



# AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

## CHAIRPERSON'S STATEMENT

### Introduction

Tanga Cement Plc ended the 2015 financial year on a high note when the company started up its second kiln for the first time on the 4th of December 2015 and produced the first clinker from the new kiln line on the 10th of December 2015, in accordance with the original project plan.

This is a significant achievement for Tanga Cement as the project was executed within the planned timeframe and without lost time injury. The project is also estimated to be concluded within the approved capex budget of USD 152 million.

On behalf of the Board of Directors, I would like to use this opportunity to congratulate the Tanga Cement team together with the technical support provided by AfriSam. Your dedication to the project has confirmed the company's ability and expertise to successfully execute a project of such magnitude. An achievement we can be extremely proud of.

### Market overview

Tanzania continues to enjoy relatively high levels of economic growth compared to other countries in Sub-Saharan Africa, which is underpinned by the increasing infrastructure development activity that supports economic growth.

The Tanzania cement market has grown at an annual rate exceeding 10% over the past decade and an annual growth rate of at least 8% is expected over the next five years. Due to the attractiveness of this market, we have seen a significant increase in competitors from three producers in 2011 to six producers in 2015. This number is expected to increase to 11 producers by 2016. Imports from neighbouring East African countries as well as the Middle East also contribute towards cement supply currently exceeding demand in this market. This has resulted in an extremely competitive environment, placing significant downward pressure on prices.

While the situation in Tanzania has become very competitive, many opportunities still exist and Tanga Cement remains well positioned to take advantage of these to ensure its sustainability and prosperity going forward.

### Financial and Operational Overview

The increase in new entrants and imports in 2015 impacted Tanga Cement's ability to achieve its budgeted sales volumes. This together with the downward pressure on cement prices are reflected in the company's financial performance.

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 and some unplanned equipment failures during the year. The unavailability and poor quality of electricity supply from the national utility remains a major challenge for equipment efficiency which resulted in the importing of more expensive clinker which negatively impacted on the cost of production of cement. This will no longer be required after the commissioning of the second kiln. Improvement of the equipment efficiency will continue to be a significant focus area during 2016.

During 2015 the Group experienced a decline in sales revenue of 9.9% due to increased competition from new entrants to the market which put downward pressure on sales prices and volumes.

At a macroeconomic level we witnessed a significant devaluation of the Tanzanian shilling to the US Dollar in excess of 20%.

The Group accounted for realised and unrealised losses on foreign exchange amounting to TZS 9.97 billion (2014: TZS 3.65 billion gain).

The Group achieved a net profit for the year of TZS 8.24 billion (2014: TZS 28.40 billion).

### Our Brand

Tanga Cement, under its brand name, Simba Cement, introduced a campaign in 2015 to reinvigorate its brand and to communicate its new brand proposition – 'Strength Within' to the market. This new brand positioning statement is not only reflective of the quality of Simba Cement, but is testament to the greatness of the Tanzanian people and what we are able to achieve. This has been a very successful initiative and won Simba Cement the status of 'Super Brand' in the East African region.

### Sustainability

Safety remains our priority and 2015 was no different. We undertake to return each employee home safely at the end of each shift with the utmost care. We posted a positive safety performance during 2015 and recorded a Lost Time Injury Frequency Rate of 0.69 for the year. This is a significant achievement taking account of the large scale construction activities and numerous contractors on site during the construction of the second kiln line.

Our environmental performance has remained on track, with the critical emissions below the legal limit on a monthly average basis throughout the year.

Tanga Cement continued to support the local communities by focusing on the four main Corporate Social Investment areas of Education, Health, Community development and Environment.

### Future Outlook

We expect market conditions to remain challenging in the coming year, but management is confident that our initiatives will yield positive financial returns. A number of critical infrastructure projects have been approved by the Tanzanian government funded by both sovereign foreign direct investments and private investors, and these are most likely to increase demand for our products.

Tanga Cement has been producing cement for the people of Tanzania nearly 40 years and we are proud of the contribution we have made to the development of Tanzania. I look forward to Tanga Cement's continued journey in providing the consistent superior quality cement that our country depends on to build an everlasting legacy.

### Dividend

In line with its dividend policy the company declared an interim dividend totalling TZS 3.50 billion (2014: TZS 3.49 billion) being TZS 55 per share (2014: TZS 55 per share). Shareholders are advised that the final dividend declaration for 2015 is still under consideration by the board and an announcement will be made in due course following final approval by shareholders at the upcoming annual general meeting.

### Conclusion

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

We look forward to celebrating many successes together in 2016.

Advocate Lau Masha  
Chairperson of the Board

## Consolidated Statement of Comprehensive Income for the year ended 31 December 2015

	Group Dec'2015 TZS'000	Group Dec'2014 TZS'000	Company Dec'2015 TZS'000	Company Dec'2014 TZS'000
<b>Revenue</b>	209,116,045	232,100,723	194,349,261	194,992,804
Cost of sales	(162,031,875)	(161,508,088)	(150,081,111)	(132,109,832)
<b>Gross profit</b>	<b>47,084,170</b>	<b>70,592,635</b>	<b>44,268,150</b>	<b>62,882,972</b>
Other income	236,609	564,863	199,266	427,531
Selling and administrative expenses	(17,892,977)	(19,387,413)	(15,697,803)	(13,421,825)
Depreciation and amortization	(5,978,005)	(5,145,903)	(5,797,879)	(4,944,357)
Impairment charge	(3,549,425)	(6,872,398)	(3,105,726)	(6,872,398)
<b>Net profit from operations</b>	<b>19,900,372</b>	<b>39,751,784</b>	<b>19,866,008</b>	<b>38,071,923</b>
Finance costs	(1,441,548)	(138,344)	(1,441,548)	(68,217)
Finance income	320,327	268,249	320,327	268,249
Share of loss of an associate	(128,288)	-	-	-
Foreign exchange gain/(losses)	(9,972,096)	3,645,801	(9,870,737)	3,718,116
<b>Net profit before taxation</b>	<b>8,678,767</b>	<b>43,527,490</b>	<b>8,874,050</b>	<b>41,990,071</b>
Taxation	(437,085)	(15,126,197)	(340,889)	(14,990,373)
<b>Net profit for the year</b>	<b>8,241,682</b>	<b>28,401,293</b>	<b>8,533,161</b>	<b>26,999,698</b>
Other comprehensive income	87,004	-	-	-
<b>Total Comprehensive Income</b>	<b>8,328,686</b>	<b>28,401,293</b>	<b>8,533,161</b>	<b>26,999,698</b>
Attributable to:				
Owners of the Parent	8,328,686	28,401,293	8,533,161	26,999,698
Weighted average number of shares in issues	63,124,445	63,671,045	63,124,445	63,671,045
Earnings per share (Tzs)	131	446	135	424

## Consolidated Statement of Financial Position for the year ended 31 December 2015

	Group Dec'2015 TZS'000	Group Dec'2014 TZS'000	Company Dec'2015 TZS'000	Company Dec'2014 TZS'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property Plant and Equipment	373,177,406	233,160,607	371,307,653	228,110,535
Intangible assets	-	571,987	-	-
Due from Employee's Share trust	-	-	1,853,782	-
Investment in subsidiary	-	-	1,746,976	4,724,414
Investment in Associate	271,712	400,000	271,712	400,000
Financial asset - Interest rate cap	7,629,752	7,867,067	7,629,752	7,867,067
<b>Current assets</b>				
Inventories	38,123,889	36,176,598	37,224,402	35,514,358
Trade and other receivables	7,776,853	17,956,808	8,758,254	23,657,657
VAT recoverable	17,019,367	525,566	16,983,726	-
Current income tax recoverable	1,773,964	-	1,600,889	-
Cash and bank balances	24,339,787	20,059,861	23,297,360	19,174,756
<b>89,033,860</b>	<b>74,718,833</b>	<b>87,864,631</b>	<b>78,346,771</b>	
<b>TOTAL ASSETS</b>	<b>470,112,730</b>	<b>316,718,494</b>	<b>470,674,506</b>	<b>319,448,787</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
Translation reserve	87,004	-	-	-
Treasury shares	(1,853,782)	-	-	-
Retained earnings	190,122,837	189,521,680	190,318,915	189,426,280
Equity attributable to owners of the parent	189,629,480	190,795,101	191,592,336	190,699,701
<b>189,629,480</b>	<b>190,795,101</b>	<b>191,592,336</b>	<b>190,699,701</b>	
<b>Non-current Liabilities</b>				
Provision for Quarry Site Restoration	145,602	101,577	145,602	101,577
Deferred tax liability	15,239,526	20,829,852	15,239,526	20,829,852
Term borrowings: Non Current portion	197,362,531	48,860,564	197,362,531	48,860,564
<b>212,747,659</b>	<b>69,791,993</b>	<b>212,747,659</b>	<b>69,791,993</b>	
<b>Current liabilities</b>				
Trade and other payables	54,258,327	45,072,935	52,857,247	47,792,106
Income tax payable	-	1,431,607	-	1,538,129
Term borrowings: Current portion	7,430,069	366,993	7,430,069	366,993
Bank overdrafts	6,047,195	9,259,865	6,047,195	9,259,865
<b>67,735,591</b>	<b>56,131,400</b>	<b>66,334,511</b>	<b>58,957,093</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>470,112,730</b>	<b>316,718,494</b>	<b>470,674,506</b>	<b>319,448,787</b>

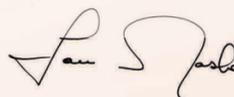
## Consolidated Statement of Cash Flows for the year ended 31 December 2015

	Group Dec'2015 TZS'000	Group Dec'2014 TZS'000	Company Dec'2015 TZS'000	Company Dec'2014 TZS'000
<b>Cash generated from operating activities</b>				
Net profit from operations	19,900,372	39,751,784	19,866,008	38,071,923
Depreciation	5,978,005	5,145,903	5,797,879	4,944,357
Impairment charge	3,549,425	6,872,398	3,105,726	6,872,398
(Gain)/Loss on sale of property, plant & equipment	1,076	(124,387)	1,076	2,210
Site restoration provision	44,025	28,128	44,025	28,128
Insurance spares utilised	887,823	-	887,823	-
<b>Cash generated from trading</b>	<b>30,360,726</b>	<b>51,673,825</b>	<b>29,702,537</b>	<b>49,919,016</b>
(In)/Decrease in inventories	(1,947,291)	(14,083,452)	(1,710,044)	(15,257,177)
(In)/Decrease in accounts receivable	10,179,955	(13,061,464)	14,899,403	(14,243,078)
(De)/Increase in accounts payable	7,331,610	26,777,265	3,211,359	33,184,631
(In)/Decrease in VAT recoverable	(16,493,801)	2,607,655	(16,983,726)	-
<b>Cash flow from operations</b>	<b>29,431,199</b>	<b>53,913,829</b>	<b>29,119,529</b>	<b>53,603,392</b>
Finance income	320,327	268,249	320,327	268,249
Net interest received (paid)	(1,441,548)	(138,344)	(1,441,548)	(68,217)
Income taxes paid	(9,232,983)	(11,444,092)	(9,070,233)	(11,099,872)
<b>Net cash generated from operations</b>	<b>19,076,995</b>	<b>42,599,642</b>	<b>18,928,075</b>	<b>42,703,553</b>
<b>Investing activities</b>				
Investment in Associate	-	(400,000)	-	(400,000)
Net fair value loss on financial asset	-	(7,867,067)	-	(7,867,067)
Proceeds on disposal	31,915	197,064	4,236	12,728
Purchase of fixed assets	(127,361,220)	(100,476,918)	(127,346,515)	(100,333,385)
<b>Net cash flow used in investing activities</b>	<b>(127,329,305)</b>	<b>(108,546,921)</b>	<b>(127,342,279)</b>	<b>(108,587,724)</b>
<b>Financing activities</b>				
Proceeds from borrowings	116,742,350	48,860,564	116,742,350	48,860,564
Dividends paid to equity holders of the parent	(7,640,525)	(7,311,170)	(7,640,525)	(7,311,170)
<b>Net cash flow from financing activities</b>	<b>109,101,825</b>	<b>41,549,394</b>	<b>109,101,825</b>	<b>41,549,394</b>
<b>Increase/(De) in cash and cash equivalents</b>	<b>849,514</b>	<b>(24,397,885)</b>	<b>687,620</b>	<b>(24,334,777)</b>
<b>Net foreign exchange difference</b>	<b>6,643,080</b>	<b>3,645,800</b>	<b>6,647,653</b>	<b>3,718,116</b>
<b>Cash and cash equivalents at 1 January</b>	<b>10,799,996</b>	<b>31,552,081</b>	<b>9,914,891</b>	<b>30,531,552</b>
<b>Cash and cash equivalents at 31 December</b>	<b>18,292,591</b>	<b>10,799,996</b>	<b>17,250,164</b>	<b>9,914,891</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

R Swart,  
Managing Director

Q Ganijee,  
Company Secretary

4 March 2016

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