PROJECT MARA

DEBT RESTRUCTURING PROPOSAL
AND
CREDITORS PLAN

PREPARED BY
INVHESTIA AFRICA LIMITED

MARCH 2020

Disclaimer

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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. Mohamed A. Mohamed Sign: _______________________.

Name: Mr. Tim Kabiru Sign: _______________________.

Name: Mr. Ambrose Ogango Sign: _______________________.

Name: Mr. Kennedy Wanderi Sign: _______________________.

Name: Mr. George Karanja Sign: _______________________.

Name: Mr. Fred Rabongo Sign: _______________________.

Name: Mr. Baiju Shah Sign: _______________________.

Directors

DIRECTOR NAME	DESIGNATION	NATIONALITY
Mr. John Karani	Chairman	Kenyan
Mohamed A. Mohamed	Chief Executive Officer	Kenyan
Mr. George Karanja	Independent	Kenyan
Mr. Fred Rabongo	Independent	Kenyan
Mr. Baiju Shah	Independent	Kenyan
Mr. Yesse Oenga	Independent	Kenyan
Mr. Tim Kabiru	Independent	Kenyan
Mr Kennedy Wanderi	ICDC	Kenyan
Mr. Ambrose Ogango	Alternate to Dr Chris Kiptoo, PS Trade Non-executive	Kenyan

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 New 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.

Investigation Conducted

The extent of the investigations conducted by the consultant into the company's circumstances;

- IAL has reviewed USP's financials including audited and management accounts in addition to relevant information. IAL has also had engagements with management and the Board of USP with a view to understanding its financial position. IAL also looked at the statement of affairs dated December 2019 and included in this plan

The basis of the valuations contained in the proposals;

- The valuation of the property owned by Kasarani Mall Limited was two billion Six hundred million Kenya shillings as at August 2017.

Benefits of CVA and Alternatives to Creditors

Advantages of Company Voluntary Arrangement (CVA)

1. USP will continue to trade enhancing its ability to settle the negotiated creditor debts
2. CVA had lower operational and setup costs
3. USP will be able to operate while protected from potential legal actions by creditors
4. USP will be able to restructure outstanding debt
5. Creditors' participation in governance will ensure transparency and accountability in operations
6. Ensures fairness and transparency in repayment of the outstanding debt
7. USP will provide a stable and reliable outlet for suppliers' goods

If the CVA is rejected, the alternatives available to creditors:

1. Administration
2. Liquidation

In the event that the creditors reject the CVA then they will not be able to recover any portion of their debt.

Management Cooperation and Values of Liabilities

Attitude and Cooperation from Management

- IAL in developing the proposal, engaged extensively with USP. This was done through interviews and review of information shared by USP. Throughout the process USP employees, management and board were very cooperative. IAL exercised prudence while maintaining its independence and objectivity.

Reliance upon Values of Liabilities

- USP was supposed to conduct a creditor circularization process before January 2019 and reconcile the creditors outstanding balances. The current values of liabilities used are based on extracts from USP systems. However, settlement of these liabilities will be subject to further scrutiny and verification within 60 days from the date of CVA adoption by the court.

Unaudited Statement of Affairs - Assets (Kshs '000)

Assets	Book Value	Estimated Realisable Value
Assets Subject to Fixed Charge		
Langata Hyper		1,650,000
Disposal costs		(31,450)
Preferential creditors (secured) on Langata Hyper - UBA, GOK & ICDC		(1,481,764)
Kasarani property - Market value		2,800,000
Provision for other costs (1%)		(28,000)
Sale Commision (3%)		(84,000)
CGT payable on Kasarani property		(92,300)
Due to Sidhi Investments from proceeds of Kasarani Property		(841,000)
Equitable mortgage on Kasarani Property – KCB		(1,364,526)
Net Proceeds from fixed charge assets		**526,960**
Uncharged Assets		
Motor vehicles		21,000
Furniture & fittings		75,000
Computers		5,000
Inventories		7,257
Trade and other receivables		95,769
Total unchanged assets		**204,026**
Uncharged assets + estimated surplus from disposal of charged assets		**730,986**

Unaudited Statement of Affairs – Liabilities (Kshs '000)

Estimated total assests available for preferential creditors	730,986
Liabilities unsecureed	6,194,952
Preferential creditors	377,308
Estimated deficiency/surplus as regards preferential creditors	353,678
Estimated prescibed part of net property where applicable	0
Estimated total assets available for floating charge holders	0
Debts secured by floating charges	0
Estimated deficiency/surplus of assets after floating charges	353,678
Estimated prescibed part of net property where applicable (brought down)	0
Total assets available to unsecured creditors	353,678
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	(6,194,952)
Estimated deficiency / surplus as regards non - preferential creditors (excluding any shortfall to floating charge holders)	(5,841,274)
Shortfall to flating charge holders (brought down)	0
Estimated deficiency / surplurs as regards creditors	
Issued and called up capital	(1,824,808)
Estimated other costs * Does not include interest and penalties on statutory deductions	(30,000)
Estimated total deficiency /surplus as regards members	**(7,696,082)**

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Introduction 1

Historical Background

- Uchumi Supermarket was **incorporated** in the **17th December 1975** under the Companies Act (Cap 486 of the Laws of Kenya). Its main objective was to have an enterprise for **equitable distribution** of **essential commodities**, affordable prices whilst creating an outlet for the local manufacturers

- On its incorporation, the company was **government owned** though various corporations with the following stakes;
  - Industrial and Commercial Development Corporation Investment (**ICDCI**) – **10%**;
  - Industrial and Commercial Development Corporation (**ICDC**) – **15%**;
  - Kenya Wine Agency Limited (**KWAL**) – **37.5%** and
  - Kenya National Trading Company (**KNTC**) – **37.5%**

- Uchumi became a **public company** in **1992** when the government divested 40% its shareholding, through an Initial Public Offer (IPO). The Government further divested 8.4% of its shareholding between 1995 and 1996

- Uchumi supported more than **2,500 suppliers** of goods and services including micro, small and medium scale enterprises, provided **direct employment** of over **1,500** people and **indirect** employment of more than **250,000 jobs** in line with government policy of wealth and employment creation

Historical challenges experienced by USP

Challenge	Way forward
• Inappropriate business model	• Reduce the branches and operating costs, increase market presence through franchising
• Inappropriate Management Information System	• Adaption of Integrated POS and ERP system
• Poor stocking policy	• Adopt just in time procurement, stock what is in demand by customers
• Poor contracting with service providers resulting in costly termination options	• Adoption of contract policy and transaction authorization limits • Scrutiny and possible renegotiations of some existing contracts
• Non adherence to Internal Control Policies	• Strengthen internal audit and implement periodic control testing and reporting • Improve awareness of controls by staff and stakeholders

Historical challenges experienced by USP - Escrow Account

In June 2016, a petition led to the formation of the Escrow account . This was faced with the following challenges;

- The ruling of the winding up case on 26th July 2016 forced establishment of standing orders for settling Petitioners Debt. These payments were being paid through the account causing a deficit of Kshs.272 Million as at 31st December 2017
- The bureaucracy that came with administration of the account caused delays in processing of payments.
- Under this arrangement, all stock was on consignment making suppliers impose credit limits that restricted growth of sales.
- Payment of operational expenses that could not be covered by the Gross Profits.
- Only 30% of key suppliers resumed supplies and hence the basket size and product range were not feasible.

Current Relevance of USP

The establishment of USP was significant to the Kenyan economy. By being a pioneer in the sector, it contributed to the revolution of the industry and set precedence for its development. This in turn has made Kenya a current prominent player in the international retail industry attracting foreign companies such as Choppies, Carrefour and Shoprite. The significance is:

- It is the only **independent, public listed** (non-family) local retail business. The shares are trading at the securities exchange offer viable opportunity for both local and foreign investors.

- USP has significantly **contributed** to overall **improvement of the economy**. It has done so by providing **employment** to more than **1,500 workers** and also paying significant amounts to the treasury in PAYE, VAT and overall Corporation Tax

- USP has provided a **platform** for all manufacturers especially **small/medium scale farmers** and other **local business** which gave them the stepping stone to become the successful multi-billion companies they are today.

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Current Relevance of USP

- Uchumi is the **trendsetter** in **low priced consumer goods** which is important to the customer, while at the same time **maintaining high standard quality** for goods and service

- Uchumi is a **household name** and **brand**. It translates to "economy" in English. It a very common word used widely by Kenyans and will always be synonymous with the industry experience. We cannot afford to lose this national brand just by virtue of assuming that the retail market is stable

- USP is a **veteran** in the '**Buy Kenya Build Kenya**' initiative which is why it is important to keep it in operation. The current influx of foreign companies in the retail market is wanting because there is a missed opportunity for the promotion of local manufacturers

- The GOK should put in place a **regulatory framework** for the retail industry. This is to **avoid adverse effect** as seen in the case of Nakumatt where a significant number of jobs were lost. The ripple effect of the downfall of players in the sector is substantial. It affects creditors and banks alike and subsequently the economy hence should be controlled

- USP is looking towards playing a critical role towards the realization of the **Big 4 Agenda** and the wider **Vision 2030**

Abridged Financial Statements

- Uchumi is currently facing financial challenges resulting in an unfavourable financial position as per the below abridged financial statements

Abridged Financials						*Unaudited		
		30 Jun 14	**30 Jun 15**	**30 Jun 16**	**30 Jun 17**	**30 Jun 18**	**30 Jun 19**	**30 Dec 2019**
Revenue	**KShs '000**	**12,501,186**	**11,455,311**	**6,427,143**	**2,587,239**	**847,802**	**206,149**	**54,288**
Gross Profit	KShs '000	2,362,387	1,862,745	976,944	449,157	160,424	105,956	8,584
Income/(Loss)	**KShs '000**	**111,098**	**(3,930,610)**	**(3,600,289)**	**(1,870,928)**	**(1,706,516)**	**(619,760)**	****(100,706)**
Total Assets	**KShs '000**	**5,386,644**	**3,611,077**	**2,735,518**	**1,860,584**	**1,355,984**	**1,251,962**	**1,192,418**
Total Equity	KShs '000	2,583,485	(648,035)	(4,248,324)	(5,725,625)	**(7,432,240)**	**(8,060,374)**	**(8,458,484)**
Non Current Liabilities	KShs '000	177,370	382,944	551,671	865,322	**3,035,494**	**3,038,505**	**3,146,790**
Current Liabilities	KShs '000	2,625,789	3,876,168	6,432,172	6,720,887	**5,832,909**	**6,273,831**	**6,514,112**
Total Equity & Liabilities	**KShs '000**	**5,386,644**	**3,611,077**	**2,735,519**	**1,860,584**	**1,355,984**	**1,251,962**	**1,192,418**
Cash at the end of the period	KShs '000	219,919	(213,305)	(328,276)	(518,292)	**(704,979)**	**(811,029)**	**(856,572)**

***2018 and 2019 are unaudited**
****2019 is adjusted for interest waiver**

Current Options Available to USP

- USP will be disposing a key asset at KES 2.8B to fund the restructured business.
- Its important for USP to pursue engagement of a strategic partner with the aim of long-term stability. USP has been in communication with parties interested in supporting Uchumi through an appropriate finance structure subject to the adoption of the CVA and addressing the key challenges that affected the company in the past.
- Adoption by Creditors, shareholders and key stakeholders of the proposed CVA to re-structure and recapitalize the business.
- USP proposes Local Partnerships with other entities that have GoK shareholding, where USP can be provided with strategic locations in their premises at a negotiated rate and lease.
- With the support of GoK, USP would adapt a timely payments system that will ensure suppliers claim for payment as soon as the product is sold off the shelf.

Overall proposal

- Generate cash from sale of Non Core Assets
- Partial repayment to creditors and restructure of the outstanding balance.
- Optimize performance through systems and new business model

Objectives of the restructuring

Overriding Objectives

- Deleveraging the business to reduce financial strain
- Improve Liquidity
- Operational Normalcy

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Key Priorities under the CVA

Upon approval of the CVA, the following will be the key priorities in the revised business strategy:

1. Payment of suppliers, Landlords and secured creditors.
    - Paying a proportion of the outstanding debt as Lump sum
    - Spreading the remaining balance over a period of 5 to 10 years
    - Seeking a waiver on all the outstanding penalties
    - Seeking a waiver on all the outstanding interest arrears
2. Stocking up the branches
3. Settlement of payroll and statutory arrears
4. Funding operating cashflow
5. Refurbishing of the current stores
6. Implementation of new MIS (Systems, Some hardware, & Staff)

For the CVA to achieve the ultimate objective of returning the business back to normal trading, each category of creditors will be required to play their role of active support to the business.

Application of Funds

Description	Unit	Total allocation	% of Net Proceeds
Sources of Funds			
Gross proceeds from asset sale	KES ‘000	**2,800,000**	-
Associated Costs (Sidhi Investments, CGT, Commissions)	KES ‘000	(1,060,750)	-
Net Proceeds	KES ‘000	**1,739,250**	**100.00%**
Uses of Funds			
Partial debt repayment*	KES ‘000	(926,358)	53.3%
Inventory costs	KES ‘000	(207,462)	11.9%
Payroll, statutory arrears & other payables	KES ‘000	(123,663)	7.1%
Rent arrears	KES ‘000	(43,000)	2.5%
Trade Creditors	KES ‘000	(135,000)	7.8%
Total uses of funds	KES ‘000	(1,435,483)	82.5%
Net cash	**KES ‘000**	**303,767**	**17.5%**

*Breakdown in the next slide

Breakdown of Lump sum Payment to Secured Creditors

Loan	Unit	Lump sum Amount
KCB overdraft 1	Kshs '000	592,000
KCB overdraft 2	Kshs '000	80,000
KCB lease	Kshs '000	228,000
ICDC loan	Kshs '000	-
UBA	Kshs '000	10,000
COOP lease	Kshs '000	16,358
GoK loan	Kshs '000	-
Total	**Kshs '000**	**926,359**

Assumptions – Secured Creditors

Lump sum	• UBA : KES 10 Million • COOP Bank: KES 16.3 Million
Full & Final Settlement	• KCB; KES 900 million full and final settlement
Restructured	• Restructure 100% of ICDC for 7 years, 95% of UBA for 7 years and 54% COOP lease for 5 years of the total outstanding balance paid on a quarterly basis
Moratorium	• Government Loan; Extension of the moratorium period to 5 years • Standstill on interest and penalties after the CVA
Discount	• 44% of KCB lease principal and 40% of COOP lease total outstanding balance

Secured Creditors Debt Restructuring Analysis

Loan	Outstanding Balance Inc. Arrears	Outstanding Principal	Lump sum Payment	Restructured Amount (7 years) *	Total Waiver (Interest arrears + penalties)	Discount Amount	Year 6 Ending Balance
KCB OVERDRAFT 1	812,836	592,000	592,000	-	220,836	-	-
KCB OVERDRAFT 2	97,783	80,000	80,000	-	17,783	-	-
KCB LEASE	643,021	408,865	228,000	-	234,156	180,865	-
TOTAL - KCB	**1,553,640**	**1,080,865**	**900,000**	**-**	**472,775**	**180,865**	**-**
ICDC LOAN	128,444	85,332	-	128,444	-	-	-
UBA	179,922	161,502	10,000	169,922	-	-	-
COOP LEASE*	281,957	238,302	16,358	152,816	-	112,783	-
TOTAL - OTHER SENIOR LENDERS	**590,322**	**485,136**	**26,358**	**451,182**	**-**	**112,783**	**-**
GOK LOAN	1,200,000	1,200,000	-	-	-	-	1,200,000
Total Debt	**3,343,962**	**2,766,000**	**926,358**	**451,182**	**472,775**	**293,647**	**1,200,000**

* COOP lease restructuring period is 5 years

Assumptions – Preferential Creditors

Statutory Payments	• Lump sum payment & balance fully repaid over 6 years on an annual basis
Payroll Arrears	• Lump sum payment + instalment payment over 6 years paid annually

Preferential Creditors Repayment Profile

		Balance	Repayments							Balance
Description	**Proportion of total creditors**	**31 Oct 18**	**2019/ 2020**	**2020/ 2021**	**2021/ 2022**	**2022/ 2023**	**2023/ 2024**	**2024/ 2025**	**2025/ 2026**	**30 Jun 26**
Preferential creditors	13%	810,375	(117,394)	(128,040)	(128,040)	(128,178)	(121,333)	(112,081)	(75,308)	-

Notes:

- The preferential creditors are:
    - KRA Arrears, that is, PAYE, VAT, WHT, CGT, Tax Payable
    - Pension Arrears
    - HELB Arrears
    - NHIF Arrears
    - Payroll Arrears

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Assumptions – Unsecured Creditors

Unsecured Creditors

- 1.5 billion (30%) paid over 6 years on an annual basis
- 1.5 billion discount (30%)
- 2.0 billion (40%) conversion to non-cumulative convertible preferred shares

Other Creditors

- Includes provisions, other accruals, gift cards, GRNI vendors, general ledger variance
- 100% Discount

Unsecured Creditors Repayment Profile

UNSECURED CREDITORS REPAYMENT PROFILE (KES '000)											
		Balance		Discount and Repayments							Balance
Description	Proportion of total creditors	31 Oct 18		2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023	2023/ 2024	2024/ 2025	2025/ 2026	30 Jun 26
Trade creditor	**81%**	4,922,610	Payment (30%)	(135,000)	(251,820)	(240,110)	(225,835)	(224,461)	(223,200)	(176,358)	-
			Discount (30%)	-	(1,476,783)	-	-	-	-		
			Conversion (40%)	-	(1,969,044)	-	-	-	-		
Other creditors	**6%**	359,470	Payment (0%)	-	-	-	-	-	-		-
			Discount (100%)	-	(359,470)	-	-	-	-		
			Conversion (0%)	-	-	-	-	-	-		

Notes:

- The opening balances are subject to audit and validation of the creditors list in order to establish the qualifying creditors
- Further analysis to be done on payroll arrears & negotiated settlements done where claims are made

IMPACT ON BALANCE SHEET

ASSETS	30 Jun 18	30 Jun 19	30 Jun 24	30 Jun 26
Non-current assets				
Buildings and freehold land	835,816	815,390	722,852	687,156
Improvement to premises	59,176	49,592	57,231	37,632
Machinery	13,283	1,963	31,680	17,500
Vehicles and equipment	73,005	51,299	16,563	1,274
Intangible assets	1,409	-	-	-
Prepaid operating lease rentals	17,766	17,497	16,197	15,679
Investment in subsidiaries	200	200	200	200
Non-current assets	**1,000,655**	**935,941**	**844,723**	**759,440**
Current assets				
Food inventories	33,529	33,837	92,436	103,861
Non-food inventories	43,199	-	80,823	90,813
Other inventories	5,592	-	38,894	43,702
Stock provisions (shrinkages)	(28,946)	(16,946)	(16,972)	(19,070)
Trade and other receivables	174,779	164,291	145,854	163,881
Amount due from related parties	134,004	134,204	-	-
Cash and bank balances	(6,828)	635	(776,816)	(401,655)
Total current assets	**355,329**	**316,021**	**(435,781)**	**(18,468)**
Total assets	**1,355,984**	**1,251,962**	**408,942**	**740,972**

Base period

EQUITY AND LIABILITIES	30 Jun 18	30 Jun 19	30 Jun 24	30 Jun 26
Equity				
Share capital	1,824,709	1,824,709	1,824,709	1,824,709
Retained earnings	(11,383,575)	(11,499,516)	(7,196,548)	(6,229,007)
Share premium	1,371,057	1,371,057	1,371,057	1,371,057
Revaluation reserve	755,569	243,376	243,376	243,376
Unsecured creditors preferred equity	-	-	1,969,044	1,969,044
Total equity	**(7,432,240)**	**(8,060,374)**	**(1,788,362)**	**(820,821)**
Non-current liabilities				
Government of Kenya	1,200,000	1,200,000	1,200,000	1,200,000
UBA loan	161,502	161,502	49,561	0
ICDC loan	85,097	85,097	37,463	0
Obligation under finance lease-KCB&Coop	722,847	777,231	0	0
Trade and other payables	5,823,682	6,264,664	586,947	(0)
Total non-current liabilities	**7,993,128**	**8,488,494**	**1,873,970**	**1,200,000**
Current liabilities				
New trade and other payables	-	-	311,155	349,614
Deferred revenue	87,718	3,011	3,011	3,011
Penalty payable	-	-	-	-
Tax payable	9,227	9,167	9,167	9,167
Bank overdraft	698,151	811,664	(0)	(0)
Total current liabilities	**795,096**	**823,842**	**323,333**	**361,792**
Total equity and liabilities	**1,355,984**	**1,251,962**	**408,941**	**740,971**

Business Focus

- Management intends to turnaround the business by introducing franchising, smaller stalls and using digital platforms

- For the branches that Uchumi will continue to run, the following areas will be of focus:

  - Human capital
  - Processes & IT systems - Implementation of real time payment solution / supply chain finance
  - Sales and marketing
  - Branch refurbishment
  - Working capital management
  - Risk management and compliance
  - Business growth: Adoption of a new business model; franchising, mini-shops (‘uchumi mtaani’), e-commerce

Doing Things Differently (1/3)

- **Reduce Costs and Deploy Risk Management Strategies**
  - Identify and rectify cost inefficient activities e.g. Human capital management and procurement processes

- **Reduce Branches**
  - USP shall focus on fewer branches for stabilization and eventually grow the network by franchising towards the neighborhoods and convenient stores

- **Corporate Governance and Compliance**
  - Having industry experts sit in the board, train them on corporate governance, enforce corporate governance, compliance and ethical principles across the organization and placing correct measures to promote compliance including whistle blowing procedures

Doing Things Differently (2/3)

- **Strategic Branding, Marketing and Communication**
  - Change the brand perception through various marketing strategies such as effective & improved public relations & communication, employee training on branding and guidelines, stores layout & staff outlook

- **Alignment of Human Resource Capital**
  - This will focus on filling the current skill gap at USP by hiring the expert personnel to execute USP's future strategy
  - Training and promoting employee engagement activities thus making USP more attractive to high skilled talent in the market

- **Business Optimization Value Addition**
  - Introduce Business intelligence systems and continuous process improvement to fortify business optimization going forward

Doing Things Differently (3/3) – Supplier Payments

- The company will set aside a total of KES 207M for payment to suppliers for restocking. This amount shall be increased with time to reflect the increase in activity. This fund shall be used **exclusively for stocking** up the shops. With a target 17 days turnover cycle, this amount totals to KES 350M per month.
- To fully maximize the impact of the cash, the company will partner with its bankers (currently under negotiations) to provide a **Supply Chain Finance (SCF) solution**. With the SCF, USP will create a file of its suppliers and upload it to the bank's system. Each supplier will be allocated an amount that will be the **bank guaranteed amount.** Each supplier will be given a login access to the system and view their respective cash allocations. The supplier will have access to the set limit anytime after they supply their goods to the company.
- USP will also give suppliers **login access to the company systems to access information about performance of their respective products on a real-time basis**. This way, the supplier can **forecast demand** for their products at our outlets.
- Main advantages of the SCF system to the supplier:
    - Guaranteed payment for their deliveries
    - Early access to their payments if they wish to
    - Cheaper funding (through lower arrangements and monitoring costs for banks)
    - Very fast turn around time

Transformation Roadmap (1/2)

The following are main areas of focus on the transformation roadmap.

- **Store Operations Revival and Property Management**
  - Change the store look and feel; Improve in-store processes and redesign branch organization structures
  - Redevelop store planogram; Rationalize store portfolio and build property management practices

- **Procurement and Product Offering**
  - Improve stock availability and diversity; Enhance displays; Develop a robust procurement policy focusing on pricing strategy and Procure to Pay efficiency

- **Logistics and Warehousing**
  - Integrated supply chain planning; Distribution Network Design; Fleet Management or Outsourcing; Warehouse Configuration to enhance e-Commerce and Inventory Management

Transformation Roadmap (2/2)

- **Revolutionise Customer Shopping Experience & Loyalty**
  - Promotional Management; Customer Data Analytics; Customer Relationship Management (CRM) & Net Promoter Scores (NP); Loyalty Program Upgrades and Online Shopping Management

- **Financial Stability and Systems Alignment**
  - Optimise Finance Policy Environment and Processes; Capital Expenditure Governance Model and Efficient Cash Planning
  - Improve on MIS- procure an ERP that is aligned with the new business strategy

- **Culture and Performance**
  - Develop a Target Operating Model; Change the Organization Structure; Employee and cultural overhaul; Change the Management and Communications Processes

Branch Operations

Branch	Branch Operation	Lease expiry date
City centre	Uchumi Operated	*01.10.2019*
Eldoret	Uchumi Operated	*01.11.2021*
Jogoo road	Uchumi Operated	*01.11.2020*
Langata	Uchumi Operated	*OWNED BY USL*
Meru	Uchumi Operated	*01.06.2023*
Nairobi west	Uchumi Operated	*31.03.2028*
Ngong road	Uchumi Operated	*01.01.2019*

**** Business premises are a fundamental part of the CVA and as such, where leases have expired, we plan to negotiate for extensions of at least 3 years to enable to plan to work.***

Pro forma Financials after Optimization

Statement of Comprehensive Income										
		30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 June 25	30 Jun 26
Revenue	**KShs '000**	**847,802**	**203,239**	**206,364**	**2,227,615**	**3,339,513**	**3,893,872**	**4,551,702**	**5,207,410**	**5,519,854**
Gross Profit	KShs '000	160,424	103,046	37,677	445,523	667,903	778,774	910,340	1,041,482	1,103,971
Franchise Income	KShs '000	-	2,910	2,449	-	-	-	-	-	-
Admin & Establishment Costs	KShs '000	(1,673,666)	(577,971)	(392,851)	(478,664)	(520,361)	(574,344)	(635,822)	(677,988)	(715,923)
Selling & Distribution Expenses	KShs '000	(11,503)	(11,503)	(6,062)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Finance Costs	KShs '000	(335,334)	(302,769)	(184,692)	-	-	-	-	-	-
Profit after tax	KShs '000	(1,706,516)	(619,760)	(417,665)	74,859	255,541	312,430	382,518	471,494	496,047
Comprehensive Income	**KShs '000**	**(1,706,516)**	**(619,760)**	**3,451,486**	**74,859**	**255,541**	**312,430**	**382,518**	**471,494**	**496,047**

Statement of Financial Position										
		30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26
Non Current Assets	KShs '000	1,000,655	935,941	906,033	920,955	885,044	849,133	844,723	801,991	759,440
Current Assets	KShs '000	355,329	316,021	(70,667)	(299,993)	(389,381)	(445,952)	(435,781)	(287,895)	(18,468)
Total Assets	**KShs '000**	**1,355,984**	**1,251,962**	**835,366**	**620,963**	**495,664**	**403,181**	**408,942**	**514,097**	**740,972**
Total Equity	KShs '000	(7,432,240)	(8,060,374)	(2,813,711)	(2,738,852)	(2,483,311)	(2,170,881)	(1,788,362)	(1,316,868)	(820,821)
Non Current Liabilities	KShs '000	7,993,128	8,488,494	3,663,723	3,194,972	2,737,930	2,295,026	1,873,970	1,488,962	1,200,000
Current Liabilities	KShs '000	795,096	823,842	(14,646)	164,842	241,043	279,035	323,333	342,002	361,792
Total Equity & Liabilities	**KShs '000**	**1,355,984**	**1,251,962**	**835,365**	**620,962**	**495,663**	**403,180**	**408,941**	**514,096**	**740,971**

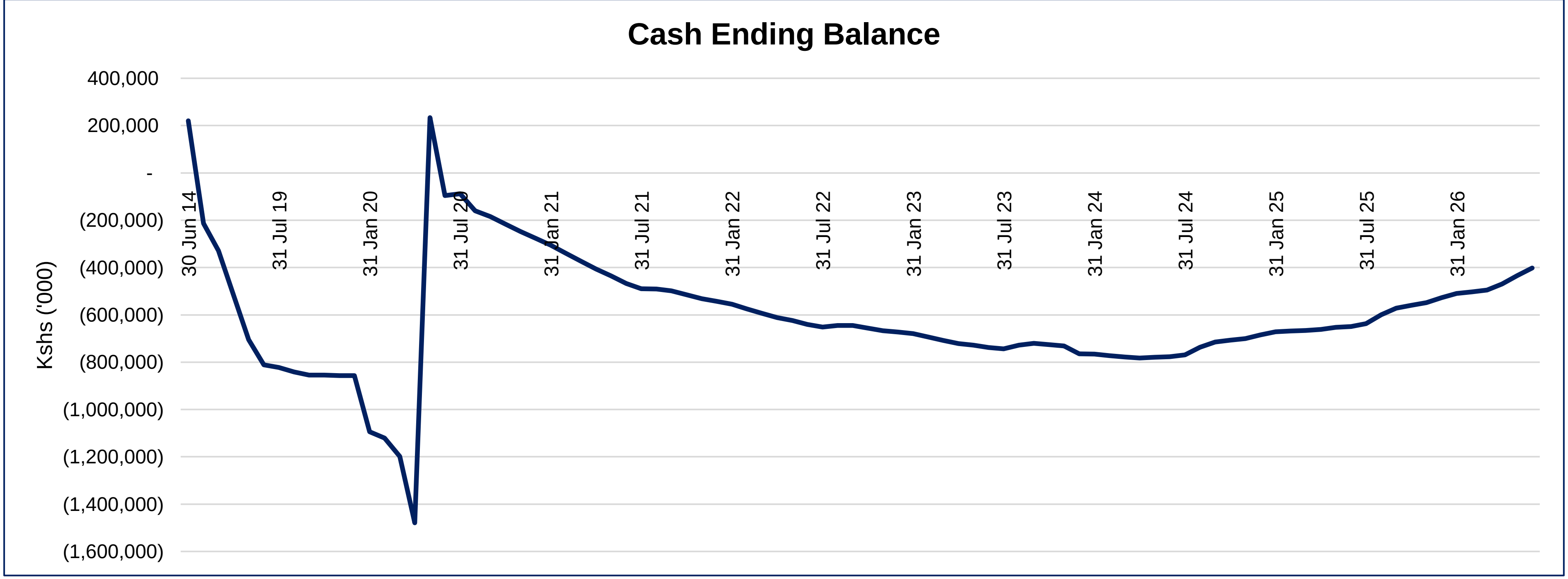
Statement of Cashflow										
		30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26
Net Cashflow from Operations	KShs '000	(358,356)	178,900	(597,474)	(233,159)	(84,016)	(9,320)	36,881	177,152	285,033
Net Cashflow from Investing	KShs '000	-	17,819	1,751,590	(50,000)	-	-	-	-	-
Net Cashflow from Financing	KShs '000	171,669	(302,769)	(438,354)	(88,891)	(88,891)	(88,891)	(75,262)	(49,728)	(37,296)
Cash at the end of the period	KShs '000	(704,979)	(811,029)	(95,267)	(467,317)	(640,224)	(738,436)	(776,816)	(649,392)	(401,655)

Business Optimization

PROFITABILITY MARGINS										
Margin	**Unit**	**30 Jun 18**	**30 Jun 19**	**30 Jun 20**	**30 Jun 21**	**30 Jun 22**	**30 Jun 23**	**30 Jun 24**	**30 Jun 25**	**30 Jun 26**
Gross profit margin	%	18.92%	50.70%	18.26%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
EBITDA margin	%	-143.01%	-161.42%	-97.40%	4.94%	8.73%	8.95%	9.27%	9.87%	9.76%
EBIT margin	%	-161.73%	-179.76%	-112.89%	3.36%	7.65%	8.02%	8.40%	9.05%	8.99%
Net profit margin	%	-201.29%	-304.94%	-202.39%	3.36%	7.65%	8.02%	8.40%	9.05%	8.99%

Liquidity Ratios

LIQUIDITY RATIOS									
Margin	**30 Jun 18**	**30 Jun 19**	**30 Jun 20**	**30 Jun 21**	**30 Jun 22**	**30 Jun 23**	**30 Jun 24**	**30 Jun 25**	**30 Jun 26**
Current ratio	0.05	0.04	4.82	(1.82)	(1.62)	(1.60)	(1.35)	(0.84)	(0.05)
Cash ratio	(0.01)	0.00	6.50	(2.83)	(2.66)	(2.65)	(2.40)	(1.90)	(1.11)
Quick ratio	0.38	0.36	5.79	(2.40)	(2.21)	(2.20)	(1.95)	(1.45)	(0.66)



Business Optimization

EFFICIENCY RATIOS										
Item	**Unit**	**30 Jun 18**	**30 Jun 19**	**30 Jun 20**	**30 Jun 21**	**30 Jun 22**	**30 Jun 23**	**30 Jun 24**	**30 Jun 25**	**30 Jun 26**
Inventory days	days	55	128	34	11	16	18	18	18	18
Accounts receivables days	days	123	304	155	7	10	11	11	11	11
New accounts payables days	days	-	-	-	13	26	29	29	28	28

KEY NOTES

- The inventory days going forward is assumed at 18 days, that is, approximately 2 orders per month
- Accounts payables days (old) reduce as the business partially pays the trade creditors
- Accounts receivables days is assumed in relation to institutional customers who don't pay on the spot
- Going forward we are assuming suppliers are paid within 30 days

Risk Matrix

			Marginal (1)	Moderate (2)	Critical (3)
			Little or no effect	Serious impact to course of action or outcome	Result in disaster
Likelihood	Improbable (1)	Risk unlikely to occur	Low - 1	Low - 2	Medium - 3
	Possible (2)	Risk will likely occur	Low - 2	Medium - 4	High - 6
	Probable (3)	Risk will occur	Medium - 3	High - 6	High - 9

Risk	Description	Pre-CVA Risk Assessment	Post-CVA Risk Mitigation Measures	Post -CVA Risk Assessment
Legal Risk	Continued Insolvency petition threatens the company's going concern.	High	Finalize the insolvency petition and ensure the adoption of the CVA by the court	Low - 2
Operational Risk	Inadequate people, processes and systems to drive the business to long term stability Non-supply of goods against payments leading to leakages in working capital and OSS	High	Need to have efficient systems to instill trust Development and implementation of operational risk management controls Implementation of real time payment solution	Low - 2
Financial Risk	Inadequate cash flow to finance business operations	High	Approval of CVA Secure fresh capital injection	Low - 1
	Liquidity risk		Approval of CVA Disposal of key assets Favorable trading terms	Medium - 3