AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

SIMBA CEMENT
STRENGTH WITHIN

CHAIRMAN'S STATEMENT

Introduction

Dear Shareholders, we hereby present the audited trading results of Tanga Cement Public Limited Company for the year ended 31st December 2017.

The 2017 was a challenging financial year in the cement and construction industry. Sales prices were under significant pressure as the country remains in a net oversupply of installed cement and clinker capacity. We re-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".

Macro-Economic Overview

Our growth in business continues to be anchored on the economic progress of Tanzania. The Tanzanian Shilling depreciated by three percent (3%) against the US Dollar throughout 2017 due to lower levels of exports than imports into the country. Tanzania also experienced political stability under the leadership of President Magafuli. The average annual headline inflation rate remained fairly stable increasing to five point three percent (5.3%) in 2017 from five point two percent (5.2%) recorded in 2016, as a result of governments' fiscal and monetary policies.

In the year under review, Tanzania's estimated GDP growth for 2017 remained robust and on par with the six point eight percent (6.8%) growth of 2016. This was supported by growth in various economic sectors mainly: Extractive Industries, Telecommunications and Agriculture.

Tanzania's construction industry is projected to have a positive growth trajectory informed by a steady population growth with a younger profile that increases demand for infrastructure, housing and commercial buildings, emerging middle-class, increased consumer activity and access to financial services (banking, mortgages and commercial credit). Anticipated infrastructure projects such as the Standard Gauge Railway, Uganda-Tanzania oil pipeline, development and upgrade of various ports and the natural gas pipeline from Mtwara are expected to see cement demand increase.

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 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

During 2017, the company focussed on increasing sales and production volumes and to confirm our market competitiveness driven by operational efficiency and overall business effectiveness in challenging market conditions.

Despite the fact that the group sales revenue grew by three percent (3%), to TZS one hundred and seventy two billion (172bn) from TZS one hundred and sixty seven billion(167bn) in 2016, competitive market headwinds impacted Tanga Cement's profitability. Gross profit for 2017 declined by fourty six percent (46%) to TZS twenty nine billion (29bn) from TZS fifty four billion (54bn) in 2016. EBITDA declined to TZS nine billion (9bn) from TZS thirty eight billion (38bn) in the prior year. The reduction in EBITDA was mainly caused by lower sales prices dictated by the market compared to the prior year.

Selling and administration expenses increased by ten percent (10%) to TZS twenty billion (20bn) over the prior year in support of the significantly improved sales and production volumes. The increase in the depreciation charge of six percent (6%) was driven by depreciation of the new integrated production line for the full year compared to 10 months in the prior year as well as additional capital investments in 2017 to improve production efficiencies.

The Group recorded a loss before tax of TZS thirty five billion (35bn) for 2017 from a profit before tax of TZS six billion (6bn) in 2016 which was impacted by the decrease in gross profit and expenses referred to above as well as the increase in financing cost and foreign exchange losses on US Dollar denominated term loans for the second integrated production line which was commissioned in 2016.

The net loss after tax for 2017 of TZS twenty six billion (26bn) is down from the net profit of TZS for billion (4bn) of 2016. Cash flows from normal trading activities declined to TZS fourteen billion (14bn) from TZS thirty six billion (36bn) in 2016 underlining the very competitive cement market.

Tanga Cement remains optimistic about its sales and cost optimisation production initiatives as we continually seek to enhance value for stakeholders. The company remains positive about 2018 despite the increased competitive landscape. Government initiatives to spur economic growth through infrastructure development and promotion of local industries is earmarked to boost local cement demand while reducing the influx of low cost imported cement.

In support of Government's industrialisation drive to benefit local producers, Tanga Cement also started to sell clinker during 2017, which is showing an encouraging uptake from independent small cement millers at a growing rate going into 2018. This will benefit the cost of production throughput and add significant value to the profitability of the company going forward. The company achieved a significant safety record during the year reaching two point six (2.6) million hours without lost time injuries. 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

During 2017 the board has declared and paid a final dividend for the 2016 financial year of TZS twenty five (25) per share amounting to TZS one point six (1.6) billion (2015: TZS twenty five (25) per share totalling TZS one point six (1.6) billion). The total dividend declared and paid for the 2016 financial year was TZS eighty (80) per share amounting to TZS 5 billion.

The Group has not declared an interim dividend for the 2017 year and does not anticipate proposing a final dividend to the shareholders in line with the financial performance for the year. The Board elected to be prudent by committing available current cash resources to the operational and debt service commitments.

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. Management's continued focus on business strategy to build on the revenue and sales volume improvements of the 2017 financial year.

We have experienced improved trading results and profitability for the first quarter of 2018 compared to the same period in the prior year, which underpins management's positive outlook for the year ahead.

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

Consolidated Statement of Comprehensive Income
for the year ended 31 Dec 2017

	Group Dec 2017 TZS'000	Group Dec 2016 TZS'000	Company Dec 2017 TZS'000	Company Dec 2016 TZS'000
Revenue	171,744,715	166,975,482	150,488,539	153,775,982
Cost of sales	(142,317,940)	(112,553,046)	(125,714,112)	(101,865,441)
Gross profit	**29,426,775**	**54,422,436**	**24,774,427**	**51,910,541**
Selling and administration expenses	(20,394,054)	(18,555,403)	(17,509,962)	(16,409,633)
Depreciation and amortization	(18,853,021)	(17,801,172)	(18,762,437)	(17,694,713)
Impairment of Investments in other entities	(646,089)	(293,771)	(646,089)	(293,771)
Operating (loss)/profit	**(10,466,389)**	**17,772,090**	**(12,144,061)**	**17,512,424**
Other income/expense	(520,103)	2,066,529	(526,456)	2,062,325
Net finance costs	(24,258,415)	(14,185,713)	(24,184,867)	(13,950,824)
Net (loss)/profit before taxation	**(35,244,907)**	**5,652,906**	**(36,855,384)**	**5,623,925**
Current income tax	(982,989)	126,503	(110,672)	170,253
Deferred tax credit/(charge)	9,887,742	(1,517,925)	9,887,742	(1,517,925)
Net (loss)/profit for the year	**(26,340,154)**	**4,261,484**	**(27,078,314)**	**4,276,253**
Exchange differences on translation of foreign operations	(13,582)	(64,235)	-	-
Total comprehensive (loss)/income	**(26,353,736)**	**4,197,249**	**(27,078,314)**	**4,276,253**
Attributable to:				
Owners of the parent	(26,353,736)	4,197,249	(27,078,314)	4,267,253
Non-controlling interest	-	-	-	-
Total comprehensive (loss)/income	**(26,353,736)**	**4,197,249**	**(27,078,314)**	**4,276,253**
Weighted average number of shares in issue less treasury shares	**62,967,893**	**62,967,893**	**62,967,893**	**62,967,893**
Earnings per share (Tzs)	**(418)**	**68**	**(430)**	**68**
Dividends per share (Tzs)	**25**	**80**	**25**	**80**

Consolidated Statement of Financial Position
as at 31 December 2017

	Group Dec 2017 TZS'000	Group Dec 2016 TZS'000	Company Dec 2017 TZS'000	Company Dec 2016 TZS'000
ASSETS				
Non-current assets				
Property Plant and Equipment	361,906,745	373,366,218	359,990,184	371,599,649
Investment in subsidiary	-	-	1,746,976	1,746,976
Equity investment	100	100	100	100
Financial asset - Interest rate cap	4,994,316	7,152,393	4,994,316	7,152,393
	366,901,161	**380,518,711**	**366,731,576**	**380,499,118**
Current assets				
Due from employees' share trust	-	-	843,782	1,506,571
Inventories	38,043,180	32,673,142	37,518,276	32,018,334
Trade and other receivables	16,307,757	15,568,106	15,695,543	15,185,452
VAT recoverable	6,512,432	9,494,637	6,477,059	9,469,854
Current income tax recoverable	2,303,416	2,557,299	2,129,325	2,129,325
Cash and bank balances	7,464,405	9,503,431	5,606,749	8,485,755
	70,631,190	**69,796,615**	**68,270,734**	**68,795,291**
TOTAL ASSETS	**437,532,351**	**450,315,326**	**435,002,310**	**449,294,409**
EQUITY AND LIABILITIES				
Capital and Reserves				
Issued share capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	9,187	22,769	-	-
Treasury shares	(843,782)	(1,506,571)	-	-
Retained earnings	162,000,436	189,884,783	161,473,124	190,095,631
Equity attributable to owners of the parent	162,439,262	189,674,402	162,746,545	191,369,052
Non-controlling interest	-	-	-	-
Total equity	**162,439,262**	**189,674,402**	**162,746,545**	**191,369,052**
Non-current Liabilities				
Provision for site restoration	25,077	21,364	25,077	21,364
Deferred tax liability	6,869,709	16,757,451	6,869,709	16,757,451
Term borrowings: Non-current portion	191,524,837	189,212,984	191,524,837	189,212,984
	198,419,623	**205,991,799**	**198,419,623**	**205,991,799**
Current liabilities				
Term borrowings: Current portion	33,384,911	13,157,583	33,384,911	13,157,583
Trade and other payables	30,835,420	34,507,286	27,998,096	31,791,719
Bank overdrafts	12,453,135	6,984,256	12,453,135	6,984,256
	76,673,466	**54,649,125**	**73,836,142**	**51,933,558**
TOTAL EQUITY AND LIABILITIES	**437,532,351**	**450,315,326**	**435,002,310**	**449,294,409**

Consolidated Statement of Cash Flows
for the year ended 31 December 2017

	Group Dec 2017 TZS'000	Group Dec 2016 TZS'000	Company Dec 2017 TZS'000	Company Dec 2016 TZS'000
Cash (used in)/generated from operating activities				
Operating (loss)/profit	(10,986,492)	19,838,619	(12,670,517)	19,574,749
Depreciation	18,853,021	17,801,172	18,762,437	17,694,713
Impairment charges	646,089	293,771	646,089	293,771
Gain on disposal of investment	-	(380,174)	-	(380,174)
Gain on disposal of assets	575,661	(1,492,467)	582,014	(1,488,872)
Other non cash items	4,885,980	(191,198)	4,554,649	(247,860)
Cash generated from trading	**13,974,259**	**35,869,723**	**11,874,672**	**35,446,327**
Decrease in amount due from employee's share trust	16,700	53,440	16,700	53,440
De/(increase) in inventories	(7,369,175)	5,496,581	(7,499,079)	5,251,902
Increase/(Decrease) in accounts receivables	(2,116,490)	(7,871,181)	(1,555,599)	(6,450,464)
Increase in VAT recoverable	2,982,205	7,524,730	2,992,795	7,513,872
Increase/(Decrease) in accounts payable	(3,671,866)	(19,852,447)	(3,793,623)	(21,166,933)
Increase in restricted bank balance	(160,929)	-	-	-
Cash flow from operations	**3,654,704**	**21,220,846**	**2,035,866**	**20,648,144**
Interest received	43,881	83,059	43,881	83,059
Income tax paid	(618,434)	(656,832)	-	(358,183)
Net cash flows from operations	**3,080,151**	**20,647,073**	**2,079,747**	**20,373,020**
Investing activities				
Proceeds on disposal	3,728	2,003,503	-	1,999,320
Purchase of fixed assets	(7,975,431)	(17,288,687)	(7,734,979)	(17,284,923)
Proceeds from sale of investment in associates	651,786	-	651,786	-
Net cash flows used in investing activities	**(7,319,917)**	**(15,285,184)**	**(7,083,193)**	**(15,285,603)**
Financing activities				
Proceeds from borrowings	22,216,383	-	22,216,383	-
Interest expense paid	(13,141,604)	(17,522,122)	(13,141,604)	(17,522,122)
Loan repayment	(11,883,494)	-	(11,883,494)	-
Dividends paid	(1,591,776)	(4,992,277)	(1,591,776)	(4,992,277)
Net cash flows from/(used in) financing activities	**(4,400,491)**	**(22,514,399)**	**(4,400,491)**	**(22,514,399)**
Net Increase/(Decrease) in cash and cash equivalents	**(8,640,257)**	**(17,152,510)**	**(9,403,937)**	**(17,426,982)**
Net foreign exchange differences	971,423	1,379,093	1,056,052	1,678,316
Cash and cash equivalents at 1 January	2,519,175	18,292,593	1,501,499	17,250,165
Cash and cash equivalents at 31 December	**(5,149,659)**	**2,519,175**	**(6,846,386)**	**1,501,499**

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 May 2018

R Swart
Managing Director

Q Ganijee
Company Secretary

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SYSTEM CERTIFICATION ISO 14001 SGS

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