



# UNAUDITED RESULTS FOR THE SIX MONTHS TO 30 JUNE 2015

## CHAIRPERSON'S STATEMENT

### Introduction

Tanga Cement Public Limited Company (Tanga Cement Plc) remains amongst the leading suppliers of cement in Tanzania and 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.

Our new brand positioning – 'strength from within' – is not only a commitment to our customers of superior performance within every bag of Simba cement, but our way of honouring the strength within our people for what we have and still will achieve as a nation.

### Macro-Economic Overview

Tanzania's economy continues to perform strongly, driven by solid growth in most sectors and bolstered by public investment in infrastructure. This has resulted in robust growth in cement demand attracting new entrants in the cement industry as well as a significant increase in imported cement from the Middle East and Asia.

On a national basis, cement capacity currently exceeds cement demand, however certain regions within Tanzania still present attractive growth opportunities. Margins of local producers were further eroded by the influx of cheap imported cement from foreign companies that utilise export tax benefits from their home countries. This provides for an extremely competitive operating environment placing significant downward pressure on cement prices.

In response to the increased competition in the market, Tanga Cement Plc implemented a price reduction in January 2015 in order to sustain the sales volumes. Although sales volumes have been achieved and customers retained, the price reduction resulted in a 2.5% decline in revenue compared to the same period in 2014.

An unplanned production stoppage necessitating the import of more expensive clinker together with the reduction of selling prices were the main drivers for the 38% decrease in operating profit compared to results for the six months ended 30 June 2014. In addressing these drivers, from July 2015, the company has implemented price increases to recover the lost margin and a special task team has put plans in place to improve operational efficiency and avoid unplanned breakdowns. Also negatively impacting on the company's financial performance was the higher energy and labour expenses.

The devaluation of the Tanzanian Shilling (TZS) resulted in a TZS 7.9 billion unrealised foreign exchange loss and TZS 8.2 billion realised foreign exchange loss. The Tanzanian shilling devaluation made the Tanga Kiln two loan balance of \$84 million as at June 30, 2015 more expensive to repay when compared to when the liability was incurred.

### Operational Overview

Tanga Cement Plc remains focused on achieving operational efficiency and overall business effectiveness, enabling the company to limit the increase in production-related costs as far as possible in order to remain competitive in challenging market conditions.

The devaluation of the TZS has further impacted on production related costs as clinker is still being imported. With stringent cost management activities, Tanga Cement was able to curtail this increase to only 7.8% compared to June 2014.

The construction of the second kiln line is well on track for commissioning before the end of 2015. The successful completion of this expansion project will boost profits further by eliminating the use of more expensive imported clinker while significantly increasing our production capacity and reducing production costs.

Tanga Cement Plc is also proud of its significant safety record on both the current operations and the expansion project where we did not have any serious incidents.

The Group's sales and distribution business, CDEAL, has also been successfully integrated into the operational activities of the company and is delivering positive results. We continuously strive to unlock value for our customers, business partners and shareholders.

### Dividend

The board has recommended an interim dividend of TZS 55 per share (2014: TZS 55), amounting to a total interim dividend of TZS 3.5 billion.

### Closure of the Share Register

The register of members will close on 8 October 2015. The last day of trading cum-dividend will be 5 October, 2015. The final dividend will be paid on or about 31 October 2015.

### Conclusion

Tanga Cement Plc remains optimistic about the future growth of the region and the company. The competitive landscape will remain challenging, however, we expect that the playing field will be levelled somewhat with the Government's introduction of higher duties on imported cement. Cement demand in Tanzania is expected to remain robust over the short- to medium-term. With our strong competitive advantage, leading brand and capable workforce, we are well positioned to take advantage of the growth opportunities in the market and the commissioning of the second kiln which is expected to further increase profitability.

### Lau Masha

Chairperson

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

	Group Jun'2015 TZS'000	Group Jun'2014 TZS'000	Company Jun'2015 TZS'000	Company Jun'2014 TZS'000
<b>Revenue</b>	103,532,576	106,155,011	94,933,170	87,485,267
Cost of sales	(82,506,303)	(76,526,529)	(75,872,540)	(58,252,747)
<b>Gross profit</b>	<b>21,026,273</b>	<b>29,628,482</b>	<b>19,060,630</b>	<b>29,232,520</b>
Selling and administrative expenses	(8,981,272)	(5,517,131)	(7,409,463)	(5,517,131)
Depreciation and amortization	(2,557,613)	(2,013,956)	(2,465,953)	(1,897,258)
Impairment of goodwill in subsidiary company	-	(6,872,398)	-	-
<b>Net profit from operations</b>	<b>9,487,388</b>	<b>15,224,997</b>	<b>9,185,214</b>	<b>21,818,131</b>
Other (expenses) / income	(15,646,801)	488,703	(15,676,433)	467,818
Net finance (costs) / income	(453,922)	23,648	(478,911)	115,735
<b>Net profit before taxation</b>	<b>(6,613,335)</b>	<b>15,737,348</b>	<b>(6,970,130)</b>	<b>22,401,684</b>
Taxation	(330,995)	(7,132,746)	(265,948)	(7,091,688)
<b>Net profit for the year</b>	<b>(6,944,330)</b>	<b>8,604,602</b>	<b>(7,236,078)</b>	<b>15,309,996</b>
<b>Total Comprehensive Income</b>	<b>(6,944,330)</b>	<b>8,604,602</b>	<b>(7,236,078)</b>	<b>15,309,996</b>
Attributable to:				
Owners of the parent	(6,944,330)	8,604,602	(7,236,078)	15,309,996
<b>Total Comprehensive Income</b>	<b>(6,944,330)</b>	<b>8,604,602</b>	<b>(7,236,078)</b>	<b>15,309,996</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>(109)</b>	<b>135</b>	<b>(114)</b>	<b>240</b>
<b>Dividends per share (TZS)</b>			<b>55</b>	<b>55</b>

### Consolidated Statement of Financial Position as at 30 June 2015

	Group Jun'2015 TZS'000	Group Dec'2014 TZS'000	Company Jun'2015 TZS'000	Company Dec'2014 TZS'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, Plant and Equipment	317,498,844	233,160,607	312,568,111	228,110,535
Intangible assets	571,987	571,987	-	-
Investment in Subsidiaries	-	-	4,724,414	4,724,414
Investment in Associates	400,000	400,000	400,000	400,000
Financial Asset	9,429,385	7,867,067	9,429,385	7,867,067
	<b>327,900,216</b>	<b>241,999,661</b>	<b>327,121,910</b>	<b>241,102,016</b>
<b>Current assets</b>				
Inventories	25,372,218	36,176,598	24,630,043	35,514,358
Trade and other receivables	10,005,167	17,956,808	10,653,943	23,657,657
Indirect tax recoverable	15,373,031	525,566	15,024,166	-
Income tax receivables	6,081,764	-	5,997,637	-
Cash and cash equivalents	37,243,106	20,059,861	36,195,443	19,174,756
	<b>94,075,286</b>	<b>74,718,833</b>	<b>92,501,232</b>	<b>78,346,771</b>
<b>TOTAL ASSETS</b>	<b>421,975,502</b>	<b>316,718,494</b>	<b>419,623,142</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
Retained earnings	178,439,050	189,521,679	178,051,585	189,426,280
Equity attributable to owners of the parent	179,712,471	190,795,100	179,325,006	190,699,701
	<b>179,712,471</b>	<b>190,795,100</b>	<b>179,325,006</b>	<b>190,699,701</b>
<b>Non-current Liabilities</b>				
Provision for quarry site restoration	101,577	101,577	101,577	101,577
Interest bearing loans	170,560,317	48,860,564	170,560,317	48,860,564
Deferred tax liability	20,829,852	20,829,852	20,829,852	20,829,852
	<b>191,491,746</b>	<b>69,791,993</b>	<b>191,491,746</b>	<b>69,791,993</b>
<b>Current liabilities</b>				
Bank overdraft	-	9,259,865	-	9,259,865
Trade and other payables	50,771,285	45,439,929	48,806,390	48,159,099
Income tax payable	-	1,431,607	-	1,538,129
	<b>50,771,285</b>	<b>56,131,401</b>	<b>48,806,390</b>	<b>58,957,093</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>421,975,502</b>	<b>316,718,494</b>	<b>419,623,142</b>	<b>319,448,787</b>

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

	Group Jun'2015 TZS'000	Group Jun'2014 TZS'000	Company Jun'2015 TZS'000	Company Jun'2014 TZS'000
<b>Cash generated from operating activities</b>				
Net profit from operations	9,487,388	15,224,997	9,185,214	21,818,132
Depreciation	2,557,613	2,013,956	2,465,953	1,897,258
Impairment of goodwill in subsidiary company	-	6,872,398	-	-
Loss on sale of property, plant & equipment	3,346	2,210	3,346	2,210
Other non cash items	229,279	108,220	229,279	127,554
<b>Cash generated from trading</b>	<b>12,277,626</b>	<b>24,221,781</b>	<b>11,883,792</b>	<b>23,845,154</b>
(In)/Decrease in inventories	10,804,380	(4,729,396)	10,884,315	(5,223,107)
(In)/Decrease in accounts receivable	(6,895,823)	652,799	(2,020,452)	1,633,306
(De)/Increase in accounts payable	5,331,356	(6,057,153)	647,291	(5,902,533)
<b>Cash flow from operations</b>	<b>21,517,538</b>	<b>14,088,031</b>	<b>21,394,946</b>	<b>14,352,820</b>
Other (expenses) / income	(7,795,839)	488,703	(7,819,809)	467,818
Net interest paid (received)	(455,263)	23,648	(478,911)	115,735
Income taxes paid	(7,844,367)	(6,378,203)	(7,801,714)	(6,174,998)
<b>Net cash generated from operations</b>	<b>5,422,069</b>	<b>8,222,179</b>	<b>5,294,512</b>	<b>8,761,375</b>
<b>Investing activities</b>				
Proceeds on disposal	137,746	32,063	102,746	12,730
Purchase of fixed assets	(75,847,613)	(6,736,321)	(75,847,613)	(6,593,281)
<b>Net cash flow used in investing activities</b>	<b>(75,709,867)</b>	<b>(6,704,258)</b>	<b>(75,744,867)</b>	<b>(6,580,551)</b>
<b>Financing activities</b>				
Employees' share trust	-	(161)	-	(161)
Proceeds from borrowings	100,869,525	-	100,869,525	-
Ordinary dividend paid	(4,138,618)	(3,820,263)	(4,138,618)	(3,820,263)
<b>Net cash used in financing activities</b>	<b>96,730,907</b>	<b>(3,820,424)</b>	<b>96,730,907</b>	<b>(3,820,424)</b>
<b>(De)/Increase in cash and cash equivalents</b>	<b>26,443,109</b>	<b>(2,302,503)</b>	<b>26,280,552</b>	<b>(1,639,603)</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>
(De)/Increase in cash and cash equivalents	26,443,109	(2,302,503)	26,280,552	(1,639,603)
<b>Cash and cash equivalents at 30 June</b>	<b>37,243,106</b>	<b>29,249,578</b>	<b>36,195,443</b>	<b>28,891,949</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

14 August 2015

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