

Audited financial results for the year ended December 31, 2017

Extracts of the financial statements

Results for the year

It is our pleasure to report on our business operations and results for the year ended December 31, 2017. We have faced numerous challenges in 2017, which have resulted in a material impact on our full year results. Amid these challenges, we have demonstrated that TCC remains committed to a long term, positive outlook to the business and we have delivered encouraging results in 2017.

Domestic volume grew marginally versus prior year (0.2%) due to tight macro-economic conditions. Export volume to our key markets of the Democratic Republic of Congo (DRC) and Zambia came under significant pressure in 2017 (-24.2%). A variety of issues drove this performance in 2017, however we are confident that these issues have largely been resolved and we have already begun to deliver positive results which are expected to continue into 2018 and beyond.

Overall, profit for the year declined from TZS 68.7BN in 2016 to TZS 45.4BN in 2017 (-34%). The weak export performance and increased operating expenses impacted net profit for the year. Marketing, selling and distribution expenses increased 11% on prior year as part of our long-term investment strategy, and administration expenses increased 33% mainly due to investments in people and one-off business re-alignment costs.

During the same period domestic performance provided a measure of stability to the business with gross turnover growing by 1% and net profit declining by a more moderate 10%.

Dividends

The Board of Directors recommended a final total gross dividend of TZS 200 per share (2016: TZS 300 per share). When added to the interim gross dividend of TZS 200 per share paid out during the year, the total dividend for the year ended December 31, 2017 is TZS 400 per share (2016: TZS 600 per share).

The final gross dividend will be paid on or about April 17, 2018, subject to shareholders' approval at the Annual General Meeting to be held on March 27, 2018. Shares will trade cum-dividend till March 26, 2018.

Prospects for the future

We are optimistic about future prospects for the business, subject to a conducive business environment. Specifically, higher rates of economic growth that drive disposable income for the majority

of our consumers; stable and predictable excise tax regimes, a low inflationary environment, and stable exchange rates.

We expect our export volume to return to growth in 2018 driven by the momentum achieved in the DRC at the back end of 2017 and volume recovery in Zambia. We will monitor developments in the DRC especially the national elections due at the end of the year. Our commitment to growth across the region is unchanged as we seek to leverage on the investments made in 2017 to realize opportunities in 2018.

Appreciation

We would like to extend a special thanks to all our employees for their dedication and hard work; to the Board of Directors for their guidance and support; to our customers, consumers, parent company – Japan Tobacco International, you our esteemed shareholders, and all our stakeholders for your continued support to our business.



Paul Makanza
Chairman of the Board

Tanzania Cigarette Public Limited Company		
Statement of profit or loss and other comprehensive income for the year ended December 31, 2017		
(Audited)		
	2017 TZS M	2016 TZS M
Gross turnover	485,832	499,457
VAT	(67,254)	(66,403)
Revenue	418,578	433,054
Excise duty	(138,829)	(132,092)
Net sales	279,749	300,962
Cost of sales	(121,601)	(130,070)
Gross profit	158,148	170,892
Marketing, selling and distribution expenses	(48,435)	(43,686)
Administration expenses	(43,961)	(33,170)
Other expenses	(875)	(306)
Other gains	2	1,045
Interest income	1,175	3,974
Interest expense	(139)	(116)
Profit before tax	65,915	98,633
Income tax expense	(20,558)	(29,964)
Profit for the year	45,357	68,669
Other comprehensive income:		
<i>Items that will not be reclassified subsequently to profit or loss.</i>		
Defined benefit actuarial gain	1,175	5,296
Tax relating to components of other comprehensive income	(353)	(1,589)
	822	3,707
Total comprehensive income	46,179	72,376
<i>Earnings per share:</i>		
Basic and diluted (TZS per share)	454	687

Tanzania Cigarette Public Limited Company		
Statement of cash flows for the year ended December 31, 2017		
(Audited)		
	2017 TZS M	2016 TZS M
Cash flows from operating activities		
Profit before tax	65,915	98,633
<i>Adjustments for:</i>		
Depreciation and amortization	12,007	12,890
Defined benefit expense	1,470	2,327
Interest expense	139	116
Interest income	(1,175)	(3,974)
Loss on disposal of property, plant and equipment	78	(508)
	78,434	109,484
<i>Working capital changes:</i>		
(Increase) /decrease in inventories	10,787	(33,141)
Movement in related party balances	(1,801)	18
Increase in trade and other receivables	(9,553)	(1,676)
Increase in trade and other payables	10,286	13,271
	88,153	87,956
Defined benefit paid	(226)	(376)
Interest received	1,175	3,974
Interest paid	(139)	(116)
Income tax paid	(26,289)	(29,931)
Net cash generated from operating activities	62,674	61,507
Cash flows from investing activities		
Purchase of property, plant and equipment	(19,975)	(14,787)
Proceeds from disposal of property, plant and equipment	478	526
Net cash used in investing activities	(19,497)	(14,261)
Cash flows from financing activities		
Dividends paid to owners of the Company	(50,000)	(60,000)
Net cash used in financing activities	(50,000)	(60,000)
Net decrease in cash and cash equivalents	(6,823)	(12,754)
Cash and cash equivalents at the beginning of the year	31,353	44,107
Cash and cash equivalents at the end of the year	24,530	31,353
<i>Represented by:</i>		
Cash and bank balances	24,530	31,353

Tanzania Cigarette Public Limited Company		
Statement of financial position as at December 31, 2017		
(Audited)		
	2017 TZS M	2016 TZS M
Assets		
Non-current assets		
Property, plant and equipment	96,765	89,353
Intangible assets	-	-
Investment in subsidiary	-	-
Total non-current assets	96,765	89,353
Current assets		
Inventories	112,388	123,175
Income tax receivable	1,321	-
Trade and other receivables	24,798	13,331
Cash and bank balances	24,530	31,353
Total current assets	163,037	167,859
Total assets	259,802	257,212
Equity and liabilities		
Capital and reserves		
Share capital	2,000	2,000
Defined benefit reserve	5,810	4,988
Retained earnings	175,085	179,728
Shareholders' funds	182,895	186,716
Non-current liabilities		
Deferred tax liability	6,843	6,697
Defined benefit obligation	5,871	5,802
Total non-current liabilities	12,714	12,499
Current liabilities		
Trade and other payables	64,193	53,794
Income tax payable	-	4,203
Total current liabilities	64,193	57,997
Total liabilities	76,907	70,496
Total equity and liabilities	259,802	257,212