



Heriot

REIT

Committed to excellence

Integrated Report 2024

for the year ended 30 June

CONTENTS

ABOUT THIS REPORT	3	CORPORATE GOVERNANCE	42	SHAREHOLDER INFORMATION	141
GROUP OVERVIEW	5	Governance framework	43	Shareholders' analysis	142
Who we are	6	Directorate	44	Notice of the annual general meeting	143
Group structure	7	Report of the Remuneration and Nomination Committee	51	Form of proxy	147
Performance overview	8	Report of the Investment Committee	53	Notes to the form of proxy	148
Portfolio review	9	Report of the Social And Ethics Committee	54	Application form for electronic participation at the annual general meeting	149
Geographical profile	9	King IV™	55	Glossary	150
Sectoral profile	9	FINANCIAL STATEMENTS	58	Corporate information	151
Segmental group	10	Directors' responsibility and approval	59	Shareholders' diary	151
Tenant analysis profile	15	Chief Executive Officer's and Chief Financial Officer's responsibility statement	60		
Portfolio overview	17	Group Company Secretary's certificate	60		
VALUE CREATION	18	Report of the Audit and Risk Committee	61		
Chairman's and Chief Executive Officer's report	19	Directors' report	62		
Materiality	24	Independent auditor's report	67		
How our strategy supports value creation	27	Statements of financial position	70		
Our business model	29	Statements of profit or loss and other comprehensive income	71		
Stakeholder engagement	31	Statements of cash flows	72		
Risk management	32	Statements of changes in equity	73		
SUSTAINABILITY REVIEW	34	Notes to the annual financial statements	74		
Environmental stewardship	36	Annexure 1: Additional disclosures in terms of SA REIT	138		
Our employees	38	Best Practice Recommendations			
Our local communities	40				

All signatures have been removed to protect the security and privacy of the signatories.

About This REPORT

Welcome to Heriot REIT Limited's ("Heriot" or "the Company") 2024 integrated report. This report offers a comprehensive view of Heriot's financial and operational results with a focus on core assets and property fundamentals, governance insights, purpose and sustainability. It enables stakeholders to assess the value created over the past year and Heriot and its subsidiaries' ("the Group") future potential.

REPORT OBJECTIVE AND SCOPE

Our integrated report is our primary communication and is chiefly aimed at shareholders, but also provides insights for a broader stakeholder audience. It covers risks, opportunities and outcomes influenced by internal and external factors from 1 July 2023 to 30 June 2024, including material events up to Board approval 31 October 2024. The report outlines our business strategy, activities and efforts to preserve long-term value, highlighting both value creation and erosion.

	Page
Leadership report	19
Material matters	24
Business strategy	27
Business model	29
Stakeholder engagement	31
Corporate governance	42
Remuneration report	51
Annual financial statements	58

ASSURANCE AND REPORTING FRAMEWORKS

In preparing this report, we adhered to the King IV Report on Corporate Governance for South Africa, 2016™ ("King IV™")¹. The financial statements have been audited by BDO South Africa Incorporated ("BDO"), with their report available on **pages 67 to 69**. The financial information in the consolidated annual financial statements, found on **pages 70 to 137**, complies with IFRS® Accounting Standards, the JSE Limited ("JSE") Listings Requirements and the Companies Act of South Africa ("Companies Act"), as amended.

This report is aligned with relevant reporting standards, frameworks, regulations and best practice guidelines:

- IFRS® Accounting Standards;
- JSE Listings Requirements;
- King IV™;
- Companies Act; and
- The voluntary JSE Sustainability and Climate Change Disclosure Guidance ("JSE Sustainability Disclosure Guidance").

¹ Copyright and trademarks are owned by the Institute of Directors South Africa NPC and all of its rights are reserved.

MATERIALITY

Heriot adheres to materiality principles in this report, focusing on risks, opportunities and challenges impacting stakeholder value. Our materiality process assesses the dual impact of financial performance and environmental, social and governance ("ESG") practices, considering their effects on the Group, stakeholders and the environment.

Executive management, with Board approval, ensures alignment with our strategic objectives and sustainability goals across all time horizons, providing stakeholders with relevant insights into Heriot's performance and outlook.

For more details, refer to our material matters on **pages 24 and 26**.

TIME HORIZONS

For purposes of this report, the following time frames were agreed to by our Board:

Short term	Less than one year
Medium term	One to three years
Long term	Three to 10 years

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements about Heriot's future performance and potential. While these statements are based on our assessments and expectations at the time of preparation, various risks, uncertainties and significant factors could lead to outcomes differing from our forecasts. Incorrect assumptions could negatively impact our business and financial performance. Forward-looking statements inherently involve known and unknown risks and uncertainties, which may result in materially different outcomes for Heriot and the industry. These statements are valid only as of their issuance date and Heriot is not required to update them except as legally required. Additionally, forward-looking statements in this report have not been reviewed or audited by the Company's auditor.

BOARD APPROVAL AND RESPONSIBILITY STATEMENT

Heriot has implemented a strong assurance model to ensure the accuracy and reliability of all disclosed information, overseen by the Board and the Audit and Risk Committee. The Board confirms that this report complies with the International Integrated Reporting Framework, maintains integrity and covers all key matters. It accurately reflects the Group's performance and strategic direction.

Prepared under senior management's supervision and reviewed by the Audit and Risk Committee, the report was recommended to the Board and unanimously approved for publication. The Board authorised its release on 31 October 2024.

Steven Herring
Chairman

Richard Herring
Chief Executive Officer ("CEO")

31 October 2024

REQUEST FOR FEEDBACK

We welcome your feedback on the content and presentation of this report as it will help improve the quality and relevance of future reports. Please share any comments or requests for copies with Daniel Snoyman, Chief Financial Officer (“CFO”), at dsnoyman@heriot.co.za.

NAVIGATING OUR REPORT

This integrated report is designed for a seamless digital experience with a landscape layout optimised for readability on screens and tablets. The digital navigation feature allows you to easily move between sections and topics.

Interactive pdf

-  Home/Contents
-  Back
-  Forward
-  Return to previous view

Strategic pillars

-  Delivering stakeholder value
-  Diversified portfolio
-  Enhanced return on assets
-  Optimised balance sheet

Capitals

-  Financial capital
-  Manufactured capital
-  Intellectual capital
-  Human capital
-  Social and relationship capital
-  Natural capital

Material themes

-  Uncertain macroeconomic environment
-  Uncertain property fundamentals
-  Group structure and portfolio mix changes
-  Load shedding, municipal infrastructure deterioration and poor service delivery
-  Enhance sustainability

The background of the entire page is an abstract composition of various geometric shapes, including rectangles, squares, and circles, in shades of red, orange, yellow, and black. These shapes are layered and overlap, creating a complex, architectural feel. Thin black lines crisscross the entire page, some forming a grid and others being more random. There are also small black dots scattered throughout. The overall effect is that of a technical drawing or a modernist artwork.

Group **OVERVIEW**

Who we are 6
Group structure 7
Performance overview 8
Portfolio review 9
Geographical profile 9
Sectoral profile 9
Segmental group 10
Tenant analysis profile 15
Portfolio overview 17

Who WE ARE

Heriot is a property holding and investment company that is listed in the “Diversified REITs” sector on the Alternative Exchange of the JSE. The Group is primarily invested in retail and industrial properties situated in areas with high growth potential and have a strategic interest of 59,2% in Safari Investments RSA Limited (“Safari”). Pursuant to its investment strategy, Heriot acquired Thibault REIT Limited (“Thibault”) in the current reporting period.

OUR PURPOSE

We transform lives by creating opportunities that deliver sustainable stakeholder value.

OUR PRIMARY OBJECTIVE

The Group aims to acquire and develop yield-enhancing assets in South Africa, creating a stable, diverse portfolio with secure and growing rental income. By acquiring high-quality properties, redeveloping existing assets and disposing of non-core holdings, we ensure our portfolio remains robust and resilient to market pressures, positioning us for long-term success.

OUR VALUES

Integrity

Upholding honesty, transparency and ethical behaviour in all interactions and decisions.

Excellence

Striving for the highest standards of quality, performance and continuous improvement.

Tenant-centricity

Putting tenants' needs and satisfaction at the forefront of all operations.

Collaboration

Fostering teamwork, open communication and co-operation to achieve common goals.

Accountability

Taking responsibility for actions, outcomes and commitments made.

WHAT WE DO

We grow and streamline our asset base by acquiring premium properties, redeveloping existing ones and divesting assets marked as non-core.

1.

Acquire

We acquire quality assets with secure cash flows and low vacancies by evaluating opportunities and investing in real estate with the potential for sustainable value.

2.

Development

We redevelop properties to amplify their value and enhance the tenant and customer experience.

3.

Let and manage

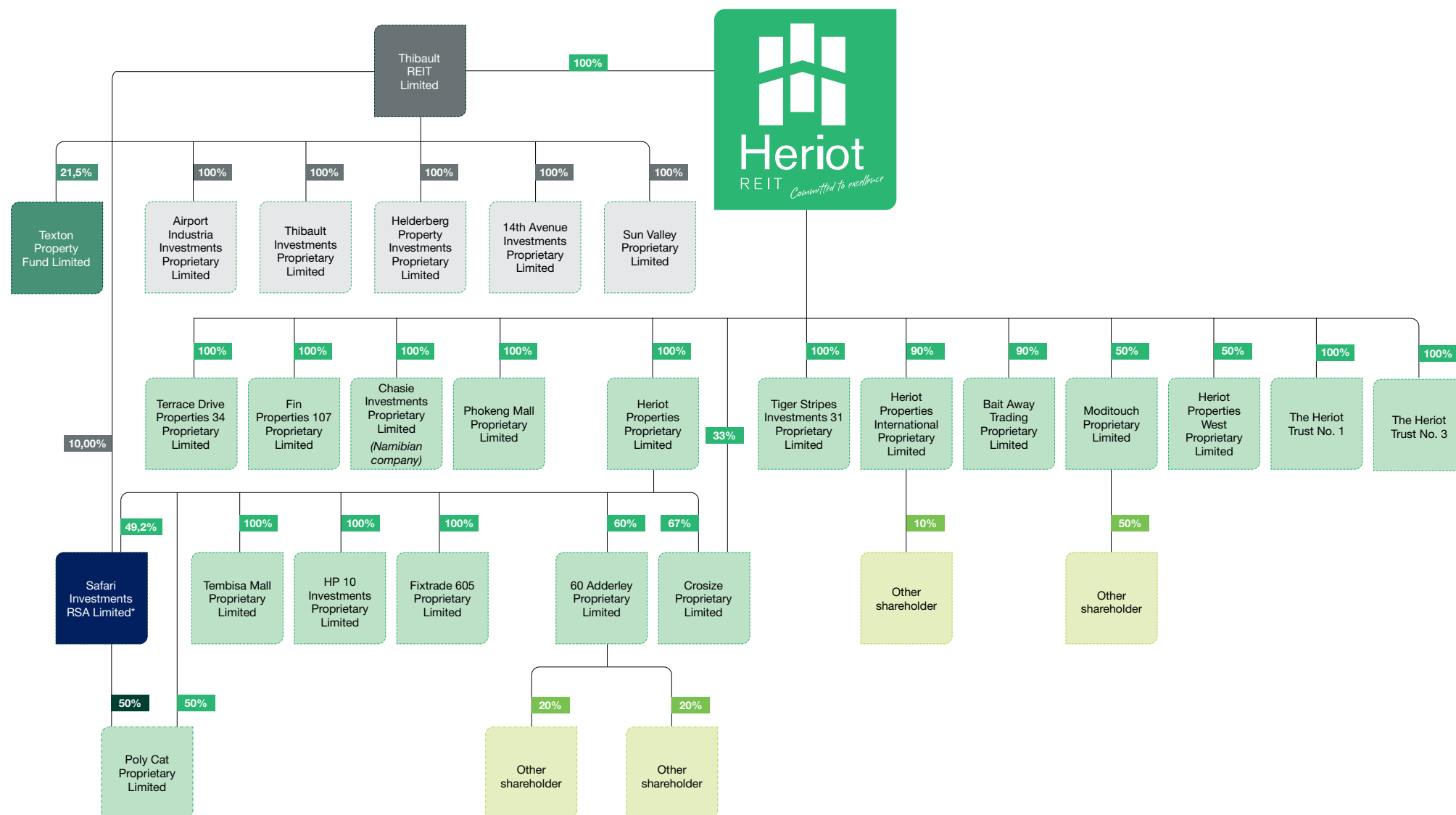
We attract quality tenants by providing well-maintained buildings and offering a satisfactory customer service.

4.

Recycle

We sell non-core properties and reinvest the capital into opportunities with greater potential for value creation and debt reduction.

Group STRUCTURE



* The Group's shareholding in Safari is 59,2% as at 30 June 2024.

Performance OVERVIEW

Delivering value is at the core of our efforts, ensuring we fulfil our purpose and meet stakeholder expectations.



Financial capital

- Investment properties valued at R11,616 billion (2023: R9,258 billion)
- Net operating income ("NOI") growth of 103,1%¹ (2023: 13,8%)
- Gearing ratio of 42,06% (2023: 41,09%)
- Average cost of debt: 10,27% (2023: 8,68%)
- Distributable earnings growth of 13,7% (2023: 4,2%)
- Distributable income payout ratio: 100% (2023: 100%)
- 15,1% growth in net asset value per share to R17,53 (2023: R15,23)
- Dividend per share: 106,69 cents (2023: 106,33 cents)



Manufactured capital

- 53 investment properties (2023: 48)
- 722 967m² GLA² (2023: 636 435m²)
- Portfolio vacancy of 3,1% (2023: 2,4%)



Human capital

- R443 846 spent on skills development and training (2023: R402 500)



Natural capital

- Total energy savings of 19 133kWh (2023: 4 793kWh)
- Solar photovoltaic installations at 13 properties (2023: five properties)



Social and relationship capital

- Corporate social investment ("CSI") projects:
 - Hygiene project
 - Youth employment project
 - Borehole community initiative

¹ Current year includes 15 months of Safari's NOI to 30 June 2024. Heriot obtained control of Safari on 31 March 2023 and consolidated its assets and liabilities at 31 March 2023 in its results to 30 June 2023. In terms of Heriot's adoption of the lag accounting principle, it did not include Safari's NOI for the three months ended 30 June 2023. Refer to **note 41.1** to the financial statements for further information.

² GLA: Gross lettable area.

KEY FOCUS AREAS IN 2024

To ensure long-term sustainability, our leadership team focused on enhancing property fundamentals to future-proof the business:

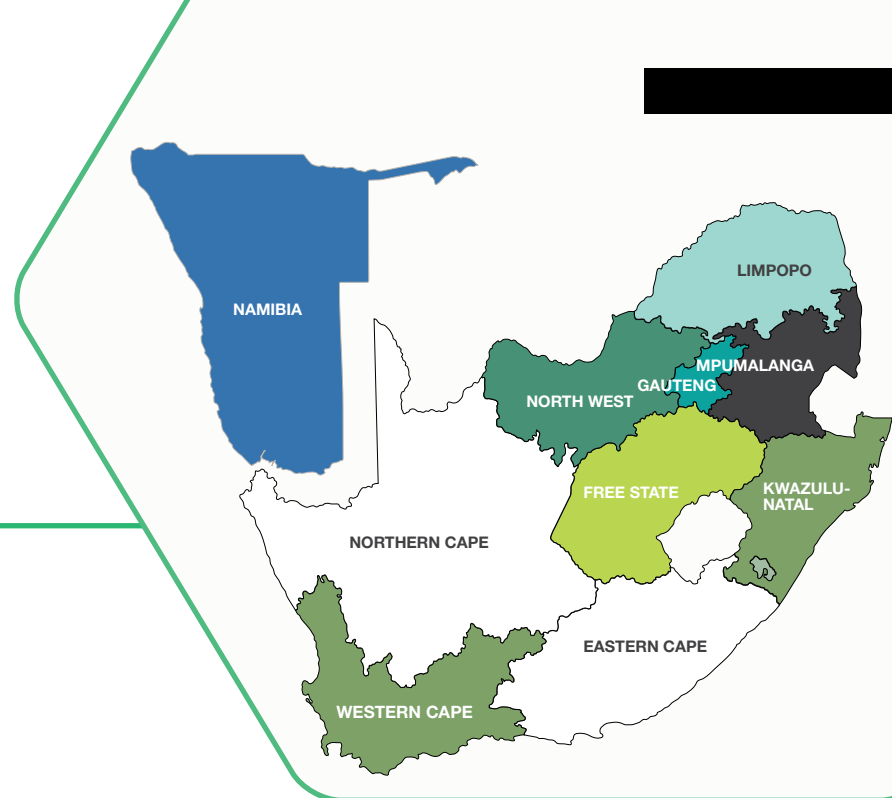
	Page
Acquisition of Thibault	20
Investment in Safari	21 and 63
Investment property	21 to 32
Integrating sustainability	23
Maintaining an ethical culture	38
Ethical corporate governance	38



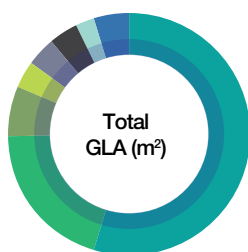
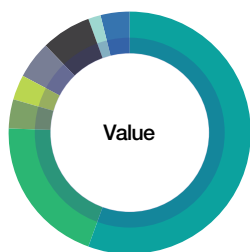
Portfolio REVIEW

Heriot invests in a diverse range of property sectors across South Africa and Namibia, focusing mainly on emerging market retail and industrial properties. These sectors have continued to perform well during challenging times. Our specialised property includes 8 382ha of paper plantation farms, which are analysed separately due to their unique scale compared to GLA.

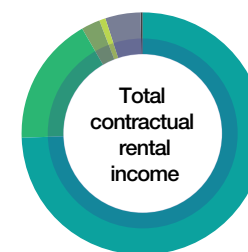
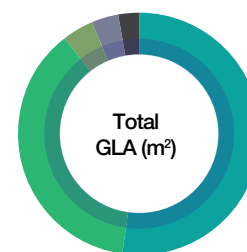
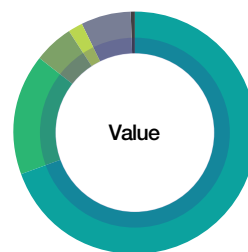
The specialised property comprises 8 382ha of paper plantation farms and the inclusion of this, measured by hectare, in the analysis by GLA would not provide meaningful analysis of the portfolio as a whole.



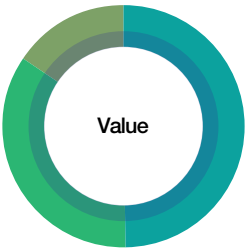
GEOGRAPHICAL PROFILE



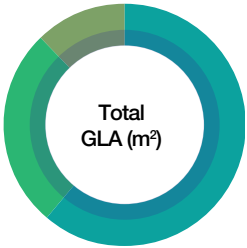
SECTORAL PROFILE



SEGMENTAL GROUP



■ 49,8% Heriot
■ 34,7% Safari
■ 15,5% Thibault



■ 61,3% Heriot
■ 26,6% Safari
■ 12,1% Thibault



■ 54,5% Heriot
■ 45,5% Safari*
■ - Thibault**

* Heriot obtained control of Safari on 31 March 2023 and applied the lag accounting principle which resulted in no income statement movements being included in the 2023 financial year. In the current reporting period, Safari changed its year end to June resulting in a 15-month reporting period which has been included in the Group results for the year ended 30 June 2024.

** Thibault was acquired on 28 June 2024 and on this basis no income statement movements were included in the Group results for the year ended 30 June 2024.

AVERAGE ANNUALISED PROPERTY PORTFOLIO YIELD OF

8,1%
(2023: 8,4%)

Property	Address	GLA m ²	Average rent per m ² over 12 months Rand	Weighted average lease escalation % [^]	Weighted average lease expiry (years) [^]	Vacancy m ²
RETAIL						
Tsakane*	Modjadji and Mandela Streets, Tsakane, Brakpan, Gauteng	19 834	172,5	6,4	4,2	74
Tembisa	Cnr Andrew Mapheto Drive and Isimuku Road, Tembisa, Gauteng	26 402	235,6	6,2	2,0	244
Phokeng Mall	Sun City Main Road, Phokeng, North West	17 145	164,8	6,9	1,7	–
Shoprite Fish Hoek	54 Main Road, Fish Hoek, Western Cape	3 497	163,0	7,1	4,6	–
Shoprite Sea Point	Main Road, The Towers, Sea Point, Cape Town, Western Cape	2 636	212,0	6,1	9,8	–
Score Supermarket Itsoseng	President Mangope Drive, Itsoseng, North West	1 519	90,5	6,0	3,5	–
Siyabuswa Mall	Bongimfundo Street, Siyabuswa, Mpumalanga	26 459	170,4	7,3	3,0	258
Burgersfort Mall	Cnr Dirk Winterbach Road and Mpumula Street, Burgersfort, Limpopo	15 248	217,3	6,5	2,8	–
Shoprite Athlone	Cnr Birchwood and Cornhill Streets, Athlone, Western Cape	3 832	129,5	6,6	1,4	–
Shoprite Kempton Park	Cnr West Street and Oak Avenue, Kempton Park, Johannesburg, Gauteng	6 855	61,1	6,4	1,3	–
Shoprite Emmarentia	Barry Hertzog Avenue, Emmarentia, Johannesburg, Gauteng	3 840	123,3	6,0	1,3	–
Shoprite Rustenburg	10 Kroep Street, Ou Dorp, Rustenburg, North West	8 567	127,7	5,6	6,3	600
Atlyn – Atteridgeville	Cnr Phudufufu and Khoza Streets, Atteridgeville, Gauteng	31 325	174,0	6,0	1,7	141
Denlyn – Mamelodi	Cnr Stormvoël and Maphalla Roads, Mamelodi, Gauteng	34 839	214,0	5,7	3,4	105
Victorian Village – Heidelberg	Cnr Voortrekker and Jordaan Streets, Heidelberg, Gauteng	11 961	131,0	5,4	4,4	–
Thornhill – Polokwane	Cnr Veldspaat Street and Munnik Avenue, Polokwane, Limpopo	12 641	132,0	5,5	1,8	1 513
Platz am Meer – Swakopmund, Namibia	Cnr Albatros and Tsavorite Streets, Swakopmund, Namibia	21 365	107,0	1,1	2,4	1 290
Thabong – Sebokeng	Moshoeshoe Street, Sebokeng, Gauteng	34 319	169,0	6,3	4,8	1 371
Nkomo Village – Atteridgeville	49 Tlou Street, Atteridgeville, Gauteng	22 719	170,0	6,3	6,1	46
Soweto Day Hospital**	14475, Isixyabesha Street, Extension 6, Protea Glen, Gauteng	1 379	34,8	6,0	4,7	–
Mnandi – Atteridgeville**	Maunde Street, Atteridgeville, Gauteng	8 717	167,0	6,6	9,1	–
14th Avenue Mall	William Nicol Drive North and Constantia Drive, Roodepoort, Gauteng	25 550	144,6	5,3	7,0	–
Sun Valley Mall	Cnr Noordhoek Main Road and Buller Louw Boulevard, Noordhoek, Western Cape	16 138	167,8	6,2	7,3	–
Helderberg Mall	De Beers Avenue and Forsyth Road, Somerset West, Cape Town, Western Cape	21 285	99,0	4,4	10,2	–
Total retail		378 073	164,4	5,8	4,3	5 641

[^] Calculated based on GLA.

* Heriot owns a 50% undivided share in the property. The table above reflects 50% of the property's GLA.

** Properties held for sale.

Safari assets.

Thibault assets.

Property	Address	GLA m ²	Average rent per m ² over 12 months Rand	Weighted average lease escalation % ^	Weighted average lease expiry (years)^	Vacancy m ²
INDUSTRIAL						
Cleveland	11 Cleveland Road, Cleveland Ext 5, Johannesburg, Gauteng	8 966	22,7	–	–	8 966
Hermans (Super Group) Midrand	875 and 876 Freight Road, Louwlandia, Centurion, Gauteng	3 069	187,8	8,0	1,4	–
Denver	65 Mimetes Avenue, Denver, Johannesburg, Gauteng	35 115	49,2	7,0	3,0	–
Mpact Pinetown	17 Oppenheimer Street, Pinetown, KwaZulu-Natal	23 867	48,9	6,0	4,0	–
Mpact Epping	Lossack Street, Epping Extension 2, Cape Town, Western Cape	28 894	48,6	7,0	0,5	–
Mpact Kuilsriver	40 Fabriek Street, Kuilsriver, Western Cape	20 409	38,7	7,0	4,7	–
Mpact Brakpan	1 Molecule Road, Vulcania, Brakpan, Gauteng	24 936	24,7	8,0	2,3	–
Wadeville	Cnr Dekema and Lantern Roads, Wadeville, Johannesburg, Gauteng	24 910	46,1	6,0	2,6	–
Jupiter Park*	Cnr Barlow Road and Cavaleros Drive, Jupiter, Elandsfontein, Gauteng	24 911	42,6	3,9	4,1	3 434
ABB Alrode	4 and 6 Clarke Street, Alrode, Johannesburg, Gauteng	17 452	54,2	7,3	1,3	–
Metro Devland	Cnr East Street and Piston Road, Soweto, Devland, Johannesburg, Gauteng	6 635	62,3	8,0	4,9	–
Metro Hyper Windhoek	Erf 1211, Klein Kuppe, Windhoek, Namibia	13 500	83,7	6,3	2,6	–
Bloemfontein	19 Hoof Laan, Estoire, Bloemfontein, Free State	17 906	78,8	7,5	4,0	–
Mount Edgecombe	27 Siphosethu Road, Mount Edgecombe, Durban, KwaZulu-Natal	18 135	72,7	6,0	1,3	–
Total industrial		268 705	51,8	6,4	2,8	12 400

^ Calculated based on GLA.

* Heriot owns a 50% undivided share in the property. The table above reflects 50% of the property's GLA.

Property	Address	GLA m ²	Average rent per m ² over 12 months Rand	Weighted average lease escalation % [^]	Weighted average lease expiry (years) [^]	Vacancy m ²
OFFICE						
Super Group	27 Impala Road, Chiselhurst, Sandton, Gauteng	3 702	204,8	6,0	4,2	–
Melrose Arch – Unit 9a	Unit 9a, 1st Floor, 3 Melrose Boulevard, Melrose Arch, Johannesburg, Gauteng	309	298,1	5,0	1,2	–
Melrose Arch 4th Floor	4th Floor, 3 Melrose Boulevard, Melrose Arch, Johannesburg, Gauteng	3 094	158,6	5,0	1,1	899
Wynberg Mews	1 Brodie Road, Wynberg, Cape Town, Western Cape	7 139	112,8	5,4	1,2	304
One Thibault – office*	17 Hans Strijdom Avenue, Cape Town, Western Cape	16 252	208,1	3,4	1,4	1 204
Total office		30 496	181,3	4,2	1,6	2 407
SPECIALISED – PAPER PLANTATIONS						
Lions Glen/Ihlati/Geluk/Gemsbokfontein**	Lions Glen – North West Ihlati – Holkrans, KwaZulu-Natal Geluk – Mpumalanga Gemsbokfontein – Limpopo	**	77,9	6,0	8,8	–
Hinze**	Farm Vlakplaats 201, KwaZulu-Natal	**	176,5	6,0	1,0	–
Newbrough Grange**	Keerom 1190, KwaZulu-Natal	**	98,1	8,8	1,8	–
Bushmans Bend**	Portion 1 of Bushmans Bend 433, Mpumalanga	**	87,3	7,2	1,5	–
Total specialised			90,6	6,4	7,6	–

[^] Calculated based on GLA.

* One Thibault Square is a 29-floor mixed-use development located in Cape Town's CBD. The property comprises commercial and residential spaces. The property has a total GLA of 28 406m², of which 4 923m² of residential space has been disposed of under sectional title. The remaining building's GLA is split between office and residential components measuring 16 252m² and 8 024m², respectively.

** The specialised property comprises 8 382ha of paper plantation 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.

Thibault asset.

Property	Address	GLA m ²	Average rent per m ² over 12 months Rand	Weighted average lease escalation % [^]	Weighted average lease expiry (years) [^]	Vacancy m ²
RESIDENTIAL						
The Heriot*	2 Adderley Street, Cape Town, Western Cape	7 580	300,7	–	–	–
132 Adderley*	132 Adderley Street, Cape Town, Western Cape	4 946	240,5	–	–	–
One Thibault – Hotel*	17 Hans Strijdom Avenue, Cape Town, Western Cape	8 024	363,5	–	–	–
Fixtrade – Newcastle townhouses	Corner Lynnwood and Rodericks Roads, Lynnwood, Pretoria, Gauteng	4 048	39,4	–	–	550
Linksview	13 Corlett Drive, Illovo, Johannesburg, Gauteng	2 430	131,6	0,7	0,4	95
Total residential		27 028	254,0	0,2	0,1	645
Investment property excluding vacant land		704 302	125,6	5,8	3,5	21 093
OTHER – UNDEVELOPED LAND						
Lynnwood		13 133	–	–	–	–
Total investment property		717 435	125,6	5,8	3,5	21 093
PROPERTY UNDER DEVELOPMENT						
Mowbray	Cnr Main Road and Rhodes Avenue, Rosebank, Mowbray, Western Cape	5 532	–	–	–	–
Total property under development		5 532	–	–	–	–
Total investment property and property under development		722 967	125,6	5,8	3,5	21 093

[^] Calculated based on GLA.

* The aparthotel sector comprises three properties located in the Cape Town CBD with a combined GLA of 20 550m² or 623 units. These assets are included in the residential sector for segmental reporting purposes. Seasonal trends dictate the occupancy levels for the sector. Hospitality asset preferred metrics to report on are average daily rates and occupancies. 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.

 Safari asset.

 Thibault asset.

TENANT ANALYSIS PROFILE

Tenant profile	Based on rental %	Based on rental GLA (m ²)* %	Based on GLA (ha)* %
A	80,1	77,6	100,0
B	7,9	9,3	–
C	12,0	10,0	–
Vacant	–	3,1	–
Total	100,0	100,0	100,0

Heriot's policy is to grade tenants on the following basis:

A = National and provincial government, large metro municipalities, national retailers and large blue-chip companies.

B = Medium companies and franchisees.

C = Other small tenants. These comprise approximately 325 tenants.

WEIGHTED AVERAGE LEASE EXPIRY (YEARS)

Sector	GLA (m ²)* number of years	GLA (ha)* number of years	Gross rental number of years
Industrial	2,75	–	2,83
Retail	4,26	–	3,70
Office	1,64	–	1,80
Specialised	–	7,59	7,01
Residential	0,14	–	0,26
Total	3,51	7,59	3,44

WEIGHTED AVERAGE LEASE ESCALATION

Sector	Based on GLA (m ²)* %	Based on GLA (ha)* %
Retail	5,8	–
Office	4,2	–
Industrial	6,4	–
Residential	0,2	–
Specialised	–	6,4
Weighted average/total	5,8	6,4

LEASE EXPIRY PROFILE

Total portfolio	Total GLA (ha)* %	Total GLA (m ²)* %	Total gross rental %
Vacant	–	3,1	–
Monthly	–	2,8	2,7
2025	10,1	15,3	16,9
2026	19,3	14,0	19,9
2027	–	24,1	19,1
2028	–	14,2	15,2
2029	–	11,4	11,3
+ June 2030	70,6	15,1	14,9
Total	100,0	100,0	100,0

Industrial	Total GLA (m ²)* %	Total gross rental %
Vacant	4,6	–
Monthly	–	–
2025	15,6	15,4
2026	9,5	15,5
2027	39,1	35,7
2028	15,5	19,0
2029	10,1	9,4
+ June 2030	5,6	5,0
Total	100,0	100,0

* The analysis by GLA is split between paper plantation farms of 8 382ha and the rest of the portfolio. Given the nature of paper plantation farms and measurement of land area by hectare, inclusion thereof in the analysis by GLA of the rest of the portfolio would not be a meaningful analysis of the portfolio as a whole. All paper plantation farms are fully let by A-classified tenants and categorised as specialised.

Retail***	Total GLA (m ²)* %	Total gross rental %
Vacant	1,5	–
Monthly	3,8	3,2
2025	13,0	15,2
2026	17,3	21,3
2027	15,0	15,7
2028	13,9	15,4
2029	12,1	11,6
+ June 2030	23,4	17,6
Total	100,0	100,0

Office**	Total GLA (m ²)* %	Total gross rental %
Vacant	7,7	–
Monthly	1,7	0,7
2025	39,5	39,7
2026	16,0	16,9
2027	10,3	19,8
2028	8,4	6,5
2029	16,4	16,0
+ June 2030	–	0,4
Total	100,0	100,0

Specialised	Total GLA (m ²)* %	Total gross rental %
Vacant	–	–
Monthly	–	–
2025	10,1	17,6
2026	19,3	19,6
2027	–	–
2028	–	–
2029	–	–
+ June 2030	70,6	62,8
Total	100,0	100,0

Residential****	Total GLA (m ²)* %	Total gross rental %
Vacant	10,0	–
Monthly	63,0	49,8
2025	27,0	50,2
2026	–	–
2027	–	–
2028	–	–
2029	–	–
+ June 2030	–	–
Total	100,0	100,0

* The analysis by GLA is split between paper plantation farms of 8 382ha and the rest of the portfolio. Given the nature of paper plantation farms and measurement of land area by hectare, inclusion thereof in the analysis by GLA of the rest of the portfolio would not be a meaningful analysis of the portfolio as a whole. All paper plantation farms are fully let by A-classified tenants and categorised as specialised.

** Absa occupies 820m² located at 132 Adderley Street. The lease has been included as part of the office sector for lease expiry calculation purposes.

*** Dis-Chem occupies 827m² at The Heriot located at 2 Adderley Street. The lease has been included as part of the retail sector for lease expiry calculation purposes.

**** The aparthotel sector comprises three properties located in the Cape Town CBD with a combined GLA of 20 550m² or 623 units. These assets are included in the residential sector for segmental reporting purposes but excluded from the above analysis as the preferred metrics to report on are average daily rates and occupancies.

PORTFOLIO OVERVIEW

Sector	Retail	Industrial	Office	Specialised*	Residential**	Other – vacant land	Property under development	Total
GLA m ²	378 073	268 705	30 496	*	27 028	13 133	5 532	722 967
Vacancy m ²	5 641	12 400	2 407	–	645	–	–	21 093
Vacancy (%)***	1,5	4,6	7,9	–	2,4	–	–	2,9
Average rental per m ² (R)	164,4	51,8	181,3	90,6	254,0	–	–	125,58
Weighted average lease escalation (GLA) (%)	5,8	6,4	4,2	6,4	0,2	–	–	5,8
Weighted average lease expiry (GLA) – years	4,3	2,8	1,6	7,6	0,1	–	–	3,5
Value (R'000)	8 074 950	1 837 000	600 200	201 400	776 300	34 000	92 525	11 616 375

* The specialised property comprises 8 382ha of paper plantation farms and the inclusion of this in the analysis by m² would not provide meaningful analysis of the portfolio as a whole. Further rental rates are quoted per hectare.

** The aparthotel sector comprises three properties located in the Cape Town CBD with a combined GLA of 20 550m² or 623 units. These assets are included in the residential sector for segmental reporting purposes. Seasonal trends dictate the occupancy levels for the sector. Hospitality asset preferred metrics to report on are average daily rates and occupancies. 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.

*** Vacancy excluding the aparthotels (20 552m²), vacant land (13 133m²) and property under development (5 332 m²) is 3,1%.



Value **CREATION**

Chairman's and Chief Executive Officer's report 19

Materiality 24

How our strategy supports value creation 27

Our business model 29

Stakeholder engagement 31

Risk management 32

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S *Report*

Dear Stakeholders,
In 2024, Heriot faced significant challenges, including volatile local and international markets, high interest rates, inflation and slow economic growth.



Steven Herring

Richard Herring

Despite these obstacles, the Group reported a solid set of results which is a testament to the strength of its management team, investment strategy and portfolio which is underpinned by blue-chip national tenants across its diversified fund. Our strategic approach to investing in assets with high growth potential that support long-term growth is reflected in the strong financial performance of the Group for the year that ended 30 June 2024. The Group achieved exceptional NOI growth of 103,1% (2023: 13,8%) and 15,1% (2023: 22,0%) growth in the net asset value per share.

We focused on expanding in key growth sectors, in particular, rural retail, industrial and hospitality, while strategic moves, such as increasing our stake in Safari and acquiring Thibault, further strengthened our asset base. However, the fund's performance was negatively impacted by elevated interest rates, increased credit loss provisions and the underperformance of the aparthotels thereby limiting growth and prompting strategic operational shifts.

The portfolio, particularly our retail and industrial properties, remained resilient, despite ongoing economic constraints. We continue to demonstrate our commitment to long-term growth by increasing NOI and distributions to shareholders.

FINANCIAL RESULTS

Distributable earnings of the Group for the year ended 30 June 2024 of R308,754 million are 13,7% ahead of distributable earnings of R271,552 million in 2023. The increase is mainly due to the inclusion of Thibault's R37,2 million dividend declared to Heriot as a

OUR DISTRIBUTABLE EARNINGS OF R308,754 MILLION WERE

13,7%

AHEAD OF DISTRIBUTABLE
EARNINGS OF R271,552 MILLION
IN 2023.

non-IFRS® Accounting Standards adjustment in the Group's distributable earnings to 30 June 2024. Excluding this dividend from Thibault, the Group's earnings remained stable which is reflective of the consistent core performance of the Group's property portfolio. 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. The Group's strong cash management and robust cash flows have enabled it to declare a final dividend of 56,81 cents per share for the six months ended 30 June 2024, reflecting the payment of 100% of distributable earnings. Maintaining a 100% payout ratio affirms the Group's commitment to maintaining reliable and sustainable dividend payments to shareholders. Distribution per share continues to be the primary performance indicator.

Heriot obtained control of Safari on 31 March 2023 and consolidated its assets and liabilities at 31 March 2023 in its results to 30 June 2023. In terms of Heriot's adoption of the lag accounting principle, it did not include Safari's three-month results 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, 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 were reduced by 31,1% predominantly due to the prior year's 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.

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT continued

Excluding Safari, NOI grew by 4,7% led by the robust performance of the retail and industrial assets. An expected credit loss provision of R7,5 million was 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.

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, which 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 was recognised through the statement of changes in equity on the Thibault acquisition as this was a transaction under common control. (Refer to **page 130** for further details on the gain.)

Heriot's operational performance, excluding Safari and Thibault

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 expected credit loss 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 065m².

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%.

ACQUISITION OF 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 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.

OUR NET ASSET VALUE PER SHARE INCREASED BY

15,1%

FROM R15,23 AT 30 JUNE 2023
TO R17,53 AT 30 JUNE 2024

OUR SHAREHOLDING IN SAFARI INCREASED FROM 46,5% TO

59,2%

PROPERTIES ACROSS ALL MAJOR SECTORS WITHIN
SOUTH AFRICA

53

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT continued

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.

A summary of the Thibault portfolio is as follows:

One Thibault Square

One Thibault Square is a landmark 29-floor mixed-use development located in Cape Town's CBD. The property comprises commercial and residential spaces. The property boasts a total GLA of 28 406m², of which 4 923m² of residential space has been disposed of under sectional title. The property was valued at R692 million at 30 June 2024 (2023: R663 million).

Helderberg Centre

Helderberg Centre, a well-located retail mall in Somerset West, provides an array of retail offerings to the community. The shopping centre, anchored by one of the largest Checkers Hypermarket's in the Boland and a three-storey Stor-Age facility, was valued at R292,750 million at 30 June 2024 (2023: R264 million). In April 2024, the property measuring 21 285m² commenced with a 2 500m² extension at a projected cost of R121 million which includes the installation of a 1MWp solar plant. The project is expected to be completed by 30 November 2024 and yield approximately 12,5%.

14th Avenue District Shopping Centre

The 14th Avenue District Shopping Centre is located in Roodepoort on the West Rand. The centre is anchored by a Checkers Hyper, which recently renewed its lease for 10 years. The property measuring 25 550m² was valued at R484 million at 30 June 2024 (2023: R475 million).

Sun Valley Mall

The Sun Valley Mall is located in Noordhoek in the Western Cape. Anchored by a Checkers Hyper, the mall has a total GLA of 16 138m² and was valued at R326 million at 30 June 2024 (2023: R310 million).

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.

Safari faced a challenging year due to high interest rates, inflation and subdued South African and Namibian economies, resulting in a 6% decrease in its dividend to 61,0 cents per share for the year ended 31 March 2024. 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 increased the total distribution to 78,0 cents for the 15-month financial year ended 30 June 2024. Notable financial metrics for Safari include 7% growth in NOI, a loan-to-value ("LTV") of 33%, an interest cover ratio ("ICR") of 2,21 and low vacancies of 2,49%, with an average debt cost of 10,35%. Safari has also implemented a more efficient insurance structure and completed a refurbishment of the Denlyn Shopping Centre at a cost of R27,5 million.

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. 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 946m² 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 966m².

The vacancy table below excludes the following GLA:

- The specialised property comprising 8 382ha of paper plantations;
- Hospitality assets, measuring 20 550m², as the preferred metrics to report on are average daily rates and occupancies; and
- Vacant land measuring 18 665m².

Group vacancies: 30 June 2023 to 30 June 2024

	At 30 June 2024			At 30 June 2023		
	Total m ²	vacant m ²	%	Total m ²	vacant m ²	Total
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 GLA of 20 550m² 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 1% or R50,0 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.

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.

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. Refer to **page 100** for further details.

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.

INTEGRATING SUSTAINABILITY

As a responsible corporate citizen, we are committed to mitigating ESG risks and reducing our environmental footprint through a comprehensive ESG plan. In response to power constraints, unreliable infrastructure and climate change, we have invested in renewable energy and water harvesting systems.

To date, the Heriot Group has installed solar plants at most of its major retail centres with a combined 19 133kWh of installed capacity. The Heriot Group plans to increase the current solar roll-out rate by 377MWp by the end of 2025.

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

Our focus extends to improving a community's quality of life through sustainable projects and local employment opportunities.

For more on our sustainability efforts, refer to **pages 35 to 37**.

APPROACH TO GOVERNANCE AND ETHICS

Our approach to corporate governance and leadership is central to our value creation, with sound practices embedded in our values, culture and processes to enhance risk management and compliance. The Board demonstrates ethical conduct and promotes transparency and corporate citizenship.

This year, the Board and Executive Committee ("Exco") worked closely to achieve our mandate and safeguard stakeholder value, maintaining strong, trust-based relationships. While the Board focuses on capital allocation and strategy, the management team focuses on execution, providing updates to the Board at the quarterly meetings. Overall, the Board provided valuable input and its performance was satisfactory, contributing to the value creation achieved during the period.

For further details on governance, refer to **pages 43 to 50**.

OUTLOOK*

Our results for the reporting period demonstrate the resilience of the Group's 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.

We will continue to explore strategic opportunities that will extract value from our existing portfolio while continuing to grow our asset base through the acquisition of high-yielding properties in our 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.*

WITH SINCERE GRATITUDE

We extend our heartfelt thanks to the Board, executive team and employees for their dedication and hard work throughout the year. Their commitment has been instrumental in achieving our exceptional results.

The Board would like to thank Nelson Ngale and Janys Finn for their tireless and dedicated contribution to Heriot as Non-executive Directors of the Company and wish them well in their future endeavours. The Board welcomes Andile Mazwai and Greg Heron and looks forward to their contributions to the Company.

We also deeply appreciate the unwavering support of our bankers, shareholders and business partners, whose trust and collaboration have been vital to our success. Additionally, we recognise the crucial role of our tenants, whose partnership and loyalty have been fundamental to our continued growth and resilience. Together, these efforts have positioned us well for long-term success, enabling us to navigate challenges and seize new opportunities effectively.

Steven Herring
Chairman

31 October 2024

Richard Herring
Chief Executive Officer

MATERIALITY

DETERMINATION PROCESS

We employ a detailed process to identify and evaluate key matters by rigorously assessing potential risks and opportunities. These insights are then integrated into our strategic development to enhance the effectiveness of our business model.

We adopt a double materiality approach, which prioritises issues based on their impact on enterprise value and broader societal, community and environmental factors.

Review	Our Exco thoroughly reviews external changes, key risks and trends to ensure our strategy is agile and well-informed, aligning our operations with financial goals and broader environmental and social responsibilities, thus enhancing resilience and long-term value creation.
Prioritisation and validation	We ranked matters according to their significance to our financial performance and external stakeholder interests.
Stakeholder engagement	We consulted with internal stakeholders and external parties such as tenants, investors, regulators and community representatives to address their concerns and expectations.
Integrate	Following extensive internal discussions, the Board approved the material matters in September 2024. These matters underpin our strategic planning and integrated reporting, aligning with our business goals and broader societal responsibilities.

Heriot's 2024 material matters

- me** Uncertain macroeconomic environment
- pf** Uncertain property fundamentals
- gs** Group structure and portfolio mix changes
- md** Load shedding, municipal infrastructure deterioration and poor service delivery
- es** Enhance sustainability

me Uncertain macroeconomic environment	
Material matters - Geopolitical and economic uncertainty - Macroeconomic challenges: - Interest rate changes - Inflation - Market volatility	Impact on Heriot - Changing disposable income - Dampened business and consumer confidence
Key focus areas - Enhance portfolio diversification - Ensure a robust balance sheet for financial health - Maintain strong investor and debt provider relationships - Manage inflation and interest rate risks - Maximise performance from existing assets - Strategically dispose of underperforming assets	
Stakeholders impacted - Shareholders and providers of financial capital - Tenants - Employees - Regulatory and industry authorities - Suppliers and service providers - Communities and retail customers	
Time frame Short to medium term	Year-on-year change ►

pf Uncertain property fundamentals	
Material matters - Financial performance - Funding liquidity - Loan-to-value - Interest cover ratio - Maintain and improve occupancy levels - Portfolio diversification and resilience - Tenant mix - Value of the portfolio - Collection of rental income	Impact on Heriot - Liquidity impacts - Vacancy levels - Increased cost of debt
Key focus areas - Diversify revenue streams - Timely rental collections - Securing blue-chip quality tenants - Tenant retention - Lease escalations - Optimise tenant mix - Reduce variable costs - Refurbishments and maintenance	
Stakeholders impacted - Shareholders and providers of financial capital - Tenants - Suppliers and service providers - Communities and retail customers	
Time frame Short, medium and long term	Year-on-year change ▲

gs Group structure and portfolio mix changes	
Material matters - Business model adaptability - Acquisition strategy - Disposal of non-core assets - Investment in Safari - Portfolio diversification - Thibault acquisition	Impact on Heriot - Opportunity to diversify our revenue streams - Refocus on core assets - Acquisition of 100% of Thibault's shares with effect from 28 June 2024 - Increased investment in Safari to 59,2% - Safari investment positively impacts Heriot's growth
Key focus areas - Right-size portfolio - Increase shareholding in Safari to 100% - Disposal of non-core assets	
Stakeholders impacted - Shareholders and providers of financial capital - Tenants - Suppliers and service providers	
Time frame Short, medium and long term	Year-on-year change ▲

md	Load shedding, municipal infrastructure deterioration and poor service delivery
Material matters - Impact of load shedding - Municipal services risks - Increasing property rates and taxes - Increased cost of occupancy - Increasing administrative costs - Regulatory burden in the operating environment - Tenant sustainability	Impact on Heriot - Unreliable electricity supply - Infrastructure failures and poor municipal service delivery are disruptive to our business - Rising administration costs negatively impact property valuations and increase the cost of occupancy
Key focus areas - Conservative treasury management in respect of municipal payments - Improve operational efficiencies - Proactive asset management - Address tenant and community requirements - Ensure appropriate tenant mix - Thorough review of municipal valuations and objections lodged where necessary	
Stakeholders impacted - Tenants - Employees - Suppliers and service providers	
Time frame Short to medium term	Year-on-year change ▲

es	Enhance sustainability
Material matters - Climate change - Corporate citizenship - Carbon footprint - Energy efficiency - Solar energy - Water consumption and backup	Impact on Heriot - Improved governance - Improved energy efficiency - Reduced carbon footprint - Improved water consumption
Key focus areas - Integrate ESG considerations into Group strategy and operations - Expand solar power generation	
Stakeholders impacted - Regulatory and industry authorities - Suppliers and service providers - Communities	
Time frame Short, medium and long term	Year-on-year change ►

How our STRATEGY SUPPORTS VALUE CREATION

Our strategy is underpinned by key strategic pillars that drive immediate actions, support medium-term growth and shape long-term vision. By aligning with these pillars, we ensure effective direction towards our goals, operational efficiency and sustained success.

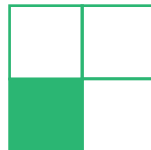
OUR STRATEGIC PILLARS

Our ability to create and protect value depends on navigating market conditions, maintaining strong financial health and managing operational efficiency and organisational structure. Key factors include the operational landscape, access to essential resources like capital, talent and technology, and the strength of our stakeholder relationships. Effective resource management is crucial for innovation and competitive advantage, while robust stakeholder connections enhance our reputation and open new opportunities.



DELIVERING STAKEHOLDER VALUE

- Active stakeholder and tenant engagement
- Understanding changing consumer behaviour and preferences
- Understanding tenant expectations



ENHANCED RETURN ON ASSETS

- Diversifying rental offerings
- Diversifying revenue streams
- Investing in solar energy
- Managing cost of occupancy
- Optimising tenant mix



DIVERSIFIED PORTFOLIO

- Defensive mix of retail and industrial assets
- Disposal of non-core assets
- Investing in long-term quality
- Portfolio redevelopment and upgrades
- Reinvesting in core assets
- Strategic controlling stake in Safari
- Investment in Texton
- Investment in Thibault



OPTIMISED BALANCE SHEET

- Funding diversity
- Improving liquidity
- Lowering the LTV ratio
- Recycling non-core assets
- Reducing debt
- Strengthening balance sheet
- Treasury management

OUR STRATEGY PER SECTOR

Our diversified portfolio is key to managing risk and seizing opportunities across the property cycle. By investing in quality assets in diverse locations, we buffer against market fluctuations and enhance our resilience. We focus on expanding and optimising our asset base by acquiring premium properties in high-growth areas, divesting non-core assets to reinvest in higher-value opportunities and revitalising core assets through redevelopment and upgrades. This strategy ensures a balanced, resilient portfolio well-positioned for sustainable growth and long-term success.

Rt Retail

- Attract shoppers
- Focus on long-term retail property fundamentals
- Increase shopper dwell time
- Optimise tenant mix
- Repurpose space
- Retain high-quality tenants
- Understand changing consumer behaviour and preferences
- Acquire quality assets that generate long-term growth
- Dispose of non-core assets

Of Office

- Active stakeholder and tenant engagement
- Focus on long-term quality leases
- Repurpose/redevelop office space
- Dispose of non-core assets

Sp Specialised

- Renew existing leases at higher rentals

Id Industrial

- Acquire quality assets that generate long-term growth
- Dispose of non-core assets
- Retain high-quality tenants
- Focus on long-term quality leases

Rd Residential

- Implement aparthotel model strategy in Cape Town
- Dispose of non-core assets in Johannesburg

Our BUSINESS MODEL

Our business model focuses on managing the life cycle of property assets to maximise value and ensure long-term growth. This involves acquiring high-quality properties with strong growth potential, enhancing their value through redevelopment, leasing them to reputable tenants and recycling funds from the sale of non-core assets back into the core portfolio. This approach ensures a dynamic and resilient portfolio that adapts to market changes and supports sustainable growth.

Inputs	Business activities	Outputs	Outcomes
 Financial capital - Debt funding - Equity funding - Property disposal proceeds - Net rental income	- Delivering on our strategy - Effective capital and debt management - Financial management - Securing funding from debt providers - Optimising the property portfolio - Pursuing investment opportunities - Recycling capital received from non-core disposals	15,1% growth in net asset value per share to 1 752,75 cents (2023: 1 522,57 cents) - Average cost of debt: 10,27% (2023: 8,68%) - Distributable earnings growth of 13,7% (2023: 4,2%) - Distributable income payout ratio: 100% (2023: 100%) - Dividend per share: 106,69 cents (2023: 106,33 cents) - Gearing ratio of 42,06% (2023: 41,1%) - Investment properties valued at R11,616 billion (2023: R9,258 billion) - NOI growth of 103,1% (2023: 13,8%) - Capital expenditure of R370,9 million (2023: R180,8 million)	- Sustainable dividend growth over the long term - Deliver attractive returns to our investors and shareholders - Quality core portfolio
 Manufactured capital - Net asset value of R5,6 billion - Capital expenditure on new and existing properties - Tenant installation allowances 722 967m² total GLA	- Asset management - Building maintenance - Delivering on developments and refurbishments - Leasing and administration - Pursuing appropriate yield-enhancing acquisitions - Relationship management - Sale of non-core assets - Seeking expansion and redevelopment opportunities	- Minimal arrears - Collection rate of 98% (2023: 100%) - Rental growth of 96,1% (2023: 10,8%)* - Like-for-like rental growth of 6,9% (2023: 10,8%) - Overall vacancy of 3,1% (2023: 2,6%) - Portfolio valued at R11,616 billion (2023: R9,258 billion) 53 investment properties (2023: 48) 722 967m² GLA (2023: 636 385m²)	- Deliver quality spaces to our tenants - Optimal tenant mix to meet customer needs - Strong internal team with established relationships with tenants - Enhanced portfolio in line with our strategy - Quality core portfolio

* Includes 15 months of Safari's rental income.

	Inputs	Business activities	Outputs	Outcomes
	Intellectual capital - Employee and tenant management processes - Experienced management team and Board of Directors - Governance structures - Property skills	- Information management - Stakeholder communication	- Retention of scarce property skills - Understanding of changing consumer behaviour	- Ethical leadership - High-performance culture
	Human capital - Ethical culture and values - Fair remuneration - Skills development and training	- Education and skills training - Employee remuneration - Health and safety	- Employee average tenure of 4,7 years - Employment equity status - R443 846 spent on skills development training	- Employee satisfaction - Retention of critical skills
	Natural capital - Adopt renewable energy - ESG strategy	- Energy, carbon emission, water and waste reduction targets - Resource management	- Implemented solar photovoltaic solutions at 13 retail centres 13 groundwater harvesting plants	- Improved energy efficiency - Reduced operating costs
	Social and relationship capital - Community development and investment - ESG strategy	- Invested in the following CSI projects: - Hygiene project - Youth employment project - Borehole community initiative	- CSI projects benefited the following people: - Hygiene drive benefiting 10 587 scholars - Youth intern programme - Communities in close proximity to the borehole installations	- Build sustainable relationships with community members surrounding our property assets - Uphold our social licence to operate by maintaining relationships with local communities, suppliers, tenants, shoppers and government

Stakeholder ENGAGEMENT

We use all stakeholder engagement channels to explain our operating environment and discuss current challenges and opportunities. We ensure that communication is accurate and transparent and our goal is to provide our stakeholders with relevant information that will enable them to accurately assess our performance and prospects.

Shareholders and providers of financial capital

How we engage

- Annual general meetings
- Heriot website
- Integrated reports
- Mainstream media
- One-on-one meetings
- Stock Exchange News Service ("SENS") announcements

Impact on Heriot

- Debt covenants
- Debt levels
- Payment of distributions
- Property devaluation risk
- Property valuations
- Sustainable net asset value
- Tough trading conditions impacting cash flows

Key focus area

Clearly communicate our Group strategy to build trust, gain support and drive business growth, ultimately delivering a strong return on investment.

Tenants

How we engage

- Lease renewals and negotiations
- One-on-one meetings
- Site visits
- Social media, brochures and leaflets
- Written, electronic and verbal communication

Impact on Heriot

- Cost of occupation
- Lease terms
- Property management
- Service levels
- Utility supply interruptions
- Utility costs

Key focus area

Cultivate and strengthen long-term relationships with tenants to improve business sustainability, enhance tenant retention and optimise the tenant mix.

Employees

How we engage

- Internal communications
- One-on-one interactions between employees and line managers
- Performance reviews

Impact on Heriot

- Job security
- Succession planning

Key focus area

Engage with employees to address their concerns, boost talent retention and enhance job satisfaction.

Regulatory and industry authorities

How we engage

- Annual general meetings
- Heriot website
- Integrated reports
- Mainstream media
- One-on-one meetings
- Presentations
- SENS announcements

Impact on Heriot

- Compliance
- Increased utility and rates costs
- Service levels

Key focus area

Ensure compliance with mandatory laws and standards to effectively manage risk.

Suppliers and service providers

How we engage

- Mainstream media
- Meetings
- Procurement policies
- Site visits
- Written, electronic and verbal communication

Impact on Heriot

- Contract management
- Information supply and response times
- Opportunities for small enterprises
- Project delays
- Repeat business from Heriot
- Service interruption
- Timely payments

Key focus area

Fostering strong relationships with our suppliers ensures quality service and favourable terms.

Risk MANAGEMENT

Risk management at Heriot aims to systematically identify, assess, manage and monitor risks that could impact operations and performance. This involves recognising various risks, evaluating their likelihood and impact, developing mitigation strategies and continuously monitoring their effectiveness. The Board oversees this process, defining the risk strategy, appetite and tolerance to ensure alignment with strategic goals and long-term success.

INVESTMENT PROPERTY PORTFOLIO

1.	Inability to source suitable properties for acquisition
Impact of risk	Restricts ability to grow the portfolio
Mitigation strategy	Regular interaction with key people in the industry

2.	Damage to investment property
Impact of risk	Financial loss to the Company and reduced asset value
Mitigation strategy	- Comprehensive insurance policy based on the replacement cost of investment properties - Regular review of the insurance policy and insured values - Ongoing maintenance of properties

3.	Inadequate and/or irregular maintenance of investment property
Impact of risk	Devaluation and/or depreciation of properties due to a lack of maintenance
Mitigation strategy	- Implementation of a programme for ongoing maintenance - Budget to allow for adequate and regular maintenance of investment property - Regular building inspections by property managers, asset managers and executive management

OPERATIONAL PERFORMANCE

4.	Vacancies and rental default
Impact of risk	Rental growth, capital appreciation and return to shareholders may be adversely impacted by increased vacancies and tenant defaults
Mitigation strategy	- Strong focus on tenant relationships to ensure retention - Targeted leasing strategy - Early renewal negotiations - Effective credit control procedures for defaulting tenants - Rigorous screening of potential new tenants

5.	Significant increases in rates and taxes, other municipal costs and poor service delivery
Impact of risk	- Increased cost of occupancy for tenants - Decrease in NOI for the Group - Decrease in valuation of assets
Mitigation strategy	- Review municipal valuations and lodge objections when appropriate - Investment in solar and boreholes to reduce reliance on municipal power and services

6.	Political riots and unrest
Impact of risk	Unemployment and poverty lead to increased violence, looting and the loss of innocent lives, negatively impacting the communities we serve, our employees and the Group's properties, particularly the retail malls
Mitigation strategy	- Dedicated managers at our retail properties regularly liaise with the on-site security function to assess risks - Appropriate insurance cover is in place - Emergency evacuation plans for tenants and employees

FINANCING

7. Interest rate risk	
Impact of risk	Increased cost of borrowings will reduce return to shareholders
Mitigation strategy	- Ongoing reviews of policy regarding fixed interest rates and hedging - Negotiations with banks to reduce the cost of borrowings

8. Availability of finance for property acquisitions and redevelopment	
Impact of risk	Inability to grow the portfolio
Mitigation strategy	Regular interactions with bankers to ensure the availability of debt funding

9. Refinance risk	
Impact of risk	Risk of refinancing when existing debt facilities near expiry
Mitigation strategy	- Maintain gearing at below 45% LTV - Stagger debt expiry profile - Policy of being multi-banked

GOVERNANCE

10. Non-compliance with regulations	
Impact of risk	- Suspension or termination of the Company's listing - Failure to comply with key laws and regulations of the jurisdictions in which the entity operates may result in fines and penalties, reputational harm or potential loss of REIT status
Mitigation strategy	- Designated advisor and Company Secretary monitor compliance - Member of the SA REIT Association - Management encouraged to consult with specialists to ensure compliance with all laws

SKILLS AND SYSTEMS

11. Retention of key staff and adequate human resourcing	
Impact of risk	Loss of key employees or being under-resourced will impact the Group's ability to effectively achieve its objectives
Mitigation strategy	- Executive management constantly assesses the capacity of employees and closely monitors human resource requirements as the business grows - All employees are considered for awards of short-term incentive bonuses - Long-term incentive schemes are in place for certain employees and remain under consideration for a broader set of employees

12. Information technology ("IT") failure	
Impact of risk	- Loss of revenue as a result of loss of data - Impact on the Company's reputation in the event that the data is not recovered promptly
Mitigation strategy	Support of appropriately skilled IT resources and contractors

13. Fraud and errors	
Impact of risk	Financial loss due to employee fraud going undetected
Mitigation strategy	Regular review and enhancement of internal controls



Sustainability **REVIEW**

Environmental stewardship 36

Our employees 38

Our local communities 40

We remain committed to embedding sustainability into our long-term decision-making processes. This ensures that our initiatives generate value for our shareholders and employees and contribute positively to the communities in which we operate. By integrating sustainability into our core strategies, we strive to create lasting value, drive growth and enhance the environmental and social fabric of our surroundings.

We recognise that ESG principles extend beyond just environmental concerns. Our approach to sustainability is about achieving outcomes that foster enduring value, support growth and enhance our role as responsible environmental stewards while contributing to societal well-being.

Our sustainability strategy is under the oversight of our Board, which holds ultimate responsibility for its success. However, the development of specific ESG policies and procedures is entrusted to our Exco, allowing for focused and expert-driven policy creation. The Board regularly reviews these policies and practices to evaluate their financial impact, ensuring alignment with our broader objectives and adapting strategies as needed based on their effectiveness and any identified areas for improvement.



SUSTAINABLE DEVELOPMENT GOALS

Our approach to sustainability is strategically aligned with four key United Nations Sustainable Development Goals ("SDGs"), where we believe we can make the most significant impact.



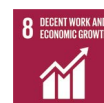
Gender equality

We focus on creating an inclusive workplace, fostering diversity and ensuring equal opportunities for all, regardless of gender.



Affordable and clean energy

We are committed to increasing the adoption of clean energy solutions across our operations. This includes investing in renewable energy sources, improving energy efficiency and supporting the transition to a low-carbon economy.



Decent work and economic growth

We focus on creating a safe and healthy work environment, coupled with opportunities for skills development and career advancement, which contributes to the well-being of our employees and the economic vitality of the communities we serve.



Climate action

Our sustainability strategy includes measures to reduce our carbon footprint, enhance resilience to climate-related risks and support efforts to mitigate climate change. By integrating climate action into our decision-making processes, we aim to contribute to a sustainable future for our planet.

Through our focused efforts on these SDGs, we aim to maximise our positive impact and contribute meaningfully to global sustainability goals.

Environmental STEWARDSHIP

We view environmental stewardship as essential to our long-term success and are committed to improving energy management, water utilisation and waste management.

Our sustainability approach focuses on economically viable strategies that reduce our environmental footprint while enhancing business resilience. We foster a culture of environmental responsibility by engaging employees, tenants and suppliers in sustainable practices. Additionally, we are dedicated to addressing national sustainability challenges through a substantial investment in projects aimed at reducing carbon emissions, conserving water and minimising waste. Ultimately, our goal is to make a lasting positive impact on society and the environment.

REDUCING OUR CARBON FOOTPRINT

Recognising the critical urgency of climate change, we are committed to leading by example in minimising environmental impact. Our dedication to reducing carbon emissions and our overall environmental footprint fuels our proactive efforts to becoming a carbon-neutral organisation.

In South Africa, where coal remains the dominant energy source and contributes to the country being one of the world's largest emitter of sulphur dioxide, we are actively transitioning to cleaner, more sustainable energy alternatives. Our strategy includes significant investments in renewable energy sources such as solar, alongside the implementation of energy efficiency initiatives designed to substantially reduce our carbon footprint.

These efforts are part of our broader commitment to global climate action. By adopting and promoting sustainable practices, we aim not only to reduce our own impact but also to inspire others to join us in fostering a sustainable and resilient future for all.

IMPROVED ENERGY EFFICIENCY

We closely monitor our energy consumption and the following initiatives form the cornerstone of our comprehensive energy efficiency programme:

LED lighting	We have installed LED lighting across our properties to significantly reduce energy consumption. LEDs are more energy-efficient and produce less heat, reducing the need for cooling and further enhancing energy savings.
Inverter technologies	We have installed inverter technologies in our buildings to optimise energy use by adjusting power supply to match demand, significantly reducing energy consumption, especially in HVAC systems.
Solar photovoltaic systems	Adopting solar photovoltaic technology has: • reduced our reliance on the national energy grid, stabilising energy costs; • provided a reliable power source during load shedding, ensuring operational continuity and reducing disruptions; and • significantly cut our carbon emissions, supporting our goal of becoming carbon-neutral.
Passive building design and maintenance	We ensure that new additions or maintenance work on our properties prioritise passive building design, focusing on energy efficiency through natural light, improved insulation and materials that reduce the need for heating and cooling. This approach minimises energy consumption and enhances building sustainability.

These initiatives collectively demonstrate our commitment to reducing energy consumption and environmental impact. Through strategic investments in energy efficiency, we not only enhance the sustainability of our operations but also contribute to broader efforts to mitigate climate change.

Generating our own power

We have implemented plans to generate power that not only supplement the national grid but also contribute significantly to reducing load demands. Our investment includes the installation of solar plants across our 13 major retail centres, totalling R112,6 million (2023: R46,0 million). These plants are fully operational with a combined installed capacity of 12,16MWp (2023: 5,78MWp).

Our solar plants generated 19 133kWh of energy (2023: 4 293kWh), resulting in a reduction of 13 353 tonnes of carbon emissions (2023: 3 042 tonnes). This achievement is equivalent to saving 54 641 294 million petrol kilometres (2023: 12 million petrol kilometres), conserving 6 689 tonnes of coal (2023: 741 tonnes) or rehabilitating 15 590 acres of forest land (2023: 3 628 acres).

In the 2025 financial year, we plan to accelerate our solar energy expansion by increasing the roll-out rate by 3,77MWp, aiming for a total installed capacity of 15,93MWp. Notable additions include new solar plants at Thabong (1,7MWp) and Helderberg (1MWp) Shopping Centres and increasing the Atlyn Mall plant capacity by a further 515kWp. This expansion aligns with our goal of further reducing our carbon footprint, targeting an additional annual reduction of 3 443 tonnes of carbon emissions (2023: 2 000 tonnes).

WATER CONSUMPTION

We currently operate 13 groundwater harvesting plants and are exploring the development of additional facilities. Our goal is to achieve water independence by capturing and reclaiming local water sources, thereby reducing pressure on the municipal water grid. By maintaining the cleanliness and sustainability of these water sources, we enhance our long-term sustainability.

In addition to our groundwater initiatives, we have implemented several measures to enhance water efficiency across our operations. These measures include installing aerators on taps to reduce water flow, adopting more efficient air conditioning systems that minimise water use and incorporating water-wise plants into our landscaping to reduce irrigation needs.

Our commitment to sustainability extends to our community-based projects, which are designed to promote empowerment and upliftment. We provide training and equipment to schools and local communities to support their efforts in achieving water independence, particularly for agricultural purposes. These initiatives are aimed at fostering sustainable practices and improving water resource management at grassroots level.

WASTE MANAGEMENT

We are committed to actively participating in environmental solutions by meticulously separating our waste into recyclable and non-recyclable categories. This practice helps minimise our landfill contributions and reduces our overall environmental footprint.

To enhance our waste management efforts, we designate large yard areas for refuse sorting, where waste is organised into specific recyclable product groups. Local community members process these materials, which are then sold to recycling plants, to support recycling efforts and local economies.

In our ongoing commitment to effective waste reduction, we have implemented several key measures such as:	
Waste management partnerships	We have engaged specialised waste management companies to handle the sorting and recycling of our waste, ensuring proper disposal and recovery of recyclable materials.
Recycling infrastructure	Recycling bins are strategically placed at all our properties to facilitate convenient and efficient waste separation by tenants and employees.
Paperless practices	We actively promote a paperless business environment, striving to reduce printing and paper use wherever possible to further decrease our waste generation.

These initiatives are integral to our strategy for reducing waste and supporting sustainable practices in our operations and the broader community.

Our EMPLOYEES

We value the contributions of our dedicated employees and recognise that our success is closely tied to the skills we attract and the high-performance culture we cultivate.

We are committed to fostering a diverse and inclusive team and prioritise providing opportunities for professional growth and development. This involves equipping our employees with essential resources, comprehensive training, advanced tools and strong leadership to enable them to make well-informed decisions.

We aim to create an environment where our employees can continuously grow, feel supported and thrive in their roles, driving both individual and organisational success.

MAINTAINING AN ETHICAL CULTURE

Our business practices are grounded in our corporate culture and core values. Group executives hold regular one-on-one meetings with employees to reinforce these values and inspire consistent adherence to daily work. We aim to provide a safe, ethical workspace where employees can grow and align their actions with our values.

We uphold a zero-tolerance policy towards unethical behaviour, supported by comprehensive employee policies, a code of ethics and a governance framework to manage and mitigate ethical risks such as corruption and discrimination. When unethical behaviour occurs, our disciplinary code outlines clear procedures for addressing it, ensuring we maintain high ethical standards.

Heriot's core values



Integrity

Upholding honesty and strong moral principles in all actions and decisions.



Excellence

Striving for the highest quality and continuous improvement in performance.



Tenant-centricity

Prioritising the needs and satisfaction of tenants to enhance their experience.



Collaboration

Working together effectively with stakeholders to achieve common goals.



Respect

Valuing and honouring the contributions and perspectives of others.

EMPLOYEE PROFILE

Our objective is to actively develop skills and promote internal advancement opportunities to build a workforce that reflects the diverse demographics of South Africa. We prioritise cultivating talent in our organisation, aiming to create pathways for career growth that are accessible to all employees.

We are also dedicated to driving transformation in our workplace to ensure that inclusivity and fairness are at the heart of our operations. This involves implementing practices that support a diverse and equitable work environment where every individual has the opportunity to contribute and succeed. By focusing on skills development and workplace transformation, we seek to create a more representative and inclusive organisation that values and harnesses the strengths of its diverse workforce.

	Black male*	Black female*	White male	White female
	%	%	%	%
Executive management	–	–	3	–
Senior management	–	5	4	4
Middle management	3	12	5	5
Skilled employees	9	16	2	3
Semi-skilled employees	10	3	–	–
Unskilled employees	2	12	–	2
Percentage of total	24	48	14	14

* Black = African, Indian and Coloured.

PERCENTAGE OF PERMANENT EMPLOYEES (%)

95%

2023: 100%

AVERAGE AGE OF EMPLOYEES (YEARS)

41 years

2023: 41 years

PERCENTAGE OF EMPLOYEES WHO ARE DEEMED HISTORICALLY DISADVANTAGED (%)

72%

2023: 72%

	2024	2023
Percentage of permanent employees (%)	95	100
Average age of employees (years)	41	41
Percentage of employees who are deemed historically disadvantaged (%)	72	72

EMPLOYEE TURNOVER

Our annual employee turnover remains notably low, which is a testament to the stability and satisfaction within our workforce. This stability is crucial for ensuring smooth and efficient business operations, allowing us to maintain continuity and build strong, experienced teams.

At the same time, we recognise the value that new perspectives and fresh ideas can bring to our organisation. New appointments offer opportunities for innovation and can introduce different viewpoints that enhance our approach and contribute to ongoing improvements. Balancing our stable workforce with the infusion of new talent helps us to remain dynamic and responsive to evolving challenges and opportunities, fostering a culture of continuous growth and adaptation.

	2024	2023
New appointments	15	15
Dismissals	–	–
Resignations	11	12
Retirements	–	–
Total employee turnover	4	3

TRAINING AND DEVELOPMENT

Over the past year, 64% of our employees engaged in various training initiatives, underscoring our commitment to their professional development. Recognising that our employees are central to our success, we invest both time and financial resources into their skills development to ensure we remain adaptable to future demands and challenges.

We identify training needs through regular employee reviews and conduct annual assessments of our collective skill set. This systematic evaluation enables us to pinpoint specific areas for improvement and allocate appropriate budgets to address these needs effectively. By focusing on targeted training, we aim to enhance our overall skills pool, support effective succession planning and strengthen our commitment to employment equity.

Our dedication to employee training not only helps to cultivate a highly skilled and versatile workforce but also plays a crucial role in preparing our organisation for future growth. This approach ensures that we are equipped with the necessary expertise to navigate evolving industry trends and maintain our competitive edge.

	2024	2023
Total number of employees trained	37	23

HEALTH, WELLNESS AND SAFETY

Ensuring our employees' well-being, health and safety is a top priority and is crucial for retaining talent and enhancing the experience for tenants and stakeholders. We have established comprehensive protocols for managing occupational incidents and adhering to legislative guidelines for compensation claims.

Our local COMMUNITIES

CORPORATE SOCIAL INVESTMENT

We are committed to driving social transformation through sustained engagement with local communities. By building lasting relationships and addressing local needs, we enhance the well-being of individuals, communities and organisations near our properties.

Our CSI focuses on education, health, environmental sustainability and economic development. These initiatives aim to create growth opportunities and improve the quality of life, reinforcing our role as a responsible corporate citizen.

Through these efforts, we strive to foster partnerships and ensure that our contributions have a positive and lasting impact on the communities we serve.

CSI PROJECTS

Our approach to CSI is guided primarily by the needs and demands of the communities we serve, rather than a top-down supply-driven model. Despite this demand-focused approach, we ensure that our CSI initiatives are strategically aligned with our business priorities and overarching objectives. These objectives include:

Advocating for education	We support programmes that improve access to quality education and foster lifelong learning opportunities.
Enhancing health and well-being	Our initiatives aim to improve health outcomes and promote overall well-being in the communities we serve.
Reducing environmental impact	We invest in projects that contribute to environmental sustainability and reduce our ecological footprint.
Promoting gender equality	We support efforts that advance gender equality and empower women and marginalised groups.
Fostering enterprise development	We help to nurture local businesses and entrepreneurs to stimulate economic growth and create sustainable employment opportunities.

Youth project

We have launched our youth internship programme aimed at empowering young graduates from underprivileged backgrounds. Through this initiative, we have hired seven interns who are gaining valuable work experience across various departments, including finance, legal, property management and administration. This hands-on experience also includes the development of essential computer skills, providing them with a well-rounded foundation for their future careers. Each intern is employed on a 12-month fixed-term contract and receives a monthly salary, offering both professional training and financial support.

Our primary goal is to equip these young individuals with the skills and knowledge needed to succeed in the work place. We aim to either offer them full-time employment within Heriot or provide them with the necessary tools, skills and experience to secure jobs in other organisations. By investing in their development, we hope to open doors to new opportunities and help them build sustainable, long-term careers.

Looking ahead, we plan to expand this programme by increasing the number of interns to 10 in the next financial year, further extending our commitment to uplifting and empowering youth from disadvantaged communities.



Borehole community initiative

Amanzi Ubuntu

In South Africa, where large parts of the population lack access to clean running water, Heriot is taking significant steps to address this critical issue through our Amanzi Ubuntu Borehole Community Initiative. This initiative aims to provide safe and reliable water sources to the underserved local communities where we operate.

We partnered with key stakeholders in each target area to identify and secure safe, central locations for the installation of boreholes. This collaborative approach ensures that the boreholes are strategically placed to maximise accessibility and impact.

We selected three sites: Burgersfort, Siyabuswa and Phokeng. The first borehole was successfully installed at Thembeke Primary School in Siyabuswa during 2023. The remaining two sites were completed and fully operational from June 2024.

This project not only improves access to clean water but supports community health and development by providing a vital resource that can enhance daily living conditions and foster greater well-being in these areas.

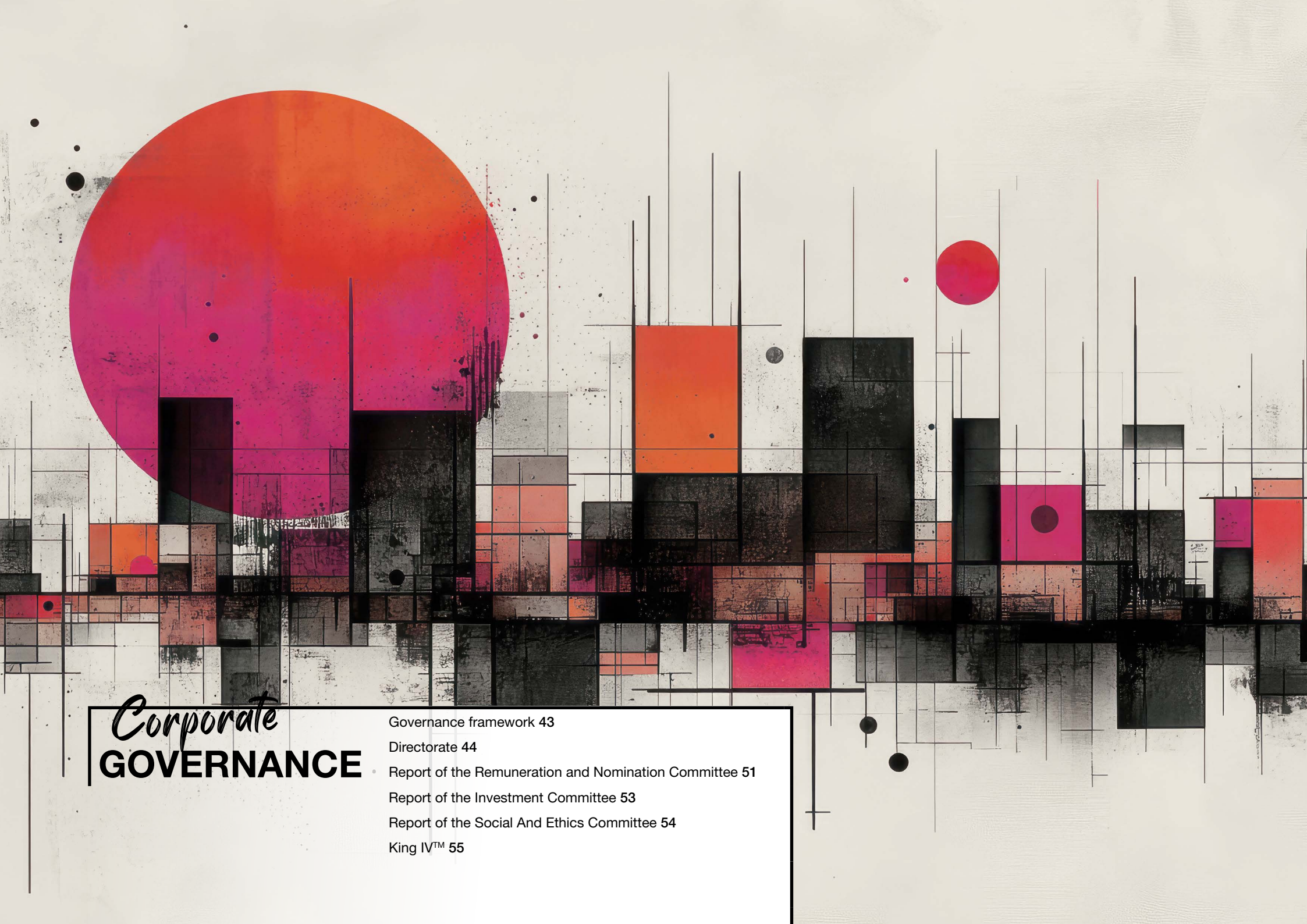
HYGIENE PROJECT

Our various hygiene projects supported underprivileged children by providing care packs with essential hygiene and sanitary supplies. Hygiene packs included antiperspirant, washcloths, bar soaps and female sanitary towels. The cost of the project was R515 482.

In 2024, sanitary kits were supplied to:

	Number of sanitary kits supplied	Number of boys	Number of girls
Charlotte Maxeke Secondary School	2 098	1 026	1 072
Phomolong Secondary School	2 118	962	1 156
Matele Secondary School	894	549	435
Bafokeng High School	971	449	522
Sobantu Secondary School	251	102	148
Ubuhlebethu Secondary School	519	319	200
Mashadi Secondary School	668	302	366
Somkhahlekwa CH Secondary School	645	323	322
Manoke Secondary School	874	480	394
Lehlabile Secondary School	1 460	730	730





Corporate **GOVERNANCE**

Governance framework 43

Directorate 44

Report of the Remuneration and Nomination Committee 51

Report of the Investment Committee 53

Report of the Social And Ethics Committee 54

King IV™ 55

Governance FRAMEWORK

The Board is dedicated to upholding high ethical standards and aligning with global best practices in corporate governance. It emphasises ethical behaviour, transparency and strategic vision.

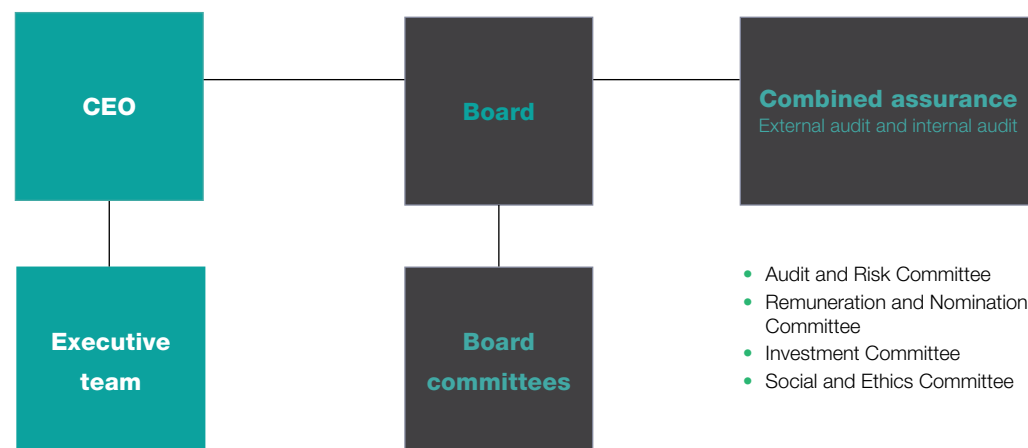
The Board holds executive management accountable for strategic implementation and fostering an ethical culture, while ensuring effective risk management. The Board and its subcommittees work together with the executive team to make timely decisions and manage responsibilities effectively. Although the Board maintains overall control, the executive team, including senior management, is responsible for implementing the Group's strategy and managing operations, including property management.

The Board has established a detailed charter to effectively fulfil its responsibilities, defining the roles, functions and authority of its members, including the Chairman, Executive Directors and Non-executive Directors.

The charter covers corporate governance practices, Board meeting procedures and protocols for nominating, appointing, inducting, training and assessing Directors. A key feature is the separation of the Chairman and CEO roles to ensure a balanced distribution of power and to prevent any individual from dominating decision-making.

The Chairman guides Board discussions and facilitates independent input, while the CEO and CFO are responsible for implementing the Board's strategic direction and overseeing operations. This structure promotes effective and balanced governance with clear accountability.

OUR APPROACH TO GOVERNANCE



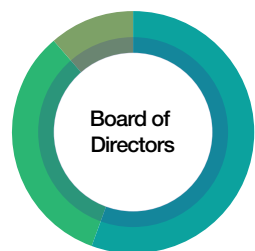
DIRECTORATE

BOARD OF DIRECTORS

Heriot is governed by a unitary Board consisting of seven Directors. This Board includes two Executive Directors who are involved in the day-to-day management and operations of the Company and five Non-executive Directors who contribute an independent perspective to the Board's deliberations.

Of the five Non-executive Directors, three are classified as independent. The balanced composition of the Board with a mix of Executive and Non-executive Directors, including a significant proportion of independent members, supports effective decision-making and robust corporate governance.

	Number
Number of Board members	7
Board members who are non-executive	5
Board members who are deemed independent	3
Board members who are deemed historically disadvantaged South Africans	1
Board members who are women	0



- **71,4%** Board members who are non-executive
- **42,8%** Board members who are deemed independent
- **14,3%** Board members who are deemed historically disadvantaged South Africans
- – Board members who are women

The Directors of the Company for the year under review and at the date of this report were as follows:

Non-executive Directors	• Steven Bernard Herring (<i>Chairman</i>) • Andile Mazwai (appointed 30 September 2024) • Janys Ann Finn (resigned 30 September 2024)
Independent Non-executive Directors	• Selwyn Joel Blieden (<i>Lead Independent Director</i>) • Robin Lockhart-Ross • Greg Heron (appointed 8 October 2024) • Nelson Abram Ngale (resigned 30 September 2024)
Executive Directors	• Richard Lawrence Herring (<i>Chief Executive Officer</i>) • Daniel Snoyman (<i>Chief Financial Officer</i>)

Board skills

We are satisfied that the Board's composition reflects the appropriate mix of skills, knowledge, qualifications, diversity, experience and independence.

	Steven Bernard Herring	Richard Lawrence Herring	Daniel Snoyman	Greg Heron	Selwyn Joel Blieden	Andile Mazwai	Robin Lockhart- Ross
Accounting and auditing	✓	✓	✓	✓	✓	✓	✓
Governance and compliance	✓	✓	✓	✓	✓	✓	✓
Leadership	✓	✓	✓	✓	✓	✓	✓
People management and remuneration	✓	✓	✓	✓	✓	✓	✓
Property management	✓	✓	✓	✓	✓	✓	✓
Risk management	✓	✓	✓	✓	✓	✓	✓
Strategy	✓	✓	✓	✓	✓	✓	✓
Sustainability/ESG	✓	✓	✓	✓	✓	✓	✓

BOARD MEMBER CURRICULA VITAE

EXECUTIVE DIRECTOR



Richard Lawrence Herring (52)

Chief Executive Officer

CA(SA)

Richard is a qualified chartered accountant who began his career with Fisher Hoffman Sithole, where he completed his articles. In 2003, he joined Heriot, where he played a pivotal role in building and expanding the Heriot portfolio. Over the years, Richard has been instrumental in the Company's success and, today, he serves as the CEO of Heriot. In his role, Richard is responsible for overseeing the management, growth and development of the portfolio, steering the Group's strategic direction and ensuring the continued enhancement of its assets and operations.

Committee member

IC

SEC

NON-EXECUTIVE CHAIRMAN



Steven Bernard Herring (53)

Undergraduate Degree in Marketing (University of Johannesburg), Master of Business Administration (Heriot-Watt University)

Steven founded Heriot Properties in South Africa in 1998, starting with a modest office. He initially focused on investing in industrial properties with blue-chip covenants, ensuring stable and long-term cash flows. These strategic investments allowed Heriot Properties to acquire numerous industrial assets across South Africa, all anchored by reputable tenants. In 2003, Steven assembled a team of professionals to venture into the development of retail shopping centres. He concentrated on CBDs and rural and township areas, leading to the successful development of over 20 malls, predominantly occupied by national brands, which reinforced the Company's sustainable cash flow model. In recognition of his contributions to the field, Steven was awarded the Johnnie Walker Jewish Entrepreneurial Award in 2011. He was appointed as a Director of Heriot on 18 April 2017, reflecting his ongoing commitment and leadership within the Company.

Committee member

IC

RNC

EXECUTIVE DIRECTOR



Daniel Snoyman (37)

Chief Financial Officer

CA(SA), BCom, Higher Diploma (Accounting)

Daniel earned his degree in Business Accounting Science and a Higher Diploma in Accounting from Witwatersrand University in 2010, followed by completing his articles at PKF (now BDO). He qualified as a chartered accountant in 2013. Daniel joined Heriot as Financial Manager on 1 November 2017. Before his tenure at Heriot, he was actively involved in the financial and operational management of a substantial non-listed portfolio, comprising over 300 residential properties that were redeveloped in the Johannesburg CBD. His extensive background in managing complex property portfolios and his accounting expertise contribute significantly to his role at Heriot.

Committee member

IC

SEC

NON-EXECUTIVE DIRECTOR



Andile Mazwai (53)

BCom (Honours), BCom Economics

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. Andile has been appointed to the Board as a Non-executive Director and Chair of the Social and Ethics Committee with effect from 30 September 2024.

Committee member

SEC

Committees

ARC

Audit and Risk Committee

IC

Investment Committee

RNC

Remuneration and Nomination Committee

SEC

Social and Ethics Committee

The Non-executive Directors contribute a wide range of relevant industry skills, knowledge and experience to the Board's decision-making processes.

INDEPENDENT
NON-EXECUTIVE DIRECTOR



Robin
Lockhart-Ross (66)

CA(SA), BCom, Higher Diploma (Accounting), BCom (Hons) (Tax), MAcc (Tax)

Robin earned his Master's in Accounting (Tax) from the University of Natal. After completing his articles at Pim Goldby (now Deloitte) in 1982, he worked as a senior tax officer at the South African Revenue Service. In 1986, Robin joined PricewaterhouseCoopers as a tax manager.

From 1999 to 2003, Robin was the Head of Risk at BoE Corporate: Property and Asset Finance. During this period, he also served as Interim Managing Executive of NBS Home Loans and the Chairman of Bond Choice Proprietary Limited. In 2003, he took on the role of Head of Risk at Nedbank Property Finance, a position he held for 12 years. Following this, from November 2014 to June 2018, Robin was the Managing Executive of Nedbank CIB: Commercial Property Finance. During his tenure, he chaired the divisional management committee, enterprise-wide Risk Committee and Investment Committee, and was a member of the CIB Executive Committee, enterprise-wide Risk Committee and the Divisional Credit Committee.

Currently, Robin serves as an Independent Non-executive Director for Fortress Real Estate Investments Limited and Trematon Capital Investments Limited. He is also an Independent External Committee member of the RMB Property Finance Credit Committee.

Committee member

ARC

IC

RNC

LEAD INDEPENDENT
NON-EXECUTIVE DIRECTOR



Selwyn Joel
Blieden (52)

PhD (Cambridge), CFA

Selwyn is the co-head of Caleo Private Equity, where he oversees direct private equity investments across South Africa and several international markets. From 2015 to mid-2019, he led the commercial property finance division of Absa Bank (formerly Barclays Africa) across Africa, excluding South Africa. Before this, Selwyn spent 12 years at the Rand Merchant Bank, where he co-founded and managed the Opportunities in Global Real Estate portfolio, which included international property assets exceeding US\$250 million. He also played a key role in structuring and managing property developments in Nigeria as part of the RMB Westport team, a private equity real estate subsidiary of Rand Merchant Bank.

Prior to his tenure at Rand Merchant Bank, Selwyn was a consultant at McKinsey & Company's Johannesburg office, where he advised clients across various African countries. He is a CFA Charterholder and holds a PhD in Mathematics from the University of Cambridge.

Committee member

ARC

RNC

INDEPENDENT
NON-EXECUTIVE DIRECTOR



Greg Heron (59)

CA(SA)

Greg is a chartered accountant with more than 30 years' experience in corporate, structured and property finance as well as significant operational exposure to a variety of businesses. He currently holds the office of CEO of Infinitus Holdings, an investment company that holds a portfolio primarily invested in the fast-moving consumer groups and retail sectors. Prior to that, he was head of Leaf Property Fund, a significant unlisted property fund focused on the office and commercial sector of the property market. During his time at Leaf, he led the repositioning of the fund which included the disposal of a large portfolio of assets as part of this process. Greg serves on the Boards of various unlisted companies and is an Independent Non-executive Director of SA Corporate Real Estate Limited and Safari Investments RSA Limited, both REITs listed on the JSE.

Greg has been appointed to the Board as a Non-executive Director and member of the Audit and Risk Committee with effect from 8 October 2024.

Committee member

ARC

Committees

ARC

Audit and Risk Committee

IC

Investment Committee

RNC

Remuneration and Nomination Committee

SEC

Social and Ethics Committee

FUNCTIONS AND RESPONSIBILITIES OF THE BOARD

The Board's functions and responsibilities, as detailed in the Board charter, encompass a broad range of critical oversight and strategic duties:

1. Adopting strategic plans The Board is responsible for formulating and approving strategic plans and ensuring their effective execution by the executive team. This includes setting long-term objectives and priorities for Heriot.
2. Ensuring compliance The Board must ensure that Heriot adheres to all relevant laws, regulations and codes of business conduct, thereby promoting ethical practices and legal compliance throughout the organisation.
3. Establishing a governance framework The Board is tasked with creating and maintaining a robust governance framework that outlines the delegation of authority and ensures clear lines of responsibility and accountability within the organisation.
4. Managing risk The Board oversees the management of risks to support Heriot's strategic goals, identifying potential risks and ensuring that appropriate mitigation strategies are in place.
5. Monitoring operational performance The Board monitors Heriot's operational performance by comparing actual results against predetermined budgets and targets, ensuring that performance aligns with strategic objectives.
6. Offering strategic guidance The Board provides strategic guidance to Heriot, including the appointment of the CEO and the establishment of a succession plan to ensure leadership continuity.

7. Conducting affairs responsibly The Board is responsible for ensuring that Heriot's operations are conducted responsibly and professionally, upholding the Company's reputation and ethical standards.
8. Promoting corporate governance The Board promotes strong corporate governance practices to maintain transparency, accountability and trust among stakeholders.
9. Reviewing financial objectives The Board reviews and approves Heriot's financial objectives, plans and actions, including significant capital allocations and expenditures, to ensure financial stability and growth.
10. Sustaining internal controls The Board reviews processes and procedures to maintain the efficacy of Heriot's internal control systems, ensuring high levels of decision-making capability and reporting accuracy.
11. Safeguarding investor relations The Board safeguards the integrity of the Group's investor relations, ensuring clear and accurate communication with investors and maintaining their confidence.
12. Upholding stakeholder obligations The Board upholds its obligations to all stakeholders, ensuring their interests are considered and addressed in the Group's decision-making processes.

BOARD APPOINTMENT PROCESS

Following the JSE Listings Requirements, all Directors, except for Robin Lockhart-Ross who was granted an exemption, have completed a formal induction programme provided by the Institute of Directors. This programme ensures that new Directors are thoroughly familiarised with Heriot's governance practices and their roles and responsibilities.

Board appointments follow a meticulous and transparent process, guided by the Remuneration and Nomination Committee's recommendations. This process includes a comprehensive evaluation by the Board to ensure that appointments align with the Group's appointment policy and strategic needs.

Any Directors appointed during the year must have their appointments ratified by shareholders at the next general or annual general meeting. This step provides an additional layer of accountability and ensures that shareholder interests are considered in the appointment of new Board members.

BOARD CHANGES

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 wishes 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.

Andile Mazwai has been appointed to the Board as a Non-executive Director and Chair of the Social and Ethics Committee with effect from 30 September 2024.

Greg Heron has been appointed to the Board as a Non-executive Director and member of the Audit and Risk Committee with effect from 8 October 2024.

As per Heriot's memorandum of incorporation, a third of Non-executive and Executive Directors, along with all Directors appointed by the Board within the year, are required to step down at the annual general meeting. Directors who are eligible for re-election have the opportunity to stand for re-election during this meeting.

DEALING IN SECURITIES

Heriot enforces a strict policy on securities transactions to prevent insider trading and conflicts of interest. This policy is active during closed periods, such as before financial results announcements and at other key times determined by the Board.

The Company Secretary manages this policy, with the Chairman granting trading clearance during open periods. If the Chairman is unavailable or conflicts arise, the Lead Independent Director oversees this role.

Directors must annually disclose their shareholdings, additional directorships and potential conflicts of interest to the Chairman and Company Secretary. These disclosures are recorded and reconfirmed at each Board and committee meeting to ensure transparency and integrity.

DIRECTORS' PERSONAL INTERESTS

A full list of Directors' interests is maintained. At the beginning of each Board meeting, Directors are required to confirm that their interests, as previously disclosed, remain current. In line with best practice and Section 75 of the Companies Act, Directors are required to recuse themselves from any discussion and decision in which they have a financial interest.

BOARD COMMITTEES

The Board has delegated certain responsibilities to the following committees:

Audit and Risk Committee	Remuneration and Nomination Committee	Investment Committee	Social and Ethics Committee
Selwyn Joel Blieden*	Selwyn Joel Blieden*	Steven Bernard Herring*	Andile Mazwai*
Greg Heron	Steven Bernard Herring	Richard Lawrence Herring	Richard Lawrence Herring
Robin Lockhart-Ross	Robin Lockhart-Ross	Robin Lockhart-Ross	Daniel Snoyman
		Daniel Snoyman	

* *Chairman*

While overall responsibility and accountability remain with the Board, these committees assist the Board in discharging its responsibilities and duties. Full transparency and disclosure of committee deliberations are encouraged and the minutes of committee meetings are made available to all Directors. The Board has unrestricted access to the external auditor, professional advisors, the executives and the employees of the Company and the services of the Company Secretary. Directors are encouraged to take independent advice, at the Company's expense, for the proper execution of their duties and responsibilities.

Meeting attendance

Quarterly Board meetings are held, with additional meetings scheduled as necessary. The Company Secretary attends all Board and committee meetings. Executive Directors and invited attendees do not receive attendance fees. External advisors and non-committee Directors may be invited to committee meetings as needed.

The attendance register for each Board and committee meeting for the period ended 30 June 2024 is detailed below.

	Board	Audit and Risk Committee	Remuneration and Nomination Committee	Social and Ethics Committee
Steven Bernard Herring (Chairman)	4/4		2/2**	
Richard Lawrence Herring	4/4	3/3*	2/2*	1/1
Daniel Snoyman	4/4	3/3*		
Janys Ann Finn	4/4	3/3*		
Selwyn Joel Blieden	4/4	3/3**	2/2	
Robin Lockhart-Ross	4/4	3/3	2/2	
Nelson Abram Ngale	4/4	2/3		1/1

* *Attended by invitation*

** *Chairman*

Audit and Risk Committee

Members of the Board are designated to join the Audit and Risk Committee, with these appointments subject to shareholder approval at the Company's annual general meeting. The committee meets at least three times a year with additional meetings held as needed. Its operations are governed by an annually reviewed charter that is endorsed by the Board.

The committee members have unrestricted access to all necessary information, documents and clarifications required to perform their duties, including access to the external auditor as needed.

Audit and Risk Committee continued

The committee's responsibilities include:

Safeguarding assets and internal controls	Assisting the Board in protecting assets and ensuring effective internal control systems.
External auditor independence	Confirming the independence and objectivity of the external auditor and recommending their appointment or reappointment to shareholders.
Compliance with governance practices	Ensuring adherence to best practices in corporate governance.
Risk management	Overseeing the implementation of an effective risk management plan.
Audit process oversight	Managing the audit process and the relationship with the external auditor.
Financial reporting	Overseeing the preparation of accurate financial reports and statements in compliance with legal requirements and accounting standards.
Finance function review	Conducting an annual review of the Company's finance function.

The Board is confident that the Audit and Risk Committee members possess the necessary skills and experience to contribute effectively to the committee's responsibilities.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee's responsibilities, as defined in its terms of reference, establish clear and transparent processes for Board appointments, Directors' remuneration and executive compensation.

Guided by King IV™ principles, the committee is chaired by an Independent Non-executive Director. Its responsibilities, as outlined in the Board-approved terms of reference, include:

Remuneration matters	Nomination matters
• Approving service agreements for the CEO and Executive Directors, including termination payments and compensation commitments; • Setting and agreeing on the remuneration framework for the CEO, CFO and other members of the executive management team; • Recommending the Chairman's and Non-executive Directors' fees to the Board for shareholder approval at the annual general meeting; • Overseeing significant changes to employee benefit structures across the Company; • Preparing a remuneration report for inclusion in the Company's integrated report; • Reviewing relevant market data on remuneration-related issues; and • Determining the total remuneration package for the CEO and each Executive Director including, where applicable, bonuses, incentive payments and share options or conditional rights, in line with the agreed framework.	• Assessing the Board's training and development needs; • Conducting periodic evaluations of the effectiveness and performance of the Board as a whole and considering the individual contribution of each Non-executive Director; • Considering and making recommendations, on a periodic basis (and at least annually), regarding the composition and membership of the Board, with account given to the needs of the Board and any gaps identified in terms of diversity including skills, experience, race, gender, age and field of knowledge in accordance with the Company's policy on the promotion of broader diversity at Board level and ensuring compliance with the policy in recommendations and appointments at Board level; • Developing a succession plan in respect of the CEO and Executive Directors; • Ensuring that a robust induction programme is in place for new appointments to the Board; • Identifying, evaluating and recommending appointees to the Board and Board committees; and • Reviewing the performance of the CEO and Executive Directors.

Investment Committee

Each member of the Investment Committee brings significant expertise in the property market, enabling the committee to effectively support the Board in making strategic investment decisions that align with Heriot's overall strategy. The committee plays a crucial role in evaluating and guiding property acquisitions and disposals to ensure they meet the Group's investment goals.

The Investment Committee operates under a Board-approved charter, which outlines its responsibilities and procedures. The committee's focus includes:

Income growth and capital appreciation	Ensuring that investments contribute to sustained income growth and enhance the value of the Group's assets over time.
Yield-enhancing acquisitions	Identifying and recommending acquisitions that offer opportunities for increased yield and provide a foundation for future growth.
Property disposal	Assessing and recommending the disposal of properties that no longer meet the Group's investment criteria or strategic objectives, whether due to geographical factors or other considerations.

By adhering to its charter and concentrating on these key areas, the Investment Committee helps to drive Heriot's investment strategy and achieve its financial and strategic objectives.

Social and Ethics Committee

The Social and Ethics Committee is pivotal in shaping and endorsing policies and strategies related to the management of social, ethical and transformational aspects within the Group. Established under Section 72 of the Companies Act and Regulation 43 of the Companies Regulations, 2011, the committee operates within a framework defined by its official terms of reference, which have been approved by the committee and the Board.

The committee's core responsibilities include:

Championing equal opportunity and diversity	Promoting and ensuring a commitment to equal opportunity and diversity across the Group.
Enhancing corporate reputation	Strengthening Heriot's brand and reputation as a socially responsible and ethical organisation.
Maximising CSI impact	Overseeing CSI initiatives to ensure they deliver reciprocal benefits for Heriot and the communities or beneficiaries involved.

By focusing on these areas, the Social and Ethics Committee plays a crucial role in fostering a culture of social responsibility and ethical conduct, while supporting Heriot's commitment to positive social impact.

Report of the REMUNERATION AND NOMINATION COMMITTEE

I am pleased to present Heriot's remuneration report for 2024. This report outlines the Group's formal remuneration policy and practices. In line with the principles set forth by King IV™, our report is organised into three key sections to provide comprehensive insights into our remuneration framework:

1. Background statement	This section provides context and insight into the development and rationale behind our remuneration practices and highlights how our remuneration policy aligns with Heriot's strategic objectives and overall governance framework.
2. Overview of the remuneration policy	We outline the key principles and guidelines of our remuneration policy, including compensation criteria, remuneration package structures and their role in attracting, retaining and motivating talent while aligning with shareholder interests and best practices.
3. Remuneration implementation report	This section provides a detailed overview of remuneration disbursed during the reporting period, including payments to Directors and key executives. It demonstrates alignment with the remuneration policy, ensuring transparency and compliance with established practices.

This structured approach ensures clarity and accountability in our remuneration practices, reflecting Heriot's commitment to transparency and adherence to best practices in corporate governance.

BACKGROUND STATEMENT

As we have stated in previous reports, a proficient and motivated workforce is essential for achieving our strategic goals. To attract and retain top-tier talent at all levels, our remuneration policy is designed to be fair, responsible and transparent. We are committed to upholding these principles across the business.

The Remuneration and Nomination Committee plays a key role in overseeing remuneration decisions. It establishes performance criteria to assess the effectiveness and contributions of executive management. The committee ensures that rewards are aligned with the Company's strategy and that management is compensated justly and responsibly.

The remuneration policy and implementation report will be subject to non-binding advisory voting by shareholders at the annual general meeting on 5 December 2024. Should 25% or more of shareholders vote against these advisory measures, the Board is committed to engaging with dissenting shareholders to address their concerns and, if applicable, to make necessary adjustments. The remuneration policy and implementation report will be subject to non-binding advisory voting by shareholders at the annual general meeting on 5 December 2024. Should 25% or more of shareholders vote against these advisory measures, the Board is committed to engaging with dissenting shareholders to address their concerns and, if applicable, to make necessary adjustments. At the annual general meeting held on 6 December 2023, the non-binding advisory notes on the remuneration policy and implementation report passed and accordingly no further engagement with shareholders was required.

OVERVIEW OF THE REMUNERATION POLICY

The Group's remuneration policy undergoes an annual review to ensure its continued relevance and effectiveness. This policy encompasses three key components:

Guaranteed pay	Members of the executive team receive compensation according to their employment contracts, which include a guaranteed annual package but do not provide for additional benefits or allowances. Our remuneration policy aims to align guaranteed pay with market standards by benchmarking against companies of similar size, sector and complexity. Annual salary adjustments are made on 1 January and are based on factors such as inflation, individual performance and overall affordability.
Short-term incentive	Each year, the committee recommends a bonus pool for all employees, with the size of this pool designed to grow in tandem with increases in shareholder distributions. This approach ensures that short-term incentive rewards are directly linked to the Group's performance and remain financially sustainable. Executive management receives annual cash bonuses from this pool based on their individual performance. The committee has in past years evaluated methodologies for performance measurement and reward. These included the review of practices of comparable companies. The committee remains committed to reviewing and considering such methodologies but has not implemented such in the reporting period, nor does it anticipate doing so while large strategic initiatives such as the Safari acquisition remain in process. Any changes to short-term incentive methodologies will be done in co-ordination with changes to the long-term incentive methodologies of the Company.
Long-term incentive	Historically, the only long-term incentive programme available to employees has been the long-term share purchase scheme established at the time of the Company's listing in 2017. Since the listing, no allocations have been made under this scheme. As for the short-term incentive approach mentioned above, the committee has undertaken work to consider potential approaches to long-term incentivisation. No actions have been taken in the past year. Any such changes will take into account the status of strategic projects of the Company.

By reviewing the policy each year, the Company aims to maintain a competitive and motivating compensation framework that supports immediate and future business objectives.

REMUNERATION IMPLEMENTATION REPORT

The CEO does not have a service contract but is subject to a two-month notice period. The CFO, according to his current contract, has a one-month notice period.

There are no restraint of trade clauses or similar contractual obligations for executive management, so no separation payments would apply.

Detailed remuneration information for Executive Directors, in accordance with the remuneration policy, is available in **note 27** to the annual financial statements included in this integrated report.

Non-executive Directors receive an annual fee to reflect their ongoing fiduciary responsibilities. Additional fees are provided to Directors who serve on committees for their participation in committee meetings.

Non-executive Directors' remuneration is governed by a special resolution passed by shareholders at the annual general meeting on 7 December 2022, which set the remuneration for a two-year period starting from that date. Since that period ends in the near future, a revised proposal for the remuneration of Non-executive Directors is being presented and appears in the table below.

	Actual 2024 R	Proposed 2025 R
Annual fee		
Chairman of the Board	322 500	341 850
Member of the Board	215 000	227 900
Fee per committee meeting		
Audit and Risk Committee member (including the Chairman)	26 875	28 488
Social and Ethics Committee member (including the Chairman)	26 875	28 488
Remuneration and Nomination Committee member (including the Chairman)	26 875	28 488

Selwyn Blieden

Remuneration and Nomination Committee Chairman

31 October 2024

Report of the INVESTMENT COMMITTEE

The Investment Committee, chaired by Steven Herring, the founder and Chairman of Heriot, includes Non-executive Director Robin Lockhart-Ross along with the CEO, Richard Herring and CFO, Daniel Snoyman. This committee is tasked with evaluating all investment opportunities and presenting recommendations to the Board for consideration.

The committee meets as needed to make decisions regarding the acquisition, disposal or significant redevelopment of property assets. It also oversees the Group's investment strategy, focusing on opportunities that enhance value within South Africa's industrial and retail property sectors, with a particular emphasis on convenience and small regional retail centres in peri-urban and rural areas. The committee's primary goal is to build a diverse and stable portfolio of property assets that generate secure income streams and support capital growth.

In fulfilling its responsibilities, the committee must:

- ensure that acquisitions are income-enhancing and align with Heriot's target market, carefully evaluating any potential dilutionary effects;
- identify and recommend properties for disposal that no longer meet the Group's investment criteria, geographically or otherwise; and
- approve transactions within its authority limits without requiring further Board approval.

The Investment Committee operates within the following limits of authority:

Transaction limits	The committee can approve transactions up to 5% of the value of the property portfolio per transaction and up to 10% of the portfolio value for acquisitions, refurbishments and redevelopment projects.
Sales and disposals	Individual sales transactions below R100 million or up to 10% of the portfolio value can be approved, provided the aggregate total of disposals does not exceed 10% of the portfolio value.
Funding	The committee can raise funding for acquisitions, ensuring that Heriot's gearing levels remain below 45% at all times.
Exceeding mandated limits	Transactions that exceed these limits must be reviewed by the committee and approved by the Board.
Compliance	All transactions must adhere to applicable statutory and regulatory requirements, including the JSE Listings Requirements and the Competition Act.
Special approval	The acquisition of shares in Safari requires Board approval.

Although the Investment Committee did not hold formal meetings during the year, it reviewed several strategic transactions and approved the following actions:

Thibault acquisition

The committee approved the acquisition of 100% of the equity in Thibault in exchange for 63,866,124 shares in the Company. The net asset value of Thibault on 28 June 2024, the acquisition date, amounted to R1,036 billion. The acquisition is consistent with Heriot Group's primary objective to explore strategic opportunities to grow and streamline its asset base by acquiring high-yielding properties in its target markets.

Acquisition of Safari shares

The committee authorised the purchase of an additional 5,4 million shares in Safari at a total cost of R30,721 million, or R5,60 per share.

Capital expenditure

The committee approved R271,8 million in capital expenditures for various projects. This includes the redevelopment of 132 Adderley Street into 151 aparthotel units, the upgrade of The Heriot aparthotel and costs related to the development of the Ackermans distribution centre up to 31 December 2023.

Sale of Hagley

On 31 December 2023, the committee approved the amendment to the Hagley 3865 Proprietary Limited sale agreement which resulted in the cancellation of the call option to buy the company back at cost and the increased selling price from R40,3 million to R67,3 million, being the net asset value of Hagley on that date.

Fixtrade acquisition

The committee approved the acquisition of the balance of the 50,1% shareholding in Fixtrade 605 Proprietary Limited for R4,7 million.

Burgersfort Mall land

The committee approved the acquisition of Burgersfort Mall for R18,7 million.

Steven Herring

Investment Committee Chairman

31 October 2024

Report of the SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee has been established to support the Board in addressing social and ethics-related issues in line with the requirements of the Companies Act, its regulations, King IV™ recommendations and the JSE Listings Requirements.

Governed by its terms of reference, the committee serves as the custodian and co-ordinator of initiatives aimed at fostering and maintaining an ethical culture within the Company. Its responsibilities, as outlined in the charter, include:

Promoting an ethical culture	The committee is tasked with instilling an ethical culture throughout the Group. This involves integrating ethics into business operations, systems, procedures and practices, ensuring that the principles set out in the code of conduct and ethics are reflected in all Company dealings.
Monitoring ethical leadership and corporate citizenship	The committee oversees the Company's efforts and activities related to ethical leadership and good corporate citizenship. This includes evaluating how the Group adheres to ethical standards and its commitment to positive corporate behaviour.
Compliance with the Companies Act	The committee fulfils functions and responsibilities defined by the Companies Act. This includes monitoring the Company's activities concerning social and economic development, corporate citizenship, environmental impact, health and public safety, consumer relationships and employment practices.
Reporting to shareholders	The committee is responsible for reporting on matters within its mandate to shareholders during the Group's annual general meeting, providing transparency and accountability on social and ethical issues.
Advising the Board	The committee brings relevant matters within its scope to the Board's attention as needed, ensuring that key issues are addressed promptly and effectively.

MEMBERSHIP

The committee comprises Non-executive Director, Andile Mazwai (Chairman) who replaced Nelson Ngale on 30 September 2024, the CEO, Richard Herring and the CFO, Daniel Snoyman.

ACTIVITIES

The Social and Ethics Committee focuses on improving the quality of life for communities around our properties. It creates local jobs and contracts for Broad-based Black Economic Empowerment ("B-BBEE") entities, supporting local businesses and economic development. Our retail portfolio also provides essential shopping access to enhance community well-being.

The committee oversees Heriot's social investment programmes, which address various social and economic challenges. Key initiatives include the youth employment project, the hygiene project and the Amanzi Ubuntu project and a borehole programme offering safe water to communities in Burgersfort, Siyabuswa and Phokeng.

B-BBEE SCORECARD

Heriot is committed to achieving B-BBEE compliance, focusing on employment equity, procurement practices, enterprise development and equity ownership. Despite its efforts, the Company remains non-compliant.

The Board recognises the importance of adhering to the B-BBEE Act and has tasked the committee with developing a transformation policy aligned with sector codes and Group objectives. This policy will address equal opportunity, diversity, recruitment, rewards, leadership and training.

The committee aims to improve the B-BBEE scorecard rating while balancing cost-effectiveness, strategic asset growth, shareholder participation and diversity in recruitment.

GOING FORWARD

Heriot remains committed to empowering, developing and uplifting disadvantaged communities. The Group actively assesses the needs of the communities surrounding our shopping centres and is dedicated to implementing sustainable initiatives that aim to improve the quality of life in the short and medium term.

In the coming year, Heriot will continue to support non-profit organisations by offering them space within its retail malls. This initiative not only provides these organisations with a platform to operate but also facilitates their engagement with the local communities. By doing so, Heriot ensures that these non-profits can effectively reach and benefit the individuals and families in the areas we serve, fostering a collaborative effort that enhances community well-being and drives positive social impact.

Andile Mazwai

Social and Ethics Committee Chairman

31 October 2024

KING IV™

APPLICATION REGISTER

The Board has evaluated Heriot's governance practices against the principles of King IV™. The King IV™ application register details the level of Heriot's compliance with these principles. While the JSE Listings Requirements mandate that companies listed on the Alternative Exchange adhere only to the disclosure requirements in part 5.3, which includes principles 6 to 10, the Board has chosen to adopt all King IV™ principles comprehensively. This decision reflects the Company's commitment to robust and transparent governance practices.

GOVERNANCE OUTCOME: ETHICAL CULTURE

King IV™ principle	Application
Principle 1: Ethical leadership	
The governing body should lead ethically and effectively.	The Board has formally approved a code of ethics ("the code") designed to ensure that the conduct of the Board and management aligns with Heriot's commitment to responsible corporate citizenship. This code upholds the Company's obligations under the Companies Act and King IV™ principles, emphasising ethical behaviour and corporate responsibility. To support the effective implementation of the code, measures are in place to ensure that all Board members possess a comprehensive understanding of Heriot's operations. This includes a thorough knowledge of the Company's industry, its operational context and all pertinent laws, rules, codes and standards. These measures are intended to enable Board members to make informed decisions and uphold the highest standards of ethical conduct in their roles.
Principle 2: Organisation values, ethics and culture	
The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board has adopted a comprehensive code of ethics that defines the business practices and behavioural standards expected of everyone in the Company. This code outlines clear guidelines for ethical conduct and provides a framework for how Heriot should operate and interact with its stakeholders. To effectively implement the code, the Board integrates its principles into Heriot's strategy and daily operations. This ensures that ethical considerations are embedded in conduct, decision-making and business practices, upholding high standards of integrity and responsibility in dealings with all stakeholders.

King IV™ principle	Application
Principle 3: Responsible corporate citizenship	
The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The Board has conducted a comprehensive review of Heriot's role as a responsible corporate citizen, including an assessment of the Company's remuneration policies and work environment. Heriot is dedicated to sustainable transformation, aligning with the B-BBEE Act and the National Development Plan and fostering a non-racial and culturally diverse environment. Heriot aims to achieve B-BBEE compliance by promoting employment equity, supporting procurement practices that benefit developing businesses, encouraging enterprise creation and enhancing equity ownership within the Group. Despite engaging primarily with B-BBEE-compliant suppliers, the Company is currently non-compliant.

GOVERNANCE OUTCOME: PERFORMANCE AND VALUE CREATION

King IV™ principle	Application
Principle 4: Strategy, implementation and performance	
The governing body should recognise that the organisation's core purpose, risks, opportunities, strategy, business model, performance and sustainable development are interconnected components of the value creation process.	The Board considers the interests and expectations of Heriot's legitimate stakeholders in its decision-making, always aiming to act in the Company's best interests. Management has established processes to align the Group's short-, medium- and long-term macroeconomic, financial, operational and strategic objectives with the Company's risk appetite. Approved by the Board, the Company's policies and operational plans encompass financial, ethical, compliance, sustainability, performance and risk management measures.
Principle 5: Reports and disclosure	
The governing body should ensure that the organisation's reports enable stakeholders to make informed assessments of its performance and prospects, covering short-, medium- and long-term outcomes.	The Board ensures that Heriot's integrated report transparently and accurately communicates the Group's long-term strategy and its outcomes. It guarantees that the report provides a balanced view of both financial and non-financial performance, upholding the highest standards of integrity and ethics. In compliance with legal requirements and necessary disclosures, Heriot distributes its interim and integrated reports online and in printed form.

GOVERNANCE OUTCOME: ADEQUATE AND EFFECTIVE CONTROL

King IV™ principle	Application
Principle 6: Role of the governing body	
The governing body should act as the central point and be the custodian of corporate governance in the organisation.	The Board has implemented a Board charter and code of ethics and has established several committees: Audit and Risk, Remuneration and Nomination, Investment and Social and Ethics, each with its own terms of reference. The Board is confident that it has met its responsibilities as outlined in the Board charter for the reporting period and will continue to monitor and address any progress or shortcomings.
Principle 7: Composition of the governing body	
The governing body should have a balanced mix of knowledge, skills, experience, diversity and independence to govern effectively and objectively.	The Group values diversity on its Board, recognising that a mix of skills, race and gender enhances its effectiveness and adds value. New Board appointments are made with diversity in mind, alongside the Group's operational needs. When determining the number of directors, the Board considers the right blend of business and industry experience, and aims for an optimal mix of executive, non-executive and independent non-executive members. Currently, the Board is diverse and experienced, comprising two executive members, three independent non-executive members and two non-executive members, including the Chairman. All members are qualified to act in the stakeholders' best interests. The Board has unrestricted access to Executive Directors, the external auditor, professional advisors and the Company Secretary, as well as to all Company information and records.
Principle 8: Committees of the governing body	
The governing body should ensure that delegation within its structures promotes independent judgement, balances power and supports effective duty performance.	The Board has established an Audit and Risk Committee, Remuneration and Nomination Committee, Investment Committee and Social and Ethics Committee, each with a Board-approved charter outlining its roles and responsibilities.
Principle 9: Performance evaluations	
The governing body should ensure that evaluating its performance, committees, Chair and members drives continuous improvement in effectiveness.	The Board defines the functions, responsibilities and performance criteria for itself, its Directors and its subcommittees. Although a formal annual self-evaluation has not yet been introduced, the Board is confident that it and its subcommittees operated effectively during the year. Additionally, the Chairman regularly engages with Executive and Non-executive Directors to address any performance concerns.

King IV™ principle	Application
Principle 10: Delegation to management	
The governing body should ensure that appointing and delegating to management clarifies roles and supports effective authority and responsibility.	The delegation of authority policy outlines matters reserved for the Board and those delegated to management. The Board is confident that this delegation supports an effective system for exercising authority and responsibilities. When delegation occurs, preapproved materiality levels and terms of reference apply. The CEO, Richard Herring, is responsible for strategy execution and daily operations but is not a member of the Remuneration and Nomination or Audit and Risk Committees. Heriot adheres to the Companies Act regarding the appointment and removal of the Company Secretary. The role is outsourced and formalised.
Principle 11: Risk and opportunity governance	
The governing body should manage risk to support the organisation in setting and achieving its strategic objectives.	The Board is responsible for setting the Group's risk appetite, identifying strategic risks and opportunities, and overseeing their management. It has delegated day-to-day risk management to the Group's management team, which operates within an established risk management policy and governance framework and reports to the Audit and Risk Committee. Additionally, the Board has set up an Investment Committee to support investment decisions, while the Audit and Risk Committee ensures that funding strategies align with the Group's risk appetite.
Principle 12: Technology and information governance	
The governing body should manage technology and information to support the organisation in setting and achieving its strategic objectives.	The Board oversees IT governance with the CEO managing and evaluating the Group's IT activities and processes. The Audit and Risk Committee assesses internal IT controls on behalf of the Board. The IT infrastructure includes an on-site file server with internal information backups, while email access is controlled through strict login processes and hosted off-site by an external provider. Key technology activities and processes are outsourced.
Principle 13: Compliance governance	
The governing body should manage compliance with applicable laws and non-binding rules, codes and standards to ensure the organisation remains ethical and acts as a good corporate citizen.	The Board ensures compliance with all relevant South African legislation, the JSE Listings Requirements and King IV™ principles.

GOVERNANCE OUTCOME: ADEQUATE AND EFFECTIVE CONTROL continued

King IV™ principle	Application
Principle 14: Remuneration governance	
The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	The Remuneration and Nomination Committee advises the Board on the Company's remuneration policy, which aims to attract, retain and motivate employees to achieve the Group's strategic objectives. Details of the remuneration policy and implementation report are provided in the Remuneration and Nomination Committee's report on pages 51 and 52 of this report.
Principle 15: Assurance	
The governing body should ensure that assurance services create an effective control environment and support the integrity of internal and external information.	The Board has approved terms of reference that mandate the Audit and Risk Committee to oversee internal controls for financial, operational, compliance and sustainability matters.
Principle 16: Stakeholders	
In fulfilling its governance role, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders for the organisation's long-term benefit.	Stakeholders are integral to Heriot and their risks and concerns are carefully considered in strategy reviews and refinements. The CEO and CFO regularly engage with shareholders, tenants and financiers.

COMPLIANCE WITH APPLICABLE LAWS

The Company has adhered to the Companies Act, including its incorporation provisions and has operated in accordance with the memorandum of incorporation during the year under review.



Financial Statements

Directors' RESPONSIBILITY AND APPROVAL

The Directors are required by the Companies Act of South Africa ("Companies Act") to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the Group and Company as at the end of the financial year and the results of its operations and cash flows for the year then ended in conformity with International Financial Reporting Standards (IFRS®), the JSE Limited ("JSE") Listings Requirements, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act. The external auditor is engaged to express an independent opinion of the consolidated and separate financial statements.

The consolidated and separate financial statements are prepared in accordance with IFRS® Accounting Standards, the South African financial reporting requirements per Section 8.60 of the JSE Listings Requirements and the Companies Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the Group and Company and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and management is required to maintain the highest ethical standards in ensuring the Group and Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group and Company is on identifying, assessing, managing and monitoring all known forms of risk within the Group and Company. While operating risk cannot be fully eliminated, the Group and Company endeavour to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Group and Company's Audit and Risk Committee plays an integral role in risk management as well as overseeing the Group and Company's integrated reporting. The Code of Corporate Practices and Conduct has been integrated into the Group and Company's strategies and operations.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Group and Company's cash flow forecast for the year to 30 June 2025 and, based on this review and the current financial position, they are satisfied that the Group and Company have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor was given unrestricted access to all financial records and related data, including minutes of meetings of the Board of Directors and the committees of the Board. The consolidated and separate financial statements have been examined by the Group and Company's external auditor and their report is presented on **pages 67 to 69**.

The consolidated and separate annual financial statements set out on **pages 70 to 136**, which have been prepared on the going concern basis, were approved by the Board of Directors on 31 October 2024 and were signed on its behalf by:

Steven Herring
Chairman

Daniel Snoyman
Chief Financial Officer

Chief Executive Officer's AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

In line with paragraph 3.84(k) of the JSE Listings Requirements, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") hereby confirm that:

- the financial statements set out on **pages 70 to 137** fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS® Accounting Standards;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the financial statements, having fulfilled our role and function as Executive Directors with primary responsibility for the implementation and execution of controls;
- where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditor any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving Directors.

Richard Herring
Chief Executive Officer

Daniel Snoyman
Chief Financial Officer

31 October 2024

Group COMPANY SECRETARY'S CERTIFICATE

Declaration by the Company Secretary in respect of Section 88(2)(e) of the Companies Act

In accordance with the provisions of Section 88(2)(e) of the Companies Act, I certify that for the year ended 30 June 2024, the Company has lodged with the registrar of companies all such returns as are required of a company in terms of the Companies Act, and that all such returns are true, correct and up to date.

CIS Company Secretaries Proprietary Limited
Company Secretary

31 October 2024

Report OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (the “committee”) is an independent statutory committee to which duties are delegated by the Board. Committee members are appointed by the Board, subject to approval by shareholders at the annual general meeting.

The committee is chaired by independent Non-executive Director, Selwyn Blieden. The other members are two independent Non-executive Directors. During the reporting period Robin Lockhart-Ross and Nelson Ngale served on the committee. Greg Heron replaced Nelson Ngale on 8 October 2024.

The CEO, CFO and representatives of the external auditor have a standing invitation to be present at meetings of the Committee.

The committee is governed by a formal charter that is reviewed annually. The committee meets at least three times per year with additional meetings convened when necessary. Details of attendance by members at meetings for the year ended 30 June 2024 are set out on **page 48**.

The Board has satisfied itself that:

- committee members have the required knowledge and experience as set out in Section 94(5) of the Companies Act and Regulation 42 of the Companies Regulations, 2011;
- committee members act independently;
- committee members have unrestricted access to all information, documents and explanations required in support of the discharge of their duties, as well as to the external auditor; and
- the committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein.

The committee is responsible for performing the functions required in terms of Section 94(7) of the Companies Act. These functions include nominating and appointing the Group’s auditor and ensuring that such auditor is independent of the Group; determining the fees to be paid to the auditor and the auditor’s terms of engagement; ensuring that the appointment of the auditor complies with the provisions of the Companies Act and any other relevant legislation; determining the nature and extent of any non-audit services that the auditor may provide

to the Company; receiving and dealing appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, relating to the accounting practices of the Company, the content or auditing of the Company’s financial statements, the internal financial controls of the Company or any related matter; and performing any other oversight functions as may be determined by the Board.

Other responsibilities of the committee include:

- adopting and implementing an appropriate financial risk management policy in accordance with industry practice and monitoring compliance with this policy;
- reporting in the integrated report that the Group has, in all material respects, complied with the policy during the year concerned; and
- reporting to the JSE in the annual compliance declaration (as referred to in paragraph 13.49(d) of the JSE Listings Requirements) that it has monitored compliance with the policy and that the Group has, in all material respects, complied with the policy during the year concerned.

The committee has satisfied itself that, for the year under review:

- BDO South Africa Incorporated and Vianca Pretorius, the designated auditor and individual audit partner, are independent of the Company and further confirm that the suitability for their appointment is in accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements;
- The CFO, Daniel Snoyman, is competent and that the finance function has adequate resources and sufficient expertise;
- The Company Secretary has the requisite skills and experience and has maintained an arm’s-length relationship with the Board for the year under review;
- Appropriate risk management processes are in place;
- The Company has complied with the risk management policy as regards derivative transactions;
- The policies and procedures adopted to date are adequate and appropriate, having regard to Heriot’s size and range of activities; and
- The Company has established appropriate reporting procedures that are operating effectively.

The committee uses the combined assurance model to assist the Board in assessing whether the significant risks facing the Group are adequately mitigated. This model is about effectively co-ordinating management and internal and external assurance providers, increasing collaboration and developing a more holistic view of the organisation’s risk.

A key area of focus of the committee was the review of the key audit matters raised by the auditor noted on **page 67**.

The committee has reviewed the annual financial statements for the year ended 30 June 2024 and is of the view that they comply with IFRS® Accounting Standards in all material respects. Further, the committee reviewed this integrated report and is satisfied that the information is reliable, consistent, fairly represented, prepared in accordance with appropriate reporting standards and conforms to the requirements of the King IV Report on Corporate Governance for South Africa, 2016™ and the JSE Listings Requirements and has recommended the annual financial statements for the year ended 30 June 2024 for approval by the Board of Directors.

The annual financial statements, which the Board has approved, will be presented for discussion and adoption at the annual general meeting to be held on Thursday, 5 December 2024.

Selwyn Blieden

Audit and Risk Committee Chairman

31 October 2024

The Directors have pleasure in submitting their report on the annual financial statements of Heriot REIT Limited ("Heriot", the "Company" or the "Group") and its subsidiaries for the year ended 30 June 2024.

NATURE OF BUSINESS

Heriot is a property holding and investment company that is listed in the "Diversified REITs" sector on the Alternative Exchange of the JSE. The Group is primarily invested in retail and industrial properties situated in areas with high growth potential. At the reporting date, the property portfolio was valued at R11,616 billion. The Group's primary objective is to grow and streamline Heriot's asset base through the acquisition of high-quality properties, the redevelopment of existing properties and the disposal of assets identified as non-core. Further, Heriot continues to pursue greenfield development opportunities that will create perpetual growth in distributions.

Heriot further manages a portfolio of retail assets located in Zambia and the Democratic Republic of the Congo.

ACCOUNTING POLICIES

The financial statements of the Company and Group have been prepared in conformity with IFRS® Accounting Standards, the South African financial reporting requirements per Section 8.60 of the JSE Listings Requirements and the Companies Act. The accounting policies have been applied consistently with those of the previous year except for the new policies adopted in the current reporting period noted on **page 80** (refer to **note 1.20**) and for the new common control policy adopted for the Thibault REIT Limited ("Thibault") acquisition whereby the predecessor business combination method was applied (refer to **note 41.2**).

REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The operating results and state of affairs of the Group and Company are fully set out in the attached financial statements.

Group

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 Investments RSA Limited ("Safari");
- Acquisition of Thibault, a company listed on the Cape Town Stock Exchange ("CTSE");
- Increased expected credit loss provisions arising as a result of the early termination of a large industrial lease; and
- Underperformance of the 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 expected credit loss 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 ("NAV") per share increased by 15,1% from R15,23 as at 30 June 2023 to R17,53 as 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 41.2**).

INVESTMENT IN THIBAUT AND ACCOUNTING TREATMENT (note 41.2)

Investment in Thibault

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, the CTSE and the 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 business combination under common control ("BCUCC") as a result of Heriot Investments Proprietary Limited's ("Heriot Investments") 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 ("NCI") 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 NAV 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 the 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:

- Neither Heriot nor Thibault has the ability to appoint a director to the Texton board;
- Neither 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 41.2**).

INVESTMENT IN SAFARI AND ACCOUNTING TREATMENT

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% as at 30 June 2024;
- Average cost of debt of 10,35% of which 4% or R50,0 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.

ASSETS AND LIABILITIES HELD FOR SALE (note 14)

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. 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 000m² 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/m² and gross lettable area ("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 NAV of Hagley on that date, no profit or loss on disposal was realised.

As 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.

STATED CAPITAL (note 15)

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.

INVESTMENT IN ASSOCIATES (note 6)

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 (refer to **note 41.3**).

FINANCIAL ASSETS (note 9)

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 41.2**).

CAPITAL COMMITMENTS (note 34)

Refer to **note 34** to the consolidated and separate annual financial statements for details of the capital commitments.

DIVIDENDS

In terms of Real Estate Investment Trust ("REIT") legislation, at least 75% of distributable earnings must be distributed by a REIT to shareholders every year. Since its listing in July 2017, Heriot has maintained a 100% dividend payout ratio and in respect of the year ended 30 June 2024, the following dividends were declared by the Company:

- Dividend number 12 – an interim dividend of 49,87199 cents per share for the six months ended 31 December 2023 was declared on 14 March 2023. The total dividend of R127,371 million was paid to shareholders on 22 April 2024; and
- Dividend number 13 – a final dividend of 56,81337 cents per share for the six months ended 30 June 2024 was declared to shareholders on 27 September 2023. The total dividend of R181,383 million was paid to shareholders on 21 October 2024.

DIRECTORS' REPORT continued

The dividends have been declared from distributable earnings and meet the requirement of a REIT "qualifying distribution" for purposes of Section 25BB of the Income Tax Act No 58 of 1962 (as amended).

Distributable earnings

Heriot uses distribution per share as its measure of trading performance. Heriot's distributable income has been calculated as follows:

	2024 R'000	2023 R'000
Contractual rental income and recoveries, excluding straight-line rental income	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)
Dividend distributed from equity-accounted entities	225	66 015
Thibault distribution declared to Heriot (refer to note 41.2)	37 203	–
Non-controlling interest	(101 422)	(6 377)
	308 754	271 552
Number of shares in issue at the reporting date* (interim)	255 395 858	255 395 858
Number of shares in issue at the reporting date* (final)	319 261 982	255 395 858
Total distribution (R'000)		
Interim distribution	127 371	132 900
Final distribution	181 383	138 652
Total distribution	308 754	271 552
Distribution per share (cents)		
Interim distribution	49,87199	52,04000
Final distribution	56,81337	54,28910
Total distribution per share	106,68536	106,32910

* Excluding the 900,000 treasury shares in issue.

DIRECTORS

The Directors of the Company for the year under review and at the date of this report were as follows:

Executive

RL Herring *Chief Executive Officer*
D Snoyman *Chief Financial Officer*

Non-executive

SJ Blieden *Lead Independent Non-executive Director*
SB Herring *Chairman*
R Lockhart-Ross *Independent*
NA Ngale *Resigned 30 September 2024 (independent)*
JA Finn *Resigned 30 September 2024*
G Heron *Appointed 8 October 2024 (independent)*
A Mazwai *Appointed 30 September 2024*

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2023 and at 30 June 2024, the Directors held the following direct and indirect interests in shares in the Company. As at 30 June 2023 and at 30 June 2024, the Directors held the following direct and indirect interests in shares in the Company (refer to **page 115** for further details on shares issued to Directors during the reporting period):

	Beneficial holdings		Non-beneficial holdings		Total	%
	Direct	Indirect	Direct	Indirect		
2024						
RL Herring*	3 358 000	11 377 339	–	–	14 735 339	4,6
JA Finn*	279 000	–	–	–	279 000	0,1
SJ Blieden	–	–	–	–	–	–
D Snoyman	–	–	–	–	–	–
SB Herring	–	285 163 750	–	–	285 163 750	89,1
R Lockhart-Ross	–	–	–	–	–	–
G Heron	–	–	–	–	–	–
	3 637 000	296 541 089	–	–	300 178 089	93,8
2023						
RL Herring*	2 800 000	11 377 339	–	–	14 177 339	5,5
JA Finn*	–	–	–	–	–	–
SJ Blieden	–	–	–	–	–	–
D Snoyman	–	–	–	–	–	–
SB Herring	–	222 790 183	–	–	222 790 183	86,9
R Lockhart-Ross	–	–	–	–	–	–
NA Ngale	–	–	–	–	–	–
	2 800 000	234 167 522	–	–	236 967 522	92,4

* RL Herring has pledged his direct holding of 2,800,000 shares as security for an amount owed to the Company in terms of the employee share scheme. As at 30 June 2024, the loans amounted to R29,150 million (2023: R29,092 million).

On 7 October 2024, Richard Herring acquired a further 13,950 shares for R225 000 or R16,13 cents per share.

There have been no further changes to the Directors' interests in shares between the year ended 30 June 2023 and the date of the approval of the annual financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Steven Herring as a Director of Heriot Investments had an interest in the Hagley transaction. Refer to **notes 1.19, 9.2.2, 14 and 19** for further details.

None of the Directors had any other direct or indirect material beneficial interest in contracts with the Company or its subsidiaries during the reporting period.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any other material reportable events that occurred after the reporting period other than those disclosed in **note 39**.

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 annual financial statements have been prepared on a going concern basis. This opinion is based on:

- the strong current and projected cash flows of the Group;
- the Group comfortably meeting debt covenant ratios;
- the Group's positive solvency position reflected by the NAV of R17,53 per share at the reporting date;
- the Group having access to sufficient facilities to meet its foreseeable cash requirements for operational activities and capital commitments; and
- the Group's ability to refinance facilities as and when they fall due, evidenced by the raising of new facilities and successful renewal of facilities during the year. While the Group's current liabilities exceed current assets because of maturing facilities at the reporting date, refinancing discussions with existing and new lenders for these facilities are at an advanced stage. Further, the Group has R440,5 million surplus cash invested in revolver facilities at year end that can be used to meet financial obligations at the reporting date.

AUDITOR

Subject to the approval of the shareholders at the upcoming annual general meeting, BDO South Africa Incorporated will continue in office in accordance with Section 90 of the Companies Act. Vanessa De Villiers will replace Vianca Pretorius as the partner responsible for the audit for the 2025 financial year end. The Board thanks Vianca for her valuable contribution to the Group for the past two years.

LITIGATION STATEMENT

In terms of Section 11.26 of the JSE Listings Requirements, the Directors are not aware of any legal or arbitration procedures that are pending or threatening that might have had, in the previous 12 months, a material effect on the Group's financial position.

PERFORMANCE MEASURES

In compliance with Sections 3.4(b)(vi) and 3.4(b)(vii) of the JSE Listings Requirements, and owing to the nature of Heriot's business as a REIT, the Board has decided to adopt the distribution per share and NAV per share measures for future trading statement purposes.

This is considered a more appropriate yardstick to measure Heriot's performance than headline earnings per share and earnings per share.

COMPANY SECRETARY

CIS Company Secretaries Proprietary Limited ("CIS") is the Company Secretary. During the year, CIS was represented by Mosa Matlosa, who is an associate member of Chartered Governance Institute of Southern Africa.

As required by the JSE Listings Requirements, the Board has satisfied itself that the Company Secretary has the appropriate qualifications, expertise and experience. In addition, the Board has satisfied itself that there is an arm's-length relationship with the Company Secretary, due to the fact that the Company Secretary is not a Director of the Company.

The address of the Secretary is set out below:

Business address

Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196

Postal address

Private Bag X9000
Saxonwold
2132

PREPARER

The financial statements were compiled by Daniel Snoyman CA(SA).

TO THE SHAREHOLDERS OF HERIOT REIT LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

OPINION

We have audited the consolidated and separate financial statements of Heriot REIT Limited (the group and company) set out on pages 70 to 137, which comprise the consolidated and separate statements of financial position as at 30 June 2024, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Heriot REIT Limited as at 30 June 2024, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property – Group – Note 2 Significant judgements and estimates are required by directors in determining the fair value of investment property. The portfolio is valued annually by an external independent valuator – Quadrant Properties Proprietary Limited. The valuations were based on a discounted cash flow model. Note 2 sets out the most significant inputs into valuations, all of which are unobservable. We considered the valuation of investment property as a matter of most significance to our current year audit of the consolidated financial statements due to the significance of the balance, the significant judgements and estimates associated with determining fair value, and the sensitivity of the valuations to changes in assumptions.	Our procedures included, among others the following: • We assessed the design and implementation of key controls in the valuation process as performed by the directors; • We evaluated management's calculations for consistency with the prior year methodology; • We evaluated the competence, capabilities, and objectivity of the external valuer. This included verifying professional qualifications, membership and standing with professional bodies. We also obtained a signed declaration of his independence with regard to his dealings with management and performance of the valuations; • Through discussions with the external valuator, obtained an understanding of the work performed, which included, the valuation methodology adopted, the significant assumptions used, and critical judgement areas applied, such as discount rates and capitalisation rates. We further assessed that the valuation approach had been applied consistently; • All properties were selected for testing. We verified the mathematical accuracy of the models applied and we compared the significant assumptions and judgements used by the valuator to historical inputs, contractual leases and market data, where available, to assess its reasonability. We furthermore assessed certain inputs used against the latest SAPOA and Rode's report, including the capitalisation, discount and growth rates. • Making use of our internal corporate finance expertise, we assessed whether the valuation methodology was appropriate, and compared for reasonability the significant assumptions and judgements used by the valuator against historical inputs and market data, where available, and investigated unexpected movements on all properties; • We inspected relevant component audit team working papers and documents to assess the adequacy of their work performed; • The following procedures were performed in collaboration with the component auditors: – Assessed the design and tested the implementation of the relevant controls over the valuation process; – Evaluated the capabilities, competency and objectivity of the external valuator. This included assessing professional qualification and registration and making an assessment of the independence and appropriateness of the valuator used; – Through discussion with the external valuator, obtained an understanding of the external valuator's work performed, which included the valuation methodology adopted, the significant assumptions used, and critical judgement areas applied, such as discount and capitalisation rates; – Making use of our corporate finance expertise, we assessed the appropriateness of the valuation methodology used was appropriate. We verified the mathematical accuracy of the models applied and we compared the significant assumptions and judgements used by the valuator to historical inputs, contractual leases and market data, where available, to assess its reasonability. We furthermore assessed certain inputs used against the latest SAPOA and Rode's report, including the capitalisation and discount rates; • We assessed the adequacy of the disclosure in the consolidated financial statements, including disclosure on significant inputs and sensitivity analysis, against the requirements of IFRS® Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Thibault acquisition – Group – Note 41 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. Shares were formally issued on 28 June 2024 being the effective date of the acquisition. The acquisition of Thibault was accounted for as a business combination under common control as a result of Heriot Investments' 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 business combination under common control, Heriot applied significant judgement when developing this policy and applied the predecessor value method in accounting for the acquisition. 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 exceeded the consideration transferred to acquire the subsidiary, a gain was recognised in the statement of changes in equity through retained income. The accounting for the resulting acquisition and the underlying disclosure was a matter of most significance to the current year audit due to the significant judgement applied by management in developing the policy and application of the predecessor value method, the significance of the value of the acquisition, as well as the significant judgement and estimates involved in the model applied by management to determine the fair value of the investment property which represents the carrying amount that was accounted for as part of the assets acquired in the predecessor value method.	Our procedures included, among others the following: • We made use of our internal IFRS expertise to evaluate the accounting treatment on group level in terms of the predecessor value method as adopted by management and assessing the effective date of control; • We held various planning, execution and completion meetings and discussions with the component audit team throughout the engagement; • We inspected relevant component audit team working papers and documents to assess the adequacy of their work performed as at 28 June 2024; • The following procedures were performed in collaboration with the component auditors to determine the carrying amount of investment property represented by its fair value that was utilised for purposes of the predecessor value method as at 28 June 2024. – Assessed the design and tested the implementation of the relevant controls over the valuation process; – Evaluated the capabilities, competency and objectivity of the external valuator. This included assessing professional qualification and registration and making an assessment of the independence and appropriateness of the valuator used; – Through discussion with the external valuator, obtained an understanding of the external valuator's work performed, which included the valuation methodology adopted, the significant assumptions used, and critical judgement areas applied, such as discount and capitalisation rates; – Making use of our corporate finance expertise, we assessed the appropriateness of the valuation methodology used was appropriate. We verified the mathematical accuracy of the models applied and we compared the significant assumptions and judgements used by the valuator to historical inputs, contractual leases and market data, where available, to assess its reasonability. We furthermore assessed certain inputs used against the latest SAPOA and Rode's report, including the capitalisation and discount rates; – Evaluated the adequacy of the disclosure in the consolidated financial statements, specifically the disclosure of the business combination under common control and the disclosure of the significant judgement applied by management in developing the policy and application of the predecessor value method.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Heriot REIT Limited Integrated Report for the year ended 30 June 2024", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Heriot REIT Limited for seven years.

BDO South Africa Incorporated
Registered Auditors

V Pretorius
Director
Registered Auditor

31 October 2024

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Statements of
FINANCIAL POSITION
as at 30 June 2024

	Note	Group		Company	
		2024 R'000	2023 R'000	2024 R'000	2023 R'000
ASSETS					
Non-current assets		11 808 511	9 097 870	3 334 931	2 399 762
Investment property at fair value	2	11 343 750	8 891 700	–	–
Investment property	2	11 109 783	8 686 507	–	–
Straight-line rental income accrual	2	233 967	205 193	–	–
Property under development	3	92 525	91 345	–	–
Property, plant and equipment	4	56 763	31 251	–	–
Investment in subsidiaries	5	–	–	3 300 666	2 365 646
Investment in associates and joint ventures	6	–	4 135	–	–
Derivative financial instrument	7	–	1 017	–	–
Right-of-use assets	8	1 515	3 997	–	–
Financial assets	9	313 958	74 425	34 265	34 116
Current assets		185 167	124 427	127 431	129 788
Trade and other receivables	10	104 386	47 248	–	–
Dividends receivable from subsidiaries	11	–	–	85 089	71 194
Financial assets	9	–	–	–	46 397
Inventories	12	11 593	29 869	–	–
Derivative financial instrument	7	163	1 615	–	–
Cash and cash equivalents	13	69 025	45 695	42 342	12 197
Non-current assets held for sale	14	180 100	275 206	–	–
Total assets		12 173 778	9 497 503	3 462 362	2 529 550

		Group		Company	
	Note	2024 R'000	2023 R'000	2024 R'000	2023 R'000
EQUITY AND LIABILITIES					
Equity		6 780 577	5 304 475	3 454 838	2 515 974
Shareholders' interest		5 673 349	3 953 591	3 454 838	2 515 974
Stated capital		3 468 665	2 548 624	3 477 689	2 557 648
Reserves		2 204 684	1 404 967	(22 851)	(41 674)
Non-controlling interests		1 107 228	1 350 884	–	–
Non-current liabilities		4 994 626	3 305 938	–	–
Interest-bearing borrowings		4 888 407	3 225 122	–	–
Lease liabilities		2 153	4 531	–	–
Deferred taxation		104 066	76 285	–	–
Current liabilities		398 575	816 049	7 524	13 576
Interest-bearing borrowings		164 933	608 926	–	–
Other financial liabilities		–	40 309	6 988	13 518
Trade and other payables		186 701	154 641	536	58
Dividend payable to non-controlling shareholders		46 060	10 778	–	–
Lease liabilities		816	993	–	–
Taxation		65	402	–	–
Non-current liabilities held for sale		–	71 041	–	–
Total equity and liabilities		12 173 778	9 497 503	3 462 362	2 529 550

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2024

	Note	Group		Company	
		2024 R'000	2023 R'000	2024 R'000	2023 R'000
Revenue	22	1 385 418	625 956	266 448	267 196
Contractual rental income		984 165	501 933	–	–
Dividends received	11	–	–	266 448	267 196
Operating cost recoveries		365 624	141 089	–	–
Revenue from sale of inventory	12	19 666	–	–	–
Straight-line rental income accrual		15 963	(17 066)	–	–
Operating costs		(499 267)	(202 032)	–	–
Cost of inventory sold	12	(24 190)	–	–	–
Impairment of inventory	24	(957)	–	–	–
Net property income		861 004	423 924	266 448	267 196
Equity-accounted profits (net of taxation)	6	790	78 122	–	–
Other income	23	20 743	12 467	–	–
Administration costs		(82 286)	(46 710)	(1 693)	(2 099)
Loss on sale of property, plant and equipment	4	(236)	–	–	–
Impairment reversals of investment in subsidiaries	24	–	–	14 231	14 897
Profit from operations	26	800 015	467 803	278 986	279 994
Finance charges	28	(432 118)	(202 701)	–	–
Finance income	29	15 551	10 747	6 798	6 455

	Note	Group		Company	
		2024 R'000	2023 R'000	2024 R'000	2023 R'000
Profit before fair value adjustments and bargain purchase gain		383 448	275 849	285 784	286 449
Fair value adjustments		506 281	241 599	–	–
Fair value adjustment on previously held equity interest	30	–	(47 707)	–	–
Investment properties and property under development	30	466 198	289 306	–	–
Investment properties held for sale	30	42 593	–	–	–
Derivative financial instrument	30	(2 510)	–	–	–
Bargain purchase gain	25	–	464 289	–	–
Profit before taxation		889 729	981 737	285 784	286 449
Taxation	31	(20 636)	(4 327)	–	–
Total comprehensive income for the year		869 093	977 410	285 784	286 449
<i>Attributable to:</i>					
Heriot shareholders		664 734	964 022		
Non-controlling shareholders	16	204 359	13 388		
		869 093	977 410		
Basic earnings per share (cents)	32	259,92	377,46		
Diluted earnings per share (cents)	32	259,92	377,46		

Statements of
CASH FLOWS
for the year ended 30 June 2024

	Note	Group		Company	
		2024 R'000	2023 R'000	2024 R'000	2023 R'000
Net cash flows generated from operating activities		368 149	263 362	254 635	256 499
Cash generated from/(used in) operations	33.2	789 769	453 579	(1 215)	(1 680)
Finance charges	28	(427 090)	(192 024)	–	–
Finance income	29	6 401	4 782	3 297	3 532
Dividends received	11	–	–	252 553	254 647
Taxation paid	33.5	(931)	(2 975)	–	–
Net cash (used in)/generated from investing activities		(362 553)	(437 391)	49 749	(117 355)
Acquisitions/improvements to investment property	33.6	(353 954)	(178 456)	–	–
Acquisition of property, plant and equipment	4	(16 980)	(6 325)	–	–
Proceeds from disposal of property, plant and equipment	4	196	–	–	–
Acquisition of shares in associate	6	–	(293 061)	–	–
Acquisition of additional shares in subsidiary	5	–	–	–	(5 500)
Dividends received from associates	6	225	27 638	–	–
Loans to subsidiaries repaid	9	–	–	46 397	–
Loans advanced to subsidiaries	9	–	–	–	(114 881)
Loan repaid by related party	9	15 240	450	–	–
Loan advanced to related party	9	(9 267)	(1 577)	–	–
Cash acquired on business combination (Safari)	41.1	–	10 914	–	–
Cash acquired on business combination (Thibault)	41.2	2 719	–	–	–
Net cost of business combination (Fixtrade)	41.3	(4 084)	–	–	–
Share scheme debt repaid	9	3 352	3 026	3 352	3 026

	Note	Group		Company	
		2024 R'000	2023 R'000	2024 R'000	2023 R'000
Net cash generated from/(used in) financing activities		17 734	97 517	(274 239)	(237 500)
Dividends paid to Heriot shareholders		(266 023)	(264 769)	(266 961)	(265 702)
Dividends paid to non-controlling shareholders	21	(86 047)	(6 252)	–	–
Acquisition of minority interest	16	(41 273)	(21 239)	–	–
Proceeds from disposal of shares in subsidiary	16	–	8 801	–	–
Subscription by minority for additional shares in subsidiary	16	–	5 500	–	–
Share issue expenses	SOCIE	(748)	–	(748)	–
Loans advanced by subsidiaries	19	–	–	6 988	28 202
Loans repaid to subsidiaries	19	–	–	(13 518)	–
Payment of lease liabilities	8	(904)	–	–	–
Interest-bearing borrowings raised – assets and liabilities held for sale	14	179 153	–	–	–
Interest-bearing borrowings raised	33.7	902 184	800 332	–	–
Interest-bearing borrowings repaid	33.7	(668 608)	(424 856)	–	–
Net movement in cash and cash equivalents		23 330	(76 512)	30 145	(98 356)
Cash and cash equivalents at the beginning of the year		45 695	122 959	12 197	110 553
Cash and cash equivalents transferred to held for sale		–	(752)	–	–
Cash and cash equivalents at the end of the year		69 025	45 695	42 342	12 197

Statements of CHANGES IN EQUITY

as at 30 June 2024

Note	Group			
	Stated capital R'000	Reserves R'000	Non-controlling interests R'000	Total R'000
Balance as at 30 June 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	16	(18 749)	(2 490)	(21 239)
Subscription by minority for additional shares in subsidiary	5	–	5 500	5 500
Minority interest on acquisition of subsidiary	41.1	–	1 284 387	1 284 387
Sale of shares in subsidiary	16	(6 006)	14 807	8 801
Dividends		(264 769)	(7 099)	(271 868)
Balance as at 30 June 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) ¹	16	19 738	(50 460)	(30 722)
Safari treasury share purchases ²	16	7 744	(18 295)	(10 551)
Shares issued for Thibault acquisition	41.2	957 992	–	957 992
Dividend declared in lieu of shares bought in Thibault (non-cash) ³	41.2	(37 203)	37 203	–
Bargain gain on common control (Thibault acquisition) ³	16, 41.2	–	336 321	(257 931)
Share issue expenses ⁴		(748)	–	(748)
Dividends ⁵		–	(266 023)	(121 329)
Balance as at 30 June 2024	3 468 665	2 204 684	1 107 228	6 780 577

Note

15

16

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

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

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

³ 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 41.2**); and
- The R37,203 million dividend declared by Thibault reducing the purchase consideration and increasing Heriot's equity (refer to **note 41.2**).

⁴ Heriot incurred R748 000 costs related to the issue of new shares as a result of the Thibault acquisition; and

⁵ 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 its second interim distribution on 27 June 2024 which was paid on 15 July 2024.

Refer to **note 1.11** for the description of the nature and purpose of each reserve within equity.

Note	Company		
	Stated capital R'000	Reserves R'000	Total R'000
Balance as at 30 June 2022	2 557 648	(62 421)	2 495 227
For the year ended 30 June 2023			
Total comprehensive income for the year	–	286 449	286 449
Dividends	–	(265 702)	(265 702)
Balance as at 30 June 2023	2 557 648	(41 674)	2 515 974
Total comprehensive income for the year	–	285 784	285 784
Shares issued for Thibault acquisition	41.2	920 789	–
Share issue expenses		(748)	–
Dividends		–	(266 961)
Balance as at 30 June 2024	3 477 689	(22 851)	3 454 838

Note

15

Heriot is a corporate REIT incorporated and registered in South Africa.

ACCOUNTING POLICIES

1. MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Group and Company financial statements are set out below.

1.1 Basis of preparation

The consolidated and separate financial statements are prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair value, and incorporate the principal accounting policies set out below. These accounting policies are consistent with those applied in the previous period other than for the new and revised accounting standards, outlined in **note 1.21** to the financial statements, which had no material impact on the results.

The Group and Company financial statements as at the end of the financial year and the results of their operations and cash flows for the year then ended are prepared in conformity with International Financial Reporting Standards (IFRS®), the JSE Listings Requirements, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act.

The financial statements are prepared on the going concern basis and all values are rounded to the nearest thousand (R'000), except where otherwise indicated.

Safari

Heriot obtained control of Safari on 31 March 2023 and applied the lag accounting principle which resulted in no income statement movements being included in the 2023 financial year. In the current reporting period, Safari changed its year end to June resulting in a 15-month reporting period which has been included in the Group results for the year ended 30 June 2024.

Thibault

Thibault was acquired on 28 June 2024 and on this basis no income statement movements were included in the Group results for the year ended 30 June 2024.

1.2 Statement of compliance

The consolidated and separate financial statements are prepared in accordance with IFRS® Accounting Standards, the requirements of the Companies Act and the JSE Listings Requirements.

1.3 Use of estimates and judgements

In preparing the consolidated and separate financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated and separate financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated and separate financial statements.

Significant judgements and sources of estimation uncertainty

Significant judgements

Safari control assessment

Significant judgment was applied in our assessment of control over Safari. Refer to **note 41.1** for details.

Expected credit loss

Impairment of trade receivables – Note 10

An entity has a policy choice to apply either the simplified approach or the general approach for all trade and lease receivables that result from transactions that are within the scope of IFRS 16. The simplified approach does not require an entity to track the changes in credit risk, but instead, requires the entity to recognise a loss allowance based on lifetime expected credit losses at each reporting date from origination.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss allowance for trade receivables. To measure expected credit losses on an individual basis, these receivables are assessed net of the value added tax clawback and deposit or guarantee held.

Arrears aged 90 days and over are in most instances deemed to be irrecoverable and provided for. The expected loss rates are based on the Group's historical credit losses experienced over the period prior to the period end and are reassessed at each reporting date.

The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers, as well as potential changes in the debtors' risk profiles.

The Group has identified the gross domestic product, unemployment rate and the inflation rate as the key macroeconomic factors.

Trade receivables are written off when internal and initial legal collection processes have been exhausted and a judgement is made that the amount is likely not recoverable. Factors considered when monitoring credit risk and determining write-offs include the financial status of the debtor or counterparty, existence and quality of security, disputes and failure of the debtor to engage on payment plans or untraceable debtors. Expected credit loss allowances for trade receivables are based on assumptions about risk of default and expected loss rates. Judgement, based on past history, existing market conditions and forward-looking estimates of economic growth and forecast of retail sales, is used in making these assumptions.

Impairment of financial assets, dividends receivable from subsidiaries and other receivables – Notes 9 and 11

In terms of the provisions of IFRS 9 *Financial Instruments*, which requires a loss allowance to be recognised for all exposures to credit risk, the Group and Company apply the general approach to measuring expected credit losses in respect of related party loans, share scheme loans, amounts receivable from subsidiaries and other receivables.

The loss allowance for these receivables is calculated based on 12-month expected losses i.e. default events that are possible within 12 months if there has not been any significant increase in credit risk since initial recognition.

In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses.

The loss allowance is updated to either 12-month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If the receivable is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition.

These receivables were analysed in terms of IFRS 9 by assessing the credit risk and expected default rate, taking into account mitigating factors including collateral held per receivable. Credit risk and the expected default rate are assessed based on a three-stage risk approach.

Stage 1 – Financial assets that have a low credit risk at the reporting date; 12-month expected credit losses are recognised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

Stage 2 – Assess if there has been a significant increase in credit risk and quality of the financial asset since initial recognition but it does not show objective evidence of impairment; lifetime expected credit losses are recognised.

Stage 3 – If there is objective evidence of impairment at the reporting date, lifetime expected credit losses are recognised.

A loan is considered to be in default when there is evidence that the borrower is in significant financial difficulty such that it will have insufficient funds to repay the loan on demand.

The risk that the borrower will default on a demand loan depends on whether the subsidiary has sufficient cash or other liquid assets to repay the loan immediately (meaning that the risk of default is very low, possibly close to 0%) or it will not (meaning that the risk of default is very high, possibly close to 100%). A loan is considered to be credit-impaired if it meets the definition of a defaulted loan.

In determining the loss allowance and whether the credit risk has increased significantly, the following inputs and assumptions are used for related party and employee share scheme loans:

- Repayment dates of the loans;
- Growth projections of the properties owned by the borrowers and sureties provided on the loans. Further, the net equity position of a loan is assessed, along with the income-generating abilities of the properties, from day-to-day trading conditions and the surrounding areas;
- The employee share scheme loans are compared to the year end market price to assess recoverability; and
- An interest rate sensitivity analysis to stress test loan repayment tenures.

Other receivables mainly comprise deposits paid to Eskom and major municipalities. In determining the loss allowance and whether the credit risk has increased significantly, the following inputs and assumptions are used:

- Location of the municipality; and
- Financial status of the municipality and/or state-owned entity.

Write-off policy

The Group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no prospect of recovery e.g. when the counterparty has been placed in liquidation or has entered into business rescue proceedings. Loans written off may

still be subject to enforcement, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Taxation – Note 31

Due to the complexity of the tax legislation, judgement is required in determining the provision for income taxes.

Heriot is a REIT and tax and deferred tax are accounted for accordingly. On this basis, dividends paid to shareholders are allowable as a tax deduction and no deferred tax is provided on movements in the fair value of investment property as no capital gains tax is payable on disposal of properties. Deferred tax is, however, provided for capital allowances claimed in respect of investment property acquired in terms of the business combination which allowances will be recouped on the disposal of such assets.

Investment in Texton – Notes 9 and 41.2

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:

- Neither Heriot nor Thibault has the ability to appoint a director to the Texton board;
- Neither 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 41.2**).

Investment in Thibault – Note 41.2

The acquisition of Thibault was accounted for as a business combination under common control (“BCUCC”) as a result of Heriot Investments’ 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 (refer to **note 41.2**).

Sources of estimation uncertainty

Investment properties – Note 2

The property portfolio is valued externally by a professional valuer on an annual basis using discounted cash flow projections. Cash flow projections are based on estimates of future net rental cash flows, discounted using rates that reflect current market assessments, together with external evidence such as current market rentals for similar properties in the same location.

Future rentals are estimated taking into account existing lease contracts and escalations, location, the condition of the property, lease covenants, current market rentals, conditions and the economy.

Derivative financial instruments – Note 7

The valuation of derivative financial instruments is determined using the discounted cash flow projections, based on estimates of future cash flows, together with the relevant swap agreements as obtained from the recognised derivative dealer that values the instrument. The valuation further takes into account current market prices and conditions.

The estimates, judgements and underlying assumptions are reviewed on an ongoing basis.

Impairments of investments in subsidiaries – Note 5

The Group tests whether assets have suffered any impairment in accordance with the accounting policy stated in **note 1**. The recoverable amounts of cash-generating units have been determined based on future cash flows discounted to their present value using appropriate rates. Estimates are based on interpretation of generally accepted industry-based market forecasts.

Inventory – Note 12

A percentage of Erf 71 Swakopmund (acquired on the acquisition of Safari) (refer to **note 41.1**) and the development thereon is recognised as inventory. The reason for the classification as inventory is that the development on this part of the property will be sold as residential units. The net realisable value of inventory is subject to estimation uncertainty and has been valued by an independent external valuer, who has considered all aspects of the inventory, including:

- the current economy;
- the nature of the property;
- the location;
- the risk profile; and
- the cost to sell inventory.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

The inventory has been valued using the “direct comparable method” and is recognised at the lower of cost and net realisable value in terms of IAS 2 *Inventories*.

1.4 Basis of consolidation

Subsidiaries – Note 5

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Company and its subsidiaries. The Group has control of an investee when it has power over the investee and has the ability to use its power to affect the amount the investee returns to the investor.

The results of subsidiaries are included from the date control was acquired up to the date control ceased. Cost comprises the fair value of any assets transferred, liabilities or obligations assumed and equity instruments issued and excludes transaction costs.

Investments in subsidiaries in the separate financial statements of the Company are reflected at cost less accumulated impairment losses.

The accounting policies of the subsidiaries are consistent with those of the Group.

Associates – Note 6

An associate is an entity over which the Group has significant influence.

Investments in associates are accounted for at cost less accumulated impairment losses in the Company's separate financial statements. At Group level, these investments are initially measured at cost subsequently using the equity method. The Group's investment in associates includes goodwill identified on acquisition (net of any accumulated impairment loss).

The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses equals or exceeds its interest in an equity-accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

1.5 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are measured at their fair values at the acquisition date.

On the basis that the fair value of the assets and liabilities assumed exceeds the consideration transferred to acquire the subsidiary, the bargain purchase gain is recognised in the statement of comprehensive income.

On 31 March 2023, a bargain gain recognised through the statement of comprehensive income arose due to the fair value of the Safari assets acquired exceeding the market value of the previously held equity-accounted investment. (Refer to **notes 1.11, 6, 25 and 41.1**).

Business combination under common control – Note 41.2

Thibault acquisition

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.

From 28 June 2024, Heriot controls Thibault by virtue of 100% of voting rights held.

Accounting treatment of the Thibault acquisition

The acquisition of Thibault was accounted for as a BCUCC as a result of Heriot Investments' 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 (refer to the **SOCIE** and **notes 5 and 41.2**). The net assets of Thibault 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 NCI in Safari and a reduction in the purchase price of Thibault to R662,858 million. (Refer to **SOCIE** and **notes 16 and 41.2**).

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. (Refer to the **SOCIE** and **note 41.2**).

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. In the Group financials, the distribution declared was recognised through the statement of changes in equity and settled against the cost of shares issued to acquire Thibault (refer to the **SOCIE**). In the Company financials, the distribution was settled against the cost of the investment and cost of shares issued to acquire Thibault (refer to the **SOCIE** and **note 5**).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

1.6 Investment property

1.6.1 Investment property – Note 2

Investment property is property held to earn rental income for capital appreciation.

The cost of investment property comprises the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment property is capitalised when it is probable that there will be future economic benefits from the use of the asset. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

After initial recognition, investment property is measured at fair value. Fair values are determined annually by external independent registered valuers on the open market value basis. The valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of both methods to determine fair value.

The vacant land has been valued on the “direct comparable basis”.

Gains or losses arising from changes in the fair values of investment property are included in profit or loss for the year in which they arise.

Immediately prior to disposal of investment property, the investment property is revalued to the net sales proceeds and such revaluation is recognised in profit or loss in the period during which it occurs.

When the Group begins to redevelop an existing investment property, consideration is given to whether or not the property needs to be reclassified as investment property under development or should remain as investment property, which is measured based on the fair value model.

Tenant installations and lease commissions are capitalised and amortised over the period of the lease. The carrying values of lease commissions and tenant installations are included with investment properties.

Solar plant costs are capitalised and amortised over the useful life of the various components. The carrying values of the solar plants are included with investment properties, and income generated through savings has been taken into account when calculating the fair value of investment properties.

1.6.2 Investment property under development – Note 3

Investment property under development is stated at fair value less estimated costs to completion. Fair values are determined annually

by external independent registered valuers on the open market value basis. The valuers apply either the discounted cash flow or the capitalisation of net income methods to projected cash flows for the completed development to determine fair value. If the fair value of the developments cannot be reliably measured, the property will be carried at cost.

On completion, investment property under development is transferred to investment property.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditure for the development qualifying as acquisition costs, are capitalised.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the asset is substantially ready for its intended use. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general groups, the weighted average cost of borrowings.

1.7 Property, plant and equipment – Note 4

Properties that are occupied by the Company for internal purposes are recognised in terms of the accounting policy for property, plant and equipment.

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment, if any.

Depreciation is calculated on the straight-line method to write off costs to their residual values over their estimated useful lives. The depreciation rates applicable are as follows:

Land and buildings	50 years
Computer equipment	3 years
Furniture, fittings and equipment	10 years
Motor vehicles	5 years

The useful lives and residual values of property, plant and equipment are assessed annually.

1.8 Financial instruments

The Group's financial instruments consist of equity instruments, loans receivable and payable, trade and other receivables, trade and other payables, cash, borrowings and derivative financial instruments.

Financial instruments are initially measured at fair value plus, in the case of financial instruments not measured at fair value through profit or loss, transaction costs. Subsequent to initial recognition, these instruments are measured as set out below.

Cash and cash equivalents	Carried at amortised cost
Financial assets including related party loans, share scheme loans and amounts receivable from subsidiaries	Stated at amortised cost using the effective interest method less accumulated impairment losses
Financial assets including investment in listed shares	Investments in listed shares are recognised at fair value through profit or loss
Trade and other payables	Stated at amortised cost using the effective interest method
Related party loans payable	Stated at amortised cost using the effective interest method
Financial liabilities	Non-derivative financial liabilities not at fair value through profit or loss are recognised at amortised cost using the effective interest method
Derivative financial instruments	Derivative financial instruments are recognised at fair value through profit or loss

The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. Directly attributable transaction costs are recognised in profit or loss when incurred.

For all financial instruments carried at amortised cost, where the financial effect of the time value of money is not considered to be material, discounting is not applied as the fair values of these instruments approximate their carrying values.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

Expected credit loss

The Group recognises a loss allowance for expected credit losses on trade and other receivables and loan receivables.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised in respect of defaulting trade receivables from initial recognition of the receivables. Defaulting trade receivables are generally those receivables for which there have been no collections for more than 90 days. Trade receivables are derecognised when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Any recoveries made are recognised in profit or loss.

For related party loans, employee share scheme loans and other receivables, credit risk is assessed based on the borrower's ability to service its debt as it falls due. The Group and Company apply the IFRS 9 general approach to measuring expected credit losses. The loss allowance for these financial assets is calculated with reference to expected credit losses for the next 12 months where credit risk has remained unchanged from the last reporting period. Where there has been a significant change in risk, the loss allowance is calculated based on lifetime expected credit losses.

1.9 Leases – Note 8

All leases with tenants are classified as operating leases.

Operating leases – lessor

Operating lease income is recognised as income on a straight-line basis over the lease term.

The accrued operating lease income straight-lining adjustment is recognised as an asset in the statement of financial position. The current portion of the operating lease asset is the portion of the accrued operating lease income straight-lining adjustment that will reverse in the next financial year. Income from leases is disclosed within revenue in profit or loss.

Contingent rentals

Where applicable, turnover rent is negotiated with tenants on an individual basis. Turnover rent is recognised when it is due in terms of the lease agreement.

Leases – Group as lessee

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented as a separate line item in the Group and Company statement of financial position.

The Group would remeasure the lease liability (and make a corresponding adjustment to the related right-of-use asset), even though this is not applicable in the current financial year, when:

- the term, in which case the lease liability, is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; and
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item in the statement of financial position.

Right-of-use assets are measured at cost at the commencement date and comprise the following:

- The initial amount of the corresponding lease liability;
- Any lease payments made at or before the commencement date;
- Any initial direct costs incurred; and
- Less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset.

Depreciation starts at the commencement date of a lease. For right-of-use assets which are depreciated over their useful lives, if ownership does not transfer, the useful life is restricted to the lease term.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1.10 Inventories – Note 12

Inventories are measured at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the development of apartments in Namibia.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories and recognised as an expense in the period in which the reversal occurs.

1.11 Stated capital and equity

Share capital – Note 15

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity and those paid for and issued are recognised as stated capital.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

The ordinary shares fully paid for but not yet issued are classified as equity within the statement of changes in equity.

Company shares held by subsidiaries are classified as treasury shares on consolidation and presented as a deduction from equity. These shares are held at cost in the consolidated financial statements.

Non-controlling interest – Note 16

The NCI reserve relates to the portion of equity ownership in a subsidiary not attributable to the parent company. The Group elects on each acquisition to initially measure NCI on the acquisition date at either fair value or at the NCI's proportionate share of the investees' identifiable net assets.

Reserves

Reserves comprise retained earnings.

1. Retained earnings comprise the following components recognised directly through the statements of profit or loss and other comprehensive income:

Profit from operations – Comprise Group earnings generated from operations.

Fair value adjustments on investment properties – Comprise changes in the fair values of investment properties, property under development and investment property held for sale. (Refer to **note 30**.)

Other fair value and accounting adjustments – The other fair value and accounting adjustments relate to all other items accounted for in profit or loss, such as the fair value adjustments (excluding the NCI portion of the fair value adjustments), straight-line lease income adjustments, non-cash charges, capital items and deferred taxation. (Refer to **notes 16, 18, 22 and 30**.)

Bargain gains – Where the net recognised amount of the identifiable assets acquired and liabilities assumed exceeds the fair value of the consideration transferred (including the recognised amount of any NCI in the acquiree and the fair value of any existing equity interest), this excess is recognised immediately in profit or loss as a gain on bargain purchase. The bargain purchase reserve relates to the cumulative gain on bargain purchases. (Refer to **notes 1.5, 25 and 41.1**.)

2. Retained earnings comprise the following components recognised directly through the statement of changes in equity:

Gains and losses recognised on acquisition of minority interest

– On the basis the Group already has a controlling stake in the company and where the fair value of the minority interest acquired exceeds the consideration transferred, this excess is recognised immediately in equity as a gain on purchase. Where the fair value of the minority interest acquired is less than the consideration transferred, this loss is recognised immediately in equity as a loss on purchase.

Bargain gain recognised on a BCUCC – Where the net carrying amount of the identifiable assets acquired and liabilities assumed exceeds the consideration transferred, this excess is recognised immediately in equity as a gain on bargain purchase. (Refer to **notes 1.5, SOCIE and 41.2**.)

Dividends

Dividends or other distributions to the holders of equity instruments, in their capacity as owners, are recognised directly in equity on the date of payment.

1.12 Joint operations – Note 43

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company recognises the following in relation to its interests in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its share of expenses, including its share of any expenses incurred jointly.

1.13 Revenue – Notes 11 and 22

Revenue comprises gross rental revenue and recoveries from tenants, excluding value added taxation. The Company recognises revenue in accordance with:

- IFRS 16 – Contractual rental income; and
- IFRS 15 – Revenue from cost recoveries.

Rental revenue from investment property is recognised on a straight-line lease basis when a lease is signed and the tenant has taken occupation of the premises. Revenue is measured based on the consideration

specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Turnover rentals are recognised as revenue when the amounts can be reliably measured.

Operating cost recoveries, comprising the Group's recovery of costs for providing the tenant with services as determined by the lease agreement, are levied monthly in arrears. Operating cost recoveries are based on consumption and actual expenses incurred and are accounted for in accordance with IFRS 15. Recovery income is allocated between the Group's operating segments in order to depict how the nature, timing, amount and uncertainty of revenue and cash flows are affected by economic factors. Operating cost recoveries are recognised over time.

Rentals and recoveries are billed on a monthly basis and payment is due by the first of the month.

At Company level, revenue comprises dividend income received from subsidiaries.

1.14 Property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

1.15 Financing costs – Note 28

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method.

1.16 Finance income – Note 29

Finance income comprises interest and dividends received. Interest income is recognised as it accrues, taking into account the effective yield on the asset.

1.17 Income tax – Note 31

As the Group is a REIT, no provision has been provided for current tax in respect of South African subsidiaries as the Group's distributable income is paid to shareholders. No deferred tax has been provided on movements in the fair value of investment property as no capital gains tax is payable on disposal of properties due to REIT legislation. Deferred tax has been provided for capital allowances claimed in respect of investment property acquired in terms of the business combination which allowances will be recouped on the disposal of such assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

1.18 Segmental reporting – Note 42

An operating segment is a component of an entity that engages in business activities from which it may earn revenues or incur expenses for which discreet financial information is available. The segments are determined based on the Group's management and internal reporting structure that is determined by the Group's Executive Directors.

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 enable 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 Group's primary segments are as follows:

- Retail;
- Industrial;
- Offices;
- Specialised;
- Residential; and
- Other.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of Group revenue and expenses that can be allocated on a reasonable basis to a segment. Segmental assets comprise those assets that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Unallocated items comprise mainly head office expenses and income tax assets and liabilities.

1.19 Investment property and disposal groups held for sale – Note 14

Non-current assets (and disposal groups) are classified as held for sale and measured at the lower of their carrying amount or fair value less costs to sell when the value of the asset will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

The Group is committed to the sale of the non-current asset, with the likelihood of the transaction expected to qualify for recognition as a completed sale within one year from the date of classification. In the event a sale is not concluded within one year, management will assess whether the non-current asset still meets the criteria to be held for sale.

In its assessment, management will consider if the delay in sale is due to developments outside the entity's control and if management still considers the sale as highly probable and the asset continues to be available for immediate sale in its current condition. Interest and other expenses attributable to the liabilities of an asset classified as held for sale are recognised in profit or loss.

Hagley transaction

On 30 June 2023, Heriot signed an agreement to dispose of 100% of its interest in Hagley, a wholly owned subsidiary, to Heriot Investments on loan for R40,3 million. 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 and deferred capital proceeds of R40,3 million were recognised at that date.

On 31 December 2023, the call option was cancelled and on this basis, Heriot recognised the sale of Hagley to Heriot Investments. The sale price was increased from R40,3 million to R67,1 million, being the NAV of Hagley on that date. (Refer to **notes 9.2.2, 14 and 19.**)

1.20 Impairment of non-financial assets

At the end of each reporting period, an assessment is made as to whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount for the individual asset is estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell, and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by way of an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

At each reporting date, an assessment is made as to whether an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

For investments in subsidiaries, the carrying value of each investment is assessed for impairment in terms of IAS 36 and in instances where the investment is considered to be impaired, the investment was written down to its estimated recoverable amount by way of an impairment loss. The estimated recoverable amount of each subsidiary is calculated by reference to its NAV which represents the fair value.

1.21 New standards, interpretations and amendments

1.21.1 Standards and interpretations effective and adopted in the current period

In the current year, the Company has adopted the following standards and interpretations that are relevant to its operations.

None of these changes had a material impact on the results of the Group.

IAS 12: Deferred tax

Amendment to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor loss. The additional requirement provides that the transaction, at the time of the transaction, must not give rise to equal taxable and deductible temporary differences.

The adoption of this standard has been considered and is deemed immaterial to the results of the Group.

IAS 1: Disclosure of accounting policies

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the International Accounting Standards Board ("IASB") issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose "significant accounting policies" with "material accounting policy information". The amendments also provide guidance under what circumstance the accounting policy information is likely to be considered material and therefore require disclosure.

The adoption of this standard has been considered and is deemed immaterial to the results of the Group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

IAS 8: Changes in accounting estimates and errors

Amendment to IAS 8: Definition of accounting estimates

The definition of accounting estimates was amended so that accounting estimates are now defined as “monetary amounts in financial statements that are subject to measurement uncertainty”.

The adoption of this standard has been considered and is deemed immaterial to the results of the Group.

1.21.2 Standards and interpretations not yet effective

The Group and Company have elected not to early adopt the following standards during the current financial year, as well as amendments to standards and interpretations which have been issued by the IASB and are effective in future reporting periods.

Standard/interpretation	Effective date – years beginning on or after	Impact on financials
IAS 1 amendment Classification of liabilities as current or non-current and disclosure of accounting policies The IASB issued the classification of liabilities as current or non-current (amendments to IAS 1) providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.	On or after 1 January 2024	This amendment is not expected to have a material impact on the results of the Group
IAS 1 amendment Non-current liabilities with covenants Under this amendment, liabilities are classified as non-current only if the Company has the right to defer settlement for at least 12 months after the reporting date and complies with the covenants at that date. This amendment provides clearer guidance on the classification of liabilities based on covenant compliance and is applied retrospectively.	On or after 1 January 2024	This amendment is not expected to have a material impact on the results of the Group
IAS 7 amendment Supplier finance arrangements (Amendments to IAS 7 <i>Statement of Cash Flows</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>) These amendments enhance transparency by requiring entities to disclose information about the terms and use of supplier finance arrangements, including the impact on the Company's liquidity and cash flows. The adoption of these amendments ensures that users of the financial statements are provided with relevant information regarding the nature and extent of supplier finance arrangements.	On or after 1 January 2024	This amendment is not expected to have a material impact on the results of the Group
Lease liability in a sale and leaseback The amendment requires that a seller-lessee in a sale and leaseback transaction shall determine “lease payments” or “revised lease payments” in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.	On or after 1 January 2024 or later periods	This amendment is not expected to have a material impact on the results of the Group
Global benchmark interest rate reform The IASB published proposed amendments as a result of the second phase of its project on the Interbank Offered Rates reform. The proposed amendments would address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The JIBAR will be replaced in the near future with the new replacement rate ZARONIA.	The implementation date for the replacement rate has not yet been determined	The impact of the transition cannot be estimated at this time

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

2. INVESTMENT PROPERTY

	Note	Group	
		2024 R'000	2023 R'000
Investment property		11 343 750	8 891 700
Comprising:			
Investment property		11 109 783	8 686 507
Cost		9 876 294	7 919 216
Fair value surplus		1 233 489	767 291
Straight-line rental income accrual		233 967	205 193
		11 343 750	8 891 700
Movement in investment property for the year			
Investment properties at the beginning of the year		8 891 700	4 955 600
Investment property		8 977 350	5 024 184
Cumulative straight-line rental income adjustment		(85 650)	(68 584)
Improvements capitalised to investment property		170 463	163 589
Straight-line rental income accrual for the year		15 963	(17 066)
Acquired on acquisition of subsidiary (Safari)	41.1	–	3 535 800
Acquired on acquisition of subsidiary (Thibault)	41.2	1 794 750	–
Acquired on acquisition of subsidiary (Fixtrade)	41.3	11 419	–
Capitalised borrowing costs		3 341	3 100
Transfer from property under development	3	–	40 345
Transfer to non-current assets held for sale	14	–	(86 702)
Change in fair value	30	466 198	289 306
Solar installations		(3 530)	1 110
Capitalised		176	4 351
Amortised		(3 706)	(3 241)
Tenant installations		(6 553)	6 618
Capitalised		2 491	8 089
Amortised		(9 044)	(1 471)
Balance at the end of the year		11 343 750	8 891 700

	Note	Group	
		2024 R'000	2023 R'000
Movement in straight-line rental income accrual			
Balance at the beginning of the year		205 193	116 455
Arising during the year		15 963	(17 066)
Acquired on acquisition of subsidiary	41.1, 41.2	12 811	105 804
Balance at the end of the year		233 967	205 193
Reconciliation to independent valuation			
Investment property as per valuation		11 577 717	9 096 893
Straight-line rental income accrual		(233 967)	(205 193)
		11 343 750	8 891 700
Investment property summary per company		11 343 750	8 891 700
Heriot REIT Limited		5 688 200	5 355 899
Safari Investments RSA Limited		3 860 800	3 535 800
Thibault REIT Limited		1 794 750	–

For rental income and direct property expenses arising from investment property that generated rental income during the period, refer to **note 42**.

First mortgage bonds have been registered over investment property valued at R9,679 billion (2023: R8,826 billion) as security for interest-bearing borrowings of R5,053 billion (2023: R3,384 billion). Refer to **note 17**.

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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

2. INVESTMENT PROPERTY continued

Investment property is categorised as Level 3 in the hierarchy whereby the fair value is determined through the use of valuation techniques using significant inputs. Assumptions applied to the valuation of investment property are noted below. Refer to **note 37.6**.

Significant unobservable inputs

Significant unobservable inputs include the financial information used to calculate the forecast net income, including exit capitalisation rates, future growth in revenue, operating costs and discount rates.

	Group			
	Capitali- sation rates %	Rental growth rates %	Operating expense growth rates %	Discount rates %
2024				
Industrial	9,39	6,77	8,59	14,77
Retail	8,89	7,47	8,83	14,32
Office	9,23	8,44	7,19	13,92
Specialised	8,50	4,81	4,55	12,70
Residential*	9,00	6,99	15,43	14,25
Portfolio average	8,92	7,32	8,78	14,25
2023				
Industrial	9,49	7,49	10,03	14,87
Retail	8,99	7,54	8,51	14,48
Office	9,43	7,91	12,20	14,72
Specialised	8,50	5,01	4,79	12,50
Residential	9,00	6,56	6,71	15,25
Portfolio average	9,10	7,46	9,02	14,52

* The increase in the expense growth rate for the residential sector is as a result of the majority of the portfolio being managed on the aparthotel model which attracts higher expenses.

Range of inputs per sector

	Group			
	Capitalisation rates %	Rental growth rates %	Operating expense growth rates %	Discount rates %
2024				
Industrial	8,75 – 10,75	5,61 – 9,54	7,01 – 10,25	14,00 – 16,25
Retail	8,25 – 10,00	2,09 – 8,77	5,50 – 11,94	10,00 – 15,25
Office	8,75 – 10,50	3,75 – 11,41	5,90 – 9,14	13,25 – 16,00
Specialised	8,50	4,70 – 5,01	4,50 – 4,80	12,50 – 13,50
Residential*	7,50 – 9,50	4,84 – 6,99	7,00 – 15,43	12,75 – 14,25
2023				
Industrial	8,75 – 10,75	5,64 – 8,82	6,26 – 10,34	14,00 – 16,25
Retail	8,50 – 10,00	1,61 – 8,29	2,01 – 10,10	14,00 – 15,50
Office	8,75 – 10,50	3,72 – 10,86	5,72 – 12,35	13,75 – 16,00
Specialised	8,50	4,70 – 5,75	4,50 – 5,75	12,50
Residential*	9,00	5,74 – 6,99	5,23 – 7,00	15,25

* The increase in the expense growth rate for the residential sector is as a result of the majority of the portfolio being managed on the aparthotel model which attracts higher expenses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

2. INVESTMENT PROPERTY continued

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; and
- change in discount and capitalisation rates.

The table below illustrates the sensitivity to key observable inputs in determining the valuation of investment property for those properties that were valued utilising the discounted cash flow method.

	0,5% decrease in capitalisation rate R'000	0,5% increase in capitalisation rate R'000	0,5% decrease in discount rate R'000	0,5% increase in discount rate R'000
2024				
Industrial	64 135	(57 826)	33 843	(33 045)
Retail	384 046	(344 784)	303 350	(278 689)
Office	27 995	(24 976)	15 711	(15 259)
Specialised*	–	–	757	(736)
Residential	23 241	(20 679)	15 114	(14 621)
Total	499 417	(448 265)	368 775	(342 350)
2023				
Industrial	60 696	(48 086)	41 506	(33 403)
Retail	307 143	(276 177)	258 838	(236 617)
Office	11 526	(10 377)	10 573	(10 187)
Specialised*	–	–	969	(940)
Residential	7 278	(6 539)	8 091	(7 773)
Total	386 643	(341 179)	319 977	(288 920)

* The increase in the expense growth rate for the residential sector is as a result of the majority of the portfolio being managed on the aparthotel model which attracts higher expenses.

Inter-relationship between key unobservable inputs and fair value measurement continued

	5% increase in revenue R'000	5% decrease in revenue R'000	5% decrease in expenses R'000	5% increase in expenses R'000
2024				
Industrial	689 157	(689 157)	274 279	(274 279)
Retail	141 691	(141 691)	43 307	(43 307)
Office	50 282	(50 282)	19 092	(19 092)
Specialised*	5 959	(5 959)	400	(400)
Residential	46 660	(46 660)	14 321	(14 321)
Total	933 749	(933 749)	351 399	(351 399)
2023				
Industrial	124 267	(124 267)	39 309	(39 309)
Retail	511 142	(511 142)	205 441	(205 441)
Office	27 076	(27 076)	9 175	(9 175)
Specialised*	5 714	(5 714)	410	(410)
Residential	14 970	(14 970)	2 738	(2 738)
Total	683 169	(683 169)	257 073	(257 073)

* There is no terminal value for these properties. This sector comprises paper plantations that are underpinned by long-term leases with Mondi. The valuation of these properties has been based on the value of the land together with the value of the timber on lease expiry, discounted to present value.

- If the valuer were to increase both the terminal capitalisation and discount rates by 0,50%, the total valuation would decrease by R448,265 million and R342,350 million, respectively (2023: R341,179 million and R288,920 million).
- If the valuer were to decrease both the terminal capitalisation and discount rates by 0,50%, the total valuation would increase by R499,417 million and R368 775 million, respectively (2023: R386 643 million and R319,977 million).
- If the valuer were to increase/(decrease) the revenue growth rates by 5%, the total valuation would increase/(decrease) by R933,749 million (2023: R683,169 million).
- If the valuer were to (increase)/decrease the expense growth rates by 5%, the total valuation would increase/(decrease) by R351,399 million (2023: R257,073 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

2. INVESTMENT PROPERTY continued

The table below illustrates the sensitivity to key observable inputs in determining the valuation of the paper plantations which utilised comparable sales values for the land together with the value of the timber on lease expiry, discounted to present value.

	5% Increase in land values per m ² R'000	5% Decrease in land values per m ² R'000	5% Increase in net value per tonne handed back R'000	5% Decrease in net value per tonne handed back R'000
2024				
Paper plantation values	5 381	(5 381)	10 984	(10 984)
Total	5 381	(5 381)	10 984	(10 984)
2023				
Paper plantation values	5 067	(5 067)	11 535	(11 535)
Total	5 067	(5 067)	11 535	(11 535)

3. PROPERTY UNDER DEVELOPMENT

Note	Group	
	2024 R'000	2023 R'000
Property under development at valuation less estimated costs to completion	92 525	91 345
Movement in property under development for the year		
Balance at the beginning of the year	91 345	129 263
Transfer to investment property	2	(40 345)
Development costs	1 180	2 427
	92 525	91 345
Property under development summary per company		
Heriot	92 525	91 345
Safari	–	–
Thibault	–	–

Property under development comprises a property which is being redeveloped into student accommodation to enhance its value and to maximise returns on the well-located property.

The property has been bonded in favour of Nedbank Limited as security for interest-bearing borrowings. Refer to **note 17**.

The property was 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 property was valued using the capitalised cash flows value less costs to complete the development method. The capitalised cash flow values are calculated by applying appropriate capitalisation rates to the future earnings potential of the property. 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 property under development is reported at fair value less costs to complete the development.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

3. PROPERTY UNDER DEVELOPMENT continued

Significant unobservable inputs

Significant unobservable inputs include the financial information used to calculate the forecast net income, including exit capitalisation rates, future growth in revenue and operating costs.

	Group		
	Capitalisation rates %	Rental growth rates %	Operating expense growth rates %
Property under development as at 30 June 2024	9,50	6,00	8,00
Property under development as at 30 June 2023	9,75	7,03	5,80

Inter-relationship between key unobservable inputs and fair value measurement

The fair value of investment properties would be affected by:

- change in capitalisation rates;
- change in expected market rental growth; and
- change in expected expense growth.

The table below illustrates the sensitivity to key unobservable inputs in determining the valuation of property under development for those properties that were valued utilising the capitalised cash flow less costs to completion method.

	0,5% decrease in capitalisation rate R'000	0,5% increase in capitalisation rate R'000
2024		
Property under development as at 30 June 2024	20 000	(24 000)
2023		
Property under development as at 30 June 2023	28 000	(23 000)

	5% increase in revenue R'000	5% decrease in revenue R'000	5% decrease in expenses R'000	5% increase in expenses R'000
2024				
Property under development as at 30 June 2024	33 000	(33 000)	11 000	(11 000)
2023				
Property under development as at 30 June 2023	29 500	(29 500)	5 000	(5 000)

- If the valuer were to increase the terminal capitalisation by 0,50%, the total valuation would decrease by R24,0 million (2023: R23,0 million).
- If the valuer were to decrease the terminal capitalisation by 0,50%, the total valuation would increase by R20,0 million (2023: R28,0 million).
- If the valuer were to increase/(decrease) the revenue growth rates by 5%, the total valuation would increase/(decrease) by R33,0 million (2023: R29,5 million).
- If the valuer were to (increase)/decrease the expense growth rates by 5%, the total valuation would increase/(decrease) by R11,0 million (2023: R5,0 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

4. PROPERTY, PLANT AND EQUIPMENT

	Group	
	2024 R'000	2023 R'000
Property	21 679	22 183
Cost	25 229	25 229
Accumulated depreciation	(3 550)	(3 046)
Computer equipment	508	190
Cost	2 087	1 336
Accumulated depreciation	(1 579)	(1 146)
Motor vehicles	81	–
Cost	234	323
Accumulated depreciation	(153)	(323)
Furniture, fittings and equipment	34 495	8 878
Cost	40 501	11 469
Accumulated depreciation	(6 006)	(2 591)
	56 763	31 251

Property comprises the owner-occupied property situated at unit 32 of Sectional Scheme 1 and 3 Melrose Boulevard. The properties have been bonded in favour of Nedbank Limited as security for interest-bearing borrowings. Refer to **note 17**.

		Group	
	Note	2024 R'000	2023 R'000
Movement for the year			
Balance at the beginning of the year		31 251	26 277
Additions		16 980	6 325
Owner-occupied property		–	3
Computers		474	209
Furniture, fittings and equipment		16 506	6 113
Depreciation for the year		(4 386)	(1 954)
Owner-occupied property		(504)	(505)
Computers		(433)	(404)
Furniture, fittings and equipment		(3 415)	(1 045)
Motor vehicles		(34)	–
Carrying amount of furniture, fittings and equipment sold		(432)	–
Loss on sale of furniture, fittings and equipment		(236)	–
Proceeds from sales of furniture, fittings and equipment		(196)	–
Acquired on acquisition of subsidiary	41.1, 41.2, 41.3	13 350	603
Furniture, fittings and equipment		12 958	555
Motor vehicles		115	–
Computers		277	48
		56 763	31 251
Property, plant and equipment summary per company			
Heriot		42 686	30 648
Safari		1 639	603
Thibault		12 438	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

5. INVESTMENT IN SUBSIDIARIES

Note	Company			
	Holding 2024 %	Holding 2023 %	Carrying amount 2024 R'000	Carrying amount 2023 R'000
Bait Away Trading Proprietary Limited [^]	100	100	31 798	29 403
Beneficial Interest in Heriot Trust No. 1 [^]	100	100	93 213	90 586
Beneficial Interest in Heriot Trust No. 3 [^]	100	100	71 625	71 625
Chasie Investments Proprietary Limited*	100	100	49 085	49 085
Crosie Proprietary Limited [^] ("Crosie")	100	100	5 320	5 320
Fin Properties 107 Proprietary Limited [^] ("Fin 107")	100	100	28 991	24 680
Heriot Properties International Proprietary Limited [^]	90	90	158 135	158 135
Heriot Properties Proprietary Limited [^] ("Heriot Properties")	100	100	1 515 451	1 515 451
Heriot Properties West Proprietary Limited [^]	100	100	72 057	67 001
Moditouch Proprietary Limited [^]	50	50	19 411	19 432
Phokeng Mall Proprietary Limited [^]	100	100	133 134	133 134
Terrace Drive Properties 34 Proprietary Limited [^]	100	100	200 736	200 736
Tiger Stripes Investments 31 Proprietary Limited [^]	100	100	921	1 058
Thibault REIT Limited*	100	–	920 789	–
			3 300 666	2 365 646

[^] Registered and operational in the Republic of South Africa.

* Registered and operational in Namibia.

Note	Company	
	2024 R'000	2023 R'000
Movement for the year		
Balance at the beginning of the year	2 365 646	2 345 249
Thibault REIT Limited [^]	920 789	–
Cost of shares acquired in Moditouch Proprietary Limited	–	5 500
Net impairment reversals/(losses)	14 231	14 897
Bait Away Trading Proprietary Limited	2 395	1 837
Beneficial Interest in Heriot Trust No. 1	2 627	1 084
Crosie Proprietary Limited	–	5 320
Fin Properties 107 Proprietary Limited	4 311	284
Heriot Properties West Proprietary Limited	5 056	2 101
Moditouch Proprietary Limited	(21)	1 426
Phokeng Mall Proprietary Limited	–	3 268
Tiger Stripes Investments 31 Proprietary Limited	(137)	(423)
	3 300 666	2 365 646

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. Refer to **note 41.2**.

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 (refer to **note 41.2** for further details).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

5. INVESTMENT IN SUBSIDIARIES continued

	Company
	2024 R'000
Settled by issuing 63,866,124 shares to acquire the company	
Shares issued as follows:	
Number of shares issued	63 866 124
Market value of shares on acquisition date	15
Value per share R'000	957 992
Less: Dividend declared reducing cost of investment	(37 203)
Net cost of investment	920 789

At the reporting date, the carrying value of each investment was assessed for impairment in terms of IAS 36 and in instances where the investment was considered to be impaired, the investment was written down to its estimated recoverable amount by way of an impairment loss. An assessment is also made as to whether an impairment loss recognised in prior periods may no longer exist or may have decreased. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of investments in subsidiaries is recognised immediately in profit or loss.

The estimated recoverable amount of each subsidiary was calculated with reference to its value in use. As the investment properties owned by each subsidiary are fair valued at each reporting date, the NAV of the subsidiary equates to its value in use. Any increase or decrease in impairment losses for the year is as a result of a change in the fair value of the investment properties owned by the subsidiaries.

6. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

		Group			
		Effective share- holding 2024 %	Effective shareholding 2023 %	2024 R'000	2023 R'000
Note					
Safari Investments RSA Limited	41.1	–	–	–	–
Fixtrade 605 Proprietary Limited	41.3	–	49,5	–	4 013
Other		50,0	50,0	–	122
				–	4 135

	Note	Safari R'000	Fixtrade R'000	Other R'000	Total R'000
2024					
Opening balance		–	4 013	122	4 135
Acquisition costs of associates and joint ventures		–	4 700	–	4 700
Cash		–	4 700	–	4 700
Non-cash	9	–	–	–	–
Share of profits/(losses) for the year		–	912	(122)	790
Dividends paid by associates and joint ventures		–	(225)	–	(225)
Transfer to investment in subsidiary on obtaining control	41.3	–	(9 400)	–	(9 400)
Balance at year end		–	–	–	–
2023					
Opening balance		328 336	4 454	659	333 449
Acquisition costs of associates and joint ventures		346 802	–	–	346 802
Cash		293 061	–	–	293 061
Non-cash	9	53 741	–	–	53 741
Share of profits/(losses) for the year		80 450	(291)	(2 037)	78 122
Fair value adjustment on previously held equity interest	24	(47 707)	–	–	(47 707)
Dividends paid by associates and joint ventures		(27 488)	(150)	–	(27 638)
Transfer of subsidiary on obtaining control	41.1	(680 393)	–	1 500	(678 893)
Balance at year end		–	4 013	122	4 135

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

6. INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

	Group	
	2024 R'000	2023 R'000
Dividends paid by associates and joint ventures comprise the following:		
Cash	225	27 638
Non-cash	–	–
	225	27 638

6.1 Investment in associates

6.1.1 Interest in Safari

At 31 March 2023, the Company's interest in Safari increased to an effective holding of 47,1%. As this holding was deemed to be a controlling interest, Heriot consolidated its interest in Safari from that date. Refer to **note 41.1** for further details.

6.1.2 Interest in Fixtrade

Fixtrade owns a portfolio of townhouses based in Newcastle, KwaZulu-Natal. The property is held for rental income and capital appreciation.

On 1 March 2024, Heriot Properties, a wholly owned subsidiary of Heriot, acquired the balance of issued shares in Fixtrade from the controlling shareholder for R4,7 million.

Prior to the acquisition, Fixtrade was managed and controlled by the co-shareholder. All strategic and operational decisions were made by this co-shareholder and on this basis, Heriot was deemed to have significant influence but no control over Fixtrade.

7. DERIVATIVE FINANCIAL INSTRUMENT

	Note	Group	
		2024 R'000	2023 R'000
JIBAR-linked interest rate swaps – acquired on acquisition of Safari	41.1	163	2 632
Less: Short-term portion of derivative instrument		(163)	(1 615)
		–	1 017

In line with an internal hedging policy adopted by the Safari board, as well as requirements of their Absa facility agreements, a portion of the debt has been fixed by way of interest rate swaps. At the reporting date, Safari had hedged its exposure to interest rate fluctuations to 4% (2023: 30%) of its interest-bearing borrowings. Effective Group hedged exposure is 1% or R50,0 million (2023: 10% or R394,0 million). Although the derivatives meet the hedge accounting criteria, Safari has elected not to apply hedge accounting and therefore derivatives are classified and accounted for at fair value through profit or loss.

The Group will be impacted by the future replacement of JIBAR with a new benchmark rate; this impact is not expected to be material. Current indications are that the new benchmark rate will not become effective until 2025.

The Group measured its derivative financial instruments which relate to interest rate swaps at fair value on 30 June 2024. The fair value is based on a Level 2 fair value measurement hierarchy, measured with reference to models with observable market inputs, such as benchmark interest rates, yield or swap curves and foreign exchange or default rates based on mid-market levels. Interest rate swaps are calculated using the net present value the Company would pay or receive from the swap counterparty based on current interest rates. Interest rate swaps have been entered into in order to mitigate against the effect of changes in interest rates. Refer to **note 37.5**.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

7. DERIVATIVE FINANCIAL INSTRUMENT continued

	Note	Group	
		2024 R'000	2023 R'000
Movement for the year			
Balance at the beginning of the year		2 632	–
Acquired on acquisition of Safari	41.1	–	2 632
Fair value adjustment movement for the year		(2 510)	–
Adjustment		41	–
		163	2 632
Derivative financial instrument summary per company		163	2 632
Heriot		–	–
Safari		163	2 632
Thibault		–	–

8. RIGHT-OF-USE ASSETS

The carrying amount of right-of-use assets/(liabilities) acquired on the acquisition of Safari (refer to **note 41.1**) is as follows:

	Note	Group	
		2024 R'000	2023 R'000
Right-of-use assets – non-current assets		1 515	3 997
Reconciliation of right-of-use-asset			
Carrying amount at the beginning of the year		3 997	–
On acquisition of Safari	41.1	–	3 997
Extension of lease term and change in consideration		(1 651)	–
Depreciation		(831)	–
Carrying amount at the end of the year		1 515	3 997

Depreciation is recognised on the right-of-use asset which relates to buildings and is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss as part of operating expenses of the Group.

	Note	Group	
		2024 R'000	2023 R'000
Lease liabilities		2 969	5 524
At the beginning of the year		5 524	–
On acquisition of Safari	41.1	–	5 524
Modification of lease		(1 651)	–
Capital repayment of lease liabilities (per statement of cash flows) CASH FLOW		(904)	–
Lease payments		(1 356)	–
Interest expense		452	–
At the end of the year		2 969	5 524
Non-current liabilities		2 153	4 531
Current liabilities		816	993
		2 969	5 524
Undiscounted maturity analysis of lease liabilities		3 443	6 658
Within one year		1 071	1 450
Within two years		1 146	1 562
Within three years		1 226	1 682
Within four years		–	1 964
Within five years		–	–
Right-of-use assets summary per company		1 515	3 997
Heriot		–	–
Safari		1 515	3 997
Thibault		–	–
Lease liabilities summary per company		2 969	5 524
Heriot		–	–
Safari		2 969	5 524
Thibault		–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

9. FINANCIAL ASSETS

	Note	Group		Company	
		2024 R'000	2023 R'000	2024 R'000	2023 R'000
Loans to participants of the employee share scheme	9.1	34 265	34 116	34 265	34 116
Loan to related party	9.2	66 825	40 309	–	–
Investment in listed shares	9.3	212 868	–	–	–
Loan to subsidiaries (net of provision for impairment)	9.4	–	–	–	46 397
		313 958	74 425	34 265	80 513
Split between non-current and current portions:					
Current assets		–	–	–	46 397
Non-current assets		313 958	74 425	34 265	34 116
Movement for the year					
9.1 Loans to participants of the employee share scheme					
Balance at the beginning of the year		34 116	34 219	34 116	34 219
Loans repaid during the year		(3 352)	(3 026)	(3 352)	(3 026)
Interest received		3 501	2 923	3 501	2 923
Balance at the end of the year		34 265	34 116	34 265	34 116
9.2 Loan to related parties					
9.2.1 The Gusi Trust					
Balance at the beginning of the year		–	49 573		
Advanced during the year					
– Cash		–	1 577		
Interest charged		–	3 041		
Repaid during the year		–	(54 191)		
– Cash		–	(450)		
– Non-cash	6	–	(53 741)		
Balance at the end of the year		–	–		

	Note	Group		Company	
		2024 R'000	2023 R'000	2024 R'000	2023 R'000
9.2.2 Vendor loan – Heriot Investments					
Opening balance		40 309	–		
Vendor loan advanced	19	–	40 309		
Increase in deferred capital proceeds non-cash	19	26 840	–		
Advanced during the year		9 267	–		
Repaid during the year		(15 240)	–		
Interest charged		5 649	–		
Balance at the end of the year		66 825	40 309		
9.3 Investment in listed shares – Texton					
Balance at the beginning of the year		–	–		
On acquisition of subsidiary (Thibault)	41.2	212 868	–		
Balance at the end of the year		212 868	–		
9.4 Loan to subsidiaries					
Balance at the beginning of the year				46 397	–
Transferred from other financial liabilities	19			–	(45 978)
Non-cash expenses				–	(361)
Transferred to dividends receivable	11			–	(22 145)
Advanced to subsidiaries during the year	CASH FLOW			–	114 881
Repaid during the year	CASH FLOW			(46 397)	–
Balance at the end of the year				–	46 397

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

9. FINANCIAL ASSETS continued

9.1 Loans due from participants of the employee share scheme arose on the acquisition of Heriot shares by employees at the listing price of R10 per share. The loans are subject to the following conditions:

- The loans bear interest at Heriot's average cost of borrowings of 10,27% (2023: 8,68%) for the year;
- If the interest payable on the loans exceeds the dividends in respect of the year for which such dividends are declared, then such excess shall be added to and shall be deemed to form part of the loans;
- If the dividends payable on the plan shares in respect of the year for which such dividends are declared exceed the interest payable for such year, then such excess shall be made available to the participant unless the participant has indicated that such excess is to be applied in reducing the loan;
- The loans are secured by a pledge of shares to the Company;
- The Company is entitled to demand payment of the debt outstanding in respect of any plan shares at any time after the expiration of 10 years from the date of the agreement; and
- The employees to whom the shares have been issued remain liable for the relevant outstanding scheme debt, irrespective of the value of the underlying shares, i.e. the employee is unconditionally bound to repay the loan, notwithstanding any decrease in the underlying value of the shares.

At the reporting date, the expected credit loss considerations relating to the loans were the share price, interest rates and historical and projected dividends. As the market value of each Heriot share of R15,00 exceeds the carrying amount of R10,34 owed by each participant of the employee share scheme, and projected dividends exceed the expected interest repayments, the credit risk relating to the loans has not increased. Accordingly, on the basis of a 12-month expected credit loss assessment, credit risk has been assessed as stage 1, low risk of default resulting in no credit loss allowance provision being raised.

9.2.1 The loan to The Gusi Trust was settled in the prior year. The loan was unsecured and incurred interest at the rate of the Group's weighted average cost of debt of 8,68% per annum in 2023.

9.2.2 On 30 June 2023, Heriot signed an agreement to dispose of 100% of its interest in Hagley, a wholly owned subsidiary, to its majority shareholder, Heriot Investments (purchaser), on loan for R40,3 million. This vendor financing bears interest at the three-month JIBAR plus 185bps and is repayable by no later than 24 months after the advance date. In terms of the agreement of sale, Heriot had a call option to acquire up to 100% of the equity in Hagley (refer to **note 19**). Therefore, the sale was not recognised for accounting purposes at that date. On 31 December 2023, the call option was cancelled and terms adjusted whereby the selling price increased from R40,3 million to R67,3 million being the NAV of Hagley on that date, and the repayment date was extended to 31 December 2025.

The purchaser's statement of financial position and historical and projected income have been assessed which confirms it has the necessary funds to settle the amount due.

At year end, the expected credit risk relating to the loan has not increased significantly. This assessment has been based on the fact that the ultimate majority shareholder of the Company is in sound financial position and has the funds available to settle the loan. Accordingly, on the basis of a 12-month expected credit loss assessment, credit risk has been assessed as stage 1, low risk of default resulting in no credit loss allowance provision being raised.

9.3 The fair value of listed investments is determined using the closing market price on the relevant exchange. The investment in Texton comprises 64,116,874 shares valued at the closing market price of R3,32 per share as at 30 June 2024. The fair value is based on a Level 1 fair value measurement hierarchy whereby the fair value is determined from quoted prices (unadjusted) in active markets for identical assets or liabilities. Refer to accounting policies **note 1.3** for significant judgements applied on the investment in Texton.

9.4 Loans to subsidiaries are interest-free and repayable on demand.

Each subsidiary's financial position and ability to settle the funds was assessed as low considering that the net value of the subsidiaries would be sufficient to cover the amounts due. The loans met the requirements for low-risk financial assets and consequently 12-month expected credit losses were evaluated. A probability-weighted risk of default during the next 12 months was applied to exposure at default. All available forward-looking information, including profit forecasts, estimates of economic growth and the expected value of the shares, were taken into account, which indicated no expected credit loss and consequently the loans were not impaired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

9. FINANCIAL ASSETS continued

The table below presents the expected credit loss rates applied to each loan as at 30 June 2024.

	Group			
	Basis of expected credit losses ("ECL") R'000	Gross carrying value of loans R'000	Loss allowance (lifetime expected credit loss) R'000	Net carrying value of loans R'000
2024				
Heriot Investments Proprietary Limited	12-month ECL	66 825	–	66 825
Loans to participants of the employee share scheme	12-month ECL	34 265	–	34 265
		101 090	–	101 090
2023				
Heriot Investments Proprietary Limited	12-month ECL	40 309	–	40 309
Loans to participants of the employee share scheme	12-month ECL	34 116	–	34 116
		74 425	–	74 425

	Company			
	Basis of expected credit losses ("ECL") R'000	Gross carrying value of loans R'000	Loss allowance (lifetime expected credit loss) R'000	Net carrying value of loans R'000
2024				
Loans to participants of the employee share scheme	12-month ECL	34 265	–	34 265
		34 265	–	34 265
2023				
Loans to participants of the employee share scheme	12-month ECL	34 116	–	34 116
Heriot Properties Proprietary Limited	12-month ECL	19 795	–	19 795
Crosie Proprietary Limited	12-month ECL	23 950	–	23 950
Heriot Properties West Proprietary Limited	12-month ECL	2 652	–	2 652
		80 513	–	80 513

10. TRADE AND OTHER RECEIVABLES

	Note	Group	
		2024 R'000	2023 R'000
Financial instrument	37	69 170	31 624
Gross trade receivables		48 998	23 369
ECL – allowance for credit losses		(11 647)	(3 188)
Net trade receivables		37 351	20 181
Municipal deposits ¹		12 876	8 861
Management fees		592	358
Other receivables ²		18 351	2 224
Non-financial instruments		35 216	15 624
Prepayments ³		32 949	7 607
Value added taxation		2 267	8 017
Total trade and other receivables		104 386	47 248

¹ Municipal deposits mainly comprise deposits held with large municipalities and state-owned entities such as the City of Cape Town, Ekurhuleni and Eskom in the form of cash and/or bank guarantees issued. The financial positions have been assessed as stable. On this basis, the assessment of the credit risk relating to this receivable is that the risk has not increased significantly. Accordingly, on the basis of a 12-month expected credit loss assessment, credit risk has been assessed as stage 1, low risk of default resulting in no credit loss allowance provision being raised.

² Other receivables include an amount of R0,3 million (2023: R0,6 million) owing by a shareholder, JCB Herring. The loan bears interest at the Group's weighted average cost of capital, is unsecured and repayable by mutual agreement. JCB Herring's financial position has been assessed as sound with a further commitment to repay the amount due within the next 12 months. On this basis, the assessment of the credit risk relating to this receivable is that the risk has not increased significantly. Accordingly, on the basis of a 12-month expected credit loss assessment, credit risk has been assessed as stage 1, low risk of default resulting in no credit loss allowance provision being raised. Further, due to Safari internalising the electricity recovery function during the current reporting period, this resulted in the other receivable balance increasing by R11,0 million. The income accrual arose as a result of aligning electricity recoveries which are billed in arrears with the expense incurred during the reporting period. On this basis of a 12-month expected credit loss assessment, no credit loss allowance has been provided for. Further, all recoveries were collected post year end.

³ Included in the prepayment balance is a R17,0 million deposit payment related to a property known as Finsbury Court which transferred post year end on 3 July 2024. Refer to **note 39**.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

10. TRADE AND OTHER RECEIVABLES continued

	Group	
	2024 R'000	2023 R'000
The previous year end balance includes trade and other receivables from the following entities amounting to:		
HERIOT		
Financial instruments	25 640	13 621
Gross trade receivables	21 076	5 358
ECL – allowance for credit losses	(9 145)	(2 176)
Net trade receivables	11 931	3 182
Municipal deposits	8 638	7 862
Other receivables	5 071	2 577
Non-financial instruments	29 554	10 501
Prepayments	27 507	2 484
Value added taxation	2 047	8 017
Heriot trade and other receivables	55 194	24 122
SAFARI		
Financial instruments	34 486	18 003
Gross trade receivables	24 534	18 011
ECL – allowance for credit losses	(2 442)	(1 012)
Net trade receivables	22 092	16 999
Municipal deposits	1 138	999
Other receivables	11 256	5
Non-financial instruments	1 449	5 123
Prepayments	1 449	5 123
Safari trade and other receivables	35 935	23 126

	Group	
	2024 R'000	2023 R'000
THIBAULT		
Financial instruments	9 044	–
Gross trade receivables	3 388	–
ECL – allowance for credit losses	(60)	–
Net trade receivables	3 328	–
Municipal deposits	3 100	–
Other receivables	2 616	–
Non-financial instruments	4 214	–
Prepayments	3 993	–
Value added taxation	221	–
Thibault trade and other receivables	13 258	–
Consolidated total trade and other receivables	104 386	47 248

Trade receivables

In order to mitigate the risk of financial loss from defaults, the Group mainly deals with reputable tenants with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each tenant is analysed individually for creditworthiness, based on information submitted by the tenants as well as external bureau data, before terms and conditions are offered. Tenant credit limits are in place and are reviewed and approved by management. The exposure to credit risk and the creditworthiness of tenants are continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

10. TRADE AND OTHER RECEIVABLES continued

Trade receivables continued

10.1 Credit quality of trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on an individual basis, trade receivables are assessed net of the value added tax clawback and deposit or guarantee held. Arrears aged 90 days and over are in most instances deemed to be irrecoverable and provided for. The expected loss rates are based on the Group's historical credit losses experienced over the period prior to the period end and are reassessed at each reporting date.

Trade receivables are categorised by tenant type to determine the risk related to the receivable, and therefore the probability of default. Tenant collateral in the form of tenant deposits or bank guarantees has also been taken into account in calculating the expected credit loss. In addition, consideration is given to the fact that certain entities, particularly the South African government, may be slow or irregular payers and therefore, a typical arrears or default provision is not necessarily held in such cases. Expected credit losses are estimated using a provision matrix that has been developed by making use of past default experience of debtors and also incorporates forward-looking information and general economic conditions of the industry.

In considering past default events, the following is taken into account:

- The probability that future rental will be paid considering the payment history;
- Collateral held in the form of deposits or guarantees held; and
- Historical information relating to legal proceedings.

In considering forward-looking information, consideration is given to the segments in which the tenants operate and the broader economic environment, both locally and internationally.

In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for instance, when a debtor has been placed under liquidation.

The historical credit loss experience does not show significantly different loss patterns for different tenant segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in the credit loss allowance. The loss allowance provision is determined as follows:

	2024		2023	
	Estimated gross carrying value at default R'000	Loss allowance (12-month expected credit loss) R'000	Estimated gross carrying value at default R'000	Loss allowance (12-month expected credit loss) R'000
Group				
Not past due: 0% (2023: 0%)	13 073	(7)	7 226	(22)
30 days past due: 1% (2023: 5%)	5 492	(71)	941	(46)
60 days past due: 33% (2023: 4%)	3 588	(1 176)	2 191	(90)
More than 90 days: 39% (2023: 23%)	26 845	(10 393)	13 011	(3 030)
	48 998	(11 647)	23 369	(3 188)

The following tables reflect each company's loss allowance provision as follows:

	2024		2023	
	Estimated gross carrying value at default R'000	Loss allowance (lifetime expected credit loss) R'000	Estimated gross carrying value at default R'000	Loss allowance (lifetime expected credit loss) R'000
HERIOT				
Not past due: 0% (2023: 1%)	3 934	(7)	2 595	(22)
30 days past due: 1% (2023: 27%)	1 948	(11)	93	(25)
60 days past due: 53% (2023: 89%)	1 994	(1 064)	57	(51)
More than 90 days: 61% (2023: 80%)	13 200	(8 063)	2 613	(2 078)
	21 076	(9 145)	5 358	(2 176)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

10. TRADE AND OTHER RECEIVABLES continued

Trade receivables continued

10.1 Credit quality of trade receivables continued

The increase in Heriot's debtors predominantly relates to Choppies who were R15,6 million in arrears at year end. Choppies previously occupied the Denver distribution centre and vacated in January 2024 post the cancellation of their lease on the same date. The Choppies lease was signed by its 50% shareholder, Devland Cash and Carry ("DCC"). As DCC is in a healthy financial position, Heriot is fairly confident of recovering the arrears and damages in respect of the Choppies lease. Heriot has nevertheless taken a conservative approach and provided R7,6 million as an expected credit loss provision with the balance of the arrears secured against the value of the racking left in the distribution centre.

	2024		2023	
	Estimated gross carrying value at default R'000	Loss allowance (12-month expected credit loss) R'000	Estimated gross carrying value at default R'000	Loss allowance (12-month expected credit loss) R'000
SAFARI				
Not past due: 0% (2023: 0%)	6 825	–	4 631	(21)
30 days past due: 2% (2023: 5%)	2 602	(60)	848	(39)
60 days past due: 6% (2023: 4%)	1 548	(94)	2 134	(76)
More than 90 days: 17% (2023: 8%)	13 559	(2 288)	10 398	(876)
	24 534	(2 442)	18 011	(1 012)

Safari's trade debtors and expected credit loss allowance increased in the more than 90 days category as a result of adverse market conditions for various tenants. Safari has sufficient security in the form of deposits and other collateral to support the expected credit loss provision raised.

	2024		2023	
	Estimated gross carrying value at default R'000	Loss allowance (12-month expected credit loss) R'000	Estimated gross carrying value at default R'000	Loss allowance (12-month expected credit loss) R'000
THIBAULT				
Not past due: 0% (2023: 0%)	2 313	–	–	–
30 days past due: 0% (2023: 0%)	942	–	–	–
60 days past due: 38% (2023: 0%)	47	(18)	–	–
More than 90 days: 49% (2023: 0%)	86	(42)	–	–
	3 388	(60)	–	–

All debtors in the current and 30 days categories settled their arrears post year end.

	Note	Group	
		2024 R'000	2023 R'000
Reconciliation of loss allowances			
Balance at the beginning of the year		(3 188)	(4 777)
Recognised in profit or loss for the year		(8 399)	2 110
Loss allowances utilised		4 584	2 209
Loss allowance raised		(12 983)	(99)
Acquired on acquisition of subsidiary (Safari)	41.1	–	(1 012)
Acquired on acquisition of subsidiary (Thibault)	41.2	(60)	–
Transferred to held for sale	14	–	491
Balance at the end of the year		(11 647)	(3 188)
Expected credit loss provision movement	33	8 459	(1 589)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

11. DIVIDENDS RECEIVABLE FROM SUBSIDIARIES

	Note	Company	
		2024 R'000	2023 R'000
Dividends receivable from subsidiaries		85 089	71 194
Movement for the year		71 194	35 449
Dividends declared by subsidiaries		266 448	267 196
Dividends receivable offset against loans to subsidiaries	9	–	22 145
Cash received		(252 553)	(254 647)
Transfer to advances from subsidiaries/other financial liabilities	19	–	1 051
Balance at the end of the year		85 089	71 194

The credit risk relating to dividends receivable from subsidiaries has not increased significantly. The subsidiaries own income-generating properties, are solvent and based on past experience, dividends declared to the Company are paid annually. Accordingly, on the basis of a 12-month expected credit loss assessment, credit risk has been assessed as stage 1, low risk of default resulting in no credit loss allowance provision being raised.

12. INVENTORIES

	Note	Group	
		2024 R'000	2023 R'000
Inventories		11 593	29 869
At the beginning of the year		29 869	–
On acquisition of subsidiary (Safari)	41.1	–	29 869
Impairment of inventory		(957)	–
Capital movements during the year		1 681	–
Carrying value of inventory sold		(19 000)	–
Cost of inventory sold – per statement of comprehensive income		(24 190)	–
Less: Expenses incurred in the sale of inventory		5 190	–
At the end of the year		11 593	29 869
Cash flow movement workings:			
At the beginning of the year		29 869	–
Impairment of inventory		(957)	–
At the end of the year		(11 593)	–
Cash flow movement		17 319	–

As part of the Platz am Meer mixed-use development, Safari Investments Namibia Proprietary Limited developed 36 luxury sea-front apartments and offices together with a shopping centre. The entire development has been incorporated into a sectional title scheme with 39 units consisting of 36 apartments, one office unit and two commercial units which are trading as the Platz am Meer Shopping Centre.

In this regard, 36 close corporations and one additional private company were incorporated in which these units vest. A proportionate allocation of the development cost of the land was transferred to these close corporations and private company. The person/s acquiring the apartments or office units will then acquire the membership or shares in the close corporation or private company, respectively.

Currently, Safari Investments Namibia Proprietary Limited holds 70% of the shares in the private company known as Platz am Meer Property One Proprietary Limited and through its nominee, Mr DC Engelbrecht, the Group CEO, the membership in the remaining unsold close corporations.

During the current financial year, the Group disposed of five units. The remaining two units not yet transferred were valued by independent valuer Peter Parfitt of Quadrant Properties Proprietary Limited on the effective date being 30 June 2024 with a net realisable value of R11 593 220. An impairment of R957 060 relating to the unsold units has been recognised in the current financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

13. CASH AND CASH EQUIVALENTS

For purposes of the cash flow statement, cash and cash equivalents comprise:

	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Bank balances	69 025	45 695	42 342	12 197
Year end balance above includes cash and cash equivalents from the following entities amounting to:	69 025	45 695		
Heriot	52 525	34 781		
Safari	13 781	10 914		
Thibault	2 719	–		

Cash is invested with Absa Bank Limited, Nedbank Limited and First National Bank Limited, a division of FirstRand Bank Limited. In terms of Moody's ratings, all banks are rated as Ba1 and as such, the risk of default is low.

Due to the short-term nature of cash and cash equivalents, the carrying amount is deemed to approximate the fair value.

Bank guarantees amounting to R10 831 million have been issued by Absa Bank Limited, First National Bank Limited and Nedbank Limited as security for various municipal deposits held in the portfolio.

14. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

	Group	
	2024 R'000	2023 R'000
Assets held for sale	180 100	275 206
Liabilities held for sale	–	(71 041)
	180 100	204 165

Investments in subsidiaries and/or investment property are classified as held for sale at the time the Directors decide that these will be recovered through sale rather than through continuing use.

	Note	Group	
		2024 R'000	2023 R'000
Movement for the year			
Balance at the beginning of the year		204 165	–
*Hagley 3865 Proprietary Limited		–	19 265
Assets held for sale		–	90 306
Liabilities held for sale		–	(71 041)
On acquisition of Safari	41.1	–	184 900
Change in fair value		42 593	–
Capital expenditure incurred on Hagley		179 644	–
Secured borrowing advanced		(179 153)	–
Disposal		(67 149)	–
		180 100	204 165

* Hagley 3865 Proprietary Limited – assets and liabilities held for sale comprise:

	Group	
	2024 R'000	2023 R'000
ASSETS		
Investment property	–	86 702
Trade and other receivables	–	2 852
Trade receivables	–	520
Trade receivables expected credit loss provision	–	(491)
Other receivables	–	2 823
Cash and cash equivalents	–	752
	–	90 306
LIABILITIES		
Interest-bearing borrowings	–	70 830
Trade and other payables	–	211
	–	71 041
Non-current assets and liabilities held for sale summary per company	180 100	204 165
Heriot	–	19 265
Safari	180 100	184 900
Thibault	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

14. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE continued

Summary of movements per company

	Heriot	Safari	Thibault	Total
Balance at the beginning of the year	19 265	184 900	–	204 165
Change in fair value	47 884	(5 291)	–	42 593
Capital expenditure incurred on assets held for sale	179 153	491	–	179 644
Secured borrowing advanced	(179 153)	–	–	(179 153)
Disposal	(67 149)	–	–	(67 149)
	–	180 100	–	180 100

Heriot

On 30 June 2023, Heriot signed an agreement to dispose of 100% of its interest in Hagley, a wholly owned subsidiary, to Heriot Investments (refer to **note 9.2.2**). In terms of the agreement of sale, Heriot had a call option to acquire up to 100% of the equity in Hagley (refer to **note 19**). Therefore, the sale was not recognised for accounting purposes at that date. Hagley's sole asset comprised an investment property on which a 35 000m² 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 R179,1 million in development costs, financed through a debt facility provided by Sanlam. The property was revalued at that date, realising a significant increase of R47,8 million in the fair value resulting from:

- an increase in rental/m² 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. The sale price was increased from R40,3 million to R67,1 million, being the NAV of Hagley on that date.

Safari

The Safari board remains committed to disposing of the Group's non-core assets, and negotiations with several interested parties have taken place. This disposal aligns with the Group's long-term strategy to focus on higher-yielding retail opportunities and optimise capital allocation. The Soweto Day Hospital and Mnandi Shopping Centre, expected to be sold within the next 12 months, have been classified as a disposal group held for sale and are separately presented in the statement of financial position.

Although a successful agreement has not yet been reached, the Group's intention to sell these non-core assets remains unchanged. Various external factors have resulted in a delay in concluding these sales such as the transfer of the hospital licence held by the previous tenant in the Soweto Day Hospital who went into liquidation. At Mnandi, the process of selling the asset has been delayed due to the nature of the asset and various market conditions. These delays have, however, not altered the Group's commitment to selling the assets and we are confident that both sales will be concluded within the next 12 months.

The fair value of Safari's investment properties held for sale reduced by R5,3 million during the reporting period.

15. STATED CAPITAL

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Authorised				
2,000,000,000 ordinary shares of no par value				
Issued				
256,295,858 ordinary shares of no par value	2 557 624	2 557 624	2 557 648	2 557 648
Add: 63,866,124 new shares issued (net cost)	920 041	–	920 041	–
Less: 900,000 treasury shares	(9 000)	(9 000)	–	–
	3 468 665	2 548 624	3 477 689	2 557 648
Reconciliation of issued stated capital				
In issue at the beginning of the year	2 548 624	2 548 624	2 557 648	2 557 648
Shares issued to acquire company (Thibault) [^]	41.3	957 992	–	–
Dividend declared in lieu of shares bought in Thibault (non-cash)	SOCIE	(37 203)	–	–
Share issue expenses	SOCIE	(748)	–	–
	3 468 665	2 548 624	3 477 689	2 557 648

Note	Number of shares	Number of shares	Number of shares	Number of shares
Reconciliation of issued number of shares				
In issue at the beginning of the year	255 396	255 396	256 296	256 296
Shares issued to acquire company (Thibault) [^]	41.3	63 866	–	–
	319 262	255 396	320 162	256 296

[^] Effective 28 June 2024, Heriot entered into an exchange agreement, in terms of Section 42 of the Income Tax Act No 58 of 1962 ("exchange agreement"), with Thibault and the shareholders, in terms of which Heriot acquired 100% of the issued shares in Thibault held by the Thibault shareholders in exchange for the issue of 63,866,124 shares in the Company.

The unissued shares are under the control of the Directors. This authority remains in force until the next annual general meeting of the Company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

16. NON-CONTROLLING INTERESTS ("NCI")

	Group		2024 R'000	2023 R'000
	Effective voting rights of NCI 2024 %	Effective voting rights of NCI 2023 %		
Heriot Properties International Proprietary Limited	10,0	10,0	34 769	30 764
Moditouch Proprietary Limited	50,0	50,0	19 462	19 483
Hagley 3865 Proprietary Limited	–	–	–	–
60 Adderley Proprietary Limited	40,0	40,0	(720)	1 443
Safari Investments RSA Limited	40,8	53,5	1 053 717	1 299 194
			1 107 228	1 350 884

Heriot Properties International Proprietary Limited

With effect from 5 June 2017, the Group acquired a 90% equity interest in Heriot Properties International Proprietary Limited ("HPI"), a company registered and operational in South Africa. Heriot controls HPI by virtue of the voting rights held.

Moditouch Proprietary Limited

With effect from 5 June 2017, the Group acquired a 50% equity interest in Moditouch Proprietary Limited ("Moditouch"), a company registered and operational in South Africa. Moditouch is controlled by Heriot by virtue of Heriot's right to hold the majority of director positions on the board.

Hagley 3865 Proprietary Limited

As at 30 June 2022, Heriot Properties, a wholly owned subsidiary of the Group, owned 55% of Hagley, a company registered and operating in South Africa. Heriot Properties was deemed to control Hagley by virtue of the voting rights held. During the previous reporting period, Heriot acquired the 45% minority interests for R21,239 million, which resulted in a loss of R18,749 million that has been recognised in the statement of changes in equity.

On 30 June 2023, Heriot signed an agreement to dispose of 100% of its interest in Hagley to Heriot Investments (refer to **note 9.2.2**). In terms of the agreement of sale, Heriot has a call option to acquire up to 100% of the equity in Hagley (refer to **note 19**). Therefore, the sale was not recognised for accounting purposes. As such, Heriot was deemed to still have control of Hagley and 100% of its assets and liabilities were reflected in Heriot's Group statement of financial position. No risk was attributable to the NCI as a result of the option agreement, therefore nothing was allocated to the NCI. On 31 December 2023, the call option was cancelled and on this basis, Heriot recognised the sale of Hagley to Heriot Investments.

60 Adderley Proprietary Limited

With effect from 1 November 2018, the Group acquired a 60% equity interest in 60 Adderley Proprietary Limited ("60 Adderley"), a shelf company registered and operational in South Africa, for no value. Heriot controls 60 Adderley by virtue of the voting rights held.

Safari Investments RSA Limited

At 31 March 2023, the Company's interest in Safari increased to an effective holding of 47,1% both through the acquisition of additional shares in Safari and as a result of the repurchase and cancellation by Safari of 53,0 million treasury shares. Refer to **note 41.1**.

On 31 March 2023, Heriot was deemed to have a controlling interest in Safari.

- Steven Herring is both the Chairman of Heriot and Safari;
- Heriot has voting control as was evidenced by historical voting patterns; and
- On this basis, Safari was consolidated with effect from 31 March 2023, by applying the "lag accounting" principle. Refer to **note 41.1** for further details.

On 30 June 2023, Heriot sold 1,5 million Safari shares at R5,60 per share to its majority shareholder, Heriot Investments. Heriot's effective shareholding in Safari consequently reduced to 46,5% at the end of the previous reporting period.

In the current reporting period, Heriot increased its interest in Safari 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 (refer to **note 41.2**). As at 30 June 2024, Heriot owned 151,349,878 shares in Safari.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

16. NON-CONTROLLING INTERESTS ("NCI") continued

The NCI balance is reconciled as follows:

	Note	2024					
		HPI R'000	Moditouch R'000	Hagley R'000	60 Adderley R'000	Safari R'000	Total R'000
Opening balance		30 764	19 483	–	1 443	1 299 194	1 350 884
Share of profits/(losses) for the year		6 354	1 456	–	(2 163)	198 712	204 359
Distributable profits		2 557	1 456	–	(576)	98 005	101 442
Non-distributable profit/(losses)		3 797	–	–	(1 587)	100 707	102 917
Acquisition of shares in Safari (Heriot purchases)*	SOCIE	–	–	–	–	(50 460)	(50 460)
Safari acquisition of treasury shares**	SOCIE	–	–	–	–	(18 295)	(18 295)
On acquisition of subsidiary (Thibault – Safari shares held)***	41.2	–	–	–	–	(257 931)	(257 931)
Dividends declared to minorities	21	(2 349)	(1 477)	–	–	(117 503)	(121 329)
Balance at year end		34 769	19 462	–	(720)	1 053 717	1 107 228

		2024					
		HPI R'000	Moditouch R'000	Hagley R'000	60 Adderley R'000	Safari R'000	Total R'000
* Acquisition of shares in Safari							
Number of shares						5 470 088	
Net asset value of shares acquired R'000						50 460	
Cost of shares acquired R'000 – cash						(30 722)	
Gain on acquisition of shares (equity)						19 738	
** Safari acquisition of treasury shares							
Number of shares						1 915 153	
Net asset value of shares acquired R'000						18 295	
Cost of shares acquired R'000 – cash						(10 551)	
Gain on acquisition of shares (equity)						7 744	
*** On acquisition of subsidiary (Thibault – Safari shares held)							
Number of shares						25 952 710	
Net asset value of shares acquired R'000						257 931	
Cost of shares acquired R'000 – non-cash						–	
Gain on acquisition of shares (equity)						257 931	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

16. NON-CONTROLLING INTERESTS ("NCI") continued

	Note	2023					
		HPI R'000	Moditouch R'000	Hagley R'000	60 Adderley R'000	Safari R'000	Total R'000
Opening balance		24 105	12 556	2 490	3 240	–	42 391
Share of profits/(losses) for the year		8 705	6 377	103	(1 797)	–	13 388
Distributable profits		1 895	4 877	103	(498)	–	6 377
Non-distributable profit/(losses)		6 810	1 500	–	(1 299)	–	7 011
Acquisition of minority interest in Hagley 3865 Proprietary Limited*		–	–	(2 490)	–	–	(2 490)
Issue of additional shares in Moditouch Proprietary Limited		–	5 500	–	–	–	5 500
On acquisition of subsidiary (Safari)	41.1	–	–	–	–	1 284 387	1 284 387
Sale of Safari shares**		–	–	–	–	14 807	14 807
Dividends declared to minorities		(2 046)	(4 950)	(103)	–	–	(7 099)
Balance at year end		30 764	19 483	–	1 443	1 299 194	1 350 884

	2023					
	HPI R'000	Moditouch R'000	Hagley R'000	60 Adderley R'000	Safari R'000	Total R'000
* Acquisition of minority interest in Hagley 3865 Proprietary Limited						
Carrying amount of minority interest			2 490			
Purchase price			21 239			
Loss on acquisition of minority interest			(18 749)			
** Sale of shares in Safari						
Net asset value of shares sold					14 807	
Proceeds on sale of shares					(8 801)	
Loss on sale of Safari shares					6 006	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

16. NON-CONTROLLING INTERESTS ("NCI") continued

Summarised financial information is presented below for each subsidiary that has an NCI. The financial information is prepared by the respective entities in accordance with IFRS® Accounting Standards.

	2024			
	HPI R'000	Modi- touch R'000	60 Adderley R'000	Safari R'000
NCI effective interest/voting rights	10%	50%	40%	40,8%
Summarised statement of financial position				
Non-current assets	533 001	101 000	65 038	3 865 454
Investment property	533 000	101 000	65 000	3 860 800
Other non-current assets	1	–	38	4 654
Current assets	6 413	984	1 916	61 472
Trade and other receivables	1 238	84	352	35 935
Inventories	–	–	–	11 593
Other current assets	–	–	–	163
Cash and cash equivalents	5 175	900	1 564	13 781
Non-current assets held for sale	–	–	–	180 100
Total assets	539 414	101 984	66 954	4 107 026
Non-current liabilities	175 304	60 000	–	1 281 418
Interest-bearing borrowings	–	60 000	–	1 249 081
Loans from Group companies	171 053	–	–	–
Other non-current liabilities	4 251	–	–	32 337
Current liabilities	16 453	3 162	68 760	241 837
Interest-bearing borrowings	–	–	–	102 694
Dividend payable	12 202	1 829	–	79 525
Other current liabilities	4 251	1 333	68 760	59 618
Total liabilities	191 757	63 162	68 760	1 523 255
Net assets	347 657	38 822	(1 806)	2 583 771
Net assets attributable to NCI	34 766	19 411	(722)	1 053 717

	2024			
	HPI R'000	Modi- touch R'000	60 Adderley R'000	Safari R'000
Summarised statement of comprehensive income				
Revenue	74 833	9 705	12 378	680 106
Other income	–	–	–	8 509
Other costs	–	–	–	(25 147)
Operating costs	(26 040)	(1 485)	(7 232)	(281 772)
Fair value adjustments	34 491	737	(3 598)	203 465
Interest income	398	96	–	2 029
Interest expense	(20 139)	(6 141)	(6 955)	(167 597)
Taxation	–	–	–	(17 240)
Total comprehensive income	63 543	2 912	(5 407)	402 353
Attributable to non-controlling shareholders:				
Distributable profits	2 557	1 456	(576)	98 005
Non-distributable profits/(losses)	3 797	–	(1 587)	100 707
	6 354	1 456	(2 163)	198 712
Summarised statement of cash flows				
Cash flows from operating activities	26 709	118	(747)	96 353
Cash flows from investing activities	(809)	–	(120)	(99 122)
Cash flows from financing activities	(25 488)	–	1 350	5 636
Net increase/(decrease) in cash and cash equivalents	412	118	483	2 867
Cash and cash equivalents at the beginning of the period	4 763	782	1 081	10 914
Cash and cash equivalents at the end of the period	5 175	900	1 564	13 781

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

16. NON-CONTROLLING INTERESTS ("NCI") continued

	2023			
	HPI R'000	Modi- touch R'000	60 Adderley R'000	Safari R'000
NCI effective interest/voting rights	10%	50%	40%	53,5%
Summarised statement of financial position				
Non-current assets	495 002	101 000	69 108	3 542 917
Investment property	495 000	101 000	69 000	3 535 800
Other non-current assets	2	–	108	7 117
Current assets	24 157	908	1 288	65 524
Loans to Group companies	12 466	–	–	–
Trade and other receivables	6 928	126	207	23 126
Inventories	–	–	–	29 869
Other current assets	–	–	–	1 615
Cash and cash equivalents	4 763	782	1 081	10 914
Non-current assets held for sale	–	–	–	184 900
Total assets	519 159	101 908	70 396	3 793 341
Non-current liabilities	192 119	60 000	61 650	722 384
Interest-bearing borrowings	187 868	60 000	61 650	704 604
Other non-current liabilities	4 251	–	–	17 780
Current liabilities	19 671	3 044	5 146	641 888
Interest-bearing borrowings	–	–	–	608 926
Loans from Group companies	–	–	1 440	–
Other current liabilities	19 671	3 044	3 706	32 962
Total liabilities	211 790	63 044	66 796	1 364 272
Net assets	307 369	38 864	3 600	2 429 069
Net assets attributable to NCI	30 737	19 432	1 440	1 299 194

	2023			
	HPI R'000	Modi- touch R'000	60 Adderley R'000	Safari R'000
Summarised statement of comprehensive income				
Revenue	44 277	12 336	11 513	456 899
Other income	12 978	–	–	33 007
Other costs	–	–	–	(52 439)
Operating costs	(22 518)	(1 862)	(6 080)	(154 620)
Fair value adjustments	65 735	8 183	(3 908)	160 158
Interest income	292	75	2	3 488
Interest expense	(13 711)	(5 979)	(6 019)	(107 413)
Taxation	–	–	–	(16 168)
Total comprehensive income	87 053	12 753	(4 492)	322 912
Attributable to non-controlling shareholders				
Distributable profits/(losses)	1 895	4 877	(498)	–
Non-distributable profits/(losses)	6 810	1 500	(1 299)	–
	8 705	6 377	(1 797)	–
Summarised statement of cash flows				
Cash flows from operating activities	36 464	186	(1 026)	27 964
Cash flows from investing activities	(66 564)	–	(2 525)	(28 865)
Cash flows from financing activities	33 385	–	2 400	4 684
Net increase/(decrease) in cash and cash equivalents	3 285	186	(1 151)	3 783
Cash and cash equivalents at the beginning of the period	1 478	596	2 232	7 131
Cash and cash equivalents at the end of the period	4 763	782	1 081	10 914

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

17. INTEREST-BEARING LIABILITIES

	Group	
	2024 R'000	2023 R'000
Heriot		
Nedbank Limited	1 462 433	1 255 948
Facility 1		
Interest-only revolving credit facility of R399,2 million bearing interest at three-month JIBAR plus 175bps was renewed on 1 December 2023.	–	331 777
Facility 2		
Interest-only term facility of R325,0 million bearing interest at three-month JIBAR plus 169bps was renewed on 1 December 2023.	–	321 907
Facility 3		
Interest-only term facility of R80,0 million bearing interest at three-month JIBAR plus 195bps was renewed on 1 December 2023.	–	80 000
Facility 4		
Interest-only term facility of R57,9 million bearing interest at three-month JIBAR plus 195bps was renewed on 1 December 2023.	–	57 900
Facility 5		
Interest-only term facility of R110,0 million bearing interest at three-month JIBAR plus 195bps was renewed on 1 December 2023.	–	110 000
Facility 6		
Interest-only term facility of R400,0 million bearing interest at three-month JIBAR plus 165bps and secured over 52,2 million Safari shares acquired was renewed on 1 December 2023.	–	292 714
Facility 7		
The interest-only term facility bears interest at 0,5% below the prime bank overdraft rate, is secured by a first mortgage bond over investment property valued at R69,0 million (2023: R70,0 million) and is repayable on 1 December 2024. Negotiations have commenced to extend the facility for a further 24 months.	62 239	61 650
Facility 8		
Interest-only revolving credit facility of R150,0 million bearing interest at three-month JIBAR plus 164bps and repayable on 28 November 2028. Post the reporting period on 6 September 2024, the revolving credit facility was increased to R250,0 million.	149 577	–

	Group	
	2024 R'000	2023 R'000
Facility 9		
Interest-only term facility of R400,0 million bearing interest at three-month JIBAR plus 159bps and repayable on 30 November 2027.	331 610	–
Facility 10		
Interest-only term facility of R500,0 million bearing interest at three-month JIBAR plus 159bps and repayable on 30 November 2027.	496 907	–
Facility 11		
Interest-only term facility of R184,2 million bearing interest at three-month JIBAR plus 164bps and repayable on 30 November 2028.	184 200	–
Facility 12		
Interest-only term facility of R100 million bearing interest at three-month JIBAR plus 159bps and repayable on 30 November 2027.	100 000	–
Facility 13		
Interest-only term facility of R137,9 million bearing interest at three-month JIBAR plus 164bps and repayable on 30 November 2028.	137 900	–

Facilities 7 to 13 are secured by first mortgage bonds over investment property valued at R3,054 billion (2023: R2,929 billion).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

17. INTEREST-BEARING LIABILITIES continued

	Group	
	2024 R'000	2023 R'000
Standard Bank	1 059 000	1 049 000
Facility 13 comprising:		
Interest-only term facility of R400,0 million bearing interest at a rate of three-month JIBAR plus 195bps to 31 March 2024 and 158bps post that date;	400 000	350 000
Interest-only revolving credit facility of R50,0 million bearing interest at a rate of prime less 140bps to 31 March 2024 and 188bps post that date. On 31 March 2024, Facility 13 was renewed for a further three years expiring on 31 March 2027.	10 000	–
Facility 14		
Interest-only term facility of R164,0 million bearing interest at a rate of three-month JIBAR plus 195bps to 31 March 2024 and 164bps post that date. On 31 March 2024, the facility was renewed for a further four years expiring on 31 March 2028.	164 000	164 000
Facility 15		
Interest-only term facility of R145,0 million bearing interest at a rate of three-month JIBAR plus 180bps and repayable on 30 November 2025.	145 000	145 000
Facility 16		
Interest-only term facility of R50,0 million bearing interest at a rate of three-month JIBAR plus 187bps. On 31 March 2024, Facility 16 merged with Facility 13 as part of the debt facility renewal.	–	50 000
Facility 17		
Interest-only term facility of R60,0 million bearing interest at a rate of three-month JIBAR plus 183bps and repayable on 30 June 2026. It is secured by a first covering mortgage bond over investment property valued at R101,0 million (2023: R101 million).	60 000	60 000
Facility 18		
Interest-only term facility bearing interest at a rate of three-month JIBAR plus 187bps to 31 March 2024 and 164bps post that date. On 31 March 2024, the facility was renewed for a further four years expiring on 31 March 2028. The facility is secured over 50,0 million Safari shares acquired.	280 000	280 000

Facilities 13 to 18 are secured by first mortgage bonds over investment property valued at R2,163 billion (2023: R2,048 billion).

	Group	
	2024 R'000	2023 R'000
Sanlam Capital Markets Proprietary Limited (“Sanlam”)	215 570	286 400
The interest-only facility bears interest at a rate of three-month JIBAR plus 180bps, is secured by a first mortgage bond over investment property valued at R390,0 million (2023: R379,0 million) and is repayable on 4 August 2025.	215 570	215 570
Refer to note 14 for details on the sale of Hagley to Heriot Investments on 31 December 2023.	–	70 830
Safari		
Safari successfully implemented a security special purpose vehicle (“SPV”) whereby bonds have been registered over most of Safari’s investment properties in the security SPV structure to provide pooled security to lenders. The structure is regulated by a Common Terms Agreement, cession of security, counter indemnity agreements as well as debt guarantees. Absa and Standard Bank Limited remain as Safari’s financiers.	1 351 775	1 313 530
Facility B – Absa		
Interest-only term facility of R200 million bearing interest at a rate of three-month JIBAR plus 1,95% was renewed with Absa on 31 January 2024 and replaced by facility N.	–	201 597
Facility E – Absa		
Interest-only term facility of R150 million bearing interest at a rate of three-month JIBAR plus 2,20% was renewed with Standard Bank on 31 August 2023 and replaced by facility M below.	–	151 229
Facility F – Absa		
Interest-only term facility of R100 million bearing interest at a rate of three-month JIBAR plus 2,30% was renewed with Absa on 31 January 2024 and replaced by facility N below.	–	100 828
Facility I – Absa		
Interest-only term facility of R250 million bearing interest at a rate of three-month JIBAR plus 2,35% was renewed with Absa on 31 January 2024 and replaced by facility N below.	–	252 081
Facility J – Absa		
Interest-only term facility of R250 million bearing interest at a rate of three-month JIBAR plus 2,5% was renewed with Absa on 31 January 2024 and replaced by facility N below.	–	252 113

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

17. INTEREST-BEARING LIABILITIES continued

	Group	
	2024 R'000	2023 R'000
Facility K – Standard Bank Interest-only revolving credit facility of R200,0 million bearing interest at a rate of prime less 1,50% and repayable on 30 June 2025.	87 481	53 442
Facility L – Standard Bank Interest-only term facility of R303,0 million bearing interest at a rate of three-month JIBAR plus 1,56% and repayable on 30 November 2026.	305 571	305 380
Facility M – Standard Bank Interest-only term facility of R150,0 million bearing interest at a rate of three-month JIBAR plus 1,70 % and repayable on 31 August 2027.	151 279	–
Facility N1 – Absa Interest-only term facility of R200,0 million bearing interest at a rate of three-month JIBAR plus 1,55% and repayable on 31 January 2027.	203 309	–
Facility N2 – Absa Interest-only term facility of R100,0 million bearing interest at a rate of three-month JIBAR plus 1,675% and repayable on 31 January 2028.	101 675	–
Facility N3 – Absa Interest-only term facility of R300,0 million bearing interest at a rate of three-month JIBAR plus 1,675% and repayable on 31 January 2028.	305 026	–
Facility N4 – Absa Interest-only term facility of R200,0 million bearing interest at a rate of three-month JIBAR plus 1,775% and repayable on 31 January 2029.	203 384	–
Other interest-bearing liability balances	(5 950)	(3 140)

	Group	
	2024 R'000	2023 R'000
Thibault	964 562	–
Facility 19 – First National Bank Interest-only term facility of R250,0 million bearing interest at a rate of prime less 150bps and repayable on 10 August 2025.	250 000	–
Facility 20 – Standard Bank Interest-only term facility of R161,2 million bearing interest at three-month JIBAR plus 175bps and repayable on 28 January 2027.	161 214	–
Facility 21 – Standard Bank Interest-only revolving credit facility of R10,0 million bearing interest at a rate of prime less 182bps and repayable on 28 January 2027.	1 370	–
Facility 22 – Standard Bank Interest-only term facility of R110,0 million bearing interest at three-month JIBAR plus 175bps and repayable on 28 January 2027.	3 027	–
Facility 23 – Standard Bank Interest-only term facility of R339,5 million bearing interest at three-month JIBAR plus 175bps and repayable on 28 January 2027.	339 451	–
Facility 24 – Sanlam Interest-only term facility of R209,5 million bearing interest at three-month JIBAR plus 185bps and repayable on 30 September 2028.	209 500	–

Post year end, Standard Bank reduced the interest rate margin by 5bps in respect of facilities 20, 21 and 23 as a result of Heriot providing a guarantee for the respective facilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

17. INTEREST-BEARING LIABILITIES continued

	Note	Group	
		2024 R'000	2023 R'000
Total interest-bearing borrowings		5 053 340	3 904 878
Less: Short-term portion of interest-bearing borrowings		(164 933)	(608 926)
Less: Interest-bearing borrowings transferred to held for sale	14	–	(70 830)
Long-term portion of interest-bearing borrowings		4 888 407	3 225 122
Interest-bearing liabilities summary per company		5 053 340	3 834 047
Heriot		2 737 003	2 520 517
Safari		1 351 775	1 313 530
Thibault		964 562	–
Interest-bearing liabilities balance comprises the following:		5 053 340	3 834 047
Capital balances of secured debt facilities		5 040 604	3 826 959
Accrued interest		18 686	10 228
Other interest-bearing liability balances (facility fees and credit cards)		(5 950)	(3 140)
Negotiations with lenders for new facilities to replace the maturing facilities are at an advanced stage at the date of publication of this report. The implementation of the new facilities remains subject to conditions precedent and customary for facilities of this nature.			
At the reporting date, the Group had unutilised facilities as follows:		440 503	374 359
Heriot		212 381	227 801
Safari		112 519	146 558
Thibault		115 603	–

Debt covenants – loan-to-value (“LTV”) and interest cover ratio (“ICR”)

	Actual ratios 30 June 2024	Covenant ratios 30 June 2024	Actual ratios 30 June 2023	Covenant ratios 30 June 2023
Heriot				
Corporate ICR*	2,05	>2	2,64	>2
Corporate LTV	42,1%	<50%	41,1%	<50%
Safari				
Corporate ICR	2,54	>2	2,52	>2
Corporate LTV	34,0%	<50%	36,8%	<50%
Thibault				
Corporate ICR	1,43	>1.4	N/A	N/A
Corporate LTV	45,5%	<50%	N/A	N/A

* Includes dividends declared by Thibault.

The Group remains within the parameters of compliance for debt covenants and does not foresee any breaching of covenant triggers.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

18. DEFERRED TAXATION

	Note	Group	
		2024 R'000	2023 R'000
Capital allowances		120 923	92 784
Prepayments		(16 857)	(16 499)
		104 066	76 285
Movement for the year			
Balance at the beginning of the year		76 285	62 092
– Arising on capital allowances in the current year		21 250	944
– Arising on prepayments in the current year		(762)	–
– On acquisition of subsidiary (Safari)	41.1	–	13 249
– On acquisition of subsidiary (Thibault)	41.2	5 216	–
– On acquisition of subsidiary (Fixtrade)	41.3	2 077	–
		104 066	76 285
Assessed losses in Namibia for which no deferred tax asset has been recognised		133 405	135 743
Deferred tax summary per company		104 066	76 285
Heriot		68 666	63 036
Safari		30 184	13 249
Thibault		5 216	–
Deferred tax movements summary per company (capital allowances and prepayments)		20 488	944
Heriot		3 553	944
Safari		16 935	–
Thibault		–	–

South Africa

With effect from 24 July 2018, the Company converted to a REIT resulting in capital gains taxation no longer being applicable on the sale of investment property in terms of Section 25BB of the Income Tax Act No 58 of 1962. The deferred tax rate applied to investment property at the sale rate will therefore be 0%. Consequently, no deferred tax was raised on the fair value adjustments on investment property and straight-lining lease assets.

Capital allowances claimed prior to obtaining REIT status and during the reporting period will be recouped when the assets are sold.

Namibia

Safari Investments Namibia Proprietary Limited will, however, still incur deferred tax on the above as this subsidiary company is not a REIT.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

19. OTHER FINANCIAL LIABILITIES

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Loans from subsidiaries	–	–	6 988	13 518
Tiger Stripes Investments 31 Proprietary Limited	–	–	–	16
Fin Properties 107 Proprietary Limited	–	–	–	1 036
Heriot Properties International Proprietary Limited	–	–	–	12 466
Heriot Properties Proprietary Limited	–	–	–	–
Thibault REIT Limited	–	–	6 988	–
Deferred capital proceeds				
Heriot Investments Proprietary Limited 9.2	–	40 309	–	–
	–	40 309	6 988	13 518
Movement for the year				
Balance at the beginning of the year	40 309	–	13 518	30 243
Loans advanced from subsidiaries	–	–	6 988	28 202
Loans from subsidiaries repaid	–	–	(13 518)	–
Transferred to loans to subsidiaries/ other financial assets 9.4	–	–	–	(45 978)
Transferred from dividends receivable 11	–	–	–	1 051
Call option – deferred capital proceeds raised 9.2	–	40 309	–	–
Call option – deferred capital proceeds increased 9.2	26 840	–	–	–
Call option removed – deferred capital proceeds reversed 9.2	(67 149)	–	–	–
Balance at the end of the year	–	40 309	6 988	13 518

The loans from subsidiaries are unsecured, interest-free and repayable on demand.

20. TRADE AND OTHER PAYABLES

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Financial instruments 37	148 511	113 869	536	58
Accrued interest	34 357	35 525	–	–
Accrued expenses	67 591	50 606	533	–
Tenant deposits	40 157	26 495	–	–
Other payables	6 406	1 243	3	58
Non-financial instruments	38 190	40 772	–	–
Rent received in advance	24 338	33 034	–	–
Value added taxation	13 852	7 738	–	–
	186 701	154 641	536	58
Summary per company:				
HERIOT				
Financial instruments	79 628	95 096	–	–
Accrued interest	22 779	35 525	–	–
Accrued expenses	38 525	48 446	–	–
Tenant deposits	11 937	9 882	–	–
Other payables	6 387	1 243	–	–
Non-financial instruments	18 843	27 576	–	–
Rent received in advance	12 228	23 706	–	–
Value added taxation	6 615	3 870	–	–
Total trade and other payables: Heriot	98 471	122 672	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

20. TRADE AND OTHER PAYABLES continued

	Note	Group	
		2024 R'000	2023 R'000
SAFARI			
Financial instruments		42 883	18 773
Accrued expenses		20 058	2 160
Tenant deposits		22 825	16 613
Non-financial instruments		15 919	13 196
Rent received in advance		10 884	9 328
Value added taxation		5 035	3 868
Total trade and other payables: Safari		58 802	31 969
THIBAUT			
Financial instruments		26 000	–
Accrued interest		11 578	–
Accrued expenses		9 008	–
Tenant deposits		5 395	–
Other payables		19	–
Non-financial instruments		3 428	–
Rent received in advance		1 226	–
Value added taxation		2 202	–
Total trade and other payables: Thibault	41.2	29 428	–
Year end total		186 701	154 641

21. DIVIDEND PAYABLE TO NON-CONTROLLING SHAREHOLDERS

	Note	Group	
		2024 R'000	2023 R'000
Dividend payable to non-controlling shareholders		46 060	10 778
Movement for the year			
Balance at the beginning of the year		10 778	9 931
Dividends declared	16	121 329	7 099
Dividends paid		(86 047)	(6 252)
Balance at the end of the year		46 060	10 778
		Group	
		2024 R'000	2023 R'000
Payable to the following company minorities			
Dividends payable to non-controlling shareholders is summarised as follows:			
		46 060	10 778
Heriot Properties International		12 115	9 854
Moditouch		915	500
60 Adderley		424	424
Safari*		32 606	–

* Dividends payable to non-controlling shareholders increased as a result of Safari's year end changing from 31 March to 30 June, effective 30 June 2024, resulting in a second interim distribution declaration during their 15-month reporting period. On this basis, Safari declared its second interim distribution for the six months ended 31 March 2024 on 19 June 2024 prior to its new year end of 30 June 2024 which was paid on 15 July 2024.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

22. REVENUE

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Gross rent – IFRS 16	984 165	501 933	–	–
Revenue from sale of inventory	12	19 666	–	–
Dividends received	–	–	266 448	267 196
Recoveries – IFRS 15	365 624	141 089	–	–
	1 369 455	643 022	266 448	267 196
Straight-line rental income accrual	2	15 963	–	–
	1 385 418	625 956	266 448	267 196

Refer to **note 42** for revenue disaggregation by location and operating segment.

		Group	
		2024 R'000	2023 R'000
Gross rent summary per company		984 165	501 933
Heriot		536 400	501 933
Safari		447 765	–
Thibault		–	–
Recoveries summary per company		365 624	141 089
Heriot		174 787	141 089
Safari		190 837	–
Thibault		–	–
Revenue from sale of inventory summary per company		19 666	–
Heriot		–	–
Safari		19 666	–
Thibault		–	–
Straight-line rental income accrual summary per company		15 963	(17 066)
Heriot		(5 876)	(17 066)
Safari		21 839	–
Thibault		–	–

Refer to **note 42** for revenue disaggregation by location and operating segment.

23. OTHER INCOME

		Group	
		2024 R'000	2023 R'000
Management fees		10 562	11 720
Leasing fees		715	359
Insurance proceeds		717	–
Other*		8 749	388
Total		20 743	12 467
Other income summary per company		20 743	12 467
Heriot		12 235	12 467
Safari		8 508	–
Thibault		–	–

* Other income predominantly comprises of Safari's ad hoc rentals for exhibition space within the shopping centres, non-GLA infrastructure income from Frogfoot Networks and profit-sharing from outsourced utility management by African Electrical Technologies, which previously handled Safari's utility functions. At year end, Safari concluded the internalisation of its utility recovery processes and on this basis will no longer receive profit-sharing income as it recovers utilities directly from tenants.

24. NET IMPAIRMENT (LOSSES)/REVERSALS

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Impairment reversals				
of investment in subsidiaries	5	–	14 231	14 897
Impairment of inventory	12	(957)	–	–
		(957)	14 231	14 897
Net impairment (losses)/reversals summary per company		(957)	–	–
Heriot		–	–	–
Safari		(957)	–	–
Thibault		–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

25. BARGAIN PURCHASE GAIN ON ACQUISITION OF SUBSIDIARY

	Note	Group	
		2024 R'000	2023 R'000
Bargain gain on acquisition of Safari	41.1	–	464 289

26. PROFIT FROM OPERATIONS

		Group	
	Note	2024 R'000	2023 R'000
Net operating profit includes the following items:			
Charges			
Audit fees		4 018	1 758
External auditor – audit and other fees		3 932	1 485
External auditor – non-audit fees		86	273
Depreciation	2, 4, 8	17 963	6 666
Management fees		2 743	1 155
Non-executive Director fees		2 219	1 912
Staff costs (Heriot and Safari)		76 029	38 539
Operating costs per company summary		499 267	202 032
Heriot		252 654	202 032
Safari		246 613	–
Thibault		–	–
Administration costs per company summary		82 286	46 710
Heriot		47 127	46 710
Safari		35 159	–
Thibault		–	–

27. DIRECTORS' EMOLUMENTS

	Group	
	2024 R'000	2023 R'000
Fees paid to Non-executive Directors		
SB Herring	1 009	771
– Chairman of Heriot REIT Limited	323	311
– Chairman of Safari Investments RSA Limited	444	460
– Chairman of Thibault REIT Limited	242	–
SJ Blieden	349	336
T Cohen	–	75
R Lockhart-Ross	323	311
JA Finn	215	158
NA Ngale	323	261
	2 219	1 912
Fees paid to Executive Directors		
RL Herring – CEO	5 340	5 176
Salaries and allowances	4 340	4 276
Bonus	1 000	900
D Snoyman – CFO	2 883	1 874
Salaries and allowances	2 183	1 524
Bonus	700	350
JA Finn – Group executive*	3 882	2 830
Salaries and allowances	–	1 930
Salaries and allowances (Thibault REIT Limited)	3 882	–
Bonus	–	900
	12 105	9 880

* JA Finn was the CFO of Thibault for the 2024 reporting period. As a result of the Thibault merge, JA Finn resigned as a Director of Heriot and CFO of Thibault. JA Finn will remain on Thibault's payroll as an employee as she continues to provide support to the Group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

27. DIRECTORS' EMOLUMENTS continued

	Group	
	2024 R'000	2023 R'000
Total remuneration of Directors		
SB Herring	1 009	771
SJ Blieden	349	336
T Cohen	–	75
R Lockhart-Ross	323	311
NA Ngale	323	261
RL Herring	5 340	5 176
D Snoyman	2 883	1 874
JA Finn	4 097	2 988
	14 324	11 792
	Group	
	2024 R'000	2023 R'000
Value of shares issued in Heriot REIT Limited as a result of the Thibault acquisition		
Shares were issued at R15 per share being the market price on 28 June 2024. Summary of the shares issued to Directors is as follows:		
SB Herring (Director of Heriot Investments) (62,373,567 shares)	935 604	–
RL Herring (558,000 shares)	8 370	–
JA Finn (279,000 shares)	4 185	–
	948 159	–

28. FINANCE CHARGES

		Group		Company	
	Note	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Secured borrowings		429 640	201 874	–	–
Other		2 478	827	–	–
Finance charges for the year		432 118	202 701	–	–
Capitalised	2	3 341	3 100	–	–
		435 459	205 801	–	–
Comprising:					
Opening accrued interest		35 525	21 748	–	–
Finance charges		432 118	202 701	–	–
Interest adjustment on derivative – non-cash	7	41	–	–	–
Closing accrued interest	17, 20	(41 465)	(35 525)	–	–
Amortised facility fees non-cash (Safari)		(2 470)	–	–	–
Capitalised		3 341	3 100	–	–
Cash		427 090	192 024	–	–
Finance charges per company summary		432 118	202 701		
Heriot		264 521	202 701		
Safari		167 597	–		
Thibault		–	–		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

29. FINANCE INCOME

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Interest received – bank	6 401	4 783	3 297	3 532
Related party loans	9 150	5 526	3 501	2 923
Other	–	438	–	–
	15 551	10 747	6 798	6 455
Comprising:				
Cash	6 401	4 782	3 297	3 532
Non-cash	9 150	5 965	3 501	2 923
	15 551	10 747	6 798	6 455
Finance charges per company summary	15 551	10 747		
Heriot	13 522	10 747		
Safari	2 029	–		
Thibault	–	–		

30. FAIR VALUE ADJUSTMENTS

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Unrealised gain on revaluation of investment property	466 198	289 306	–	–
Unrealised gain on revaluation of assets held for sale	42 593	–	–	–
Net unrealised gain on revaluation of investment property	508 791	289 306	–	–
Fair value adjustment on previously held equity interest	–	(47 707)	–	–
Unrealised loss on revaluation of interest rate swap	(2 510)	–	–	–
	506 281	241 599	–	–

30. FAIR VALUE ADJUSTMENTS continued

	Group	
	2024 R'000	2023 R'000
Fair value adjustments on investment property per company	466 198	289 306
Heriot	254 932	289 306
Safari	211 266	–
Thibault	–	–
Fair value adjustments on assets held for sale per company	42 593	–
Heriot	47 884	–
Safari	(5 291)	–
Thibault	–	–
Fair value adjustments on interest rate swaps per company	(2 510)	–
Heriot	–	–
Safari	(2 510)	–
Thibault	–	–
Fair value adjustment on previously held equity interest per company	–	(47 707)
Heriot	–	(47 707)
Safari	–	–
Thibault	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

31. TAXATION

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Normal taxation	(184)	–	–	–
Current	–	–	–	–
Adjustment in respect of prior year	(184)	–	–	–
Foreign and withholding taxation	332	3 383	–	–
Current	–	3 108	–	–
Withholding taxation	332	275	–	–
Total normal and foreign and withholding taxation	148	3 383	–	–
Deferred	20 488	944	–	–
Current	20 488	944	–	–
Reduction in taxation rate	–	–	–	–
Total taxation for the year	20 636	4 327	–	–
Reconciliation of taxation charge	27%	27%	27%	27%
Profit before taxation	889 729	981 737	285 784	286 449
Tax at the applicable rate 27%	240 227	265 069	77 162	77 341
Taxation effect of:				
Qualifying distributions	(110 753)	(75 041)	(83 364)	(73 319)
Thibault dividend included in taxable income	10 045	–	10 045	–
Fair value adjustment on previously held equity interest	–	12 881	–	–
Net impairment (losses)/reversals	258	–	(3 842)	(4 022)
Bargain purchase gain on business combination	–	(125 358)	–	–
Fair value adjustments on investment property	(125 873)	(78 112)	–	–
Fair value adjustments on investment property held for sale	(11 500)	–	–	–
Fair value adjustments on derivatives	678	–	–	–
Straight-line rental income accrual	(4 310)	4 608	–	–

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Equity-accounted profits (net of taxation)	(213)	(21 093)	–	–
Taxable dividends from associate	61	7 462	–	–
Namibian subsidiary	3 427	329	–	–
Tax rate differential	3 095	54	–	–
Withholding tax on interest	332	275	–	–
Loss on sale of property, plant and equipment	64	–	–	–
Loss on sale of inventory	1 221	–	–	–
Impairment of inventory	258	–	–	–
Excess dividend not deductible	10 271	10 803	–	–
Non-deductible expenditure	755	88	–	–
Deferred tax asset on Namibian assessed loss not recognised	4 540	–	–	–
Income in advance	(3 099)	3 105	–	–
Expected credit loss allowance	1 713	(428)	–	–
Prepayments	(457)	(265)	–	–
Adjustment in respect of prior year tax	172	–	–	–
Head office depreciation added back	136	136	–	–
Other	–	143	–	–
Unutilised tax losses	3 015	–	–	–
	20 636	4 327	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

32. EARNINGS AND HEADLINE EARNINGS

Note	Group			
	2024	2023		
	Gross R'000	Net R'000	Gross R'000	Net R'000
Reconciliation of basic earnings to headline earnings				
Profit attributable to Heriot shareholders	664 734	664 734	964 022	964 022
Adjustments to basic earnings are as follows:	(509 264)	(406 347)	(739 586)	(732 575)
Fair value adjustments: investment properties	(466 198)	(363 281)	(289 306)	(282 295)
Fair value adjustments: investment properties held for sale	(42 593)	(42 593)	–	–
Fair value adjustments investment property: equity-accounted investments	(709)	(709)	(33 698)	(33 698)
Bargain purchase on acquisition of subsidiary	–	–	(464 289)	(464 289)
Loss on sale of property, plant and equipment	236	236	–	–
Fair value adjustment on previously held equity interest	–	–	47 707	47 707
Headline earnings attributable to Heriot shareholders		258 387		231 447
Actual number of shares in issue*	319 261 982		255 395 858	
Weighted average number of shares in issue^	255 744 853		255 395 858	
Basic earnings per share (cents)	259,92		377,46	
Diluted earnings per share (cents)	259,92		377,46	
Headline earnings per share (cents)	101,03		90,62	
Diluted headline earnings per share (cents)	101,03		90,62	

* Excludes 900,000 treasury shares.

^ Effective 28 June 2024, Heriot entered into an exchange agreement, in terms of Section 42 of the Income Tax Act No 58 of 1962 ("exchange agreement"), with Thibault and the shareholders, in terms of which Heriot acquired 100% of the issued shares in Thibault held by the Thibault shareholders in exchange for the issue of 63,866,124 shares in the Company. Refer to **note 41.2**.

33. NOTES TO THE CASH FLOW STATEMENT

33.1 The following convention applies to figures other than adjustments:

Outflows of cash are represented by figures in brackets. Inflows of cash are represented by figures without brackets.

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
33.2 Cash generated from/(used in) operations				
Profit before taxation	889 729	981 737	285 784	286 449
Adjusted for:				
Non-cash items	(495 416)	(760 278)	(280 679)	(281 674)
Investment properties fair value adjustments	(466 198)	(289 306)	–	–
Investment properties held for sale fair value adjustments	(42 593)	–	–	–
Unrealised loss on revaluation of interest rate swap	2 510	–	–	–
Net impairment (losses)/reversals	957	–	(14 231)	(14 897)
Fair value adjustment on previously held equity interest	–	47 707	–	–
Bargain purchase gain on business combination (Safari)	–	(464 289)	–	–
Straight-line rental income accrual	(15 963)	17 066	–	–
Movement in expected credit loss provision	8 459	–	–	–
Dividends received	–	–	(266 448)	(267 196)
Equity-accounted profits (net of taxation)	(790)	(78 122)	–	–
Loss on sale of property, plant and equipment	236	–	–	–
Non-cash expenses	–	–	–	419
Depreciation	17 966	6 666	–	–
Finance charges	432 118	202 701	–	–
Finance income	(15 551)	(10 747)	(6 798)	(6 455)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

33. NOTES TO THE CASH FLOW STATEMENT continued

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
33.2 Cash generated from/(used in) operations continued				
Operating profit before working capital changes	810 880	413 413	(1 693)	(1 680)
Working capital changes	(21 111)	40 166	478	–
Trade and other receivables	(50 867)	18 309	–	–
Inventories	17 319	–	–	–
Trade and other payables	12 437	21 857	478	–
Cash generated from operations	789 769	453 579	(1 215)	(1 680)
33.3 Trade and other receivables				
At the beginning of the year	47 248	45 283	–	–
Non-cash – accrued dividend on Safari shares	–	–	–	–
Transfer to held for sale	–	(2 852)	–	–
Movement in expected credit loss provision	(8 459)	–	–	–
Business combination (Safari)	–	23 126	–	–
Business combination (Thibault)	13 258	–	–	–
Business combination (Fixtrade)	1 472	–	–	–
At the end of the year	(104 386)	(47 248)	–	–
Movement for the year	(50 867)	18 309	–	–

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
33.4 Trade and other payables				
At the beginning of the year	(119 116)	(65 503)	(58)	58
Per statement of financial position	(154 641)	(87 251)	(58)	58
Non-cash – interest on secured liabilities accrued at the beginning of the year	35 525	21 748	–	–
At the end of the year	131 553	87 360	536	(58)
Per statement of financial position	186 701	154 641	536	–
Transfer to held for sale	–	212	–	–
Non-cash expenses	–	–	–	(58)
Business combination (Safari)	–	(31 968)	–	–
Business combination (Thibault)	(29 428)	–	–	–
Business combination (Fixtrade)	(2 941)	–	–	–
Non-cash – interest on secured liabilities accrued at the end of the year	(22 779)	(35 525)	–	–
	12 437	21 857	478	–
33.5 Taxation paid				
Taxation (payable)/in advance at the beginning of the year	(402)	6	–	–
Taxation for the year	(148)	(3 383)	–	–
Take on balance from subsidiary acquired (Thibault)	(446)	–	–	–
Tax payable/(in advance) at the end of the year	65	402	–	–
Taxation paid during the year	(931)	(2 975)	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

33. NOTES TO THE CASH FLOW STATEMENT continued

	Note	Group	
		2024 R'000	2023 R'000
33.6 Acquisitions and improvements capitalised to investment property			
Acquisitions and improvements capitalised to investment property	2	173 130	176 029
Costs incurred in respect of property under development	3	1 180	2 427
		174 310	178 456
Costs incurred in respect of investment property held for sale	14	179 644	–
Cash portion of acquisitions and expenditure capitalised to investment property		353 954	178 456

	Note	Group		
		Long-term borrowings R'000	Short-term borrowings R'000	Total R'000
33.7 Reconciliation of liabilities arising from financing activities				
Balance as at 30 June 2022		1 968 817	247 055	2 215 872
Repayment		(424 856)	–	(424 856)
Business combination (Safari)	41.1	704 604	608 926	1 313 530
Transfer to held for sale	14	(70 830)	–	(70 830)
Proceeds		800 332	–	800 332
Refinance		247 055	(247 055)	–
Balance as at 30 June 2023		3 225 122	608 926	3 834 048
Repayment		(668 608)	–	(668 608)
Business combination (Thibault)	41.2	964 561	–	964 561
Accrued interest – non-cash		–	21 154	21 154
Proceeds		902 184	–	902 184
Refinance		465 148	(465 148)	–
Balance as at 30 June 2024		4 888 407	164 932	5 053 339

Refer to **note 14** for the reconciliation of secured debt facility movements for assets and liabilities held for sale.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

34. COMMITMENTS

As 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 to 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.

	Group	
	2024 R'000	2023 R'000
Summary of capital commitments is as follows:	533 339	408 957
Heriot	204 469	305 668
Safari	214 075	103 289
Thibault	114 795	–

35. LEASE PAYMENTS RECEIVABLE

	Group	
	2024 R'000	2023 R'000
Minimum lease payments comprises contractual rental income from investment properties and operating lease recoveries due in terms of signed lease agreements, not recognised in the financial statements.		
– Receivable within one year	876 226	708 543
– Receivable one and two years	705 189	595 066
– Receivable two and three years	565 347	448 860
– Receivable three and four years	380 623	323 602
– Receivable four and five years	260 597	213 193
– Receivable beyond five years	1 249 488	900 053
	4 037 470	3 189 317

36. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Relationships are as follows:

Beneficial ownership	The Gusi Trust – beneficiaries include Steven Herring
Majority shareholder	Heriot Investments Proprietary Limited
Subsidiaries	Refer to note 5
Associates	Refer to note 6
JCB Herring	Shareholder
Thibault Investments Proprietary Limited	Directorship – Steven Herring is the common director
14th Avenue Investments Proprietary Limited	Directorship – Steven Herring is the common director
Richard Herring	Chief Executive Officer
Other	Employees not in executive, key management or prescribed officer positions.

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

	Note	Company	
		2024 R'000	2023 R'000
Related party balances			
Dividends receivable from subsidiaries	11	85 089	71 194
Bait Away Trading Proprietary Limited		4 707	1 517
Crosize Proprietary Limited		–	9 881
Heriot Properties Proprietary Limited		44 828	47 407
Heriot Properties West Proprietary Limited		6 441	–
Heriot Trust No. 1		4 286	706
Heriot Trust No. 3		65	46
Moditouch Proprietary Limited		1 003	675
Phokeng Mall Proprietary Limited		14 769	10 962
Terrace Drive Properties 34 Proprietary Limited		8 990	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

36. RELATED PARTIES AND RELATED PARTY TRANSACTIONS continued

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Amount included in other financial assets				
Non-current	9			
Heriot Investments Proprietary Limited	101 090	74 425	34 265	34 116
Loans to participants of employee share scheme	66 825	40 309	–	–
RL Herring – Chief Executive Officer	34 265	34 116	34 265	34 116
Other	29 150	29 007	29 150	29 007
	5 115	5 109	5 115	5 109
Current	–	–	–	46 397
Croszie Proprietary Limited	–	–	–	23 950
Heriot Properties West Proprietary Limited	–	–	–	2 652
Heriot Properties Proprietary Limited	–	–	–	19 795
Amount included in other financial liabilities	19			
Heriot Investments Proprietary Limited – deferred capital proceeds	–	40 309	–	13 518
Fin Properties 107 Proprietary Limited	–	40 309	–	–
Heriot Properties International Proprietary Limited	–	–	–	1 036
Tiger Stripes Investments 31 Proprietary Limited	–	–	–	12 466
	–	–	–	16
Amount included in trade and other receivables/(payables)	20			
JCB Herring – shareholder	340	553	340	553
Thibault Investments Proprietary Limited	–	–	–	(58)

Compensation of key management is by way of salary and bonus only, details of which are disclosed in **note 27**.

Note	Group		Company	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Related party transactions	29			
Interest received				
The Gusi Trust	–	3 041	–	–
Heriot Investments Proprietary Limited	5 649	–	–	–
Loans to participants of employee share scheme	3 501	2 923	3 501	2 923
RL Herring	2 977	2 485	2 977	2 485
Other	524	438	524	438
JCB Herring	129	46	–	–
Other income (management fees and letting commission)	23			
14th Avenue Investments Proprietary Limited	2 723	2 645	–	–

Compensation of key management is by way of salary and bonus only, details of which are disclosed in **note 27**.

37. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objective is to manage the capital and financial risk exposure so that the Group continues as a going concern and minimises adverse effects of financial risks on returns.

The Group has exposure to the following risks from its use of financial instruments:

- Liquidity risk;
- Interest rate risk;
- Credit risk; and
- Market price risk (investment in listed shares).

The Group is not exposed to foreign exchange risk. The only cross-border transactions which occur within the Group are with the Group's subsidiary located in Namibia.

The exchange rate is: 1 South African Rand = 1 Namibian Dollar.

The Group's management policies are designed to ensure that there is an acceptable level of risk within the Group as a whole.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

37. FINANCIAL RISK MANAGEMENT continued

37.1 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial commitments as and when they fall due. This risk is managed by holding cash balances and a revolving loan facility and by regularly monitoring cash flows.

A maturity analysis at year end is set out below.

	Group					
	Less than one year R'000	One to two years R'000	Two to three years R'000	Three to four years R'000	Four to five years R'000	Total R'000
As at 30 June 2024						
Interest-bearing borrowings – capital	164 933	670 570	1 911 050	1 425 610	881 177	5 053 340
Interest accrual on interest-bearing borrowings	503 621	437 725	337 538	167 083	37 512	1 483 479
Lease liabilities	1 071	1 146	1 226	–	–	3 443
Trade and other payables	148 511	–	–	–	–	148 511
	818 136	1 109 441	2 249 814	1 592 693	918 689	6 688 773
As at 30 June 2023						
Interest-bearing borrowings – capital	608 926	1 270 271	1 148 470	474 604	331 777	3 834 048
Interest accrual on interest-bearing borrowings	381 473	264 922	125 232	55 140	11 728	838 495
Lease liabilities	1 450	1 562	1 682	1 964	–	6 658
Trade and other payables	113 869	–	–	–	–	113 869
	1 105 718	1 536 755	1 275 384	531 708	343 505	4 793 070

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

37. FINANCIAL RISK MANAGEMENT continued

37.1 Liquidity risk continued

	Note	Company			
		Less than one year R'000	Two to five years R'000	More than five years R'000	Total R'000
As at 30 June 2024					
Other financial liabilities	19	6 988	–	–	6 988
Trade and other payables	20	536	–	–	536
		7 524	–	–	7 524
As at 30 June 2023					
Other financial liabilities	19	13 518	–	–	13 518
Trade and other payables	20	58	–	–	58
		13 576	–	–	13 576

37.2 Categories of financial instruments

	Note	Group		
		At amortised cost R'000	At fair value through profit or loss R'000	Total R'000
As at 30 June 2024				
Financial assets				
Financial assets – non-current	9	101 090	212 868	313 958
Derivative financial instrument – current	7	–	163	163
Trade and other receivables	10	69 170	–	69 170
Cash and cash equivalents	13	69 025	–	69 025
		239 285	213 031	452 316
Financial liabilities				
Interest-bearing borrowings	17	5 053 340	–	5 053 340
Trade and other payables	20	148 511	–	148 511
		5 201 851	–	5 201 851

	Note	Group		
		At amortised cost R'000	At fair value through profit or loss R'000	Total R'000
As at 30 June 2023				
Financial assets				
Financial assets – non-current	9	74 425	–	74 425
Derivative financial instrument – non-current	7	–	1 017	1 017
Derivative financial instrument – current	7	–	1 615	1 615
Trade and other receivables	10	31 624	–	31 624
Cash and cash equivalents	13	45 695	–	45 695
		151 744	2 632	154 376
Financial liabilities				
Interest-bearing borrowings	17	3 834 048	–	3 834 048
Trade and other payables	20	113 869	–	113 869
		3 947 917	–	3 947 917

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

37. FINANCIAL RISK MANAGEMENT continued

37.2 Categories of financial instruments continued

		Company		
		At amortised cost R'000	At fair value through profit or loss R'000	Total R'000
Note				
As at 30 June 2024				
Financial assets				
Financial assets – non-current	9	34 265	–	34 265
Financial assets – current	11	85 089	–	85 089
Cash and cash equivalents	13	42 342	–	42 342
		161 696	–	161 696
Financial liabilities				
Other financial liabilities	19	6 988	–	6 988
Trade and other payables	20	536	–	536
		7 524	–	7 524
As at 30 June 2023				
Financial assets				
Financial assets – non-current	9	34 116	–	34 116
Financial assets – current	9, 11	117 591	–	117 591
Cash and cash equivalents	13	12 197	–	12 197
		163 904	–	163 904
Financial liabilities				
Other financial liabilities		13 518	–	13 518
Trade and other payables		58	–	58
		13 576	–	13 576

37.3 Interest rate risk

At the reporting date, majority borrowings of the Group are at floating interest rates with 1% (2023: 10%) hedged as a result of the acquisition of Safari in the 2023 reporting period (refer to **note 7**). The Group is therefore exposed to interest rate risk through its interest-bearing borrowings and variable rate cash balances. 89,5% (2023: 97,1%) of interest-bearing debt is subject to interest at three-month JIBAR, essentially fixing interest rates for intervals of 3 months. Further, surplus funds are invested against revolver debt facilities, thereby reducing the Group's exposure to interest rate increases. Management, together with the Board, regularly monitors and assesses interest rate risk and will put appropriate hedging strategies in place at a suitable time in the future.

An increase/decrease of 1% in the prime interest rate for the year would have increased/decreased the interest expense by R148,2 million (2023: R23,4 million) in respect of the floating portion of the debt.

An increase/decrease of 1% in the prime interest rate for the year would have increased/decreased the finance income by R573,601 (2023: R873,271) in respect of the cash held in interest-bearing bank accounts.

As part of the Group's risk management strategies, derivatives have been utilised to hedge against interest rate risks arising from its financing engagements. The derivative financial instruments held relate to interest rate swaps measured at fair value as at the reporting date. This is calculated using the net present value the Group would pay or receive from the swap counterparty based on current interest rates. The Group's derivative financial instruments are only used for economic hedging purposes and not as speculative investments.

	Group	
	2024 R'000	2023 R'000
+1% swap curve with 100bps parallel shift upwards ¹	(0,25)	(2 886)
-1% swap curve with 100bps parallel shift downwards ²	0,25	2 906

¹ As at 30 June 2024, if the interest rates on Rand-denominated interest rate swaps had been 1% higher, the fair value of the derivative would decrease by R246 (2023: R2 886 million).

² As at 30 June 2024, if the interest rates on Rand-denominated interest rate swaps had been 1% lower, the fair value of the derivative would increase by R246 (2023: R2 906 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

37. FINANCIAL RISK MANAGEMENT continued

37.4 Credit risk management

Credit risk is the risk of financial loss to the Company if a tenant or counterparty to a financial instrument fails to meet its contractual obligations.

Trade receivables, loans receivable and short-term cash investments are subject to credit risk. The maximum exposure to credit risk is presented in the table below.

	Note	Group		
		Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost R'000
As at 30 June 2024				
Financial assets	9	101 090	–	101 090
Trade and other receivables	10	80 817	(11 647)	69 170
Cash and cash equivalents	13	69 025	–	69 025
		250 932	(11 647)	239 285
As at 30 June 2023				
Financial assets	9	74 425	–	74 425
Trade and other receivables	10	34 812	(3 188)	31 624
Cash and cash equivalents	13	45 695	–	45 695
		154 932	(3 188)	151 744

	Note	Company		
		Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost R'000
As at 30 June 2024				
Financial assets	9	34 265	–	34 265
Dividends receivable from subsidiaries	10	85 089	–	85 089
Cash and cash equivalents	13	42 342	–	42 342
		161 696	–	161 696
As at 30 June 2023				
Financial assets	9	34 116	–	34 116
Dividends receivable from subsidiaries	10	71 194	–	71 194
Cash and cash equivalents	13	12 197	–	12 197
		117 507	–	117 507

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

37. FINANCIAL RISK MANAGEMENT continued

37.5 Market price risk (investment in listed shares)

Heriot through the acquisition of Thibault on 28 June 2024 acquired 64,116,874 shares in Texton valued at R212,868 million. An increase or decrease of R1,00 in the market price of the share as at 30 June 2024 would have increased/decreased the value of the investment by R64,1 million.

37.6 Fair value hierarchy for financial instruments and investment property

The fair value hierarchy reflects the significance of the inputs used in making fair value measurements. IFRS 13 requires that an entity disclose for each class of financial instrument and investment property measured at fair value, the level of fair value hierarchy into which the fair value measurements are categorised in their entirety.

The fair value hierarchy has the following levels:

- **Level 1** – fair value is determined from quoted prices (unadjusted) in active markets for identical assets or liabilities. Refer to **note 9**.
- **Level 2** – fair value is determined through the use of valuation techniques based on observable inputs, either directly or indirectly. Refer to **note 7**.
- **Level 3** – fair value is determined through the use of valuation techniques using significant inputs (refer to **notes 2 and 3** for assumptions applied to the valuation of investment property and property under development).

Note	Group			
	Fair value R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
As at 30 June 2024				
Assets				
Investment properties	2	11 343 750	–	– 11 343 750
Property under development	3	92 525	–	– 92 525
Non-current assets held for sale	14	180 100	–	– 180 100
Financial assets – listed shares	9	212 868	212 868	–
Derivative instrument	7	163	–	163 –
		11 829 406	212 868	163 11 616 375
As at 30 June 2023				
Assets				
Investment properties	2	8 891 700	–	– 8 891 700
Property under development	3	91 345	–	– 91 345
Non-current assets held for sale	14	275 206	–	– 275 206
Derivative instrument	7	2 632	–	2 632 –
		9 260 883	–	2 632 9 258 251

38. CAPITAL MANAGEMENT

In terms of the memorandum of incorporation, the Company has limited consolidated borrowings to 60% of consolidated assets. However, to manage the Group's risk, the Board aims to limit borrowings to below 45% of property assets.

	Group	
	2024 R'000	2023 R'000
As at the reporting date, the Group's LTV, net of cash, was:		
Property assets	11 862 515	9 243 397
Investment property	11 343 750	8 891 700
Property under development	92 525	91 345
Non-current assets held for sale (less liabilities)	180 100	204 165
Owner-occupied property	21 679	22 183
Inventories	11 593	29 869
Investment in associates	–	4 135
Financial assets – shares in listed REIT	212 868	–
Interest-bearing borrowings	5 053 340	3 834 048
Loan-to-value	42,6%	41,5%
Interest-bearing borrowings net of cash	4 984 315	3 788 353
Loan-to-value (net of cash)	42,0%	41,0%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

39. SUBSEQUENT EVENTS

Heriot

An offer of R76,1 million to acquire a 2 500m² property, Finsbury Court located on Beach Road in Sea Point, comprising 19 units was accepted on 6 May 2024 and transfer concluded on 3 July 2024. Heriot plans to redevelop the property into 29 units, comprising 50 bedrooms at an estimated cost of R80,0 million, with a projected starting yield of 12%. Development is expected to commence in September 2024 with a projected completion date of September 2025. The property will be managed on the aparthotel model.

On 6 September 2024, Heriot increased its Nedbank debt revolver facility (8) 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, the Board approved additional capital expenditure of R18,8 million to expand Nkomo Village Shopping Centre with a 850m² 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 its new capital projects.

Thibault

Post year end, 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 respective facilities. The 5bps reduction results in projected annual interest savings of R0,31 million.

The Directors are not aware of any other material reportable events that occurred after the reporting period.

40. GOING CONCERN

The Directors have satisfied themselves that the Group is 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 has adequate cash resources to continue operating for the foreseeable future and accordingly, the financial statements have been prepared on a going concern basis.

41. BUSINESS COMBINATION

41.1 Safari (prior year 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 as 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's 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 as at 30 June 2023; and
- Heriot did not consolidate Safari's comprehensive income for the three months ended 30 June 2023 ("three-month results").

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

41. BUSINESS COMBINATION continued

41.1 Safari (prior year 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 NAV 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 which has been included in Heriot's results to the same date.

The assets and liabilities arising from the acquisition are as follows:

	Note	Group 2023 R'000
Assets		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
Liabilities		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
Fair value of net assets acquired		2 429 069
Non-controlling interest		(1 284 387)
Fair value of Heriot REIT's share of net assets acquired*		1 144 682
Carrying amount of investment in associate	6	(680 393)
Bargain purchase gain	25	464 289

* Settled by funds advanced by Nedbank and utilising Heriot REIT's excess cash available.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

41. BUSINESS COMBINATION continued

41.1 Safari (prior year business combination) continued

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

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

41.2 Thibault (current year 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 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 and Safari, respectively.

From 28 June 2024, Heriot controls Thibault by virtue of 100% of the voting rights held.

The assets and liabilities arising from the acquisition are as follows:

	Note	Group 2024 R'000
Assets		2 036 033
Investment property at fair value		1 794 750
Investment property – closing carrying value		1 781 939
Straight-line income accrual		12 811
Property, plant and equipment		12 438
Other financial assets ¹		212 868
Trade and other receivables		13 258
Cash and cash equivalents		2 719
Liabilities		999 651
Interest-bearing borrowings – non-current		964 561
Deferred tax – net liability		5 216
Trade and other payables		29 428
Current tax payable		446
Carrying amount of net assets acquired – (A)		1 036 382
Purchase consideration calculated as follows:		
Cost of shares issued is as follows:		
Number of shares issued		63 866 124
Market value per share on acquisition date (Rand)		15
Market value of shares issued		957 992
Less: Dividend declared by Thibault to Heriot		(37 203)
Adjusted purchase consideration	SOCIE	920 789
Less: Acquisition of 10% non-controlling interest in Safari ²		(257 931)
Net purchase consideration – (B)		662 858

¹ Other financial assets comprise 64,116,874 shares held in Texton accounted for at fair value through profit or loss in terms of IFRS 9 at the reporting date. Refer to **notes 9 and 1.3** for further details.

² Thibault had a 10,02% shareholding in Safari equating to 25,952,710 shares. The NAV of the Safari shares was R9,94 or R257,931 million on the acquisition date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

41. BUSINESS COMBINATION continued

41.2 Thibault (current year business combination) continued

	Note	Group 2024 R'000
Bargain gain through equity (A-B)		373 524
Equity contribution from Heriot Investments		(37 203)
Net bargain gain in equity	SOCIE	336 321
Net cash inflow on acquisition		
Cash advanced prior to acquisition		
Cash and cash equivalents acquired on acquisition		2 719
Total cash and cash equivalents acquired	CASH FLOW	2 719
Had the business combination been included for the entire year		
Group profit after tax		167 533
Group turnover		238 803
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 of comprehensive income and cash flow statement movements have not been included as a result of the Thibault acquisition occurring on 28 June 2024:		
Summary of consolidated statement of comprehensive income		238 803
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)
Net property income		128 950
Other income		26 670
Loss on disposal of assets		(382)
Administration costs		(11 978)

	Group 2024 R'000
Profit from operations	143 260
Finance charges	1 398
Finance income	(95 026)
Profit before fair value adjustments	49 632
Fair value adjustments	117 916
Investment properties	61 050
Listed shares	56 866
Profit before taxation	167 548
Taxation	(15)
Total comprehensive income for the year	167 533
Distributable earnings adjustments:	
Fair value adjustments	(117 916)
Straight-line rental income accrual	(12 811)
Deferred taxation	15
Loss on disposal of assets	382
Distributable earnings for the year ended 30 June 2024	37 203
Summary of consolidated statement of cash flows	
Net cash flows generated from operating activities	38 164
Net cash used from investing activities	(210 506)
Net cash generated from financing activities	175 061
Net movement in cash and cash equivalents	2 719
Cash and cash equivalents at the beginning of the year	–
Cash and cash equivalents at the end of the year	2 719

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

41. BUSINESS COMBINATION continued

41.3 Fixtrade (current year business combination)

On 1 March 2024, Heriot acquired the balance of issued shares in Fixtrade from the associate shareholder (refer to **note 6.1.2**) for R4,7 million. Heriot financed the transaction through available cash reserves. The purchase price equated to the *pro rata* fair value of net assets acquired and hence no bargain purchase gain or goodwill arose on acquisition.

This opportunistic acquisition is aligned with Heriot's objective to unlock value through strategic interventions supported by its experienced management.

From 1 March 2024, Heriot controls Fixtrade by virtue of 100% of the voting rights held.

The assets and liabilities arising from the acquisition are as follows:

	Note	Group 2024 R'000
Assets		14 418
Investment property at fair value		11 419
Property, plant and equipment		911
Trade and other receivables		1 472
Cash and cash equivalents		616
Liabilities		5 018
Deferred tax – net liability		2 077
Trade and other payables		2 941
Fair value of net assets acquired		9 400
Carrying amount of investment in associate	6	9 400
Net goodwill or gain		–
Fair value of net assets acquired		9 400
Heriot value of shareholding pre-acquisition		4 700
JF Trust shareholding pre-acquisition		4 700
Cash consideration paid*		4 700

* Settled by using Heriot's available cash facilities.

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

	Note	Group 2024 R'000
Net cash flows on acquisition		
Purchase price	6	(4 700)
Less: Cash and cash equivalents acquired		616
Net cash and cash equivalents acquired	CASH FLOW	(4 084)
Included in the consolidated results for the year		
Equity-accounted profits		912
Dividends received from previously held equity interest		225
Had the business combination been included for the entire year		
Company profit after tax		16 416
Company turnover		1 982
Included in the consolidated results post the 1 March 2024 acquisition		
Company profit after tax		15 730
Company turnover		603

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

42. 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
GLA (m²)	378 073	268 705	30 496	*	27 028	18 665	722 967
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 property, plant and equipment	–	–	–	–	(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
Net profit before taxation	1 063 857	256 733	11 595	16 415	38 728	(497 599)	889 729
Investment property	7 894 850	1 837 000	600 200	201 400	776 300	34 000	11 343 750
Non-current assets 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
Total assets	8 129 670	1 848 375	601 408	201 400	815 008	577 917	12 173 778
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
Total liabilities	115 374	16 449	9 592	4 688	12 944	5 234 154	5 393 201

* The specialised property comprises 8 382ha of paper plantation 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 ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

42. 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
GLA (m²)	313 261	275 020	19 169	*	10 270	18 665	636 385
Contractual rental income	259 300	171 521	35 812	8 543	26 757	–	501 933
Recoveries	70 575	58 830	8 955	666	2 063	–	141 089
Straight-lining of rental income	(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
Net profit before taxation	400 099	204 855	21 392	26 210	64 514	264 667	981 737
Investment property	6 296 600	1 777 000	324 000	194 100	266 000	34 000	8 891 700
Non-current assets held for sale	184 900	90 306	–	–	–	–	275 206
Property under development	–	–	–	–	–	91 345	91 345
Property, plant and equipment	766	–	108	–	7 435	22 942	31 251
Trade and other receivables	36 053	4 624	561	–	2 651	3 359	47 248
Other assets	–	–	–	–	–	160 753	160 753
Total assets	6 518 319	1 871 930	324 669	194 100	276 086	312 399	9 497 503
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
Total liabilities	84 277	84 395	13 285	5 026	938	4 005 107	4 193 028

* The specialised property comprises 8 382ha of paper plantation 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.

Shoprite Checkers and Mpact were the only major customers in the prior year, contributing R55,8 million and R53,6 million to rental income for the year ended 30 June 2023, equating to 11,1% and 10,7% of total revenue. As a result of consolidating Safari's income statement in the 30 June 2024 financial year, no tenant exceeds 10% of the Group's total revenue.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

42. SEGMENTAL ANALYSIS continued

Geographical	Year ended 30 June 2024								
	Gauteng R'000	Western Cape R'000	KwaZulu- Natal R'000	North West R'000	Mpumalanga R'000	Limpopo R'000	Free State R'000	Namibia R'000	Total R'000
GLA (m²)	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
Total property portfolio	6 479 100	2 324 275	440 200	394 300	577 000	758 000	195 000	448 500	11 616 375
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
	Year ended 30 June 2023								
GLA (m²)	368 434	92 532	42 003	26 579	26 459	27 469	17 906	35 003	636 385
Investment property	5 458 200	819 400	394 100	369 000	535 000	725 000	189 000	402 000	8 891 700
Property under development	–	91 345	–	–	–	–	–	–	91 345
Non-current assets held for sale	184 900	90 306	–	–	–	–	–	–	275 206
Total property portfolio	5 643 100	1 001 051	394 100	369 000	535 000	725 000	189 000	402 000	9 258 251
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

42. SEGMENTAL ANALYSIS continued

Group components	Year ended 30 June 2024			
	Heriot R'000	Safari R'000	Thibault R'000	Group total R'000
GLA (m²)	443 318	192 400	87 249	722 967
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 property, plant and equipment	(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
Net profit before taxation	470 136	419 593	–	889 729
Investment property	5 688 200	3 860 800	1 794 750	11 343 750
Non-current assets 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	154 833	28 553	212 868	396 254
Total assets	6 033 437	4 107 027	2 033 314	12 173 778
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
Total liabilities	2 917 214	1 476 336	999 651	5 393 201

Group components	Year ended 30 June 2023		
	Heriot R'000	Safari R'000	Group total R'000
GLA (m²)	443 412	192 973	636 385
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
Net profit before taxation	981 737	–	981 737
Investment property	5 355 900	3 535 800	8 891 700
Non-current assets 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
Total assets	5 704 162	3 793 341	9 497 503
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
Total liabilities	2 828 756	1 364 272	4 193 028

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

43. JOINT ARRANGEMENTS

The Group accounts for the assets, liabilities, revenues and expenses relating to joint operations in accordance with the IFRS® Accounting Standard applicable to the particular assets, liabilities, revenues and expenses.

Profits and losses resulting from the transactions with the joint operations are recognised in the Group's consolidated financial statements only to the extent of interests that are related to the Group.

Interests in joint operations are accounted for in the same manner in the separate financial statements of the subsidiary companies.

	Group	
	2024 R'000	2023 R'000
Joint operations comprise co-ownerships in the following properties:		
Tsakane Mall – owned by Heriot Properties (%)	50	50
Jupiter Park – owned by Fin 107 (%)	50	50
Linksvew – owned by Crosiz (%)	50	50
Heriot's share of profit or loss and net assets:		
Statement of financial position		
Assets	668 378	641 507
Investment property at fair value	665 500	640 500
Property, plant and equipment	324	412
Trade and other receivables	2 073	386
Cash and cash equivalents	481	209
Equity and liabilities	668 378	641 507
Equity	521 865	491 546
Interest-bearing borrowings	128 949	133 997
Deferred tax – net liability	10 001	10 001
Trade and other payables	7 563	5 963

	Group	
	2024 R'000	2023 R'000
Statement of comprehensive income		
Revenue	86 236	81 199
Contractual rental income	57 626	56 252
Operating cost recoveries	25 994	19 613
Straight-line rental income accrual	2 616	5 334
Operating costs	(28 794)	(25 399)
Profit from operations	57 442	55 800
Finance charges	(11 544)	(11 359)
Finance income	20	–
Profit before fair value adjustments	45 918	44 441
Fair value adjustments investment properties	20 983	8 568
Profit before taxation	66 901	53 009
Taxation	–	–
Total comprehensive income for the year	66 901	53 009

ANNEXURE 1:

Additional disclosures in terms of

SA REIT BEST PRACTICE RECOMMENDATIONS (“SA REIT BPR”)

for the year ended 30 June 2024

1. PRIOR PERIOD RESTATEMENT

	Restated 30 June 2023 R'000	Reported 30 June 2023 R'000
SA REIT BPR vacancy rate		
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 (m²)	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 (m²)	15 561	15 561
Vacancy rate (%)	2,6	2,4
SA REIT BPR NAV		
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 NAV per share using the BPR method. Heriot has corrected the previous reporting period NAV 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
SA REIT BPR NAV	3 888 592	3 758 324
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 (“FFO”)

	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>		
Accounting/specific adjustments		
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	37 203	–
Deferred taxation movement	20 488	944
Adjustments to dividends from equity interests held	(1 335)	35 600
Hedging items		
Fair value adjustment to derivative instruments	2 510	–
Other adjustments		
Non-controlling interests in respect of the above adjustments	102 917	7 011
	307 984	271 552
Number of shares in issue at the reporting date* (interim)	255 395 858	255 395 858
Number of shares in issue at the reporting date* (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

* Excluding the 900,000 treasury shares in issue.

ADDITIONAL DISCLOSURES IN TERMS OF SA REIT BEST PRACTICE RECOMMENDATIONS

("SA REIT BPR") continued
for the year ended 30 June 2024

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)
Total expenses	572 936	238 804
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 132 Adderley properties on the hotel 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.

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)
Net debt	4 984 152	3 785 721
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
Carrying amount of property-related assets	11 850 921	9 213 529
LTV (%)	42,06	41,09

ADDITIONAL DISCLOSURES IN TERMS OF SA REIT BEST PRACTICE RECOMMENDATIONS

("SA REIT BPR") continued
for the year ended 30 June 2024

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
SA REIT BPR NAV	5 595 869	3 888 592
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
All-in weighted average cost of debt	10,27	8,68



Shareholder Information

Stakeholders play a crucial role at Heriot, with their risks and concerns being meticulously considered during the process of reviewing and enhancing the organisation's strategy.

Company: Heriot REIT Limited

Register date: 28 June 2024

Issued share capital: 320 161 982

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	39	72,22	4 263 427	1,33
1 001 – 10 000 shares	2	3,70	55 800	0,02
10 001 – 100 000 shares	2	3,70	364 957	0,11
100 001 – 1 000 000 shares	3	5,56	828 000	0,26
1 000 001 shares and over	8	14,82	314 649 798	98,28
Total	54	100,00	320 161 982	100,00
Distribution of shareholders				
Banks/brokers	2	3,70	297 900	0,09
Close corporations	2	3,70	1 172 121	0,37
Individuals	43	79,64	11 334 546	3,54
Private companies	6	11,11	306 457 415	95,72
Treasury stock	1	1,85	900 000	0,28
Total	54	100,00	320 161 982	100,00
Public/non-public shareholders				
Non-public shareholders	4	7,41	300 799 089	93,95
Directors of the Company	3	5,56	299 899 089	93,67
Treasury stock	1	1,85	900 000	0,28
Public shareholders	50	92,59	19 362 893	6,05
Total	54	100,00	320 161 982	100,00
Beneficial shareholders holding 3% or more				
S Herring			285 163 750	89,07
R Herring			14 735 339	4,60
Total			299 899 089	93,67

Note there are no shareholders, other than Directors, who are directly or indirectly beneficially interested in 5% or more of Heriot's shares.

Notice of the ANNUAL GENERAL MEETING



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

NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant, broker, banker, attorney, accountant or other professional advisor immediately.

Notice is hereby given to the shareholders of the Company as at Friday, 25 October 2024, being the record date to receive the annual general meeting notice in terms of Section 59(1)(a) of the Companies Act of South Africa ("Companies Act"), that the annual general meeting of the Company will be a hybrid meeting and held via Microsoft Teams, as well as in person, at 10:00 on Thursday, 5 December 2024 at the offices of the Company situated at Suite 1 – Ground Floor, 3 Melrose Boulevard, Melrose North 2196, Johannesburg to (i) consider and, if deemed fit to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited ("JSE") Listings Requirements ("JSE Listings Requirements") and (ii) deal with such other business as may lawfully be dealt with at the meeting, which meeting is to be participated in and voted at by shareholders registered as such as at Friday, 29 November 2024, being the record date to participate in and vote at the annual general meeting in terms of Section 62(3)(a), read with Section 59(1)(b), of the Companies Act. The last day to trade in the Company's shares is therefore Tuesday, 26 November 2024.

Kindly note that in terms of Section 63(1) of the Companies Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the annual general meeting. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports. Shareholders or their duly authorised proxies who wish to participate in the annual general meeting must register to do so by lodging a completed electronic participation application form, which forms part of this notice of annual general meeting, with Computershare by Tuesday, 3 December 2024.

QUORUM

A quorum for the purposes of considering the resolutions above shall consist of three shareholders of the Company personally present or represented by proxy (and if the shareholder is a body corporate, the representative of the body corporate) and entitled to vote at the annual general meeting. In addition, a quorum shall comprise 25% of all voting rights entitled to be exercised by shareholders in respect of the resolutions above.

PROXIES

Voting will be via a poll; every shareholder of the Company shall have one vote for every share held in the Company by such shareholder.

A shareholder entitled to participate and vote at the annual general meeting is entitled to appoint a proxy or proxies to participate, speak and vote in his/her stead physically. A proxy need not be a shareholder of the Company.

Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the annual general meeting, by completing the form of proxy and lodging this form with the Company's transfer secretaries by no later than 10:00 on Tuesday, 3 December 2024 by delivery to Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank; or email to proxy@computershare.co.za

AGENDA

Annual financial statements:

Presentation of the annual financial statements of the Company for the year ended 30 June 2024, incorporating the reports of the auditor, the Directors, the Audit and Risk Committee and the Social and Ethics Committee, which are set out in the integrated report published on 31 October 2024, which is available on the Company's website www.heriot.co.za

1. Ordinary resolutions

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% (fifty percent) of the voting rights exercised on the resolution, save for ordinary resolution number 4, for which the prescribed majority is at least a 75% (seventy-five percent) majority vote.

1.1 Ordinary resolution number 1: Ratification of appointment/re-election of Directors

1.1.1 Ratification of appointment of Andile Mazwai as a Non-executive Director

"Resolved to ratify the appointment of Andile Mazwai as a Director of the Company with effect from 30 September 2024 in terms of the Company's memorandum of incorporation and the Companies Act."

Note: The *curriculum vitae* of Andile Mazwai is provided on **page 45** of the integrated report of which this notice forms part.

1.1.2 Ratification of appointment of Greg Heron as a Non-executive Director

“Resolved to ratify the appointment of Greg Heron as a Director of the Company with effect from 8 October 2024 in terms of the Company’s memorandum of incorporation and the Companies Act.”

Note: The *curriculum vitae* of Greg Heron is provided on **page 46** of the integrated report of which this notice forms part.

1.1.3 Re-election of Selwyn Joel Blieden as a Non-executive Director

“Resolved to re-elect Selwyn Joel Blieden as a Director of the Company who, in terms of Article 26.12 of the Company’s memorandum of incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.”

Note: The *curriculum vitae* of Selwyn Joel Blieden is provided on **page 46** of the integrated report of which this notice forms part.

1.1.4 Re-election of Robin Lockhart-Ross as a Non-executive Director

“Resolved to re-elect Robin Lockhart-Ross as a Director of the Company who, in terms of Article 26.12 of the Company’s memorandum of incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.”

Note: The *curriculum vitae* of Robin Lockhart-Ross is provided on **page 46** of the integrated report of which this notice forms part.

1.2 Ordinary resolution number 2: Appointments to the Audit and Risk Committee

“Resolved that the members of the Company’s Audit and Risk Committee set out below be and are hereby appointed, each by way of a separate resolution, with effect from the end of this meeting in terms of Section 94(2) of the Companies Act.”

The membership as proposed by the Board is:

1.2.1 Selwyn Joel Blieden (Chairman of the Audit and Risk Committee) (if re-elected in terms of ordinary resolution 1.1.3);

1.2.2 Greg Heron (if the appointment is ratified in terms of ordinary resolution 1.1.2); and

1.2.3 Robin Lockhart-Ross (if re-elected in terms of ordinary resolution 1.1.4).

Note: Brief *curricula vitae* of Selwyn Joel Blieden, Greg Heron and Robin Lockhart-Ross are set out on **page 46** of the integrated report of which this notice forms part.

1.3 Ordinary resolution number 3: Reappointment of the external auditor

“Resolved that BDO South Africa Incorporated, together with Vanessa De Villiers as the designated auditor, be and are hereby appointed as the auditor of the Company, with effect from the conclusion of this annual general meeting.”

The Audit and Risk Committee has recommended BDO South Africa Incorporated for appointment as the independent auditor of the Company pursuant to Section 90(2)(c) of the Companies Act and further confirm their suitability for appointment together with the designated auditor, Vanessa De Villiers, in accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements.

1.4 Non-binding advisory votes

In line with the King IV Report on Corporate Governance for South Africa 2016™, the remuneration policy and the remuneration implementation report must be tabled at each annual general meeting, with both being subject to separate non-binding advisory votes. This allows shareholders to express their views on the Company’s remuneration structures and policies.

Non-binding advisory resolutions numbers 1 and 2 are of an advisory nature only and failure to pass these resolutions will therefore not have any legal consequences relating to existing remuneration agreements. In the event that either the remuneration policy or the remuneration implementation report, or both, are voted against by 25% or more of the voting rights exercised, the Board is committed to actively engaging with shareholders in this regard in order to address all legitimate and reasonable objections and concerns.

1.4.1 Non-binding advisory resolution number 1: Approval of the remuneration policy

“Resolved that, through a non-binding advisory vote, the Company’s remuneration policy, a summary of which is disclosed on **page 52** of the integrated report, be and is hereby approved.”

1.4.2 Non-binding advisory resolution number 2: Approval of the remuneration implementation report

“Resolved that, through a non-binding advisory vote, the Company’s remuneration implementation report, as disclosed on **page 52** of the integrated report, be and is hereby approved.”

1.5 Ordinary resolution number 4: General authority to issue shares for cash

“Resolved that, subject to the restrictions set out below and subject to the provisions of the Companies Act and the JSE Listings Requirements, the Directors of the Company be and are hereby authorised until this authority lapses at the next annual general meeting of the Company or 15 months from the date on which this resolution is passed, whichever is the earlier date, to allot and issue shares of the Company for cash, on the basis that:

- the shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such shares or rights as are convertible into a class already in issue;
- the allotment and issue of shares must be made to persons qualifying as public shareholders and not to related parties as defined in the JSE Listings Requirements, provided that if the Company undertakes an equity raise via a bookbuild process, shares may be allotted and issued to related parties on the basis that such related parties may only participate in the equity raise at the maximum bid price at which they are prepared to take up shares or at the book close price in accordance with the provisions contained in paragraph 5.52(f) of the JSE Listings Requirements;
- the total aggregate number of shares which may be issued in terms of the general authority shall not exceed 25 539 586 shares being 10% of the Company’s issued shares (excluding treasury shares) as at the date of this notice of annual general meeting, provided that:
 - any shares issued under this authority, prior to this authority lapsing, shall be deducted from the 25 539 586 shares which the Company is authorised to issue in terms of this authority; and
 - in the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
- the maximum discount at which shares may be issued is 10% of the weighted average traded price of such shares measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares. The JSE will be consulted for a ruling if the shares have not traded in such 30-business day period; and

NOTICE OF THE ANNUAL GENERAL MEETING continued

- after the Company has issued shares in terms of this general authority to issue shares for cash representing on a cumulative basis within a financial year 5% or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing full details of that issue, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 business days prior to the date that the issue is agreed in writing between the Company and the party(ies) subscribing for the shares and an explanation, including supporting information (if any) of the intended use of the funds."

Note: In terms of the JSE Listings Requirements, the approval of at least a 75% majority of votes cast by shareholders present or represented by proxy at this annual general meeting is required for the passing of this ordinary resolution number 4.

1.6 Ordinary resolution number 5: Signature of documentation

"Resolved that any Director of the Company or the Company Secretary be and is hereby authorised to sign all such documents and do all such things as may be necessary or incidental to the implementation of any and/or all resolutions contained in this notice."

2. SPECIAL RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following special resolutions. The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution.

2.1 Special resolution number 1: Non-executive Directors' fees

"Resolved as a special resolution that, unless otherwise determined by the Company in a general meeting, the following annual fees (excluding value added tax) payable by the Company to its Non-executive Directors for their services as Directors, with effect from 1 January 2025 are approved."

	Fee for the year ended 30 June 2024 R	Proposed fee for the year ending 30 June 2025 R
Annual fee		
Chairman of the Board	322 500	341 850
Member of the Board	215 000	227 900

Explanation

Section 66(9) of the Companies Act requires that a company may pay remuneration to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous two years. The reason for, and effect of, special resolution number 1 is to grant the Company the authority to pay fees to its Non-executive Directors for their services as Directors. The Non-executive Directors' fees are benchmarked against similar-sized companies listed on the JSE.

2.2 Special resolution number 2: General approval to acquire own shares

"Resolved, as a general approval by special resolution, that the Company and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the Company in terms of, and subject to, the Companies Act, the memorandum of incorporation of the Company and its subsidiaries and the JSE Listings Requirements, provided that:

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- the acquisition is authorised in terms of the Company's memorandum of incorporation;
- this general authority shall only be valid until the earlier of the Company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued ordinary share capital at the time the authority was granted;
- the Company may only effect the repurchase once a resolution has been passed by the Board confirming that the Board has authorised the repurchase, that the Company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the Group;
- the Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in terms of the JSE Listings Requirements unless they have in place a repurchase programme, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements; and
- an announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), containing full details thereof, and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

Explanation

Special resolution number 2 is to grant the Directors of the Company a general authority for the Company and the Company's subsidiaries to acquire the Company's issued ordinary shares. In terms of Section 48(2) (b) (i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, (i) a *pro rata* repurchase by the Company from all its shareholders will not require shareholder approval; and (ii) intra-Group repurchases by the Company of its shares from wholly owned subsidiaries, where such repurchased shares are to be cancelled, will not require shareholder approval, save to the extent as may be required by the Companies Act.

It is the intention of the Directors of the Company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it but subject at all times to the requirements of the Companies Act, the JSE Listings Requirements and the memorandum of incorporation of the Company.

2.2.1 Other disclosures in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are contained in the integrated report of which this notice forms part:

- Share capital of the Company: **page 100**; and
- Major shareholders of the Company: **page 142**.

2.2.2 Material changes

There have been no material changes in the affairs or financial position of the Company and its subsidiaries since the Company's financial year end and the date of this notice.

2.2.3 Directors' responsibility statement

The Directors, whose names are given on **pages 45 and 46** of the integrated report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that, to the best of their knowledge and belief, there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

2.2.4 Adequacy of working capital

The Directors of the Company confirm that after considering the effect of the maximum repurchase and for a period of 12 months thereafter:

- the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries;
- the issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the ordinary business of the Company and its subsidiaries; and
- the working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements.

2.3 Special resolution number 3: Loans or other financial assistance to related companies

"Resolved that, as a special resolution, in terms of Section 45(3)(a)(ii) of the Companies Act, the shareholders hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 3, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in Section 45(1) of the Companies Act to a related or inter-related company or corporation or to a member of any such related or inter-related corporation provided that:

- the Board from time to time, determines:
 - the specific recipient or general category of potential recipients of such financial assistance;
 - the form, nature and extent of such financial assistance;
 - the terms and conditions under which such financial assistance is provided; and
- the Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all those requirements of Section 45 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance."

Explanation

The reason for and effect of special resolution number 3 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in Section 45(3)(a)(ii) of the Companies Act, to the persons specified in Section 45(2), i.e. a related or inter-related company or corporation, or to a member of a related or inter-related corporation. This resolution is intended to enable the Company to provide inter-company loans and guarantees within the Group.

3. OTHER BUSINESS

To transact such other business as may be transacted at an annual general meeting of shareholders.

By order of the Board

CIS Company Secretaries Proprietary Limited

Company Secretary

Johannesburg

31 October 2024



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

For use by holders of certificated Heriot ordinary shares or holders of dematerialised Heriot ordinary shares held through a Central Securities Depository Participant ("CSDP") or broker, and who have selected "own-name" registration, at the annual general meeting of the Company to be held at 10:00 on Thursday, 5 December 2024 (or such later date as is advised on SENS and in the press in relation to any adjournment of the annual general meeting) which will be held via a remote interactive electronic platform, Microsoft Teams as well as in person at the offices of the Company.

Dematerialised shareholders holding shares in the Company other than with "own-name" registration who wish to attend the annual general meeting must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the relevant letter of representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and their CSDP or broker. These shareholders must not use this form of proxy.

Each shareholder is entitled to appoint one or more proxies to attend, speak and vote in place of that shareholder at the annual general meeting. A proxy need not be a shareholder of the Company.

I/We _____ (names in block letters)

of _____ (address in block letters)

being the holder/s of _____ shares in the Company do hereby appoint

_____ or failing him/her

_____ or failing him/her

the Chairman of the annual general meeting as my/our proxy to act for me/us at the annual general meeting of the Company to be held via a remote interactive electronic platform, Microsoft Teams, as well as in person at the offices of the Company at 10:00 on Thursday, 5 December 2024, and at any adjournment thereof, and to vote for me/us on my/our behalf in respect of the following resolutions.

	For*	Against*	Abstain*
Resolution			
1.1 Ordinary resolution number 1: Ratification of appointment/re-election of Directors			
1.1.1 Ratification of appointment of Andile Mazwai as a Non-executive Director			
1.1.2 Ratification of appointment of Greg Heron as a Non-executive Director			
1.1.3 Re-election of Selwyn Joel Blieden as a Non-executive Director of the Company			
1.1.4 Re-election of Robin Lockhart-Ross as a Non-executive Director of the Company			
1.2 Ordinary resolution number 2: Appointment of the members of the Audit and Risk Committee			
1.2.1 Selwyn Joel Blieden (Chairman) (if re-elected in terms of ordinary resolution 1.1.3)			
1.2.2 Greg Heron (if appointment is ratified in terms of ordinary resolution 1.1.2)			
1.2.3 Robin Lockhart-Ross (if re-elected in terms of ordinary resolution 1.1.4)			
1.3 Ordinary resolution number 3: Reappointment of the external auditor			
1.4 Non-binding advisory votes			
1.4.1 Non-binding advisory resolution number 1: Approval of the remuneration policy			
1.4.2 Non-binding advisory resolution number 2: Approval of the remuneration implementation report			
1.5 Ordinary resolution number 4: General authority to issue shares for cash			
1.6 Ordinary resolution number 5: Signature of documentation			
2.1 Special resolution number 1: Non-executive Directors' fees			
2.2 Special resolution number 2: General approval to acquire own shares			
2.3 Special resolution number 3: Financial assistance to related or inter-related parties			

One vote per share held by shareholders recorded in the register on the voting record date.

* Mark "For", "Against" or "Abstain" as required. If no options are marked, the proxy will be entitled to vote as he/she thinks fit.

Please read the notes on the next page hereof.

Signed at _____ on the _____ day of _____ 2024

Signature _____

Assisted by (where applicable) _____

1. This form of proxy is only to be completed by those ordinary shareholders who are:
 - 1.1 holding ordinary shares in certificated form; or
 - 1.2 recorded in the sub-register in electronic form in their own name, on the date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services Proprietary Limited, in order to vote at the annual general meeting being Tuesday, 3 December 2024, and who wish to appoint another person to represent them at the annual general meeting.
2. Certificated shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the Company (being Computershare Investor Services Proprietary Limited) that their shares are registered in their name.
3. Beneficial shareholders whose shares are not registered in their own name, but in the name of another, for example, a nominee, may not complete a proxy form, unless a form of proxy is issued to them by a registered shareholder, and they should contact the registered shareholder for assistance in issuing instructions on voting their shares or obtaining a proxy to attend, speak and, on a poll, vote at the annual general meeting.
4. A Heriot shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space. The person whose name stands first on the form of proxy and who is present at the Heriot annual general meeting of shareholders will be entitled to act as a proxy to the exclusion of those whose names follow.
5. A proxy appointed by a Heriot shareholder in terms hereof may not delegate his/her authority to act on behalf of the Heriot shareholder to any other person.
6. If duly authorised, companies and other corporate bodies who are shareholders of the Company having shares registered in their own name may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of that representative. This notice will not be effective at the annual general meeting unless it is accompanied by a duly certified copy of the resolution or other authority in terms of which that representative is appointed and is received at Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank 2196, to reach the Company by Tuesday, 3 December 2024 to allow for processing of the proxy forms. Alternatively, the form of proxy may be handed to the Chairman of the annual general meeting at any time prior to the commencement of the annual general meeting or prior to voting on any resolution proposed at the annual general meeting.
7. A Heriot shareholder's instructions to the proxy must be indicated by means of a tick or a cross in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the Heriot shareholder's votes exercisable thereat relating to the resolutions proposed in this form of proxy.
8. The completion and lodging of this form of proxy will not preclude the relevant Heriot shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Heriot shareholder wish to do so. In addition to the foregoing, a Heriot shareholder may revoke the proxy appointment by (i) cancelling it in writing or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Heriot shareholder as at the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered in the required manner.
9. The Chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
10. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory/ies.
11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company.
12. Where there are joint holders of Heriot shares:
 - 12.1 any one holder may sign this form of proxy; and
 - 12.2 the vote of the senior member (for that purpose, seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint holder/s of Heriot shares.
13. This form of proxy may be used at any adjournment or postponement of the annual general meeting, including any postponement due to a lack of quorum, unless withdrawn by the Heriot shareholder.
14. The foregoing notes contain a summary of the relevant provisions of Section 58 of the Companies Act, as required in terms of that section.

FORM FOR ELECTRONIC PARTICIPATION AT THE ANNUAL GENERAL MEETING



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

Capitalised terms which are not defined herein shall bear the meanings assigned in the notice of the annual general meeting to which this form is attached and forms part.

INSTRUCTIONS

Shareholders or their proxies have the right, as provided for in the Company's memorandum of incorporation and the Companies Act, to participate in the annual general meeting by way of electronic communication.

Shareholders or their duly appointed proxies who wish to participate in the annual general meeting must complete this application form and email it (together with the relevant supporting documents referred to below) to the Company's transfer secretaries at proxy@computershare.co.za and to the Company Secretary at nhlalwenhle.ndlovu@computershare.co.za as soon as possible, but in any event by no later than Tuesday, 3 December 2024.

Upon receiving a completed electronic participation application form, the Company's transfer secretaries will follow a verification process to verify each applicant's entitlement to participate in the annual general meeting. The Company's transfer secretaries will provide the Company with the email address of each verified shareholder or their duly appointed proxy (each, "a participant") to enable the Company to forward the participant a Microsoft Teams meeting invitation required to access the annual general meeting.

Heriot will send each participant a Microsoft Teams meeting invitation with a link to "Join the Microsoft Teams meeting" on receipt of the electronic participation application, but in any event before the annual general meeting on Thursday, 5 December 2024, to enable participants to link up and participate electronically in the annual general meeting. This link will be sent to the email address nominated by the participant in the following table.

Please note

The electronic platform to be utilised for the annual general meeting does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the annual general meeting by completing the form of proxy and lodging the completed proxy form together with this electronic participation application form with the Company's transfer secretaries.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the annual general meeting. Any such charges will not be for the account of the Company's transfer secretaries or Heriot who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevent any such participant from participating in and/or voting at the annual general meeting.

By signing this application form, the participant indemnifies and holds the Company harmless against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the annual general meeting or any interruption in the ability of the participant to participate in the annual general meeting via electronic communication, whether or not the problem is caused by any act or omission on the part of the participant or anyone else, including without limitation the Company and its employees.

Application form:

Full name of shareholder _____

Identity or registration number of shareholder _____

Full name of authorised representative (if applicable) _____

Identity number of authorised representative _____

Email address _____

Note: This email address will be used by the Company to share the Microsoft Teams meeting invitation required to access the annual general meeting electronically.

Cell phone number _____

Telephone number, including dialling codes _____

Note: The electronic platform to be utilised for the annual general meeting does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the annual general meeting by completing the proxy form found on **page 147**.

Indicate (by marking with an "X") whether:

☐ votes will be submitted by proxy (in which case, please **enclose** the duly completed proxy form with this form); or

By signing this application form, I consent to the processing of my personal information above for the purpose of participating in Heriot's annual general meeting.

Signed at _____ on _____ 2024

Signed _____

Documents required to be attached to this application form

1. In order to exercise their voting rights at the annual general meeting, shareholders who choose to participate electronically may appoint a proxy, which proxy may participate in the annual general meeting, provided that a duly completed proxy form has been submitted in accordance with the instructions on that form and as envisaged in the notice of the annual general meeting.
2. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the annual general meeting, must be attached to this application.
3. A certified copy of the valid identity document/passport of the person attending the annual general meeting by electronic participation, including any person acting in a representative capacity, must be attached to this application.

Applications to participate by electronic communication will only be considered if this application form is completed in full, signed by the shareholder, its proxy or representative, and delivered as detailed above. The Company may in its sole discretion accept any incomplete application forms.

GLOSSARY

60 Adderley	60 Adderley Proprietary Limited
B-BBEE	Broad-based Black Economic Empowerment
BCUCC	Business combination under common control
BDO	BDO South Africa Incorporated
BPR	Best Practice Recommendations
bps	Basis points
CBD	Central business district
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIS	CIS Company Secretaries Proprietary Limited
Companies Act	Companies Act of South Africa
COVID-19	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
Crosize	Crosize Proprietary Limited
CSDP	Central Securities Depository Participant
CSI	Corporate social investment
CTSE	Cape Town Stock Exchange
DCC	Devland Cash and Carry
ECL	Expected credit losses
ESG	Environmental, social and governance
Exco	Executive Committee
FFO	Funds from operations
Fixtrade	Fixtrade 605 Proprietary Limited
GLA	Gross lettable area
ha	Hectare
Hagley	Hagley 3865 Proprietary Limited
Heriot	Heriot REIT Limited, the Company or the Group
Heriot Investments	Heriot Investments Proprietary Limited
Heriot Properties	Heriot Properties Proprietary Limited
HPI	Heriot Properties International Proprietary Limited
HVAC	Heating, ventilation and air conditioning
IASB	International Accounting Standards Board
ICR	Interest cover ratio

IFRS®	International Financial Reporting Standards
IRBA Code	Independent Regulatory Board of Auditors' Code of Professional Conduct for Registered Auditors
ISAs	International Standards on Auditing
IT	Information technology
JIBAR	Johannesburg Interbank Average Rate
JSE	JSE Limited
King IV™	King IV Report for Corporate Governance in South Africa, 2016™
kWh	Kilowatt hour
LED	Light-emitting diode
LTV	Loan-to-value ratio
m²	Square metre
Moditouch	Moditouch Proprietary Limited
MWp	Megawatt peak
NAV	Net asset value
NCI	Non-controlling interests
NOI	Net property operating income
REIT	Real Estate Investment Trust
SAPOA	South African Property Owners Association
SA REIT BPR	SA REIT Best Practice Recommendations
Safari	Safari Investments RSA Limited
SASRIA	South African Special Risks Insurance Association
SDGs	United Nations Sustainable Development Goals
SENS	Stock Exchange News Service
SOCIE	Statement of changes in equity
SPV	Special purpose vehicle
Texton	Texton Property Fund Limited
Thibault	Thibault REIT Limited
ZARONIA	South African Rand Overnight Index Average

HERIOT REIT LIMITED

Registration number: 2017/167697/06
JSE share code: HET
ISIN: ZAE000246740

REGISTERED OFFICE

Suite 1, 3 Melrose Boulevard
Melrose, Johannesburg 2196
(PO Box 652737, Benmore 2010)

Place and date of incorporation

Incorporated in South Africa on 18 April 2017

COMPANY SECRETARY

CIS Company Secretaries Proprietary Limited
(Registration number: 2006/024994/07)
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
(Private Bag X9000, Saxonwold 2132)

DIRECTORS

SB Herring (*Chairman*)*
RL Herring (*CEO*)
D Snoyman (*CFO*)
SJ Blieden**
R Lockhart-Ross**
G Heron**
A Mazwai*

* *Non-executive* † *Independent*

CORPORATE ADVISOR

Java Capital Proprietary Limited
(Registration number: 2012/089864/07)
6th Floor, 1 Park Lane
Wierda Valley
Sandton 2196
(PO Box 522606, Saxonwold 2132)

DESIGNATED ADVISOR

Java Capital Trustees and Sponsors Proprietary Limited
(Registration number: 2006/005780/07)
6th Floor, 1 Park Lane
Wierda Valley
Sandton 2196
(PO Box 522606, Saxonwold 2132)

ATTORNEYS

Werksmans Incorporated
(Registration number: 1990/007215/21)
155 5th Street
Sandton 2196
(Private Bag 10015, Sandton 2146)

INDEPENDENT PROPERTY VALUER

Quadrant Properties Proprietary Limited
(Registration number: 1995/003097/07)
16 North Road (corner Jan Smuts Avenue)
Dunkeld West 2196
(PO Box 1984, Parklands 2121)

TRANSFER SECRETARIES

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

BANKERS

FirstRand Bank Limited
(Registration number: 1929/001225/06)
Mezzanine Floor
No 3 First Place, Bank City
Corner Jeppe and Simmonds Streets
Johannesburg 2001
(PO Box 786273, Sandton 2146)

AUDITOR

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

Shareholders' DIARY

Financial year end	30 June
Annual general meeting	5 December 2024
Integrated report released	31 October 2024



Heriot
REIT *Committed to excellence*

<https://www.heriotreit.com/>