



UCHUMI SUPERMARKETS LTD (In Receivership)

Commentary on 2008/9 Performance

Rescue of Uchumi Supermarkets was commenced under the Specialized Receiver Manager (SRM) and interim management on July 14, 2006 when reopening of only 14 of Uchumi branches out of the previous 17 continued until February 9, 2007. The transformation of the chain stores, under the "Uchumi Rescue Plan (URP)" has continued in the last three years with emphasis on "reinvented Uchumi" for turnaround.

Business performance has continued to improve in the third year running with the on-going implementation of the URP during 2008/9, in spite of the challenging environment. Sales revenue and gross profits grew by 21% (or Kshs 1,441 million) and 13% (or Kshs 200 million) respectively compared to 2007/8. The growth compared to 2006/7 was 83% (or Kshs 3,730 million) and 82% (or Kshs 786 million) for sales and gross profits respectively. Customer numbers recorded in the year increased by 33% to 16 million compared to the 2007/8 levels of 12 million, the highest customers per square foot per annum recorded in the recent past. The positive growth results are attributed to focus and redefined business objectives together with operational efficiency, and the re-launched Uchumi brand in line with the URP.

The management has continued to remain focused on operating costs with the ratio to net revenue improving in successive years at 23.7%, 18.8% and 17.2% for 2006/7, 2007/8 and 2008/9 respectively. As a result of prudent cost management, profit after tax increased from operating loss of Shs.257 million in 2006/7 to a profit of Shs.95 million in 2007/8 and now at Kshs 421 million in 2008/9. The earnings per share consequently grew from a loss per share of Kshs 1.43 in 2006/7 to earnings per share of Kshs 0.53 in 2007/8 and currently to Kshs 2.34 in 2008/9.

The business has continued to substantially meet its bargain in corporate obligations to the pre-receivership creditors, current suppliers and the secured debenture holders. Current assets grew from Shs.764 million in 2006/7 to Shs.900 million in 2007/8 and Kshs 1,062 million in 2008/9. Cash and cash equivalents increased by Shs.40 million to Shs.116 million in 2007/8 and to Kshs 128 million in 2008/9. These were complemented by prudent management of inventory which decreased by 3% in 2008/9 despite the 21% growth in business compared to 2007/8. Post receivership suppliers' debt is in term, and total current liabilities after reclassification from term loans of Shs.567 million stands at Shs.1,800 million. Term loans principal of Kshs 340 million and interest charge of Shs.80 million was settled during the year. The total term loan principal repaid since re-opening on July 14, 2006 is Kshs 490 million while total loan interest paid is Kshs 285 million.

The part implementation of the URP to date has resulted in marked gains in customer and products strategic adjacencies. While the upswing in business performance continues to be realized, the SRM in consultation with the Advisory Committee, the secured creditors and shareholders in the briefing meeting held on 28 July 2009 recognized that Uchumi will technically require to restructure the balance sheet through increased equity to correct the previously eroded shareholders' funds and simultaneously align the company's competitive positioning through growth strategic adjacencies and lower debt carrying capacities. The process of raising additional equity through a 10% convertible shareholders' debenture is on-going and expected to be concluded by 15th November 2009. The success of this exercise will lead to lifting of receivership and a subsequent re-listing of the company's shares in the Nairobi Stock Exchange, thereby crystallizing the ultimate objective of Uchumi Rescue Plan.

JONATHAN CIANO SPECIALIZED RECEIVER & MANAGER

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED	30 th June 2007 Kshs'000	30 th June 2008 Kshs'000	30 th June 2009 Kshs'000
Total Net Sales	4,503,241	6,792,354	8,232,843
Gross Profits	963,694	1,549,031	1,749,414
Operating Expenses	(1,068,130)	(1,274,408)	(1,419,008)
Profit/(Loss) from Operating Activities	(104,436)	274,623	330,406
Finance Costs	(152,124)	(168,522)	(160,484)
Profit (Loss) Before Taxation	(256,560)	106,101	169,922
Taxation	-	(11,032)	250,708
Profit (Loss) After Taxation	(256,560)	95,069	420,630
Profit (Loss) Per Share Basic and Diluted	(1.43)	0.53	2.34

CONSOLIDATED BALANCE SHEET ASSETS

NON CURRENT ASSETS	820,220	729,407	1,399,036
CURRENT ASSETS	763,537	899,756	1,062,514
TOTAL ASSETS	1,583,757	1,629,163	2,461,550
SHAREHOLDERS' EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share Capital	900,000	900,000	900,000
Reserves	(1,999,450)	(1,903,999)	(1,059,363)
	(1,099,450)	(1,003,999)	(159,363)
NON CURRENT LIABILITIES	1,597,950	1,180,089	820,089
Term Loans	1,085,257	1,453,073	1,800,824
CURRENT LIABILITIES	1,583,757	1,629,163	2,461,550
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			



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