Voted Superbrands East Africa's Choice 2015-16

SIMBA CEMENT

STRENGTH WITHIN

AUDITED FINANCIAL RESULTS FOR YEAR ENDED 31 DECEMBER 2016

CHAIRMAN'S STATEMENT

Introduction

It is with pleasure that the audited trading results of Tanga Cement PLC for the year ended 31st December 2016 is presented.

We are proud of the significant role Tanga Cement continues to play in Tanzania to ensure sustainable economic growth and development through the pillars enshrined in our strategic narrative of "STRENGTH WITHIN". Our commitment to our stakeholders through its premier Simba Cement brand continues to be clear as we uphold and honour the strength within our people for what we have and will still achieve.

Macro-Economic Overview

Our growth in business continues to be anchored on the economic progress of Tanzania. The Tanzanian Shilling maintained its stability against the dollar throughout 2016, due to improved performance recorded in the export values of travel, manufactured goods and gold whilst traditional exports declined. Tanzania also experienced a year of political stability following the election of President Magafuli. The annual headline inflation rate decreased to 5.0% in 2016 from 6.8% recorded in 2015, as a result of strict fiscal and monetary policies.

In the year under review, Tanzania's GDP grew by an estimated 6.8% compared to 7% in 2015. This was supported by growth in various economic sectors mainly: Mining, Construction, Telecommunications and Agriculture.

The construction sector is estimated to have expanded by 7.3% in 2016, at a slower rate compared to 2015 due to stalled public infrastructure projects rollout and rapid policy changes which precipitated uncertainty for businesses. Nonetheless, projected infrastructure development and anticipated sector growth attracted new entrants into the cement industry keen to earn returns from increased demand, as well as the influx of cheap imported cement by middlemen during 2015 and early 2016 . To address the issue of cheap imports, cement companies in Tanzania through the Tanzania Chapter of East African Cement Producers Association (EACPA), engaged the Government which imposed an additional 10% excise duty up to 35% on imported cement for a year.

We remain optimistic of the ambitious infrastructure development plans under the Government's Development Vision 2025 programme and expect the projects to pick up momentum in Q2 of 2017. Tanga Cement has capacity to meet a large share of the cement demand in the country and remains committed to production of superior cement products.

Financial and Operational Overview

In the year 2016, our business focus was on profitability driven by operational efficiency and overall business effectiveness in order to remain competitive in challenging market conditions.

During the year, the company commissioned the second integrated cement production line with a new kiln at its Tanga plant, eliminating the need to purchase clinker and delivering additional revenue from the sale of excess clinker. As a result, our clinker production capacity increased to 1.25 million tonnes per annum in 2016. The company made its first clinker sales in the year under review, following the commissioning of the second kiln.

Market headwinds during the year under review negatively impacted Tanga Cement's sales revenue by 20% year-on-year from TZS 209bn in 2015 to TZS 167bn for 2016 due to continued competitive market pressure and lower infrastructure project spending from Government.

The company's focus to improve operational efficiencies and cost management initiatives, was one of the main drivers of the 16% growth in Gross Profit to TZS 54bn year-on-year. We managed to keep operating costs low and will continue to monitor and control costs to identify areas of saving without compromising on product quality.

The reduced manufacturing cost base positively impacted Operating EBITDA by 29% to TZS 38bn from the TZS 29bn achieved in 2015. Operating Profit is down 0.3% to TZS 19.8bn compared to TZS 19.9bn in 2015 mostly due to the anticipated 198% increase in depreciation resulting from the extensive capital expansion of the new integrated production line that was commissioned in early 2016.

Profit before tax declined to TZS 5.7bn from TZS 8.7bn in the prior year as a result of the increased financing cost of the senior debt which financed the expansion of our production capacity.

The Group recorded a net profit after tax of TZS 4.3bn which is down from the TZS 8.2bn of 2015 impacted by the tax charge for the year. Cash flows from normal trading activities improved by 18% to TZS 35.8bn in 2016 underlining the positive performance of the Group in a very competitive cement market.

The company utilised a significant portion of available free cash to settle capital expansion costs instead of utilising the full available loan facilities. This initiative will significantly benefit the company's financing cost expenditure in the long term. Accordingly cash on hand at 31 December 2016 decreased to TZS 2.5bn from TZS 18.3bn in the prior year.

Tanga Cement remains committed to its sales and cost optimisation initiatives as it continually seeks to enhance value for its stakeholders. The company remains positive about 2017 despite the competitive landscape. 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 cement imports.

Dividend

The board has declared and paid an interim dividend of TZS 55 per share amounting to TZS 3.5 billion (2015: TZS 55 per share totalling TZS 3.5 billion). The total dividends declared and paid 2015 financial year was TZS 80 per share amounting to TZS 5.1 billion.

Shareholders are advised that the final dividend declaration for 2016 is still under consideration by the board for recommendation to shareholders at the upcoming annual general meeting in May 2017.

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 goals.
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 market. We look forward to reaching greater heights together in 2017 in co-operation with all our stakeholders.

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

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2016

	Group Dec 2016 TZS'000	Group Dec 2015 TZS'000	Company Dec 2016 TZS'000	Company Dec 2015 TZS'000
Revenue	166,975,482	209,116,045	153,775,982	194,349,261
Cost of sales	(112,553,046)	(162,031,875)	(101,865,441)	(150,081,111)
Gross profit	**54,422,436**	**47,084,170**	**51,910,541**	**44,268,150**
Other income	2,066,529	236,609	2,062,325	199,266
Selling and administration expenses	(18,555,403)	(17,892,978)	(16,409,633)	(15,697,803)
Depreciation and amortization	(17,801,172)	(5,978,004)	(17,694,713)	(5,797,879)
Impairment of investments in other entities	(293,771)	(3,549,424)	(293,771)	(3,105,726)
Operating profit	**19,838,619**	**19,900,373**	**19,574,749**	**19,866,008**
Share of loss of an associate	-	(128,288)	-	-
Net finance costs	(14,185,713)	(11,093,317)	(13,950,824)	(10,991,958)
Net profit before taxation	**5,652,906**	**8,678,768**	**5,623,925**	**8,874,050**
Current income tax	126,503	(6,027,411)	170,253	(5,931,215)
Deferred tax (charge)/credit	(1,517,925)	5,590,326	(1,517,925)	5,590,326
Net profit for the year	**4,261,484**	**8,241,683**	**4,276,253**	**8,533,161**
Exchange differences on translation of foreign operations	(64,235)	87,004	-	-
Total comprehensive income	**4,197,249**	**8,328,687**	**4,276,253**	**8,533,161**
Attributable to:				
Owners of the parent	4,197,249	8,328,687	4,276,253	8,533,161
Total comprehensive income	**4,197,249**	**8,328,687**	**4,276,253**	**8,533,161**
Weighted average number of shares in issue (less treasury shares)	**62,967,893**	**63,124,445**	**62,967,893**	**63,124,445**
Earnings per share (Tzs)	**68**	**131**	**68**	**135**
Dividends per share (Tzs)	**55**	**80**	**55**	**80**

Consolidated Statement of Financial Position
as at 31 December 2016

	Group Dec 2016 TZS'000	Group Dec 2015 TZS'000	Company Dec 2016 TZS'000	Company Dec 2015 TZS'000
ASSETS				
Non-current assets				
Property Plant and Equipment	373,366,218	373,177,406	371,599,649	371,307,653
Investment in subsidiary	-	-	1,746,976	1,746,976
Investment in associate	100	271,712	100	271,712
Financial asset - Interest rate cap	7,152,393	7,629,752	7,152,393	7,629,752
	380,518,711	**381,078,870**	**380,499,118**	**380,956,093**
Current assets				
Due from employees' share trust	-	-	1,506,571	1,853,782
Inventories	32,673,142	38,123,889	32,018,334	37,224,402
Trade and other receivables	15,568,106	7,776,853	15,185,452	8,758,254
VAT recoverable	9,494,637	17,019,367	9,469,854	16,983,726
Current income tax recoverable	2,557,299	1,773,964	2,129,325	1,600,889
Cash and bank balances	9,503,431	24,339,787	8,485,755	23,297,360
	69,796,615	**89,033,860**	**68,795,291**	**89,718,413**
TOTAL ASSETS	**450,315,326**	**470,112,730**	**449,294,409**	**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	22,769	87,004	-	-
Treasury shares	(1,506,571)	(1,853,782)	-	-
Retained earnings	189,884,783	190,122,837	190,095,631	190,318,916
Equity attributable to owners of the parent	189,674,402	189,629,480	191,369,052	191,592,337
Total equity	**189,674,402**	**189,629,480**	**191,369,052**	**191,592,337**
Non-current Liabilities				
Provision for site restoration	21,364	145,602	21,364	145,602
Deferred tax liability	16,757,451	15,239,526	16,757,451	15,239,526
Term borrowings: Non-current portion	189,212,984	197,362,531	189,212,984	197,362,531
	205,991,799	**212,747,659**	**205,991,799**	**212,747,659**
Current liabilities				
Trade and other payables	34,507,286	54,258,327	31,791,719	52,857,246
Term borrowings: Current portion	13,157,583	7,430,069	13,157,583	7,430,069
Bank overdrafts	6,984,256	6,047,195	6,984,256	6,047,195
	54,649,125	**67,735,591**	**51,933,558**	**66,334,510**
TOTAL EQUITY AND LIABILITIES	**450,315,326**	**470,112,730**	**449,294,409**	**470,674,506**

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

	Group Dec 2016 TZS'000	Group Dec 2015 TZS'000	Company Dec 2016 TZS'000	Company Dec 2015 TZS'000
Cash (used in)/generated from operating activities				
Operating profit	19,838,619	19,900,373	19,574,749	19,866,008
Depreciation	17,801,172	5,978,005	17,694,713	5,797,879
Impairment charges	293,771	3,549,424	293,771	3,105,726
Gain on disposal of investment	(380,174)	-	(380,174)	-
(Gain)/loss on disposal of assets	(1,492,467)	1,076	(1,488,872)	1,076
Other non cash items	(225,292)	931,848	(225,292)	931,848
Cash generated from trading	**35,835,629**	**30,360,726**	**35,468,895**	**29,702,537**
De/(Increase) in inventories	5,450,747	(1,947,291)	5,206,068	(1,710,044)
(In)/Decrease in accounts receivable	(7,791,253)	10,179,955	(6,427,198)	14,899,403
De/(increase) in VAT recoverable	7,524,730	(16,493,801)	7,513,872	(16,983,726)
Decrease in amount due from employees' share trust	53,440	-	53,440	-
(De)/Increase in accounts payable	(19,751,041)	7,331,611	(21,065,527)	3,211,358
Cash flow from operations	**21,322,252**	**29,431,200**	**20,749,550**	**29,119,528**
Interest income received	83,059	320,327	83,059	320,327
Interest expense paid	(17,522,122)	(1,441,548)	(17,522,122)	(1,441,548)
Income tax paid	(656,832)	(9,232,983)	(358,183)	(9,070,233)
Net cash flows from operations	**3,226,357**	**19,076,996**	**2,952,304**	**18,928,074**
Investing activities				
Proceeds on disposal	2,003,503	31,916	1,999,320	4,236
Purchase of fixed assets	(17,288,687)	(127,361,220)	(17,284,923)	(127,346,515)
Net cash flows used in investing activities	**(15,285,184)**	**(127,329,304)**	**(15,285,603)**	**(127,342,279)**
Financing activities				
Proceeds from borrowings	-	116,742,350	-	116,742,350
Ordinary dividend paid	(5,093,683)	(7,640,525)	(5,093,683)	(7,640,525)
Net cash flows (used in)/from financing activities	**(5,093,683)**	**109,101,825**	**(5,093,683)**	**109,101,825**
Net (De)/Increase in cash and cash equivalents	**(17,152,510)**	**849,517**	**(17,426,982)**	**687,620**
Net foreign exchange differences	1,379,093	6,643,079	1,678,316	6,647,654
Cash and cash equivalents at 1 January	18,292,592	10,799,996	17,250,165	9,914,891
Cash and cash equivalents at 31 December	**2,519,175**	**18,292,592**	**1,501,499**	**17,250,165**

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

System Certification ISO 14001 SGS

System Certification ISO 9001:2008 SGS