RDC PROPERTIES LIMITED UNAUDITED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 JUNE 2023

Property Group

Directors:
A Bradley**, G Fisher**, F Giachetti*, G R Giachetti (Chairman)*, G Giachetti*, J Mabin**, J Pari*, K C Maphage, N Milne**, S Susman**, S Mathe
* Italian, ** South African

FINANCIAL HIGHLIGHTS

REVENUE

9%

CONSOLIDATED REVENUE INCREASED TO P273M (HY 2022: P250M)

PROFIT FROM OPERATIONS

12%

PROFIT FROM OPERATIONS INCREASED TO P159M (HY 2022: P142M)

CASH FROM OPERATIONS

12%

NET CASH GENERATED FROM OPERATING ACTIVITIES INCREASED TO P145M (HY 2022: P130M)

PORTFOLIO PERFORMANCE

INVESTMENT PORTFOLIO

1%

INVESTMENT AND PROPERTY PORTFOLIO INCREASED TO P5.9 BILLION (HY 2022: P5.8 BILLION)

LOAN TO VALUE

44.9%

LOAN TO VALUE RATIO DECREASED TO 44.9% (HY 2022: 46%)

RETURN TO SHAREHOLDERS

NET ASSET VALUE

2%

NET ASSET VALUE PER SHARE IN ISSUE P4.02 (HY 2022: P3.96)

DISTRIBUTION

22%

TOTAL INTERIM DISTRIBUTION PER LINKED UNIT 4.26 THEBE PER SHARE (HY 2022: 3.49 THEBE)

ABRIDGED UNAUDITED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2023	Six months ended 30 June 2022	% Change	Audited year ended 31 December 2022
	P'000	P'000		P'000
Revenue	**272,911**	**249,669**	**9%**	**525,205**
Net property operating expenses	(98,829)	(94,177)		(201,634)
Net property income	**174,082**	**155,492**	**12%**	**323,571**
Other operating expenses	(26,937)	(22,612)		(54,442)
Sale of inventory	2,466	76,003		77,483
Cost of sales	(2,399)	(75,838)		(77,648)
Inventory write-down	-	-		(13,005)
Other operating income	5,166	3,669		15,541
Income arising from joint venture	20	2,664		310
Other foreign exchange gains	6,876	3,059		2,259
Profit from operations before fair value adjustments & finance costs	**159,274**	**142,437**	**12%**	**274,069**
Fair value gain/(loss) on investments	(340)	2,863		1,765
Fair value gain/(loss) on investment properties	(13,191)	-		97,516
Fair value gain/(loss) on interest rate derivatives	(4,324)	26,758		39,001
Net finance costs	(111,208)	(95,680)		(203,437)
Profit before tax	**30,211**	**76,378**	**(60%)**	**208,914**
Income tax expense	(5,759)	(3,388)		(24,752)
Profit for the period	**24,452**	**72,990**	**(66%)**	**184,162**
Total profit for the period attributable to:				
Owners of the company	15,007	59,807		137,299
Non-controlling interests	9,445	13,183		46,863
	24,452	**72,990**		**184,162**
Other comprehensive income				
Exchange differences on translation of foreign operations	3,465	13,411		28,247
Fair value gain on available for sale financial assets	(1,840)	1,104		(1,104)
Total comprehensive income for the period	**26,077**	**87,505**	**(70%)**	**211,305**
Average number of linked units in issue at period end	758,232,937	758,232,937		758,232,937
Earnings per linked unit (thebe)	1.98	7.89		18,84
Number of linked units in issue at distribution date	758,232,937	758,232,937		758,232,937
Distribution per linked unit (thebe)	4.26	3.49	**22%**	3.50

ABRIDGED UNAUDITED GROUP STATEMENT OF FINANCIAL POSITION

	Six months ended 30 June 2023	Six months ended 30 June 2022	% Change	Audited year ended 31 December 2022
Assets	**P'000**	**P'000**		**P'000**
Property, plant and equipment	41,684	35,327		47,090
Intangible asset	1,000	1,000		1,000
Investments	106,679	102,790		95,413
Financial assets at fair value through OCI	8,344	12,780		10,642
Investment in a joint venture	29,207	27,579		25,746
Investment properties	5,446,284	5,600,847		5,570,144
Investment properties held for sale	80,813	19,896		-
Long-term trade receivables	30,656	10,163		36,478
Inventories	151,389	30,450		161,076
Other current assets	191,468	198,046		180,097
Total Assets	**6,087,524**	**6,038,878**	**1%**	**6,127,686**
Equity and Liabilities				
Equity attributable to the owners of the parent	2,514,095	2,509,853		2,497,463
Non-controlling interests	534,300	494,048		532,734
Long-term borrowings	2,714,551	2,742,688		2,763,685
Deferred tax liabilities	186,901	165,830		185,060
Current liabilities	137,677	126,459		148,744
Total Equity and Liabilities	**6,087,524**	**6,038,878**	**1%**	**6,127,686**

ABRIDGED UNAUDITED GROUP STATEMENT OF CHANGES IN EQUITY

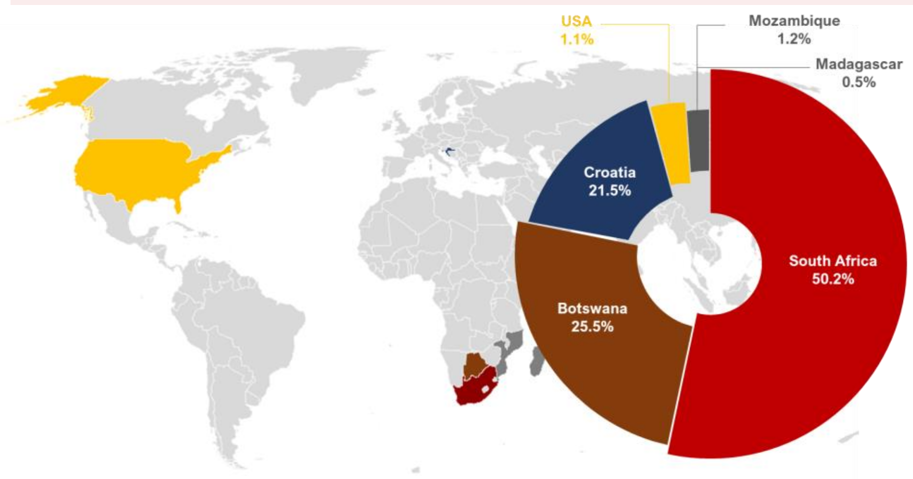
	Six months ended 30 June 2023	Six months ended 31 December 2022	Six months ended 30 June 2022
	P'000	P'000	P'000
Balance brought forward – previously reported	**3,030,197**	**3,003,901**	**2,941,015**
Total distribution to the owners of the company	-	(46,440)	(24,962)
Net movement attributable to the owners of the company	16,632	46,857	74,322
Net movement attributable to non-controlling interests	1,566	25,879	13,526
Balance at the end of the period	**3,048,395**	**3,030,197**	**3,003,901**

ABRIDGED UNAUDITED GROUP STATEMENT OF CASH FLOWS

	Six months ended 30 June 2023	Six months ended 30 June 2022	Audited Year ended 31 December 2022
Cash flows from operating activities	**P'000**	**P'000**	**P'000**
Profit from operations	159,274	142,437	274,069
Adjustment for non-cash items	3,832	2,909	(9,523)
Working capital changes	(15,708)	(14,130)	(4,436)
Taxation paid	(2,867)	(1,646)	(9,625)
Net cash generated/(utilized) from operating activities	**144,531**	**129,570**	**250,485**
Additions to investment properties	(20,631)	(16,213)	(40,744)
Additions of property, plant and equipment	-	-	(2,241)
Movements in investments	(11,266)	-	(561)
Net proceeds from sale of inventory	2,466	76,003	77,515
Proceeds on held for sale investment property	-	17,294	50,813
Investment income	-	-	7,687
Share of income from joint venture	(20)	(2,664)	-
Net loans repaid	(5,488)	(112,084)	(67,192)
Net finance costs paid	(111,208)	(95,680)	(212,228)
Dividend and debenture interest	(1,709)	(53,468)	(94,115)
Net movement in cash and cash equivalents	**(3,325)**	**(57,242)**	**(30,581)**
Cash and cash equivalents at beginning of the period	80,077	137,109	137,109
Effects of exchange rates	7,128	6,940	(26,451)
Cash and cash equivalents at end of the period	**83,880**	**86,807**	**80,077**

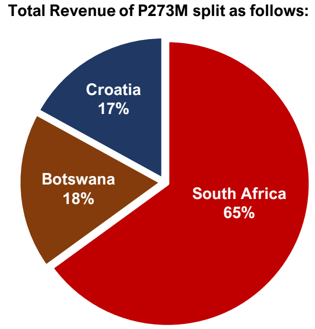
Key Operational Information: Segmental Analysis

Portfolio Value



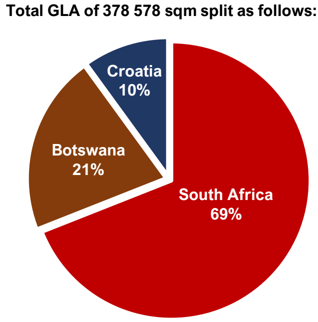
Revenue by Region:

Total Revenue of P273M split as follows:



Gross Lettable Area by Region:

Total GLA of 378 578 sqm split as follows:



FINANCIAL RESULTS

I am pleased to present the Group interim results for the period ended 30 June 2023. Given the challenging macro-economic factors, the Group has produced a strong set of results, with the investment portfolio increasing to P5.9 billion (P5.8 billion in the corresponding prior period), revenue increasing by 9% to P272.9 million compared to the corresponding prior period, and profit from operations increasing by 12% to P159.3 million compared to the corresponding period. The group boasts a robust diversification strategy in terms of sector and location, enabling it to thrive in a demanding operating environment.

There has been a decrease in profit before tax of 60% due to unrealised fair value reductions (versus prior year gains) on interest rate derivatives as they moved closer to maturity and the interest rate swap curve improving (P31.1 million). These derivatives served and continue to serve their intended purpose by shielding us from adverse interest rate movements, allowing us to secure favourable interest rates and protect our borrowing costs significantly. The interest rate derivatives saved the Group P9.8 million in interest for the period under review. Further contributing to the decrease in profit before tax are fair value adjustments made on non-core investment properties that were reclassified as held for sale (P13.1 million) and an increase in finance costs (P15.5 million). Excluding the impact of the above items, the net profit before tax is 27% or P13.6 million up on the corresponding period.

The Group's loan to value has reduced by 1.1% from the corresponding period to 44.9%. It is management's focus to further reduce the gearing over the medium-term. The Group is in a strong cash flow position, with cash from operations increasing by 12% compared to the corresponding period.

OPERATIONS, HIGHLIGHTS AND PROSPECTS

As mentioned, the six-month reporting period to June 2023 has been characterized by challenging macro-economic metrics, both locally and globally. Whilst we were hoping for a cooling of inflation earlier in the year, economies have only just started to respond to the fiscal interventions of central banks. The SARB has hiked interest rates on three occasions in the past six months which, together with the South African energy crisis, has subdued economic growth in the region.

Despite the aforementioned, the RDC property portfolio metrics are trending positively and bear testimony to RDC's hands-on approach to portfolio and property management. The portfolio vacancy rate has been reduced from our reported 12.8% in Q4 2022 to the current level of 9.9%. New and renewed leases representing some 58,282m^2 have been concluded during the period, significantly at no reversion. Our tenant retention as a ratio of Gross Lettable Area retained over Total GLA is 97%.

Botswana remains a stable region with a 92% occupancy and a high rental collection rate. Of significance is the pending relocation of the RDC Headquarters into the Masa Square complex and the planned property improvement program for the Masa Protea Marriott, which will serve to reenergise the hotel. Hospitality in Botswana has received a significant boost from the recovery in tourism with occupancies trending above 70%. This enables the hospitality assets to pay substantial rental income to the property owner (RDC), thereby contributing to the Company's bottom line.

The David Livingstone Safari Lodge is now under the management control of the new joint venture, and we expect to see a contribution from our new Zambian asset going forward.

Within South Africa, Gauteng has been the beneficiary of an intensive effort to improve property performance. Vacancies have dropped from 26% to 19.6% since the beginning of the year, which is very gratifying in a region that has been hardest hit by the property downturn and lack of services. In addition, the Gauteng debtors' book has been significantly reduced, and several cost optimisation measures have been introduced, all contributing to increased net operating income. The Cape region remains stable, with a focused effort on letting and lease management within RDC subsidiary Capitalgro. The Cape has seen vacancies halve since Q4 2022 to the current level of 4%, well below the market average.

In terms of offshore, Croatia continues to benefit from the country's inclusion as a full member of the European Union, with demand and financing options ticking up. The portfolio of four properties remains fully let and is performing ahead of budget. The refinancing of our Zagreb shopping centre will enable us to expand the Croatian portfolio with select opportunities. As previously reported, Research Court in the USA was sold, and the proceeds of the sale have been receipted. Our remaining investment in the USA, The Manning development, has been delayed to Q1 2024 due to supply chain shortages.

We communicated our intention to dispose of non-core properties, particularly in the Gauteng area. This program has progressed, with agreements for four properties to the value of R114 million having been concluded. These properties had low property fundamentals (NOI, occupancies) and poor prospects. The proceeds are intended primarily to pay down debt.

Our response to the energy crisis in South Africa has been to step up our solar generation program. We have completed an in-depth portfolio wide study of the potential to install solar generation and are on the verge of concluding our first Power Purchase Agreement (PPA) in this regard. In addition, we are assessing the viability of Battery Energy Storage Systems (BESS). Our ESG strategy also includes a focus on water consumption and waste management.

Our CSI program has seen support from the RDC team within our stated sectors of education, women upliftment and the arts, across jurisdictions. Our initiatives have translated into donations, both financially and in time, towards the upliftment of the communities within which we operate.

RDC Properties Limited is an IFSC registered company effective 1 January 2023.

DIRECTORS

The retirement of two of RDC's Independent Non-Executive Directors was formalised at the company's AGM on 24 May 2023, along with a new appointment. Having served on RDC's Board for an extended period, Lesang Magang did not put his name forward for re-election at the AGM. Bogolo Kenewendo also did not put her name forward for re-election due to constraints on her time because of her many international and local commitments. The Board expressed its sincere gratitude for Mr Magang's exceptional contribution, support and guidance over the last twenty years, and to Ms Kenewendo for her valuable role during these transformative years of the company. Sithabile Mathe was appointed as Independent Non-Executive Director. With 23 years of post-graduate experience in the built environment, Ms Mathe brings a new skillset to RDC's Board. Having qualified in Architecture in Scotland in 2006, she established Moralo Designs, an Architectural Practice which offers a broad spectrum of design and project management services.

These changes to the Board, along with the incorporation of the Property Committee within the Investment Committee earlier this year, have prompted changes to the composition of the four Committees:

- Nicola Milne remains Chair of the Audit and Risk Committee, assisted by Andrew Bradley and Simon Susman.
- Andrew Bradley remains Chair of the combined Investment and Property Committee, assisted by Federica Giachetti, Guido Giachetti and Sithabile Mathe.
- Federica Giachetti has been appointed as Chair of the Environmental, Social and Governance Committee, assisted by Kate Maphage and Nicola Milne.
- Sithabile Mathe has been appointed as Chair of the Remuneration and Nomination Committee, assisted by Andrew Bradley and Kate Maphage.

The Board is confident that it possesses the required characteristics and diversity to steer RDC forward and create confidence for its stakeholder community.

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 2023 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.

DISTRIBUTION TO LINKED UNIT HOLDERS

Notice is hereby given that an interim dividend of 0.135 thebe per ordinary share and interest of 4.128 thebe per debenture has been declared on 20th September 2023. The distribution is 22% higher at P32.3 million for the period as compared to the prior period. This dividend and interest will be payable on or around 30th October 2023 to those linked unit holders registered at the close of business on the 19th October 2023. The ex-dividend date is therefore 17th October 2023.

By order of the Board
G R Giachetti, Executive Chairman
Gaborone
21st September 2023