

HERIOT REIT LIMITED

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



SHORT-FORM ANNOUNCEMENT: REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS AND DIVIDEND DECLARATION FOR THE YEAR ENDED 30 JUNE 2023

NATURE OF BUSINESS

At the reporting date, the property portfolio was valued at R9,258 billion (2022: R5,084 billion). This growth is predominantly attributable to the inclusion of investment property valued at R3,720 billion owned by Safari RSA Investments Limited ("Safari") which was consolidated into Heriot's results as at 30 June 2023. 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.

KEY FINANCIAL HIGHLIGHTS

	Reviewed for the year ended 30 June 2023	Audited for the year ended 30 June 2022	Change %
Dividend per share (cents)	106.33	102.05	4.2
Total assets (R'm)	9,497.50	5,696.63	66.7
Net asset value per share (cents)	1,471.57	1,206.19	22.0
Gross revenue (R'm)	625.96	575.98	8.7
Net profit after taxation (R'm)	977.41	614.22	59.1
Earnings per shares (cents)	377.46	238.68	58.1
Headline earnings per shares (cents)	90.62	100.06	-9.4%

FINANCIAL RESULTS

Heriot's distributable earnings of the Group for the year ended 30 June 2023 (the "period" or "reporting period") of R271,552 million, or 106.33 cents per share, are 4.2% ahead of distributable earnings of 102.05 cents per share for the previous financial year. Distribution per share remains Heriot's measure of performance.

Net property operating income ("NOI") grew by 13.8%. While NOI from the specialised portfolio has grown through normal rental escalations of 6.0% to 8.0%, the industrial portfolio has significantly improved from reduced vacancies together with rental increases on lease renewals. The retail portfolio has achieved significant growth predominantly related to the Siyabuswa phase 3 extension. The residential portfolio has benefitted from enhanced rentals achieved through short-term lettings. However, the office sector is still suffering the effects of the COVID-19 pandemic with challenges in filling vacancies and reduced rentals on lease renewals.

While the group achieved double-digit growth from its property operations, distributions were negatively impacted by the 350 bps increase in the repo rate during the reporting period as Heriot's debt consisted entirely of floating facilities for the period under review. As a result, the average cost of borrowings increased by 2.39%, from 6.29% in the comparable period to 8.68%, reducing distributable earnings growth to 4.2%.

Effective cash management and strong cash flows support the payment of 100% of distributable earnings as a dividend and therefore, after accounting for the interim dividend of 52.04 cents paid on 11 April 2023, the Company is declaring a final dividend of 54.29 cents per share.

Heriot has adopted the SA REIT Association's best practice metrics for reporting purposes. On this basis, Heriot's net asset value per share increased by 22.0% from R12,06 at 30 June 2022 to R14,72 at 30 June 2023. This increase is mainly attributable to the consolidation of Safari's statement of financial position at 31 March 2023 which resulted in an unrealised, non-distributable bargain gain of R464,3 million for the reporting period. The growth is

further attributable to an increase of R289,3 million in the valuation of Heriot’s property portfolio, which is supported by the positive rental escalations achieved on renewals and re-lets across the portfolio during the period.

PROSPECTS

Heriot’s results for the reporting period demonstrate the resilience of its portfolio and in particular, the durability of its emerging market retail and industrial properties. The current local and global macro-economic conditions have created difficult trading conditions for the Company in the short to medium term. Future prospects are inherently linked to the Group’s operating environment and to significant macro issues facing the Company. The board is committed to a proactive yet conservative approach to mitigate the effects of elevated interest rates, increasing costs of fuel, electricity shortages, unprecedented levels of unemployment and high levels of inflation.

Heriot will continue to explore strategic opportunities that will extract value from its existing portfolio while continuing to grow its asset base through the acquisition of high yielding properties in its target markets. Furthermore, given the strength of Heriot’s cash flows, the board has resolved to maintain the 100% pay-out ratio of distributable earnings.

Despite difficult trading conditions, management is pursuing growth of 3,0% to 7,0% in the distribution per share for the year ending 30 June 2024.

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

- The inclusion of Safari’s distributable income for the 15-month period 1 April 2023 to 30 June 2024;
- Forecast property income is based on contractual rental escalations and market-related renewals;
- Adequate allowance has been made for vacancies and rent reversions;
- No further major corporate and tenant failures will occur; and
- Interest rates will increase by no more than 50 bps during the 12 months ending 30 June 2024.

This guidance has not been reviewed or reported on by the Company’s auditors.

PAYMENT OF FINAL DIVIDEND

The board has declared a final gross cash dividend of 54.28910 cents per share out of the Company’s distributable income for the year ended 30 June 2023.

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

	2023
Last date to trade <i>cum</i> dividend	Tuesday, 17 October
Shares trade <i>ex</i> dividend	Wednesday, 18 October
Record date	Friday, 20 October
Payment date	Monday, 23 October

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 October 2023 and Friday, 20 October 2023, both days inclusive. The dividend will be transferred to dematerialised shareholders’ CSDP/broker accounts on Monday, 23 October 2023. Certificated shareholders’ dividend payments will be posted or paid to certificated shareholders’ bank accounts on or about, Monday, 23 October 2023.

In accordance with Heriot’s status as a REIT, shareholders are advised that the dividend meets the requirements of a “qualifying distribution” for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 (“**Income Tax Act**”). The dividend on the shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption,

contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. This dividend is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that such shareholders provide the following forms to their Central Securities Depository Participant (“CSDP”) or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

- a) a declaration that the dividend is exempt from dividends tax; and
- b) a written undertaking to inform the CSDP, broker or the Company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

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

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Any distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (“DTA”) between South Africa and the country of residence of the shareholder. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 43.43128 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

- a) declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
- b) a written undertaking to inform their CSDP, broker or the Company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

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

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

Heriot’s income tax reference number: 9541295185

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

REVIEW CONCLUSION

The condensed consolidated financial statements for the year ended 30 June 2023 have been reviewed by the Company’s auditors, BDO South Africa Inc., who expressed an unmodified review conclusion. A copy of the auditor’s review report together with the condensed financial statements identified in the auditor’s report is available for inspection at the Company’s registered office.

ABOUT THIS ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of Heriot and the contents were approved by the board on 27 September 2023. This short-form announcement is a summary of the information contained in the full announcement released on SENS on 28 September 2023 and does not include full or complete details. The short-form announcement has not been audited or reviewed by the Company’s external auditors.

The full announcement is available on the Company’s website at www.heriotreit.com and can be accessed using the following JSE link: <https://senspdf.jse.co.za/documents/2023/jse/isse/HETE/FY2023.pdf>

The full announcement is available for inspection at the registered offices of the Company or its designated advisor, at no charge, during office hours from Thursday, 28 September 2023 to Thursday, 5 October 2023 or on the Company's website at www.heriotreit.com. Any investment decision by investors and/or shareholders should be based on the full announcement.

By order of the board

28 September 2023

COMPANY SECRETARY

CIS Company Secretaries Proprietary Limited

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DIRECTORS

SB Herring (Chairperson)*, RL Herring (CEO), JA Finn (CFO), SJ Blieden*†, T Cohen*†, R Lockhart-Ross*†, N Ngale*†

*Non-executive †Independent

TRANSFER SECRETARIES

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DESIGNATED ADVISOR

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