

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: GROUP INTERIM UNAUDITED RESULTS AND DIVIDEND DISTRIBUTION DECLARATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

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 Limited ("JSE"). The Group is primarily invested in retail and industrial properties situated in areas with high growth potential and has a strategic interest of 48,7% in Safari Investments RSA Limited ("Safari"). Heriot's primary objective is to grow and streamline its asset base through the acquisition of high-quality properties, the redevelopment of existing properties and the disposal of assets identified as non-core.

KEY FINANCIAL HIGHLIGHTS

	Unaudited for the 6 months ended 31 Dec 2023	Unaudited for the 6 months ended 31 Dec 2022	Change %
Distribution per share (cents)	49.87	52.04	(4,2)
Total assets (R'm)	9,662.51	6,013.21	60,7
Net asset value per share (cents)	1,578.54	1,301.83	21,3
Gross revenue (R'm)	596.62	305.51	95,3
Net profit after taxation (R'm)	310.00	255.69	21,2
Earnings per shares (cents)	102.56	97.25	5,5
Headline earnings per shares (cents)	51.06	47.64	7,2

INVESTMENT IN SAFARI

Heriot is continuing to increase its strategic interest in Safari and at the date of this report, its stake in Safari has increased to 48,7% through the acquisition of 5,232,136 shares at a cost of R28.78 million. Together with a concert party, Thibault REIT Limited, the broader Heriot Group's shareholding in Safari increased to an effective interest of 58,8%, at the date of this report.

FINANCIAL RESULTS

Distributable earnings of the Group for the six months ended 31 December 2023 (the "Reporting Period") of R127.371 million, or 49.87 cents per share, are 4,2% below distributable earnings of 52.04 cents per share for the comparable period in 2022. Distribution per share remains Heriot's measure of performance.

Like-for-like, net property operating income grew by 12,9%, led by the strong performance of the retail and industrial assets. While the Group achieved double-digit growth from its property operations, distributions were significantly reduced as a result of the 350-bps increase in the repo rate over the period 1 July 2022 to 31 December 2023.

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 an interim dividend of 49.87 cents per share.

Heriot's net asset value per share increased by 21,3% from R13,02 at 31 December 2022 to R15,78 at 31 December 2023. This increase is mainly attributable to the consolidation of Safari into Heriot's statement of financial position at 30 June 2023, which resulted in an unrealised, non-distributable bargain gain of R464,3 million, in the Group's year end results ended 30 June 2023, equating to R1,82 per share. The growth is further

attributable to an increase in the value of the Group’s property portfolio, which is supported by positive rental escalations achieved on renewals and re-lets across the portfolio during the period.

DISPOSAL OF HAGLEY 3865 PROPRIETARY LIMITED

At 30 June 2023, assets and liabilities held for sale included net assets of R19.3 million relating to a subsidiary, Hagley 3965 Proprietary Limited (a property holding company) (“**Hagley**”), that was sold to by Heriot Properties Proprietary Limited (“**Heriot Properties**”), a wholly owned subsidiary of Heriot, to Heriot Investments Proprietary Limited (“**Heriot Investments**”) for R40.3 million (the “**Initial Hagley Disposal**”). Heriot Investments is the majority shareholder of Heriot. In terms of the Initial Hagley Disposal agreement, Heriot Properties had an option to repurchase up to 100% of Hagley’s equity for a period of five years from 30 June 2023 in Heriot’s discretion (“**Option**”).

Hagley owns a single asset, being a 70 000 m² property located at Erf 3865 in the City of Cape Town Stellenbosch Division, Province of the Western Cape, situated on Nooienfontein Road, Wembley Park, Cape Town, on which a 36 900 m² distribution centre is being constructed for Ackermans. Heriot Properties disposed of Hagley in order to mitigate any development risks associated with the project.

On 31 December 2023, Hagley’s investment property was independently valued by Peter Parfitt of Quadrant Properties Proprietary Limited using the discounted cash flow less costs to completion method, resulting in an increase in the valuation of the property of R47.9 million and an increase in the fair value of Hagley to R67.2 million.

The Hagley Disposal agreement has now been amended to remove the Option with effect from 31 December 2023 and to increase the selling price to the current market value of R67.2 million (“**Amended Hagley Disposal**”). On this basis, there is no profit or loss attributable to the transaction. The selling price will be settled in cash upon completion of the redevelopment of the property owned by Hagley (“**Property**”), provided that the amount shall be payable in full by 31 December 2025. The Amended Hagley Disposal is not subject to any conditions precedent.

In terms of the latest management accounts of Hagley, for the six months ended 31 December 2023, the net asset value of Hagley amounted to R67,2 million, while there were no profits or losses after taxation attributable Hagley for the six months months ended 31 December 2023 as all costs were capitalised to the development. The Company is satisfied with the quality of the management account.

The proceeds from the disposal of Hagley will be utilised to reduce debt.

Details of the Property owned by Hagley is as follows:

Property Name	Location	Sector	Gross Lettable Area (m ²)	Weighted Average Gross Rental (m ²)	Fair value attributable to Property (m ²)
Wembley Park	Western Cape	Industrial	N/A	N/A	R67.2 million

Notes:

1. Post completion of the construction, the Property will have a gross lettable area of 36 900 m² and a weighted average gross rental (m²) of R76.25 at the commencement of the lease.
2. No additional expenditure has been incurred by the Company in connection with the disposal.
3. The Property was valued by Peter Parfitt of Quadrant Properties Proprietary Limited who is registered as A professional valuers in terms of the Property Valuers Profession Act, No. 47 of 2000 and is an independent valuer as such term is contemplated in the JSE Listings Requirements. The effective date of the valuation was 31 December 2023.

Heriot Investments is 100% owned by The Gusi Trust, being a trust of which Steven Herring and his family are beneficiaries. In addition, Steven Herring is a director of Heriot and Heriot Investments. The Initial Hagley Disposal and the Amended Hagley Disposal therefore constitute a transaction with a related party, but due to their size in relation to Heriot’s market capitalisation, only requires announcing and is not subject to shareholder approval.

PROSPECTS

The Groups' 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 Group in the short to medium term. Future prospects are inherently linked to the Group's operating environment and to significant macro issues facing the Group. 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. The Group 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 Group'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 5,0% in the dividend per share for the year ending 30 June 2024.

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

- Group income will include 15 months of distributable earnings from Safari;
- 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
- No further changes to interest rates will occur to 30 June 2024.

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

PAYMENT OF FINAL DIVIDEND

The board has declared an interim gross cash dividend of 49.87199 cents per share out of the Company's distributable income for the period ended 31 December 2023.

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

	2024
Declaration date	Thursday, 28 March
Last date to trade <i>cum</i> dividend	Tuesday, 16 April
Shares trade <i>ex</i> dividend	Wednesday, 17 April
Record date	Friday, 19 April
Payment date	Monday, 22 April

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 April 2024 and Friday, 19 April 2024, both days inclusive. The dividend will be transferred to dematerialised shareholders' Central Securities Depository Participant ("CSDP") or broker accounts on Monday, 22 April 2024. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 22 April 2024.

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

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

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

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

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Any distribution received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (“DTA”) between South Africa and the country of residence of the shareholder. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 39.89759 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.

ABOUT THIS ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of Heriot and the contents were approved by the board on 28 March 2024. This short-form announcement is only a summary of the full interim unaudited consolidated financial statements for the six months ended 31 December 2023 (“**Full Interims**”), which are available at <https://senspdf.jse.co.za/documents/2024/JSE/ISSE/HETE/HY2024.pdf> and on Heriot’s website at www.heriotreit.com. This announcement does not include full or complete details and any investment decisions by investors and/or shareholders should be based on consideration of the Full Interims as a whole. The information contained in this short-form announcement has not been audited or reviewed by the Company’s external auditors.

By order of the board

Johannesburg
28 March 2024

COMPANY SECRETARY
CIS Company Secretaries Proprietary Limited

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DIRECTORS

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

*Non-executive †Independent

TRANSFER SECRETARIES

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DESIGNATED ADVISOR

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