

# Trinidad Cement Limited 1997

---

## Chairman's Review

The enhancement of our competitiveness regionally is one of the major challenges facing the Group. Our goal is to become the premier manufacturer of cement, papersacks, slings and readymixed concrete in the Caribbean and to follow a path of aggressive expansion through deliberate, but value-adding diversification. This is clearly within our grasp and we are poised to achieve this objective well within the next decade.

Nevertheless, the business environment in which we operate continues to be increasingly competitive. The countries of Caricom are moving towards the formation of a single market economy. The signing of Protocol 11 at a recent Heads of Government Meeting has cleared the way for greater integration of member countries. Caricom itself will merely be a subgrouping of a much larger hemispheric single market - the Free Trade Area of the Americas (FTAA) which, if not impeded by the U.S. domestic political process, could become a reality in 2005. Being a group of manufacturing companies in a small developing region, the implications for the TCL Group are significant. We can no longer afford to think only in terms of our own local markets where our plant locations give us an advantage over external producers. In an economic environment in which the world is becoming smaller, with instantaneous communication linkages and with trade barriers being dismantled, every company within our Group must relentlessly pursue a programme of improving efficiencies and cost effectiveness. It is in this context that the TCL Group has been deliberately positioning itself to take advantage of the many opportunities which will arise in the years ahead and to deal with the challenges which are inherent in this new economic

world. Our already considerable strengths enable us to move forward with great confidence in our abilities to accomplish our corporate goals within the Caribbean.

#### 1997 ACHIEVEMENTS

Much was achieved during 1997. At Trinidad Cement Limited our operations enjoyed the benefits of mastering the new processes introduced by Kiln 4 in 1996. In so doing, record production levels for clinker and cement were attained on a regular basis. At Arawak Cement Company Limited in Barbados, a completely new fuel technology was utilised for the first time in the production of cement in the reactivated kiln. At Readymix (W.I.) Limited new equipment and systems were introduced to provide a higher quality product and better service to our customers. At TCL Packaging Limited and TCL Ponsa Manufacturing Limited, higher levels of production efficiencies and market penetration were attained. The combined effect of all of these achievements has been another very successful year for the TCL Group of Companies, although there have been some minor disappointments. The Arawak plant has not performed at our optimistic high level of expectation but corrective action has already been taken to resolve a few process deficiencies and we expect that full production will be attained during the latter part of 1998. In spite of these problems Arawak's production and sales in 1997 exceeded 1996. In the area of export marketing, steps have been taken to restructure our inter group relationship to ensure that our export trading arrangements continue to serve our customers' needs in a productive and profitable manner.

#### THE BOARD'S MAJOR AREA OF FOCUS

The growth strategy adopted by the Group has already begun to produce results as will be more fully outlined in the Group CEO's Report. However, your Board has recognised that such a strategy will realize its fullest potential only if it is pursued within the framework of an appropriate organizational structure. Accordingly, during the year the Board has implemented sound corporate governance practices and engaged the services of Price Waterhouse to undertake a Group Corporate Financial and Organisational Structure Review. In order to strengthen the effectiveness of the Parent Board's overview, three new Board Sub-Committees were established - The Finance Committee, the Technical Committee and the Executive Compensation and Development Committee. The main objectives and the membership of these committees are detailed in the information provided on Corporate Governance.

Following receipt of the Price Waterhouse report in October 1997, the Board took the

following steps:

- (a) To proceed with the establishment of a Holding Company, TCL Holdings Limited, to absorb the Group's Corporate Office and to be the Holding Company to Trinidad Cement Limited, Arawak Cement Company Limited, TCL Packaging Limited, TCL Ponsa Manufacturing Limited, Readymix (West Indies) Limited and any other Subsidiary Companies joining the Group in the future.

In order to complete this process, it will be necessary to have a share 'swap' - the existing shareholders in TCL exchanging their shares for shares in TCL Holdings Limited, in consideration for TCL transferring its investments in subsidiaries and its 10% shareholding in Caribbean Cement Company Limited of Jamaica to TCL Holdings Limited. The rationale for the establishment of TCL Holdings Limited is outlined in greater detail which follows this report and shareholder approval for this exercise is being sought at the Annual General Meeting scheduled for March 31, 1998.

- (b) To undertake a restructuring of the Group's foreign debt portfolio by refinancing the loans obtained from the Commonwealth Development Corporation and the Private Export Funding Corporation which financed the Kiln 4 Project and replacing them with Trinidad and Tobago dollar loans. The major objective of this exercise is to insulate the Group from any future unfavourable movements in the TT\$/US\$ rate of exchange.

This exercise has already been completed and will result in a significant lowering of the foreign exchange exposure of the Group and a re-configuring of the Group's cash outflows, since the new debt is so structured that there will be no debt servicing payments in the first two years.

- (c) To proceed with the application for continuance under The Companies Act 1995, in parallel with the establishment of the Holding Company. As a public company, the application must be submitted by April 15, 1998. The documentation required for the application-By-laws and Articles of Continuance - has been submitted for the consideration and acceptance of shareholders. The effect of continuance is to bring the company within the jurisdiction of The Companies Act 1995 as the successor legislation to the Companies Ordinance. This Act represents a major improvement in the regulatory framework under which companies operate in Trinidad and Tobago. It significantly strengthens shareholder rights, and imposes broader responsibilities on Company Directors, with stiff penalties for delinquent directors and officers. Filing

for continuance is mandatory for companies and I accordingly recommend shareholder acceptance at the Annual General Meeting.

#### FACING THE FUTURE WITH CONFIDENCE

There has been a deliberate positioning of the TCL Group to take advantage of the many opportunities in the current business environment and the emerging economic trends. For us it has meant taking a fresh look at our corporate structures to ensure that they are appropriate for the environment, reviewing our capital structure, and in the process, refinancing our US\$ loans and redefining the issues of corporate governance at the Board level.

The establishment of the three new Board Sub-Committees has brought to the forefront areas of the Group's operations which are critical to the fulfillment of our goals. The Finance Committee's main function is to ensure that returns on the existing portfolio of investments are maximised and that optimal investment and financing strategies are being pursued. The Technical Committee's purpose is to ensure optimal plant availability and efficiency, cost effective use of technology and the development of the technical skill base within the Group. A major role of the Executive Compensation and Development Committee is the continuing enhancement of executive competence in a performance-oriented corporate culture. The Audit Committee's function remains the maintaining and enhancing of the integrity of all of the Group's financial systems. Each Board committee operates within the ambit of its own comprehensive terms of reference. In a free trade environment where consumers have a wide choice, product quality is absolutely essential. The companies within the Group have signalled their commitment to quality by pursuing ISO Certification. Two companies, TCL and TPL, have already obtained ISO 9002 Certification, while two others Readymix (W.l.) Limited and TCL Ponsa Manufacturing Limited, expect to attain certification by mid 1998. Arawak Cement Company Limited will be starting the certification process in 1998.

It is with these approaches that the TCL Group faces the 21st Century confidently. We are determined to create new opportunities for ourselves and to make the most of them. We have in the past generated a superior rate of return for our shareholders and the future is full of promise that we will continue to do so.

#### NEW APPOINTMENTS

Managing Director

In 1997 the Board agreed to the appointment of Mr. Sharma Lalla, Group CEO, as Managing Director, in accordance with Articles 63 and 73 of the Memorandum and Articles of Association. The appointment is subject to confirmation at the Annual General Meeting.

Cemex Directors

Messrs. Francisco Noriega and Leopoldo Navarro have been nominated to replace Messrs. Alejandro Gonzalez and Artemio Salinas as the Cemex Directors on the Board. Their appointments - have been made by the Board in accordance with Article 63 of the Memorandum and Articles of Association and are subject to confirmation at the Annual General Meeting.

#### ACKNOWLEDGMENT

I wish to thank my fellow directors, as well as the management and employees of the TCL Group for their support during the year. I also wish to thank our shareholders and other stakeholders for their continued confidence and encouragement which have contributed to our success.

ANDY J. BHAJAN

Chairman

---