

FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

The Board of Directors of Centum Real Estate Limited is pleased to announce the Consolidated audited financial results for the year ended 31 March 2023 as set out below:-

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

KES '000	31-Mar-23	Restated 31-Mar-22
Residential projects:		
Net revenue from sale of residential units	1,914,557	1,849,570
Cost of sales	(1,628,904)	(1,514,848)
Gross profit from residential units	285,653	334,722
Other income	167,637	192,855
Fair value gain on investment properties	2,129,175	513,068
Gain on disposal of investment properties	75,608	111,074
Operating and administrative expenses	(748,460)	(502,100)
Operating profit	1,909,613	649,619
Finance costs	(889,745)	(794,710)
Profit/(loss) before tax	1,019,868	(145,091)
Income tax expense	(845,815)	(341,845)
Profit/(loss) after tax	174,053	(486,936)
Other comprehensive income, net of tax	(560)	274,865
Total comprehensive income/(loss)	173,493	(212,071)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

KES '000	31-Mar-23	Restated 31-Mar-22
Investment property	31,520,237	28,164,072
Inventory – completed residential units	2,986,327	2,241,899
Inventory – residential units under construction	5,885,510	5,315,536
Cash and cash equivalents	863,886	1,594,003
Other assets	5,100,164	3,551,866
Total Assets	46,356,124	40,867,376
Deferred revenues	8,151,640	4,738,811
Borrowings	5,234,874	5,836,995
Deferred income tax liabilities	5,626,194	4,782,076
Other liabilities	1,767,008	1,124,495
Total Liabilities	20,779,716	16,482,377
Net Assets	25,576,408	24,384,999
Funded by:		
Equity	16,519,379	16,345,886
Shareholder loans	9,057,029	8,039,113
Total Shareholder Funding	25,576,408	24,384,999

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2023

KES '000	31-Mar-23	31-Mar-22
Opening cash and cash equivalents	400,020	856,380
Net cash generated from operating activities	3,301,053	981,185
Net cash used in investing activities	(369,596)	(97,807)
Net cash used in financing activities	(3,104,478)	(1,339,738)
Closing cash and cash equivalents	226,999	400,020

The closing cash and cash equivalents in the consolidated statement of cashflows excludes restricted cash of KES 0.6 billion for servicing of debt obligations per the various facility agreements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2023

KES '000	31-Mar-23	Restated 31-Mar-22
Share capital	1,934,633	1,934,633
Other reserves	1,246,244	1,246,804
Retained earnings	13,343,340	13,166,039
Total Shareholder's Equity	16,524,217	16,347,476
Non-controlling interest	(4,838)	(1,590)
Total Equity	16,519,379	16,345,886

BUSINESS OVERVIEW AND PERFORMANCE

The financial year ended 31 March 2023 was characterized by elevated inflationary pressures, a depreciating Kenya shilling against major hard currencies, supply chain constraints, elections and deteriorating global macro-economic conditions. Despite these headwinds, Centum Real Estate Limited posted an improved performance overall, with a profit after tax of Kes 174 million compared to a restated loss of Kes 487 million in the prior year.

Centum Real Estate' is anchored on two key business pillars (i) sale of development rights within our land banks at Vipingo and Uganda; and (ii) development and sale of residential infill projects. We have made significant traction on both fronts in Kenya and Uganda, as evidenced by the quantum and value of development rights sales, size of residential projects pipeline and sales, cash collections and the receivable on sales.

1. Residential units

The residential unit's business pillar has adopted a sales driven development model. We seek to pre-sell at least 30% of any new project before commencing construction. Our payment terms require that 10% of the sales value is collected as an initial deposit while the balance is payable over the construction period.

The deposits collected from customers are accounted for in the balance sheet as deferred revenue. The revenue is recognised in our income statement when construction is completed, the home has been handed over to the buyer and the home has been fully paid for. We continue to progressively recognise this revenue in our income statement once we meet the performance obligations as outlined above.

We categorize our projects as completed and under construction as highlighted below.

a. Completed projects.

	31-Mar-23	31-Mar-22
Completed units pending revenue recognition	564	597
Units recognized in the Profit & Loss		
Units recognized during the year	222	304
Value of units recognized during the year (Kes '000)	1,914,557	1,849,570
Units completed pending recognition	342	293
Value of the sold units pending recognition (Kes '000)	2,628,463	1,080,202
Value of the unsold units pending recognition (Kes '000)	633,843	921,251

During the year, the company managed to recognize revenue from 222 units (FY 2022: 304 units) and the revenue booked in the income statement of KES 1.9 billion (FY 2022: KES 1.8 billion). Sold and completed units pending recognition were valued at KES 2.6 billion (FY2022: KES 1.1 billion) while the unsold and completed units were valued at KES 0.6 billion (FY2022: KES 0.9 billion).

The units pending recognition are projected to be recognized in the subsequent financial year.

b. Ongoing projects.

	31-Mar-23	31-Mar-22
Units under construction	1,151	1,422
Value of units under construction (Kes '000)	10,859,207	13,319,685
Sold units	889	1,052
Value of sold units (Kes '000)	8,172,130	9,627,547
Unsold units	262	370
Value of unsold units (Kes '000)	2,687,077	3,692,138

A total of 1,151 units (FY2022: 1,422 units) are under various stages of construction with a projected revenue of KES 10.8 billion (FY2022: KES 13.3 billion). Of this, 889 units have been sold (FY2022: 1,052 units) valued at KES 8.2 billion (FY2022: KES 9.6 billion). The value of unsold units under construction is KES 2.7 billion (FY2022: KES 3.7 billion) which we project to sell substantially within the subsequent financial year.

Development rights

The Group's policy is to recognise revenue from development right sales when full payments have been received and the performance obligations highlighted in the sales agreements have been met. During the year, we completed and recognised the sale of development rights worth KES 172 million (2022: KES 1,716 million) across our land banks. The realised gain from these sales over the cost of land acquisition and related infrastructure costs were KES 76 million (2022: KES 111 million). The previously booked unrealised gains have been monetised on disposal of the development rights.

KES. '000	31-Mar-23	31-Mar-22
Revenue from sale of development rights/land	172,390	1,716,725
Original cost of the land and related infrastructure costs	(44,193)	(329,719)
Gross profit	128,197	1,387,006
Previously recognized fair value gains on disposed land	(52,589)	(1,275,932)
Net gain on disposal	75,608	111,074

During the year, we executed agreements for the sale of an additional 3,319 acres of land within our property portfolio valued at KES 6.3 billion increasing the value of signed contracts to KES 7.4 billion which is expected to be collected over the next 12 to 48 months. The buyers have and continue to honour all the payment milestones.

KES. '000	31-Mar-23	31-Mar-22
Value of signed contracts at start of year	1,241,323	650,034
Value of contracts signed during the year	6,317,054	2,305,502
Completed transactions during the year and recognized in the P&L	(172,390)	(1,714,213)
Balance receivable from signed contracts at end of year	7,385,987	1,241,323
Collections during the year from all signed contracts	2,415,477	1,508,038



Awali Estate in Vipingo, Kenya



Pearl Marina Estate in Entebbe, Uganda



Loft Residences at Two Rivers in Nairobi, Kenya

The development rights sales have been achieved at valuations that are several multiples to both the land acquisition and development costs and carrying values, validating both our business model as a master developer and the valuations on our balance sheet.

Financial Performance

The Group recorded a profit after tax of KES 174 million for the year ended 31 March 2023 compared to a restated loss after tax of KES 487 million in the prior year. Of the 895 residential units that have been completed, an additional 222 met the revenue recognition criteria and were recognised during the year ended 31 March 2023. We expect revenue and profit from the balance of these units to be booked in the financial year ending 31 March 2024.

The Group recorded property valuation gains of KES 2 billion in the year ended 31 March 2023 compared to KES 0.5 billion in the year ended 31 March 2022 on the back of extensive infrastructural investments within our land banks and accelerated development activity by third party development.

The increase in finance cost in the year is explained by the depreciation of the KES against the USD 16% in FY 23 resulting in unrealized foreign exchange losses on the USD denominated liabilities.

Other comprehensive income reflects currency translation differences of our Uganda and Mauritian subsidiaries whose functional and presentation currencies are the Uganda shilling and US Dollar respectively.

The Group's total assets amounted to KES 46.4 billion at 31 March 2023, funded by shareholder equity of KES 16.5 billion, shareholder loans of KES 9.1 billion, KES 5.2 billion in borrowings and KES 15.5 billion in other liabilities (mainly comprising Kes 8.2 billion of customer deposits recognized as Deferred Revenue, Kes 5.6 billion of Deferred Taxes and Kes 1.8 billion of Trade and Other Payables). During the year, the bank borrowings reduced by KES 602 million on account of principal repayments funded by the strong cashflows from the sale of development rights. As at 31 March 2023, the Group had cash holdings of KES 864 million to fund the development of residential houses and meet the maturing debt obligations as they fall due. The asset cover ratio increased to 10.6x from 9.6x in the year ended 31 March 2022.

KES '000	31-Mar-23	31-Mar-22
Borrowings	5,234,874	5,836,995
Less: Cash	(863,886)	(1,594,003)
Net Borrowings	4,370,988	4,242,992
Equity*	25,576,408	24,384,999
Total Assets	46,356,124	40,867,376
Debt-Equity Ratio	17%	17%
Asset Cover Ratio	10.6x	9.6x

* Includes shareholder loans.

Restatement of FY 2022 deferred income tax and liability

An error in the calculation of deferred income tax liability in the prior year financial statements of a subsidiary entity has necessitated a restatement of the comparative statement of comprehensive income and statement of financial position. The error in calculation of deferred income tax arose from the amendment of Section 25(4) of the Income Tax Act of Uganda which restricted the deductible interest expense. The impact of the amendment was not captured in the deferred income tax computation for group consolidation purposes but was subsequently recorded in the local statutory financial statements for the year ended 31 March 2022.

OUTLOOK

Residential Units: High Growth Pillar

We remain optimistic on the prospects of our homes business and our ability to leverage the brand and track record to generate sales. Our primary focus is to complete construction of all Centum RE 1.0 projects within the financial year and set up 2.0 project pipeline with a product offering focusing on the high demand and underserved affordable to mid-market segment.

On the short to medium term, the current macro-economic environment will no doubt place pressure on our pre-sell and build model especially on housing demand and construction cost. We will continue to monitor and adjust our product offering to respond to market demand, introduce new customer incentives to increase sales, focus on gross margin improvement, review our supply chain to mitigate high cost, adopt alternative construction technology to shorten construction time, cost, and cash flow cycle.

We have 2,076 homes under active development, of which 895 homes have been completed and a further 1,949 under construction with a target completion date of March 2024.

Development Rights: Strong Cash Generation Pillar

During the year ended 31 March 2023, we signed development rights sales contracts valued at KES 6.3 billion where the required deposits have since been received. The purchasers are adhering to the terms of the respective contracts, and these sales are expected to be completed in the subsequent years. The cashflows from this pillar of this business is intended to be reinvested in the residential unit's business and settle the maturity debt obligations.

By Order of the Board,


Kenneth Mbae
Managing Director