RDC PROPERTIES LIMITED UNAUDITED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 30 JUNE 2024

RDC Property Group

Directors:
A Bradley (Chairman)**, G Fisher**, F Giachetti*, G R Giachetti (Vice Chairman)*, G Giachetti*, J Pari*, K C Maphage, N Milne**, S Susman**, S Mathe
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FINANCIAL HIGHLIGHTS

REVENUE

6%

CONSOLIDATED REVENUE INCREASED TO P288 MILLION (HY 2023: P273 MILLION)

PROFIT FOR THE PERIOD

54%

PROFIT FOR THE PERIOD INCREASED TO P38 MILLION (HY 2023: P24 MILLION)

LOAN TO VALUE

43.2%

LOAN TO VALUE RATIO DECREASED TO 43.2% (HY 2023: 44.9%)

PORTFOLIO PERFORMANCE

INVESTMENT PORTFOLIO

0.3%

DESPITE THE SALE OF ASSETS HELD FOR SALE, THE INVESTMENT PORTFOLIO INCREASED BY P18 MILLION to P5.9 BILLION

OVERALL VACANCY

4.8%

OVERALL VACANCY (BY REVENUE) REDUCED TO 4.8% (PY DEC 2023: 7.9%)

RETURN TO SHAREHOLDERS

NET ASSET VALUE

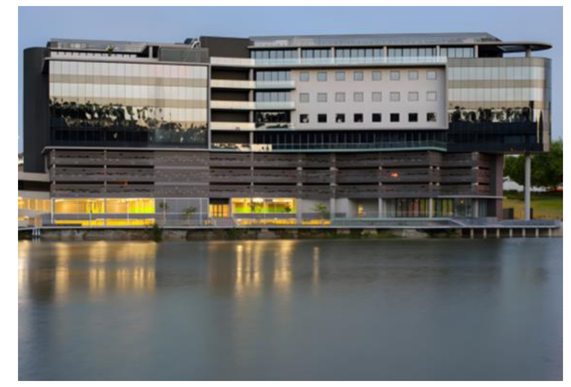
4.6%

NET ASSET VALUE ATTRIBUTABLE TO SHAREHOLDERS INCREASED TO P2.63 BILLION (HY 2023: P2.51 BILLION)

NET PROFIT

80%

PROFIT ATTRIBUTABLE TO SHAREHOLDERS INCREASED TO P27 MILLION (HY 2023: 15 MILLION)



ABRIDGED UNAUDITED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2024	Six months ended 30 June 2023	% Change	Audited year ended 31 December 2023
	P'000	**P'000**		**P'000**
Revenue	**288,357**	**272,911**	**6%**	**561,290**
Net property operating expenses	(112,420)	(98,829)		(216,560)
Net property income	**175,937**	**174,082**	**1%**	**344,730**
Other operating expenses	(25,044)	(26,937)		(51,698)
Sale of inventory	19,038	2,466		2,465
Cost of sales	(19,079)	(2,399)		(2,398)
Inventory write-down	-	-		6,145
Other operating income	4,469	5,166		10,379
Bargain purchase gain	-	-		26,797
Gain on the sale of subsidiary	5,961	-		(4,146)
Income arising from joint venture	679	20		536
Other foreign exchange gains	570	6,876		(922)
Profit from operations before fair value adjustments and finance costs	**162,531**	**159,274**	**2%**	**331,888**
Fair value gain/(loss) on investments	-	(340)		(19,712)
Fair value gain/(loss) on investment properties	(251)	(13,191)		106,921
Fair value gain/(loss) on interest rate derivatives	(4,277)	(4,324)		(16,040)
Net finance costs	(116,972)	(111,208)		(227,569)
Profit before tax	**41,031**	**30,211**	**36%**	**175,488**
Income tax expense	(3,485)	(5,759)		(46,288)
Profit for the period	**37,546**	**24,452**	**54%**	**129,200**
Total profit for the period attributable to:				
Owners of the company	26,985	15,007		101,039
Non-controlling interests	10,561	9,445		28,161
	37,546	**24,452**		**129,200**
Other comprehensive income				
Exchange differences on translation of foreign operations	12,215	3,465		28, 659
Fair value gain on available for sale financial assets	(736)	(1,840)		25, 780
Total comprehensive income for the period	**49,025**	**26,077**	**88%**	**183,639**
Average number of linked units in issue at period end	758,232,937	758,232,937		758,232,937
Earnings per linked unit (thebe)	3.56	1.98		14.23
Number of linked units in issue at distribution date	758,232,937	758,232,937		758,232,937
Distribution per linked unit (thebe)	2.84	4.26		3.50

ABRIDGED UNAUDITED GROUP STATEMENT OF FINANCIAL POSITION

	Six months ended 30 June 2024	Six months ended 30 June 2023	% Change	Audited year ended 31 December 2023
Assets	**P'000**	**P'000**		**P'000**
Property, plant and equipment	35,258	41,684		38,570
Intangible asset	1,000	1,000		1,000
Investments	48,222	106,679		46,753
Long term loan receivables	27,247	-		23,062
Financial assets at fair value through OCI	8,465	8,344		10,421
Investment in a joint venture	105,091	29,207		102,063
Investment properties	5,482,780	5,446,284		5,421,568
Investment properties held for sale	31,736	80,813		99,738
Long-term trade receivables	26,341	30,656		26,340
Inventories	143,995	151,389		158,943
Other current assets	307,782	191,468		279,716
Total Assets	**6,217,917**	**6,087,524**	**2%**	**6,208,174**
Equity and Liabilities				
Equity attributable to the owners of the parent	2,630,224	2,514,095		2,609,717
Non-controlling interests	521,160	534,300		560,387
Long-term borrowings	2,715,726	2,714,551		2,601,895
Deferred tax liabilities	215,061	186,901		216,022
Current liabilities	135,746	137,677		220,153
Total Equity and Liabilities	**6,217,917**	**6,087,524**	**2%**	**6,208,174**

ABRIDGED UNAUDITED GROUP STATEMENT OF CASH FLOWS

	Six months ended 30 June 2024	Six months ended 30 June 2023	Audited year ended 31 December 2023
Cash flows from operating activities	P'000	P'000	P'000
Profit from operations	162,531	159,274	283,380
Adjustment for non-cash items	3,357	3,832	6,629
Working capital changes	(14,749)	(15,708)	12,035
Taxation paid	(6,444)	(2,867)	(6,798)
Net cash generated/(utilized) from operating activities	**144,695**	**144,531**	**295,246**
Additions to investment properties	(29,896)	(20,631)	(29,659)
Acquisition of interest in a joint venture	-	-	(1,362)
Additions of property, plant and equipment	-	-	(976)
Movements in investments	(1,469)	(11,266)	25,819
Net proceeds from sale of inventory	19,038	2,466	2,374
Disposal of investment property not held for sale	-	-	102,633
Proceeds on held for sale investment property	67,852	-	-
Net cash proceeds on sale of subsidiary	11,820	-	-
Investment income	-	-	12,902
Dividend income	30	-	1,146
Share of income from joint venture	-	(20)	-
Net loans raised	77,123	(5,488)	(103,018)
Net finance costs paid	(116,972)	(111,208)	(241,617)
Distributions to non-controlling interest	34,875	-	(18,294)
Dividend and debenture interest	(20,000)	(1,709)	(32,324)
Net movement in cash and cash equivalents	**117,345**	**(3,326)**	**12,870**
Cash and cash equivalents at beginning of the period	73,106	80,077	80,077
Effects of exchange rates	(17,423)	7,128	(19,841)
Cash and cash equivalents at end of the period	**173,028**	**83,879**	**73,106**

ABRIDGED UNAUDITED GROUP STATEMENT OF CHANGES IN EQUITY

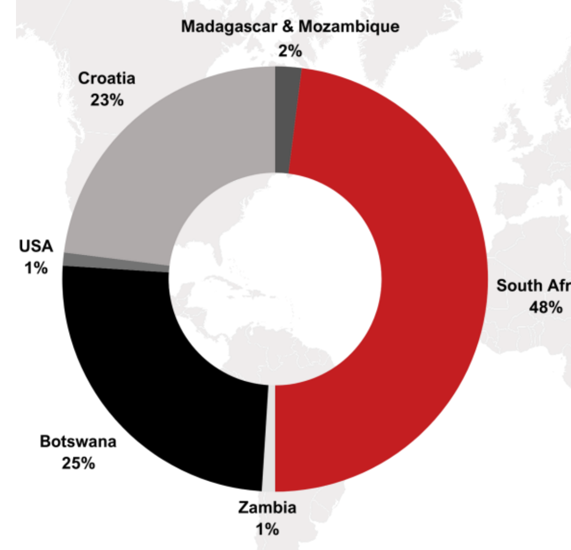
	Six months ended 30 June 2024	Six months ended 31 December 2023	Six months ended 30 June 2023
	P'000	**P'000**	**P'000**
Balance brought forward – previously reported	**3,170,104**	**3,048,395**	**3,030,197**
Total distribution to the owners of the company	(20,000)	(25,438)	-
Net movement attributable to the owners of the company	38,464	121,060	16,632
Net movement attributable to non-controlling interests	(37,184)	26,087	1,566
Balance at the end of the period	**3,151,384**	**3,170,104**	**3,048,395**

Key Operational Information: Segmental Analysis

Portfolio Value by Region

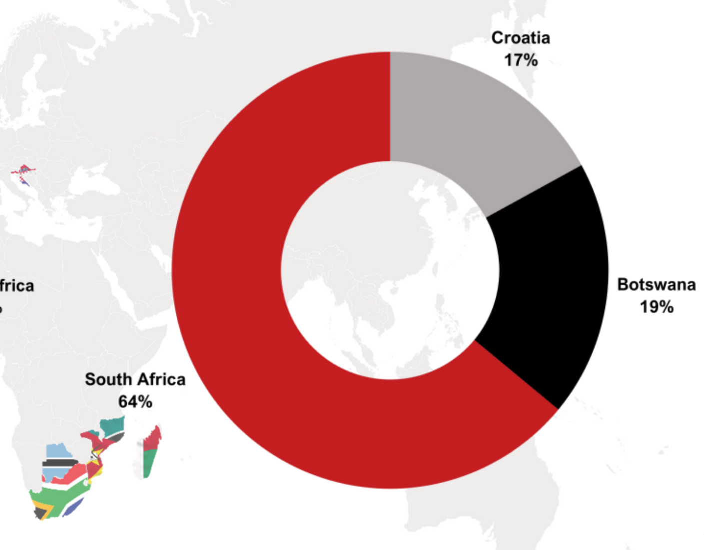
Total value of P6.0B

Split into the following regions:



Revenue by Region

Total revenue: P288M split:



FINANCIAL RESULTS

I am pleased to present the Group interim results for the period ended 30 June 2024. The Group's well diversified portfolio in terms of sector and location has once again enabled it to produce a strong set of results in a challenging macro-economic environment.

Revenue has grown by 6% to P288.4 million compared to the corresponding period, despite the sales. Profit before tax for the period increased by 36% to P41 million compared to the corresponding period, driven primarily by improved net operating income. The previous period's performance was negatively impacted by a P13.2 million downward fair value adjustment on investment properties held for sale, which did not recur in this period. Additionally, the sale of our subsidiary, 108 Albert Road (Pty) Ltd, contributed a gain of P6 million to the current year profit, further bolstering our results. While the increase in profit before tax was impacted by higher finance costs due to rising interest rates, our overall financial position remains robust, and we continue to deliver value to our investors.

The Group's loan to value has reduced to 43.2% from 44.9% in the corresponding period. As at the period end, the Group took out a loan equivalent to P84 million in Croatia (using Croatian assets as security) as the Croatian LTV was very low and used the proceeds to settle debt in South Africa where the LTV and interest rates are higher. This will have a positive impact on the Group's interest expense, cash flow and covenants going forward. The total assets have increased by 2% to P6.2 billion compared to the corresponding period, despite the sale of non-strategic assets during the period under review. It is management's focus to further reduce the gearing over the medium term.

OPERATIONAL HIGHLIGHTS

The Group's financial results underpin RDC's improved performance from an operations perspective. The property improvement program continues to yield results, reflected in the increase in revenue and earnings of the company. In addition, the value of the investment portfolio has increased despite the sale of some non-core properties. This aligns with the dual strategy of increasing shareholder distributions as well as the Net Asset Value per share over the short to medium term.

A key metric in property improvement is vacancy analysis. We are pleased to report a continued downward trend in overall vacancies. We reported a vacancy of 10.7% of total Gross Lettable Area (GLA) as at Dec 2023. Over the past six months our vacancy as a ratio of GLA has been further reduced to 8.4% due to the efforts of our in-house letting teams. A more meaningful way to focus on current vacancy is to express it as a ratio of Total Rental Income and, using this metric, the vacancy in December 2023 was 7.9% and has since been reduced to 4.8%. The new letting has been in line with our forecast rental rate projections. In terms of renewals, we have managed to renew 25,200m² in the period under review at a nil reversion rate.

As regards further disposals, we concluded the sale of our share in the now completed 108 Albert Road development in Cape Town, and there has been an increased demand for the luxury apartments held for sale at the Old Cape Quarter in Cape Town, with now only 24 of 55 units held under our ownership. As mentioned, despite the disposal of non-core properties, there has been an overall increase in the total portfolio value which continues to demonstrate shareholder value protection.

From a regional perspective, Botswana remains stable with the hospitality assets benefiting from the buoyant leisure and improved business travel market. Letting activity has been pro-active with some 8,000m² in new and renewed leases being concluded in the period. The current vacancy by revenue for the region is 6.2%.

In South Africa, the Gauteng portfolio vacancy by revenue is currently 14.6%. Some 14,200m² in new and renewed leases have been concluded in the last 6 months, and the region is starting to show signs of growth after a sustained downturn. The KZN portfolio currently has a vacancy rate of 8.8% by revenue with 3,100m² in new and renewed leases concluded in the reporting period. It is worth noting that KZN accounts for only 5% of total rental income. A contributing factor to the overall performance of the Tower portfolio is due to a structural change in the outsourced property management contract, which has been reduced to 'admin only' support and the Asset Manager employing the portfolio managers directly, improving communication, control and accountability.

The Western Cape portfolio is really outperforming the market, with a current vacancy ratio by revenue of 2.2%. We are pleased to report the opening of the redeveloped Westlake Shopping Centre in Cape Town. Checkers and Clicks anchor this vibrant centre, which is set to make a sustained contribution to rental revenues. Successful lease renewals of PSG and Heineken (formerly Distell) at the premium grade Edge Building has been a material contributor to performance.

Croatia continues to be a robust region and a very important part of our currency hedging strategy. A significant leasing deal in an annex to our 12,300m² Dubrovnik Shopping Centre will add an estimated €2m to the value of the property in the next valuation cycle. Global inflation has eventually cooled and the Euribor (Euro inter bank rate) is declining, which is good news for our financing costs. This trend is evident in all our regions.

In terms of ESG activity, RDC has partnered in South Africa with a solar solutions provider and concluded 13 Power Purchase Agreements to date, which will provide for the installation of solar energy systems on our rooftops at no capex cost to RDC and a 1st year saving of estimated R4m in energy costs, which benefit will grow over time as energy costs increase. Importantly, we are now able to offset the purchase of grid power with that of clean, renewable energy, paving the way for a lower carbon footprint. The second phase of this project is under way with the assessment of the balance of the SA and the Botswana portfolios.

In terms of management changes, Phillip Mothoteng has been appointed as Group Finance Director, based at our Gaborone Head Office. Phillip has an Executive MBA and a proven track record of success. He brings extensive financial experience that will be instrumental in advancing RDC's objectives. Additionally, Saleem Khan has been appointed as Group Financial Manager, based in our Cape Town office, where he will oversee finance operations for the Group. As RDC continues to expand its presence beyond Botswana, these strategic appointments, within the management company, reinforce our commitment to strengthening the leadership team with experienced individuals who bring a clear vision for the future, to sustain and enhance financial performance.

DIRECTORS

In alignment with RDC's commitment to high standards of governance, Andrew Bradley was elected as independent non-executive chairman at the Board meeting held on 23 May, immediately following the AGM. Andrew's extensive financial, legal, and leadership expertise will continue to drive RDC forward in his new role. Guido Giachetti, who has skillfully led the Board for the past 15 years and been pivotal in RDC's rise to market leadership, will continue to lead the executive team and asset management operations, ensuring the company's sustained performance and growth.

The Company's Cape Town-based CFO, Joanne Mabin, departed RDC at the end of August. Joanne, who joined RDC in 2021 following the acquisition of Tower Property Fund, made significant contributions to the company's growth, and we extend our sincere thanks and best wishes for her future endeavors.

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 2024 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 0.126 thebe per ordinary share and interest of 2.712 thebe per debenture has been declared on 16th September 2024. The total distribution is P21.5 million for the period and is set conservatively as our expectations around interest rate decreases did not materialise over the past 6 months but are expected to occur in the remaining months of the year. This dividend and interest will be payable on or around 29th October 2024 to those linked unit holders registered at the close of business on 17th October 2024. The ex-dividend date is therefore 15th October 2024.

By order of the Board
A Bradley, Chairman
Gaborone
16 September 2024