

UNAUDITED RESULTS FOR THE SIX MONTHS TO 30 JUNE 2014

CHAIRPERSON'S STATEMENT

Introduction

Tanga Cement Company Limited (TCCL) posted a strong performance during the first six months of the 2014 financial year. Despite the challenges presented by the prevailing market conditions that have resulted in a small decline in sales volumes, the Group managed to increase overall profitability through significant cost optimisation over the past 12 months.

Macro-Economic Overview

The overall macro-economic conditions continue to stimulate economic growth, with both the exchange rate and inflation remaining stable. This, together with the continuous socio-economic development of the country, has stimulated new entrants to the cement manufacturing industry as well as an increase in cement imports.

The increased competition has not only placed downward pressure on cement prices, but has also made achieving the budgeted sales volumes more challenging. The growth in the domestic and export cement markets and TCCL's reputation as a leading supplier of superior quality cement has, however, enabled the Group to be well on track to achieve its budgeted sales volumes for the full year. Despite 2014 sales revenue being 6% below the results achieved by the end of June 2013, the reduction in cost of sales resulted in the gross margin increasing to 27.9% (2013: 25.2%), a 10.7% improvement over the previous year.

Operational Overview

Following an extensive cost optimisation programme over the past 12 months, the company has seen this positively reflected in the financial performance, with cost of sales decreasing by 9% year-on-year. Similarly, selling and administration expenses have been well contained.

Due to its cost optimisation efforts, the Group has reduced the impact of increases in input costs such as the 40% rise in the cost of electricity, enabling it to maintain stable product prices to the benefit of its customers.

The establishment of a second kiln line at Tanga is progressing well. The construction phase of this project is currently underway and is well on track to be completed, as planned, in the last quarter of 2015.

During the year the Group increased its shareholding in its sales and distribution business, Cement Distributors East Africa Limited (CDEAL), which became a wholly-owned subsidiary. A decision was made to impair the goodwill in CDEAL following the integration of parts of its business into the Tanga Cement Company Limited. The write-off amounts to Tzs 6.87bn. Excluding this write-off, net profit from operations would have amounted to Tzs 22bn, a 37.7% improvement over the same period in 2013.

Dividends

The board has recommended an interim dividend of Tzs 55 per share (2013: Tzs 50), amounting to a total interim dividend of Tzs 3.5 billion.

Closure of the Share Register

The register of members will close 23 September 2014. The last day of trading cum-dividend will be 18 September 2014. The final dividend will be paid on or about 31 October 2014.

Conclusion

Tanga Cement Company Limited remains optimistic about the future growth of the region and the implications thereof for the company. The competitive landscape will remain challenging, but we expect that the playing fields will be levelled somewhat following the Government's removal of cement from the list of deemed capital goods for the purposes of assessing duties on imported cement. With its strong competitive advantage, leading brand and capable workforce, Tanga Cement Company Limited is well positioned to take advantage of the growth opportunities in the market.

Mr. Lawrence Masha

Chairperson of the Board.

Consolidated Statement of Comprehensive Income for the six months to 30 June.

	Group Jun'2014 Tzs'000	Group Jun'2013 Tzs'000	Company Jun'2014 Tzs'000	Company Jun'2013 Tzs'000
Revenue	106,155,011	112,825,909	87,485,267	84,511,404
Cost of sales	(76,526,529)	(84,428,731)	(58,252,747)	(60,323,028)
Gross profit	29,628,482	28,397,178	29,232,521	24,188,376
Other operating expenses	-	(869,718)	-	(870,112)
Selling and administrative expenses	(5,517,131)	(8,561,179)	(5,517,131)	(6,404,802)
Depreciation and amortization	(2,013,956)	(2,918,143)	(1,897,258)	(2,751,916)
Impairment of goodwill in subsidiary company	(6,872,398)	-	-	-
Net profit from operations	15,224,997	16,048,138	21,818,132	14,161,546
Other income	488,703	-	467,818	1,680,000
Net finance income/ (costs)	23,648	(39,221)	115,735	206,824
Net profit before taxation	15,737,348	16,008,917	22,401,684	16,048,370
Taxation	(7,132,746)	(5,499,532)	(7,091,688)	(5,152,498)
Net profit for the year	8,604,602	10,509,385	15,309,996	10,895,872
Total Comprehensive Income	8,604,602	10,509,385	15,309,996	10,895,872
Attributable to:				
Owners of the parent	8,604,602	10,350,523	15,309,996	10,895,872
Non-controlling interest	-	158,863	-	-
Total Comprehensive Income	8,604,602	10,509,385	15,309,996	10,895,872
Weighted average number of shares in issues	63,671,045	63,671,045	63,671,045	63,671,045
Earnings per share (Tzs)	135	165	240	171
Dividend per share (Tzs)			55	50

Consolidated Statement of Financial Position as at 30 June 2014

	Group Jun'2014 Tzs'000	Group Dec'2013 Tzs'000	Company Jun'2014 Tzs'000	Company Dec'2013 Tzs'000
ASSETS				
Non-current assets				
Property plant and equipment	116,094,013	137,902,268	110,901,849	132,736,446
Intangible assets	571,986	7,444,384	-	-
Due from employees' share trust	506,948	506,787	506,948	506,787
Investment in group	-	-	11,596,812	11,596,812
	117,172,947	145,853,439	123,005,609	144,840,045
Current assets				
Inventories	26,822,542	22,093,146	25,480,288	20,257,181
Accounts receivable third party and others	33,819,917	4,895,344	34,225,424	9,414,579
Tax recoverable	892,886	3,133,221	832,614	-
Cash and bank	29,249,578	31,612,679	28,891,949	30,531,552
	90,784,923	61,734,390	89,430,275	60,203,312
TOTAL ASSETS	207,957,870	207,587,829	212,435,884	205,043,357
EQUITY AND LIABILITIES				
Capital and Reserves				
Issued share capital	1,273,421	1,273,421	1,273,421	1,273,421
Retained earnings	173,271,918	168,431,556	181,283,508	169,737,752
	174,545,339	169,704,977	182,556,929	171,011,173
Non-current Liabilities				
Provision for quarry site restoration	73,450	73,449	73,450	73,449
Interest bearing loans	-	-	-	-
Deferred tax liability	20,226,783	20,226,783	20,226,783	20,226,783
	20,300,233	20,300,232	20,300,232	20,300,232
Current liabilities				
Bank overdraft	-	60,598	-	-
Trade and other payables	13,112,298	19,169,451	9,578,723	15,481,256
Income tax payable	-	(1,647,429)	-	(1,749,304)
	13,112,298	17,582,620	9,578,723	13,731,952
TOTAL EQUITY AND LIABILITIES	207,957,870	207,587,829	212,435,884	205,043,357

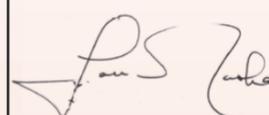
Consolidated Statement of Cash Flows for the six months to 30 June

	Group Jun'2014 Tzs'000	Group Jun'2013 Tzs'000	Company Jun'2014 Tzs'000	Company Jun'2013 Tzs'000
Cash generated from operating activities				
Net profit from operations	15,224,997	16,048,138	21,818,132	14,161,546
Depreciation	2,013,956	2,918,143	1,897,258	2,751,916
Impairment of goodwill in subsidiary company	6,872,398	-	-	-
Loss on sale of property, plant & equipment	2,210	-	2,210	-
Other non cash items	108,220	136,078	127,554	136,078
Cash generated from trading	24,221,780	19,102,359	23,845,153	17,049,540
(In)/Decrease in inventories	(4,729,396)	8,915,828	(5,223,107)	7,642,600
(In)/Decrease in accounts receivable	652,799	(1,810,742)	1,633,306	(2,432,948)
(De)/Increase in accounts payable	(6,057,153)	997,827	(5,902,533)	1,133,619
Cash flow from operations	14,088,031	27,205,272	14,352,819	23,392,811
Other income	488,703	-	467,818	1,680,000
Net interest received (paid)	23,648	(39,221)	115,735	206,824
Income taxes paid	(6,378,203)	(9,693,514)	(6,174,998)	(9,136,320)
Net cash generated from operations	8,222,179	17,472,537	8,761,373	16,143,315
Investing activities				
Proceeds on disposal	32,063	-	12,730	-
Purchase of fixed assets	(6,736,321)	(4,195,398)	(6,593,281)	(4,193,606)
Net cash flow used in investing activities	(6,704,258)	(4,195,398)	(6,580,551)	(4,193,606)
Financing activities				
Employees' share trust	(161)	(47,110)	(161)	(47,110)
Ordinary dividend paid	(3,820,263)	(3,501,907)	(3,820,263)	(3,501,907)
Dividend paid to non-controlling interest	-	(1,120,000)	-	-
Net cash used in financing activities	(3,820,424)	(4,669,017)	(3,820,424)	(3,549,017)
(De)/Increase in cash and cash equivalents	(2,302,503)	8,608,121	(1,639,603)	8,400,691
Cash and cash equivalents at 1 January	31,552,081	40,031,756	30,531,552	38,756,679
(De)/Increase in cash and cash equivalents	(2,302,503)	8,608,121	(1,639,603)	8,400,692
Cash and cash equivalents at 30 June	29,249,578	48,639,877	28,891,949	47,157,371

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 CAD Securities on 0779 303030 for information on how to have the dividends deposited directly into their bank accounts.



L. Masha
Chairperson
15 August 2014



R. Swart
Managing Director



David Lee
Company Secretary

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