



Tanzania Cigarette Company Ltd

Unaudited financial results for the six months ended June 30, 2017

Extracts of the financial statements

The Directors of Tanzania Cigarette Company Ltd (TCC) are pleased to announce the unaudited half year results for the period January 01 to June 30, 2017.

Half year performance

Net sales to June 30, 2017, decreased by 7% to TZS 141 billion compared to TZS 152.1 billion in the same period in 2016.

Gross profit and profit before tax declined by 9% to TZS 81.6 billion (June 30, 2016: TZS 89.7 billion) and by 25% to TZS 39.1 billion (June 30, 2016: TZS 51.9 billion) respectively. Profit after tax decreased by 29% to TZS 25.8 billion compared to TZS 36.5 billion same period last year.

These results were driven by a 35% decline in export volume; consumer down-trading in the domestic market; and a 12% increase in operating costs compared to the same period in 2016. Unfavourable economic conditions in Tanzania, trading conditions in DRC and Route to Market challenges in Zambia negatively impacted volume performance to June 30, 2017. Cumulative impact of excise tax increases pushed the prices up and triggered consumer down-trading to more affordable lower margin brands. Operating cost increased due to additional marketing investments, salary increases and distribution cost namely the Zanzibar new Tax Levy."

The Company generated TZS 55.4 billion in operating cash flow to June 30, 2017 of which TZS 17.4 billion was used to pay corporate tax, TZS 5.2 billion was used in investing activities and the final gross dividend of TZS 30 billion for the year ended December 31, 2016.

Prospects to December 31, 2017

The Directors are cautiously optimistic about second half results to December 31, 2017. Management will continue to take appropriate actions to achieve its revenue and profit targets for the year.

Dividend

The Directors have resolved to declare an interim gross dividend of TZS 200 per share for the half year ended June 30, 2017 (June 30, 2016: TZS 300 per share). The dividend will be paid less 5% withholding tax on or about October 10, 2017, to shareholders registered at the close of business on August 29, 2017. Shares will trade cum-dividend till August 24, 2017.

I wish to thank all stakeholders for their continued support to TCC. I look forward to updating shareholders on the full year performance early 2018.

Majd Abdou
Chairman and Chief Executive Officer

Condensed statement of comprehensive income for the six months ended June 30, 2017 (Unaudited)			
	June 30, 2017 TZS M	June 30, 2016 TZS M	%
Gross turnover	244,466	250,686	-2%
- VAT	(34,099)	(32,988)	3%
Revenue	210,367	217,698	-3%
- Excise duty	(69,351)	(65,633)	6%
Net sales	141,016	152,065	-7%
- Cost of sales	(59,464)	(62,379)	-5%
Gross profit	81,552	89,686	-9%
- Operating expenses	(42,426)	(37,734)	12%
Profit before tax	39,126	51,952	-25%
- Income tax expense	(13,337)	(15,493)	-14%
Profit after tax	25,789	36,459	-29%
Earning per share			
Basic and diluted (TZS per share)	258	365	

Condensed statement of financial position as at June 30, 2017 (Unaudited)		
	June 30, 2017 TZS M	December 31, 2016 TZS M
Assets		
Non-current assets	88,153	89,353
Working capital:		
Current assets	168,826	167,859
Current liabilities	(61,386)	(57,997)
Net working capital	107,440	109,862
Total assets	195,593	199,215
Capital and reserves		
Share capital	2,000	2,000
Retained earnings	175,517	179,728
Defined benefit reserves	4,988	4,988
Shareholders' equity	182,505	186,716
Non-current liabilities	13,088	12,499
Total equity and liabilities	195,593	199,215

Condensed statement of cash flows for the six months ended June 30, 2017 (Unaudited)			
	June 30, 2017 TZS M	June 30, 2016 TZS M	%
Cash generated from operations	55,441	60,327	-8%
Interest received	552	1,919	
Defined benefit paid	-	(156)	
Taxation paid	(17,412)	(18,503)	
Net cash generated by operating activities	38,581	43,587	-11%
Net cash used in investing activities	(5,151)	(2,910)	77%
Net cash used in financing activities	(30,000)	(30,000)	0%
Net decrease in cash and bank balances	3,430	10,677	-68%
Cash and bank balances at beginning of period	31,353	44,107	-29%
Cash and bank balances at end of period	34,783	54,784	-37%

Condensed statement of changes in equity for the six months ended June 30, 2017 (Unaudited)				
	Share capital TZS M	Defined benefit reserves TZS M	Retained earnings TZS M	Total TZS M
At January 1, 2016	2,000	1,281	171,059	174,340
Profit for the period	-	-	68,669	68,669
Other comprehensive income	-	3,707	-	3,707
Total	2,000	4,988	239,728	246,716
Dividend paid (Final 2015 and Interim 2016)	-	-	(60,000)	(60,000)
Balance as at Dec 31, 2016	2,000	4,988	179,728	186,716
At January 1, 2017	2,000	4,988	179,728	186,716
Profit for the period	-	-	25,789	25,789
Total	2,000	4,988	205,517	212,505
Final dividend paid -2016	-	-	(30,000)	(30,000)
Balance as at June 30, 2016	2,000	4,988	175,517	182,505