



CENTUM

FINANCIAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

The Board of Directors of Centum Real Estate Limited is pleased to announce the Company's consolidated audited financial results for the financial year ended 31 March 2022 as set out below:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

KES '000	31 March 22	31 March 21
Revenue from sale of residential units	1,849,570	457,794
Cost of sales	(1,514,848)	(333,376)
Gross profit	334,722	124,418
Other income	192,855	102,442
Gain/(loss) on disposal of investment properties	111,074	(237,907)
Fair value gains on investment properties	513,068	1,638,662
Operating and administrative expenses	(502,100)	(400,967)
Operating profit	649,619	1,226,648
Finance costs	(794,710)	(953,843)
(Loss)/profit before tax	(145,091)	272,806
(Loss)/profit after tax	(31,964)	650,404
Other comprehensive income, net of tax	274,865	515,058
Total comprehensive income	242,901	1,165,462

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

KES '000	31 March 22	31 March 21
Investment property	28,164,072	28,481,271
Inventory – completed residential units	2,241,899	874,434
Inventory – residential units under construction	5,315,536	5,731,611
Cash and bank balances	1,594,003	1,637,944
Other assets	3,551,866	2,857,165
Total Assets	40,867,376	39,582,424
Deferred Revenues	4,738,811	3,590,750
Borrowings	5,836,995	6,673,402
Other Liabilities	5,451,599	5,939,027
Total Liabilities	16,027,405	16,203,179
Net Assets	24,839,971	23,379,245
Funded by:		
Equity	16,800,858	16,557,956
Shareholder loans	8,039,113	6,821,289
Total Shareholder Funding	24,839,971	23,379,245

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

KES '000	31 March 22	31 March 21
Opening cash and bank balances	1,637,944	493,666
Net cash generated from operations	1,393,604	207,952
Net cash used in investing activities	(97,807)	(245,313)
Net cash used in financing activities	(1,339,738)	1,181,639
Closing cash and bank balances	1,594,003	1,637,944

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 31 MARCH 2022

KES '000	31 March 22	31 March 21
Share capital	1,934,633	1,934,633
Other reserves	1,245,214	971,978
Retained earnings	13,621,011	13,651,345
Total	16,800,858	16,557,956

1. Centum Real Estate Business Overview

Centum Real estate has successfully validated a demand led business model with two revenue generating pillars.

1.1 Residential – Capital Light, High Growth, and pre-sales led sale of homes.
As at 31st March 2022, the business had collected cumulative cash deposits of KES 6.6B from cumulative sales of 1,739 (2021: 1,363) homes with a total sales value of KES 14.8B (2021: KES 11.3B). The cash collected as customer deposits within the year increased by KES 2.8B (2021: 1.8B). The KES 8.2B cash due from pre-sales will be collected in subsequent financial year.

	31 March 22	31 March 21
Units sold	1,739	1,363
% units sold	66%	54%
Value of units sold (KES' mn)	14,877	11,315
Cash collected during the year	2,870	1,820
Cumulative collections	6,648	3,794
% collections	45%	34%

1.2 Development Rights (Land) – this entails attractive and cash generating sale of construction ready development rights in prime locations. As at 31st March 2022, the business had collected cumulative cash of KES 3.85B from cumulative sales of 2,197 acres (2021: 1,324 acres) with a total sales of KES 4.9B. The balance of KES 1B being cash due from development right sales to be collected in the subsequent financial years.

KES '000	31 March 22	31 March 21
Value of signed contracts at start of year	650,034	420,000
Value of contracts signed during the year	2,305,502	2,696,335
Completed transactions during the year and recognized in the P&L	(1,714,213)	(2,466,301)
Value of signed contracts at end of year	1,241,323	650,034
Collections during the year from all signed contracts	1,508,038	2,347,157

2. Business Performance of Key Pillars of Value

2.1 Residential Business

In Kenya, the estimated annual supply of residential units is 50,000 units per year against a growing demand of 250,000 units. In the financial year ending March 2022, Centum Real Estate completed 634 houses (2021: 96 units) from two projects in Vipingo and Nairobi. We also commenced construction of two new projects in Nairobi.

	31 March 22	31 March 21
Homes completed	624	96
Homes under construction	1,422	1,478
Homes under market validation	598	971
Total	2,644	2,545

Revenue was up to KES 1.8B (2021: 457M) which reflects a significant revenue growth realized from 301 homes of the 624 completed homes that met the revenue recognition threshold of completion of units, handover, and full payment of the purchase price by buyers.

	31 March 22	31 March 21
Completed homes	624	96
Cumulative units recognized in P&L	331	27
% Recognized	53%	28%

The revenue for the remainder of the completed homes will be progressively recognized in the subsequent years.

2.2 Development Rights Business

Centum Re development rights business possesses unique cost and location advantages supported by high barriers of entry to replicate a similar master plan model within our primary catchment areas.

Based on this key selling points, during the year we completed and recognized the sale of development rights worth KES 1.7 billion (2021: KES 2.5 billion) across our sites. The monetization continues to positively impact the business with the cashflows utilized to fund construction of residential units and settle maturing debt obligations.

The realized gain from these sales over the cost of land acquisition and related infrastructure costs were KES 1.4 billion (2021: KES 2.2 billion). Those gains had previously been booked as unrealized gains as required by IFRS.

KES '000	31 March 22	31 March 21
Revenue from sale of development rights/land	1,714,213	2,466,301
Original cost of the land and related infrastructure costs	(327,207)	(258,668)
Gross profit	1,387,006	2,207,633
Previously recognized fair value gains on disposed land	(1,275,932)	(2,445,540)
Net gain/(loss) on disposal	111,074	(237,907)

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.

3.0 Financial Performance

With the above context, the Group's consolidated operating profit was KES 650 million, driven by profit from residential units, sales of bulk land and development rights and gains on investment properties. Of the 624 homes that have been completed, 304 units met the revenue recognition and were recognized in the current year compared to 27 units that were booked in the income statement in 2021. We expect revenue and profit from the balance of these units to be booked in the financial year ending 31 March 2023, together with revenues and profits arising from projects that are being completed in that financial year.

The Group's total assets amounted to KES 41 billion at 31 March 2022, funded by shareholder equity of KES 24.8 billion and KES 5.8 billion in borrowings. The Company has a low gearing ratio and a strong asset cover ratio, as analysed below:

KES '000	31 March 22	31 March 21
Borrowings	5,836,995	6,673,402
Less: Cash	(1,594,003)	(1,637,944)
Net Borrowings	4,242,992	5,035,458
Equity (incl. shareholder loans)	24,839,971	23,379,245
Total Assets	40,867,376	39,582,425
Debt-Equity Ratio	17%	22%
Asset Cover Ratio	9.6x	7.9x

During the year, the borrowings reduced by KES 836 million on account of principal repayments funded by the strong cashflows from the sale of development rights. As at 31 March 2022, the Group had cash holdings of KES 1.6 billion to fund the development of residential houses and meet the maturing debt obligations as they fall due.

Of the total finance costs of KES 794 million in the year, KES 254 million relates to interest on shareholder loans.

4.0 Outlook

4.1 Residential Business:

The unmet housing gap is expected to remain significantly high in key cities across East Africa for many years to come. The strong residential demand will be driven and sustained by population growth, high urbanization and reduced house hold size. 90.6% of Nairobi household are tenants with majority struggling to get quality housing options in their desired neighbourhoods.

Centum RE is well positioned to capture the high growth market opportunity through scaling up the build to rent and sell affordable housing model across all our project sites. We will launch phase 2 affordable housing projects within the project sites. Additionally, the business will explore margin growth opportunities by re-imagining the design, shorten construction timelines, review the entire supply chain including sourcing materials from COMESA region to take advantage of incentives.

We expect to complete construction of an additional +300 homes within the next financial year.

4.2 Development Rights:

Attractiveness of the development rights within our project sites will remain strong, post financial year end we have signed additional development right sale contracts worth circa KES 4 billion across our sites, 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.

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 units business.

By Order of the Board,

Kenneth Mbae
Managing Director