

# AUDITED RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2018

## CHAIRMAN'S STATEMENT

### Introduction

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 31st December 2018.

Tanga Cement is pleased to report that the full year results of 2018 showed a significant improvement over the prior year. Cement demand in the construction industry continued to be robust in 2018 and the company managed to maintain and improve its operating efficiencies and supply to the market.

Emerging from very competitive market price conditions in 2017, cement margins showed some promising improvements.

Tanga Cement's commitment to all stakeholders through its high quality cement and clinker and its contribution towards the sustainable growth and development of Tanzania, continues to demonstrate our brand value of "Strength Within".

### Macro-economic Overview

Our 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 3.1% in 2018 from 4.5% in 2017 as a result of governments' fiscal and monetary policies.

Economic performance remains stable with expected GDP growth of between 6.7% and 7.2% for the 2018 year. Robust infrastructure investment and a strengthening consumer base remain major drivers of the growth witnessed in 2018 supported by lower inflation levels, being in line with government's medium term monetary policy target of 5%.

We remain 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 2019. Tanga Cement 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

Following our drive to establish a healthy competitive footprint in the Tanzanian cement market in 2017 in extremely competitive pricing conditions, the company focussed on improving margins and operational efficiencies in 2018 to improve profit margins, which was under severe pressure in the prior year.

Group sales revenue grew by 25%, to TZS 214.9bn from TZS 171.8bn in 2017 whilst gross profit for the year improved by 91% to TZS 56.2bn from TZS 29.4bn achieved in the prior year.

EBITDA showed a significant improvement of 304% to TZS 34.4bn from TZS 8.5bn in 2017 driven by improved sales volumes, margins and operational efficiencies.

The group achieved an operating profit of TZS 14.9bn for the year ended 31 December 2018 from an operating loss of TZS 10.99bn for 2017.

The 2018 performance has helped to reduce the after tax loss to TZS 11.3bn from TZS 26.3bn in 2017. Depreciation and financing costs related to the capital investment of the second integrated production line commissioned in 2016, remains notable expenses for the group.

Cash flows from trading activities improved to TZS 33.6bn in 2018 from TZS 14.0bn for the prior year while cash flows from operations improved to TZS 39.8bn in 2018 from TZS 3.7bn for 2017 due to improved profitability.

The company continued to build on its significant safety achievement and reached a cumulative 4.2 million hours without lost time injuries as at 31 December 2018. Our commitment of creating a safe and sustainable work environment for all employees and contractors on site forms an integral part of the Simba Cement corporate culture.

### Dividend

The company did not declare an interim dividend to shareholders for 2018 in line with the financial performance for the year. Having regard to the net loss after interest on loans and tax for 2018, the board has decided to be prudent by not declaring a final dividend for the 2018 financial year. Available cash resources will be committed to the operational and debt service commitments.

### 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 Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018

	Group Dec 2018 TZS'000	Group Dec 2017 TZS'000	Company Dec 2018 TZS'000	Company Dec 2017 TZS'000
<b>Revenue</b>	214,922,899	171,744,715	205,951,168	150,488,539
Cost of sales	(158,771,016)	(142,317,940)	(152,935,264)	(125,714,112)
<b>Gross profit</b>	<b>56,151,883</b>	<b>29,426,775</b>	<b>53,015,904</b>	<b>24,774,427</b>
Selling and administration expenses	(21,705,048)	(20,394,054)	(19,154,438)	(17,509,962)
Depreciation	(19,106,942)	(18,853,021)	(18,884,665)	(18,762,437)
Expected credit losses (increase)/decrease	(304,926)	-	490,286	-
Impairment charge	(397,981)	(646,089)	(397,981)	(646,089)
Other income/(expenses)	232,258	(520,103)	118,644	(526,456)
<b>Operating profit/(loss)</b>	<b>14,869,244</b>	<b>(10,986,492)</b>	<b>15,187,750</b>	<b>(12,670,517)</b>
Finance income	28,630	43,881	28,630	43,881
Finance costs and foreign exchange losses	(26,432,917)	(24,302,296)	(26,367,958)	(24,228,748)
<b>Loss before tax</b>	<b>(11,535,043)</b>	<b>(35,244,907)</b>	<b>(11,151,578)</b>	<b>(36,855,384)</b>
Current income tax	(1,558,478)	(982,989)	(1,408,313)	(110,672)
Deferred tax credit	1,834,778	9,887,742	1,856,884	9,887,742
<b>Loss for the year</b>	<b>(11,258,743)</b>	<b>(26,340,154)</b>	<b>(10,703,007)</b>	<b>(27,078,314)</b>
Exchange differences on translation of foreign operations	(11,614)	(13,582)	-	-
<b>Total comprehensive income for the year, net of tax</b>	<b>(11,270,357)</b>	<b>(26,353,736)</b>	<b>(10,703,007)</b>	<b>(27,078,314)</b>
<b>Attributable to:</b>				
Owners of the parent	(11,270,357)	(26,353,736)	(10,703,007)	(27,078,314)
Non-controlling interest	-	-	-	-
<b>Total comprehensive income for the year, net of tax</b>	<b>(11,270,357)</b>	<b>(26,353,736)</b>	<b>(10,703,007)</b>	<b>(27,078,314)</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>Loss per share (TZS)</b>	<b>(179)</b>	<b>(418)</b>		
<b>Dividends per share (TZS)</b>	<b>-</b>	<b>25</b>		

## Consolidated Statement of Financial Position as at 31 December 2018

	Group Dec 2018 TZS'000	Group Dec 2017 TZS'000	Company Dec 2018 TZS'000	Company Dec 2017 TZS'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property Plant and Equipment	347,265,779	361,906,745	346,843,971	359,990,184
Investment Property	1,255,870	-	-	-
Investment in subsidiary	-	-	1,746,976	1,746,976
Equity Investment	100	100	100	100
Deferred tax asset	76,802	-	-	-
Financial asset - Interest rate cap	6,466,965	4,994,316	6,466,965	4,994,316
<b>355,065,516</b>	<b>366,901,161</b>	<b>355,058,012</b>	<b>366,731,576</b>	
<b>Current assets</b>				
Due from employees' share trust	-	-	450,016	843,782
Inventories	44,806,561	38,043,180	44,144,082	37,518,276
Trade and other receivables	11,023,316	16,307,757	12,889,520	15,695,543
VAT recoverable	132,190	6,512,432	132,190	6,477,059
Current income tax recoverable	1,634,434	2,303,416	1,430,579	2,129,325
Cash and bank balances	16,999,527	7,464,405	16,316,053	5,606,749
<b>74,596,028</b>	<b>70,631,190</b>	<b>75,362,440</b>	<b>68,270,734</b>	
<b>TOTAL ASSETS</b>	<b>429,661,544</b>	<b>437,532,351</b>	<b>430,420,452</b>	<b>435,002,310</b>
<b>EQUITY AND LIABILITIES</b>				
Issued share capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	(2,427)	9,187	-	-
Treasury shares	(450,016)	(843,782)	-	-
Retained earnings	149,111,151	162,000,436	150,151,239	161,473,124
<b>Equity attributable to owners of the parent</b>	<b>149,932,129</b>	<b>162,439,262</b>	<b>151,424,660</b>	<b>162,746,545</b>
Non-controlling interest	-	-	-	-
<b>Total equity</b>	<b>149,932,129</b>	<b>162,439,262</b>	<b>151,424,660</b>	<b>162,746,545</b>
<b>Non-current Liabilities</b>				
Provision for site restoration	26,057	25,077	26,057	25,077
Deferred tax liability	4,729,907	6,869,709	4,729,907	6,869,709
Term borrowings: Non-current portion	188,698,008	191,524,837	188,698,008	191,524,837
<b>193,453,972</b>	<b>198,419,623</b>	<b>193,453,972</b>	<b>198,419,623</b>	
<b>Current liabilities</b>				
Term borrowings: Current portion	35,153,065	33,384,911	35,153,065	33,384,911
Trade and other payables	29,836,318	30,835,420	29,379,461	27,998,096
Contract liabilities	4,233,768	-	3,957,002	-
Derivative liabilities	380,766	-	380,766	-
Bank overdrafts	16,671,526	12,453,135	16,671,526	12,453,135
<b>86,275,443</b>	<b>76,673,466</b>	<b>85,541,820</b>	<b>73,836,142</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>429,661,544</b>	<b>437,532,351</b>	<b>430,420,452</b>	<b>435,002,310</b>

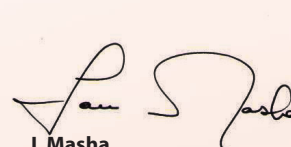
## Consolidated Statement of Cash Flows for the year ended 31 December 2018

	Group Dec 2018 TZS'000	Group Dec 2017 TZS'000	Company Dec 2018 TZS'000	Company Dec 2017 TZS'000
<b>Cash generated from operating activities</b>				
Operating profit/(loss)	14,869,244	(10,986,492)	15,187,750	(12,670,517)
Depreciation	19,106,942	18,853,021	18,884,665	18,762,437
Impairment charges	397,981	646,089	397,981	646,089
Loss on de-recognition of property and equipment	292,106	-	249,292	-
(Loss)/gain on disposal of assets	(190,761)	575,661	(175,549)	582,014
Other non cash items	(887,923)	4,885,980	(1,692,046)	4,554,649
<b>Cash generated from trading activities</b>	<b>33,587,589</b>	<b>13,974,259</b>	<b>32,852,093</b>	<b>11,874,672</b>
(Increase)/decrease in amount due from employees' share trust	(4,215)	16,700	(4,215)	16,700
Increase in inventories	(7,046,738)	(7,369,175)	(6,895,715)	(7,499,079)
Decrease/(increase) in trade and other receivables	3,284,559	(2,116,490)	2,536,358	(1,555,599)
Decrease in VAT recoverable	6,380,242	2,982,205	6,344,869	2,992,795
(Decrease)/increase in trade and other payables	(999,102)	(3,671,866)	1,381,365	(3,793,623)
Increase in contract liabilities	4,233,768	-	3,957,002	-
Increase in derivative liabilities	380,766	-	380,766	-
Increase in restricted bank balances	-	(160,929)	-	-
<b>Cash flows from operations</b>	<b>39,816,869</b>	<b>3,654,704</b>	<b>40,552,523</b>	<b>2,035,866</b>
Interest received	28,630	43,881	28,630	43,881
Income tax paid	(820,014)	(618,434)	(640,085)	-
<b>Net cash flows from operating activities</b>	<b>39,025,485</b>	<b>3,080,151</b>	<b>39,941,068</b>	<b>2,079,747</b>
<b>Investing activities</b>				
Proceeds from sale of fixed assets	192,665	655,514	183,297	651,786
Purchase of fixed assets	(6,026,939)	(7,975,431)	(5,995,492)	(7,734,979)
<b>Net cash flows used in investing activities</b>	<b>(5,834,274)</b>	<b>(7,319,917)</b>	<b>(5,812,195)</b>	<b>(7,083,193)</b>
<b>Financing activities</b>				
Proceeds from borrowings	-	22,216,383	-	22,216,383
Interest expense paid	(22,709,945)	(13,141,604)	(22,709,945)	(13,141,604)
Loan repayment	(5,275,673)	(11,883,495)	(5,275,673)	(11,883,495)
Ordinary dividend paid	-	(1,591,776)	-	(1,591,776)
<b>Net cash flows used in financing activities</b>	<b>(27,985,618)</b>	<b>(4,400,492)</b>	<b>(27,985,618)</b>	<b>(4,400,492)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,205,593</b>	<b>(8,640,258)</b>	<b>6,143,255</b>	<b>(9,403,938)</b>
Net foreign exchange rate differences	272,067	971,424	347,658	1,056,053
Cash and cash equivalents at 1 January	(5,149,659)	2,519,175	(6,846,386)	1,501,499
<b>Cash and cash equivalents at 31 December</b>	<b>328,001</b>	<b>(5,149,659)</b>	<b>(355,473)</b>	<b>(6,846,386)</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

15 March 2019



**R Swart**  
Managing Director



**Q Ganijee**  
Company Secretary

## Tanga Cement Public Limited Company

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