

# AUDITED RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2020



## CHAIRMAN'S STATEMENT

**Introduction**  
**Dear Shareholders,**  
We hereby present the audited trading results of Tanga Cement Public Limited Company ("Tanga Cement" or the "company") and its subsidiaries (together, the "group") for the year ended 31 December 2020.

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 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. 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 growth outlook continues to be anchored in the growth in cement demand of the Tanzanian construction industry. The average annual headline inflation rate decreased to 3.3% in 2020 from 3.5% in 2019 as a result of Governments' fiscal and monetary policies.

Economic performance remained relatively stable with estimated GDP growth of 5.5% for 2020 compared to 7% recorded in 2019. Robust infrastructure investment and a strengthening consumer base remained major drivers of the business performance witnessed in the twelve months. These business drivers were supported by lower inflation levels in Tanzania, which were in line with Government's medium term monetary policy target.

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 in 2021. The Group remains committed to supporting the Government initiatives in growing the Tanzanian economy.

The Group has taken reasonable measures to mitigate the impact of COVID -19 on its operations and remains confident with the initiatives taken by the Government to combat the spread of COVID-19 and stabilise the economy.

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 decreased marginally by 4%, to TZS 213bn from TZS 221bn achieved in 2019. Despite the fact that the gross profit decreased by 1% to TZS 54.2bn from TZS 54.6bn achieved in 2019, the gross margin increased by 3% mainly due to the savings realised in the cost of production in line with the management's commitment to improving company's financial performance.

Operating profit for the year increased by a pleasing 39% to TZS 17.3bn, from TZS 12.4bn achieved in 2019, due to optimisation of operational, administration, distribution and logistics costs.

We are also proud to report that EBITDA improved by 13% to TZS 41bn from TZS 37bn achieved in 2019 driven by improved efficiencies in the operations.

The Group incurred a marginal loss before tax of TZS 0.63bn in 2020 which is a significant improvement from loss before tax of TZS 13.8bn recorded in 2019. The decrease in loss before tax was mainly due to the increase in operating profit, decrease in foreign exchange and fair value losses which are related to the USD denominated loan for the new kiln production line. The outstanding balances on term loans were reduced through payment of instalments in 2020 and improved treasury management including but not limited to hedging strategies and strict control over work capital facilities.

The Group recorded a net loss after tax of TZS 2.1bn in 2020 which is significant improvement from the net loss after tax of TZS 11.9bn recorded in 2019.

Cash generated from trading activities improved by 12% to TZS 47.7bn from TZS 42.7bn recorded in 2019. Net cash flows from operations has also increased by 6% to TZS 42.8bn from TZS 40.6bn recorded in 2019. The net cash flows from operations, and the EBITDA performance, are testament to the Group's improved operational business fundamentals.

The Group continues to be committed to its sales, logistics and cost optimisation initiatives as it seeks to enhance value for its stakeholders. The Group remains positive about 2021 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 Group maintains its position that it is prudent to maintain cash and not pay dividends to its shareholders so as to remain sustainable and be able to weather current economic challenges contributed by COVID-19 and other factors. The Board aims to continue committing available current cash resources to the operational and debt service commitments. The Board will evaluate the financial performance throughout the 2021 financial year when considering the future dividend declaration.

**Conclusion**  
The Group remains ever grateful to its staff for their passion and dedication demonstrated during the year despite challenges, and also to its customers for their royalty to our Simba Cement brand, as the Group 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 the Group 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 31 December 2020 | Group<br>Dec 2020<br>TZS'000 | Group<br>Dec 2019<br>TZS'000 | Company<br>Dec 2020<br>TZS'000 | Company<br>Dec 2019<br>TZS'000 |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Revenue                                                                                                                   | 212,512,260                  | 220,882,297                  | 212,512,260                    | 218,031,750                    |
| Cost of sales                                                                                                             | (158,330,527)                | (166,313,105)                | (158,330,527)                  | (165,327,930)                  |
| Gross profit                                                                                                              | 54,181,733                   | 54,569,192                   | 54,181,733                     | 52,703,820                     |
| Other income                                                                                                              | 431,111                      | 770,220                      | 398,767                        | 680,444                        |
| Other expenses                                                                                                            | (253,749)                    | (351,705)                    | (253,749)                      | (351,705)                      |
| Selling expenses                                                                                                          | (2,992,108)                  | (5,080,554)                  | (2,992,108)                    | (5,080,554)                    |
| Administration expenses                                                                                                   | (14,267,040)                 | (16,426,799)                 | (14,200,953)                   | (14,340,733)                   |
| Depreciation charge                                                                                                       | (19,934,278)                 | (20,061,829)                 | (19,939,297)                   | (19,886,408)                   |
| Impairment and other charges                                                                                              | -                            | -                            | (70,315)                       | (1,222,538)                    |
| Expected credit losses (increase)/decrease                                                                                | 91,363                       | (990,337)                    | 104,527                        | (2,796,340)                    |
| Operating profit                                                                                                          | 17,257,032                   | 12,428,188                   | 17,228,605                     | 9,705,986                      |
| Interest expense                                                                                                          | (14,718,662)                 | (19,218,998)                 | (14,720,077)                   | (19,189,946)                   |
| Finance income                                                                                                            | 5,056                        | 10,447                       | 5,056                          | 10,447                         |
| Foreign exchange and fair value losses                                                                                    | (3,176,681)                  | (7,027,815)                  | (3,190,084)                    | (7,004,590)                    |
| Loss before tax                                                                                                           | (633,255)                    | (13,808,178)                 | (676,500)                      | (16,478,103)                   |
| Deferred tax credit                                                                                                       | (1,478,807)                  | 1,955,630                    | (1,478,807)                    | 2,065,400                      |
| Loss for the year                                                                                                         | (2,112,062)                  | (11,852,548)                 | (2,155,307)                    | (14,412,703)                   |
| 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                                                                 | (32,994)                     | (22,547)                     | -                              | -                              |
| Total comprehensive income for the year, net of tax                                                                       | (2,145,056)                  | (11,875,095)                 | (2,155,307)                    | (14,412,703)                   |
| Attributable to:                                                                                                          |                              |                              |                                |                                |
| Owners of the parent                                                                                                      | (2,112,062)                  | (11,852,548)                 | (2,155,307)                    | (14,412,703)                   |
| Non-controlling interests                                                                                                 | -                            | -                            | -                              | -                              |
|                                                                                                                           | (2,112,062)                  | (11,852,548)                 | (2,155,307)                    | (14,412,703)                   |
| Total comprehensive income for the year attributable to:                                                                  |                              |                              |                                |                                |
| Owners of the parent                                                                                                      | (2,145,056)                  | (11,875,095)                 | (2,155,307)                    | (14,412,703)                   |
| Non-controlling interests                                                                                                 | -                            | -                            | -                              | -                              |
|                                                                                                                           | (2,145,056)                  | (11,875,095)                 | (2,155,307)                    | (14,412,703)                   |
| Weighted average number of shares in issue less treasury shares                                                           | 62,967,893                   | 62,967,893                   | -                              | -                              |
| Basic and diluted loss per share                                                                                          | (34)                         | (188)                        |                                |                                |

| Consolidated and Seperate Statements of Financial Position as at 31 December 2020 | Group<br>Dec 2020<br>TZS'000 | Group<br>Dec 2019<br>TZS'000 | Company<br>Dec 2020<br>TZS'000 | Company<br>Dec 2019<br>TZS'000 |
|-----------------------------------------------------------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| ASSETS                                                                            |                              |                              |                                |                                |
| Non-current assets                                                                |                              |                              |                                |                                |
| Property Plant and Equipment                                                      | 313,717,275                  | 331,516,226                  | 312,906,893                    | 330,634,438                    |
| Right-of-use assets                                                               | 10,187,786                   | 12,184,909                   | 9,908,648                      | 11,960,728                     |
| Investment property                                                               | 560,484                      | 583,212                      | -                              | -                              |
| Investment in subsidiary                                                          | -                            | -                            | 552,564                        | 552,564                        |
| Equity investment                                                                 | -                            | -                            | -                              | -                              |
| Financial asset - Interest rate cap                                               | 229,170                      | 1,586,736                    | 229,170                        | 1,586,736                      |
| Deferred tax asset                                                                | -                            | -                            | -                              | -                              |
|                                                                                   | 324,694,715                  | 345,871,083                  | 323,597,275                    | 344,734,466                    |
| Current assets                                                                    |                              |                              |                                |                                |
| Due from employees' share trust                                                   | -                            | -                            | 351,575                        | 421,890                        |
| Inventories                                                                       | 54,025,387                   | 48,216,378                   | 54,025,387                     | 48,216,378                     |
| Trade and other receivables                                                       | 9,799,677                    | 10,617,438                   | 9,948,423                      | 10,322,936                     |
| VAT recoverable                                                                   | -                            | -                            | -                              | -                              |
| Current income tax recoverable                                                    | 6,443,707                    | 2,622,355                    | 5,969,790                      | 2,377,203                      |
| Cash and bank balances                                                            | 3,204,572                    | 8,907,345                    | 3,042,758                      | 8,695,481                      |
|                                                                                   | 73,473,343                   | 70,363,516                   | 73,337,933                     | 70,033,888                     |
| Non-current assets held for sale                                                  | 3,870                        | 3,870                        | -                              | -                              |
| TOTAL ASSETS                                                                      | 398,171,928                  | 416,238,469                  | 396,935,208                    | 414,768,354                    |
| EQUITY AND LIABILITIES                                                            |                              |                              |                                |                                |
| Equity                                                                            |                              |                              |                                |                                |
| Issued capital                                                                    | 1,273,421                    | 1,273,421                    | 1,273,421                      | 1,273,421                      |
| Translation reserve                                                               | (57,968)                     | (24,974)                     | -                              | -                              |
| Treasury shares                                                                   | (351,575)                    | (421,890)                    | -                              | -                              |
| Retained earnings                                                                 | 135,146,541                  | 137,258,603                  | 133,583,229                    | 135,738,536                    |
| Equity attributable to owners of the parent                                       | 136,010,419                  | 138,085,160                  | 134,856,650                    | 137,011,957                    |
| Non-controlling interest                                                          | -                            | -                            | -                              | -                              |
| TOTAL EQUITY                                                                      | 136,010,419                  | 138,085,160                  | 134,856,650                    | 137,011,957                    |
| Non-current Liabilities                                                           |                              |                              |                                |                                |
| Lease liabilities                                                                 | 5,160,608                    | 7,400,436                    | 5,184,870                      | 7,370,880                      |
| Provision for site restoration                                                    | 28,101                       | 26,931                       | 28,101                         | 26,931                         |
| Term borrowings: Non-current portion                                              | 141,567,340                  | 152,698,967                  | 141,567,340                    | 152,698,967                    |
| Deferred tax liability                                                            | 1,906,850                    | 1,531,723                    | 1,906,850                      | 1,531,723                      |
|                                                                                   | 148,662,899                  | 161,658,057                  | 148,687,161                    | 161,628,501                    |
| Current Liabilities                                                               |                              |                              |                                |                                |
| Lease liabilities                                                                 | 5,833,975                    | 4,530,368                    | 5,788,769                      | 4,458,538                      |
| Term borrowings: Current portion                                                  | 30,069,355                   | 39,916,316                   | 30,069,355                     | 39,916,316                     |
| Trade and other payables                                                          | 45,732,759                   | 39,264,589                   | 45,310,307                     | 39,199,719                     |
| Contract liabilities                                                              | 8,250,357                    | 3,868,717                    | 8,610,802                      | 3,638,061                      |
| Derivative liabilities                                                            | -                            | 748,585                      | -                              | 748,585                        |
| Bank overdrafts                                                                   | 23,612,164                   | 28,166,677                   | 23,612,164                     | 28,166,677                     |
|                                                                                   | 113,498,610                  | 116,495,252                  | 113,391,397                    | 116,127,896                    |
| TOTAL LIABILITIES                                                                 | 262,161,509                  | 278,153,309                  | 262,078,558                    | 277,756,397                    |
| TOTAL EQUITY AND LIABILITIES                                                      | 398,171,928                  | 416,238,469                  | 396,935,208                    | 414,768,354                    |

| Consolidated and Seperate Statements of Cash Flows for the year ended 31 December 2020 | Group<br>Dec 2020<br>TZS'000 | Group<br>Dec 2019<br>TZS'000 | Company<br>Dec 2020<br>TZS'000 | Company<br>Dec 2019<br>TZS'000 |
|----------------------------------------------------------------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Cash generated from operating activities                                               |                              |                              |                                |                                |
| Operating profit                                                                       | 17,257,032                   | 12,428,188                   | 17,228,605                     | 9,705,986                      |
| Adjusted for non cash items:                                                           |                              |                              |                                |                                |
| Gain on disposal of equity investment                                                  | -                            | (228,360)                    | -                              | (228,360)                      |
| Depreciation charge                                                                    | 24,214,893                   | 24,334,730                   | 24,219,912                     | 24,159,309                     |
| Other unrealised charges                                                               | -                            | 28,126                       | -                              | -                              |
| Impairment charge                                                                      | -                            | -                            | 70,315                         | 1,222,538                      |
| Increase in ECL on bank balances                                                       | (88,649)                     | 30,178                       | (118,459)                      | 39,114                         |
| Increase/(decrease) in ECL on trade receivables                                        | (2,714)                      | 960,159                      | 13,932                         | 2,757,226                      |
| Bad debts write off                                                                    | 298,533                      | -                            | 298,533                        | -                              |
| Increase in provision for leave pay                                                    | (68,041)                     | -                            | (68,041)                       | -                              |
| Gain on sale of property, plant & equipment (PPE)                                      | (17,467)                     | (81,960)                     | (17,467)                       | (65,768)                       |
| Loss on de-recognition of PPE and investment property                                  | 253,749                      | 351,705                      | 253,749                        | 351,705                        |
| Increase/(decrease) in provision for obsolete inventories                              | (365,324)                    | 1,112,144                    | (365,324)                      | 1,125,591                      |
| Increase in site restoration provision                                                 | 1,170                        | 874                          | 1,170                          | 874                            |
| Operating profit before working capital changes                                        | 41,483,182                   | 38,935,784                   | 41,516,925                     | 39,068,215                     |
| Increase in amount due from the Trust                                                  | -                            | -                            | -                              | -                              |
| (Increase)/decrease in inventories - less provisions                                   | (5,443,685)                  | (4,521,961)                  | (5,443,685)                    | (5,197,887)                    |
| (Increase)/decrease in trade and other receivables - gross                             | 820,475                      | (944,098)                    | 360,581                        | (560,919)                      |
| Decrease in VAT recoverable                                                            | -                            | 132,190                      | -                              | 132,190                        |
| Increase/(decrease) in trade and other payables                                        | 6,468,170                    | 9,428,271                    | 6,110,588                      | 9,820,258                      |
| Increase/(decrease) in contract liabilities                                            | 4,381,640                    | (365,051)                    | 4,972,741                      | (318,941)                      |
| Cash generated from operating activities                                               | 47,709,783                   | 42,665,135                   | 47,517,150                     | 42,942,916                     |
| Interest income received                                                               | 5,056                        | 10,447                       | 5,056                          | 10,447                         |
| Income taxes paid                                                                      | (4,893,480)                  | (2,113,251)                  | (4,660,608)                    | (2,038,988)                    |
| Net cash flows from operating activities                                               | 42,821,358                   | 40,562,331                   | 42,861,598                     | 40,914,375                     |
| INVESTING ACTIVITIES                                                                   |                              |                              |                                |                                |
| Proceeds from sale of property, plant and equipment                                    | 34,716                       | 76,170                       | 34,716                         | 66,802                         |
| Purchase of property, plant and equipment                                              | (4,425,886)                  | (3,403,020)                  | (4,425,886)                    | (3,403,021)                    |
| Proceeds from sale of equity investment                                                | -                            | -                            | -                              | 228,460                        |
| Net cash flows used in investing activities                                            | (4,391,170)                  | (3,326,850)                  | (4,391,170)                    | (3,107,759)                    |
| FINANCING ACTIVITIES                                                                   |                              |                              |                                |                                |
| Principal repayments - lease liabilities                                               | (4,047,451)                  | (4,917,319)                  | (3,983,300)                    | (4,813,011)                    |
| Lease liability interest paid                                                          | (930,184)                    | (1,249,127)                  | (915,308)                      | (1,230,758)                    |
| Interest paid - overdrafts                                                             | (1,885,678)                  | (2,015,699)                  | (1,885,678)                    | (2,015,699)                    |
| Interest paid - term borrowings                                                        | (11,519,161)                 | (17,065,716)                 | (11,519,161)                   | (17,065,716)                   |
| Principal repayments - term borrowings                                                 | (22,009,801)                 | (31,230,693)                 | (22,009,801)                   | (31,230,693)                   |
| Net cash flows used in financing activities                                            | (40,392,275)                 | (56,478,554)                 | (40,313,248)                   | (56,355,877)                   |
| Net (decrease)/increase in cash and cash equivalents                                   | (1,962,087)                  | (19,243,073)                 | (1,842,820)                    | (18,549,261)                   |
| Net foreign exchange differences                                                       | 813,827                      | (344,260)                    | 744,610                        | (566,462)                      |
| Cash and cash equivalents at 1 January                                                 | (19,259,332)                 | 328,001                      | (19,471,196)                   | (355,473)                      |
| Cash and cash equivalents at 31 Dec                                                    | (20,407,592)                 | (19,259,332)                 | (20,569,406)                   | (19,471,196)                   |

**L Masha**  
Chairman  
30 November 2021

**R Swart**  
Managing Director

**Q Ganijee**  
Company Secretary

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