

Unaudited financial results for the six months ended June 30, 2015

Extracts of the financial statements

The Management of Tanzania Cigarette Company Ltd is pleased to report half year results to June 30, 2015.

Year to date performance

Our top line grew 10% to TZS 246bn (June 30, 2014: TZS 224bn) driven by volume and pricing. Net profit however declined 4% to TZS 34bn (June 30, 2014: TZS 35bn) due to: the sharp depreciation of the Tanzanian Shilling; the carry-over impact of the 25% excise tax increase in July 2014 and; a one-off TZS 5bn restructuring cost of our Export Division.

We continued to drive operational efficiencies and reduced our normal operating costs by 15% (June 30, 2015: TZS 34bn vs. June 30, 2014: TZS 40bn). However, these savings were off-set by unusual and one-off costs. Accordingly, the overall operating costs increased by 15% over the corresponding period in the prior year.

We generated TZS 46 billion in cash flow, of which TZS 18 billion was used to pay corporate tax to June 30, 2015 and a final gross dividend of TZS 40 billion for the year ended December 31, 2014. Despite the decline in net profit, our net cash position as at June 30, 2015 remained strong at TZS 42bn.

Dividends to shareholders

The Board of Directors declared an interim gross dividend of TZS 300 per share for the half year ended June 30 (June 30, 2014: TZS 250 per share). This will be paid on or about November 12, 2015 to all shareholders on the Register of Members as at October 19, 2015. The last day of trading cum dividend will be October 13, 2015 and; ex-dividend will be October 15, 2015.

2015 full year outlook

We anticipate a better volume momentum in the second half of the year. Coupled with further costs optimization, we expect full year operating costs to be in line with prior year. I must however caution that currency headwind will significantly affect full year results.

Closing note

I want to thank all our stakeholders for their continued support to the business and, I look forward to updating shareholders on 2015 full year results early 2016.

Majd Abdou
Chairman and CEO

Condensed statement of comprehensive income for the six months ended June 30, 2015			
(Unaudited)			
	June 30, 2015	June 30, 2014	%
	TZS M	TZS M	
Gross turnover	246,077	223,954	10%
VAT	(33,086)	(30,766)	8%
Revenue	212,991	193,188	10%
Excise duty	(66,632)	(53,635)	24%
Net sales	146,359	139,553	5%
Cost of sales	(55,877)	(52,784)	6%
Gross profit	90,482	86,769	4%
Operating expenses	(40,891)	(35,492)	15%
Normal operations	(33,842)	(40,002)	-15%
Export division restructuring	(4,713)	-	
Insurance proceeds - fire	-	3,606	
Foreign exchange losses	(2,336)	904	
Profit before tax	49,591	51,277	-3%
Income tax expense	(15,813)	(15,955)	-1%
Profit after tax	33,778	35,322	-4%
Earning per share			
Basic and diluted (TZS per share)	338	353	

Condensed statement of financial position as at June 30, 2015			
(Unaudited)			
	June 30, 2015	December 31, 2014	
	TZS M	TZS M	
Assets			
Non-current assets	89,682	95,148	
Working capital:			
Current assets	145,325	152,110	
Current liabilities	(48,122)	(54,439)	
Net working capital	97,203	97,671	
Total assets	186,885	192,819	
Capital and reserves			
Share capital	2,000	2,000	
Retained earnings	169,126	175,348	
Defined benefit actuarial losses	1,068	1,068	
Shareholders' equity	172,194	178,416	
Non-current liabilities	14,691	14,403	
Total equity and liabilities	186,885	192,819	

Condensed statement of cash flows for the six months ended June 30, 2015			
(Unaudited)			
	June 30, 2015	June 30, 2014	%
	TZS M	TZS M	
Cash generated from operations	46,180	59,471	-22%
Interest received	1,636	1,395	
Defined benefit paid	(135)	(479)	
Taxation paid	(18,357)	(18,190)	
Net cash generated by operating activities	29,324	42,197	-31%
Net cash used in investing activities	(2,088)	(4,240)	-51%
Net cash used in financing activities	(40,000)	(45,000)	-11%
Net decrease in cash and bank balances	(12,764)	(7,043)	81%
Cash and bank balances at beginning of period	55,223	41,840	32%
Cash and bank balances at end of period	42,459	34,797	22%

Condensed statement of changes in equity for the six months ended June 30, 2015				
(Unaudited)				
	Share capital	Defined benefit reserves	Retained earnings	Total
	TZS M	TZS M	TZS M	TZS M
At January 1, 2014	2,000	2,021	176,748	180,769
Profit for the period	-	-	35,322	35,322
Total	2,000	2,021	212,070	216,091
Final dividend paid - 2013	-	-	(45,000)	(45,000)
Balance as at June 30, 2014	2,000	2,021	167,070	171,091
At January 1, 2015	2,000	1,068	175,348	178,416
Profit for the period	-	-	33,778	33,778
Total	2,000	1,068	209,126	212,194
Final dividend paid -2014	-	-	(40,000)	(40,000)
Balance as at June 30, 2015	2,000	1,068	169,126	172,194