FINANCIAL RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2022

The Board of Directors of Centum Real Estate Limited is pleased to announce the Company's unaudited interim financial results for the six-month period ended 30 September 2022 as set out below:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2022

KES '000	30 Sep 22	30 Sep 21
Residential projects:		
Net revenue from sale of residential units	898,323	931,479
Cost of sales	(719,674)	(795,953)
Gross profit from residential units	**178,649**	**135,526**
Other income	48,711	96,526
Gain on disposal of investment properties	46,714	71,220
Operating and administrative expenses	(276,476)	(233,204)
Operating (loss)/profit	**(2,402)**	**70,068**
Finance costs	(264,650)	(513,089)
Loss before tax	**(267,052)**	**(443,021)**
Loss after tax	**(187,379)**	**(302,698)**
Other comprehensive income, net of tax	(583,693)	398,169
Total comprehensive income	**(771,072)**	**95,471**

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 has shareholder loans with the parent company, Centum Investment Company Plc, that are US Dollar denominated. During the period, the Kenya shilling depreciated against the US Dollar leading to currency translation losses when translating the US Dollar denominated shareholder loans.

KES '000	30 Sep 22	30 Sep 21
Shareholder loans	(323,143)	(71,431)
Investment property	(249,883)	441,707
Others	(10,667)	27,893
Total	**(583,693)**	**398,169**

The group also has investment property in Uganda. During the period, the Kenya shilling strengthened against the Uganda shilling leading to currency translation losses when translating our Uganda Shilling denominated investment property. In the prior period, we recognised a total gain of KES 398 million due to similar currency movements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

KES '000	30 Sep 22	31 Mar 22
Investment property	27,844,932	28,164,072
Inventory – completed residential units	1,454,835	2,241,899
Inventory – residential units under construction	6,177,095	5,315,536
Cash and cash equivalents	1,013,523	1,594,003
Other assets	3,787,132	3,551,866
Total Assets	**40,277,517**	**40,867,376**
Deferred Revenues	5,402,429	4,738,811
Borrowings	4,977,424	5,836,995
Other Liabilities	5,530,621	5,451,599
Total Liabilities	**15,910,474**	**16,027,405**
Net Assets	**24,367,043**	**24,839,971**
Funded by:		
Equity	16,029,786	16,800,858
Shareholder loans	8,337,257	8,039,113
Total Shareholder Funding	**24,367,043**	**24,839,971**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

KES '000	30 Sept 22	30 Sept 21
Opening cash and cash equivalents	**1,594,003**	**1,637,944**
Net cash generated from operations	708,719	665,992
Net cash used in investing activities	(45,120)	(42,127)
Net cash used in financing activities	(1,244,079)	(818,871)
Closing cash and cash equivalents	**1,013,523**	**1,442,938**

As a development company, payments in relation to development costs are classified as cash used in operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 SEPTEMBER 2022

KES '000	30 Sep 22	31 Sep 21
Share capital	1,934,633	1,934,633
Other reserves	663,967	1,370,152
Retained earnings	13,435,528	13,348,647
Total owners equity	**16,034,128**	**16,653,432**
Non-controlling interest	(4,342)	-
Total	**16,029,786**	**16,653,432**

BUSINESS OVERVIEW AND PERFORMANCE

The results for the period were achieved against a challenging operating environment characterised by a depreciating Kenya shilling against major hard currencies, supply chain constraints, elections and deteriorating global macro-economic conditions.

The two primary value drivers in our business are (i) sale of development rights within our land banks; and (ii) development and sale of residential infill projects. We have made significant progress 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.

Residential

In our sales-led development model, we seek to pre-sell at least 30% of a project phase before ground-breaking. Under our payment terms, 20% of the sale value is collected as an initial deposit while the balance is payable over the construction period.

	6 months ended 30 Sep 22	12 months ended 31 March 22
Opening balance	1,739	1,363
Units sold during the period/year	86	376
Closing balance	1,825	1,739
% units sold	**75%**	**66%**
Cumulative value of units sold (KES'mn)	15,853	14,877
Cash collected during the period/year (KES'mn)	1,243	2,870
Cumulative collections (KES'mn)	7,892	6,648
% collections	**50%**	**45%**

As at 30 Sep 2022, we had cumulatively sold 1,825 homes with a total sale value of KES 15.9 billion representing 75% of the total homes either completed, under construction or under market validation. KES 7.9 billion had been collected as cumulative deposits representing 50% of the total sales value with KES 7.9 billion being the cash due on the pre-sales as at 30 Sep 2022.

The deposits collected are accounted for as deferred revenue liabilities on the balance sheet, with the revenue being recognised in our income statement when construction is completed, the home has been handed over to the buyer and it has been fully paid for. We continue to progressively recognise this revenue in our income statement.

	6 months ended 30 Sep 22	12 months ended 31 Mar 22
Units completed	624	624
Units recognized in the P&L: Opening balance	331	27
Units recognized during the period/year	96	304
Cumulative units recognized in P&L	427	331
% recognised	**68%**	**53%**

For the units that have been completed but not recognised in the P&L, more than 83% of the units have been sold with the relevant sales agreements executed and scheduled payments received.

	30 Sep 22	31 Mar 22
Units completed but not recognized in the P&L	197	293
Units with signed sale agreements	162	244
Unsold units/inventory	**35**	**49**
Value of the units with signed sale agreements (KES'mn)	1,390	2,001
Collections received (KES'mn)	536	885
% collections received	**39%**	**44%**

These customers are currently processing their mortgages and are expected to have fully paid up by March 2023 in line with their sale agreements.

In the second half of the year, we expect to complete and hand over an additional 423 units in Kenya and Uganda whose revenue and profitability is expected to start reflecting in the income statement.

	30 Sep 22
Current completed units	624
Additional units scheduled for completion	423
Total projected completed units by 31 March 2023	**1,047**
Units scheduled for completion	423
No. of units sold with signed agreements of the units scheduled for completion	412
Unsold units/inventory	**11**
Value of units with signed sale agreements (KES'mn)	3,550
Collections received (KES'mn)	1,610
% collections received	**45%**

The balance of the receivable is due upon hand over of the units.

In summary, we have recognized additional profits of KES 178 million for the completed units that met our revenue recognition threshold of completed units. Out of the 1,825 units sold to date, we have cumulatively recognized profits on 427 units. The potential profit on the balance of the sold units that have not yet achieved the revenue recognition threshold is KES 1.9 billion. This profit will continue to be recognized progressively over the subsequent financial years.



Development rights

Our policy is to recognise revenue from development right sales when full payments have been received and the necessary agreements have been executed. During the period, we completed and recognised the sale of development rights worth KES 124 million (HY22: KES 350 million) across our sites. The realised gain from these sales over the cost of land acquisition and related infrastructure costs were KES 88 million (2022: KES 174 million). Those gains had previously been booked as unrealised gains as required by IFRS.

KES '000	30 Sep 22	30 Sep 21
Revenue from sale of development rights/land	124,600	348,463
Original cost of the land and related infrastructure costs	(35,648)	(173,793)
Gross profit	**88,952**	**174,671**
Previously recognized fair value gains on disposed land	(42,238)	(103,451)
Net gain on disposal	**46,714**	**71,220**

During the period, we also executed agreements for the sale of an additional 1,774 acres of land within our property portfolio valued at KES 3.2 billion increasing the value of signed contracts to KES 4.3 billion which is expected to be collected over the next 12 to 24 months. The buyers have and continue to honour all the payment milestones.

KES '000	6 months ended 30 Sep 22	12 months ended 31 March 22
Value of signed contracts at start of period/year	1,241,323	650,034
Value of contracts signed during the period/year	3,217,321	2,305,502
Completed transactions during the year and recognized in the P&L	(124,600)	(1,714,213)
Value of signed contracts at end of period/year	**4,334,044**	**1,241,323**
Collections during the year from all signed contracts	**617,808**	**1,508,038**

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

With the above context, the Group's consolidated loss for the period reduced by 38% to KES 187 million (HY22: loss KES 302 million), driven by profit from residential units, sales of bulk land and development rights and reduction of finance costs. Of the 624 homes that have been completed, an additional 96 units were recognised in the period ended 30 Sep 2022. Cumulatively 427 units of the 624 completed units met the revenue recognition criteria and have been recognised. We expect revenue and profit from the balance of these units to be booked in the second half of the financial year ending 31 March 2023.

The Group's total assets amounted to KES 40.2 billion at 30 Sep 2022, funded by shareholder equity of KES 24.4 billion and KES 4.9 billion in borrowings. The Company has a low gearing ratio and a comfortable asset cover ratio, as analysed below:

KES '000	30 Sep 22	31 March 22
Borrowings	4,977,424	5,836,995
Less: Cash	(1,013,523)	(1,594,003)
Net Borrowings	**3,963,901**	**4,242,992**
Equity	24,367,042	24,839,971
Total Assets	**40,277,516**	**40,867,376**
Debt-Equity Ratio	16%	17%
Asset Cover Ratio	10.2x	9.6x

During the period, the borrowings reduced by KES 860 million on account of principal repayments funded by the strong cashflows from the sale of development rights. As at 30 Sep 2022, the Group had cash holdings of KES 1.0 billion to fund the development of residential houses and meet the maturing debt obligations as they fall due.

OUTLOOK

Residential Units: High Growth Pillar

Our residential unit's business is anchored on a sell to build model that is capital light and principally funded through internally generated funds. The residential units are presently being developed in prime and established urban nodes resulting in high sales velocity. This has been demonstrated by selling 78% of the units under construction and 94% for the completed units.

We currently have an approved pipeline of 5,792 homes for development in Kenya and Uganda of which 2,573 are under active development. Of these, 624 have been completed and a further 1,949 are either under construction or market validation.

We are on course to complete construction of an additional 423 homes in the second half of the financial year ending 31 March 2023. Of these units, 412 units have been sold with significant collections received. The revenue potential of these units scheduled for completion is KES 3.6 billion, which can be expected to start reflecting in our income statement progressively from the financial year ending 31 March 2023.

We continue to optimize our business model by leveraging construction technology to reduce construction delivery timelines and enhancing construction margins.

Development Rights: Strong Cash Generation Pillar

On development rights sales, during the six-month period we signed additional development right sale contracts worth KES 3.2 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 financial year ending 31 March 2023 and beyond. In addition, we are currently negotiating further contracts worth circa KES 0.5 billion across our sites. Even though these transactions will have a low impact on the income statement we expect the cashflows from these transactions to continue being a key driver of our cash generation for the business. Cash generated 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