

Condensed Consolidated Statement of Financial Position as At 30 June		
	2020	2019
	Kshs '000	Kshs '000
Pre-publishing costs	741,839	533,154
Goodwill	125,786	125,786
Trade and other receivables	582,139	920,048
Inventories	548,710	458,507
Cash and bank balances	136,233	95,295
Other assets	315,457	211,544
Total assets	2,450,164	2,344,234
Borrowings	1,175,241	652,714
Trade payables	151,244	254,861
Other payables	388,914	332,355
Total liabilities	1,715,399	1,239,930
Total equity	734,765	1,104,304
Total equity and liabilities	2,450,164	2,344,234

Condensed Consolidated Statement of Changes in Equity for the Year Ended 30 June				
	Share capital & premium	Retained earnings	Non-controlling interest	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
At 1 July 2018	640,729	398,566	343	1,039,638
Total comprehensive income	-	177,620	(111)	177,509
Dividends - final 2018	-	(112,843)	-	(112,843)
At 30 June 2019	640,729	463,343	232	1,104,304
Total comprehensive loss	-	(227,996)	126	(227,870)
Dividends - final 2019	-	(141,669)	-	(141,669)
At 30 June 2020	640,729	93,678	358	734,765

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income for the Year Ended 30 June		
	2020	2019
	Kshs '000	Kshs '000
Revenue	1,067,926	1,600,397
Cost of sales	(580,645)	(694,589)
Gross profit	487,281	905,808
Staff redundancy costs	(22,188)	-
Expected credit losses	(69,122)	(2,296)
Other operating expenses	(539,396)	(543,175)
Finance costs	(151,929)	(96,369)
(Loss)/profit before tax	(295,354)	263,968
Income tax credit/(expense)	69,484	(78,843)
(Loss)/profit after tax	(225,870)	185,125
Other comprehensive loss	(2,000)	(7,616)
Total comprehensive (loss)/income	(227,870)	177,509

Condensed Consolidated Statement of Cashflows for the Year Ended 30 June		
	2020	2019
	Kshs '000	Kshs '000
Cash generated from operations	138,451	177,533
Income tax paid	(75,715)	(93,623)
Net cash generated from operating activities	62,736	83,910
Net cash used in investing activities	(246,852)	(162,926)
Net cash generated from/(used in) financing activities	231,141	(257,710)
Net increase in cash and cash equivalents	47,025	(336,726)
Cash and cash equivalents at start of year	73,128	418,780
Foreign exchange impact of translation	(4,384)	(8,926)
Cash and cash equivalents at end of year*	115,769	73,128

*Inclusive of bank overdrafts

COMMENTARY ON THE RESULTS

Operating environment:

The Group operated under a stable environment in the first half of the year where profit stood at Kshs 69 million and significant gains had been made in establishing the Group's products in the region compared to previous years. In March 2020, the COVID-19 crisis and the related mitigating measures implemented by governments in the regions where Longhorn operates, including the suspension of learning in schools and restriction of movement, adversely impacted the business and ultimately the performance for the financial year.

In response to the crisis, the Group has focused on the safety of its staff and protection of the long-term value of shareholders and our partners in the business through several cost-cutting and cash preservation measures. These efforts are reevaluated on an ongoing basis.

Financial highlights:

Revenue for the year decreased by 33% to Kshs 1,067 million compared to prior year. The revenue growth of 4% in the first half of the year was offset by a 62% decline in the second half, attributable to the COVID-19 pandemic. Tanzania recorded a revenue growth of 33% while Uganda revenue declined by 15% for the year, against a first half growth of 21% and 15% respectively.

Included under operating expenses are one-off provisions set aside out of prudence for the significant expected credit losses (ECL) following a slowdown in collections from our customers and staff redundancy costs totalling Kshs 91 million, owing to the COVID-19 crisis. Excluding these one-off provisions, the operating expenses for the year decreased by 1% compared to prior year and this trend is expected to continue in future as the Group operates a leaner cost structure. The ECL provisions are expected to reverse and will be booked as gains in the future as collections from customers improve.

Finance costs increased by 58% mainly attributable to the borrowings to support the regional expansion, product diversification and the digital transformation journey.

Despite the challenging environment, the Group generated positive cashflows of Kshs 138 million from normal operations.

Future outlook:

Digital – The Group has made significant strides towards scaling and fully optimizing its digital learning solutions to support business recovery. There are various products under development for the global market and these will be released to the market in the coming months. The first of these products is called SOMO which focuses on delivering real-world skills to a variety of learners from global experts.

Regional presence – The Group is well poised to take advantage of opportunities in the African markets it operates in given the investments made and relationships built over the last few years. Significant progress has been made in the new markets of DRC and Cameroon which have significant potential.

Product portfolio – The Group has expanded its product base and is set to realise higher returns in the coming years. The significant wins include primary school titles in Uganda, approval of a number of CBC Grade 5 titles in Kenya, additional Tanzania Institute of Education approvals and ongoing delivery of our first orders in Cameroon. The development of titles is ongoing in all the 9 countries we operate in.

Dividend:

Due to the financial performance for the year and in recognition of the uncertainty of the current operating environment brought about by the COVID-19 crisis, the Directors do not recommend payment of a final dividend for year ended 30 June 2020 (2019: Shs 142 million).

By order of the Board

Hon. Francis T. Nyammo OGW, MBS
Group Chairman
27 August 2020

Maxwell Wahome
Group Managing Director & CEO

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