

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020



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 30 June 2020.

Despite the initial impact of the global Covid-19 pandemic, the group performed well on key financial performance indicators for the six months ended 30 June 2020 as described in the Financial and Operational Overview section below. We 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 deployed the highest standards of health and safety protocols across all its operations and continues to enforce safety at the work place to protect our employees and contractors.

Macro-economic Overview

The Group's business growth continued to be anchored in the increase in cement demand of the Tanzanian construction industry. The average annual headline inflation rate decreased to 3.2% for the six months to 30 June 2020, down from 3.4% for the full year ended 31 December 2019 as a result of Governments' fiscal and monetary policies.

The Group remains optimistic of the positive impact of infrastructure development plans under the Government's Development Vision 2025 programme, and expects the projects to continue gaining momentum throughout 2020 and 2021. The Group is confident with the measures that the Government has taken to stabilize the economy from the potential impact of Covid-19 and has committed to work with Government to ensure the health and safety of all our stakeholders.

The Group has sufficient 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

Group's sales revenue decreased marginally by 3%, to TZS 94.3bn from TZS 97.6bn achieved in the comparative period to 30 June 2019. Gross profit decreased by 2% to TZS 24.4bn from TZS 25.0bn in June 2019.

We are proud to report that EBITDA improved by 16% to TZS 16.7bn from TZS 14.4bn achieved in June 2019 driven by improved operational efficiencies and cost controls.

The operating profit for the six months to 30 June 2020 increased by 228% to TZS 4.2bn from TZS 1.3bn in June 2019 resulting from optimisation of operational, administration, distribution and logistics costs.

The Group registered a Loss Before Tax of TZS 5.1bn in June 2020 compared to the loss of TZS 12.9bn in June 2019, and a Net Loss After Tax of TZS 5.2bn in June 2020 compared to a loss of TZS 10.2bn in June 2019.

Cash generated from trading activities declined by 15% from TZS 18.8 bn recorded in June 2019 to TZS 16.1 bn in June 2020 mainly as a result of the revaluation of the Interest Rate Cap. Net cash flows from operations declined by 11% from TZS 17.5bn recorded in June 2019 to TZS 15.6bn in June 2020.

The Group continues to be committed to its sales, logistics 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 curbing the influx of cheap imported cement.

Dividend

The company did not declare any dividends to shareholders in 2019 and has decided not to declare an interim dividend for 2020 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 throughout the 2020 financial year when considering the final dividend declaration.

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 Separate Statements of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020	Group Jun 2020 TZS'000	Group Jun 2019 TZS'000	Company Jun 2020 TZS'000	Company Jun 2019 TZS'000
Revenue	94,326,912	97,629,910	94,326,912	95,502,526
Cost of sales	(69,883,943)	(72,654,627)	(69,883,943)	(71,794,413)
Gross profit	24,442,969	24,975,283	24,442,969	23,708,113
Selling and administration expenses	(8,134,059)	(10,668,357)	(8,132,251)	(10,125,796)
Depreciation	(12,259,025)	(13,242,790)	(12,205,127)	(13,196,131)
Expected credit losses (increase)/decrease	180,463	227,384	231,544	572,809
Operating profit	4,230,348	1,291,520	4,377,135	958,995
Other income	164,991	(126,101)	138,326	(126,101)
Net finance costs	(9,481,914)	(14,059,890)	(9,473,143)	(13,983,831)
Net loss before taxation	(5,086,576)	(12,894,471)	(4,997,682)	(13,150,937)
Current income tax	(485,073)	(506,238)	(485,073)	(498,403)
Deferred tax credit	397,363	3,173,789	397,363	3,173,789
Net loss for the year	(5,174,286)	(10,226,920)	(5,085,392)	(10,475,551)
Exchange differences on translation of foreign operations	(18,630)	(18,938)	-	-
Total comprehensive income	(5,192,916)	(10,245,858)	(5,085,392)	(10,475,551)
Attributable to:				
Owners of the parent	(5,192,916)	(10,245,858)	(5,085,392)	(10,475,551)
Non-controlling interest	-	-	-	-
Total comprehensive loss	(5,192,916)	(10,245,858)	(5,085,392)	(10,475,551)
Weighted average number of shares in issue less treasury shares	62,967,893	62,967,893		
Earnings per share (TZS)	-82	-162		
Dividends per share (TZS)	-	-		

Consolidated and Separate Statements of Financial Position as at 30 June 2020	Group Jun 2020 TZS'000	Group Dec 2019 TZS'000	Company Jun 2020 TZS'000	Company Dec 2019 TZS'000
ASSETS				
Non-current assets				
Property Plant and Equipment	324,321,954	331,516,226	321,999,298	330,634,438
Investment property	571,196	583,212	-	-
Investment in subsidiary	-	-	552,564	552,564
Right Of use Asset	9,453,953	12,184,909	9,388,125	11,960,728
Deferred tax asset	-	-	-	-
Financial asset - Interest rate cap	272,240	1,586,736	272,240	1,586,736
334,619,343	345,871,083	332,212,227	344,734,466	
Current assets				
Due from employees' share trust	-	-	421,890	421,890
Inventories	47,701,815	48,216,378	47,701,815	48,216,378
Trade and other receivables	14,069,395	11,263,663	15,673,486	10,969,161
Current income tax recoverable	2,606,695	2,622,355	2,134,320	2,377,203
Cash and bank balances	4,465,448	8,907,345	4,183,999	8,695,481
68,843,353	71,009,741	70,115,510	70,680,113	
TOTAL ASSETS	403,466,566	416,884,694	402,327,737	415,414,579
EQUITY AND LIABILITIES				
Capital and reserves				
Issued share capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	(18,630)	(24,974)	-	-
Treasury shares	(421,890)	(421,890)	-	-
Retained earnings	132,084,317	137,258,603	130,653,143	135,738,536
Equity attributable to owners of the parent	132,917,218	138,085,160	131,926,564	137,011,957
Total equity	132,917,218	138,085,160	131,926,564	137,011,957
Non-current Liabilities				
Provision for site restoration	26,931	26,931	26,931	26,931
Lease Liability	8,602,559	7,400,436	8,602,559	7,370,880
Deferred tax liability	1,134,359	1,531,723	1,134,359	1,531,723
Term borrowings: Non-current portion	133,436,378	152,698,967	133,436,378	152,698,967
143,200,227	161,658,057	143,200,227	161,628,501	
Current Liabilities				
Trade and other payables	40,817,501	39,264,589	40,743,154	39,199,719
Lease Liability	3,605,980	4,530,368	3,532,152	4,458,538
Term borrowings: Current portion	49,484,587	39,916,316	49,484,587	39,916,316
Contract liabilities	7,248,681	4,514,942	7,248,681	4,284,286
Derivative liabilities	61,761	748,585	61,761	748,585
Bank overdrafts	26,130,611	28,166,677	26,130,611	28,166,677
127,349,121	117,141,477	127,200,946	116,774,121	
Total liabilities	270,549,348	278,799,534	270,401,173	278,402,622
TOTAL EQUITY AND LIABILITIES	403,466,566	416,884,694	402,327,737	415,414,579

Consolidated and Separate Statements of Cash Flows for the year ended 30 June 2020	Group Jun 2020 TZS'000	Group Jun 2019 TZS'000	Company Jun 2020 TZS'000	Company Jun 2019 TZS'000
Cash generated from operating activities				
Operating profit	4,395,338	1,165,419	4,475,461	832,894
Depreciation	12,259,025	13,242,790	12,205,127	13,196,131
Gain on disposal of equity investment	-	126,101	-	126,101
Other non cash items	(573,283)	4,275,130	(594,930)	4,529,429
Cash generated from trading	16,081,080	18,809,440	16,085,658	18,684,555
Decrease/ Increase in inventories	514,563	(17,422,907)	514,563	(17,989,014)
(Increase)/decrease in trade and other receivables	(4,090,185)	3,631,705	(4,665,366)	4,013,463
Decrease in VAT recoverable	-	89,243	-	132,190
Increase in trade and other payables	1,552,912	13,969,650	1,543,435	14,482,442
Increase in contract liabilities	2,733,739	-	2,964,395	-
Decrease in derivative liabilities	(686,824)	-	(686,824)	-
Cash flows from operations	16,105,285	19,077,131	15,755,861	19,323,636
Lease liability interest paid	(29,785)	-	(21,014)	-
Interest received	3,159	5,307	3,159	5,307
Income tax paid	(484,410)	(1,607,778)	(242,789)	(1,513,972)
Net cash flows from operations	15,594,249	17,474,660	15,495,217	17,814,971
Investing activities				
Proceeds from sale of fixed assets	-	4,238	-	-
Purchase of fixed assets	(997,502)	(783,513)	(997,502)	(783,513)
Net cash flows used in investing activities	(997,502)	(779,275)	(997,502)	(783,513)
Financing activities				
Proceeds from borrowings	-	-	-	-
Interest paid - overdrafts	(1,034,907)	-	(1,034,907)	-
Interest paid - term borrowings	(3,481,154)	(10,865,847)	(3,481,154)	(10,865,847)
Loan repayment	(12,185,310)	(12,176,649)	(12,185,310)	(12,176,649)
Principal repayments - lease liabilities	(301,207)	(2,873,744)	(271,760)	(2,873,744)
Net cash flows used in financing activities	(17,002,578)	(25,916,240)	(16,973,131)	(25,916,240)
Net decrease in cash and cash equivalents	(2,405,831)	(9,220,855)	(2,475,416)	(8,884,782)
Cash and cash equivalents at 1 January	(19,259,332)	328,001	(19,471,196)	(355,473)
Cash and cash equivalents at 30 June	(21,665,163)	(8,892,854)	(21,946,612)	(9,240,255)

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
28 September 2020

R Swart
Managing Director

Q Ganijee
Company Secretary

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