

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021



Introduction

Dear Shareholders,

We hereby present the audited trading results of Tanga Cement Public Limited Company ("Tanga Cement" or the "company") and its subsidiary (together, the "group") for the year ended 31 December 2021.

Despite the impact of the global COVID-19 pandemic, the group performed well on its key financial performance indicators for the year ended 31 December 2021 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 workplace to protect our employees and contractors.

Macro-economic Overview

The Group's growth outlook continues to be anchored in the growth in cement demand of the Tanzanian construction industry. The average annual headline inflation rate increased to 4.2% in 2021 from 3.3% in 2020.

Real GDP growth of 4.3% is estimated for 2021 compared to 4.8% achieved in 2020 (as published by National Bureau of Statistics). Whilst increase in GDP was pleasing, the primary drivers for business performance remained the robust infrastructure investment and a strengthening consumer base. Government's actions to support the medium term monetary policy inflation target of 5% also supported demand for our products.

The Group remains 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 2022. The Group is confident with the initiatives that the Government has taken to combat the spread of COVID-19 and commits to work together with the Government in growing the economy.

The Group has capacity to meet a meaningful share of the cement demand in the country and remains committed to local production of superior cement products.

Financial and Operational Overview

Group's sales revenue increased by 9%, to TZS 231bn from TZS 213bn achieved in 2020. Congruent to the increase in revenue, the gross profit also increased by 14% to TZS 61.7bn from TZS 54.2bn achieved in the prior year. The gross margin increased to 27% compared to 25% in 2020, despite major plant maintenance projects undertaken in 2021 and numerous electrical power dips and power outages which increased the costs of production.

The Group incurred some once-off restructuring expenses during the year which resulted in a 13% decrease in the operating profit to TZS 15billion in 2021 from TZS 17billion in 2020. These expenses mainly relate to the derecognition of the kiln shell section which was replaced, and associated maintenance costs incurred to stabilise the production process. The rationalisation of the quarry mining operations to a more cost-effective outsourced solution also contributed to this once off increase.

EBITDA decreased by 2% to TZS 40.8bn from TZS 41bn achieved in 2020 mainly due to the retrenchment costs and maintenance costs incurred to ensure long term reliability of the plant's operations.

The Group recorded a profit before tax of TZS 3.8billion in 2021 compared to the loss before tax of TZS 0.63billion in 2020. The increase in profit before tax was mainly due to the increase in gross profit and decrease in foreign exchange and fair

value losses which mainly relate to the USD denominated term loan for the construction of the Kiln2 expansion project and the interest expense on lease liabilities. The Company entered into a standstill agreement on PIC term loan facilities which contributed to prevention of realised foreign exchange losses. Improved treasury management including but not limited strict control over working capital has also contributed positively to the results.

The Group recorded a net profit after tax of TZS 3.5 bn in 2021 compared to net loss after tax of TZS 2.1 bn in 2020.

Cash generated from trading activities decreased by 58% from TZS 48 bn recorded in 2020 to TZS 20 bn in 2021. Net cash flows from operations decreased by 57% from TZS 43 bn recorded in 2020 to TZS 18 bn in 2021. This decline was attributed to by a 13% decline in the operating profit due to once-off non-recurring expenses as described above, increase in trade and other receivables by TZS 11 bn, increase in inventories by TZS 5 bn, decrease in trade receivables and contract liabilities by TZS 4 bn and TZS 1 bn respectively from 2020 to 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 2022 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 is expected to boost local cement output and consumption while curbing the influx of cheap imported cement.

Dividend

The company did not declare interim or final dividends to shareholders in 2021 and 2020 respectively to remain prudent with available cash resources in order to remain sustainable through the global economic recovery post COVID-19. The Board has decided to continue committing available current cash generated to the operational commitments. The Board will evaluate the financial performance throughout the 2022 financial year when considering the final dividend declaration.

Proposed acquisition by Scancem International DA

Shareholders are referred to the announcement regarding the proposed acquisition by Scancem International DA of 68.33% of the shares in Tanga Cement PLC from AfriSam Mauritius Investment Holdings Limited on 27 October 2021.

The required filings have been made with the various regulatory authorities on the acquisition. The parties are awaiting for the outcome of the deliberations of the regulators and further announcements will be made to shareholders in due course.

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

Condensed Consolidated and separate statements of profit or loss and other comprehensive income for the year ended 31 December 2021	Group Dec 2021 TZS'000	Group Dec 2020 TZS'000	Company Dec 2021 TZS'000	Company Dec 2020 TZS'000
Revenue from contracts with customers	230,781,686	212,512,260	230,781,686	212,512,260
Cost of sales	(169,119,733)	(158,330,527)	(169,119,733)	(158,330,527)
Gross profit	61,661,953	54,181,733	61,661,953	54,181,733
Other income	207,789	431,111	164,609	398,767
Other expenses	(4,803,075)	(253,749)	(4,803,075)	(253,749)
Selling expenses	(3,276,423)	(2,992,108)	(3,276,423)	(2,992,108)
Administration expenses	(19,722,025)	(14,267,040)	(19,592,482)	(14,200,953)
Depreciation charge	(19,238,837)	(19,934,278)	(19,261,948)	(19,939,297)
Decrease in expected credit losses	129,359	91,363	241,297	34,212
Operating profit	14,958,742	17,257,032	15,133,931	17,228,605
Interest expense	(12,196,229)	(14,718,662)	(12,201,543)	(14,720,077)
Finance income	1,221	5,056	1,221	5,056
Foreign exchange and fair value gain/(losses)	1,003,681	(3,176,681)	996,351	(3,190,084)
Profit/(loss) before tax	3,767,415	(633,255)	3,929,960	(676,500)
Income tax charge	(224,442)	(1,478,807)	(219,889)	(1,478,807)
Profit/(loss) for the year	3,542,973	(2,112,062)	3,710,071	(2,155,307)
Other comprehensive income				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (net of tax):				
Exchange differences on translation of foreign operations	(9,522)	(32,994)	-	-
Other comprehensive loss net of tax	(9,522)	(32,994)	-	-
Total comprehensive income/(loss) for the year, net of tax	3,533,451	(2,145,056)	3,710,071	(2,155,307)
Profit/(loss) for the year attributable to:				
Owners of the parent	3,542,973	(2,112,062)	3,710,071	(2,155,307)
Non-controlling interests	-	-	-	-
3,542,973	(2,112,062)	3,710,071	(2,155,307)	
Total comprehensive income for the year attributable to:				
Owners of the parent	3,533,451	(2,145,056)	3,710,071	(2,155,307)
Non-controlling interests	-	-	-	-
3,533,451	(2,145,056)	3,710,071	(2,155,307)	
2021	2020			
TZS/share	TZS/share			
56	(34)			

Condensed Consolidated and separate statements of financial position as at 31 December 2021

ASSETS	Group Dec 2021 TZS'000	Group Dec 2020 TZS'000	Company Dec 2021 TZS'000	Company Dec 2020 TZS'000
Non-current assets				
Property, plant and equipment	300,619,541	313,717,275	299,810,366	312,906,893
Right-of-use assets	4,772,307	10,187,786	4,710,543	9,908,648
Investment property	537,756	560,484	-	-
Investment in subsidiary	-	-	552,564	552,564
Financial asset - Interest rate cap	1,023,611	229,170	1,023,611	229,170
306,953,215	324,694,715	306,097,084	323,597,275	
Current assets				
Due from employees' share trust	-	-	773,466	351,575
Inventories	63,717,282	54,025,387	63,717,282	54,025,387
Trade and other receivables	15,718,554	9,799,677	15,696,678	9,948,423
Current income tax recoverable	6,891,761	6,443,707	6,383,224	5,969,790
Cash and bank balances	12,189,443	3,204,572	12,124,442	3,042,758
98,517,040	73,473,343	98,695,092	73,337,933	
Non-current assets held-for-sale	3,870	3,870	-	-
TOTAL ASSETS	405,474,125	398,171,928	404,792,176	396,935,208
EQUITY AND LIABILITIES				
Equity				
Issued capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	(67,490)	(57,968)	-	-
Treasury shares	(773,466)	(351,575)	-	-
Retained earnings	138,689,514	135,146,541	137,293,299	133,583,229
Equity attributable to owners of the parent	139,121,979	136,010,419	138,566,720	134,856,650
Non-controlling interest	-	-	-	-
Total equity	139,121,979	136,010,419	138,566,720	134,856,650
Non-current liabilities				
Lease liabilities	4,593,751	5,160,608	4,317,370	5,184,870
Provision for site restoration	29,637	28,101	29,637	28,101
Term borrowings: Non-current portion	192,886,904	141,567,340	192,886,904	141,567,340
Deferred tax liability	950,783	1,906,850	950,783	1,906,850
198,461,075	148,662,899	198,184,694	148,687,161	
Current liabilities				
Lease liabilities	391,407	5,833,975	443,443	5,788,769
Term borrowings: Current portion	-	30,069,355	-	30,069,355
Trade and other payables	41,740,772	45,732,759	41,477,982	45,310,307
Contract liabilities	6,858,577	8,250,357	7,219,022	8,610,802
Bank overdrafts	18,900,315	23,612,164	18,900,315	23,612,164
67,891,071	113,498,610	68,040,762	113,391,397	
Total liabilities	266,352,146	262,161,509	266,225,456	262,078,558
TOTAL EQUITY AND LIABILITIES	405,474,125	398,171,928	404,792,176	396,935,208

Condensed Consolidated and separate statements of cash flows for the year ended 31 December 2021

OPERATING ACTIVITIES	Group Dec 2021 TZS'000	Group Dec 2020 TZS'000	Company Dec 2021 TZS'000	Company Dec 2020 TZS'000
Cash generated from operating activities	19,968,523	47,709,783	20,075,120	47,517,150
Interest income received	1,221	5,056	1,221	5,056
Income taxes paid	(1,506,730)	(4,893,480)	(1,467,557)	(4,660,608)
Net cash flows from operating activities	18,463,014	42,821,358	18,608,784	42,861,598
INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	6,415	34,716	6,415	34,716
Purchase of property, plant and equipment	(8,242,785)	(2,455,229)	(8,242,785)	(2,455,229)
Net cash flows used in investing activities	(8,236,370)	(2,420,513)	(8,236,370)	(2,420,513)
FINANCING ACTIVITIES				
Principal repayments - lease liabilities	(3,828,814)	(4,047,451)	(4,041,090)	(3,983,300)
Lease liability interest paid	(30,309)	(930,184)	(26,794)	(915,308)
Interest paid - overdrafts	(1,472,369)	(1,885,678)	(1,472,369)	(1,885,678)
Interest paid - term borrowings	-	(11,519,161)	-	(11,519,161)
Principal repayments - term borrowings	-	(22,009,801)	-	(22,009,801)
Proceeds from borrowings	11,489,013	-	11,489,013	-
Net cash flows from/(used) in financing activities	6,157,521	(40,392,275)	5,948,760	(40,313,248)
Net increase in cash and cash equivalents	16,384,164	8,570	16,321,174	127,837
Net foreign exchange differences	(2,687,443)	(1,156,830)	(2,527,641)	(1,226,047)
Cash and cash equivalents at 1 January	(20,407,592)	(19,259,332)	(20,569,406)	(19,471,196)
Cash and cash equivalents at 31 Dec	(6,710,872)	(20,407,592)	(6,775,873)	(20,569,406)

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
2 April 2022

R Swart
Managing Director

Q Ganijee
Company Secretary

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