



**UCHUMI  
SUPERMARKETS  
PLC  
CVA REVISION PLAN  
2023**

# DECLARATION

The directors are of the opinion that the information in this document gives a true and fair view of the proposal presented. Nothing has come to the attention of the directors that indicate that the information is other than what it purports to be.

Name: Mr. John Karani

Sign: \_\_\_\_\_.

Name: Mr. Erastus Njoroge

Sign: \_\_\_\_\_.

Name: Mr. George Karanja

Sign: \_\_\_\_\_.

Name: Mr. Baiju Shah

Sign: \_\_\_\_\_.

Name: Mr. John Mwara

Sign: \_\_\_\_\_.

# DIRECTOR'S INTEREST AND CREDITORS' PARTICIPATION

- **Director's Interest**

- There are no existing or proposed contracts between any of the Directors and the Company, other than employment contracts for those Directors who are employed in the ordinary course of business.

- **Creditors' Participation in Corporate Governance**

- The Revised plan provides for involvement of the creditors' representatives in the company's governance through permanent invitation to participate in meetings of the Strategy Finance and Business Development Committee of the Board.
- In line with best practice corporate governance rules, the board shall be reconstituted to include a multi – disciplinary team at the board and management. The reconstitution of the Board will involve the appointment of new directors to the Board.

**BACKGROUND**

Uchumi Supermarkets started facing financial challenges in the year 2013. The reasons for these financial challenges were among others:

- An ambitious and poorly thought expansion programme that span across East Africa
- Weak management of the operations of the business coupled with conflict of interest
- Poor resource allocation and unsuitable financing for the business

Since then, various measures have been taken by the Board and Management aimed at addressing the financial challenges including:

- The raising of funds through rights issue,
- Sale and leaseback arrangement with financiers,
- Sale of non-core assets including the Ngong Hyper property,
- Bank loans,
- Supplier escrow account arrangement,
- Government support loan

These measures have borne very little success and seem to leave the company in worse position every time.

In the year 2020, the company and its creditors passed a CVA plan that was aimed at restructuring the creditors balances and recapitalizing the business.

# CVA UPDATE REPORT

# STATUS OF THE CREDITORS PLAN APPROVED IN MARCH 2020

The current CVA was passed in the year 2020 under the following framework:

- Sale of KML 20 acres property and realize KES 2.8B
- Partial repayment to all the company creditors and restructuring of the outstanding balance.
- Optimize performance through systems and new business model

So far, none of these proposals have been implemented.

# CURRENT STATUS OF USP

KEY PRIORITY	STATUS	PERCENTAGE ACHIEVED
1 Payment of suppliers, Landlords and secured creditors	No suppliers or landlords paid	0%
Paying a proportion of the outstanding debt as Lump sum	None of the old debt has been paid	0%
Spreading the remaining balance over a period of 5 to 10 years	Debt balance has not been spread as sale of asset has not been realized	0%
Seeking a waiver on all the outstanding penalties	KCB, Coop and KDC have given waiver on penalties.	75%
Seeking a waiver on all the outstanding interest arrears	KCB, Coop and KDC have given waiver on interest.	75%
2 Stocking up the branches	Langata branch partially stocked	10%
3 Settlement of payroll and statutory arrears	Payroll and statutory arrears have not been settled	0%
4 Funding operating cashflow	Operating cashflow has not been funded and business is in poor operating cashflows health	10%
5 Refurbishing of the current stores	All branches have been shut except the Langata branch which urgently requires to be refurbished	0%
6 Implementation of new MIS ( Systems, Some hardware, & Staff)	In the process of implementing new MIS	10%

# CURRENT STATUS OF USP

- Due to the inability of the business to realize funding through the sale of KML property, the business was forced to shut all its branches and now the company operates only one single branch (the Langata Hyper)
- The Langata property is currently being optimized to realize lease rentals from licensees and tenants

# CURRENT STATUS OF USP

## UCHUMI SUPERMARKETS PLC - ABRIDGED FINANCIALS - Unaudited

		<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
		<b>AUDITED</b>		<b>UNAUDITED</b>					
Revenue	KES 000	6,427,143	2,587,239	847,802	206,149	80,943	123,766	130,444	54,676
Gross Profit	KES 000	976,944	449,157	160,424	105,956	11,960	17,668	22,928	6,921
<b>Income/(Loss)</b>	<b>KES 000</b>	<b>(3,600,289)</b>	<b>(1,870,928)</b>	<b>(1,706,516)</b>	<b>(619,760)</b>	<b>(455,757)</b>	<b>(265,382)</b>	<b>(154,668)</b>	<b>(28,362)</b>
Total Assets	KES 000	<b>5,002,216</b>	<b>4,327,281</b>	<b>3,821,780</b>	<b>3,717,758</b>	<b>3,525,372</b>	<b>3,498,535</b>	<b>3,472,398</b>	<b>3,453,271</b>
Total Equity	KES 000	(2,097,377)	(3,384,678)	(4,588,375)	(5,720,328)	(6,173,636)	(6,439,019)	(6,593,686)	(6,622,048)
Non-Current Liabilities	KES 000	667,421	991,072	1,325,750	1,656,088	9,440,264	9,733,241	9,937,554	10,066,084
Current Liabilities	KES 000	6,432,172	6,720,887	7,084,405	7,781,998	258,744	204,312	128,530	9,235
Total Equity & Liabilities	KES 000	<b>5,002,216</b>	<b>4,327,281</b>	<b>3,821,780</b>	<b>3,717,758</b>	<b>3,525,372</b>	<b>3,498,535</b>	<b>3,472,398</b>	<b>3,453,271</b>
Cash at the end of the period	KES 000	(328,276)	(518,292)	(704,979)	(811,029)	816	291	159	394

# CURRENT STATUS OF USP

- Uchumi supermarkets PLC and its subsidiary currently have 3 key assets that have unique legal challenges as follows:

Property	LR No	Status
Kasarani Mall 3 Acres	23393	Matter currently in court. Dispute with Sidhi Investments Ltd ELC1499/2013 (formerly 311/2005)
Kasarani Mall 17 Acres	5875/2	Matter currently in court. Dispute with Sidhi Investments Ltd and KDF ELC010/2022
Langata Hyper Property	209/12593	Restricted use of the property

**RECOMMENDED  
WAY FORWARD**

# RECOMMENDED WAY FORWARD

- Given the issues that have been highlighted and status of the company, the Management and the Board recommends the revision of the current CVA
- The revised CVA will give finality to all the creditors and stakeholders of the company

# RECOMMENDED WAY FORWARD

The company recommends the following as a way forward:

1. Sell the KML properties after the following:
  - a) Enter in to out of court settlement with the parties involved on the 3 acres property
  - b) Enter in to out of court settlement with the parties involved on the 17 acres property.
2. Seek concurrence with KAA on how to resolve the matter of restricted use of the Langata property

The estimated timelines to resolve the above 2 issues is 24 months

The estimated proceeds to be realized from the sale of the 2 Kasarani Mall properties is KES 2.35B

# RECOMMENDED WAY FORWARD - SHARES

The below creditors of the company to convert 50% of their debt in to Convertible Preferential Shares as per the table below:

CREDITORS		TOTAL OUTSTANDING	PREFERENTIAL SHARES
Trade Creditors - CVA	KES 000	4,801,103,862	2,400,551,931
Staff Dues	KES 000	505,779,000	252,889,500
Provisions & Other payables	KES 000	370,781,227	185,390,614
Bank Loans			
KCB	KES 000	1,611,092,537	-
UBA	KES 000	323,004,203	161,502,101
Cooperative Bank	KES 000	272,632,003	80,956,268
KDC	KES 000	195,500,511	-
Government Loan	KES 000	1,200,000,000	-
Statutory & KRA Arrears			
Pension	KES 000	108,081,060	54,040,530
Kenya Revenue Authority	KES 000	251,587,949	-
		9,639,562,353	3,135,330,944

# RECOMMENDED WAY FORWARD – DISTRIBUTION OF PROCEEDS

			PAY 1 - KML 3 ACRES	PAY 2 - KML 17 ACRES	TOTAL PAY
		ESTIMATED PROCEEDS	351M	2.0B	2.35B
	CREDITORS		DISTRIBUTION OF PROCEEDS		
	Trade Creditors - CVA	KES 000	6.27%	35.00%	30.71%
	Staff Dues	KES 000	2.28%	10.00%	8.85%
	Provisions & Other payables	KES 000	18.36%	2.00%	4.44%
	Bank Loans				
	KCB	KES 000	39.89%	22.00%	24.67%
	UBA	KES 000	0.43%	3.00%	2.62%
	Cooperative Bank	KES 000	0.43%	4.00%	3.47%
	KDC	KES 000	0.00%	0.00%	0.00%
	Government Loan	KES 000	0.00%	0.00%	0.00%
	Statutory & KRA Arrears				
	Pension	KES 000	0.28%	2.00%	1.74%
	Kenya Revenue Authority	KES 000	11.31%	7.00%	7.64%
			79.23%	85.00%	84.14%
	To be Utilized by the Business		20.77%	15.00%	15.86%

# RECOMMENDED WAY FORWARD – LONG TERM LOAN

- The company recommends that both the Government and KDC to convert all their debt (100%) in to long-term 10 year non-interest earning loan payable from the year 2026

# RECOMMENDED WAY FORWARD – WRITE OFF

- The 3 acres property has a sale agreement in place awaiting completion of the transfer of the property.
- The company shall strive to get the best value possible from the sale of the 17 acres.
- The company recommends that after the two payments are made and a conversion of 50% of debt into convertible preferential shares, all other outstanding balances as at 30th June 2022 be written off by the creditors.

# FAILURE TO REVISE THE PLAN

**If the revision of the CVA is rejected, the alternatives available to creditors:**

1. Maintain the current CVA Plan which cannot be implemented under the current circumstances.
2. Go in to liquidation

In the event that the company goes in to liquidation, then the unsecured creditors will not be able to recover any portion of their debt.

# BUSINESS OPTIMIZATION

# BUSINESS FOCUS

Management intends to turnaround the business by:

1. Converting the Langata Hyper in to a mall – the lease rentals realized shall be utilized to fund the operations of the business
2. Stock the shop and engage more partners to be located within the retail space
3. Optimization of the operations of the bakery – introduction of the distribution model
4. Introduce Uchumi Online Store
5. Franchise model to extend the business reach
6. Corporate partners

# BUSINESS FOCUS - PROJECTIONS

## UCHUMI SUPERMARKETS PLC - 5 YEARS PROJECTED ABRIDGED FINANCIALS

		<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
Revenue	KES 000	<b>238,977</b>	<b>956,381</b>	<b>1,648,632</b>	<b>2,260,322</b>	<b>2,562,738</b>
Gross Profit	KES 000	52,124	210,668	356,438	484,603	551,395
Expenses	KES 000	69,919	114,109	156,314	197,245	227,738
<b>Income/(Loss)</b>	<b>KES 000</b>	<b>(17,794)</b>	<b>96,559</b>	<b>200,124</b>	<b>287,358</b>	<b>323,657</b>
<b>Total Assets</b>	<b>KES 000</b>	<b>3,101,406</b>	<b>964,276</b>	<b>1,171,923</b>	<b>1,461,481</b>	<b>1,794,524</b>
<b>Total Equity</b>	<b>KES 000</b>	<b>(2,750,229)</b>	<b>(501,238)</b>	<b>(301,114)</b>	<b>(13,757)</b>	<b>309,900</b>
Non-Current Liabilities	KES 000	5,832,788	1,441,668	1,441,668	1,441,668	1,441,668
Current Liabilities	KES 000	18,846	23,846	31,369	33,570	42,956
<b>Total Equity &amp; Liabilities</b>	<b>KES 000</b>	<b>3,101,406</b>	<b>964,276</b>	<b>1,171,923</b>	<b>1,461,481</b>	<b>1,794,524</b>

# RESOLUTIONS

# PROPOSALS

1. That the Board and Management to immediately engage with the parties of both Kasarani Mall properties to achieve an out of court settlement
2. That the management and the Board to engage with the Kenya Airports Authority to address issues surrounding the restricted use of the Langata property
3. That the Board and the Management conclude on the sell of the Kasarani Mall properties
4. That the Board and Management to proceed with speed to liquidate any other idle assets – the proceeds to be used to refinance the working capital of the business
5. Upon the receipt of funds, the company to distribute the funds as per the recommendations as shared
6. All creditors to submit their bank and payment details to the company
7. That the review of the CVA to be conducted every 12 months. That however, the Monitor may call any urgent meeting as may be necessary