 771 597	4 578 057
LTV (%)	**39,8**	35,4	38,6

Interim dividend

The board has approved and notice is hereby given of the final gross dividend of 43,84000 cents per share for the six months ended 30 December 2020. The dividend is payable to Heriot's shareholders in accordance with the timetable set out below:

	2021
Last date to trade *cum* dividend	Tuesday, 9 March
Shares trade *ex* dividend	Wednesday, 10 March
Record date	Friday, 12 March
Payment date	Monday, 15 March

Share certificates may not be dematerialised or rematerialised between Wednesday, 10 March 2021 and Friday, 12 March 2021, both days inclusive. The dividend will be transferred to dematerialised shareholders' Central Securities Depository Participant ("CSDP")/broker accounts on Monday, 15 March 2021. Certificated shareholders' dividend payments will be posted or paid to certificated shareholders' bank accounts on or about, Monday, 15 March 2021.

In accordance with Heriot's status as a REIT, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, 58 of 1962 ("Income Tax Act"). The dividend on the shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. This dividend is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that such shareholders provide the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

a) 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 ceases to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service.

Shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted.

Interim dividend continued

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 35,07200 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 the CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner ceases to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service.

Non-resident shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted.

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

Heriot's income tax reference number: 9541295185.

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

Additional disclosures in terms of SA REIT best practice recommendations ("SA REIT BPR")

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
1. SA REIT BPR funds from operations			
Profit per IFRS statement of comprehensive income attributable to equity holders of the company	**82 767**	180 959	82 710
Adjusted for:			
Accounting/specific adjustments			
Fair value adjustment to investment properties	**16 864**	(84 696)	106 282
Straight-line rental income adjustment	**21 950**	1 246	12 843
Fair value adjustment to financial assets	**(4 190)**	–	–
Depreciation of owner occupied property	**252**	250	501
Deferred taxation movement	**–**	–	308
Adjustments to dividends from equity interests held	**(882)**	191	334
Hedging items			
Fair value adjustment to derivative instruments	**(4 900)**	(181)	11 372
Other adjustments			
Non-controlling interests in respect of the above adjustments	**100**	6 310	694
	111 961	104 079	215 044
Number of shares in issue at the reporting date*	**255 395 858**	255 395 858	255 395 858
Distribution per share (cents)	**43,84**	40,75	84,20

** Excluding the 900 000 treasury shares in issue.*

Additional disclosures in terms of SA REIT BPR continued

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
2. SA REIT BPR cost to income ratio			
Per IFRS statement of comprehensive income			
Property expenses including municipal expenses and depreciation	**74 438**	71 671	139 416
Administrative expenses and corporate costs	**19 887**	21 603	38 671
Per statement of comprehensive income	**20 139**	21 853	39 172
Adjust for: Depreciation charged on owner occupied property	**(252)**	(250)	(501)
Total cost to income ratio (%)	**94 325**	93 274	178 087
Contractual rental income and utility and operating recoveries, excluding straight-line rental income	**257 733**	265 743	520 931
Total cost to income ratio (%)	**36,6**	35,10	34,19
Administrative cost to income ratio (%)	**7,8**	8,22	7,52
3. SA REIT BPR vacancy rate			
GLA of property portfolio (m²)	**433 824**	436 693	436 693
Vacant GLA (m²)	**32 023**	2 783	6 331
Vacancy rate (%)	**7,4**	0,6	1,4
4. SA REIT BPR LTV			
Interest-bearing liabilities	**1 828 312**	1 689 275	1 766 251
Less: Cash and cash equivalents	**(102 811)**	(21 313)	(86 258)
Add: Derivative financial instruments	**12 777**	6 123	17 676
Net debt	**1 738 278**	1 674 085	1 697 669
Investment property	**4 421 100**	4 747 650	4 417 400
Property under development	**106 677**	–	89 462
Non-current assets held for sale	**6 500**	–	47 500
Owner occupied property	**23 442**	23 947	23 695
Financial assets – shares in listed REIT	**34 115**	–	–
Carrying amount of property-related assets	**4 591 834**	4 771 597	4 578 057
LTV (%)	**37,86**	35,08	37,08

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
5. SA REIT BPR net asset value			
Reported NAV per note 6 to the financial statements	**2 799 719**	3 030 244	2 827 924
Adjusted for:			
Dividend to be declared	**(111 961)**	(104 079)	(215 045)
Fair value of derivative financial instruments	**12 777**	6 123	17 676
Deferred taxation	**63 424**	63 116	63 424
SA REIT BPR NAV	**2 763 959**	2 995 404	2 693 979
Number of shares in issue	**255 395 858**	255 395 858	255 395 858
NAV per share (cents)	**1 082,23**	1 172,85	1 054,82

	Unaudited 31 December 2020 %
6. SA REIT BPR cost of debt	
Variable interest rate borrowings	
Floating reference rate plus weighted average margin	**4,83**
Fixed interest rate borrowings	
Weighted average fixed rate	**1,30**
Preadjusted weighted average cost of debt	**6,13**
Amortised transaction costs imputed into the effective interest rate	**0,11**
All-in weighted average cost of debt	**6,24**

By order of the board

23 February 2021

purple.frog

Heriot

REIT

Committed to excellence

www.heriotreit.com