

# AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

## CHAIRPERSON'S STATEMENT

### Introduction

During 2013 Tanga Cement Company Limited (TCCL) celebrated some significant milestones and successes 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 and more importantly to the lives of the many people we are able to touch and enhance due to our business activities.

### Macro-Economic Overview

Tanzania has continued to maintain overall macroeconomic stability, which has been a fundamental factor behind the positive economic growth. Demand for cement products, both locally and from the export markets, remains high. Despite the increase in low-priced imports and changes in the competitive landscape, our high-quality products and sound relationships with customers enabled us to thrive in the fiercely competitive environment. We will continue to improve on our quality and service offering in order to maintain market share and sales performance.

Inflation declined from last year, to an annual rate of 5.6%, while the steady exchange rate helped by providing a degree of stability in the costs of our clinker and other imported materials.

### Historical sales and distribution performance

The past year was characterised by challenging trading conditions in the local market. This was mainly due to increased competition as a result of growing cement imports. Although the economy of Tanzania continued to expand during the period under review and the macro-economic climate was generally favourable, the additional market demand created was captured by importers rather than the local cement manufacturers.

As a result, sales volumes, as well as the selling prices achieved, were lower than expected and both sales volumes and total sales revenue were lower than those achieved over the same period in 2012.

I would like to commend the management and staff of TCCL for their positive achievements during the year and urge them to keep up the great performance.

A major milestone achieved during the year was the acquisition of an additional 40% shareholding in CDEAL, giving the company full ownership of the sales and distribution arm of the business. The acquisition will ensure improved integration and strategic alignment with TCCL.

Strategic changes in the sales and marketing of TCCL's products have been effected following the takeover of CDEAL.

### Operational overview

Improving operational efficiencies and containing production costs were a major focus in 2013 and significant successes were achieved, particularly during the second half of the year. In addition, the company secured the supply of coal from local sources and entered into negotiations for a long-term purchase agreement for clinker, both of which will add to the cost containment efforts.

The kiln performed well during the year and experienced no major mechanical problems, with the only stoppages being for planned maintenance. Clinker production volumes increased by 1.7% compared to the previous year.

The company's operating profit for the year decreased by 5.1%, whilst net profit after tax decreased by 5.4%.

### Future Outlook

In August 2013, TCCL celebrated the start of the construction phase of the second kiln line with a groundbreaking ceremony.

The new kiln will enhance the company's competitive advantage. Once completed, the kiln will increase the company's clinker production capacity by 750,000 tons per annum, more than doubling its current clinker capacity.

With commissioning expected during the second half of 2015, the additional capacity will help the company to meet the growing demand for cement both in Tanzania and in markets beyond the country's borders.

We look forward to the future value the company will derive from this substantial investment.

### Dividends

The board has recommended a final dividend of Tzs 60 per share (2012: Tzs 55). Amounting to a total final dividend of Tzs 3.8 billion. This brings the accumulated dividend for the year to Tzs 110 per share (2012: Tzs 100), a total of Tzs 7 billion for the full year.

### Closure of the Share Register

The register of members will close on 25 April 2014. The last day for trading cum-dividend will be 22 April 2014 and the final dividend will be paid on or about 31 May 2014.

### Conclusion

After joining the TCCL family in August 2012 to oversee the construction of a second kiln line, Mr Reinhardt Swart was appointed as the Managing Director of Tanga Cement Company Limited in July 2013. I would like to use this opportunity to thank Mr Swart for his contribution towards the success of the company within a short period of time. We look forward to the new heights TCCL will reach under his leadership.

On behalf of the Board of Directors, I would like to thank the employees of Tanga Cement Company Limited for the passion they have for the company and for their commitment to ensuring its continued prosperity.

We look forward to celebrating many successes together in 2014.

**Mr. Lawrence Masha**  
Chairperson

## Consolidated Statement of Comprehensive Income for the year ended Dec 2013

	Company Dec'2013 Tzs'000	Company Dec'2012 Tzs'000	Group Dec'2013 Tzs'000	Group Dec'2012 Tzs'000
<b>Revenue</b>	182,784,033	195,603,983	233,060,598	257,921,831
Cost of sales	(120,063,342)	(129,895,517)	(161,388,119)	(178,537,803)
<b>Gross profit</b>	<b>62,720,691</b>	<b>65,708,466</b>	<b>71,672,479</b>	<b>79,384,028</b>
Other operating expenses	(1,058,553)	(991,434)	(1,345,531)	(1,282,883)
Selling and administrative expenses	(11,999,196)	(10,403,741)	(18,261,593)	(16,971,927)
Depreciation and amortization	(5,778,295)	(5,133,902)	(6,052,769)	(5,462,771)
<b>Net profit from operations</b>	<b>43,884,647</b>	<b>49,179,389</b>	<b>46,012,586</b>	<b>55,666,447</b>
Other Income	1,790,400	1,796,386	-	113,386
Net finance costs	370,171	295,898	311,183	153,234
<b>Net profit before taxation</b>	<b>46,045,218</b>	<b>51,271,673</b>	<b>46,323,769</b>	<b>55,933,067</b>
Taxation	(13,588,984)	(16,772,541)	(14,158,879)	(18,819,650)
<b>Net profit for the year</b>	<b>32,456,234</b>	<b>34,499,132</b>	<b>32,164,890</b>	<b>37,113,417</b>
<b>Total Comprehensive Income</b>	<b>32,456,234</b>	<b>34,499,132</b>	<b>32,164,890</b>	<b>37,113,417</b>
Attributable to:				
Owners of the Parent	32,456,234	34,499,132	31,933,146	35,320,939
Non-Controlling Interest	-	-	231,744	1,792,478
<b>Total Comprehensive Income</b>	<b>32,456,234</b>	<b>34,499,132</b>	<b>32,164,890</b>	<b>37,113,417</b>
<b>Weighted average number of shares in issues</b>	<b>63,671,045</b>	<b>63,671,045</b>	<b>63,671,045</b>	<b>63,671,045</b>
<b>Earnings per share (Tzs)</b>	<b>510</b>	<b>542</b>	<b>502</b>	<b>555</b>
<b>Dividend per share (Tzs)</b>	<b>110</b>	<b>100</b>		

## Consolidated Statement of Financial Position as at 31 Dec' 2013

	Company Dec'2013 Tzs'000	Company Dec'2012 Tzs'000	Group Dec'2013 Tzs'000	Group Dec'2012 Tzs'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property Plant and Equipment	132,736,446	103,026,587	137,902,268	108,464,946
Intangible assets	-	-	7,444,384	2,827,792
Due from Employee's Share trust	506,787	467,241	506,787	467,241
Investment in Group	11,596,812	5,468,104	-	-
	<b>144,840,045</b>	<b>108,961,932</b>	<b>145,853,439</b>	<b>111,759,979</b>
<b>Current assets</b>				
Inventories	20,257,181	28,218,706	22,093,147	31,882,065
Accounts receivable third party and other	9,414,579	9,139,159	4,895,344	3,649,146
Tax recoverable	-	-	3,133,221	5,643,832
Cash and bank	30,531,552	38,756,679	31,612,679	40,943,678
	<b>60,203,312</b>	<b>76,114,544</b>	<b>61,734,391</b>	<b>82,118,721</b>
<b>TOTAL ASSETS</b>	<b>205,043,357</b>	<b>185,076,476</b>	<b>207,587,830</b>	<b>193,878,700</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Issued share capital	1,273,421	1,273,421	1,273,421	1,273,421
Retained earnings	169,737,752	143,959,986	168,431,556	143,176,878
Equity attributable to owners of the parent	171,011,173	145,233,407	169,704,977	144,450,299
Non-Controlling interest	-	-	-	2,473,971
	<b>171,011,173</b>	<b>145,233,407</b>	<b>169,704,977</b>	<b>146,924,270</b>
<b>Non-current Liabilities</b>				
Provision for Quarry site Restoration	73,449	69,448	73,449	69,448
Deferred tax liability	20,226,783	19,354,560	20,226,783	19,354,560
	<b>20,300,232</b>	<b>19,424,008</b>	<b>20,300,232</b>	<b>19,424,008</b>
<b>Current liabilities</b>				
Bank overdraft	-	-	60,598	911,922
Trade and other payables	15,481,256	18,419,498	19,169,451	24,332,276
Income tax payable	(1,749,304)	1,999,563	(1,647,429)	2,286,224
	<b>13,731,952</b>	<b>20,419,061</b>	<b>17,582,621</b>	<b>27,530,422</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>205,043,357</b>	<b>185,076,476</b>	<b>207,587,830</b>	<b>193,878,700</b>

## Consolidated Statement of Cash Flows for the year ended Dec'2013

	Company Dec'2013 Tzs'000	Company Dec'2012 Tzs'000	Group Dec'2013 Tzs'000	Group Dec'2012 Tzs'000
<b>Cash generated from operating activities</b>				
Net profit from operations	43,884,647	49,179,389	46,012,586	55,666,447
Depreciation	5,778,295	5,133,902	6,052,769	5,462,771
Loss/Gain on sale of property, plant & equipment	33,141	(33,579)	33,141	(47,165)
Other non cash items	4,002	4,002	4,002	4,002
<b>Cash generated from trading</b>	<b>49,700,085</b>	<b>54,283,714</b>	<b>52,102,498</b>	<b>61,086,055</b>
(In)/decrease in inventories	7,961,525	4,279,093	9,788,919	4,232,491
(In)/decrease in accounts receivable	(275,420)	(711,032)	1,264,413	(205,562)
(De)/Increase in accounts payable	(2,931,251)	45,627	(5,155,834)	(2,938,615)
<b>Cash flow from operations</b>	<b>54,454,939</b>	<b>57,897,402</b>	<b>57,999,996</b>	<b>62,174,369</b>
Other Income	1,790,400	1,796,386	-	113,386
Net interest received (paid)	370,171	295,898	311,183	153,234
Income taxes paid	(16,465,628)	(13,975,086)	(17,220,309)	(15,851,516)
<b>Net cash generated from operations</b>	<b>40,149,882</b>	<b>46,014,600</b>	<b>41,090,870</b>	<b>46,589,473</b>
<b>Investing activities</b>				
Acquisition of Subsidiary net of cash acquired	(6,128,708)	-	(6,128,708)	-
Proceeds on disposal	-	58,994	-	68,996
Purchase of fixed assets	(35,521,295)	(8,573,396)	(35,523,232)	(8,711,800)
<b>Net cash flow used in investing activities</b>	<b>(41,650,003)</b>	<b>(8,514,402)</b>	<b>(41,651,940)</b>	<b>(8,642,804)</b>
<b>Financing activities</b>				
Employees' Share Trust	(39,546)	(146,428)	(39,546)	(146,428)
Repayment of loan	-	(2,500,000)	-	(2,500,000)
Ordinary dividend paid	(6,685,459)	(5,857,736)	(6,685,459)	(5,857,736)
Dividend paid to Non-Controlling Interest	-	-	(1,193,600)	(1,160,000)
<b>Net cash used in financing activities</b>	<b>(6,725,005)</b>	<b>(8,504,164)</b>	<b>(7,918,605)</b>	<b>(9,664,164)</b>
<b>(De)/Increase in cash and cash equivalents</b>	<b>(8,225,127)</b>	<b>28,996,033</b>	<b>(8,479,675)</b>	<b>28,282,504</b>
<b>Cash and cash equivalents at 1 January</b>	<b>38,756,679</b>	<b>9,760,646</b>	<b>40,031,756</b>	<b>11,749,252</b>
(De)/Increase in cash and cash equivalents	(8,225,127)	28,996,033	(8,479,675)	28,282,504
<b>Cash and cash equivalents at 31 December</b>	<b>30,531,552</b>	<b>38,756,679</b>	<b>31,552,081</b>	<b>40,031,756</b>

## 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  
05 March 2014



**R. Swart**  
Managing Director



**David Lee**  
Company Secretary

**Tanga Cement Company Limited**  
PO Box 5053  
Tanga  
Tanzania  
info@simbacement.co.tz

