

## Chairperson's Statement



### Introduction

During 2014 Tanga Cement Public Limited Company celebrated some significant milestones and successes achieved 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, but more importantly the lives of the Tanzanian people we are able to touch and enhance due to our business activities.

### Macro-Economic Overview

General market conditions during the period under review have been tough, but positive. We experienced an increased influx of imports from neighboring East African countries such as Kenya, which was further enabled by the removal of tariffs between East African countries and easy access to our major markets in Northern regions by competing brands.

At the same time, cheap imports from the Middle East countries have continued to enter Tanzanian markets creating unfair competition as they benefit from widespread acts of tax evasion through declaration of prices and volumes delivered into local markets. Increased smuggling of cement across the border into Kilimanjaro and Arusha added pressure to local markets and prices. We are lobbying with Government as well as the Fair Competition Commission on control of cheaper imports including manufacturing substitutes.

We have been pleased with the improvements of rail infrastructure in Tanzania which has boosted the company's utilisation of rail as a means of transport which resulted in a slight decrease on the reliance of more expensive road transport. We look forward to further improvements by Tanzania Railways Ltd. in 2015.

### Operational Overview

Despite the challenging market conditions, the group managed to record a satisfactory financial performance with operating profit being 16 percent (16%) below 2013. This included a goodwill impairment of Tanzania shillings six point nine billion (TZS 6.9 bill) which if excluded, would result in a decrease of only two percent (2%) compared to 2013. This performance can be attributed to increased direct sales to customers and active initiatives to control and reduce costs. A reflection of this is that our cost of sales remained relatively unchanged at Tanzania shillings one hundred sixty one point five billion (TZS 161.5 bill) (2013; TZS 161.4 billion) despite forty percent (40%) increase in TANESCO's electricity tariffs which is a major component of production cost.

“ The board has recommended a final dividend of Tanzania shillings sixty five (TZS 65) per share (2013: TZS 60). This amounts to a total final dividend of Tanzania shillings four point one billion (TZS 4.1 bill). ”

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 (OEEs) due to some equipment failure during the year. Improving on OEEs will be a significant focus during 2015.

The company's net profit after tax decreased by twelve percent (12%) to Twenty eight point four billion (TZS 28.4 bill) . This is as a result of the once-off impairment of goodwill.

A major milestone achieved during the year was the complete integration of CDEAL, providing the company with full ownership of the sales and distribution arm of the business. The acquisition will ensure improved integration and strategic alignment with Tanga Cement Plc in executing its strategy.

The construction of a second kiln line at Tanga Cement Plc is making good progress and is still on track to produce its first clinker in the last quarter of 2015. Once completed, the second kiln line will more than double Tanga Cement Plc's clinker production capacity and result in significant cost savings for the company.

#### **Sustainability**

Safety remains our priority and 2014 was no different. We undertook the utmost care to return each employee home safe at the end of each shift. Whilst we recorded good results on maintaining a low total recordable injury frequency rate (TRIFR) of below one (1) against a target of six point four (6.4), we unfortunately had a fatality at the kiln at the end of April 2014. This was thoroughly investigated and a lot of lessons were drawn from the incident. We have implemented these lessons to avoid similar incidents from recurring in the future.

Our environmental performance has remained on track, with the critical emissions below the legal limit on a monthly average basis throughout the year. The performance and availability of the monitoring equipment was however an issue, as we could not get the full benefit of anticipated measurements from it. Phase out of equipment is being considered in mitigation. For the first time a baseline environmental monitoring program was implemented on site, we now await the initial results from the sampling and measurements. Tanga Cement Plc continued to support the local communities by focusing in the four main areas of Education, Health, Community development and Environment.

#### **Future Outlook**

We expect the coming year to remain challenging and expect we will continue to deliver satisfactory results. A number of projects have been approved by Government and private investors, and these should increase demand for our products. Among the exciting projects is the development of Kawe City, Tanzanite Mall and Tanzania China Logistic centre in Dar es Salaam, and the expansion of Dar es Salaam port.

#### **Dividends**

The board has recommended a final dividend of Tanzania shillings sixty five (TZS 65) per share (2013: TZS 60). This amounts to a total final dividend of Tanzania shillings four point one billion (TZS 4.1 bill).

#### **Closure of Share Register**

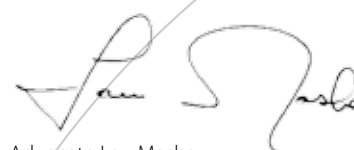
The register of members will close 20 April 2015. The last day of trading cum-dividend will be 15 April 2015. The final dividend will be paid on or about 31 May 2015.

#### **Conclusion**

Our majority shareholder, AfriSam, increased its shareholding from sixty two point five percent (62.5%) to sixty six point six percent (66.6%) during the year. We are proud of our association with this formidable construction materials company and Tanga Cement Plc has benefited greatly over the years from the knowledge and expertise gained through this relationship. In turn, Tanga Cement Plc is a critical component and valuable contributor to the growth and success of the AfriSam Group. We look forward to the many successes both companies will achieve through our close association.

Finally, on behalf of the Board of Directors, I would like to thank the employees of Tanga Cement Plc for the passion they have for the company and their commitment to ensuring its success. And I also thank the board of directors for their support and our esteemed customers for their loyalty.

We look forward to celebrating many more successes together in 2015



Advocate Lau Masha  
**Chairperson of the Board**

## Waraka wa Mwenyekiti



### Utangulizi

Katika kipindi cha mwaka 2014, Tanga Cement Plc ilisherehekea baadhi ya malengo muhimu na mafanikio yaliyopatikana katika utekelezaji wa mkakati wake wa kuishi kutokana na chapa yake na ahadi yake ya kuwa 'Jivunio la Taifa'. Tunayo fahari kwa mchango wetu kuelekea maendeleo ya Tanzania, lakini la muhimu zaidi ni kwa maisha ya watazania ambayo tunaweza kuyagusa na kuyaboresha kutokana na shughuli zetu za biashara.

### Mtazamo kuhusu uchumi

Hali ya masoko kwa ujumla katika kipindi cha taarifa hii imekuwa ni ngumu, lakini chanya. Tumeendelea kuathiriwa na ongezeko la uagizaji wa sementi kutoka nchi jirani za Afrika Mashariki kama vile Kenya, ambao umechochewa zaidi na kuondolewa kwa ushuru kati ya nchi za Afrika Mashariki na uingaji rahisi wa bidhaa shindani kwenye masoko yetu makuu ya kanda ya Kaskazini.

Wakati huo huo, bidhaa haffu kutoka Nchi za Mashariki ya kati zimeendelea kuingia kwenye soko la Tanzania na kujenga ushindani usio sawa kwani waingizaji wanafaidika na ukwepaji mkubwa wa kodi kwa kutoeleza bei halisi na wingi wa mizigo inayoingizwa katika masoko ya ndani. Ongezeko la magendo ya sementi katika mipaka ya nchi yetu na mikoa ya Kilimanjaro na Arusha limeongeza shinikizo kwa masoko ya ndani na bei. Tunajaribu kuishawishi Serikali pamoja na Tume ya Ushindani katika kudhibiti uagizaji wa bidhaa haffu pamoja na uzalishaji wa bidhaa mbadala.

Tumeridhishwa na maboresho ya miundombinu ya reli nchini Tanzania, ambayo yamesaidia kuinua matumizi mazuri ya reli kwa Kampuni yetu kama njia ya usafirishaji yaliyopelekea kupunguza kidogo utegemezi wa usafiri ghali wa barabara. Tunatarajia maboresho zaidi kwa mwaka 2015 kutoka Kampuni ya Reli Tanzania.

### Muhtasari wa kiutendaji

Licha ya mazingira ya soko kuwa magumu, Kampuni (kundi) yetu imeweza kuwa na rekodi inayoridhisha ya utendaji kifedha ikiwa na faida ya uendeshaji ya asilimia kumi na sita (16%) chini ya kiwango cha mwaka 2013. Hii ni pamoja na kufutwa kwa shilingi za kitanzania billioni sita nukta tisa (TSH 6.9 bil) kutoka kwenye uwekezaji wa kampuni dada Cement Distributors East Africa Limited (CDEAL) ambapo zisingefutwa, zingesababisha upungufu kwa asilimia mbili (2%) ikilinganishwa na mwaka 2013. Utendaji huu unaweza kuhusishwa na mauzo ya moja kwa moja kwa wateja wetu na mipango iliyoanzishwa ya kudhibiti na kupunguza gharama. Hii imeweza kuakisiwa na gharama zetu za mauzo kutobadilika na kubaki kuwa shilingi bilioni mia moja sitini na moja nukta tano (TSH161.5 bil) (mwaka 2013 ilikuwa bilioni 161.4) licha ya ongezeko la asilimia arobaini (40%) la gharama za umeme wa TANESCO ambazo ni sehemu kubwa ya gharama za uzalishaji.

“Bodi imependekezwa gawio la mwisho kuwa shilingi sitini na tano (TSH 65) kwa kila hisa (2013: shilingi 60). Hii ni sawa na jumla ya gawio la mwisho la shilingi za kitanzania bilioni nne nukta moja (TSH 4.1 bilioni).”

Kuboresha ufanisi wa kazi na kudhibiti gharama za uzalishaji vinabaki kuwa lengo kubwa kwa Kampuni. Tulipata baadhi ya vikwazo katika ufanisi wa vifaa kwa ujumla (OEEs) kutokana na baadhi yake kushindwa kufanya kazi katika kipindi hiki. Uboreshaji wa ufanisi wa vifaa (OEEs) kwa ujumla utakuwa ndio lengo kubwa kwa mwaka 2015.

Faida halisi ya Kampuni baada ya kodi ilipungua kwa asilimia kumi na mbili (12%) mpaka kufikia shilingi bilioni ishirini na nane nukta nne (TSH28.4 bil). Haya ni matokeo ya kufutwa kwa sehemu katika uwekezaji kwenye Kampuni dada, Cement Distributors East Africa Limited (CDEAL).

Hatua kubwa ya mafanikio iliyopatikana mwaka huu ni kumaliza uunganishaji wa Kampuni ya usambazaji, Cement Distributors East Africa Limited (CDEAL) na Tanga Cement Plc, ambayo imeipatia Tanga Cement Plc umiliki kamili wa mauzo na usambazaji wa bidhaa zetu na uendeshaji biashara. Upatikanaji huu utahakikisha maboresho ya muunganiko na kufanya mipango ya Kampuni hii isaidie utekelezaji wa mipango mkakati ya Tanga Cement Plc.

Ujenzi wa tanuru ya pili unaendelea vizuri na kwamba muelekeo ni kuzalisha klinika yake ya kwanza mwishoni mwa robo ya nne ya mwaka 2015. Mara baada ya kukamilika, tanuru hii ya pili itaongeza uwezo wa uzalishaji kwa zaidi ya mara mbili ya kiwango cha uzalishaji wa klinika kwa Tanga Cement Plc na matokeo yake ni kuokoa gharama muhimu za Kampuni.

#### Uendelevu

Usalama unabaki kuwa kipaumbele chetu na kwa mwaka 2014 hakukuwa na tofauti. Tulifanya uangalifu mkubwa katika kumrudisha kila mfanyakazi nyumbani kwa usalama kila baada ya kazi. Wakati tukiweka kumbukumbu ya matokeo mazuri katika kudumisha jumla ya kiwango cha chini cha madhara (TRIFR) chini ya moja (1) dhidi ya lengo la sita nukta nne (6.4), kwa bahati mbaya tulikuwa na ajali kwenye tanuru iliyosababisha kifo mwishoni mwa mwezi Aprili 2014. Hili lilichunguzwa kwa kina na mafunzo mengi kutolewa kutokana na tukio hilo. Tumetekeleza mafunzo hayo ili kuepusha kutokea tena kwa matukio kama hayo hapo baadaye.

Utendaji wetu kimazingira umebaki kama ulivyopangwa, hii ni pamoja na uzalishaji vumbi wa chini ya kikomo cha wastani uliowekwa kisheria wa kila mwezi kwa mwaka mzima. Hata hivyo utendaji na upatikanaji wa vifaa vya usimamizi ulikuwa ni tatizo, kwani hatukuweza kupata faida kamili ya vipimo vilivyotarajiwa. Uondoaji wa vifaa ni mkakati unaofikiriwa. Kwa mara ya kwanza programu ya msingi ya usimamizi wa mazingira imetekelezwa kiwandani, kwa sasa tunasubiri matokeo ya awali kutoka kwenye sampuli na vipimo.

Tanga Cement Plc iliendelea kusaidia jamii ya ndani kwa kulenga sehemu nne muhimu za elimu, mazingira, afya na maendeleo ya jamii.

#### Matarajio ya Baadae

Tunatarajia mwaka ujao kubaki kuwa wenye changamoto na tutaendelea kutoa matokeo yakuridhisha. Miradi mingi imepitishwa na Serikali na wawekezaji binafsi, na hii haina budi kuongeza mahitaji ya bidhaa zetu. Miongoni mwa miradi inayosisimua ni ujenzi wa Kawe City, Tanzanite Mall, Tanzania China Logistic Center, Dar es Salaam na upanuzi wa bandari ya Dar es Salaam.

#### Gawio

Bodi imependekezwa gawio la mwisho kuwa shilingi sitini na tano (TSH 65) kwa kila hisa (2013: TSH 60). Hii ni sawa na jumla ya gawio la mwisho la shilingi za kitanzania bilioni nne nukta moja (TSH 4.1bil).

#### Kufungwa kwa rejesta ya Hisa

Rejesta ya wanachama itafungwa tarehe 20 Aprili 2015. Siku ya mwisho ya biashara pamoja na gawio ni tarehe 15 Aprili 2015 na gawio la mwisho litalipwa tarehe 31 Mei 2015.

#### Hitimisho

Mwanahisa wetu mkubwa, AfriSam, ameongeza umiliki wa hisa kutoka asilimia sitini na mbili nukta tano (62.5%) mpaka asilimia sitini na sita nukta sita (66.6%) katika kipindi cha mwaka 2014. Tunajivunia uhusiano wetu na Kampuni hii imara ya vifaa vya ujenzi na Tanga Cement Plc tumefaidika kwa kiasi kikubwa kwa miaka mingi kwa kupata maarifa na utaalum kutokana na uhusiano huu. Kwa upande mwingine, Tanga Cement Plc ni sehemu muhimu na ni mchangiaji mwenye thamani katika ukuaji na mafanikio ya kampuni ya AfriSam. Tunatarajia mafanikio mengi kupatikana kwa kampuni zote kupitia uhusiano wetu huu wa karibu.

Mwisho, kwa niaba ya Bodi ya Wakurugenzi, napenda kuwashukuru wafanyakazi wa Tanga Cement Plc kwa shauku waliyonayo kwa Kampuni na dhamira waliyonayo katika kuhakikisha mafanikio yake. Na pia nawashukuru wakurugenzi wa bodi kwa ushirikiano wao na wateja wetu kwa uaminifu wao.

Tunatarajia kushehereka kwa pamoja mafanikio zaidi kwa mwaka 2015.



Wakili Lau Masha  
Mwenyekiti wa Bodi