RDC PROPERTIES LIMITED UNAUDITED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 JUNE 2022

RDC Property Group

Directors:
A Bradley**, G Fisher**, F Giachetti*, G R Giachetti (Chairman)*, G Giachetti*, B Kenewendo, J Mabin, L Magang, N Milne**, K C Maphage, J Pari* (CEO), S Susman**
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FINANCIAL HIGHLIGHTS

REVENUE

244%

REVENUE INCREASE TO P250M DUE TO BUSINESS COMBINATION (2021: P73M)

PROFIT

168%

NET PROFIT INCREASE TO P73M (2021: P27M)

GROWTH

6 MONTH CONSOLIDATION OF NEWLY ACQUIRED TOWER PROPERTY FUND PORTFOLIO

PORTFOLIO PERFORMANCE

INVESTMENT PORTFOLIO

148%

INVESTMENT AND PROPERTY PORTFOLIO TO P5.8 BILLION FROM PRIOR PERIOD P2.4 BILLION

LOAN TO VALUE

46%

MAINTAINED A LOAN TO VALUE RATIO OF 46%
2021: 32%

RETURN TO SHAREHOLDERS

EARNINGS

44%

EARNINGS PER SHARE HIGHER AT 7.89 THEBE
2021: 5.47 THEBE

NAV

17%

NET ASSET VALUE PER SHARE IN ISSUE WAS P3.96
2021: P3.38

DISTRIBUTION

28%

TOTAL INTERIM DISTRIBUTION PER LINKED UNIT WAS HIGHER AT 3.49 THEBE PER SHARE
2021: 2.72 THEBE

ABRIDGED UNAUDITED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 30 June 2022	Six Months Ended 30 June 2021	% Change	Audited Year Ended 31 December 2021
	P'000	P'000		P'000
Revenue	**249,669**	**72,554**	**244%**	**146,562**
Operating expenses	(116,789)	(29,062)		(85,140)
Sale of inventory	76,003	-		-
Cost of sales	(75,838)	-		-
Other operating income	3,669	372		3,503
Income/(Loss) arising from joint venture	2,664	(113)		(413)
Other foreign exchange gains	3,059	1,775		(1,820)
Profit from operations	**142,437**	**45,526**	**213%**	**62,692**
Surplus arising on fair valuation of investments	2,863	3,485		16,051
Surplus arising on revaluation of investment properties	-	-		36,632
Bargain Purchase Gain	-	-		577,342
Surplus arising on fair valuation of interest rate derivatives	26,758	-		-
Net finance costs	(95,680)	(21,736)		(50,255)
Profit before tax	**76,378**	**27,275**		**642,462**
Income tax expense	(3,388)	-		4,920
Profit for the period	**72,990**	**27,275**	**168%**	**647,382**
Total profit for the period attributable to:				
Owners of the company	59,807	19,308	210%	629,325
Non-controlling interests	13,183	7,967		18,057
	72,990	**27,275**		**647,382**
Other comprehensive income				
Exchange differences on translation of foreign operations	13,411	15,579		(8,869)
Fair value gain on available for sale financial assets	1,104	6,258		13,165
Total comprehensive income for the period	**87,505**	**49,112**		**651,678**
Average number of linked units in issue at period end	758,233,124	353,448,157		391,792,630
Earnings per linked unit (thebe)	**7.89**	**5.47**	**44%**	**163.99**
Number of linked units in issue at distribution date	758,233,124	441,810,009		758,232,937
Distribution per linked unit (thebe)	**3.49**	**2.72**	**28%**	**9.37**

ABRIDGED UNAUDITED GROUP STATEMENT OF FINANCIAL POSITION

	Six Months Ended 30 June 2022	Six Months Ended 30 June 2021	% Change	Audited Year Ended 31 December 2021
Assets	**P'000**	**P'000**		**P'000**
Property, plant and equipment	35,327	5,893		37,081
Intangible asset	1,000	1,000		1,000
Investments	102,790	71,699		89,340
Financial assets at fair-value through OCI	12,780	45,485		14,129
Investment in a joint venture	27,579	24,674		26,408
Investment properties	5,600,847	2,205,256		5,531,261
Investment Properties Held for Sale	19,896	-		26,180
Long-term trade receivables	10,163	26,673		26,086
Inventories	30,450	-		99,522
Other current assets	198,046	200,185		245,839
Total Assets	**6,038,878**	**2,580,865**	**134%**	**6,096,846**
Equity and Liabilities				
Equity attributable to the owners of the parent	2,509,853	1,190,536		2,447,686
Non-controlling interests	494,048	300,977		493,329
Long-term borrowings	2,742,688	909,638		2,830,877
Deferred tax liabilities	165,830	130,282		168,956
Current liabilities	126,459	49,432		155,998
Total Equity and Liabilities	**6,038,878**	**2,580,865**		**6,096,846**

ABRIDGED UNAUDITED GROUP STATEMENT OF CHANGES IN EQUITY

	Six Months Ended 30 June 2022	Six Months Ended 31 December 2021	Six months Ended 30 June 2021
	P'000	**P'000**	**P'000**
Balance brought forward – previously reported	2,941,015	1,491,513	1,442,128
Total distribution to the owners of the company	(24,962)	(25,506)	(13,502)
Net movement attributable to the owners of the company	74,322	1 282 656	55,725
Net movement attributable to non-controlling interests	13,526	192 352	7,162
Balance at the end of the period	**3,003,901**	**2,941,015**	**1,491,513**

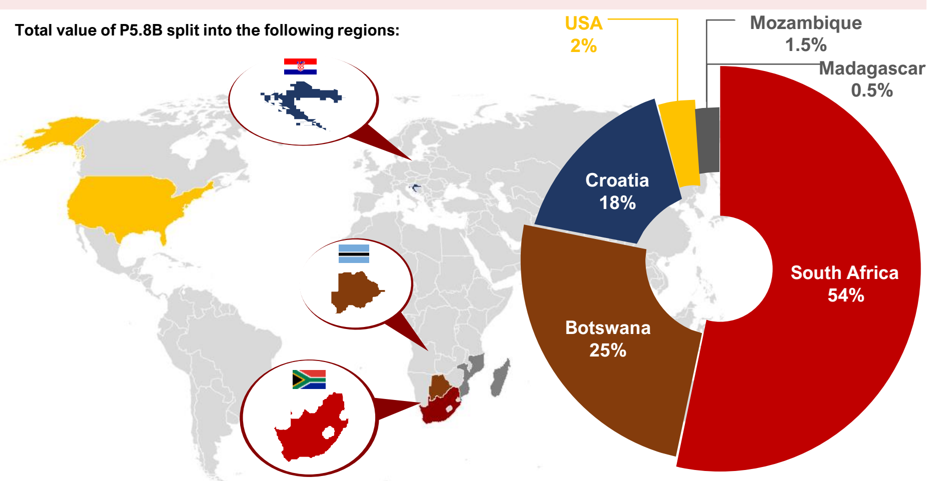
ABRIDGED UNAUDITED GROUP STATEMENT OF CASH FLOWS

	Six Months Ended 30 June 2022	Six Months Ended 30 June 2021	Audited Year Ended 31 December 2021
Cash flows from operating activities,	**P'000**	**P'000**	**P'000**
Profit from operations	142,437	42,526	115,375
Adjustment for non-cash items	(20,986)	(313)	(33,736)
Working capital changes	(14,130)	(18,347)	22,621
Net finance costs paid	(95,680)	(27,300)	(68,598)
Taxation paid	(1,646)	(568)	(1,256)
Net cash generated/(utilized) from operating activities	**9,995**	**(1,002)**	34,406
Additions to investment properties	(16,213)	(20,235)	(410,471)
Net proceeds from sale of inventory	76,003	-	-
Proceeds on held for sale investment property	17,294	-	-
Issue of shares and debentures	-	-	669,562
Investment Income	-	-	47,078
Business Combination	-	-	(816,138)
Share of (loss)/income from joint venture	(2,664)	113	-
Net loans (repaid)/raised	(88,189)	31,893	516,146
Dividend and debenture interest	(53,468)	(17,464)	(40,636)
Net movement in cash and cash equivalents	**(57,242)**	**(6,695)**	**(53)**
Cash and cash equivalents at beginning of the period	137,109	158,340	158,340
Effects of exchange rates	6,940	(5,375)	(21,178)
Cash and cash equivalents at end of the period	**86,807**	**146,270**	**137,109**

Key Operational Information: Segmental Analysis

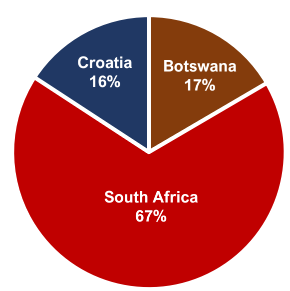
Portfolio Value

Total value of P5.8B split into the following regions:



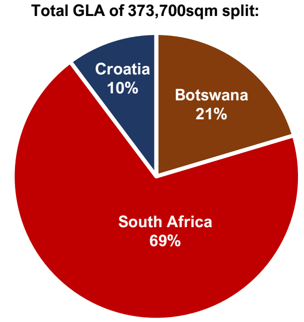
Revenue by Region:

Total revenue: P250m split:



Gross Lettable Area by Region:

Total GLA of 373,700sqm split:



FINANCIAL RESULTS

I am pleased to present the Group interim results for the period ended 30 June 2022. The value of the investment portfolio increased by 148% to P5.8 billion and revenue increased by 244% to P249.7 million, predominately as a result of the acquisition of the Tower portfolio. The acquisition has diversified our portfolio in terms of sector and location, reducing our exposure to hospitality and offices and introducing some premium retail assets located in South Africa and Croatia.

Profit from operations increased by 213% to P142.4 million and profit attributable to shareholders by 210% to P59.8 million over the same period. The increase in profit attributable to shareholders is because of the Tower acquisition, the fair value gains on interest rate swaps and the strengthening of the Rand. The Group has largely been protected from the increasing interest rate environment, as 46% of the debt is hedged.

Following the acquisition of Tower, the Group has maintained a loan-to-value ratio of 46%. We are pleased to inform you that Standard Bank RSA, Tower's principal bankers, has renewed the financing of the portfolio and indicated confidence in the new management team. It is management's focus to reduce the gearing over the medium-term and focus on cash flow. We are confident that striking the correct balance between Growth and Value assets within the portfolio in the 3 years' time horizon will lay the foundations to maintain and improve RDCP's current Financial Metrics.

OPERATIONS, HIGHLIGHTS AND PROSPECTS

This has been an exciting period of growth with the acquisition of Tower Property Fund Limited ('Tower') with effect from 28 December 2021. The purchase of this large and diversified portfolio at a substantial discount to NAV is an opportunity for us to substantially improve the portfolio in the years to come. This period has been very busy with the re-engineering of the whole management company, re-deploying all Tower management and staff into the newly formed subsidiary of Property and Asset Management in RSA, Notwane Asset Management (Pty) Ltd, aligning of systems and processes across countries and creating a sense of belonging within the RDC Properties Group. The consolidation and integration of the teams has run extremely smoothly. We have been able to apply the new, combined skills of the team to the benefit of our portfolio. Having such a large portfolio and a wide pool of skills has enabled us to evaluate the performance of each asset and set preliminary actions to redress underperformances and initiate a process of optimisation of the portfolio and alignment to our purpose. The focus is to improve the performance of key assets, dispose of non-core assets and unlock value across the portfolio. Proceeds from sales will be re-deployed in reducing debt, enhancing the performance of key assets and re-investing.

During the period, we have sold a few smaller assets, namely Cleveland, Woodlands and Section 15 of Coachmans Crossing Block D at a value that is substantially higher than the price paid for them. The repurposing of some properties is under way: Upper Grayston Block B, which is an office block that has been vacant for years is now being rented as a wellness and mental health clinic, the Link Hill Shopping Centre (KZN) and Westlake Lifestyle Centre (WP) are in the process of being substantially re-developed.

The Botswana portfolio, with exception of the hospitality assets, has performed well within budget with a positive leasing activity (11,034m^2 of new lettings), and collections have improved with the lifting of Covid 19 restrictions. The hospitality and entertainment business was under a lot of pressure in the first quarter due to the Omicron variant, however the sector is showing a positive rebound. We anticipate the leisure market to return to pre-Covid levels next year and the corporate market to take longer.

The major focus in South Africa has been evaluating the newly acquired portfolio situated in Cape Town, Gauteng and KZN. PAM has on-the-ground management in each of these regions, and the respective asset managers have integrated into an efficient and effective team. The Tower assets are starting to show a positive recovery from prior year reporting. Vacancies have reduced by 22% and net revenues are 2.8% ahead of budget in the Tower portfolio. Trading conditions remain challenging in the Gauteng office market, but the focused leasing activity has ensured that vacancies and tenant retention have stabilised.

The Capitalgro portfolio has been stable over the past 6 months, with improving prospects based on several significant deals being closed for occupation in early 2023. Market recovery has been slower than expected which has resulted in some revenue variances against budget. The previously reported redevelopment of Westlake Lifestyle Centre has experienced a rezoning approval delay with a resultant push-back of occupation by the anchors now set for Q1 2023.

The Radisson Red Hotel in Johannesburg, has steadily increased its occupancies and rates over the reporting period. Current occupancies are up to 60%. The hotel is performing very well considering that it is newly built and trading out of a Covid period.

The Croatian assets continue to perform well, and the majority are underpinned by blue-chip triple net leases. The region has some encouraging growth prospects with its imminent (1 Jan 2023) full EU membership status and move onto the Common Monetary System (Euro).

Our rental enterprise in the USA continues to perform according to forecast and we have received a few offers to purchase that we are evaluating. Our development property, The Manning, is reaching practical completion with the expected realisation of this investment expected in Q1 2023.

Progress has been made with regards to our acquisition of the David Livingstone Safari Lodge. Legal agreements are being concluded with the Development Bank of Southern Africa for the assignment of their debt at a substantial discount and the acquisition of the 100% shareholding from the owners. The transaction will be conditional on the approval of the Zambian Competition Authorities. In line with our strategy of working with local partners, we are pleased to announce that Union Gold will be co-investing with us in this venture (50%). The Group has extensive experience of owning and managing hotels (9 Marriott Hotels) and construction companies in Zambia.

There has been a focus on activities falling within the ambit of the newly formed ESG Committee, including a review of our energy efficiencies across the portfolio and greening initiatives as well as our investment into the communities within which we operate, including within education (support of Ngwapa Primary School), Ubuntu Arts (emerging artists) and our partnership with the KET broad-based women's empowerment group at Radisson Red. The ESG committee also functions as oversight for our continued focus on excellence within our governance practices.

DIRECTORS

RDC's board recognises that good governance and strong leadership create confidence for its stakeholder community and is pleased to announce the following appointments and role change. The appointment of Andrew Bradley as Lead Independent director who replaces Lesang Magang who has served for more than 9 years on the board and by assessment of the board may continue to serve, in an independent capacity. The appointment of Joanne Mabin as Executive Director in charge of finance (CFO), and the retirement of Marc Edwards having assisted in the process of integration of Tower. Nicola Milne has been appointed as Chair of the Audit and Risk Committee replacing Andrew Bradley who has been appointed as Chair of the Investment Committee. Bogolo Kenewendo has been appointed as Chair of the Environmental, Social and Governance Committee. Lesang Magang has been appointed as Chair of the Nomination and Remuneration Committee. Kate Maphage has been appointed as Chair of the Property Committee. The board as a collective welcomes these new appointments as the company continues on its growth trajectory.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The summarised financial results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and contain the information required by IAS 34, Interim Financial Reporting. In preparing the underlying financial statements from which these summarised financial results were extracted, all IFRS and International Reporting Interpretations Committee interpretations issued and effective for annual periods beginning on or after 1 January 2022 have been applied. The Group's underlying consolidated financial statements have been prepared in accordance with IFRS. The principal accounting policies are consistent in all material aspects with those adopted in the previous period.

IAS 37 – CONTINGENT LIABILITY

The group is currently engaged with the South African Revenue Services (SARS) on a difference in opinion with regards to the treatment of income from a foreign operation for the tax years ending 2019 and 2020. The difference in tax treatment has led to SARS having issued a reassessment of taxation payable (including interest and penalties) of R29,024,161 and R13,862,108, for 2019 and 2020, respectively. Management have accounted for this transaction in line with applicable tax laws and are certain about the tax treatment of the same. The directors are complying with all necessary actions in disputing the reassessment issued by SARS. The directors have engaged the group's legal counsel on the matter and it is in their opinion that the disparity can be successfully defended and the probability of outflow is unlikely.

DISTRIBUTION TO LINKED UNIT HOLDERS

The Board has decided to adopt a cautious approach to distribution while we await the realization of the actions to improve the yield of the portfolio and repay some of the debt. We believe in increasing the dividend payout to unitholders as we move to a value phase of the business.

Notice is hereby given that an interim dividend of 0.158 thebe per ordinary share and interest of 3.337 thebe per debenture has been declared on 21 September 2022. The distribution is 121% higher at P26.5 million for the period and the distribution per unit is 28% higher due to the impact of new units in issue as compared to the prior period. This dividend and interest will be payable on or around 28 October 2022 to those linked unit holders registered at the close of business on 18 October 2022. The ex-dividend date is therefore 14 October 2022.

By Order of the Board
G R Giachetti, Executive Chairman
Gaborone
22 September 2022