



RDC PROPERTIES LIMITED

Registration Number 96/592 (Incorporated in the Republic of Botswana)

Directors: M A Giachetti*, G R Giachetti (Chairman)*, G Giachetti*, K Jefferies, L Magang, K C Maphage, J Pari*, C Tibone
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HIGHLIGHTS – PRELIMINARY ANNOUNCEMENT OF THE AUDITED GROUP FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

◆ **REVENUE UP 56%** ◆ **PROFIT FROM OPERATIONS BEFORE FAIR VALUE ADJUSTMENT UP 83%** ◆ **INVESTMENT AND PROPERTY PORTFOLIO UP BY 12% TO P859 M** ◆ **RETURN ON EQUITY (ROE) 14%**

| SUMMARISED GROUP STATEMENT OF COMPREHENSIVE INCOME | 2013 P'000 | 2012 P'000 (Restated) | % Change |
|---|----------------|-----------------------------|-------------|
| Revenue | 71,620 | 46,025 | 56 |
| Operating expenses | (19,204) | (13,892) | |
| Income/(loss) arising from joint venture | 1,152 | (2,762) | |
| Other foreign exchange gains/(losses) | 78 | (36) | |
| Other operating income | 393 | 209 | |
| Profit from operations before fair value adjustments | 54,039 | 29,544 | 83 |
| Surplus arising on revaluation of properties | 63,253 | 107,312 | (41) |
| Profit from operations | 117,292 | 136,856 | (14) |
| Investment income | 2,010 | 3,935 | |
| Finance costs | (22,315) | (17,862) | |
| Profit before tax | 96,987 | 122,929 | |
| Income tax expense | (13,980) | (16,494) | |
| Profit for the year | 83,007 | 106,435 | (22) |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations | (1,518) | (243) | |
| Total comprehensive income for the year | 81,489 | 106,192 | (23) |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the company | 69,412 | 68,511 | |
| Non-controlling interests | 12,077 | 37,681 | |
| | <u>81,489</u> | <u>106,435</u> | |

| Earnings per share | 2013 | 2012 | |
|---|-------------|-------------|----------|
| Before split of linked units (thebe) | 206 | 205 | |
| After split of linked units (thebe) | 41 | 41 | |
| Distribution per linked unit after split (thebe) | 7.88 | 7.66 | 3 |

| SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION | 2013 P'000 | 2012 P'000 (Restated) | 2011 P'000 (Restated) |
|---|----------------|-----------------------------|-----------------------------|
| Assets | | | |
| Property, plant and equipment | 1,617 | 1,512 | 289,702 |
| Intangible asset | 1,000 | 1,000 | 1,000 |
| Investments | - | 1,980 | 2,152 |
| Investment in a joint venture | 16,145 | 13,126 | 11,980 |
| Investment properties | 840,080 | 720,974 | 294,305 |
| Rental receivable - straight line rental adjustment | 8,788 | 3,897 | 6,131 |
| Current assets | 30,201 | 20,133 | 18,075 |
| Assets classified as held for sale | - | 26,400 | 27,270 |
| Total Assets | 897,831 | 789,022 | 650,615 |
| Equity and Liabilities | | | |
| Equity attributable to the owners of the parent | 473,642 | 354,331 | 293,199 |
| Non-controlling interests | 118,025 | 129,863 | 82,941 |
| Long term borrowings | 222,851 | 232,153 | 228,335 |
| Deferred tax liabilities | 35,544 | 26,011 | 11,918 |
| Current liabilities | 47,769 | 46,664 | 33,825 |
| Liabilities directly associated with assets classified as held for sale | - | - | 397 |
| Total Equity and Liabilities | 897,831 | 789,022 | 650,615 |

| SUMMARISED GROUP STATEMENT OF CASH FLOWS | 2013 P'000 | 2012 P'000 (Restated) |
|--|-----------------|-----------------------------|
| Cash flows from operating activities | | |
| Profit from operations | 117,292 | 136,856 |
| Adjustment for non cash items | (69,612) | (102,020) |
| Working capital changes | (10,925) | (1,735) |
| Taxation paid | (969) | (1,330) |
| Net cash generated from operations | <u>35,786</u> | <u>31,771</u> |
| Cash flows from investing activities | | |
| Contributions to joint venture | (3,358) | (3,383) |
| Purchase of property, plant and equipment | (222) | (17,983) |
| Investment property additions during the year | (11,930) | (493) |
| Proceeds from disposal of investment properties held as assets classified as held for sale | 26,400 | - |
| Interest income | 1,403 | 3,130 |
| Investment income | 607 | 805 |
| Net cash used in/(generated from) investing activities | <u>12,900</u> | <u>(17,924)</u> |
| Cash flows from financing activities | | |
| Dividends and debenture interest paid | (13,534) | (15,318) |
| Finance costs paid | (22,315) | (31,077) |
| Net loans raised | (11,487) | 5,779 |
| Issue of ordinary shares and debentures | 1,837 | 5,032 |
| Net transactions with non-controlling interests | (1,504) | 9,241 |
| Net cash used in financing activities | <u>(47,003)</u> | <u>(26,343)</u> |
| Net movement in cash and cash equivalents | 1,683 | (12,496) |
| Cash and cash equivalents at beginning of year | (10,639) | 1,947 |
| Effects of exchange rate on the cash held in foreign currencies | (64) | (90) |
| Cash and cash equivalents at end of year | (9,020) | (10,639) |
| Consisting of: | | |
| Cash and bank balances | 3,188 | 1,987 |
| Bank overdraft | (12,208) | (12,626) |
| | <u>(9,020)</u> | <u>(10,639)</u> |

| SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY | 2013 P'000 | 2012 P'000 |
|---|----------------|----------------|
| Balance brought forward | 484,194 | 376,140 |
| Capitalisation issue | 1,837 | 5,032 |
| Total comprehensive income for the year | 81,489 | 106,192 |
| Effect of the amalgamation of Tholo group | (6,093) | - |
| Effect of the acquisition of the property Lease No. Area 4-RO | 42,071 | - |
| Debtenture interest paid | (13,269) | (15,018) |
| Taxation attributable to debenture interest | 3,207 | 2,907 |
| Dividends paid | (265) | (300) |
| Net transactions with non-controlling interests | (1,504) | 9,241 |
| | <u>591,667</u> | <u>484,194</u> |

The Year Review & Prospects

We are very pleased to report that the audited financial results for the year ended 31 December 2013 reflect the shift from substantial profit generated by revaluation of the developments to rental growth (up 56%) and operating profits before revaluation (up 83%), mainly due to the contribution by Masa Centre to the overall results. The valuation adjustment has substantially decreased (41%), due to the fact that in 2012 we had the effect of the valuation of Masa Centre which had previously been valued at cost. The investment and property portfolio, in line with long term leases signed, grew by 12% to P859 million which represents a stable growth over the rate of inflation.

We are pleased that we indirectly have made Gaborone a better place to live by generating a "touch of elegance and metropolitan feel" to the New Central Business District and directly we continue supporting the Ngwapa Primary School with our contributions. A major effect of our acquisitions and the success of the Lansmore Masa Square Hotel is that we have managed to create the basis for long term diversification of the rentals both in terms of property sector and currency hedge.

The Return on Equity (ROE) achieved this year is 14%. In the next year, the company will be increasing its exposure to the industrial and the residential sectors while exploring potential foreign diversification.

Effective 1st of October of the current financial year, the Group purchased the Chobe Marina Lodge, situated on property Lease Area No. 4-RO, and RDC Properties Limited amalgamated with Tholo (Proprietary) Limited, buying out the 50% held by non-controlling interests. For further information on this restructuring of the Group, please refer to the relating issued Circular, dated 9 August 2014.

Basis of preparation and accounting policies

The summarised financial results have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), and to also, as a minimum, 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 International Financial Reporting Standards and International Reporting Interpretations Committee interpretations issued and effective for annual periods beginning on or after 1 January 2013 have been applied. The Group's underlying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies are consistent in all material aspects with those adopted in the previous year, except for the adoption of IFRS 11 Joint Arrangements in the current year at the prescribed effective adoption date for all periods beginning on or after 1 January 2013. As required by the standard, the amendments have been applied retrospectively and the comparatives have been restated to reflect the effect of the change in accounting policy. The effects of adopting this standard has been fully disclosed in the group annual financial statements which will be distributed to the unit holders. In the preparation of the summarised financial results, the Company has applied key assumptions concerning the future and other inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the financial results for the year ended 31 December 2012. These assumptions are subject to ongoing review and possible amendments.

Financial results and highlights

Revenue increased from P46,025 million in 2012 to P71,620 million in 2013, showing an increase of 56%. Profit from operations before fair value adjustments in 2013 increased by an impressive 83% to P54,039 (P29,544 in 2012). Profit after tax in 2013 is lower than it was in 2012, as a result of the decrease in the surplus arising on revaluation of properties by 41%. The prior year exceptional revaluation surplus arose because it was the first year the Masa Centre was recognised as an investment property and revalued accordingly. Despite the reduction of profit after tax, profit attributable to owners of the company increased by 1.3%.

Directors

With effect from 12th September 2013, Mr. C Tibone and Mr. J Pari joined the Board of Directors. With effect from 18th March 2014, Mr. K A Jefferies joined the Board of Directors. The Board bid farewell to Mr. N N Gaolathe and Ms. J S Stewart on 30 April 2013 and 30 June 2013 respectively. The Board would like to take this opportunity to thank both Mr. N N Gaolathe and Ms. J S Stewart for all their contributions and wish them both all the best in their future endeavours.

Distribution to linked unit holders

Notice is hereby given that the final dividend of **0.04** thebe per share and interest of **1.85** thebe per debenture has been declared. This dividend and interest will be payable on 30th of May 2014 to those linked unit holders registered at the close of business on 18th of April 2014. It is the intention of the directors to propose, to those linked unit holders who qualify, an elective distribution of 50% of the net final distribution by way of a capitalisation option. Details of this option will be circulated to unit holders. The option will open on 28th of April 2014 and will close on 16th of May 2014. The listing of the new units on the Botswana Stock Exchange will occur on 23rd of May 2014.

Auditor's Opinion

Deloitte & Touche, the company's independent auditors, have audited the financial statements of the Group from which the summarised financial results have been derived, and have expressed an unmodified audit opinion on the annual financial statements. The summarised financial results comprise the summarised consolidated statement of financial position as at 31 December 2013, the summarised consolidated statement of comprehensive income, summarised consolidated statement of changes in equity and summarised consolidated statement of cash flows for the year then ended, and selected explanatory notes. The audit report is available for inspection at the Group's registered office. For a better understanding of the Group's financial position and the results of its operations for the year and the scope of the audit, the summarised financial results should be read in conjunction with the audited group financial statements from which the summarised financial results were derived and the audit report thereon. The audit was conducted in accordance with International Standards on Auditing.

By order of the Board

G R Giachetti
Executive Chairman
Gaborone 27 March 2014