

# UNAUDITED RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2019



## CHAIRMAN'S STATEMENT

### Introduction

Dear Shareholders,  
We hereby present the unaudited trading results of Tanga Cement Public Limited Company ("Tanga Cement" or the "Company") and its subsidiaries (together, the "group") for the year ended 31 December 2019.

The group performed reasonably well on key financial performance indicators for the year ended 31 December 2019 despite the slightly more challenging environment than the comparative period in the prior year as described in the Financial and Operational Overview section below. We however affirm our commitment to all stakeholders through our high quality cement and clinker and our contribution towards the sustainable growth and development of Tanzania, a demonstration of our brand – "Strength Within".

The company keeps on working towards safety at the work place and the focus remains to protect the employees and contractors to ensure that they continue to take pride in the work we do and the way in which we do it.

### Macro-economic Overview

The Group's business growth continued to be anchored on the increase in demand in the construction industry. The average annual headline inflation rate decreased to 3.4% in 2019 from 3.5% in 2018 as a result of Governments' fiscal and monetary policies.

Economic performance remained stable with GDP growth of 6.8% for the 2019 year compared to 7.1% recorded in 2018. Robust infrastructure investment and a strengthening consumer base remained major drivers of the business performance witnessed in the first six months supported by lower inflation levels, being in line with Government's medium term monetary policy target of 5% and within the East African Community (EAC) target of not more than 8%, and within the Southern African Development Community (SADC) convergence criteria of between 3% to 7%.

The Group remains optimistic of the positive impact of infrastructure development plans under the Government's Development Vision 2025 programme, and expects the projects to continue gaining momentum throughout 2020. The Group is confident with the measures that the Government has taken to stabilize the economy from the potential impact of COVID-19 and has committed to work with Government to ensure the health and safety of all our stakeholders.

The Group has capacity to meet a significant share of the cement demand in the country and remains committed to production of superior cement products.

### Financial and Operational Overview

Group's sales revenue increased by 3%, to TZS 221 billion from TZS 215 billion in 2018 despite competitive headwinds on cement prices.

Gross profit achieved in 2019 improved by 5% to TZS 59 billion from TZS 56 billion achieved in 2018. The adoption of IFRS 16 on Leases ("IFRS 16") in 2019 partially contributed to the increase in Gross Profit from the prior year. Lease expenses were historically presented under cost of sales, while in 2019 IFRS 16 requires it to be presented as depreciation of the right-of-use assets and the related interest expense on the lease liability.

EBITDA improved by 7% to TZS 37 billion from TZS 34 billion in 2018 driven by the increase in revenue and gross margin and operational efficiencies.

The operating profit decreased by 16% mainly as a result of the additional depreciation expense of TZS 5 billion, relating to the adoption of IFRS 16, which increased the 2019 depreciation charge by 27% compared to the prior year. Operating profit was also impacted by the application of IFRS 9 which resulted in an increase in Expected Credit Losses by 218% from TZS 305 million in 2018, to TZS 971 million in 2019.

The Group invested in once-off expansion and improvement of sales, logistics and distribution offering to customers in the long-term. The directors and management are optimistic about the improved returns being achieved as a result of this.

The Group posted a Loss Before Tax of TZS 14 billion in 2019 compared to the loss of TZS 12 billion in 2018, and a Net Loss After Tax of TZS 12 billion in 2019 compared to TZS 11 billion in 2018.

Cash generated from trading activities improved by 11.1% from TZS 35 billion recorded in 2018 to TZS 39 billion in 2019. Net cash flows from operations improved by 4.3% from TZS 41 billion recorded in 2018 to TZS 43 billion in 2019. The net cash flows from operations, and the EBITDA performance, are testament to the Group's sound operational business fundamentals and positive outlook.

The Group continues to be committed to its sales, logistics and cost optimisation initiatives as it continually seeks to enhance value for its stakeholders. The Group remains positive about 2020 despite the very competitive landscape and the impact of COVID-19. Government initiatives to spur economic growth through infrastructure development and promotion of local industries will boost local cement output and consumption while reducing the influx of cheap imported cement.

### Dividend

The company did not declare interim or final dividends to shareholders for 2019 and 2018 respectively in line with the financial performance for the year. The board has decided to be prudent by committing available current cash resources to the operational and debt service commitments. The Board will evaluate the financial performance for 2020 financial year when considering dividend declarations.

### Conclusion

Tanga Cement remains grateful to its staff for their passion and dedication to the company, and to its customers for their belief in the Simba Cement brand, as the company works to achieve its short- and long-term growth strategy.

With Tanzania remaining a significant player in the East African construction market, cement output is anticipated to increase and Tanga Cement is well positioned to take advantage of the growth opportunities in the regional market.

For and on behalf of the Board  
**Lawrence Masha**  
Chairman of the Board

### Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

	Group Dec 2019 TZS'000	Group Dec 2018 TZS'000	Company Dec 2019 TZS'000	Company Dec 2018 TZS'000
<b>Revenue</b>	220,882,297	214,922,899	218,031,750	205,951,168
Cost of sales	(162,040,204)	(158,771,016)	(161,055,029)	(152,935,264)
<b>Gross profit</b>	<b>58,842,093</b>	<b>56,151,883</b>	<b>56,976,721</b>	<b>53,015,904</b>
Selling and administration expenses	(21,498,756)	(21,705,048)	(19,421,287)	(19,154,438)
Depreciation	(24,334,730)	(19,106,942)	(24,159,309)	(18,884,665)
Expected credit losses (increase)/decrease	(970,808)	(304,926)	(2,796,340)	490,286
Impairment charge	(28,126)	(397,981)	(1,222,538)	(397,981)
<b>Operating profit</b>	<b>12,009,673</b>	<b>14,636,986</b>	<b>9,377,247</b>	<b>15,069,106</b>
Other income	418,515	232,258	328,739	118,644
Net finance costs	(26,236,366)	(26,404,287)	(26,184,089)	(26,339,328)
<b>Net loss before taxation</b>	<b>(13,808,178)</b>	<b>(11,535,043)</b>	<b>(16,478,103)</b>	<b>(11,151,578)</b>
Current income tax	(1,165,752)	(1,558,478)	(1,132,784)	(1,408,313)
Deferred tax credit	3,121,382	1,834,778	3,198,184	1,856,884
<b>Net loss for the year</b>	<b>(11,852,548)</b>	<b>(11,258,743)</b>	<b>(14,412,703)</b>	<b>(10,703,007)</b>
Exchange differences on translation of foreign operations	(22,547)	(11,614)	-	-
<b>Total comprehensive loss</b>	<b>(11,875,095)</b>	<b>(11,270,357)</b>	<b>(14,412,703)</b>	<b>(10,703,007)</b>
<b>Attributable to:</b>				
Owners of the parent	(11,875,095)	(11,270,357)	(14,412,703)	(10,703,007)
Non-controlling interest	-	-	-	-
<b>Total comprehensive loss</b>	<b>(11,875,095)</b>	<b>(11,270,357)</b>	<b>(14,412,703)</b>	<b>(10,703,007)</b>
<b>Weighted average number of shares in issue less treasury shares</b>	<b>62,967,893</b>	<b>62,967,893</b>	<b>62,967,893</b>	<b>62,967,893</b>
<b>Earnings per share (TZS)</b>	<b>(188)</b>	<b>(179)</b>		
<b>Dividends per share (TZS)</b>				

### Consolidated and Separate Statements of Financial Position as at 31 December 2019

	Group Dec 2019 TZS'000	Group Dec 2018 TZS'000	Company Dec 2019 TZS'000	Company Dec 2018 TZS'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property Plant and Equipment	331,516,226	347,265,779	330,634,438	346,843,971
Investment property	583,212	1,255,870	-	-
Investment in subsidiary	-	-	552,564	1,746,976
Equity Investment	-	100	-	100
Right Of use Asset	12,184,909	-	11,960,728	-
Deferred tax asset	-	76,802	-	-
Financial asset - Interest rate cap	1,586,736	6,466,965	1,586,736	6,466,965
<b>Current assets</b>	<b>345,871,083</b>	<b>355,065,516</b>	<b>344,734,466</b>	<b>355,058,012</b>
Due from employees' share trust	-	-	421,890	450,016
Inventories	48,216,378	44,806,561	48,216,378	44,144,082
Trade and other receivables	11,263,663	11,023,316	10,969,161	12,889,520
VAT recoverable	-	132,190	-	132,190
Current income tax recoverable	2,622,355	1,634,434	2,377,203	1,430,579
Cash and bank balances	8,907,345	16,999,527	8,695,481	16,316,053
<b>71,009,741</b>	<b>74,596,028</b>	<b>70,680,113</b>	<b>75,362,440</b>	
Non-current assets held for sale	3,870	-	-	-
<b>TOTAL ASSETS</b>	<b>416,884,694</b>	<b>429,661,544</b>	<b>415,414,579</b>	<b>430,420,452</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Issued share capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	(24,974)	(2,427)	-	-
Treasury shares	(421,890)	(450,016)	-	-
Retained earnings	137,258,603	149,111,151	135,738,536	150,151,239
<b>Equity attributable to owners of the parent</b>	<b>138,085,160</b>	<b>149,932,129</b>	<b>137,011,957</b>	<b>151,424,660</b>
<b>Total equity</b>	<b>138,085,160</b>	<b>149,932,129</b>	<b>137,011,957</b>	<b>151,424,660</b>
<b>Non-current Liabilities</b>				
Provision for site restoration	26,931	26,057	26,931	26,057
Lease Liability	7,400,436	-	7,370,880	-
Deferred tax liability	1,531,723	4,729,907	1,531,723	4,729,907
Term borrowings: Non-current portion	152,698,967	188,698,008	152,698,967	188,698,008
<b>161,658,057</b>	<b>193,453,972</b>	<b>161,628,501</b>	<b>193,453,972</b>	
<b>Current Liabilities</b>				
Trade and other payables	39,264,589	29,836,318	39,199,719	29,379,461
Lease Liability	4,530,368	-	4,458,538	-
Term borrowings: Current portion	39,916,316	35,153,065	39,916,316	35,153,065
Contract liabilities	4,514,942	4,233,768	4,284,286	3,957,002
Derivative liabilities	748,585	380,766	748,585	380,766
Bank overdrafts	28,166,677	16,671,526	28,166,677	16,671,526
<b>117,141,477</b>	<b>86,275,443</b>	<b>116,774,121</b>	<b>85,541,820</b>	
<b>Total liabilities</b>	<b>278,799,534</b>	<b>279,729,415</b>	<b>278,402,622</b>	<b>278,995,792</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>416,884,694</b>	<b>429,661,544</b>	<b>415,414,579</b>	<b>430,420,452</b>

### Consolidated and Separate Statements of Cash Flows for the year ended 31 December 2019

	Group Dec 2019 TZS'000	Group Dec 2018 TZS'000	Company Dec 2019 TZS'000	Company Dec 2018 TZS'000
<b>Cash generated from operating activities</b>				
Operating profit	12,428,188	14,869,244	9,705,986	15,187,750
Depreciation	24,334,730	19,106,942	24,159,309	18,884,665
Impairment charges	28,126	397,981	1,222,538	397,981
Loss on de-recognition of property and equipment	351,705	292,106	351,705	249,292
Gain on disposal of equity investment	(228,360)	-	(228,360)	-
Loss on disposal of assets	(81,960)	(190,761)	(65,768)	(175,549)
Other non cash items	2,103,355	584,726	3,922,805	(219,397)
<b>Cash generated from trading</b>	<b>38,935,784</b>	<b>35,060,238</b>	<b>39,068,215</b>	<b>34,324,742</b>
<b>Cash generated from trading</b>				
Decrease in amount due from employees' share trust	-	(4,215)	-	(4,215)
Increase in inventories	(4,521,961)	(7,046,738)	(5,197,887)	(6,895,715)
(Increase)/decrease in trade and other receivables	(1,590,323)	3,284,559	(1,207,144)	2,536,358
Decrease in VAT recoverable	132,190	6,380,242	132,190	6,344,869
Increase/(Decrease) in trade and other payables	9,428,271	(999,102)	9,820,258	1,381,365
Increase in contract liabilities	281,174	4,233,768	327,284	3,957,002
<b>Cash flows from operations</b>	<b>42,665,135</b>	<b>40,908,752</b>	<b>42,942,916</b>	<b>41,644,406</b>
<b>Cash flows from operations</b>				
Lease liability interest paid	(1,249,127)	-	(1,230,758)	-
Interest received	10,447	28,630	10,447	28,630
Income tax paid	(2,113,251)	(820,014)	(2,038,988)	(640,085)
<b>Net cash flows from operations</b>	<b>39,313,203</b>	<b>40,117,368</b>	<b>39,683,617</b>	<b>41,032,951</b>
<b>Investing activities</b>				
Proceeds from sale of fixed assets	76,170	192,665	66,802	183,297
Purchase of fixed assets	(3,403,020)	(6,026,939)	(3,403,021)	(5,995,492)
Proceeds from sale of investment in associate	-	-	228,460	-
<b>Net cash flows used in investing activities</b>	<b>(3,326,850)</b>	<b>(5,834,274)</b>	<b>(3,107,759)</b>	<b>(5,812,195)</b>
<b>Financing activities</b>				
Proceeds from borrowings	-	-	-	-
Interest paid - overdrafts	(2,015,699)	(1,480,401)	(2,015,699)	(1,480,401)
Interest paid - term borrowings	(17,065,716)	(21,229,544)	(17,065,716)	(21,229,544)
Loan repayment	(31,230,693)	(5,275,673)	(31,230,693)	(5,275,673)
Principal repayments - lease liabilities	(4,917,319)	-	(4,813,011)	-
<b>Net cash flows used in financing activities</b>	<b>(55,229,427)</b>	<b>(27,985,618)</b>	<b>(55,125,119)</b>	<b>(27,985,618)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(19,243,074)</b>	<b>6,297,476</b>	<b>(18,549,261)</b>	<b>7,235,138</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>				
Net foreign exchange rate differences	(344,259)	(819,816)	(566,462)	(744,225)
Cash and cash equivalents at 1 January	328,001	(5,149,659)	(355,473)	(6,846,386)
<b>Cash and cash equivalents at 31 December</b>	<b>(19,259,332)</b>	<b>328,001</b>	<b>(19,471,196)</b>	<b>(355,473)</b>

### Information to Members

The company secretary would like to inform the members that dividends can be directly transferred to their bank accounts.

Members can contact The Dar es Salaam Stock Exchange on +255 (0)22 2123983 or on +255 (0)22 2128522 for information on how to have the dividends deposited directly into their bank accounts.

**L Masha**  
Chairman  
30 June 2020

**R Swart**  
Managing Director

**Q Ganijee**  
Company Secretary

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