

Chairman's Statement



Advocate Lau Masha
Chairperson of the Board

“ We re-affirm our commitment to all stakeholders through our high quality cement and clinker and our contribution towards the sustainable growth and development of Tanzania, a demonstration of our brand – “STRENGTH WITHIN”. ”

Chairman's Statement

Introduction

Dear Shareholders, we hereby present the audited trading results of Tanga Cement Public Limited Company for the year ended 31 December 2017.

2017 was a challenging financial year in the cement and construction industry.

Sales prices were under significant pressure as the country remains in a net oversupply of installed cement and clinker capacity.

We re-affirm our commitment to all stakeholders through our high quality cement and clinker and our contribution towards the sustainable growth and development of Tanzania, a demonstration of our brand – "STRENGTH WITHIN".

Macro-Economic Overview

Our growth in business continues to be anchored on the economic progress of Tanzania. The Tanzanian Shilling depreciated by three percent (3%) against the United States Dollar (USD) throughout 2017 due to imports into the country exceeding exports. Tanzania also experienced political stability under the leadership of President Magufuli. The average annual headline inflation rate remained fairly stable increasing to five point three percent (5.3%) in 2017 from five point two percent (5.2%) recorded in 2016, as a result of governments' fiscal and monetary policies.

In the year under review, Tanzania's estimated GDP growth for 2017 remained robust and on par with the six point eight percent (6.8%) growth of 2016. This was supported by growth in various economic sectors mainly: Extractive Industries, Telecommunications and Agriculture.

Tanzania's construction industry is projected to have a positive growth trajectory informed by a steady population growth with a younger profile that increases demand for infrastructure, housing and commercial buildings, emerging middle-class, increased consumer activity and access to financial services (banking, mortgages and commercial credit). Anticipated infrastructure projects such as the Standard Gauge Railway, Uganda-Tanzania oil pipeline, development and upgrade of various ports and the natural gas pipeline from Mtwara are expected to see cement demand increase.

We remain optimistic of the ambitious infrastructure development plans under the Government's Development Vision 2025 programme and expect the projects to pick up momentum in quarter two (Q2) of 2018. Tanga Cement PLC has capacity to meet a significant share of the cement demand in the country and remains committed to production of superior cement products.

Financial and Operational Overview

During 2017, the Company focused on increasing sales and production volumes and to confirm our market competitiveness driven by operational efficiency and overall business effectiveness in challenging market conditions.

Despite the fact that the group sales revenue grew by three percent (3%), to Tanzanian shillings one hundred and seventy two billion (TZS 172bn) from Tanzanian shillings one hundred, sixty seven billion (TZS 167bn) in 2016, competitive market headwinds impacted Tanga Cement's profitability.

Gross profit for 2017 declined by forty six percent (46%) to Tanzanian shillings twenty nine billion (TZS 29bn) from Tanzanian shillings fifty four billion (TZS 54bn) in 2016.

EBITDA declined to Tanzanian shillings nine billion (TZS 9bn) from Tanzanian shillings thirty eight billion (TZS 38bn) in the prior year. The reduction in EBITDA was mainly caused by lower sales prices dictated by the market compared to the prior year.

Selling and administration expenses increased by ten percent (10%) to Tanzanian shillings twenty billion (TZS 20bn) over the prior year in support of the significantly improved sales and production volumes. The increase

in the depreciation charge of six percent (6%) was driven by depreciation of the new integrated production line for the full year compared to ten (10) months in the prior year as well as additional capital investments in 2017 to improve production efficiencies.

The Group recorded a loss before tax of Tanzanian shillings thirty five billion (TZS 35bn) for 2017 from a profit before tax of Tanzanian shillings six billion (TZS 6bn) in 2016 which was impacted by the decrease in gross profit and expenses referred to above as well as the increase in financing cost and foreign exchange losses on US Dollar denominated term loans for the second integrated production line which was commissioned in 2016.

The net loss after tax for 2017 of Tanzanian shillings twenty six billion (TZS 26bn) is down from the net profit of Tanzanian shillings four billion (TZS 4bn) of 2016.

Cash flows from normal trading activities declined to Tanzanian shillings fourteen billion (TZS 14bn) from Tanzanian shillings thirty six billion (TZS 36bn) in 2016 underlining the very competitive cement market.

Tanga Cement PLC remains optimistic about its sales and cost optimisation production initiatives as we continually seek to enhance value for stakeholders. The company remains positive about 2018 despite the increased competitive landscape. Government initiatives to spur economic growth through infrastructure development and promotion of local industries is earmarked to boost local cement demand while reducing the influx of low cost imported cement.

In support of Government's industrialisation drive to benefit local producers, Tanga Cement PLC also started to sell clinker during 2017, which is showing an encouraging increase in uptake from independent small cement millers going into 2018. This will benefit the cost of production throughput and add significant value to the profitability of the company going forward.

The company achieved a significant safety record during the year reaching two point six million (2.6 mil) hours without lost time injuries. Our commitment of creating a safe and sustainable work environment for all employees and contractors on site forms an integral part of the Simba Cement corporate culture.

Dividend

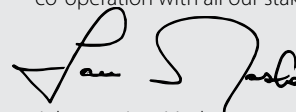
During 2017 the board has declared and paid a final dividend for the 2016 financial year of Tanzanian shillings twenty five (TZS 25) per share amounting to Tanzanian shillings one point six billion (TZS 1.6 bn) (2015: Tanzanian shillings twenty five (TZS 25) per share totalling Tanzanian shillings one point six billion (TZS 1.6 bn). The total dividend declared and paid for the 2016 financial year was Tanzanian shillings eighty (TZS 80) per share amounting to Tanzanian shillings five billion (TZS 5 bn).

The Group has not declared an interim dividend for the 2017 year and does not anticipate proposing a final dividend to the shareholders in line with the financial performance for the year. The Board elected to be prudent by committing available current cash resources to the operational and debt service commitments.

Conclusion

Tanga Cement PLC remains grateful to its staff for their passion and dedication to the company and to its customers for their belief in the Simba Cement brand, as the company works to achieve its short-term and long-term growth strategy.

With Tanzania being the second-largest construction market in East Africa, cement output is anticipated to increase and Tanga Cement PLC is well positioned to take advantage of the growth opportunities in the regional market. We look forward to reaching greater heights together in 2018 in co-operation with all our stakeholders.



Advocate Lau Masha
Chairman of the Board

Waraka wa Mwenyekiti



Wakili Lau Masha
Mwenyekiti wa bodi

“ Hata hivyo tunawaahidi wadau wetu wote kuwa tutaendelea kutoa mchango wetu katika maendeleo na ukuaji wa nchi ya Tanzania kupitia simenti yetu yenye ubora usio tetereka na kuonesha kwa vitengo kauli mbiu ya chapa yetu - “STRENGTH WITHIN”. ”

Waraka wa Mwenyekiti

Utangulizi

Ndugu wanahisa, tunawasilisha hesabu zilizokaguliwa za Tanga Cement Public Limited Company kwa kipindi kinachoishia tarehe 31 Disemba 2017.

Mwaka wa kifedha wa 2017 ulikuwa na changamoto katika sekta ya simenti na ujenzi.

Bei ya kuuzia ilikuwa na shinikizo kubwa kutokana na mahitaji ya simenti kuwa madogo kuliko kiwango cha usambazaji kulikotokana na viwanda vipya kuingia sokoni.

Hata hivyo tunawaahidi wadau wetu wote kuwa tutaendelea kutoa mchango wetu katika maendeleo na ukuaji wa nchi ya Tanzania kupitia simenti yetu yenye ubora usio teteraka na kuonesha kwa vitendo kauli mbiu ya chapa yetu - "STRENGTH WITHIN".

Mapitio ya Uchumi

Ukuaji wa biashara yetu unaendelea kutegemea maendeleo ya uchumi wa Tanzania. Mwaka 2017 shilingi ya kiTanzania ilishuka thamani kwa asilimia tatu (3%) ikilinganishwa na dola ya kimarekani kutokana na kiwango kidogo cha mauzo ya nje ya nchi ikilinganishwa na bidhaa zilizoingizwa nchini. Tanzania pia ilikuwa tulivu kisiasa chini ya utawala wa Mheshimiwa Rais Magufuli. Kiwango cha mfumuko wa bei kilikuwa cha wastani kwa kuongezeka mpaka asilimia tano nukta tatu (5.3%) kutoka asilimia tano nukta mbili (5.2%) cha mwaka 2016 ambacho kilitokana na sera za kifedha za Serikali.

Katika kipindi hiki cha mwaka 2017, ukuaji wa pato la taifa kwa Tanzania ulibaki kuwa imara na kwa kiwango cha asilimia sita nukta nane (6.8%) ikiwa ni ukuaji sawa na wa mwaka 2016. Uimara huu wa pato la taifa ulisaidiwa na sekta mbali mbali za kiuchumi kama vile uchimbaji madini, mawasiliano na kilimo.

Sekta ya ujenzi ya Tanzania inatarajiwa kuwa na ukuaji imara kutokana na ongezeko la idadi ya vijana ambapo itafanya uhitaji wa ongezeko la miundombinu, makazi na majengo ya biashara, ongezeko la watu wa kipato cha kati, ongezeko la shughuli za watumiaji huduma na upatikanaji wa huduma za kifedha (kibenki na mikopo ya biashara). Miradi ya miundombinu inayotarajiwa ni kama vile reli ya kiwango (Standard Gauge Railway), bomba la mafuta toka Uganda kuja Tanzania, upanuzi na uboreshaji wa bandari mbalimbali pamoja na bomba la gesi asilia kutoka Mtwara inategemewa kuongeza mahitaji ya simenti.

Tunaimani matarajio ya maendeleo ya miundombinu yaliyopangwa na Serikali katika mpango wa dira ya Maendeleo ya mwaka 2025 na miradi inayotarajiwa itashika kasi katika robo ya pili ya mwaka 2018. Tanga Cement PLC inao uwezo wa kutimiza mahitaji ya simenti kwa kiasi kikubwa nchini na tunaahidi kuendelea kuzalisha simenti yenye ubora wa hali ya juu.

Maelezo ya Fedha na Utendaji

Mwaka wa fedha 2017 kampuni ilijikita katika kuhakikisha inaongeza mauzo na uzalishaji ili kuwa na uhakika katika uwezo wa kushindana sokoni pamoja na utendaji bora na ufanisi katika biashara kwenye soko lenye changamoto nyingi.

Pamoja na kuwa na ongezeko la mauzo la asilimia tatu (3%), na kufikia shilingi za kiTanzania bilioni mia moja sabini na mbili (Tsh 172 bilioni) kutoka shilingi za kiTanzania bilioni mia moja sitini na saba (Tsh 167 bilioni), wimbi la ushindani katika soko liliathiri faida ya Tanga Cement PLC.

Faida ghafi kwa mwaka 2017 ilipungua kwa asilimia arobaini na sita (46%) na kuwa shilingi za kiTanzania bilioni ishirini na tisa (Tsh 29 bilioni) kutoka shillingi za kiTanzania bilioni hamsini na nne (Tsh 54 bilioni) kwa mwaka 2016.

Mapato kabla ya riba, kodi, na uchakavu (EBITDA) yalipungua hadi kufikia shilingi za kiTanzania bilioni tisa (Tsh 9 bilioni) kutoka shilingi za kiTanzania bilioni thelathini na nane (Tsh 38 bilioni) kwa mwaka uliopita. Kupungua kwa EBITDA kulisababishwa kwa kiasi kikubwa na bei ndogo ya bidhaa zetu ambazo zilisababishwa kwa kiwango kikubwa na ushindani wa soko ikilinganishwa na mwaka uliopita.

Gharama za mauzo na uendeshaji ziliongezeka kwa asilimia kumi (10%) na kufikia shilingi za kiTanzania bilioni ishirini (Tsh 20 bilioni) ikilinganishwa na mwaka uliopita kutokana na ongezeko la mauzo na uzalishaji. Uchakavu uliongezeka kwa asilimia sita (6%) uliosababishwa na uchakavu wa mtambo mpya wa uzalishaji klinka kwa mwaka mzima ikilinganishwa miezi kumi ya mwaka uliopita pamoja na ongezeko la uwekezaji wa mitambo mipya kwa mwaka 2017 ili kuboresha ufanisi.

Kampuni (kundi) ilirekodi hasara kabla ya kodi ya shilingi za kiTanzania bilioni thelathini na tano (Tsh 35 bilioni) kwa mwaka 2017 kutoka faida kabla ya kodi ya shilingi za kiTanzania bilioni sita (Tsh 6 bilioni) kwa mwaka 2016 ambayo imesababishwa na kupungua kwa faida ghafi na matumizi yaliyoelezwa hapo juu pamoja na ongezeko la gharama za kifedha na hasara iliyotokana na ulipaji mikopo kwa fedha za kigeni yaani dola za kimarekani zilizokopwa kwaajili ya tanuru ya pili ambayo ilizinduliwa mwaka 2016.

Waraka wa Mwenyekiti

Hasara halisi baada ya kodi kwa mwaka 2017 ya shilingi bilioni ishirini na sita (Tsh 26 bilioni) iko chini ikilinganishwa na faida halisi ya shilingi bilioni nne (Tsh 4 bilioni) ya mwaka 2016.

Fedha inayotokana na shughuli za biashara ilipungua na kufikia shilingi za kiTanzania bilioni tatu (Tsh 3 bilioni) kutoka shilingi za kiTanzania bilioni ishirini (Tsh 20 bilioni) mwaka 2016 ikithibitisha ushindani mkubwa kwenye soko la simenti.

Tanga Cement PLC ina matumaini na mauzo yake na pia udhibiti wa gharama kwenye upande wa uzalishaji wakati ikiendelea kuongeza thamani kwenye wanahisa wake. Kampuni inatumaini mwaka 2018 utakuwa mzuri ingawa kunaongezeko la ushindani sokoni. Mipango ya Serikali ya kukuza uchumi kupitia maendeleo ya miundombinu na kukuza viwanda vya ndani inatarajiwa kuongeza matumizi ya ndani ya simenti wakati ikizua uingizaji wa simenti ya bei nafuu toka nje ya nchi.

Katika kuiunga mkono sera ya Serikali ya viwanda ambayo itawafaidisha wazalishaji wa ndani, Tanga Cement PLC pia imeanza kuuza klinka mwaka 2017, ambapo imeweza kuwauzia wazalishaji wadogo wadogo wa simenti na inaonesha kuna kiwango cha ukuaji kwa mwaka 2018. Hii itakuwa na faida kwa upande wa gharama za uzalishaji na kuongeza faida muhimu kwa kampuni hapo baadaye.

Kampuni ilifanikiwa kuweka rekodi muhimu ya kiusalama kipindi cha mwaka wa taarifa hii kwa kufikia masaa milioni mbili nukta sita (milioni 2.6) bila kupoteza muda kutokana na watu kupata majeraha ama kujeruhiwa. Dhamira yetu ya kuwa na mazingira salama na endelevu kwa wafanyakazi wetu wote na wakandarasi waliopo kiwandani yanatengeneza sehemu kubwa ya utamaduni wetu kama Simba simenti.

Gawio

Mwaka 2017 bodi ilitangaza na kulipa gawio la mwisho kwa mwaka wa fedha 2016 ambalo ni kiTanzania shilingi ishirini na tano kwa hisa (Tsh 25) ambayo jumla yake ni kiTanzania shilingi bilioni moja nukta sita (Tsh 1.6 bilioni) (mwaka 2015 ilikuwa Tsh 25 kwa hisa ambapo jumla ni Kitanzania shilingi 1.6 bilioni). Jumla ya gawio lililotangazwa na kulipwa kwa mwaka wa fedha wa 2016 lilikuwa kiTanzania shilingi themanini kwa hisa (Tsh 80) ambayo ni kiTanzania shilingi bilioni tano (Tsh 5 bilioni).

Kampuni (kundi) haikutangaza gawio la nusu mwaka kwa mwaka 2017 na wala haitarajii kutangaza gawio la mwisho kwa wanahisa na hii ni kutokana na utendaji wa kampuni kifedha. Bodi imeona ni busara kutumia rasilimali ya fedha kwaajili ya shughuli za kiutendaji na kulipa madeni.

Hata hivyo tunawaahidi wadau wetu wote kuwa tutaendelea kutoa mchango wetu katika maendeleo na ukuaji wa nchi ya Tanzania kupitia simenti yetu yenye ubora usio tetereka na kuonyesha kwa vitendo kauli mbiu ya chapa yetu - "STRENGTH WITHIN".

Hitimisho

Tanga Cement PLC inawashukuru wafanyakazi wake kwa uvumilivu na kujitoa kwaajili ya kampuni na wateja wake wakiamini chapa ya bidhaa za Simba Simenti, ambapo kampuni inafanyakazi ili kufanikisha malengo yake ya muda mfupi na ya muda mrefu.

Pamoja na Tanzania kuwa nchi ya pili kwa kuwa na ukubwa wa soko la vifaa vya ujenzi Afrika Mashariki, uzalishaji wa simenti unatarajiwa kuongezeka, na Tanga Cement PLC iko tayari kunyakua fursa hizi za ukuaji wa soko katika ukanda. Tuna shauku kubwa kufikia malengo ya juu ya pamoja kwa mwaka 2018 tukishirikiana na wadau wetu wote.



Advocate Lau Masha
Mwenyekiti wa Bodi