

Unaudited financial results for the six months ended June 30, 2014

Extracts of the financial statements

The Management of Tanzania Cigarette Company Ltd is pleased to report results for the half year ended June 30, 2014.

Half year performance

Whilst our volume grew by 5.2% in the first half of 2014; financial performance to June 30, 2014 was lower than the corresponding period in 2013.

The moderate 2.4% increase in gross turnover (TZS 224.0 billion compared to TZS 218.8 billion in the corresponding period in 2013) was not enough to shield profitability.

Gross and net profit declined by 10% to TZS 86.8 billion (June 30, 2013: TZS 96.9 billion) and by 20% to TZS 35.3 billion (June 30, 2013: TZS 44.3 billion) respectively.

The cumulative impact of high excise tax increases since July 2012, inflation adjusted products costs and operating expenses, negatively impacted results to June 30. Excessive excise tax increases triggered massive consumers down-trading to more affordable low margin brands. The latter was the main catalyst behind profitability erosion.

The Company generated TZS 59.5 billion in cash flow, of which TZS 18.2 billion was used to pay corporate tax to June 30, 2014 and a final gross dividend of TZS 45.0 billion for the year ended December 31, 2013.

Prospects to December 31, 2014

The 25% excise tax increase effective July 1, 2014, will put further pressure on profitability in the second half of the year. To partially mitigate the tax impact on consumer affordability and profitability, the Company took marginal pricing in July. Going forward, we will continue driving our strategy to prevent further down-trading, improve our operating margin and sustain our profitability.

Dividend

The Board of Directors declared for the six months ended June 30, an interim gross dividend of TZS 250 per share (June 30, 2013: TZS 300). The Register of Members will close on October 24, 2014. The last day of trading cum dividend will be October 21, 2014. The gross interim dividend is subject to a 5% withholding tax and will be paid to all shareholders on or about November 20, 2014.

I wish to thank the board, management, employees, customers, consumers and all stakeholders for their continued support to TCC. I look forward to updating shareholders on the full year performance in early 2015.

Majd Abdou
Chairman & CEO

Condensed statement of comprehensive income for the six months ended June 30, 2014 (Unaudited)			
	June 30, 2014 TZS M	June 30, 2013 TZS M	%
Gross turnover	223,954	218,750	2%
VAT	(30,766)	(30,187)	2%
Revenue	193,188	188,563	2%
Excise duty	(53,635)	(44,784)	20%
Net sales	139,553	143,779	-3%
Cost of sales	(52,784)	(46,832)	13%
Gross profit	86,769	96,947	-10%
Operating expenses	(35,492)	(33,256)	7%
Profit before tax	51,277	63,691	-19%
Income tax expense	(15,955)	(19,414)	-18%
Profit after tax	35,322	44,277	-20%
Earning per share			
Basic and diluted (TZS per share)	353	443	

Condensed statement of financial position as at June 30, 2014 (Unaudited)			
	June 30, 2014 TZS M	December 31, 2013 TZS M	
Assets			
Non-current assets	97,360	100,606	
Working capital			
Current assets	127,111	148,143	
Current liabilities	(38,953)	(54,150)	
Net working capital	88,158	93,993	
Total assets	185,518	194,599	
Capital and reserves			
Share capital	2,000	2,000	
Retained earnings	167,070	176,748	
Defined benefit actuarial losses	2,021	2,021	
Shareholders' equity	171,091	180,769	
Non-current liabilities	14,428	13,830	
Total equity and liabilities	185,518	194,599	

Condensed statement of cash flows for the six months ended June 30, 2014 (Unaudited)			
	June 30, 2014 TZS M	June 30, 2013 TZS M	%
Cash generated from operations	59,471	90,426	-34%
Interest received	1,395	942	
Defined benefit paid	(479)	(110)	
Taxation paid	(18,190)	(23,043)	
Net cash generated by operating activities	42,197	68,215	-38%
Net cash used in investing activities	(4,240)	(17,271)	-75%
Net cash used in financing activities	(45,000)	(45,000)	0%
Net increase in bank balances and cash	(7,043)	5,944	-218%
Cash and cash equivalents at beginning of period	41,840	30,404	38%
Cash and cash equivalents at end of period	34,796	36,348	-4%

Condensed statement of changes in equity for the six months ended June 30, 2014 (Unaudited)				
	Share capital TZS M	Defined benefit actuarial losses TZS M	Retained earnings TZS M	Total TZS M
At January 1, 2013	2,000	(2,773)	173,690	172,917
Profit for the period	-	-	44,277	44,277
Total	2,000	(2,773)	217,968	217,195
Final dividend paid - 2012	-	-	(45,000)	(45,000)
Balance as at June 30, 2013	2,000	(2,773)	172,968	172,195
At January 1, 2014	2,000	2,022	176,748	180,770
Profit for the period	-	-	35,322	35,322
Total	2,000	2,022	212,070	216,092
Final dividend paid -2013	-	-	(45,000)	(45,000)
Balance as at June 30, 2014	2,000	2,022	167,070	171,092