

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

CHAIRMAN'S STATEMENT

Introduction

Dear Shareholders, We hereby present the unaudited trading results of Tanga Cement Public Limited Company for the six months ended 30th June 2018.

Tanga Cement is pleased to report that the first half results of 2018 showed a promising improvement over the prior year.

Cement demand in the cement and construction industry was robust in the first half of the 2018 year and the company managed to maintain and improve its operating efficiencies and supply to the market.

Emerging from very competitive market price conditions in 2017, cement sales prices showed some promising improvements as the country remains in a net oversupply of installed cement and clinker capacity.

Tanga Cement's commitment to all stakeholders through its high quality cement and clinker and its contribution towards the sustainable growth and development of Tanzania, continues to demonstrate our brand value of "Strength Within".

Macro-Economic Overview

Our growth in business continued to be anchored on the growth in demand of the Tanzanian cement and construction sector. The Tanzanian Shilling depreciated by 2-3% against the US Dollar throughout the first half of 2018 due to lower levels of exports compared to imports into the country and continued pressure on world oil prices. The average annual headline inflation rate remained fairly stable increasing to 5.3% for the year to date June 2018 from 5.2% recorded for the 2017 full year, as a result of governments' fiscal and monetary policies.

Economic performance remains stable and GDP growth of 6.2% for the year to date June 2018, reflects a slight slowdown from the 6.8% registered for the full year of 2017.

Robust infrastructure investment and a strengthening consumer base remain major drivers of growth supported by inflation levels being well within government's medium range monetary policy target of 5%.

We remain optimistic of the ambitious infrastructure development plans under the Government's Development Vision 2025 programme and expect the projects to continue gaining momentum throughout the remainder of 2018. Tanga Cement 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

Tanga Cement has established a healthy competitive footprint in the Tanzanian cement market for 2017 under very competitive pricing conditions. Going into 2018, the company focussed on improving pricing and efficiencies in order to improve profit margins which was under severe pressure in the prior year.

Group sales revenue grew by 26%, to TZS 98.9bn from TZS 78.8bn for the comparative period in 2017 while gross profit for the first half of 2018 improved by 83% to TZS 25.6bn from TZS 14.0bn achieved in the comparative period.

EBITDA improved by 218% to TZS 16.2bn from TZS 5.1bn in the comparative period driven by improved sales volumes and market prices.

The company achieved an operating profit of TZS 6.7bn for the six months ending 30 June 2018 from an operating loss of TZS 4.3bn for the comparative period in 2017 being an improvement of 256%.

Selling and administration expenses increased marginally by 6% over the comparative period in line with inflation.

The company recorded a loss before tax of TZS 1.8bn for first half of 2018 from a loss of TZS 19.4bn in 2017 which was impacted by depreciation and financing costs linked to the capital investment of the second integrated production line which was commissioned in 2016.

The net loss after tax for the six months to June 2018 of TZS 1.8bn is a significant improvement from the net loss of TZS 14.6bn recorded in the first half of 2017.

Cash flows from normal trading activities improved to TZS 16bn from TZS 7bn for the same period in 2017 due to improved profitability.

The company continued to build on its significant safety achievement and reached a cumulative 3.4 million hours without lost time injuries for the year to date. Our commitment of creating a safe and sustainable work environment for all employees and contractors on site forms an integral part of the Simba Cement corporate culture.

Dividend

The company did not declare interim or final dividends for the 2017 year to shareholders in line with the financial performance for the prior year. The Board elected to be prudent by committing available current cash resources to the operational and debt service commitments. The Board will evaluate the financial performance for the full 2018 financial year when considering dividend declarations.

Conclusion

Tanga Cement PLC 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-term and long-term growth strategy.

With Tanzania being the second-largest construction market in East Africa, 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

Advocate Lau Masha
Chairman of the Board

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 June 2018

	Group Jun 2018 TZS'000	Group Jun 2017 TZS'000	Company Jun 2018 TZS'000	Company Jun 2017 TZS'000
Revenue	98,880,629	78,788,330	91,901,487	69,324,206
Cost of sales	(73,321,829)	(64,834,047)	(68,147,359)	(56,124,342)
Gross profit	25,558,800	13,954,283	23,754,128	13,199,864
Selling and administration expenses	(9,355,201)	(8,842,520)	(8,265,858)	(8,848,401)
Depreciation and amortization	(9,461,290)	(9,406,979)	(9,414,488)	(9,360,592)
Operating profit/ (Loss)	6,742,309	(4,295,216)	6,073,782	(5,009,129)
Other income	28,892	-	28,892	-
Net finance costs	(8,576,891)	(15,097,701)	(8,576,891)	(15,094,638)
Net loss before taxation	(1,805,690)	(19,392,917)	(2,474,217)	(20,103,767)
Current income tax	(507,580)	(211,608)	(275,704)	-
Deferred tax credit	528,255	4,996,227	528,255	4,996,227
Net loss for the year	(1,785,015)	(14,608,298)	(2,221,666)	(15,107,540)
Exchange differences on translation of foreign operations	(14,356)	(6,602)	-	-
Total comprehensive loss	(1,799,371)	(14,614,900)	(2,221,666)	(15,107,540)
Attributable to:				
Owners of the parent	(1,799,371)	(14,614,900)	(2,221,666)	(15,107,540)
Non-controlling interest	-	-	-	-
Total comprehensive loss	(1,799,371)	(14,614,900)	(2,221,666)	(15,107,540)
Weighted average number of shares in issue less treasury shares	62,967,893	63,124,445	62,967,893	63,124,445
Loss per share (TZS)	-28	-232	-35	-239
Dividends per share (TZS)	-	25	-	25

Consolidated Statement of Financial Position as at 30 June 2018

	Group Jun 2018 TZS'000	Group Dec 2017 TZS'000	Company Jun 2018 TZS'000	Company Dec 2017 TZS'000
ASSETS				
Non-current assets				
Property Plant and Equipment	353,201,060	361,906,745	351,304,479	359,990,184
Investment in subsidiary	-	-	1,746,976	1,746,976
Equity investment	100	100	100	100
Financial asset - Interest rate cap	7,743,158	4,994,316	7,743,158	4,994,316
360,944,318	366,901,161	360,794,713	366,731,576	
Current assets				
Due from employees' share trust	-	-	843,951	843,782
Inventories	40,162,634	38,043,180	39,529,968	37,518,276
Trade and other receivables	10,570,837	16,307,757	11,471,609	15,695,543
VAT recoverable	4,069,349	6,512,432	3,780,745	6,477,059
Current income tax recoverable	2,067,738	2,303,416	2,077,827	2,129,325
Cash and bank balances	10,259,815	7,464,405	8,989,362	5,606,749
67,130,373	70,631,190	66,693,462	68,270,734	
TOTAL ASSETS	428,074,691	437,532,351	427,488,175	435,002,310
EQUITY AND LIABILITIES				
Capital and Reserves				
Issued share capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	(9,538)	9,187	-	-
Treasury shares	(843,951)	(843,782)	-	-
Retained earnings	160,201,065	162,000,436	159,251,459	161,473,124
Equity attributable to owners of the parent	160,620,997	162,439,262	160,524,880	162,746,545
Non-controlling interest	-	-	-	-
Total equity	160,620,997	162,439,262	160,524,880	162,746,545
Non-current Liabilities				
Provision for site restoration	25,077	25,077	25,077	25,077
Deferred tax liability	6,341,454	6,869,709	6,341,454	6,869,709
Term borrowings: Non-current portion	185,951,694	191,524,837	185,951,694	191,524,837
192,318,225	198,419,623	192,318,225	198,419,623	
Current liabilities				
Trade and other payables	23,030,996	30,835,420	22,540,597	27,998,096
Term borrowings: Current portion	37,999,725	33,384,911	37,999,725	33,384,911
Bank overdrafts	14,104,748	12,453,135	14,104,748	12,453,135
75,135,469	76,673,466	74,645,070	73,836,142	
TOTAL EQUITY AND LIABILITIES	428,074,691	437,532,351	427,488,175	435,002,310

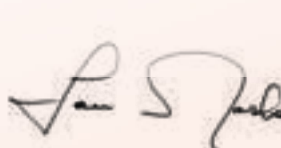
Consolidated Statement of Cash Flows for the six months ended 30 June 2018

	Group Jun 2018 TZS'000	Group Jun 2017 TZS'000	Company Jun 2018 TZS'000	Company Jun 2017 TZS'000
Cash generated from operating activities				
Operating profit/ (Loss)	6,742,309	(4,295,216)	6,073,782	(5,009,129)
Depreciation	9,461,290	9,406,979	9,414,488	9,360,592
Gain on disposal of assets	(28,892)	-	(28,892)	-
Other non cash items	(132,599)	1,770,532	(88,093)	1,788,695
Cash generated from trading	16,042,108	6,882,295	15,371,285	6,140,158
Increase in inventories	(2,119,454)	(9,716,987)	(2,011,692)	(9,765,365)
Decrease/(increase) in accounts receivable	5,736,920	(513,697)	4,223,934	(3,266,464)
Decrease/ (increase) in VAT recoverable	2,443,083	(349,297)	2,696,314	(374,080)
Decrease/(increase) in accounts payable	(7,804,424)	1,728,762	(5,457,499)	4,145,386
Cash flows from (used in) operations	14,298,233	(1,968,924)	14,822,342	(3,120,365)
Income tax paid	(262,819)	(106,574)	(223,366)	-
Net cash flows from/(used in) operations	14,035,414	(2,075,498)	14,598,976	(3,120,365)
Investing activities				
Purchase of fixed assets	(752,424)	(1,838,014)	(728,783)	(1,838,014)
Net cash flows used in investing activities	(752,424)	(1,838,014)	(728,783)	(1,838,014)
Financing activities				
Employee's share trust	(169)	16,700	(169)	16,700
Proceeds from borrowings	-	24,791,362	-	24,791,362
Interest expense paid	(6,863,351)	(15,097,701)	(6,863,351)	(15,094,638)
Loan repayment	(5,275,673)	-	(5,275,673)	-
Ordinary dividend paid	-	(1,591,776)	-	(1,591,776)
Net cash flows from/(used in) financing activities	(12,139,193)	8,118,585	(12,139,193)	8,121,648
Net Increase/(Decrease) in cash and cash equivalents	1,143,797	4,205,073	1,731,000	3,163,269
Cash and cash equivalents at 1 January	(4,988,730)	2,519,175	(6,846,386)	1,501,499
Cash and cash equivalents at 30 June	(3,844,933)	6,724,248	(5,115,386)	4,664,768

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
24 August 2018



R Swart
Managing Director



Q Ganijee
Company Secretary

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