

MONEY & MARKETS

CHALLENGE

At least, the increase in interest income from government bonds boosted the company's total income

TCCIA issues warning over profits drop

The company - which is listed on the Dar es Salaam Stock Exchange - alerted its shareholders that it anticipates a 1,121 percent fall in the first half-year that ended on June 30, 2020

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Dar es Salaam. The TCCIA Investment Plc is forecasting a sharp drop in its six-month income after what the firm explained as a result of adopting new accounting standards.

The company - which is listed on the Dar es Salaam Stock Exchange (DSE) - alerted its members that it anticipates a 1,121 percent fall in the first half-year that ended on June 30, 2020 from the previous six-month's profit.

It stated that the fall was influenced by "de-recognition of some of its equity investment as per the new International Financial Reporting Standards (IFRS9)."

The firm is worried that it will incur a Sh1.096 billion loss from the profit of Sh89.857 million made previously.

TCCIA Investment chief executive officer Peter Kifunguomali clarified that the development was a result of the financial accounting rearrangement following the adoption of the IFRS9 system. Actual performance was "higher in the first

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KIFUNGUOMALI | TCCIA INVESTMENT PLC CHIEF

half of 2020 compared to last year. This was mainly due to a marked loss in the disposal of 450,000 Tanzania Breweries Limited (TBL) shares which TCCIA traded for diversification purposes," he said.

TCCIA sold the shares through block trading at Sh8,000 per share, while the TBL market price stood at Sh10,900. The IFRS9 requires this

recorded as a loss - although the firm bought the shares at a lower price some eight years back. "For TCCIA, it was a gain - considering the fact that the shares were originally purchased at a price of Sh2,000 in 2012," said Mr Kifunguomali.

"The IFRS9 standards brought about big changes in the calculation of expected losses for financial assets

and their recognition."

According to Mr Kifunguomali, the company managed to dispose equity investment worth Sh3.6 billion, and invested Sh3.8 billion in Treasury bonds within the six months.

"The company increased its portfolio in government securities to ensure smooth growth in income generation and balance sheet," he said.

The increase in interest income from government bonds also boosted the company's total income generation in the first-half of the year.

"The company will focus on investing in ventures where returns are more predictable than in the case of dividends from equities such as commodities trading and bonds trading," said Mr Kifunguomali.