

# UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 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 six months ended 30th June 2019.

The half-year ending June 2019 was slightly more challenging than the comparative period in the prior year as described under 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 has achieved a world-class safety record for the first time, exceeding 5 million hours without injuries. Our focus remains to protect our 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

Our growth in business continued to be anchored on the growth in demand of the Tanzanian construction industry. The average semi-annual headline inflation rate increased to 3.7% for the year to date June 2019 from 3.1% recorded for the full year 2018.

Economic performance remains stable with expected GDP growth of between 6.6% and 7.2% for the year to date June 2019. Robust infrastructure investment and a strengthening consumer base remain 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 EAC and SADC convergence criteria of not more than 8% and 3% to 7% respectively.

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 throughout the remainder of 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

Market headwinds, particularly the competitive environment in the cement sector, during the period under review negatively impacted Tanga Cement's financial operations. The group sales revenue only declined by 1%, to TZS 97.6bn from TZS 98.9bn when compare to the comparative period in 2018.

Gross profit achieved in the first half of 2019 was comparable to that of 2018 and the company was able to sustain a healthy gross profit margin of 26% for both periods.

The operating profit decreased by 83% mostly as a result of an additional depreciation expense of TZS 3.7bn, which increased by 40% over the comparative period as a result of the adoption of the new IFRS 16 on leases. The company invested in some additional once-off selling and administration expenses which increased by 12% over the comparative period to expand and improve its sales, logistics and distribution offering to customers in the long term. Management is very positive about this will yield the desired returns for the remainder of the year.

Despite the decline in operating profit, the company managed to contain the decline in EBITDA to 11% from TZS 16.2bn in the comparative period to TZS 14.4bn for the six months ended June 2019.

The Group recorded a loss before tax of TZS 12.9bn for the first half of 2019, compared to a loss before tax of TZS 1.8bn recorded in the comparative period in 2018. The profitability was mainly impacted by the increase in financing cost and forex losses incurred on the USD denominated Tanga Kiln 2 loan and an interest expense on the adoption of the new IFRS 16 on leases.

The Group recorded a net loss after tax of TZS 10.2bn which is down from the net loss after tax of TZS 1.8bn over the comparative period.

Management is proud to announce that cash generated from trading activities improved by 17% from TZS 16.0bn recorded in 2018 to TZS 18.8bn in 2019. Cash flows from operations also improved by 33% from TZS 14.3bn recorded in 2018 to TZS 19.1bn in 2019, which is testament to the company's operational performance as a result of management's focused strategies.

Tanga Cement remains committed to its sales and cost optimisation initiatives as it continually seeks to enhance value for its stakeholders. The company remains positive about 2019 despite the very competitive landscape. 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 2018 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 the full 2019 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 Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 June 2019

	Group Jun 2019 TZS'000	Group Jun 2018 TZS'000	Company Jun 2019 TZS'000	Company Jun 2018 TZS'000
<b>Revenue</b>	97,629,910	98,880,629	95,502,526	91,901,487
Cost of sales	(72,654,627)	(73,321,829)	(71,794,413)	(68,147,359)
<b>Gross profit</b>	<b>24,975,283</b>	<b>25,558,800</b>	<b>23,708,113</b>	<b>23,754,128</b>
Selling and administration expenses	(10,440,973)	(9,355,201)	(9,552,987)	(8,265,858)
Depreciation and amortization	(13,242,790)	(9,461,290)	(13,196,131)	(9,414,488)
Other (expenses)/ income	(126,101)	28,892	(126,101)	28,892
<b>Operating profit</b>	<b>1,165,419</b>	<b>6,771,201</b>	<b>832,894</b>	<b>6,102,674</b>
Net finance costs	(14,059,890)	(8,576,891)	(13,983,831)	(8,576,891)
<b>Net loss before taxation</b>	<b>(12,894,471)</b>	<b>(1,805,690)</b>	<b>(13,150,937)</b>	<b>(2,474,217)</b>
Current income tax	(506,238)	(507,580)	(498,403)	(275,704)
Deferred tax credit	3,173,789	528,255	3,173,789	528,255
<b>Net loss for the year</b>	<b>(10,226,920)</b>	<b>(1,785,015)</b>	<b>(10,475,551)</b>	<b>(2,221,666)</b>
Exchange differences on translation of foreign operations	(18,938)	(14,356)	-	-
<b>Total comprehensive loss</b>	<b>(10,245,858)</b>	<b>(1,799,371)</b>	<b>(10,475,551)</b>	<b>(2,221,666)</b>
<b>Attributable to:</b>				
Owners of the parent	(10,245,858)	(1,799,371)	(10,475,551)	(2,221,666)
Non-controlling interest	-	-	-	-
<b>Total comprehensive loss</b>	<b>(10,245,858)</b>	<b>(1,799,371)</b>	<b>(10,475,551)</b>	<b>(2,221,666)</b>
<b>Weighted average number of shares in issue less treasury shares</b>	<b>62,967,893</b>	<b>62,967,893</b>		
<b>Loss per share (TZS)</b>	<b>-162</b>	<b>-28</b>		

### Consolidated Statement of Financial Position as at 30 June 2019

	Group Jun 2019 TZS'000	Group Dec 2018 TZS'000	Company Jun 2019 TZS'000	Company Dec 2018 TZS'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property Plant and Equipment	338,532,454	347,265,779	338,003,907	346,843,971
Investment property	1,213,229	1,255,870	-	-
Investment in subsidiary	-	-	1,746,976	1,746,976
Equity investment	100	100	100	100
Right of use asset	9,754,885	-	9,754,885	-
Deferred tax asset	76,802	76,802	-	-
Financial asset - Interest rate cap	2,642,578	6,466,965	2,642,578	6,466,965
<b>352,220,048</b>	<b>355,065,516</b>	<b>352,148,446</b>	<b>355,058,012</b>	
<b>Current assets</b>				
Due from employees' share trust	-	-	450,017	450,016
Inventories	62,229,336	44,806,561	62,000,862	44,144,082
Trade and other receivables	6,818,802	11,023,316	8,303,248	12,889,520
VAT recoverable	42,947	132,190	-	132,190
Current income tax recoverable	2,685,555	1,634,434	2,446,148	1,430,579
Cash and bank balances	11,943,052	16,999,527	11,595,651	16,316,053
<b>83,719,692</b>	<b>74,596,028</b>	<b>84,795,926</b>	<b>75,362,440</b>	
<b>TOTAL ASSETS</b>	<b>435,939,740</b>	<b>429,661,544</b>	<b>436,944,372</b>	<b>430,420,452</b>
<b>EQUITY AND LIABILITIES</b>				
Issued share capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	(21,365)	(2,427)	-	-
Treasury shares	(450,017)	(450,016)	-	-
Retained earnings	140,044,839	149,111,151	140,798,920	150,151,239
<b>Equity attributable to owners of the parent</b>	<b>140,846,878</b>	<b>149,932,129</b>	<b>142,072,341</b>	<b>151,424,660</b>
<b>Total equity</b>	<b>140,846,878</b>	<b>149,932,129</b>	<b>142,072,341</b>	<b>151,424,660</b>
<b>Non-current Liabilities</b>				
Provision for site restoration	26,057	26,057	26,057	26,057
Lease liability	10,954,611	-	10,954,611	-
Deferred tax liability	432,885	4,729,907	432,885	4,729,907
Term borrowings: Non-current portion	184,058,736	188,698,008	184,058,736	188,698,008
<b>195,472,289</b>	<b>193,453,972</b>	<b>195,472,289</b>	<b>193,453,972</b>	
<b>Current liabilities</b>				
Trade and other payables	48,420,502	34,450,852	48,199,671	33,717,229
Term borrowings: Current portion	30,364,165	35,153,065	30,364,165	35,153,065
Bank overdrafts	20,835,906	16,671,526	20,835,906	16,671,526
<b>99,620,573</b>	<b>86,275,443</b>	<b>99,399,742</b>	<b>85,541,820</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>435,939,740</b>	<b>429,661,544</b>	<b>436,944,372</b>	<b>430,420,452</b>

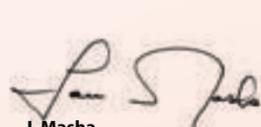
### Consolidated Statement of Cash Flows for the six months ended 30 June 2019

	Group Jun 2019 TZS'000	Group Jun 2018 TZS'000	Company Jun 2019 TZS'000	Company Jun 2018 TZS'000
<b>Cash generated from operating activities</b>				
Operating profit	1,165,419	6,771,201	832,894	6,102,674
Depreciation	13,242,790	9,461,290	13,196,131	9,414,488
Loss/ (gain) on disposal of assets	126,101	(28,892)	126,101	(28,892)
Other non cash items	4,275,130	(161,491)	4,529,429	(116,985)
<b>Cash generated from trading</b>	<b>18,809,440</b>	<b>16,042,108</b>	<b>18,684,555</b>	<b>15,371,285</b>
Increase in inventories	(17,422,907)	(2,119,454)	(17,989,014)	(2,011,692)
Decrease in accounts receivable	3,631,705	5,736,920	4,013,463	4,223,934
Decrease in VAT recoverable	89,243	2,443,083	132,190	2,696,314
Increase/(decrease) in accounts payable	13,969,650	(7,804,424)	14,482,442	(5,457,499)
<b>Cash flows from operations</b>	<b>19,077,131</b>	<b>14,298,233</b>	<b>19,323,636</b>	<b>14,822,342</b>
Interest received	5,307	9,668	5,307	9,668
Income tax paid	(1,607,778)	(262,819)	(1,513,972)	(223,366)
<b>Net cash flows from operations</b>	<b>17,474,660</b>	<b>14,045,082</b>	<b>17,814,971</b>	<b>14,608,644</b>
<b>Investing activities</b>				
Proceeds from sale of fixed assets	4,238	-	-	-
Purchase of fixed assets	(783,513)	(752,424)	(783,513)	(728,783)
<b>Net cash flows used in investing activities</b>	<b>(779,275)</b>	<b>(752,424)</b>	<b>(783,513)</b>	<b>(728,783)</b>
<b>Financing activities</b>				
Payment of principal portion of lease liabilities	(2,873,744)	-	(2,873,744)	-
Employee's share trust	-	(169)	-	(169)
Interest expense paid	(10,865,847)	(6,873,019)	(10,865,847)	(6,873,019)
Loan repayment	(12,176,649)	(5,275,673)	(12,176,649)	(5,275,673)
<b>Net cash flows used in financing activities</b>	<b>(25,916,240)</b>	<b>(12,148,861)</b>	<b>(25,916,240)</b>	<b>(12,148,861)</b>
<b>Net (Decrease)/ Increase in cash and cash equivalents</b>	<b>(9,220,855)</b>	<b>1,143,797</b>	<b>(8,884,782)</b>	<b>1,731,000</b>
Cash and cash equivalents at 1 January	328,001	(4,988,730)	(355,473)	(6,846,386)
<b>Cash and cash equivalents at 30 June</b>	<b>(8,892,854)</b>	<b>(3,844,933)</b>	<b>(9,240,255)</b>	<b>(5,115,386)</b>

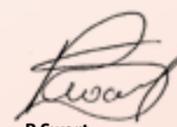
### Information to Members

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

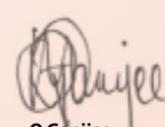
Members can contact The Dar es Salaam Stock Exchange on +255 (0)22 2123983 or on +255 (0)22 2128522 for information on how to have the dividends deposited directly into their bank accounts.



**L Masha**  
Chairman  
21 August 2019



**R Swart**  
Managing Director



**Q Ganjee**  
Company Secretary

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