

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021



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 2021.

The half-year ending June 2021 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".

During the period the Company has been awarded the prestigious NOSA Certificate of Excellence for exceptional performance in managing Hazards and Risks at Workplace for the NOSA Northern Region. The focus remains to protect our employees and contractors by ensuring they continue to take pride in the work we do and how we do it.

Macro-economic Overview

The Group's business growth continued to be anchored in the increased cement demand of the Tanzanian construction industry. The average annual headline inflation rate increased modestly to 3.6% for the year to date June 2021 from 3.2% for the full year ended 31 December 2020.

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 2021 to 2023. The Group is confident with the measures that the Government has taken to stabilise 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.

Government expenditure data which shows that its capital expenditure about doubled from TZS 768.9bn (June 2020) to 1.532bn (June 2021) most of which went into infrastructure projects which strengthened the demand for cement.

The Group 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

Group's sales revenue increased by 14%, to TZS 107.2bn from TZS 94.3bn achieved in the comparative period to 30 June 2020.

Group's cost of sales increased by 28% over the comparative period to 30 June 2020 mainly as a result of the purchase of 117,259.19 tons of clinker during the period to ensure sufficient cement production and supply to our customers whilst one of our major production units underwent major repairs and maintenance. This contributed to the decrease of the gross profit, EBITDA and operating profit achieved for the year to date 30 June 2021 compared to the same period in the

prior year. The repairs to the production unit was concluded and commissioned ahead of schedule and we are confident that it will yield stable and sustainable production going forward at a relatively reduced production cost per ton.

The gross profit decreased by 27% to TZS 17.9bn from TZS 24.4bn in June 2020.

EBITDA decreased by 42% to TZS 9.6bn from TZS 16.7bn in June 2020 also being impacted by the 27% increase in operational maintenance related to the production unit, distribution and administration costs.

The Group recorded a loss before tax of TZS 11.4bn in June 2021 compared to the loss of TZS 5.1bn in June 2020, and a Net Loss after Tax of TZS 7.8bn in June 2021 compared to TZS 5.2bn in June 2020.

Cash generated from trading activities declined by 35% from TZS 16.5 billion recorded in June 2020 to TZS 10.6 billion in June 2021. Net cash flows from operations declined by 39% from TZS 16.0bn recorded in June 2020 to TZS 9.8bn in June 2021.

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 2021 despite the very competitive landscape and the continued 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 reducing the influx of cheap imported cement.

Dividend

The company did not declare interim or final dividends to shareholders for 2021 and 2020 respectively 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 through 2021 financial year when considering dividend declarations.

Conclusion

The Board is grateful to management and 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 2021	Group June 2021 TZS'000	Group June 2020 TZS'000	Company June 2021 TZS'000	Company June 2020 TZS'000
Revenue	107,152,122	94,326,912	107,152,122	94,326,912
Cost of sales	(89,213,881)	(69,883,943)	(89,213,881)	(69,883,943)
Gross profit	17,938,241	24,442,969	17,938,241	24,442,969
Other income	150,216	164,991	129,422	138,326
Other expenses	(3,296,404)	-	(3,296,404)	-
Selling expenses	(1,600,995)	(1,435,278)	(1,600,995)	(1,435,278)
Administration expenses	(8,513,846)	(6,698,781)	(8,479,753)	(6,696,973)
Depreciation charge	(9,715,115)	(12,259,025)	(9,690,146)	(12,205,127)
Impairment and other charges	-	-	-	-
Expected credit losses (increase)/decrease	(141,500)	180,463	(210,375)	231,544
Operating (loss)/profit	(5,179,403)	4,395,339	(5,210,010)	4,475,461
Interest expense	(6,899,863)	(6,909,857)	(6,896,717)	(6,901,085)
Finance income	945	3,159	945	3,159
Foreign exchange and fair value losses	637,713	(2,575,217)	631,283	(2,575,217)
Loss before tax	(11,440,608)	(5,086,576)	(11,474,499)	(4,997,683)
Current income tax	(554,352)	(485,073)	(554,352)	(485,073)
Deferred tax credit	4,198,245	397,363	4,198,245	397,363
Loss for the year	(7,796,715)	(5,174,286)	(7,830,606)	(5,085,393)
Other comprehensive income				
"Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):"				
Exchange differences on translation of foreign operations	(7,993)	(18,630)	-	-
Other comprehensive income net of tax	(7,993)	(18,630)	-	-
Total comprehensive income for the year, net of tax	(7,804,708)	(5,192,916)	(7,830,606)	(5,085,393)
Loss for the year attributable to:				
Owners of the parent	(7,796,715)	(5,174,286)	(7,830,606)	(5,085,393)
Non-controlling interests	-	-	-	-
(7,796,715)	(5,174,286)	(7,830,606)	(5,085,393)	
Total comprehensive income for the year attributable to:				
Owners of the parent	(7,804,708)	(5,192,916)	(7,830,606)	(5,085,393)
Non-controlling interests	-	-	-	-
Weighted average number of shares in issue less treasury shares	62,967,893	62,967,893	-	-
Basic and diluted loss per share	-124	-82	-	-

Consolidated and separate statements of financial position as at 30 June 2021

	Group June 2021 TZS'000	Group June 2020 TZS'000	Company June 2021 TZS'000	Company June 2020 TZS'000
Assets				
Non-current assets				
Property, plant and equipment	307,961,993	313,717,275	307,205,089	312,906,893
Right-of-use assets	5,018,425	10,187,786	4,763,337	9,908,648
Investment property	549,120	560,484	-	-
Investment in subsidiary	-	-	552,564	552,564
Financial asset - Interest rate cap	780,140	229,170	780,140	229,170
Deferred tax asset	2,291,395	-	2,291,395	-
316,601,073	324,694,715	315,592,525	323,597,275	
Current assets				
Due from employees' share trust	-	-	351,575	351,575
Inventories	52,433,499	54,025,387	52,433,499	54,025,387
Trade and other receivables	11,603,747	9,799,677	12,009,320	9,948,423
VAT recoverable	-	-	-	-
Current income tax recoverable	6,856,578	6,443,707	6,320,584	5,969,790
Cash and bank balances	1,349,773	3,204,572	1,250,765	3,042,758
72,243,597	73,473,343	72,365,743	73,337,933	
Non-current assets held for sale	3,870	3,870	-	-
TOTAL ASSETS	388,848,540	398,171,928	387,958,268	396,935,208
EQUITY AND LIABILITIES				
Equity				
Issued capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	(65,961)	(57,968)	-	-
Treasury shares	(351,575)	(351,575)	-	-
Retained earnings	127,349,826	135,146,541	125,752,623	133,583,229
Equity attributable to owners of the parent	128,205,711	136,010,419	127,026,044	134,856,650
Non-controlling interest	-	-	-	-
TOTAL EQUITY	128,205,711	136,010,419	127,026,044	134,856,650
Non-current liabilities				
Lease liabilities	7,589,163	5,160,608	7,599,938	5,184,870
Provision for site restoration	28,101	28,101	28,101	28,101
Term borrowings: Non-current portion	129,848,494	141,567,340	129,848,494	141,567,340
Deferred tax liability	-	1,906,850	-	1,906,850
137,465,758	148,662,899	137,476,533	148,687,161	
Current liabilities				
Lease liabilities	1,961,187	5,833,975	1,961,187	5,788,769
Term borrowings: Current portion	47,332,522	30,069,355	47,332,522	30,069,355
Trade and other payables	50,266,904	45,732,759	50,185,079	45,310,307
Contract liabilities	4,670,413	8,250,357	5,030,858	8,610,802
Bank overdrafts	18,946,045	23,612,164	18,946,045	23,612,164
123,177,071	113,498,610	123,455,691	113,391,397	
TOTAL LIABILITIES	260,642,829	262,161,509	260,932,224	262,078,558
TOTAL EQUITY AND LIABILITIES	388,848,540	398,171,928	387,958,268	396,935,208

Consolidated and separate statements of cash flows for the year ended 30 June 2021

	Group June 2021 TZS'000	Group June 2020 TZS'000	Company June 2021 TZS'000	Company June 2020 TZS'000
Cash generated from operating activities				
Operating (loss)/profit	(5,179,403)	4,395,339	(5,210,010)	4,475,461
Adjusted for non cash items:				
Depreciation charge	11,514,776	12,259,025	11,489,807	12,205,127
Other unrealised charges	3,296,404	-	3,296,404	-
(Decrease)/increase in ECL on bank balances	(2,743)	(186,230)	(2,685)	(184,758)
Increase/(decrease) in ECL on trade receivables	144,243	5,767	213,060	(46,786)
Bad debts write off	149,769	-	149,769	-
Increase in provision for leave pay	128,025	-	128,025	-
Increase in provision for obsolete inventories	1,601,725	-	1,601,725	-
Operating profit before working capital changes	11,652,796	16,473,900	11,666,095	16,449,044
(Increase)/decrease in inventories - less provisions	(9,837)	514,563	(9,837)	514,563
(Increase)/decrease in trade and other receivables - gross	(1,948,313)	(4,090,185)	(2,273,957)	(4,665,366)
Decrease in VAT recoverable	-	-	-	-
Decrease in trade and other payables	4,534,145	1,552,912	4,874,772	1,543,435
(Decrease)/increase in contract liabilities	(3,579,944)	2,733,739	(3,579,944)	2,964,395
Decrease in derivative liabilities	-	(686,824)	-	(686,824)
Cash generated from operating activities	10,648,847	16,498,105	10,677,129	16,119,247
Interest income received	945	3,159	945	3,159
Income taxes paid	(892,766)	(484,410)	(857,129)	(242,789)
Net cash flows from operating activities	9,757,027	16,016,854	9,820,945	15,879,617
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(3,823,044)	(997,502)	(3,823,044)	(997,502)
Net cash flows used in investing activities	(3,823,044)	(997,502)	(3,823,044)	(997,502)
FINANCING ACTIVITIES				
Principal repayments - lease liabilities	(1,692,257)	(301,207)	(1,668,617)	(271,760)
Lease liability interest paid	(424,151)	(29,785)	(421,005)	(21,014)
Interest paid - overdrafts	(737,221)	(1,034,907)	(737,221)	(1,034,907)
Interest paid - term borrowings	-	(3,481,154)	-	(3,481,154)
Principal repayments - term borrowings	-	(12,185,310)	-	(12,185,310)
Net cash flows used in financing activities	(2,853,629)	(17,032,363)	(2,826,843)	(16,994,145)
Net (decrease)/increase in cash and cash equivalents	3,080,354	(2,013,011)	3,171,058	(2,112,030)
Net foreign exchange differences	(295,798)	(392,820)	(296,932)	(363,386)
Cash and cash equivalents at 1 January	(20,407,592)	(19,259,332)	(20,569,406)	(19,471,196)
Cash and cash equivalents at 30 June	(17,623,036)	(21,665,163)	(17,695,280)	(21,946,612)

Information to Members

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

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

L Masha
Chairman
30 September 2021

R Swart
Managing Director

Q Ganijee
Company Secretary

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