SIMBA CEMENT
STRENGTH WITHIN

AUDITED RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2019

CHAIRMAN'S STATEMENT

Introduction

Dear Shareholders,
We hereby present the audited 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 growth in business continued to be anchored on the growth in demand of the Tanzanian 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 expect the projects to continue gaining momentum in 2020. The Group is confident with the initiatives that the Government has taken to combat the spread of COVD-19 and commits to work together with the Government in growing the economy.

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

Market headwinds, particularly the competitive environment in the cement sector, during the year under review negatively impacted the Group's financial results. The Group's sales revenue increased by 3%, to TZS 221 billion from TZS 215 billion in 2018.

The gross margin decreased by 5% mainly due to additional depreciation on the right-of-use of our quarry fleet lease asset resulting from adoption of IFRS 16 Leases ("IFRS 16") in 2019.

The operating profit decreased by 16% mainly as a result of the additional depreciation expense of TZS 5 billion, relating to the right-of-use assets recognised following the adoption of IFRS 16, which increased the 2019 depreciation charge by 27% compared to the prior year. Other factors were increase in expected credit losses by 225% from TZS 305 million recognised in 2018 to TZS 990 million recognised in 2019 as a result of the increase in the aged trade receivables with higher probability of default. The Group also invested in once-off selling expenses, which contributed to the increase in selling expenses by 19% compared to the prior year, to expand and improve the sales, logistics and distribution offering to customers in the long term. The directors and management are positive that this will yield the desired returns in the short to medium term.

EBITDA improved by 8% to TZS 37 billion from TZS 34 billion in 2018 driven by the increase in revenue and operational efficiencies.

The Group incurred a loss before tax of TZS 14 billion in 2019 compared to the loss before tax of TZS 12 billion in 2018. The increase in loss before tax was mainly due to the decrease in operating profit, increase in foreign exchange and fair value losses which are mainly related to the USD denominated Tanga Kiln 2 loan and the interest expense on lease liabilities recognised following the adoption of IFRS 16 in 2019.

The Group recorded 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 4% from TZS 41 billion recorded in 2018 to TZS 42 billion in 2019. Net cash flows from operations increased by 1% from TZS 40 billion recorded in 2018 to TZS 41 billion in 2019. The net cash flows from operations, and the EBITDA performance, are testament that the Group's operational business fundamentals and outlook continue to be positive.

The Group continues to be committed to its sales 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 cement imports.

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 Seperate 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
Revenue	220,882,297	214,922,899	218,031,750	205,951,168
Cost of sales	(166,313,105)	(158,771,016)	(165,327,930)	(152,935,264)
Gross profit	**54,569,192**	**56,151,883**	**52,703,820**	**53,015,904**
Other income	770,220	524,364	680,444	367,936
Other expenses	(351,705)	(292,106)	(351,705)	(249,292)
Selling expenses	(5,080,554)	(4,270,914)	(5,080,554)	(4,342,924)
Administration expenses	(16,426,799)	(17,434,134)	(14,340,733)	(14,811,514)
Depreciation charge	(20,061,829)	(19,106,942)	(19,886,408)	(18,884,665)
Impairment and other charges	-	(397,981)	(1,222,538)	(397,981)
(Increase)/decrease in expected credit losses	(990,337)	(304,926)	(2,796,340)	490,286
Operating profit	**12,428,188**	**14,869,244**	**9,705,986**	**15,187,750**
Interest expense	(19,218,998)	(22,017,612)	(19,189,946)	(22,017,612)
Finance income	10,447	28,630	10,447	28,630
Foreign exchange and fair value losses	(7,027,815)	(4,415,305)	(7,004,590)	(4,350,346)
Loss before tax	**(13,808,178)**	**(11,535,043)**	**(16,478,103)**	**(11,151,578)**
Income tax credit	1,955,630	276,300	2,065,400	448,571
Loss for the year	**(11,852,548)**	**(11,258,743)**	**(14,412,703)**	**(10,703,007)**
Other comprehensive income				
"Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):"				
Exchange differences on translation of foreign operations	(22,547)	(11,614)	-	-
Other comprehensive income net of tax	(22,547)	(11,614)	-	-
Total comprehensive income for the year, net of tax	**(11,875,095)**	**(11,270,357)**	**(14,412,703)**	**(10,703,007)**
Loss for the year attributable to:				
Owners of the parent	(11,852,548)	(11,258,743)	(14,412,703)	(10,703,007)
Non-controlling interests	-	-	-	-
Total comprehensive income for the year attributable to:	**(11,852,548)**	**(11,258,743)**	**(14,412,703)**	**(10,703,007)**
Owners of the parent	(11,875,095)	(11,270,357)	(14,412,703)	(10,703,007)
Non-controlling interests	-	-	-	-
	(11,875,095)	**(11,270,357)**	**(14,412,703)**	**(10,703,007)**
Basic and diluted loss per share	**(188)**	**(179)**		
Dividends per share (TZS)	-	-		

Consolidated and Seperate 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
ASSETS				
Non-current assets				
Property Plant and Equipment	331,516,226	347,265,779	330,634,438	346,843,971
Right-of-use assets	12,184,909	-	11,960,728	-
Investment property	583,212	1,255,870	-	-
Investment in subsidiary	-	-	552,564	1,746,976
Equity investment	-	100	-	100
Financial asset - Interest rate cap	1,586,736	6,466,965	1,586,736	6,466,965
Deferred tax asset	-	76,802	-	-
	345,871,083	**355,065,516**	**344,734,466**	**355,058,012**
Current assets				
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	10,617,438	11,023,316	10,322,936	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
	70,363,516	**74,596,028**	**70,033,888**	**75,362,440**
Non-current assets held for sale	3,870	-	-	-
TOTAL ASSETS	**416,238,469**	**429,661,544**	**414,768,354**	**430,420,452**
EQUITY AND LIABILITIES				
Equity				
Issued 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
Equity attributable to owners of the parent	**138,085,160**	**149,932,129**	**137,011,957**	**151,424,660**
Non-controlling interest	-	-	-	-
Total equity	**138,085,160**	**149,932,129**	**137,011,957**	**151,424,660**
Non-current Liabilities				
Lease liabilities	7,400,436	-	7,370,880	-
Provision for site restoration	26,931	26,057	26,931	26,057
Term borrowings: Non-current portion	152,698,967	188,698,008	152,698,967	188,698,008
Deferred tax liability	1,531,723	4,729,907	1,531,723	4,729,907
	161,658,057	**193,453,972**	**161,628,501**	**193,453,972**
Current Liabilities				
Lease liabilities	4,530,368	-	4,458,538	-
Term borrowings: Current portion	39,916,316	35,153,065	39,916,316	35,153,065
Trade and other payables	39,264,589	29,836,318	39,199,719	29,379,461
Contract liabilities	3,868,717	4,233,768	3,638,061	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
	116,495,252	**86,275,443**	**116,127,896**	**85,541,820**
Total liabilities	**278,153,309**	**279,729,415**	**277,756,397**	**278,995,792**
TOTAL EQUITY AND LIABILITIES	**416,238,469**	**429,661,544**	**414,768,354**	**430,420,452**

Consolidated and Seperate 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
Cash generated from operating activities				
Operating profit	12,428,188	14,869,244	9,705,986	15,187,750
Adjusted for non cash items:				
Gain on disposal of equity investment	(228,360)	-	(228,360)	-
Depreciation charge	24,334,730	19,106,942	24,159,309	18,884,665
Other unrealised charges	28,126	-	-	-
Impairment charge	-	397,981	1,222,538	397,981
Increase in ECL on bank balances	30,178	155,102	39,114	16,949
Increase/(decrease) in ECL on trade receivables	960,159	145,288	2,757,226	(507,235)
Gain on sale of property, plant & equipment (PPE)	(81,960)	(190,761)	(65,768)	(175,549)
Loss on de-recognition of PPE and investment property	351,705	292,106	351,705	249,292
Increase in provision for obsolete inventories	1,112,144	283,356	1,125,591	269,909
Increase in site restoration provision	874	980	874	980
Operating profit before working capital changes	**38,935,784**	**35,060,238**	**39,068,215**	**34,324,742**
Increase in amount due from the Trust	-	(4,215)	-	(4,215)
Increase in inventories - less provisions	(4,521,961)	(7,046,738)	(5,197,887)	(6,895,715)
(Increase)/decrease in trade and other receivables - gross	(944,098)	3,284,559	(560,919)	2,536,358
Decrease in VAT recoverable	132,190	6,380,242	132,190	6,344,869
Increase in trade and other payables	9,428,271	(999,102)	9,820,258	1,381,365
Increase in contract liabilities	(365,051)	4,233,768	(318,941)	3,957,002
Cash generated from operating activities	**42,665,135**	**40,908,752**	**42,942,916**	**41,644,406**
Interest received	10,447	28,630	10,447	28,630
Income tax paid	(2,113,251)	(820,014)	(2,038,988)	(640,085)
Net cash flows from operations	**40,562,330**	**40,117,368**	**40,914,375**	**41,032,651**
Investing activities				
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	-
Net cash flows used in investing activities	**(3,326,850)**	**(5,834,274)**	**(3,107,759)**	**(5,812,195)**
Financing activities				
Lease liability interest paid	(1,249,127)	-	(1,230,758)	-
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)	-
Net cash flows used in financing activities	**(56,478,554)**	**(27,985,618)**	**(56,355,877)**	**(27,985,618)**
Net increase/(decrease) in cash and cash equivalents	**(19,243,073)**	**5,205,593**	**(18,549,261)**	**6,143,255**
Net foreign exchange rate differences	(344,259)	272,067	(566,462)	347,658
Cash and cash equivalents at 1 January	328,001	(5,149,659)	(355,473)	(6,846,386)
Cash and cash equivalents at 31 December	**(19,259,331)**	**328,001**	**(19,471,196)**	**(355,473)**

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
11 September 2020

R Swart
Managing Director

Q Ganijee
Company Secretary

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