



UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

CHAIRMAN'S STATEMENT

Introduction

It gives us great pleasure to present our financial performance for the six months ended 30th June 2016 to all stakeholders.

Tanga Cement Plc. remains a leader in high quality cement supply in Tanzania. We are proud of our contribution towards the growth and development of Tanzania, but more importantly, of our sustained impact on the lives of the Tanzanian people which we continue to touch with our business activities.

Our brand positioning – 'STRENGTH WITHIN' – is not only a commitment to our customers of superior performance within every bag of Simba cement, but our way of honouring the strength within our people for what we have and will still achieve as a nation.

Macro-Economic Overview

The first half of 2016 was characterised by the strengthening of macroeconomic fundamentals for Tanzania, a reverse of the headwinds faced in the last quarter of 2015. The country's economy continues to perform strongly, growing at a higher rate than its Sub-Saharan counterparts. Inflation has been on a downward trend in the first half of 2016 with a slight increase in June 2016 to 5.5%. The period under review saw a rallying of the Tanzanian Shilling against the USD Dollar, after a downward spiral in the second half of 2015.

Tanzania GDP is projected to grow at 6.7% in 2016, with the leading sectors being construction and retail. Continued government investment in infrastructure development further boosts the prospected growth in construction as additional infrastructure projects are commissioned. As a result, the national demand for cement is expected to increase.

Tanzania's positive growth story and projected development has attracted new entrants to the cement industry, keen to earn returns from the growth in demand, as well as an influx of cheap imports by middlemen. As a result, the cement sector is now witnessing fierce competition driven by new market entrants. This has a bearing on our revenue growth as it puts pressure on the pricing mechanisms, while increasing the cost of marketing to increase sales.

In addition, imports of cheap cement from companies that enjoy tax benefits in their home countries further erode the local market thus causing significant injury to local producers. To address this issue, cement companies in Tanzania through the Tanzania Chapter of East African Cement Producers Association (EACPA), engaged the Government to ensure a level playing field where imports would be charged higher tax duties.

In spite of the challenges faced, we remain confident that the robust developments in the country will establish an atmosphere that allows us to thrive. Further, we view H.E. President of the United Republic of Tanzania Dr John Pombe Magufuli's commitment to support local industries by creating a conducive infrastructural, financial and tax efficient system as a step in the right direction. This will ensure that our products are competitive and have an assured demand in Tanzania.

Business Overview

For the year 2016, the business is focusing on profitability driven by operational efficiency and overall business effectiveness. This will enable the company to absorb the increase in production related costs, as far as possible, in order to remain competitive in challenging market conditions. To this end, the company in January 2016, commissioned the second kiln at our Tanga plant, eliminating the need to purchase or import clinker. Consequently, our clinker production capacity has more than doubled from 0.45 to 1.25 million tons per annum. Despite the very competitive landscape the Company realised a 55% increase in Net Operating Profit for the six months ended 30 June 2016 compared to the same period in 2015. This reinforces our strategic focus, to demonstrate positive yields and quality margins through our cost optimisation efforts.

We continuously look at ways in which we can unlock value for our customers and business partners. One of our initiatives is the deal signed with Tanzania Railway Limited to transport cement to Kigoma and Mwanza. The Group's sales and distribution business, CDEAL, has also been successfully integrated into the operational activities of the company and is delivering positive results, such as the decline in production costs.

Dividend

Based on the positive performance of the company, the board has recommended an interim dividend of TZS 55 per share. The total interim dividends amounts to TZS 3.5 billion. This dividend recommendation underpins management's commitment to deliver increased value to shareholders across the board.

Closure of the Share Register

The register of members will close on 1 September, 2016. The last day of trading cum-dividend will be 29 August, 2016. The final dividend will be paid on or about 24 October, 2016.

Conclusion

Tanga Cement Plc remains optimistic about the future growth of the region and the implication thereof for the company. The competitive landscape will remain challenging, however, we expect that the playing fields will be levelled somewhat with the Government's introduction of higher tax duties on imported cement. Cement demand in Tanzania is expected to remain robust over the short- to medium-term and with its strong competitive advantage, leading brand and capable workforce, Tanga Cement Plc. is well positioned to take advantage of the growth opportunities in the market.

For and on behalf of the Board
Advocate Lau Masha
 Chairman of the Board

Consolidated Statement of Comprehensive Income for the six months ended 30 June 2016

	Group Jun 2016 TZS'000	Group Jun 2015 TZS'000	Company Jun 2016 TZS'000	Company Jun 2015 TZS'000
Revenue	77,155,642	103,532,576	71,175,075	94,933,170
Cost of sales	(50,831,635)	(82,506,303)	(45,993,842)	(75,872,540)
Gross profit	26,324,007	21,026,273	25,181,233	19,060,630
Selling and administrative expenses	(8,184,941)	(8,981,272)	(7,015,535)	(7,409,463)
Depreciation and amortization	(3,463,602)	(2,557,613)	(3,392,400)	(2,465,953)
Net profit from operations	14,675,464	9,487,388	14,773,298	9,185,214
Other (expenses) / income	2,276,741	(15,646,801)	2,216,584	(15,676,433)
Net finance (costs) / income	(606,150)	(453,922)	(554,647)	(478,911)
Net profit before taxation	16,346,055	(6,613,335)	16,435,235	(6,970,130)
Current income tax	(1,192,135)	(330,995)	(1,192,135)	(265,948)
Deferred taxation	(3,757,534)	-	(3,757,534)	-
Net profit for the year	11,396,386	(6,944,330)	11,485,566	(7,236,078)
Exchange differences on translation of foreign operations	(291,295)	-	-	-
Total Comprehensive Income	11,105,090	(6,944,330)	11,485,566	(7,236,078)
Attributable to:				
Owners of the parent	11,105,090	(6,944,330)	11,485,566	(7,236,078)
Total Comprehensive Income	11,105,090	(6,944,330)	11,485,566	(7,236,078)
Weighted average number of shares in issue less treasury shares**	63,124,445	63,671,045	63,124,445	63,671,045
Earnings per share (TZs)	176	(109)	182	(114)
Dividends per share (TZs)	55	55	55	55

** The weighted average number of shares in issue as at 30 June 2016 is disclosed net of 546,600 Treasury Shares under control of the company. The weighted average number of shares in issue disclosed for the comparative period included the number of Treasury Shares

Consolidated Statement of Financial Position for the six months ended 30 June 2016

	Group Jun 2016 TZS'000	Group Dec 2015 TZS'000	Company Jun 2016 TZS'000	Company Dec 2015 TZS'000
ASSETS				
Non-current assets				
Property Plant and Equipment	391,183,600	373,177,406	389,381,773	371,307,653
Due from employees' share trust	-	-	1,837,082	1,853,782
Investment in Subsidiaries	-	-	1,746,976	1,746,976
Investment in Associates	271,712	271,712	271,712	271,712
Financial asset - Interest rate cap	4,125,671	7,629,752	4,125,671	7,629,752
	395,580,983	381,078,870	397,363,214	382,809,875
Current assets				
Inventories	38,407,577	38,123,889	37,693,532	37,224,402
Trade and other receivables	9,004,821	7,776,853	9,479,374	8,758,254
VAT recoverable	14,902,188	17,019,367	14,902,188	16,983,726
Current income tax recoverable	124,379	1,773,964	124,379	1,600,889
Cash and bank balances	4,872,629	24,339,787	4,063,869	23,297,360
	67,311,594	89,033,860	66,263,342	87,864,631
TOTAL ASSETS	462,892,577	470,112,730	463,626,556	470,674,506
EQUITY AND LIABILITIES				
Capital and Reserves				
Issued share capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	(204,292)	87,004	-	-
Treasury shares	(1,837,082)	(1,853,782)	-	-
Retained earnings	199,270,586	190,122,837	199,570,145	190,318,915
Equity attributable to owners of the parent	198,502,633	189,629,480	200,843,566	191,592,336
	198,502,633	189,629,480	200,843,566	191,592,336
Non-current Liabilities				
Provision for Quarry Site Restoration	145,602	145,602	145,602	145,602
Deferred tax liability	18,997,060	15,239,526	18,997,060	15,239,526
Term borrowings: Non current portion	200,149,464	197,362,531	200,149,464	197,362,531
	219,292,126	212,747,659	219,292,126	212,747,659
Current liabilities				
Trade and other payables	34,789,981	54,258,327	33,183,027	52,857,247
Term borrowings: Current portion	4,468,674	7,430,069	4,468,674	7,430,069
Bank overdrafts	5,839,163	6,047,195	5,839,163	6,047,195
	45,097,818	67,735,591	43,490,864	66,334,511
TOTAL EQUITY AND LIABILITIES	462,892,577	470,112,730	463,626,556	470,674,506

Consolidated Statement of Cash Flows for the six months ended 30 June 2016

	Group Jun 2016 TZS'000	Group Jun 2015 TZS'000	Company Jun 2016 TZS'000	Company Jun 2015 TZS'000
Cash (used in)/generated from operating activities				
Net profit from operations	14,675,464	9,487,388	14,773,298	9,185,214
Depreciation	3,463,602	2,557,613	3,392,400	2,465,953
(Gain)/Loss on sale of property, plant & equipment	(25,424)	3,346	(25,424)	3,346
Other non cash items	(6,977)	229,279	106,028	229,279
Cash generated from trading	18,106,665	12,277,626	18,246,302	11,883,792
(In)/Decrease in inventories	(283,688)	10,804,380	(469,130)	10,884,315
(In)/Decrease in accounts receivable	889,211	(6,895,823)	1,360,418	(2,020,452)
(De)/Increase in accounts payable	(18,918,768)	5,331,356	(19,124,642)	647,291
Cash flow from operations	(206,580)	21,517,539	12,948	21,394,946
Other (expenses) / income	(320,271)	(7,795,839)	(374,766)	(7,819,809)
Net interest paid (received)	(606,150)	(455,263)	(554,647)	(478,911)
Income taxes paid	(1,460,927)	(7,844,367)	(1,443,797)	(7,801,714)
Net cash generated from operations	(3,143,506)	5,422,070	(2,909,840)	5,294,512
Investing activities				
Proceeds on disposal	127,010	137,746	127,010	102,746
Purchase of fixed assets	(14,667,552)	(75,847,613)	(14,667,552)	(75,847,613)
Net cash flow used in investing activities	(14,540,542)	(75,709,867)	(14,540,542)	(75,744,867)
Financing activities				
Employees' share trust	16,700	-	16,700	-
Proceeds from borrowings	-	100,869,525	-	100,869,525
Ordinary dividend paid	(1,591,776)	(4,138,618)	(1,591,776)	(4,138,618)
Net cash generated/ (used) in financing activities	(1,575,076)	96,730,907	(1,575,076)	96,730,907
(De)/Increase in cash and cash equivalents	(19,259,124)	26,443,110	(19,025,458)	26,280,552
Cash and cash equivalents at 1 January	18,292,591	10,799,996	17,250,164	9,914,891
(De)/Increase in cash and cash equivalents	(19,259,124)	26,443,110	(19,025,458)	26,280,552
Cash and cash equivalents at 30 June	(966,534)	37,243,106	(1,775,294)	36,195,443

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)22 212 3983 or on +255 (0)22 212 8522 for information on how to have the dividends deposited directly into their bank accounts.

L Masha
 Chairperson
 05 August 2016

R Swart
 Managing Director

Q Ganijee
 Company Secretary

Tanga Cement Public Limited Company
 P O Box 5053
 Tanga
 Tanzania
 info@simbacement.co.tz

