

ANNUAL REPORT **2013**

Chairperson's Statement



Introduction

During 2013 Tanga Cement Company Limited (TCCL) celebrated some significant milestones and successes 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 and, more importantly, to the lives of the many people we are able to touch and enhance through our business activities.

Macro-Economic Overview

Tanzania has continued to maintain overall macroeconomic stability, which has been a fundamental factor behind the positive economic growth. Demand for cement products, both locally and from the export markets, remains high. Despite the increase in low-priced imports and changes in the competitive landscape, our high-quality products and sound relationships with customers enable us to thrive in the fiercely competitive environment. We will continue to improve on our quality and service offering in order to maintain market share and sales performance.

Inflation declined from last year, to an annual rate of 5.6% (2012: 12.1%), while the steady exchange rate helped by providing a degree of stability in the costs of our clinker and other imported materials.

Historical sales and distribution performance

The past year was characterised by challenging trading conditions in the local market. This was mainly due to increased competition as a result of growing cement imports. Although the economy of Tanzania continued to expand during the

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period under review and the macro-economic climate was generally favourable, the additional market demand created was captured by importers rather than by the local cement manufacturers.

As a result, sales volumes, as well as the selling prices achieved, were lower than expected and both sales volumes and total sales revenue were lower than those achieved over the same period in 2012.

I would like to commend the management and staff of TCCL for their positive achievements during the year and urge them to keep up the great performance.

A major milestone achieved during the year was the acquisition of an additional 40% shareholding in CDEAL, giving the company full ownership of the sales and distribution arm of the business. The acquisition will ensure improved integration and strategic alignment with TCCL.

Strategic changes in the sales and marketing of TCCL's products have been effected following the takeover of CDEAL.

Operational overview

Improving operational efficiencies and containing production costs were a major focus in 2013 and significant successes were achieved, particularly during the second half of the year. In addition, the company secured the supply of coal from local sources and entered into negotiations for a long-term purchase agreement for clinker, both of which will add to the cost containment efforts.

The kiln performed well during the year and experienced no major mechanical problems, with the only stoppages being for planned maintenance. Clinker production volumes increased by 1.7% compared to the previous year.

The company's operating profit for the year decreased by 5.1%, whilst net profit after tax decreased by 5.4%.

Future Outlook

In August 2013, TCCL celebrated the start of the construction phase of the second kiln line with a ground-breaking ceremony.

The new kiln will enhance the company's competitive advantage. Once completed, the kiln will increase the company's clinker production capacity by 750,000 tons per annum, more than doubling its current clinker capacity.

With commissioning expected during the second half of 2015, the additional capacity will help the company to meet the growing demand for cement both in Tanzania and in markets beyond the country's borders.

We look forward to the future value the company will derive from this substantial investment.

Dividends

The Board has recommended a final dividend of Tzs 60 per share (2012: Tzs 55), amounting to a total final dividend of Tzs 3.8 billion. This brings the accumulated dividend for the year to Tzs 110 per share (2012: Tzs 100), a total of Tzs 7 billion for the full year.

Closure of Share Register


The register of members will close on 25 April 2014. The last day for trading cum-dividend will be 22 April 2014 and the final dividend will be paid on or about 31 May 2014.

Conclusion

After joining the TCCL family in August 2012 to oversee the construction of a second kiln line, Mr Reinhardt Swart was appointed as the Managing Director of Tanga Cement Company Limited in July 2013. I would like to use this opportunity to thank Mr Swart for his contribution to promoting the success of the company within a short period. We look forward to TCCL reaching new heights under his leadership.

On behalf of the Board of Directors, I would like to thank the employees of Tanga Cement Company Limited for the passion they have for the company and for their commitment to ensuring its continued prosperity.

We look forward to celebrating many successes together in 2014.



Lawrence Masha
Chairman of the Board



TAARIFA YA MWAKA **2013**

Waraka wa Mwenyekiti

Utangulizi

Katika kipindi cha mwaka 2013 Kampuni ya Tanga Cement ilisherehekea baadhi malengo muhimu na mafanikio katika utekelezaji wa mkakati wake wa kuishi kufuatana na chapa yake na ahadi yake ya kuwa "Jivunio la Taifa". Tunayo fahari kwa mchango wetu katika maendeleo ya Tanzania na muhimu zaidi kwa maisha ya watu wengi ambayo tunaweza kuyagusa na kuyaboresha kutokana na shughuli zetu za biashara.

Maelezo ya uchumi

Tanzania imeendelea kudumisha uchumi mkubwa kiujumla, ambapo imekuwa ndio sababu ya msingi ya ukuaji chanya wa kiuchumi. Mahitaji ya bidhaa za saruji, yote kwa ndani na kwa masoko ya nje, yamebaki kuwa juu. Pamoja na kuongezeka kwa saruji toka nje kwa bei ya chini na mabadiliko katika mazingira ya ushindani, bidhaa zetu zenye ubora wa hali ya juu mahusiano yakuridhisha kati yetu na wateja vimetuwzesha kustawi katika mazingira ya ushindani mkali. Tutaendelea kuongeza ubora wa bidhaa zetu na huduma tunazotoa ili kudumisha hisa yetu katika soko na utendaji kimauzo.

Mfumuko wa bei ulishuka kutoka mwaka jana lakini umebaki juu kwa asilimia tano nukta sita (5.6%) (2012: 12.1%), wakati kiwango cha kubadilisha fedha za kigeni kilisaidia kwa kuleta utulivu kiasi katika gharama za klinka na vifaa vingine kutoka nje.

Historia ya mauzo na utendaji wa usambazaji

Mwaka uliopita ulikuwa na changamoto ya hali ya biashara katika soko la ndani. Hii ilikuwa hasa kutokana na kuongezeka kwa ushindani matokeo ambayo yaliletwa na kuongezeka kwa uagizaji wa saruji kutoka nje. Ingawa uchumi wa Tanzania uliendelea kupanuka katika kipindi hicho na hali ya uchumi kwa ujumla ilikuwa ya kuridhisha, ziada ya mahitaji ya soko iliyotengenezwa ilichukuliwa na waagizaji wa saruji toka nje badala ya wazalishaji wa ndani.

Matokeo yake, kiasi cha mauzo, na bei ya kuuzia bidhaa iliyopatikana, ilikuwa chini kuliko iliyotarajiwa pamoja na mauzo na mapato ya mauzo ya jumla yalikuwa chini zaidi kuliko yale yaliyopatikana katika kipindi kama hicho mwaka 2012.

Napenda kuupongeza uongozi na wafanyakazi wa TCCL kwa mafanikio chanya katika kipindi cha mwaka na kuwahimiza kuweka juhudi kubwa ya utendaji.

Hatua muhimu ya mafanikio iliyopatika katika kipindi cha mwaka ilikuwa ni ununuzi wa hisa za ziada ya asilimia arobaini (40%) kutoka Kampuni ya usambazaji, (CDEAL), na kuipa Kampuni umiliki wa asilimia mia moja (100%) ya biashara yake ya mauzo na usambazaji. Hii itaivezesha Kampuni ya Tanga Cement kuweka sawa shughuli zake za uzalishaji na mauzo ili kufikisha thamani kubwa kwa Kampuni na wateja wake

Mabadiliko ya kimkakati katika mauzo na masoko ya bidhaa za TCCL yameonesha mabadiliko kufuatia uchukuaji wa CDEAL.

Muhtasari wa kiutendaji

Kuboresha ufanisi wa kazi na kudhibiti gharama za uzalishaji yalikuwa malengo makuu mwaka 2013 na mafanikio makubwa yalipatikana, hasa wakati wa nusu ya pili ya mwaka. Aidha, Kampuni ilipata ugavi wa mkaa ya mawe kutoka vyanzo vya ndani na iliingia katika

mazungumzo ya mkataba wa muda mrefu wa ununuzi wa klinka, yote mawili yataongeza juhudi za kudhibiti gharama.

Tanuru lilifanya vizuri katika kipindi cha mwaka na hakukuwa na matatizo ya mitambo, na kusimama kulikuwa kwaajili ya matengenezo yaliyopangwa tu. Kiasi cha uzalishaji wa klinka kiliongezeka kwa asilimia moja nukta saba (1.7%) ikilinganishwa na mwaka uliopita.

Faida ya uendeshaji ya Kampuni kwa mwaka ilipungua kwa asilimia tano nukta moja (5.1%), wakati faida baada ya kodi ilipungua kwa asilimia tano nukta nne (5.4%).

Matarajio ya baadaye

Mwezi Agosti mwaka 2013, TCCL ilisherehekea kuanza kwa awamu ya ujenzi wa tanuru la pili kwa sherehe ya uchimbaji wa ardhi mahali litakapojengwa tanuru hilo.

Tanuru mpya litaongeza uwezo wa kampuni kiushindani. Mara baada ya kukamilika, tanuru litaongezea Kampuni uwezo wa uzalishaji wa klinka kwa tani 750,000 kwa mwaka, zaidi ya mara mbili ya uwezo wake wa sasa wa kuzalisha klinka.

Kwa makabidhiano ya mtambo huu unaotarajiwa kuanza kipindi cha nusu ya pili ya mwaka 2015, uwezo wa ziada unaongezwa utaisaidia Kampuni kukidhi ongezeko la mahitaji ya saruji nchini Tanzania na katika masoko ya nje ya mipaka ya nchi.

Tunatarajia Kampuni itaongeza thamani kutokana na uwekezaji huu muhimu.

Gawio

Bodi imependekea gawio la TSh 60 kwa kila hisa (2012: Tzs 55), ikipelekea kiasi cha jumla kwa gawio la mwisho la shilingi za kitanzania bilioni 3.8 (TSh 3.8 bilioni). Hii inaleta gawio la jumla kwa mwaka la shilingi za kitanzania mia moja na kumi (TSh 110) kwa hisa (2012: Sh 100), jumla ya shilingi bilioni saba (TSh 7 bilioni) kwa mwaka mzima.

Kufungwa kwa Rejesta ya Hisa

Rejesta ya wanachama itafungwa tarehe 25 Aprili 2014. Siku ya mwisho kwa biashara pamoja na gawio ni tarehe 22 Aprili 2014 na gawio la mwisho litalipwa tarehe 31 Mei 2014.

Hitimisho

Baada ya kujiunga na familia ya TCCL mwezi Agosti 2012 kwaajili ya kusimamia ujenzi wa tanuru ya pili, Bw Reinhardt Swart aliteuliwa kuwa Mkurugenzi Mtendaji wa Kampuni ya Tanga Cement mwezi Julai 2013. Napenda kutumia fursa hii kumshukuru Bw Swart kwa mchango wake kwenye mafanikio ya Kampuni ndani ya kipindi cha muda mfupi. Tunatarajia mafanikio makubwa kwa TCCL kufikiwa chini ya uongozi wake.

Kwa niaba ya Bodi ya Wakurugenzi, napenda kuwashukuru wafanyakazi wa Kampuni ya Tanga Cement kwa shauku waliyo nayo kwa Kampuni na kwa dhamira yao ya kuhakikisha inaendelea kustawi.

Tunatarajia kusherehekea mafanikio mengi pamoja katika mwaka 2014.



Lawrence Masha
Mwenyekiti wa Bodi