

UNAUDITED RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2018

CHAIRMAN'S STATEMENT

Introduction

Dear Shareholders, We hereby present the unaudited trading results of Tanga Cement Public Limited Company for the year ended 31 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 cement and 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 cement and construction sector. The average annual headline inflation rate decreased to 3.5% in 2018 from 5.3% 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 26%, to TZS 217.0bn from TZS 171.7bn in 2017 whilst gross profit for the year improved by 92% to TZS 56.4bn from TZS 29.4bn achieved in the prior year.

EBITDA showed a significant improvement of 311% to TZS 35.0bn from TZS 8.5bn in 2017 driven by improved sales volumes, margins and operational efficiencies.

The company achieved an operating profit of TZS 14.9bn for the full year ending 31 December 2018 from an operating loss of TZS 10.5bn for 2017.

The 2018 performance has helped to reduce the after tax loss to TZS 10.7bn from TZS 26.3bn in 2017. Depreciation and financing costs linked to the capital investment of the second integrated production line commissioned in 2016, remains a notable expense for the group.

Cash flows from normal trading activities improved to TZS 33.4bn in 2018 from TZS 14.0bn for the prior year while cash flows from operations improved to TZS 39.5bn 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 prior 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 PLC 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 being the second-largest construction market in East Africa, 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
Revenue	216,956,709	171,744,715	205,951,168	150,488,539
Cost of sales	(160,587,382)	(142,317,940)	(152,935,264)	(125,714,112)
Gross profit	56,369,327	29,426,775	53,015,904	24,774,427
Selling and administration expenses	(21,789,125)	(20,394,054)	(18,664,153)	(17,509,962)
Depreciation and amortization	(19,021,739)	(18,853,021)	(18,884,665)	(18,762,437)
Impairment of Investments in other entities	(647,273)	(646,089)	(647,273)	(646,089)
Operating profit/(loss)	14,911,190	(10,466,389)	14,819,813	(12,144,061)
Other income/(expenses)	381,110	(520,103)	367,936	(526,456)
Net finance costs	(26,393,757)	(24,258,415)	(26,339,328)	(24,184,867)
Net loss before taxation	(11,101,457)	(35,244,907)	(11,151,579)	(36,855,384)
Current income tax	(1,558,073)	(982,989)	(1,408,314)	(1,110,672)
Deferred tax credit	1,934,454	9,887,742	1,856,884	9,887,742
Net loss for the year	(10,725,076)	(26,340,154)	(10,703,009)	(27,078,314)
Exchange differences on translation of foreign operations	3,605	(13,582)	-	-
Total comprehensive loss	(10,721,471)	(26,353,736)	(10,703,009)	(27,078,314)
Attributable to:				
Owners of the parent	(10,721,471)	(26,353,736)	(10,703,009)	(27,078,314)
Non-controlling interest	-	-	-	-
Total comprehensive loss	(10,721,471)	(26,353,736)	(10,703,009)	(27,078,314)
Weighted average number of shares in issue less treasury shares	62,967,893	63,124,445	62,967,893	63,124,445
Loss per share (TZs)	(170)	(417)	(170)	(429)
Dividends per share (TZs)	-	25	-	25

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
ASSETS				
Non-current assets				
Property Plant and Equipment	347,396,714	361,906,745	346,843,971	359,990,184
Investment Property	1,253,064	-	-	-
Investment in subsidiary	-	-	1,746,976	1,746,976
Equity Investment	100	100	100	100
Deferred tax asset	77,570	-	-	-
Financial asset - Interest rate cap	6,466,965	4,994,316	6,466,965	4,994,316
Current assets				
Due from employees' share trust	-	-	450,016	843,782
Inventories	44,812,346	38,043,180	44,144,080	37,518,276
Trade and other receivables	10,944,082	16,307,757	12,806,306	15,695,543
VAT recoverable	132,190	6,512,432	132,190	6,477,059
Current income tax recoverable	1,635,780	2,303,416	1,430,578	2,129,325
Cash and bank balances	17,096,382	7,464,405	16,399,268	5,606,749
TOTAL ASSETS	429,815,193	437,532,351	430,420,450	435,002,310
EQUITY AND LIABILITIES				
Capital and Reserves				
Issued share capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	12,792	9,187	-	-
Treasury shares	(450,016)	(843,782)	-	-
Retained earnings	148,962,515	162,000,436	149,868,319	161,473,124
Equity attributable to owners of the parent	149,798,712	162,439,262	151,141,740	162,746,545
Total equity	149,798,712	162,439,262	151,141,740	162,746,545
Non-current Liabilities				
Provision for site restoration	26,057	25,077	26,057	25,077
Deferred tax liability	5,012,825	6,869,709	5,012,825	6,869,709
Term borrowings: Non-current portion	188,698,008	191,524,837	188,698,008	191,524,837
Current liabilities				
Trade and other payables	32,216,565	27,746,654	31,735,830	26,263,212
Term borrowings: Current portion	35,153,065	33,384,911	35,153,065	33,384,911
Contract liabilities	1,857,669	3,088,766	1,600,633	1,734,884
Bank overdrafts	16,671,526	12,453,135	16,671,526	12,453,135
Other current financial liabilities	380,766	-	380,766	-
TOTAL EQUITY AND LIABILITIES	429,815,193	437,532,351	430,420,450	435,002,310

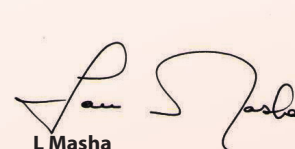
Consolidated Statement of Cash Flows for the year ended 31 December 2018

	Group Dec 2018 TZS'000	Group Dec 2017 TZS'000	Company Dec 2018 TZS'000	Company Dec 2017 TZS'000
Cash generated from operating activities				
Operating profit/(loss)	15,292,300	(10,986,492)	15,187,749	(12,670,517)
Depreciation	19,021,739	18,853,021	18,884,665	18,762,437
Impairment charges	647,273	646,089	647,273	646,089
Gain/(loss) on disposal of assets	(188,723)	575,661	(175,549)	582,014
Other non cash items	(1,383,061)	4,885,980	(1,864,168)	4,554,649
Cash generated from trading	33,389,528	13,974,259	32,679,970	11,874,672
Cash generated from trading				
Increase/(decrease) in amount due from employee's share trust	(4,215)	16,700	(4,215)	16,700
Increase in inventories	(7,039,076)	(7,369,175)	(6,895,713)	(7,499,079)
Decrease/(increase) in accounts receivable	3,125,645	(2,116,490)	2,398,952	(1,555,599)
Decrease in VAT recoverable	6,380,242	2,982,205	6,344,869	2,992,795
Increase/(decrease) in accounts payable	4,469,911	(3,671,866)	5,472,618	(3,793,623)
Decrease in contract liabilities	(1,231,097)	-	(134,251)	-
Increase in other current financial liabilities	380,766	-	380,766	-
Increase in restricted bank balances	(877)	(160,929)	-	-
Cash flows from operations	39,470,827	3,654,704	40,242,996	2,035,866
Interest received	28,630	43,881	28,630	43,881
Income tax paid	(797,932)	(618,434)	(640,085)	-
Net cash flows from operations	38,701,525	3,080,151	39,631,541	2,079,747
Investing activities				
Proceeds from sale of fixed assets	190,633	655,514	183,296	651,786
Purchase of fixed assets	(6,026,939)	(7,975,431)	(5,995,492)	(7,734,979)
Net cash flows used in investing activities	(5,836,306)	(7,319,917)	(5,812,196)	(7,083,193)
Financing activities				
Proceeds from borrowings	-	22,216,383	-	22,216,383
Interest expense paid	(22,709,591)	(13,141,604)	(22,709,591)	(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)
Net cash flows used in financing activities	(27,985,264)	(4,400,492)	(27,985,264)	(4,400,492)
Net Increase/(Decrease) in cash and cash equivalents	4,879,955	(8,640,258)	5,834,081	(9,403,938)
Net foreign exchange rate differences	694,560	971,424	740,047	1,056,053
Cash and cash equivalents at 1 January	(5,149,659)	2,519,175	(6,846,386)	1,501,499
Cash and cash equivalents at 31 December	424,856	(5,149,659)	(272,258)	(6,846,386)

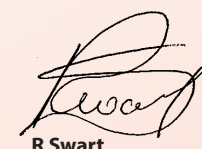
Information to Members

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

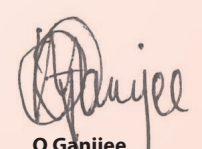
Members can contact The Dar es Salaam Stock Exchange on +255 (0)22 2123983 or on +255 (0)22 2128522 for information on how to have the dividends deposited directly into their bank accounts.



L Masha
Chairman
29 March 2019



R Swart
Managing Director



Q Ganijee
Company Secretary

Tanga Cement Public Limited Company

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