

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

CHAIRPERSON'S STATEMENT

Introduction

During 2014 Tanga Cement Public Limited Company celebrated some significant milestones and successes achieved in executing its strategy and living up to its brand promise of being the 'Pride of the Nation'. We are proud of our contribution towards the development of Tanzania, but more importantly the lives of the Tanzanian people we are able to touch and enhance due to our business activities.

Macro-Economic Overview

General market conditions during the period under review have been tough, but positive. We experienced an increased influx of imports from neighboring East African countries such as Kenya, which was further enabled by the removal of tariffs between East African countries and easy access to our major markets in northern regions by competing brands.

At the same time, cheap imports from the Middle East countries have continued to enter Tanzanian markets creating unfair competition as they benefit from widespread acts of tax evasion through under declaration of prices and volumes delivered into local markets. Increased smuggling of cement across the border into Kilimanjaro and Arusha added to pressure on local markets and prices. We are lobbying with Government as well as the Fair Competition Commission on control of cheaper imports including manufacturing substitutes.

We have been pleased with the improvements of rail infrastructure in Tanzania which has boosted the company's utilisation of rail as a means of transport which resulted in a slight decrease on the reliance of more expensive road transport. We look forward to further improvements by Tanzania Railways Ltd. in 2015.

Operational Overview

Despite the challenging market conditions, the group managed to record a satisfactory financial performance with operating profit being 16 percent below 2013. This included a goodwill impairment of TZS 6.9 billion which if excluded, would result in a decrease of only 2 percent compared to 2013. This performance can be attributed to increased direct sales to customers and active initiatives to control and reduce costs. A reflection of this is that our cost of sales remained relatively unchanged at TZS 161.5 billion (2013: TZS 161.4 billion) despite 40 percent increase in Tanesco's electricity tariffs which is a major component of production cost.

Improving operational efficiencies and containing production costs continues to be a major focus for the company. We experienced some set-backs in terms of overall equipment efficiencies (OEEs) due to some equipment failure during the year. Improving on OEEs will be a significant focus during 2015.

The company's net profit after tax decreased by 12 percent to TZS 28.4 billion. This is as a result of the once-off impairment of goodwill.

A major milestone achieved during the year was the complete integration of CDEAL, providing the company with full ownership of the sales and distribution arm of the business. The acquisition will ensure improved integration and strategic alignment with Tanga Cement Public Limited Company in executing its strategy.

The construction of a second kiln line at Tanga Cement Public Limited Company is making good progress and is still on track to produce its first clinker in the last quarter of 2015. Once completed, the second kiln line will more than double Tanga Cement's clinker production capacity and result in significant cost savings for the company.

Sustainability

Safety remains our priority and 2014 was no different. We undertook the utmost care to return each employee home safe at the end of each shift. Whilst we recorded good results on maintaining a low total recordable injury frequency rate (TRIFR) of below 1 against a target of 6.4, we unfortunately had a fatality at the kiln at the end of April 2014. This was thoroughly investigated and a lot of lessons were drawn from the incident. We have implemented these lessons to avoid similar incidents from recurring in the future.

Our environmental performance has remained on track, with the critical emissions below the legal limit on a monthly average basis throughout the year. The performance and availability of the monitoring equipment was however an issue, as we could not get the full benefit of anticipated measurements from it. Phase out of equipment is being considered in mitigation. For the first time a baseline environmental monitoring program was implemented on site, we now await the initial results from the sampling and measurements. Tanga Cement Public Limited Company continued to support the local communities by focusing in the four main areas of Education, Health, Community development and Environment.

Future Outlook

We expect the coming year to remain challenging and expect we will continue to deliver satisfactory results. A number of projects have been approved by government and private investors, and these should increase demand for our products. Among the exciting projects is the development of Kawe City, Tanzanite Mall, Tanzania China Logistic Centre and the expansion of the Dar es Salaam Port.

Dividend

The board has recommended a final dividend of TZS 65 per share (2013: TZS 60). This amounts to a total final dividend of TZS 4.1 billion.

Closure of the Share Register

The register of members will close xxxxxx. The last day of trading cum-dividend will be xxxxxx. The final dividend will be paid on or about xxxxxxxx.

Conclusion

Our majority shareholder, AfriSam, increased its shareholding from 62.5% to 66.6% during the year. We are proud of our association with this formidable construction materials company and Tanga Cement Public Limited Company has benefited greatly over the years from the knowledge and expertise gained through this relationship. In turn, Tanga Cement Public Limited Company is a critical component and valuable contributor to the growth and success of the AfriSam Group. We look forward to the many successes both companies will achieve through our close association.

Finally, on behalf of the Board of Directors, I would like to thank the employees of Tanga Cement Public Limited Company for the passion they have for the company and their commitment to ensuring its success. And I also thank the board of directors for their support and our esteemed customers for their loyalty.

We look forward to celebrating many more successes together in 2015.

Advocate Lau Masha

Chairperson

Consolidated Statement of Comprehensive Income for the year ended Dec'2014

	Group Dec'2014 TZS'000	Group Dec'2013 TZS'000	Company Dec'2014 TZS'000	Company Dec'2013 TZS'000
Revenue	232,100,723	233,060,598	194,992,804	182,784,033
Cost of sales	(161,508,088)	(161,388,119)	(132,109,832)	(120,063,342)
Gross profit	70,592,635	71,672,479	62,882,972	62,720,691
Other income	564,863	67,834	427,531	1,854,306
Selling and administrative expenses	(19,387,413)	(18,329,427)	(13,421,825)	(12,063,102)
Depreciation and amortization	(5,145,903)	(6,052,769)	(4,944,357)	(5,778,295)
Asset Impaired	(6,872,398)	-	(6,872,398)	-
Net profit from operations	39,751,784	47,358,117	38,071,923	46,733,600
Finance costs	(138,344)	(71,195)	(68,217)	(12,207)
Finance income	268,249	382,378	268,249	382,378
Foreign exchange gain/(losses)	3,645,801	(1,345,531)	3,718,116	(1,058,553)
Net profit before taxation	43,527,490	46,323,769	41,990,071	46,045,218
Taxation	(15,126,197)	(14,158,879)	(14,990,373)	(13,588,984)
Net profit for the year	28,401,293	32,164,890	26,999,698	32,456,234
Other comprehensive income	-	-	-	-
Total Comprehensive Income	28,401,293	32,164,890	26,999,698	32,456,234
Attributable to:				
Owners of the Parent	28,401,293	31,933,146	26,999,698	32,456,234
Non-Controlling Interest	-	231,744	-	-
Total Comprehensive Income	28,401,293	32,164,890	26,999,698	32,456,234
Weighted average number of shares in issues	63,671,045	63,671,045	63,671,045	63,671,045
Earnings per share (TZS)	446	505	424	510
Dividends per share (TZS)			120	110

Consolidated Statement of Financial Position as at 31 Dec' 2014

	Group Dec'2014 TZS'000	Group Dec'2013 TZS'000	Company Dec'2014 TZS'000	Company Dec'2013 TZS'000
ASSETS				
Non-current assets				
Property Plant and Equipment	233,160,607	137,902,268	228,110,535	132,736,446
Intangible assets	571,987	7,444,384	-	-
Due from Employee's Share trust	-	506,787	-	506,787
Investment in Group	-	-	4,724,414	11,596,812
Investment in Associates	400,000	-	400,000	-
Financial Asset	7,867,067	-	7,867,067	-
	241,999,661	145,853,439	241,102,016	144,840,045
Current assets				
Inventories	36,176,598	22,093,147	35,514,358	20,257,181
Trade and other receivables	17,956,808	4,895,344	23,657,657	9,414,579
Tax recoverable	525,566	4,780,650	-	1,749,304
Cash and bank	20,059,861	31,612,679	19,174,756	30,531,552
	74,718,833	63,381,820	78,346,771	61,952,616
TOTAL ASSETS	316,718,494	209,235,259	319,448,787	206,792,661
EQUITY AND LIABILITIES				
Capital and Reserves				
Issued share capital	1,273,421	1,273,421	1,273,421	1,273,421
Retained earnings	189,521,679	168,431,556	189,426,280	169,737,752
Equity attributable to owners of the parent	190,795,100	169,704,977	190,699,701	171,011,173
	190,795,100	169,704,977	190,699,701	171,011,173
Non-current Liabilities				
Provision for Quarry site Restoration	101,577	73,449	101,577	73,449
Interest bearing loans	48,860,564	-	48,860,564	-
Deferred tax liability	20,829,852	20,226,783	20,829,852	20,226,783
	69,791,993	20,300,232	69,791,993	20,300,232
Current liabilities				
Bank overdraft	9,259,865	60,598	9,259,865	-
Trade and other payables	45,439,929	19,169,452	48,159,099	15,481,256
Income tax payable	1,431,607	-	1,538,129	-
	56,131,401	19,230,050	58,957,093	15,481,256
TOTAL EQUITY AND LIABILITIES	316,718,494	209,235,259	319,448,787	206,792,661

Consolidated Statement of Cash Flows for the year ended Dec'2014

	Group Dec'2014 TZS'000	Group Dec'2013 TZS'000	Company Dec'2014 TZS'000	Company Dec'2013 TZS'000
Cash generated from operating activities				
Net profit from operations	39,751,784	47,358,117	38,071,923	46,733,600
Depreciation	5,145,903	6,052,769	4,944,357	5,778,295
(Gain)/Loss on sale of property, plant & equipment	(124,386)	1,011	2,210	-
Other non cash items	6,900,526	630,352	6,900,526	630,352
Cash generated from trading	51,673,827	54,042,249	49,919,016	53,142,247
(In)/decrease in inventories	(14,083,452)	9,788,919	(15,257,177)	7,368,315
(In)/decrease in accounts receivable	(13,061,464)	(1,246,198)	(14,243,078)	(275,420)
(De)/Increase in accounts payable	26,270,477	(4,103,635)	32,677,842	(4,721,651)
Increase in tax recoverable	2,607,655	863,182	-	-
Cash flow from operations	53,407,043	59,344,517	53,096,603	55,513,491
Finance income	268,249	382,378	268,249	382,378
Net interest received (paid)	(138,344)	(71,195)	(68,217)	(12,207)
Income taxes paid	(11,444,092)	(17,220,309)	(11,099,871)	(16,465,628)
Net cash generated from operations	42,092,856	42,435,391	42,196,764	39,418,034
Investing activities				
Additional investment in Associate	(400,000)	-	(400,000)	-
Acquisition of Subsidiary net of cash acquired	-	(6,128,708)	-	(6,128,708)
Dividend received from subsidiary	-	-	-	1,790,400
Payment of financial asset	(7,867,067)	-	(7,867,067)	-
Proceeds on disposal	197,062	1,011	12,730	-
Purchase of fixed assets	(100,476,918)	(35,523,232)	(100,333,385)	(35,521,295)
Net cash flow used in investing activities	(108,546,923)	(41,650,929)	(108,587,722)	(39,859,603)
Financing activities				
Amount advanced to employees' Share Trust	-	(109,685)	-	(109,685)
Repayment from employees share trust	506,787	70,139	506,787	70,139
Proceeds from borrowings	48,860,564	-	48,860,564	-
Repayment of borrowings	-	-	-	-
Dividends paid to equity holder of parent	(7,311,170)	(6,685,459)	(7,311,170)	(6,685,459)
Dividend paid to non-controlling interest	-	(1,193,600)	-	-
Net cash generated (used) in financing activities	42,056,181	(7,918,605)	42,056,181	(6,725,005)
(De)/Increase in cash and cash equivalents	(24,397,886)	(7,134,143)	(24,334,777)	(7,166,574)
Net foreign exchange difference	3,645,801	(1,345,532)	3,718,116	(1,058,553)
Cash and cash equivalents at 1 January	31,552,081	40,031,756	30,531,552	38,756,679
Cash and cash equivalents at 31 December	10,799,996	31,552,081	9,914,891	30,531,552

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



R. Swart
Managing Director



David Lee
Company Secretary

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