BAMBURI CEMENT LIMITED

The Directors of Bamburi Cement Limited are pleased to release the audited Group Financial Statements for the year ending 31 December 2019

Condensed consolidated statement of Profit or Loss and other Comprehensive Income	2019	2018 (Restated)
	Shs'million	Shs'million
Turnover	**36,796**	**37,262**
Total operating costs	(35,621)	(36,178)
Other gains and losses	149	(208)
Impairment losses	(207)	(101)
Operating profit	**1,117**	**775**
Finance costs-net	(389)	(155)
Profit before tax	**728**	**620**
Taxation	(369)	(48)
Profit for the year	**359**	**572**
Other comprehensive income net of tax	(9)	776
Total Comprehensive Income for the year	**350**	**1,348**
EPS (basic and diluted)* - Shs per Share	**1.74**	**2.37**

**EPS calculated on profit for the year attributable to shareholders of the parent and based on average number of shares*

Condensed Statement of Financial Position	2019	31-Dec-18 (Restated)	1-Jan-18 (Restated)
	Shs'million	Shs'million	Shs'million
Assets			
Non-current assets			
Property, plant and equipment	35,003	36,224	32,502
Prepaid operating lease rentals	-	124	136
Right of use assets	588	-	-
Intangible assets	139	244	43
Equity & long term investments	163	180	327
Biological assets	335	399	471
Limestone reserves	521	525	-
Goodwill	217	217	217
	36,966	**37,913**	**33,696**
Assets held for sale	27	-	-
Working capital			
Current assets	8,986	9,867	9,866
Current liabilities	(7,009)	(8,020)	(6,683)
	1,977	1,847	3,183
Cash and bank balances	3,106	2,366	3,490
Short term borrowings	(1,772)	(1,403)	(1,450)
	40,304	**40,723**	**38,919**
Capital and reserves			
Share capital	1,815	1,815	1,815
Reserves	26,888	27,761	27,451
Equity attributable to owners of the Company	**28,703**	**29,576**	**29,266**
Non-current liabilities	6,116	5,443	5,870
Non- controlling interests	3,429	3,694	3,783
Long term Loan	2,056	2,010	-
	40,304	**40,723**	**38,919**

Condensed consolidated Statement of Cash Flows	2019	2018
	Shs'million	Shs'million
Cash generated from operations	**3,659**	**3,712**
Interest received	60	103
Interest paid	(327)	(197)
Tax paid	(273)	(795)
Net cash generated from operating activities	**3,119**	**2,823**
Net cash used in investing activities	(1,019)	(4,957)
Net cash used in financing activities	(1,741)	(1,076)
Net increase/(decrease) in cash & cash equivalents	**359**	**(1,058)**
Effects of foreign exchange movement	12	(19)
At beginning of the year	963	2,040
At end of the year	**1,334**	**963**

Condensed statement of changes in equity	2019	2018 (Restated)
	Shs'million	Shs'million
Share Capital	1,815	1,815
Revaluation reserve	11,664	11,906
Fair value and translation reserves	(2,027)	(2,042)
Retained Earnings	17,251	17,897
Non-controlling interests	3,429	3,694
At end of the year	**32,132**	**33,270**

Explanatory notes: *These results are extracted from the consolidated financial statements of Bamburi Cement Limited for the year ended 3 December 2019. The consolidated financial statements have been audited by Deloitte & Touche and have received an unmodified opinion.*

2019 RESULTS HIGHLIGHTS

Revenue

The Group Turnover at Shs 36.8bn was 1.1% behind prior year (2018: Shs 37.2bn). The slightly lower Turnover is attributed to a comparatively adverse market situation in 2019 compared to 2018. In 2019 we were unable to access the Rwanda market through our Uganda based subsidiary Hima Cement Limited (Hima), leading to loss of volumes previously sold in Rwanda, as well as the shelving of Phase 2B of the Standard Gauge Railway (SGR) project in Kenya. The SGR project was serviced by the premium cement (CEMI 42.5) which commands a higher selling price than the ordinary (CEMII 32.5) cement. On account of the competitive pressure fuelled by overcapacity in our regional cement market, as well as the deteriorated product mix, selling prices in 2019 also declined in comparison to 2018 levels.

Operating Profit

The Group has restated its previously reported Operating Profit for the Financial Year 2018 from Shs 835m to Shs 775m by taking an additional cost accrual of Shs 60m. The adjustment has been taken in the books of our subsidiary Hima and represents a liability that relates to Financial Year 2018, but only came to the attention of management in 2019 following a management commissioned tax health check. The restatement was as a result of failure to consider exempt sales, and restrict claimable VAT. The restatement has been done in compliance with International Accounting Standard Number 8 (IAS 8).

The Group's Operating Profit grew by 44% over 2018 from Shs 775m (as restated) to Shs 1,117m. The operating profit growth was achieved in spite of a decline in the Kenya cement market, lower selling prices, and an impairment of Rwanda assets owing to the restricted access to the Rwanda market from Uganda. The improvement registered in the operating profit despite the highlighted downsides is testimony that the cost cutting and optimization initiative undertaken by the Group under the "Building for Growth" strategy launched in 2018, is bearing fruit. At operating Profit level, the benefits of cost optimisation, more than offset the adverse impact from the slight decline in topline.

Profit before Tax

Profit before tax increased to Shs 728m which is 17% higher than prior year (2018: Shs 620m). Compared to the growth in Operating Profit of 44%, the growth in profit before tax at 17% has been impacted largely by an increase in finance cost and the impairment of assets in Rwanda already referred to. The increase in finance cost by Shs 130m relates to the full year impact of interest on debt to finance the capacity expansion project commissioned by Hima in 2018.

Profit after Tax and Other Comprehensive Income

Despite growth in Operating Profit and Profit before Tax over 2018, the Group registered a 74% drop (Shs 998m) in Total Comprehensive Income which takes into account the Tax charge and net Other Comprehensive Income (OCI).

The Shs 369m tax charge in 2019 was Shs 321m higher than 2018. In 2018, both Bamburi Cement Limited (Bamburi) and Hima benefited from investment deduction allowances after commissioning the capacity expansion projects. In 2019, only Bamburi continued to enjoy the residual allowances as Hima's was only applicable to 2018. The absence of the investment deduction allowance benefit for Hima in 2019, plus the suspension of Rwanda operations, led to a higher tax charge in 2019 due to the amortisation of the associated deferred tax asset, the disallowing for tax purposes of costs associated with the discontinuation of Rwanda operations, and the derecognition of a previously recognised deferred tax asset for Rwanda. The combined impact of these is an effective tax rate of 50.6% (2018: 7.7%). The higher tax charge in 2019 is a therefore a consequence of the non-recurrent impact from investment deduction allowance benefit for Hima impacting 2018 and not 2019, and the suspension of operations in Rwanda.

OCI in 2018 was credited with Shs 1.3bn net of tax from the gain on revaluations of fixed assets. Hima undertakes a fixed asset revaluation exercise every 3-5 years as the circumstances may dictate. 2019 did not benefit from a similar credit.

In summary, the Group has posted a significantly improved operating profit and underlying performance over 2018, the drop in net profit and total Comprehensive Income notwithstanding.

Cash flow

The cash flow generated from operations at Shs 3.66bn (2018: Shs 3.71bn) was flat compared to prior year. However, the Group paid lower taxes by Shs 522m in 2019 compared to 2018, thanks to the investment deduction benefit arising from the commissioning of the capacity expansion projects by both Bamburi and Hima in 2018. To the contrary, the net interest expense in 2019 was higher by Shs 173m manly on account of the full year impact of the cost of the debt taken by Hima to finance the capacity expansion project.

Cash flow (contnued)

To the contrary, the net interest expense in 2019 was higher by Shs 173m manily on account of the full year impact of the cost of the debt taken by Hima to finance the capacity expansion project. The net impact of higher interest and lower taxes paid compared to prior year, was largely the driver of the higher net cash generated from operating activities.

The net cash used in financing activity reflects the increased final dividend in 2019.

The Group's balance sheet remains solid with a good foundation for future leveraged growth. The Group's working capital improvement initiatives taken during the year have boosted its cash position.

EXECUTION

The priority of Bamburi Cement Group has been to implement all necessary measures to protect the safety and health of all employees and their families. The outbreak, which has caused a slowdown in business operations across Uganda and Kenya, and a complete lockdown in other parts of the world, may have implications on operating results. As much as both Bamburi and Hima continue to be in operations as at the time of going to publication, it is too early to quantify the risks or full impact on financial year 2020.

Internally, and in parallel to the fore mentioned Covid-19 response measures, the Group will continue to execute Strategy 2022 agenda, focusing on Topline Growth, Cost Optimization, People agenda, Financial Strength and Sustainability.

We will continue to maintain and defend our market share in an increasingly competitive environment, as well as better manage the reach and availability of our products through our Route-To-Market initiatives. Renewed focus will be placed on optimizing our production costs, logistics costs for both inbound and outbound transport flows, and to reduce the cost of our raw materials and cost of service to customers.

While focusing on the above initiatives, the Group is hopeful that the two governments of Rwanda and Uganda will soon find an amicable resolution to the border dispute between them.

The Group is optimistic that as it maximizes topline opportunities supported by transformation initiatives to reduce the cost base, it will be in a good position to create value for all its stakeholders in the medium to long term.

OUTLOOK

The East African cement markets had earlier on been projected to grow in line with growth in Gross Domestic Product (GDP), while remaining highly competitive on account of the excess capacity invested in the market. Post Covid 19 pandemic, and in line with revised projections from reputable institutions like the World Bank, the board believes that the GDP growth rate for both Kenya and Uganda will be significantly below the pre Covid 19 projection rates for 2020. Given the direct correlation between GDP growth rate and growth of the cement market, the board expects the cement market in the two countries to mirror the actual GDP growth rate in 2020.

Following the outbreak of the Corona Virus (Covid 19) in early 2020, the Board of directors of Bamburi Cement Limited, would want to assure all our stakeholders that we conduct our business in a manner that creates a healthy and safe environment for all our stakeholders; our employees, contractors, communities and customers, and which is built on a sound health and safety culture. We believe in visible leadership and personal accountability at all levels throughout our organisation. We maintain a global health and safety management system designed to continuously improve our performance and actively minimise risks in our business.

DIVIDEND

The Board of Directors does not recommend payment of a dividend in 2019 (2018 Total Dividend Shs 5.10 per ordinary share, paid as Interim Dividend Shs 1.00 per ordinary share and Shs 4.10 per ordinary share as Final Dividend).

By Order of the Board,

Dr. John P. N. Simba
Chairman

Seddiq Hassani
Group Managing Director

07 May 2020