

RDC Properties Limited Audited Financial Results

For the Financial Year Ended 31 December 2022

BOARD OF DIRECTORS:



FEMALE:

F Giachetti (Italy)
B Kenewedo (Botswana)
J Mabin (South Africa)
KC Maphage (Botswana)
N Milne (South Africa)

MALE:

A Bradley (South Africa)
G Fisher (South Africa)
GR Giachetti (Chairman) (Italy)
G Giachetti (Italy)
L Magang (Botswana)
J Pari (Italy)
S Susman (South Africa)



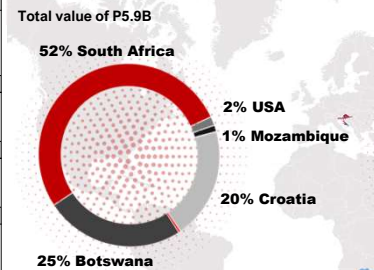
WWW.RDCBW.COM

FINANCIAL HIGHLIGHTS		PORTFOLIO PERFORMANCE		RETURN TO SHAREHOLDERS	
REVENUE	PROFIT	LOAN TO VALUE	INVESTMENT PORTFOLIO	EARNINGS	NAV
<p>↑ 258%</p> <p>Revenue increased to P525M due to Business Combination effected in December 2021 (2021: P147M)</p>	<p>↑ 163%</p> <p>Profit up 163% Net profit at P184M (2021: P70M*) *Excluding Bargain Purchase Gain</p>	<p>↓ 2%</p> <p>Loan to Value decreased to 45% (2021: 46%) with P52.7M in loan amortisation paid during the period.</p>	<p>↑ 2%</p> <p>Investment and Property Portfolio increased to P5.9B (2021: P5.8B), despite the sale of assets totaling P110M.</p>	<p>↑ 13%</p> <p>Earnings Per Share* is higher at 18.84 thebe (2021: 16.63 thebe*) *Excluding Bargain Purchase Gain</p>	<p>↑ 2%</p> <p>Net Asset Value per Share improves to P3.29 (2021: P3.23)</p>

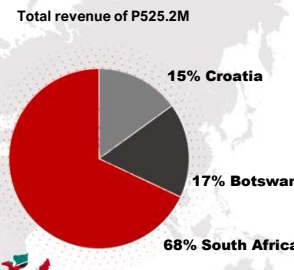
SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
	2022 P'000	2021 P'000	% Change
Revenue			
Contractual rental income	525 556	145 289	
Straight-line lease accrual	(351)	1 273	
Net property operating expenses	525 205	146 562	258%
Revenue from the sale of inventory	(201 634)	(47 083)	
Cost of sales	(77 648)	-	
Gross profit from operations	323 406	99 479	225%
Other operating expenses	(54 442)	(38 057)	
Gains/(losses) arising from joint venture	310	(413)	
Other foreign exchange gains/(losses)	2 259	(1 820)	
Other operating income	15 541	3 503	
Inventory write-down	(13 005)	-	
Profit from operations before fair-value adjustments	274 069	62 692	337%
Surplus arising on fair valuations of investments	1 765	16 051	
Surplus arising on fair valuation of interest rate derivatives	39 001	-	
Surplus arising on revaluation of investment properties	97 516	36 632	
Profit from operations	412 351	115 376	257%
Investment income	8 791	18 343	
Finance costs	(212 228)	(68 598)	
Bargain purchase gain	-	577 342	
Profit before tax	208 914	642 462	-67%
Income tax expense	(24 752)	4 920	
Profit for the year	184 162	647 382	-72%
Other comprehensive income			
Items that may subsequently be classified to profit or loss			
Exchange differences on translation of foreign operations	28 247	(8 869)	
Fair-value gain/(loss) on available for sale financial assets	(1 104)	13 165	
Total comprehensive income for the year	211 305	651 678	-68%
Profit attributable to			
Owners of the company	137 299	629 325	
Non-controlling interests	46 863	18 057	
Profit attributable to owners of the company	184 162	647 382	-72%
Total comprehensive income for the year attributable to:			
Owners of the company	164 442	633 621	
Non-controlling interests	46 863	18 057	
Total comprehensive income for the year attributable to owners of the company	211 305	651 678	-68%
Average number of linked units in issue	758 232 937	391 792 630	
Earnings per linked unit (thebe)	18.84	163.99	
Number of linked units in issue at year-end	758 232 937	758 232 937	
Distribution per linked unit (thebe)	3.50	9.37	

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY			
	2022 P'000	2021 P'000	% Change
Balance brought forward	2 941 015	1 453 832	
Total comprehensive income for the year	211 305	651 678	-68%
Business combination adjustment	(33 574)	-	100%
Debtenture interest paid	(74 769)	(23 708)	215%
Taxation attributable to debtenture interest	5 566	13 186	-58%
Dividends paid	(19 346)	(16 928)	14%
Rights offer share issue	-	669 562	-100%
Effect of increase in controlling shareholding of subsidiary	-	193 393	-100%
Balance at the end of the period	3 030 197	2 941 015	3%
SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS			
	2022 P'000	2021 P'000	% Change
Net cash generated from operating activities	250 485	103 004	143%
Net cash generated from/(used in) investing activities	90 185	(1 182 018)	-108%
Net cash generated from/(used in) financing activities	(372 411)	1 078 961	-135%
Net movement in cash and cash equivalents	(31 741)	(63)	59 791%
Cash and cash equivalents at beginning of the year	137 109	158 340	-13%
Effects of exchange rates	(25 291)	(21 178)	19%
Cash and cash equivalents at the end of the year	80 077	137 109	-42%

Portfolio Value by Region



Revenue by Region



FINANCIAL RESULTS

I am pleased to report that for the year 2022 the Group has achieved another solid set of financial results, delivering on the integration post the acquisition of the Tower portfolio on 28 December 2021 and converting acquisition gains into tangible increases in revenue and profits, creating sustainable shareholder value. The acquisition diversified and strengthened our portfolio in terms of sector and location, and we have managed to confirm the solidity of the portfolio post-acquisition. The portfolio has grown to **P5.9 billion** - an increase of **P86.2 million** despite the sale of **P110 million** of less strategic assets, including the Roots Tower property in Maun. Revenue increased by **258%** to **P525.2 million** (2021: P146.6 million). The solidity of the portfolio is once again demonstrated by the profit from operations before fair value adjustments increasing by **337%** to **P274.1 million** (2021: P62.7 million). Profit from operations increased by **257%** to **P412.4 million** (2021: P115.4 million). Profit attributable to shareholders (excluding the prior year bargain purchase gain of P77.3 million) increased by **164%** to **P137.3 million** (2021: P51.9 million). The increase in profit attributable to shareholders is due to revenue growth, positive fair value gains on investment properties and positive fair value gains on interest rate swaps. The Group has to an extent been protected from the increasing interest rate environment, as 56% of the debt is hedged or fixed. As at 31 December 2022, the Group has reduced its LTV by **2%** from **46%** to **46%**. As at 28 December 2021, the Group did not utilize the full Investec facility provided for the acquisition of Tower Property Fund - only R306 million was originally disbursed and in March 2022 the balance of R94 million was deployed. Having disbursed **P48.1 million** for improvements to the portfolio, **P52.7 million** for loan capital repayments, and spending **P18.4 million** on additional interest due to primuminor rate increases across all jurisdictions, we are pleased with the LTV reduction of **1%**. Confidence in our strategy and the management team is once more confirmed by the support received by our capital providers - both our bond holders and commercial bankers. I wish to thank them for their pro-active engagement with our teams. It is management's intention to further reduce gearing over the medium-term and focus on cashflow. NAV per linked unit has grown by **2%** to **P3.29 per share** (2021: P3.23) and this is supported by conservative valuations. We are pleased to confirm that the Group is presently receiving and considering offers for properties in the portfolio.

OPERATIONS, HIGHLIGHTS AND PROSPECTS

The management team, with its wide pool of skills, operating from the Gaborone head office, Cape Town office and satellite offices in Johannesburg, Croatia, Madagascar and Mozambique, continues to closely monitor the performance of each asset and set actions to redress underperformance and initiate a process of optimisation of the portfolio. The improved performance of the RSA portfolio both in terms of occupancy and operating costs has resulted in savings that have started to positively impact net operating profit. The RDC portfolio has fared well in reducing overall vacancies, with a reduction of close to **2%** from **14.5% in Q1 2022 to 12.8% in Q4**. Some very significant leases were concluded in the year under review, contributing to the 123,000 square meters of new and renewed leasing deals concluded in Botswana, South Africa and Croatia. **Botswana**, contributing 17% of rental revenue despite representing 25% of the portfolio by value, has remained relatively stable throughout the year, ending with a vacancy of 6.7%. The hospitality assets, which have underperformed in 2022, are experiencing solid forward bookings for 2023, with leisure travel forecast to reach pre-pandemic occupancies and rates - a positive sign for this portfolio in the year to come. **RSA**, contributing 68% of rental revenue and representing 52% of the portfolio by value, has had the most significant improvement. Our K2N portfolio has performed well with vacancies halving from mid-twenties levels. Whilst Gauteng has been by far the most challenging region, (vacancies remain above 20%), it too has shown a positive trajectory during the year. The Western Cape is looking strong for 2023. **Croatia**, contributing 15% of revenue and representing 20% of the portfolio by value continues to outperform all other geographies, with 0% vacancies and benefiting from the appreciation of the Euro to the Pula. In terms of values, the portfolio has benefited from the award of full European Union Membership (effective 1 January 2023) to Croatia. This has attracted investments from the rest of Europe, increasing demand for good properties. In terms of our **USA** investments, we are pleased to report that despite the increase in the interest rates, which has a significant drag on the property sector, we accepted an offer for the purchase of Research Court property, which should be realised in March 2023, resulting in an overall IRR in excess of 13% (in USD). The remaining asset in the US, The Manning development, is expected to close mid-2023. These disposals are providing even more positive returns over the strong performance of the USD vs the Pula.

The conditional approval by the Zambian Competition Authorities of our offer for the David Livingstone Safari Lodge has been achieved and the acquisition will conclude early April 2023. In order to best manage this operation, we have agreed the terms of a 50% joint venture with Profa Hotels Zambia (P) Ltd. During the year, the disposal of assets unaligned to our purpose was started and we are pleased to report that the disposals program has picked up momentum, with several larger assets currently under offer. Once concluded these sales will reduce interest costs and enable redeployment of capital for other investments. The outlook for 2023 is positive, as we expect significant contributions from the rebound in hospitality, the improvements on the portfolio and the sale of non-strategic assets.

AWARDS

The Radisson Red Rosebank Johannesburg, with its contribution to the promotion of African artists, was recognized as the winner of the Interior Design Brand New Award by LIV Hospitality Design Awards. The hotel has positioned itself as a dominant player for this important business node. This is significant for RDC as the revenue generated from hotel guests flows in as rental revenue for the company. The newly developed 'Old Cape Quarter' building in Green Point, Cape Town, recently won the prestigious 'Best Heritage Development' at the annual South African Property Owners Association (SAPOA) convention.

SUSTAINABILITY

To adequately respond to the needs of sustainable economic growth, RDC continues to ensure that it responds to societal needs while sustaining natural resources and the environment. Management has been focused on the issue of energy efficiency across the portfolio, particularly considering the energy crisis in South Africa. We are pleased to confirm that we continue supporting local charitable institutions and communities. Our support for the less fortunate in society is strong with contributions made to various organisations, for example the Khayatsi Empowerment Trust - a broad-based women's empowerment group at Radisson Red. The involvement of the wider operating companies and management companies in contributing to local communities bears testimony to the fact that our purpose of adding value to our communities is deeply rooted in our decisions and actions.

During the year we have continued to support the education sector by contributing to numerous schools in Botswana, South Africa and Madagascar. Botswana traditional dancers received large support from us in the Chobe District. The art community in South Africa benefited from our contribution to the Investec Cape Town Art Fair and the Radisson Red emerging artists promotion.

DIRECTORS

The board of RDC recognises that good governance and strong leadership create confidence for its stakeholders. During the year, the board undertook several important initiatives, among which:

- A self-assessment process led to combining the property and investment sub-committees, allowing a more efficient discussion among non-executive directors on actions required to improve the portfolio.
- Joanne Mabin was appointed as Executive Director in charge of finance (CFO), and Marc Edwards retired after assisting in the process of the integration of Tower.
- Andrew Bradley was appointed as Lead Independent Director, replacing Lesang Magang who has served for more than 9 years on the board, and who by assessment of the board may continue to serve in an independent capacity.
- The Remuneration and Nomination committee reviewed the directors' remuneration and recommended changes, which were implemented to align the company to best practice and to the market.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The summarised financial results have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In preparing the underlying financial statements which these summarised financial results were extracted, all IFRS and International Reporting Interpretations Committee standards issued and effective for annual periods beginning on or after 1 January 2022 have been applied. The Group's underlying consolidated financial statements have also been prepared in accordance with IFRS. The principal accounting policies are consistent in all material respects with those of the previous year.

DISTRIBUTION TO LINKED UNIT HOLDERS

The current macro-economic environment remains challenging in both Botswana and South Africa, with economists predicting interest rates to remain high in the short term. As a result, the Group has decided to retain earnings and cash in order to reduce its interest burden on external loans and to fund investments. These upcoming investments include the acquisition of Safari Lodge and Spa in Zambia and value enhancing improvements to our existing portfolio. The Group has therefore not declared a final distribution for the 2022 financial year. This conservative approach will be reconsidered in the new financial year when the interest rates trajectory is declining and offers on our assets are concluded, reducing our exposure to expensive loans.

INDEPENDENT AUDITOR'S REPORT

Grant Thornton, the Group's independent auditors, have audited the consolidated financial statements of the Group from which these summarised financial results were derived, and have expressed an unmodified audit opinion on the consolidated financial statements. The full set of financial statements including the audit report and the summarised consolidated financial statements are available for inspection at the Group's registered office.

By order of the Board
G R Giachetti, Executive Chairman
Gaborone
28 March 2023

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
	2022 P'000	2021 P'000	% Change
Assets			
Property, plant and equipment	47 900	37 081	
Intangible assets	1 000	1 000	
Investments & loans	95 413	89 340	
Investment in joint venture	25 746	26 408	
Investment properties	5 575 136	5 535 902	
Rental receivable - straight-line rental adjustment	(4 992)	(4 641)	
Available for sale investments	10 642	14 129	
Long-term trade receivables	36 478	26 086	
Inventories	161 076	99 522	
Other current assets	180 097	272 019	
Total assets	6 127 686	6 096 846	0.5%
Equity and liabilities			
Equity attributable to the owners of the parent	2 497 463	2 447 686	
Non-controlling interest	532 734	493 329	
Long-term borrowings - current and non-current	2 763 685	2 830 877	
Deferred tax liabilities	185 060	168 956	
Current liabilities	148 744	155 998	
Total equity and liabilities	6 127 686	6 096 846	0.5%

