SAFETY AND SECURITY

A COMMITMENT TO MORE THAN JUST CEMENT

CARIBBEAN CEMENT COMPANY LIMITED

ANNUAL REPORT 2006

MISSION STATEMENT

Caribbean Cement Company Limited, a member of the TCL Group of Companies, is committed to providing high quality products and services in an environmentally friendly manner, achieving the financial objectives of its shareholders, meeting the needs of customers and employees whilst adding value to the community.

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Kiln No. 5 Construction Site

CORPORATE DATA

CARIBBEAN CEMENT COMPANY LIMITED (Carib Cement)
Registered Office: Rockfort, Kingston
Postal Address: P. O. Box 448, Kingston
Tel: (876) 928-6231-5 Fax: (876) 928-7381
Email: info@caribcement.com
Website: www.caribcement.com

DIRECTORS
Brian Young, F.C.A. – Chairman
Rollin Bertrand, Ph.D.
Hollis Hosein, F.C.C.A, C.A.
Parris A. Lyew-Ayee, O.D., B.Sc., M. Eng.
Leopoldo Navarro, B.Sc. Civil Eng., M.B.A.
Yusuff Omar, Dip. Mech.Eng.
Judith Robinson, F.C.C.A, Ph.D.
Paul Stockhausen, B.Eng.
Ernest Williams, B.Eng.

COMPANY SECRETARY
Shaun Lawson-Laing, LLB

SUBSIDIARY COMPANIES
Jamaica Gypsum & Quarries Limited, Harbour Head, Kingston
Rockfort Mineral Bath Complex Limited, Rockfort, Kingston
Caribbean Gypsum Company Limited, Rockfort, Kingston

ATTORNEYS-AT-LAW
DunnCox, 48 Duke Street, Kingston
Myers, Fletcher & Gordon, Park Place, 21 East Street, Kingston

AUDITORS
Ernst & Young, 8 Olivier Road, Kingston 8

BANKERS
Bank of Nova Scotia Jamaica Ltd.
Citibank, N.A.
National Commercial Bank Jamaica Ltd.
RBTT Bank Jamaica Ltd.

REGISTRAR & TRANSFER AGENT
Pan Caribbean Merchant Bank
60 Knutsford Boulevard
Kingston 5
Tel: (876) 929-5538

Caribbean Cement Company Limited is committed to building the trust and confidence of our consumers by ensuring the quality and integrity of our products. We recognise that cement is not merely the agent that binds block and steel but is the essence of which the most important dreams and ambitions of the Jamaican people are realized.

BOARD OF DIRECTORS

FRONT ROW (LEFT TO RIGHT)

ERNEST WILLIAMS is a consulting engineer and is the former General Manager of National Agro Chemicals Limited of Trinidad & Tobago. He held various managerial positions at National Petroleum of Trinidad & Tobago since November 1989 including Divisional Manager – Operations, Divisional Manager – Engineering and Information Systems, and chief engineer. He was appointed to the Board of Directors of Readymix (West Indies) Limited in November 1998 and subsequently in January 2003 was appointed Chairman. He serves as a director of Trinidad Cement Limited, and was appointed Chairman of Arawak Cement Company Limited in June 2004.

DR ROLLIN BERTRAND is the Chief Executive Officer of the TCL Group of Companies and serves as a director on all TCL Group Subsidiaries. He was formerly the General Manager of Arawak Cement Company Limited (1994–September 1998) and the President of the Association of Cement Producers for Latin America and the Caribbean (APCAC).

Dr. Bertrand is a director of Trinidad Aggregate Products Limited (TAP) and Carib Ceramics Limited. In May 2003, he was appointed President of the Caribbean Association of Industry & Commerce (CAIC). He is Chairman of the Board of Trustees of the Caribbean Court of Justice (CCJ) Trust Fund and also holds the position of Deputy Chairman of the Trinidad & Tobago Stock Exchange.

Dr. Bertrand obtained a B.Sc (Sp. Hons) Degree and Ph.D in Geology from the University of The West Indies, Mona, as well as an Executive Masters Degree in Business Administration (EMBA) from the University of the West Indies, St. Augustine.

BRIAN YOUNG, a chartered accountant, had been with PriceWaterhouse for over 30 years before retiring as a senior partner in 1995. He is the Chairman of the Caribbean Cement Company Limited and serves on the Board of Directors of Trinidad Cement Limited, Neal & Massy Holdings Limited, RBTT Holdings Limited, RBTT Merchant Bank Limited (all based in Trinidad and Tobago). He is also on the Board of Directors of the following Jamaican companies: Neal & Massy Group Jamaica Limited, Cool Petroleum Limited, Trade Winds Limited and RBTT Bank (Jamaica) Limited.

LEOPOLDO NAVARRO is the Trading Vice President of Cemex in the South American Region. He holds a Civil Engineering Degree from the University of Nebraska in the USA and a Masters Degree in Business Administration from Ipade, Mexico.
Mr. Navarro also serves on the Board of Directors of Trinidad Cement Limited, S.C.A. in Guadeloupe, and Martinique, National Cement in Cayman, and Bermuda Cement in Bermuda. He served as president of APCAC during the period 2000 to 2001.

PAUL STOCKHAUSEN was appointed to the Board of Directors of Carib Cement in August 1999. He is a mechanical engineer, holds a Bachelor of Engineering Degree from McGill University, Canada, and is a member of the Engineering Institute of Canada. He has served in several senior positions in the manufacturing industry including his service as Chief Engineer and Director of operations of Desnoes & Geddes Limited.

Mr. Stockhausen has served as a director of the Board of the National Water Commission as well as Carib Engineering Limited. He currently provides engineering and project management services for several major corporations.

BACK ROW (LEFT TO RIGHT)

YUSUFF OMAR is a former Managing Director of Trinidad Cement Limited, and is currently the Chairman of TCL Packaging Limited and TCL Ponsa Manufacturing Limited. He also holds several directorships within the TCL Group of Companies (TCL and ACCL), and is also a director at the Trinidad Nitrogen Company Limited. Mr. Omar, a qualified mechanical engineer, has over 30 years experience in the cement industry and has served as the 1st Vice President of the Association of Cement Producers for Latin America and the Caribbean (APCAC).

Prior to joining TCL, Mr. Omar worked for 11 years at Shell Trinidad Limited, progressing from the position of technical assistant to that of production/operations engineer in the Petroleum Engineering Department.

JUDITH ROBINSON was appointed to the Carib Cement Board of Directors in October 2003. She is a Fellow of the Association of Chartered Accountants of Jamaica and is a former partner and a director of PriceWaterhouse Associates, Kingston, Jamaica. Dr. Robinson has held several Board appointments and senior management positions in the private, public and not-for-profit sectors and is currently a director of the Jamaica Urban Transit Company Limited and the International University of the Caribbean.

Dr. Robinson holds a Ph.D. in Public Administration from New York University and works as a Management Consultant. She has served as a consultant to several international agencies and continues to provide consultancy services to the Government of Jamaica.

HOLLIS HOSEIN is the Group Finance Manager of the Trinidad Cement Limited Group of Companies. He is a Fellow of the Association of Chartered Certified Accountants (U.K.) and a member of the Institute of Chartered Accountants of Trinidad & Tobago.

Mr. Hosein possesses over 20 years of diversified financial management systems experience as well as administration and general management experience with the TCL Group of Companies. He is a member of the Board of Directors of Readymix (West Indies) Limited and Arawak Cement Company Limited (Barbados).

PARRIS LYEW-AYEE holds a B. Sc Degree in Special Geology from the University of the West Indies, and a Master of Engineering Degree in Mineral Engineering Management from the Pennsylvania State University.

He serves as the Executive Director of the Jamaica Bauxite Institute. He is a director of the National Environment & Planning Agency and the Water Resources Authority. He also serves on the Board of Directors of St Ann Bauxite Mining Ltd. and NEM Insurance Co. Ltd. He is a member of the Mona Campus Council and the Finance & General Purposes Committee of the University of the West Indies. He has served, and is presently serving, as President of the Geological Society of Jamaica, and is a member of the International Committee for the Study of Bauxite, Alumina and Aluminium. Mr Lyew-Ayee's contribution to Jamaica's bauxite industry has been acknowledged by the Government of Jamaica, which conferred on him the Order of Distinction in 1988. He was appointed to serve on the Board of Directors in 2006.

CARIB CEMENT BOARD SUB-COMMITTEES

Audit Committee
Dr. J. Robinson, Chairperson
Mr. Y. Omar
Mr. E. Williams

Finance Committee
Mr. B. Young, Chairman
Dr. R. Bertrand
Mr. H. Hosein
Dr. J. Robinson

Board Technical Committee
Mr. E. Williams, Chairman
Dr. R. Bertrand
Mr. P. Lyew-Ayee
Mr. Y. Omar
Mr. P. Stockhausen

Expansion & Modernization Programme Committee
Mr. E. Williams, Chairman
Dr. R. Bertrand
Mr. H. Hosein
Mr. P. Lyew-Ayee
Mr. L. Navarro
Mr. Y. Omar
Dr. J. Robinson
Mr. P. Stockhausen
Mr. B. Young

CORPORATE GOVERNANCE

The Corporate Governance Committee was established by Trinidad Cement Limited on March 4, 2005. Caribbean Cement Company Limited is a subsidiary of Trinidad Cement Limited and several members of its Board of Directors, namely Messrs. Young, Omar and Williams, serve on the Trinidad Cement Limited Corporate Governance Committee.

The Corporate Governance Committee was established to provide guidance and assistance to the Subsidiary Board of Directors in respect of the following matters:

- Identifying individuals qualified to become members of the Company's Board of Directors and proposing such candidates for election by the Board to fill any casual vacancies or by shareholders at Annual or Special Meetings;

- Developing and recommending to the Board of Directors, corporate governance guidelines addressing the following subjects:
  (i) Director qualification standards
  (ii) Director responsibilities
  (iii) Director access to management and as necessary and appropriate, independent advisors
  (iv) Non-employee director compensation
  (v) Director orientation and continuing education
  (vi) Management succession

- Overseeing of the Company's financial policies and strategies
- Overseeing of the Company's risk management functions
- Recommending, as and when required, individuals to serve as committee members and chairpersons.
- Considering and reporting to the Board on any issues relating to conflicts of interest of Board members.
- Developing a code of ethics and expectations for Board Members and Officers.
- Recommending processes for annual evaluation of the performance of the Board and Board Committees and overseeing the annual evaluation.
- Annually reviewing the adequacy of this charter and recommending any proposed changes to the Board for approval.

OBJECTIVES OF THE BOARD SUB-COMMITTEES

Audit Committee
- To increase the credibility and objectivity of financial reports.
- To ensure that an effective system of internal controls is established and maintained by the Company.
- To help Directors meet their responsibilities, especially for accountability.
- To strengthen the role of the outside Directors by facilitating in-depth discussions between Directors on the Committee, management and external auditors.
- To provide better communication between Directors and external auditors.

Finance Committee
- To enhance the financial strength and shareholder value of Carib Cement by providing guidance and recommendations on issues which have a major financial impact on the Company
- To enhance communication and understanding between Carib Cement's Management and the Board of Directors on financial matters

Board Technical Committee (BTC)
The BTC is responsible for ensuring that:

- The Board of Directors is kept fully apprised of the operational performance of the various companies and of the key operational issues facing them or likely to face them in the future.
- Adequate raw material reserves are available and that they are exploited in an efficient and environmentally-acceptable manner.
- Operating efficiencies, in line with international benchmarks, are achieved.
- A capital expenditure/fixed assets replacement programme, to achieve long-term plant availabilities is maintained.
- Capital projects are executed within budget and on time while observing all company policies relating thereto.
- The appropriate technology is employed and that the plants keep abreast of emerging technologies and practices.
- Staffing practices, including training and development, to meet short and long-term needs are in place.

Expansion & Modernization Programme Committee (E&M)
The E & M Committee is charged with oversight responsibility for the execution of the plant expansion and modernization programme.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **FIFTY EIGHTH ANNUAL GENERAL MEETING of CARIBBEAN CEMENT COMPANY LIMITED** will be held at the Jamaica Pegasus Hotel on 17 May 2007 at 9:00 a.m. to transact the following business and to consider and, if thought fit, pass the following Resolutions:

1. AUDITED ACCOUNTS FOR YEAR ENDED 31 DECEMBER 2006

To receive the audited accounts for the year ended 31 December 2006, together with the Directors' and Auditors' Reports circulated therewith and declare

THAT the Balance Sheet and Profit & Loss Account for the year ended 31 December 2006, together with the Reports of the Directors and Auditors, now submitted to this meeting, be and are hereby adopted.

2. REMUNERATION OF THE AUDITORS

To fix the remuneration of the Auditors:

THAT the remuneration of the Auditors, Ernst & Young, who have signified their willingness to continue in office, be agreed with the Directors.

3. ELECTION OF DIRECTORS

In accordance with Article 96 of the Company's Articles of Association, the following Directors retire by rotation and, being eligible, offer themselves for re-election:

- Leopoldo Navarro
- Yusuff Omar
- Judith Robinson

a) THAT the retiring Director Leopoldo Navarro be and is hereby re-elected.
b) THAT the retiring Director, Yusuff Omar be and is hereby re-elected.
c) THAT the retiring Director, Judith Robinson be and is hereby re-elected.

PURSUANT to Article 100 (A) of the Company's Articles of Association, members qualified to attend and vote at the meeting who wish to nominate a person (other than a retiring Director who may be re-appointed at the meeting) to stand as a Director shall deposit such nomination, in writing, signed by the member at the Registered Office of the Company situated at Rockfort, Kingston addressed to "The Company Secretary, Caribbean Cement Company Limited" between 8:00 a.m. on 2 May 2007 and 4:00 p.m. on 9 May 2007. Each such nomination shall be accompanied by a notice in writing, signed by the person nominated, indicating his/her willingness to be elected.

4. REMUNERATION OF DIRECTORS

To fix the remuneration of the Directors:

THAT the amount shown in the Accounts of the Company for the year ended 31 December 2006, as remuneration of the Directors for their services as Directors be and is hereby approved.

5. To transact any other business which may properly be transacted at an Annual General Meeting.

NOTE A member may appoint a proxy to attend and vote on his/her behalf. The proxy appointed need not be a member of the Company. An appropriate form of proxy accompanies this Notice.

The proxy form must be signed and deposited duly stamped at the Registered Office of the Company situated at Rockfort, Kingston addressed to "The Company Secretary, Caribbean Cement Company Limited" not less than forty-eight hours before the meeting.

BY ORDER OF THE BOARD

SHAUN LAWSON-LAING
Company Secretary
Rockfort, Kingston

2 April 2007

DIRECTORS' REPORT

The Directors submit this report and the audited Financial Statements for the year ended 31 December 2006.

FINANCIAL RESULTS

Results for the year are shown on pages 29 to 68 in the Financial Statements. These results reflect the operations and financial position of the Company and its subsidiaries, Jamaica Gypsum & Quarries Limited, Rockfort Mineral Bath Complex Limited and Caribbean Gypsum Company Limited.

HIGHLIGHTS OF THE YEAR ($ MILLION)

	2006	2005	
Turnover	6,730.97	5,999.30	
Net Profit	77.17	168.93	
Total Net Assets	2,747.57	2,784.18	(2,766.69) the balance sheet figure was restated
Dividend Proposed	-	-	
Dividend Paid	-	59.58	
Profit per stock unit	9 cents	20 cents	

AUDITORS

The retiring auditors, Ernst & Young, having signified their willingness to continue in office, will be deemed to be reappointed in accordance with the provisions of Article 155 of the Company's Articles of Association.

DIRECTORS

The Directors in office at 31 December 2006 are as follows:

Mr B. Young	Mr Y. Omar	Dr R. Bertrand
Dr J. Robinson	Mr H. Hosein	Mr P. Stockhausen
Mr P. Lyew-Ayee	Mr E. Williams	Mr L. Navarro

The Directors due to retire by rotation in accordance with the provisions of Article 96 of the Articles of Association are Messrs Leopoldo Navarro, Yusuff Omar and Dr Judith Robinson, who being eligible, offer themselves for re-election.

TEN LARGEST STOCKHOLDERS AS AT DECEMBER 31, 2006

TCL (Nevis) Limited	558,688,942
Trinidad Cement Limited	71,876,497
Scancem International (St. Lucia) Ltd.	42,187,482
Mayberry Investments Limited A/C 09022	12,985,373
National Insurance Fund	10,140,961
Mayberry Managed Clients Account	8,467,080
Gleaner Company Superannuation	4,657,179
Trading A/C Pooled Equity Fund No. 1	4,440,836
Manchester Pension Trust Fund Limited	3,824,375
West Indies Trust Com. Ltd. WT 109	3,571,714
TOTAL	720,840,439

DIRECTORS' STOCKHOLDINGS AS AT 31 DECEMBER 2006.

Parris Lyew-Ayee	10,000

SENIOR MANAGERS' STOCKHOLDINGS AS AT 31 DECEMBER 2006.

Chester Adams	21,332
Dalmain Small	1,125
Adrian Spencer	3,750
TOTAL	26,207

With the exception of Parris Lyew-Ayee, no director or any person/company connected to him/her has a stockholding interest in the Company.

The Directors wish to express thanks to the management and staff for their continued commitment and hard work and for the progress achieved in 2006.

On behalf of the Board of Directors, dated this 2 April 2007.

BRIAN YOUNG
Chairman

CHAIRMAN'S STATEMENT

BRIAN W. YOUNG

The Group recorded a net profit of $77.2m for 2006 compared to $168.9m for 2005. Revenue from our operations grew to $6.73b, a 12% increase over the previous year, despite a 3% reduction in cement sales volume. Two price increases, an 11% increase in February and a 15% increase in July, were necessary to correct the cost impacts arising from the high energy cost increases and the general inflation increases that resulted.

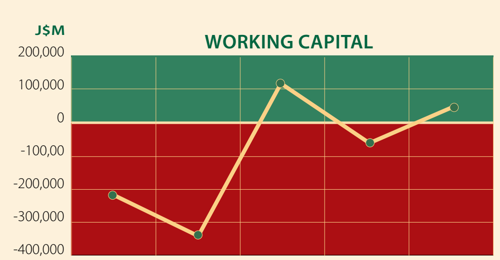
The disappointing performance was as a direct result of the quality problems that surfaced in the first quarter of the year. As a result, the 2006 accounts include a charge of $305m for claims arising out of the inadvertent release of non-conforming cement to the market. In all, just over 1,000 claims have been recognized and a significant number of these have been paid. The remaining claimants are expected to be compensated within the first half of this year. We were able to come to agreement on 93% of the claims received and the balance of claims was either rejected as opportunistic or there has not been agreement on the quantum of the claim value. It is to be noted that when you take into account the subsequent disruptions to our operations, the estimated cost of the incident is estimated at $600m.

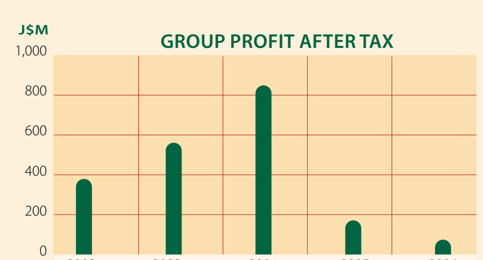
The circumstances that led to this problem have been thoroughly investigated and corrective actions taken to avoid a repetition in the future. Cement sales were suspended in March 2006 for a period of 12 days, during which time the quality control procedures were thoroughly overhauled and corrective maintenance executed on relevant plant and equipment. Since the restart of the cement operations in March 2006, cement dispatched has consistently exceeded all international and local standards. Staffing changes were implemented; the quality management systems overhauled and critical lab equipment has been procured and installed.

Fueled by World Cup cricket projects and the construction of new hotels, the demand for cement in the domestic market grew considerably. During the year, the Government of Jamaica removed the Common External Tariff on cement to promote imports to meet this growing demand. As you may recall, the Antidumping and Subsidies Commission had previously found that the countries from where most of the imports are currently being sourced were dumping product in Jamaica. However, the Carib Cement brand is holding its own in the market place and we expect to continue to do so.

Though the performance of our cement operations has been very disappointing, recording a net loss of [$117.7m], our subsidiary Jamaica and Gypsum Quarries Limited (JGQ), continued to show improvement with revenues and profits growing to $532.8m and $199.0m, respectively, an increase of 25% and 126% respectively over the previous year. Improved productivity led to a 22% increase in gypsum and anhydrite production to 370,526 tonnes, the highest in the history of the Company. Additionally, pozzolan production is well established and JGQ now provides all the pozzolan requirements for Carib Cement.

We have also continued to utilize the port assets, with 358,354 tonnes of third party product being shipped through our facilities in 2006. This represents a 59% increase over the previous year, the majority representing aggregates shipped to neighbouring Caribbean islands, where the numerous infrastructural development projects demanded significant quantities of sand and gravel. While the revenue of $47.3m from this segment of the business is not considered significant, JGQ continues to play its part in facilitating commerce and bringing in much-needed hard currency into Jamaica.





Despite the challenges in our day-to-day operations, we have pressed on with our Expansion and Modernization programme. The upgrade to our solid fuel firing system was completed and in service for most of 2006, during which time we experienced significant efficiency improvements and savings in kiln fuel costs.

The two major elements of the Expansion and Modernization programme, the new kiln and mill (Kiln No. 5 and Mill No. 5 respectively) have been well progressed and the majority of the kiln equipment has, in fact, been received in the country. Construction of the new kiln line commenced in April 2006 and, at the time of writing, the foundation works are substantially completed and the erection of the new line is in progress. The new plant and equipment remain on schedule for start up in 2008.

The upward pressure on costs has also had their impact on the Expansion and Modernization programme. Exacerbated by the poor performance of the cement operations, cash flow management has been extremely difficult all year and our parent company, Trinidad Cement Limited has provided over $600m in working capital advances during the year to ensure continuity of the programme.

HIGHLIGHTS OF THE YEAR

	2006	2005
	$ million	$ million
Turnover	6,730.97	5,999.30
Net Profit	77.17	168.93
Total Net Assets	2,747.57	2,784.18
Dividend Proposed	-	-
Dividend Paid	-	59.58
Profit per stock unit	9 cents	20 cents

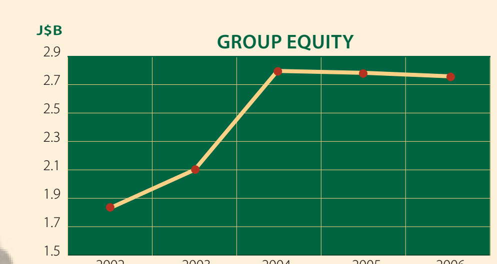
Group equity stood at $2.75b, a marginal decrease of 2% over the previous year. This was due to the amortization of the deferred gain being greater than the net profit for the year.

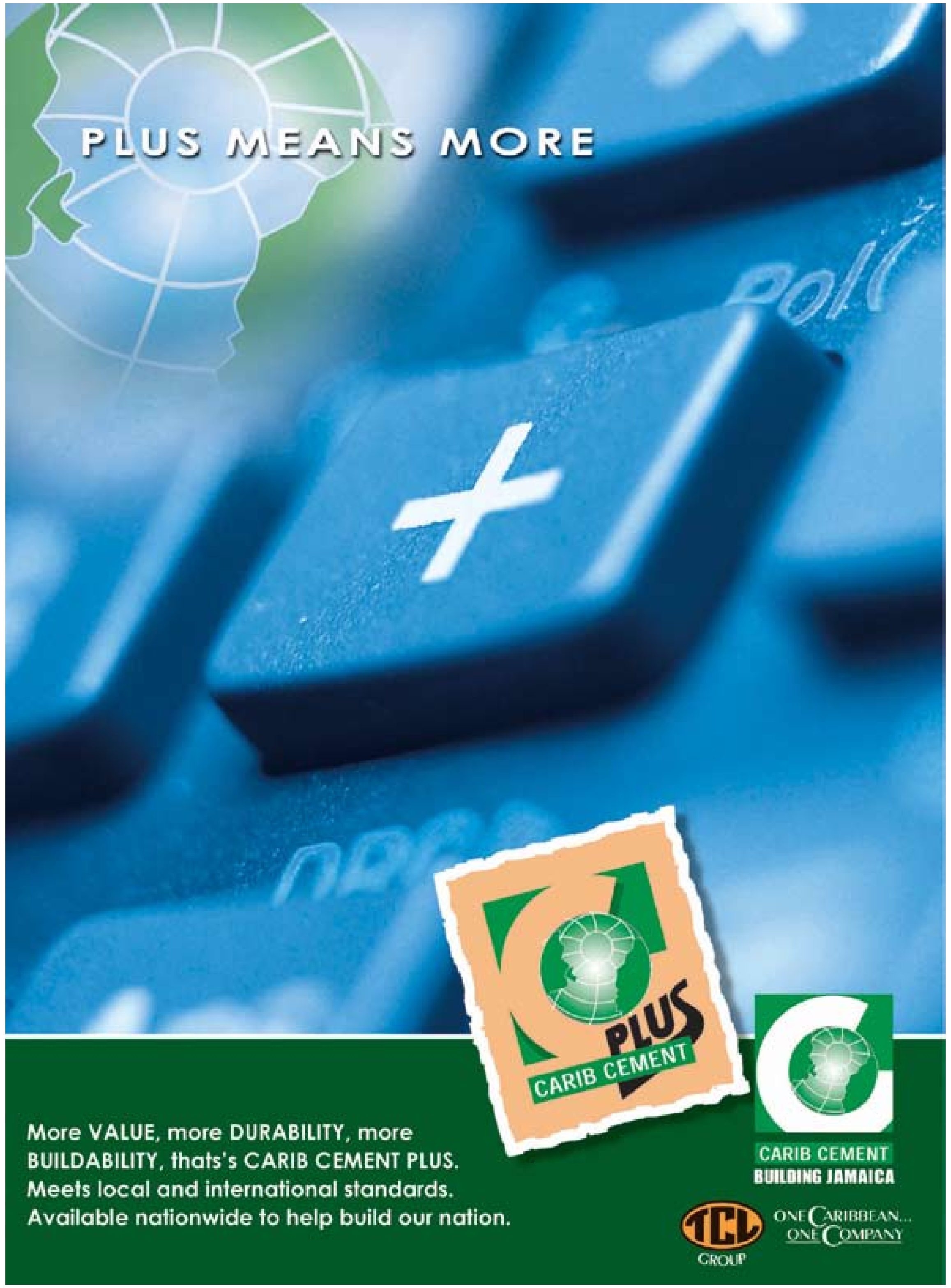
While 2006 was a very disappointing year, the actions taken over the second half of the year have resulted in improvements in our performance and cement operations have returned to generating positive operating profits. The challenges arising from the implementation of the new Information Technology System are also substantially behind us, as evidenced by the timely release of this year's financial results.

Importantly, our employees have demonstrated a strong resolve to recover from the challenges of the recent past and have remained motivated and committed to improving the performance at Carib Cement. As such we expect to arrest the declines of the previous two years and return an improved performance in 2007. We also look forward with great anticipation to 2008 and beyond when the benefits of the Expansion and Modernization programme will begin to be realized.

Given the continuing need to channel all internally-generated funds to the Expansion and Modernization programme, the Board of Directors is unable to recommend a dividend for the year 2006.

BRIAN W. YOUNG
CHAIRMAN





MANAGEMENT DISCUSSION AND ANALYSIS

F.L.A. HAYNES

Carib Cement's consolidated profit after tax of $77.2m represented a decline of 54% over the previous year's performance. The year's performance was overshadowed by the inadvertent release of non-conforming cement in the first quarter of the year. This resulted in significant disruption to production and the supply to the market, with its consequential financial impact. In fact the first two quarters of 2006 recorded loss positions for the Company, which followed the similar performances in the second half of 2005 when the most active hurricane season in history and the ensuing volatility of oil and gas prices undermined the Company's performance. However, the Company was able to implement a Recovery Plan, which saw a return to profitability in the second half of the year.

FINANCIAL PERFORMANCE REVIEW

Revenue

Group revenue increased to $6.7b, a 12% increase over 2005. This was driven by revenue from cement sales which increased by $866.9m over the prior year. The revenue included $1.1b from the sales of 119,032 tonnes of cement imported over the year. Two price increases were implemented, a 11% increase in February and a 15% increase in July. These price corrections addressed the significant rises in input costs that followed the extraordinary increases in energy in the second half of 2005. Nonetheless, the 26% increase in the cost of cement over the past three years has been significantly less than that for the other key building materials, viz. steel, lumber and paint.

Operating Profit

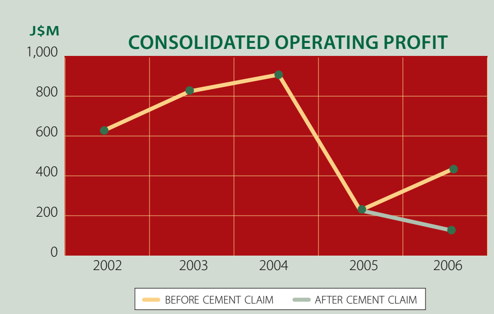
Despite the 12% increase in revenue, operating profit declined by 55% or $127.6m to $117.7m as a result of disruptions in operations and claims arising from the quality incident in the first quarter.

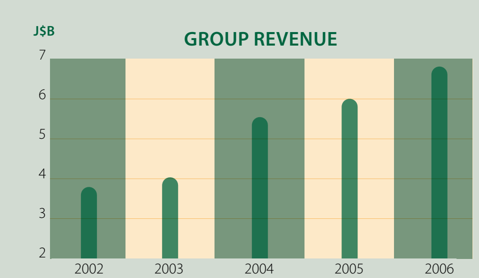
The Company made a provision of $304.5m for the settlement of claims arising from the inadvertent release of non-conforming cement. In order to deal with the complaints from users of cement, the Company set up a team of engineering investigators, expeditors and independent quantity surveyors and developed protocols to review the complaints, determine liability and quantify the degree of liability. Just over one thousand claims were recognized by the Company for building defects arising from the use of this cement. The number of complaints that have not been fully resolved represent less than 7% of the claims received and correspond to either opportunistic claims or instances where the extent of liability was not agreed.

The impact of the quality incident however went beyond the liability for defective product. The Company initiated a recall of its product and sales were suspended for a period of twelve days while corrective actions were taken to the operations. In addition, all clinker and cement in inventory at that time were quarantined, to be reworked with freshly manufactured product to assure the quality of product. This led to increased handling costs and constrained production. The impact of this loss of production and sales to operating profit has been estimated at a further $300m.

Nonetheless, operating profit, before the provision for claims, increased by $176.9m or 72% to $422.2m. In addition to the price corrections to mitigate the inflationary increases in personnel costs, electricity, kiln fuel, mobile equipment and haulage costs, an 11% increase in clinker production and efficiency improvements in the use of kiln fuels led to improved performance.

The imported cement provided no net profits as the Company took a policy decision not to pass on the increased costs for importing cement to its customers in an environment where the market was not fully satisfied.





Liquidity and Cash position

Cash management was extremely difficult during 2006 with production shortfalls, unplanned expenditures for imported cement and the need to settle claims arising from the quality incident. This necessitated continued support from the parent company, Trinidad Cement Limited. Notwithstanding, the Company was able to maintain its cash contribution for the Expansion and Modernization programme and stay within the financial caveats laid down in the loan agreement with the International Finance Corporation.

Market Review

Cement sales for 2006 totaled 843,295 tonnes, which was 3% below the 2005 sales. These sales included 119,032 tonnes of cement imported in the first nine months of the year. Cement was brought in from Cuba, the Dominican Republic, Venezuela and Barbados to meet shortfalls in the first nine months of the year. The major part of this, 63,338 tonnes, came from Cemex and the TCL Group.

The need to suspend sales in March 2006 to correct the quality problems saw cement being in short supply during March and continuing into April and May. Relative stability returned to the market in June. Unfortunately cement capacity in the region was extremely stretched as cricket and other infrastructural projects in the Caribbean created an unheralded demand for the product and cement supply remained tight for much of the year.

The Government of Jamaica suspended the Common External Tariff on cement to encourage importers to bring in product. Three importers brought in 183,833 tonnes of cement and as a result the year ended with an oversupply of cement in the market and extremely high inventories. The imported cement emanated mainly from China and Thailand. It is noteworthy that these countries were previously found to be in breach of free trade practices by the Anti Dumping and Subsidies Commission.

Total sales to the domestic market increased by 4% to 903,619 tonnes for the year. Carib Cement therefore held 93% of the market share.

OPERATIONS REVIEW

Health, Safety and the Environment

There were two lost time accidents for the year involving permanent employees, a 100% improvement over the previous year.

Environmental performance, as measured by total dust fallout, also improved. More significantly, the documentation for the ISO14001:2004 Environmental Management System (EMS) was completed and the management programme operationalized. In January 2007, the Company received certification for its ISO14001:2004 programme from an internationally approved Registrar.

Quality Assurance

The production and release of non-conforming cement necessitated a complete overhaul of the Company's quality control and quality assurance procedures. The laboratory procedures have been reviewed and overhauled and staffing changes implemented. In addition, the Company has purchased several new pieces of testing equipment plus on-line analytical and control equipment that provides real time quality control of certain key processes. Following the problems experienced with cement quality early in the year, all dispatched cement exceeded the relevant quality standards.

Steps have also been taken to have the Company's Quality Management System become compliant with ISO9001:2000. A quality management consultant was engaged and the process towards certification has commenced. The Company is targeting to become ISO9001:2000 certified in the third quarter of 2007.

Cement Production

Cement production totaled a disappointing 760,815 tonnes, which was 10% below the prior year's performance. This falloff was as a result of the quality incident, as previously described.

Clinker production however was 11% over the prior year, totaling 604,174 tonnes, the second highest annual production in the history of the company. A kinder hurricane season and a US$3m upgrade to the kiln solid fuel system resulted in improvements in fuel efficiency and production increases.

Jamaica Gypsum and Quarries

The gypsum operations continued to show improvements and sustained profitability. Production for the year amounted to 370,526 tonnes of gypsum/anhydrite, a 23% increase over 2005 and the highest production in the history of the Company. Pozzolan mining continued with 134,343 tonnes, an increase of 56% over the previous year, being produced for the cement operations. No pozzolan imports were made during the year.

The port continued to facilitate exports of aggregates and other products to the Eastern Caribbean, with 358,354 tonnes of product being exported.

HUMAN RESOURCE MANAGEMENT

A total of 878 man-days of training were delivered during the year at a cost of $8.4m. This represents an average of 2.9 man-days per employee. The training programme maintained its focus on managerial and leadership development to prepare the organization for the expanded and modernized plant. In collaboration with the HEART Trust/NTA, a significant technical development programme was completed during the year that improved skill levels and provided certification for our artisans.

The Company continued to recognize its outstanding employees for performance, academic achievements, sport, creativity and innovation. As a result 108 employees were recognized under the Reward and Recognition programme and the total payout for awards was just over $2m.

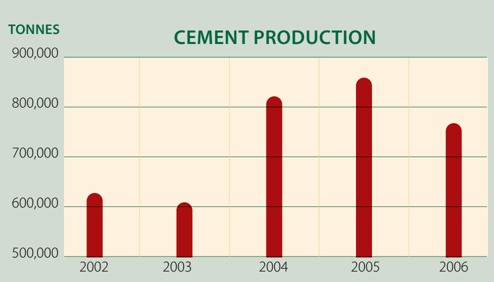
Community Relations

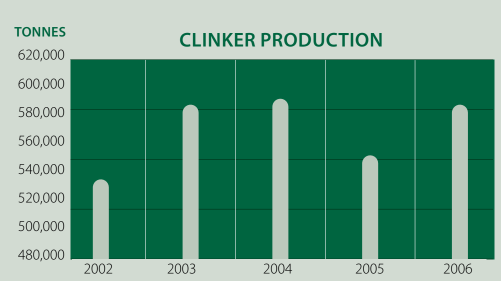
Despite the cash flow challenges associated with the performance issues in 2006, the Company continued to demonstrate its social responsibility by maintaining its outreach programmes, albeit on a scaled back level. Key beneficiaries included the MultiCare Foundation, Missionaries of the Poor, the Jamaica Under19 cricket team, the Jamaica Institution of Engineers, a Community Summer Camp for school children and a Community Back to School Programme.

Significantly, the Company, in partnership with HEART Trust/NTA, facilitated training in construction skills, safe work practices, painting, masonry, steel bending, carpentry, welding and mechanical fitting for members of our stakeholder communities. This was well received and over 300 persons availed themselves of the programme. Over 200 certified graduates of this programme have found employment on the construction site for the new kiln line.

Expansion & Modernization Programme

The Expansion and Modernization Programme continued over the year with several key milestones being achieved. First, the upgrade to the solid fuel system for the kilns was completed and delivered exceptional results. The use of bunker C as a kiln fuel was restricted to 2% over the year and Pet Coke was introduced on the Kiln no.3 line. After many years, the coal plant is now operating at world class efficiencies.





The majority of the new 2,800 tonnes per day pyroprocessing plant and machinery, being provided by F.L. Smidth Inc. was received during the year. The concrete foundation works are substantially completed and the erection of the new kiln line has started. Orders for the supply of electrical equipment, structural steel and refractory were placed during the year. The new kiln is on schedule for start up in the first half of 2008.

The new kiln line, Kiln No. 5, will see the retirement of Kiln No. 3, the existing wet process line, and the temporary shut down of Kiln No.4, which will be refurbished and upgraded thereafter. The new kiln line will deliver significant improvements in environmental performance and energy efficiency, and we will see a doubling of the plant's clinker manufacturing capability when the refurbished Kiln No.4 restarts.

The order for the new mill line, Mill No.5, was also placed during the year with Loeshe Inc. and some of this equipment has already arrived in the island. The engineering to develop the construction and installation details is currently in progress. The new cement milling plant is carded for start up in the second half of 2008.

OUTLOOK FOR 2007

Robust demand growth, accelerated capacity additions and improving supply to demand dynamics are the terms that best described the world market for cement during 2006. World demand grew 10% in 2006, half of which was generated by China, and the outlook for 2007 is much the same with growth forecast at 7–8%. Significant growth is also expected from emerging markets, particularly those with oil-based economies.

The immediate supply outlook for 2007 is one of improvement across the globe. Cement prices, however, which remained strong during 2006, are expected to continue to rise globally in 2007.

While the Cricket World Cup projects are now completed, the domestic market is expected to continue to expand with GDP growth projected at 2–3% for 2007. There are several private and public sector infrastructure and tourism projects underway, which, underpinned by the continuing need for housing, will see continued growth in this sector.

Local demand will continue to exceed the plant's productive capacity and the market will require continuing imports during the year. The majority of this will be provided by competitor importers but Carib Cement will also bring in a certain quantity to meet special needs.

2007 represents a transition for Carib Cement from an aged, unreliable plant to new levels of environmental and energy efficiencies and reliabilities to be achieved during 2008. The quality and operational problems of 2006 have been resolved and the focus will be on optimizing the productive capacity to take advantage of the buoyant market conditions. In a competitive environment, the Carib Cement brand has remained resilient and the Company will continue to work with its various stakeholders and back its product with good service to hold its dominant market position.

Internally, special focus will continue on developing the necessary competencies to embrace the new technology and ensure a successful start-up and operation of the new plant. We will continue to partner with the HEART Trust NTA towards honing artisan skills. Specific programmes have been developed with the Original Equipment Manufacturers and an e-learning hub established with the Portland Cement Association to expose a wide cross-section of our employees to the new precalciner and vertical roller mill technology that the new plant will employ.

F.L.A. HAYNES
GENERAL MANAGER

THE SENIOR MANAGEMENT GROUP

AS AT 31 DECEMBER 2006


ANTHONY HAYNES

FRANCIS L.A. 'TONY' HAYNES, General Manager, has more than twenty-five years work experience at varying levels of responsibility in the manufacturing and energy industries in Trinidad, Guyana and the Eastern Caribbean. He also held the position of General Manager at the Trinidad Cement Limited from 1998 to1999. He has developed an excellent track record for fostering high performing teams that exceed operational and financial targets. He is an electrical and electronic engineer and a graduate of the University College London, London University.


JINDA MAHARAJ

JINDA MAHARAJ, an engineer by profession, is the Operations Manager. He has been a member of the TCL Group for the past eighteen years and has functioned at various executive positions at all three cement manufacturing plants. His professional interests have allowed him to be of service in planning, operations and materials management.


ORVILLE HILL

ORVILLE HILL, Finance Manager, is a Fellow of the Association of Chartered Certified Accountants and has been with the Company since 1999. He has held senior positions and contributed to the financial and strategic management of several major companies. He is a graduate of the University of Technology, Jamaica and a post graduate of the University of Wales and Manchester Business School.


ALICE HYDE

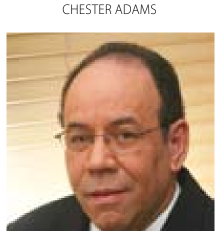
ALICE HYDE, Marketing Manager, has held several senior positions within the Sales and Marketing and Business Development Departments of the Company throughout her tenure of sixteen years. She has acquired extensive knowledge in the marketing of products in the Jamaican and Caricom markets. In 2006, she acted in the position of General Manager, International Business and Marketing at the TCL Group Corporate Office in Trinidad. She was integral to the turnaround and revitalization of the Jamaica Gypsum & Quarries Limited. She is a graduate of the University of the West Indies and a post graduate of the University of Florida.


DALMAIN SMALL

DALMAIN SMALL, Human Resources Manager, is responsible for the optimization of Human Capital, and has been employed to Carib Cement since 1988. He is a graduate of the University of the West Indies, Mona.


CHESTER ADAMS

CHESTER ADAMS, Planning and Development Manager, has held several senior positions within Carib Cement throughout his tenure of sixteen years. He has significant experience in quality, production and project management. He also played a vital role in the turnaround and revitalization of the Company in 2002. He studied chemistry and business administration and is a graduate of the University of the West Indies, Mona and a post graduate of the University of New Orleans.


HAYDEN FERREIRA

HAYDEN FERREIRA, TCL Group Manufacturing Development Manager, is the Projects Director for both the kiln and mill expansion projects at Carib Cement and the fuel conversion project at Arawak Cement in Barbados. He is a mechanical engineer with an MBA, and has extensive experience in the management of projects and manufacturing operations in energy-related industries. He has been a member of the TCL Group for the past eighteen years.


BRETT JOHNSON

BRETT JOHNSON, Manufacturing Manager, is an electrical and electronic engineer and has been with the Company for thirteen years. He has held a number of positions in the Company including Senior Engineer and Electrical Engineer. He is a graduate of the University of the West Indies, Mona and a post graduate of City College, New York.


SHAUN LAWSON-LAING

SHAUN LAWSON-LAING, Company Secretary/Manager Legal and Corporate Services, is responsible for administering the corporate functions of the Company and providing support services for the Board of Directors. She has over twelve years experience in the legal profession and joined the Company in October 2006. She is a graduate of the University of the West Indies, Cave Hill and a post graduate of Dalhousie University, Nova Scotia, Canada.


NOEL MCKENZIE

NOEL MCKENZIE, Quarries Manager, has responsibility for all the quarries owned by the Company, in addition to the Jamaica Gypsum and Quarries Limited (JGQ). He has more than eight years experience in mining operations and was instrumental in the successes over the past three years of JGQ. He is a Geology graduate of the University of the West Indies, Mona and a Mining Geology post graduate of Cambourne School of Mines, University of Exeter, UK.


RAYMOND MITCHELL

RAYMOND MITCHELL was promoted to Quality Manager in September 2006. He is a mechanical engineer and joined the Company in 1995 as a Control Room Operator. He has also held positions as a Team Leader for the production shift crew and a Manufacturing System Specialist. He was a member of the task force team for the Manufacturing Excellence Transformation (MET) Programme where he played a vital role in improving the effectiveness and efficiency in the Company's operations. He is a graduate of the University of Technology, Jamaica.


ADRIAN SPENSER

ADRIAN SPENCER, Materials Manager, has over fifteen years experience in the cement and concrete industries having held several positions within the TCL Group at Carib Cement, Jamaica Gypsum and Quarries Limited and Readymix (West Indies) Limited in Trinidad. His experience spans marketing, distribution, project management and procurement and inventory management. He is a graduate of the University of the West Indies, Mona and a post graduate of Pace University, New York.


GODFREY STULTZ

GODFREY STULTZ, Engineering Services Manager, is a mechanical engineer and has worked with the Company for seventeen years. He has worked in various positions in the Company including Engineer and Shift Manager for Operations. He is a graduate of City College, New York.


KEN WILTSHIRE

KEN WILTSHIRE, Project Manager for the Kiln No. 5 Project, is an engineer and has been employed to the TCL Group for twelve years. His professional experience spans project planning, maintenance and production management. He played a significant role in the successful environmental upgrades at Trinidad Cement Limited and the turnaround to profitability of the Jamaica Gypsum and Quarries Limited. He is a graduate and post graduate of the University of the West Indies, St. Augustine.

SUBSIDIARY COMPANIES

JAMAICA GYPSUM & QUARRIES LIMITED (JGQ)

Registered Office: Rockfort, Kingston
Postal Address: P.O. Box 11, Rockfort, Kingston 2
Tel: (876) 928-6102/6 / Fax: (876) 938-7010

Jamaica Gypsum & Quarries Limited, a wholly owned subsidiary, was acquired from the National Investment Bank of Jamaica in 1990 as part of the Company's strategy to control its major sources of raw material. JGQ is one of the main producers of gypsum and anhydrite in the region and most of its products are exported to markets in South America and the Caribbean.

ROCKFORT MINERAL BATH COMPLEX LIMITED

Registered Office: Rockfort, Kingston
Postal Address: P.O. Box 208, Rockfort, Kingston 2
Tel: (876) 928-6231-5 / Fax: (876) 928-7381

In 1992, Rockfort Mineral Bath Complex Limited was incorporated as a wholly-owned subsidiary of Carib Cement, to restore the historical site and operate the spa as one of the Company's community outreach programmes. The site is a national monument under the aegis of the Jamaica National Heritage Trust. In the year 2000, the facilities were sublet to a third party as a part of Carib Cement's restructuring process aimed at focusing on its core business. The operations continued on this basis throughout the year 2005.

Board of Directors

JGQ Limited and Rockfort Mineral Bath Complex Limited

Brian Young, Chairman	Rollin Bertrand
Hollis Hosein	Parris Lyew-Ayee
Leopoldo Navarro	Yusuff Omar
Judith Robinson	Paul Stockhausen
Ernest Williams	

Senior Officers

F.L.A. Haynes, General Manager
Orville Hill, Finance Manager
Shaun Lawson-Laing, Company Secretary

CARIBBEAN GYPSUM COMPANY LIMITED

Registered Office: Rockfort, Kingston
Tel: (876) 928-6231-5 / Fax: (876) 928-7381

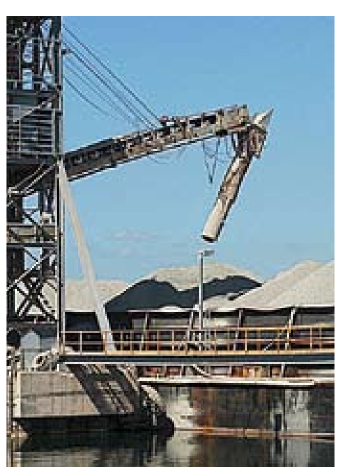
Caribbean Gypsum Company's major asset is its 167 acres of gypsum/anhydrite quarry lands, which considerably enhance the reserves of raw material available to the Carib Cement Group. There is no quarrying or trading at this time.

Board of Directors

Brian Young, Chairman
Rollin Bertrand
Yusuff Omar
Paul Stockhausen

Senior Officer

Shaun Lawson-Laing, Company Secretary



A COMMITMENT TO QUALITY

In 2006 Carib Cement recommitted to ensuring that only products of the highest quality are released on the market. The integrity of each bag of cement that leaves the plant is the responsibility of the Quality Department led by Quality Manager Raymond Mitchell.

IMPLEMENTING THE QUALITY MANDATE

The Quality Department is at the centre of Carib Cement's quality management system. It ensures quality control as well as quality assurance at all times, at every stage of the manufacturing process during its 24/7 operation. It sets the quality targets, based on local and international standards and requirements, which must be adhered to. This requires consistent monitoring and testing to detect any non-conformance(s). Where non-conformances are identified the necessary corrective action(s) required to bring the process, and product quality within specifications are made.

A quality product begins with quality ingredients. Consequently, all the raw material acquired for the manufacturing process are tested in-house, at the Quality Department. The basic raw materials, including limestone, shale, pozzolan and gypsum are checked against product specifications for the right composition at each quarry before they are transported to the plant, where they are again tested before usage. All tests are done in accordance with the American Standard for Testing and Material (ASTM) as well as the Bureau of Standards of Jamaica (BSJ) testing regime and standards for Ordinary Portland Cement and blended cement.

CREATING THE RIGHT TEAM

The success of any unit relies most heavily on the nature of the implementing team. Consequently, Carib Cement is rigorous in the selection of personnel to serve in the very sensitive area of quality control. In recruiting personnel, the Quality Department looks for people with a science background preferably with training in chemistry. A BSc Degree or UTech Diploma in Chemistry or its equivalent is preferred. The minimum requirement is a Utech Diploma/Certificate in Laboratory Technician, or its equivalent. Apart from the obvious academic training, individuals must be meticulous, show initiative and pay attention to detail as the quality of the product is based on the integrity of the team entrusted to protect it.

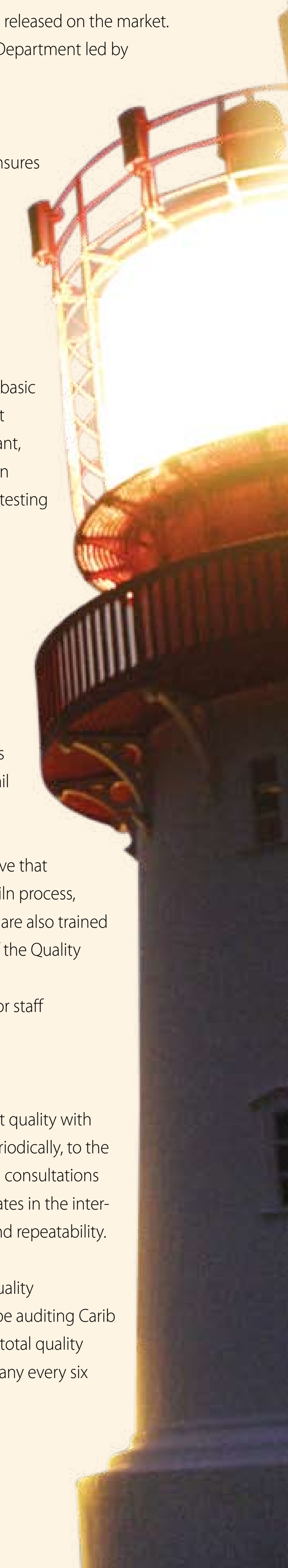
All members of the Quality Department meet these criteria. In addition, training and upgrading of skills continues for the career life of Carib Cement's technical staff. It is imperative that staff is trained in all aspects of cement technology and cement manufacturing such as the kiln process, clinker microscopy, concrete and cement chemistry and quality control among others. They are also trained to use the sensitive, state-of-the art equipment installed to aid in the efficient functioning of the Quality Department.

Experts from overseas are sometimes brought in to conduct training courses in-house, or staff member(s) are sent abroad to conferences/seminars and other types of training.

MAINTAINING INTERNATIONAL STANDARDS

Carib Cement's performance is consistently monitored and measured by comparing product quality with similar operations regionally and internationally. This is done by sending samples abroad, periodically, to the Construction Technology Laboratory, an American company which offers expert service and consultations in laboratory testing and process control in the cement industry. Carib Cement also participates in the inter-laboratory testing regime among other laboratories regionally to check for reproducibility and repeatability. This is to ensure that accuracy and precision of test results are maintained at all times.

The Company is currently seeking ISO 9001:2000 and the BSJ Mark Certification for its quality management system. This means that these international quality measurement bodies will be auditing Carib Cement's systems for conformance with world standards for good manufacturing practices, total quality management and quality assurance in all aspects of its operations. They will audit the Company every six months to ensure sustainability of the quality system.



PLANT EXPANSION AND MODERNIZATION FOR CUSTOMER SATISFACTION

Kiln No. 5, the centrepiece of Carib Cement's modernization and expansion programme, is on target for completion in mid-2008. The kiln, a world-class, state-of-the-art clinker production plant, will more than double the Company's capacity, moving it from the current 650,000 metric tonnes per year to 1.2 million metric tonnes. Clinker, the main ingredient of cement, is produced by burning raw materials (limestone and shale) in a kiln at temperatures over 2/600 degrees Fahrenheit. Currently the Company has to import 100,000 metric tonnes in order to satisfy its cement production levels. On completion of Kiln No. 5, not only will Carib Cement meet all its clinker requirements internally, it will be able to export this commodity.

Currently, more than 75 per cent of the civil construction works, i.e infrastructure, foundations and support structures, of Kiln No. 5 is complete. The Company's premium product Carib Cement Plus was used in the construction which required the pouring of approximately 12,000 cubic metres of concrete, all of which was completed without concrete cracking or any of the thermal issues which are commonplace in mass foundations. In addition the construction involved the installation of 1,100 tonnes of reinforcing bar and the erection of 3,500 tonnes of structural steel. Kiln No. 5 has been designed and built in accordance with the most modern building codes in terms of wind and earthquake resistance and utilises the most modern equipment technology.

The major components of Kiln No. 5 are:

- An FRM 38/90 vertical roller mill for grinding the raw material used in clinker production.
- A 7,000 metric tonne slip form concrete silo for storage of raw material
- A 100-metre tall pre-heater tower housing a four-stage suspension pre-heater with an inline Low-NOx (nitrogen oxide) Calciner
- A two-pier rotary kiln with a hydraulic friction drive
- An SF 3x4 Crossbar cooler, with a hydraulic roll breaker for heat recovery and cooling of clinker for handling
- A kiln/mill and cooler vent fabric filters which will bring dust collection to world-class performance standards.

Installation of equipment has already begun with 90 per cent of the major components stored on site.

World-class Environmental Performance

One of the primary benefits of the modernization programme is that it will bring the Company's environmental performance to world-class standards. This will be achieved through the installation of new state-of-the-art equipment with the ability to control dust, nitrous oxide and sulphur oxide emissions, some of the hazards which accompany cement manufacturing, well within local and international requirements.

- Kiln No. 5 will be fitted with a fabric filter which will bring dust collection to world-class performance standards. The electrostatic precipitator on the Kiln No. 4 will also be replaced with a fabric filter resulting in enhanced performance in this kiln as well.
- The low NOx calciner and low NOx burners in Kiln No. 5 and the installation of a low NOx burner in Kiln No. 4 will allow the plant to consistently meet local and international standards for nitrous oxide emissions.
- The calciner is designed to be a sulphur dioxide (SO2) scrubber with efficiencies ranging over 90 percent.. When exhaust gases are passed through the in-line mill system 50 to 70 per cent of the remaining SO2 will be removed.
- Kiln No. 5 which utilises a new dry process calcinatory system will replace the wet process Kiln No. 3, resulting in significant reductions in the consumption of water, power and fuel.

Community Benefits

By the end of the modernization programme Caribbean Cement Company will have invested over J$15M in certifying members of the surrounding communities in construction skills. The Company's Community Skills Training Programme is carried out in association with the HEART Trust/NTA which conducts training, evaluation and certification of participants. To date, approximately 300 persons have graduated from the programme and some are now employed to the Company.

National Benefits

The construction of Kiln No. 5 has utilised engineering and construction professionals at varying levels. A local engineering firm, ADeB Consultants Limited, was contracted to perform all the oversight engineering for the project and to provide quality assurance for the construction works. Local firms have also been commissioned for project development work such as Environmental Impact Assessments and Air Dispersion modelling.

The investment of US$133 million in the modernization programme will allow Carib Cement to become more efficient, cost-effective and competitive with the ability to successfully compete in the global environment.

Interior view of 7,000-tonne Raw Meal Silo under construction

CELEBRATING EXCELLENCE

General Manager, Anthony Haynes, front row, centre, takes a photo opportunity with top departmental performers and winners of the General Manager's Awards.

The Creativity and Innovation Award was won by (from second right) Kenneth Anglin, Nicholas Maitland, Lionel Dillon and Sheldon Hanson. Hayden Ferreira (far right) Project Director for both the Kiln and Mill Expansion Projects, made the presentation. Absent were: Rohan Anderson and Samuel Willon.

The Sales & Marketing Department won the Best Department Award. Paul Stockhausen, Carib Cement Director, presents the trophy to Alice Hyde, Marketing Manager.

CELEBRATING EXCELLENCE

LEFT Carib Cement's Employee of the Year and Winner of the Chairman's Award, Gary Ferguson, proudly hoists his trophy while Chairman Brian Young looks on with approval.

RIGHT Gary Ferguson (left) receives the Award for Community Service from Legal & Corporate Services Manager, Shaun Lawson-Laing.

LEFT Lancelot Neil (left) receives the Award for Academic Achievement from Finance Manager, Orville Hill.

RIGHT Shane Matthews (left) receives the Award for Sport from Materials Manager, Adrian Spencer.

PARTNERING WITH THE COMMUNITY

Carib Cement/JGQ's $15m per year Bull Park River Maintenance Project. The Company in partnership with the National Works Agency (NWA) keeps the waterway clean and clear.

Labour Day project team at work at the Bull Bay All Age School.

CARIB CEMENT
AN EQUAL OPPORTUNITY EMPLOYER

Sunita Francis, Heavy Duty Haulage Truck Driver.

When Sunita Francis, office attendant at Carib Cement, decided to follow her dream of becoming a heavy-duty haulage truck driver, she was given the go-ahead by her superiors who paved the way for her to undergo the necessary one-year period of training.

Since May 2005, petite, 5'4" Sunita has had the distinction of being the only female member of this male-dominated team. Undaunted by the gigantic machine she operates, she has worked shoulder-to-shoulder with the men transporting limestone from the quarry to the storage facility at the plant by day and by night in this 24/7 industry.

How does Sunita find working with the men? "I am like a sister to some and like a daughter to others. They are very protective of me. The team spirit here at Carib Cement is very strong. We look out for each other" she says.

Safety is of paramount importance at Carib Cement, and haulage is one of the more hazardous operations where the safety regulations must be meticulously observed. Sunita, like all haulage truck drivers must attend a safety meeting at the start of each shift. She also has to inspect the truck to ensure safety for herself and her co-workers. Checks on tyres, air pressure, fuel level, lights, brakes are all routine tasks that she must perform daily.

Sunita notes, "I am grateful to Carib Cement for being an equal opportunity employer. I received every encouragement from my managers. They did everything to help me achieve my goal. They sent me on training and were happy to make the necessary alterations in terms of changing and restroom adjustments that were necessary to facilitate a woman in a previously all-male department".

Sunita Francis and Carib Cement, boldly embracing the opportunities of a modern, world-class, twenty-first century organization.

TEN YEAR FINANCIAL SUMMARY
(In $'000 except for items *)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
SALES	6,730,968	5,999,295	5,452,759	4,016,643	3,676,266	3,160,402	3,078,031	2,917,558	2,713,736	2,514,314
Profit/(Loss) before taxation and Extraordinary Items	363,348	215,451	859,012	632,300	526,083	394,409	388,146	(788,147)	(2,169,048)	(473,736)
Cement Claims	(304,539)		-	-	-	-	-	-	-	(17,777)
* Taxation (1997 restated for comparison)	18,357	(46,524)	(16,651)	(177,416)	(146,617)	(100,567)	(102,220)	257,952	313,927	57,719
Net Profit/(Loss) (1997 restated for comparison)	77,166	168,927	842,361	454,884	379,466	293,842	285,926	(530,195)	(1,855,121)	(433,794)
*Net Profit/(Loss) per Share	0.09	0.20	0.99	0.53	0.45	0.35	0.34	(0.83)	(4.40)	(1.03)
Cash Distribution/ Dividend Proposed	-	-	59,580	59,580	42,557	42,557	-	-	-	42,204
*Cash Distribution/ Dividend per Share	-	-	0.07	0.07	0.05	0.05	-	-	-	0.10
Shareholders Equity	2,747,573	2,784,182	2,771,121	2,102,115	1,820,586	1,664,238	1,526,460	1,398,265	(520,925)	1,648,124
*Share Holders' Equity Per Share	3.23	3.27	3.26	2.47	2.14	1.96	1.79	1.64	(1.23)	3.91
Capital Expenditure - Other	37,246	83,605	120,211	368,178	38,225	75,219	186,855	10,857	589,746	-
Capital Expenditure - CWIP	966,303	819,523	269,743	98,372	121,694	77,899	-	35,048	322,847	671,906
Depreciation	273,467	262,190	269,380	217,488	191,034	175,932	180,506	195,475	239,932	-
Working Capital	50,968	(53,261)	118,665	(346,746)	(229,247)	(592,808)	(752,754)	(821,835)	(3,703,722)	(1,544,228)
Property Plant & Equip't Before Dep'n	6,214,072	5,222,734	4,319,606	3,979,743	3,655,789	3,498,180	3,343,802	3,199,414	5,210,495	5,366,879
Long Term debt	12,288	10,248	9,315	9,013	558	81,745	179,011	270,782	783,334	1,278,481
*Cement imported (tonnes)	119,032	-	-	-	12,311	-	95,236	116,915	-	-
*Clinker imported (tonnes)	77,520	101,434	41,192	-	53,564	39,852	-	-	-	80,019
Pozzalan Imported (tonnes)	-	114,812	35,319	4,200	-	2,487	-	-	-	-
*Production										
Cement	760,815	844,843	808,070	607,682	613,981	596,247	521,344	501,148	557,991	588,288
Clinker	604,174	542,114	605,814	600,980	532,140	511,598	528,134	463,962	505,575	456,891
*Cement Sold - tonnes										
Local	843,295	862,400	800,354	589,433	620,319	594,669	603,962	601,367	557,729	575,323
Export	-	2,762	3,501	16,058	4,912	4,815	-	227	14,672	16,013
TOTAL	843,295	865,162	803,855	605,491	625,231	599,484	603,962	601,594	572,401	591,336

SAFETY AND SECURITY

The idea behind Carib Cement

We are here to provide not just a safe haven,
but lasting safety and security.
A wall, a fence, a roof, your home.
Anything built with Carib Cement, rock solid

CARIB CEMENT
BUILDING JAMAICA

A COMMITMENT TO MORE THAN JUST CEMENT

ERNST & YOUNG
Chartered Accountants

8 Olivier Road,
Kingston 8
Jamaica

Phone: (876) 925-2501
Fax: (876) 755-0413

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Caribbean Cement Company Limited and its Subsidiaries

We have audited the accompanying financial statements of Caribbean Cement Company Limited and its Subsidiaries (the "Group") and Caribbean Cement Company Limited (the "Company") which comprise the consolidated and company balance sheets as at 31 December 2006, and the related consolidated and company statements of earnings, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and the fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial positions of the Group and the Company as at 31 December 2006, and of the Group's and the Company's financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Additional Requirements of the Companies Act
We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements are in agreement with the accounting records, and give the information required by the Companies Act in the manner so required.

Ernst & Young
Chartered Accountants
Kingston, Jamaica

16 March 2007

Partners: Allison Peart, Linval Freeman

Consolidated Balance Sheet
As at 31 December 2006
(Expressed in Jamaican Dollars)

	Note	2006 $'000	2005 $'000
NET ASSETS			
Non-current assets			
Property, plant and equipment	12	4,006,022	3,281,130
Goodwill	13	17,489	17,489
Due from related party	18	-	283,091
Deferred tax asset	8	41,793	137,508
		4,065,304	3,719,218
Current assets			
Inventories	16	1,701,558	1,221,632
Receivables and prepayments	17	317,767	350,445
Due from related companies	18	1,677	13,556
Taxation recoverable		43,576	43,183
Cash and cash equivalents	19	66,638	103,266
		2,131,216	1,732,082
Current liabilities			
Bank overdraft	20	140,078	110,266
Payables and accruals	21	849,660	903,537
Due to parent and related companies	22	491,758	436,099
Short-term loans	24	589,442	323,231
Current portion of long-term loans	25	9,310	12,210
		2,080,248	1,785,343
Working capital surplus (deficit)		50,968	(53,261)
Non-current liabilities			
Due to parent and related companies	22	1,034,299	435,200
Long-term loans	25	12,288	10,248
Deferred tax liability	8	322,112	436,327
		1,368,699	881,775
TOTAL NET ASSETS		2,747,573	2,784,182

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet
As at 31 December 2006
(Expressed in Jamaican Dollars)

	Note	2006 $'000	2005 $'000
STOCKHOLDERS' EQUITY			
Share capital	26	1,808,837	425,569
Reserves		637,210	1,943,312
		2,446,047	2,368,881
Deferred gain	7	301,526	415,301
GROUP EQUITY		2,747,573	2,784,182

The accompanying notes form an integral part of these financial statements.

On 16 March 2007, the Board of Directors authorised these financial statements for issue.

……………………………………Director ……………………………………Director
Dr. Judith A. Robinson Paul Stockhausen

Consolidated Statement of Earnings
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

	Note	2006 $'000	2005 $'000
Revenue	3	6,730,968	5,999,295
Operating profit before cement claims	3	422,215	245,293
Cement claims	4	(304,539)	-
Operating profit		117,676	245,293
Finance costs – net	6	(58,867)	(29,842)
Profit before taxation		58,809	215,451
Taxation	8	18,357	(46,524)
Profit after taxation	9	77,166	168,927
		Cents	Cents
Earnings per ordinary stock unit	10	9	20

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

	Share premium $'000	Revaluation reserves $'000	Realized capital gain $'000	Accumulated losses $'000	Total reserves $'000	Share capital $'000	Total capital & reserves $'000
Balance as at 31 December 2004	1,383,268	147,578	737,007	(433,888)	1,833,965	425,569	2,259,534
Net profit for the year	-	-	-	168,927	168,927	-	168,927
Transfer of realized gain (Note 7)	-	-	113,775	(113,775)	-	-	-
Amortisation for the year (Note 27)	-	(47,462)	47,462	-	-	-	-
Dividends paid (7 cents per share)	-	-	-	(59,580)	(59,580)	-	(59,580)
Balance as at 31 December 2005	1,383,268	100,116	898,244	(438,316)	1,943,312	425,569	2,368,881
Net profit for the year	-	-	-	77,166	77,166	-	77,166
Transfer of realized gain (Note 7)	-	-	113,775	(113,775)	-	-	-
Amortisation for the year (Note 27)	-	(47,462)	47,462	-	-	-	-
Transfer (Note 26)	(1,383,268)	-	-	-	(1,383,268)	1,383,268	-
Balance as at 31 December 2006	-	52,654	1,059,481	(474,925)	637,210	1,808,837	2,446,047

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

	2006 $'000	2005 $'000
Cash flows from operating activities		
Profit before taxation	58,809	215,451
Adjustments for:		
Depreciation	273,467	262,190
Amortisation of deferred gain	(113,775)	(113,775)
Loss (gain) on disposal of property, plant and equipment	684	(354)
Interest income	(16,609)	(11,364)
Interest expense	26,270	55,777
Unrealised foreign exchange losses	42,838	29,503
	271,684	437,428
Increase in inventories	(479,926)	(318,600)
Decrease in receivables and prepayments	33,092	64,974
Decrease (increase) in due from related companies	294,970	(32,766)
(Decrease) increase in payables and accruals	(66,679)	370,941
Decrease in due to parent and related companies	(86,416)	(86,336)
Cash generated from operations	(33,275)	435,641
Interest received	16,609	3,710
Interest paid	(23,342)	(55,240)
Taxation paid	(536)	(207,188)
Net cash (used in) generated from operating activities	(40,544)	176,923
Cash flows from investing activities		
Additions to property, plant and equipment	(1,003,549)	(911,165)
Proceeds from disposal of property, plant and equipment	4,506	4,348
Net cash used in investing activities	(999,043)	(906,817)
Cash flows from financing activities		
Loans received	740,926	534,569
Repayment of loans	(475,575)	(209,042)
Dividends paid	-	(59,580)
Related party loans	707,796	435,200
Net cash provided by financing activities	973,147	701,147
Decrease in cash and cash equivalents	(66,440)	(28,747)
Net cash and cash equivalents - beginning of year	(7,000)	21,747
Net cash and cash equivalents – end of year	(73,440)	(7,000)
Represented by:		
Cash and short-term deposits	66,638	103,266
Bank overdraft	(140,078)	(110,266)
	(73,440)	(7,000)

The accompanying notes form an integral part of these financial statements.

Company Balance Sheet
As at 31 December 2006
(Expressed in Jamaican Dollars)

	Notes	2006 $'000	2005 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	3,828,631	3,093,642
Investment in subsidiaries	14	89,310	103,010
Due from subsidiaries	15	309,323	558,226
Due from related company	18	-	283,091
		4,227,264	4,037,969
Current assets			
Inventories	16	1,663,212	1,216,020
Receivables and prepayments	17	296,154	314,085
Due from related companies	18	1,677	13,556
Taxation recoverable		43,576	43,183
Cash and cash equivalents	19	50,284	101,014
		2,054,903	1,687,858
Current liabilities			
Bank overdraft	20	140,078	108,582
Payables and accruals	21	819,821	869,135
Due to parent and related companies	22	498,668	443,221
Due to subsidiary	23	275,030	-
Short-term loans	24	314,412	323,231
Current portion of long-term loans	25	9,310	12,210
		2,057,319	1,756,379
Working capital deficit		(2,416)	(68,521)
Non-current liabilities			
Due to parent and related companies	22	1,034,299	435,200
Long-term loans	25	12,288	10,248
Deferred tax liability	8	322,112	436,327
		1,368,699	881,775
TOTAL NET ASSETS		2,856,149	3,087,673

The accompanying notes form an integral part of these financial statements.

Company Balance Sheet
As at 31 December 2006
(Expressed in Jamaican Dollars)

	Notes	2006	2005
		$'000	$'000
STOCKHOLDERS' EQUITY			
Share capital	26	1,808,837	425,569
Reserves		745,786	2,246,803
		2,554,623	2,672,372
Deferred gain	7	301,526	415,301
COMPANY EQUITY		2,856,149	3,087,673

The accompanying notes form an integral part of these financial statements.

On 16 March 2007, the Board of Directors authorised these financial statements for issue.

……………………………Director ……………………………Director
Dr. Judith A. Robinson Paul Stockhausen

Company Statement of Earnings
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

	Notes	2006 $'000	2005 $'000
Revenue	3	6,632,008	5,765,114
Operating profit before cement claims	3	132,558	108,191
Cement claims	4	(304,539)	-
Operating (loss) profit		(171,981)	108,191
Finance costs - net	6	(59,983)	(31,316)
(Loss) profit before taxation		(231,964)	76,875
Taxation	8	114,215	5,997
(Loss) profit after taxation	9	(117,749)	82,872

The accompanying notes form an integral part of these financial statements.

Company Statement of Changes in Equity
Year ended 31 December 2006
(Expressed in Jamaican Dollars

	Share premium $'000	Revaluation reserves $'000	Realised capital gain $'000	Accumulated losses $'000	Total reserves $'000	Share capital $'000	Total capital & reserves $'000
Balance as at 31 December 2004	1,383,268	147,578	737,002	(44,337)	2,223,511	425,569	2,649,080
Net profit for the year	-	-	-	82,872	82,872	-	82,872
Transfer of realized gain (Note 7)	-	-	113,775	(113,775)	-	-	-
Amortisation for the year (Note 27)	-	(47,462)	47,462	-	-	-	-
Dividends paid (7 cents per share)	-	-	-	(59,580)	(59,580)	-	(59,580)
Balance as at 31 December 2005	1,383,268	100,116	898,239	(134,820)	2,246,803	425,569	2,672,372
Net loss for the year	-	-	-	(117,749)	(117,749)	-	(117,749)
Transfer to realized gain (Note 7)	-	-	113,775	(113,775)	-	-	-
Amortisation for the year (Note 27)	-	(47,462)	47,462	-	-	-	-
Transfer (Note 26)	(1,383,268)	-	-	-	(1,383,268)	1,383,268	-
Balance as at 31 December 2006	**-**	52,654	1,059,476	(366,344)	745,786	1,808,837	2,554,623

The accompanying notes form an integral part of these financial statements.

Company Statement of Cash Flows
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

	2006 $'000	2005 $'000
Cash flows from operating activities		
(Loss) profit before taxation	(231,964)	76,875
Adjustments for:		
Depreciation	257,269	244,285
Amortisation of deferred gain	(113,775)	(113,775)
Loss (gain) on disposal of property, plant and equipment	684	(354)
Interest income	(8,255)	(11,364)
Interest expense	17,916	55,750
Unrealised foreign exchange losses	43,252	29,503
Impairment of investment in subsidiary	13,700	-
	(21,173)	280,920
Increase in inventories	(447,192)	(337,788)
Decrease in receivables and prepayments	17,931	9,675
Decrease (increase) in due from related companies	294,970	(29,968)
(Increase) decrease in payables and accruals	(60,174)	358,767
Decrease in due to parent and related companies	(86,628)	(86,336)
Cash (used in) generated from operations	(302,266)	195,270
Interest received	8,255	3,565
Interest paid	(16,930)	(55,067)
Taxation paid	(393)	(207,188)
Net cash used in operating activities	(311,334)	(63,420)
Cash flows from investing activities		
Additions to property, plant and equipment	(997,448)	(876,881)
Proceeds from disposal of property, plant and equipment	4,506	4,348
Repayment by subsidiaries	248,903	209,249
Net cash used in investing activities	(744,039)	(663,284)
Cash flows from financing activities		
Loans received	465,895	534,569
Repayment of loans	(475,574)	(208,734)
Dividends paid	-	(59,580)
Due to subsidiaries	275,030	-
Related party loans	707,796	435,200
Net cash provided by financing activities	973,147	701,455
Decrease in cash and cash equivalents	(82,226)	(25,249)
Net cash and cash equivalents - beginning of year	(7,568)	17,681
Net cash and cash equivalents – end of year	(89,794)	(7,568)
Represented by:		
Cash and short-term deposits	50,284	101,014
Bank overdraft	(140,078)	(108,582)
	(89,794)	(7,568)

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

1. Corporate information

Caribbean Cement Company Limited (the "Company") and its Subsidiaries are incorporated under the laws of Jamaica. The Company is a public company listed on the Jamaica Stock Exchange.

The Company is a 65.65% owned subsidiary of TCL (Nevis) Limited. TCL (Nevis) Limited is a wholly owned subsidiary of Trinidad Cement Limited (the "Ultimate Parent Company") which also owns 8.45% of the ordinary shares of the Company. The principal activities of Caribbean Cement Company Limited and its Subsidiaries (the "Group") are the manufacture and sale of cement and the mining and sale of gypsum, shale and pozzolan, and the management of port facilities.

The registered office of the Company is Rockfort, Kingston, Jamaica.

2. Significant accounting policies

The most significant policies are summarised below:

a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(ii) Current year changes in accounting standards and interpretations

The Group has adopted all the new and revised accounting standards and interpretations to existing accounting standards that are mandatory for annual accounting periods beginning on or after 1 January 2006 and which are relevant to the Group's operations. The following revised accounting standards and interpretation were adopted:

IAS 21 – The effects of changes in foreign exchange rates
IAS 39 – Financial instruments: Recognition and measurement

IFRIC4 – Determining whether an Arrangement contains a lease

The adoption of these revised accounting standards and interpretations has had no material effect on the Company's financial position.

Notes to the Consolidated Financial Statements
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

2. Significant accounting policies (continued)

a) Basis of preparation (continued)

(iii) Future changes in accounting standards and interpretations

Certain new standards and amendments to an interpretation of existing accounting standards have been published but are not yet effective and the Group has not adopted early. Those that may be relevant to the Group's operations are:

IAS1 (effective for year ending 31 December 2007) - New disclosures regarding an entity's objectives, policies and processes for managing capital.

IFRS7 (effective for year ending 31 December 2007) - New disclosures for financial instruments.

(iv) Basis of measurement

These financial statements have been prepared under the historical cost convention except for the measurement at deemed cost of certain property, plant and equipment. Deemed cost represents fair value at the date of transition to IFRS.

b) Basis of consolidation

The Group's financial statements present the results of operations and financial position of the Company and its Subsidiaries as follows:

Subsidiaries:	**Ownership Level**
Jamaica Gypsum and Quarries Limited	100%
Caribbean Gypsum Company Limited	100%
Rockfort Mineral Bath Complex Limited	100%

c) Interest bearing loans and borrowings

Borrowings are stated initially at cost, being the fair value of consideration received net of transaction cost associated with the borrowings. After initial recognition, borrowings are measured at amortised cost using the effective interest method; any difference between proceeds and the redemption value is recognised in the statement of earnings over the period of the borrowings.

Notes to the Consolidated Financial Statements
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

2. Significant accounting policies (continued)

d) Property, plant and equipment

Land and buildings, held for use in the production or supply of goods and services or for administrative purposes, and certain machinery and equipment are stated in the balance sheet at their deemed cost, being the fair value on the basis of their existing use at the date of the adoption of IFRS 1, less any subsequent accumulated depreciation and impairment losses. The values of these assets are subject to annual management reviews.

Other property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment in value.

Depreciation is calculated on the straight-line method over the useful lives of the assets. Current annual rates of depreciation are:

Buildings	2.5% to 5%
Plant, machinery and equipment	3% to 33.3%
Office furniture and equipment	25% to 33.3%
Motor vehicles	20% to 33.3%

Leasehold land and improvements are amortised over the remaining term of the lease.

The useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

It is the Group's policy to capitalise interest on loans specific to capital projects during the period of construction. The interest rate is determined by using the weighted average cost of capital. Repairs and renewals are charged against income when the expenditure is incurred.

e) Inventories

Plant spares and raw materials are valued at the lower of weighted average cost and net realisable value. Work in progress and finished goods are valued at the lower of cost, including attributable production overheads, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

2. Significant accounting policies (continued)

f) Foreign currency translation

Monetary assets and liabilities denominated in currencies other than Jamaican dollars are translated at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities and transactions denominated in currencies other than Jamaican dollars are translated at the rate of exchange in effect at the date of the transaction. Exchange differences on foreign currency translations are recognised in the statement of earnings. Exchange rates are determined by the published weighted average rate at which commercial banks trade in foreign currencies.

g) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, short-term deposits, receivables, long-term loans, related company balances and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The fair values of the Group's and the Company's financial instruments are discussed in Note 32.

h) Taxation

The taxation charge is based on the results for the year as adjusted for items, which are non-assessable or disallowed. The taxation charge is calculated using the tax rate in effect at the balance sheet date.

A deferred tax charge is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Notes to the Consolidated Financial Statements
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

2. Significant accounting policies (continued)

i) Pension benefits

The Group has a defined contribution pension scheme for all permanent employees. The scheme is managed by an outside agency. The Group's liability is limited to its contributions which are accounted for on the accrual basis and charged to the statement of earnings in the period to which they relate.

j) Revenue recognition

Revenue is recognised when the significant risk and rewards of ownership of goods have been passed to the buyers and the amounts of revenue can be measured reliably.

Rental and interest income are recognised as they accrue unless collectability is in doubt.

k) Receivables and payables

Trade receivables are carried at anticipated realisable value. A provision is made for doubtful receivables based on a review of outstanding amounts at the year end. Bad debts are written off when identified.

Liabilities for trade and other accounts payable, which are normally settled on 30 to 90 days terms, are recorded at amounts representing the fair value of the consideration to be paid in the future for goods and services received by the balance sheet date, whether or not billed.

l) Net cash and cash equivalents

For the purpose of the statement of cash flows, net cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, net of bank overdraft.

m) Earnings per stock unit

The earnings per stock unit is computed by dividing profit attributable to ordinary stockholders by the weighted average number of ordinary stock units in issue during the year.

Notes to the Consolidated Financial Statements
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

2. Significant accounting policies (continued)

n) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The area involving the highest degree of judgement or estimation is:

Provision for cement claims

In some instances the amounts provided for cement claims not yet settled are based on the payment experience for claims already settled. This method assumes that the average rate of settlement will be consistent for all claims received.

o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. The expense relating to any provision is charged to the statement of earnings net of any reimbursement.

p) Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of earnings on a straight-line basis over the period of the lease.

q) Deferred expenditure

The costs of installed refractories, chains and grinding media are amortised over a period of six to twelve months to match the estimated period of their economic usefulness.

Notes to the Consolidated Financial Statements
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

2. Significant accounting policies (continued)

r) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of earnings in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the valuation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the in statement of earnings unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Notes to the Consolidated Financial Statements
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

2. Significant accounting policies (continued)

r) Impairment of non-financial assets (continued)

The following criteria also applied in assessing impairment of goodwill:

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit, to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

s) Investments
Equity investments in subsidiaries, classified as non-current, are stated at cost less impairment adjustments.

t) Segment reporting
A segment is a distinguishable component of the Group that is engaged either in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other segments. The Directors are of the view that there are no material, business or geographic, segments into which the Group's business should be disclosed that would enhance the proper understanding of the Group's financial statements.

u) Comparative information
Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, they relate to goodwill, reserves and related party balances.

Notes to the Consolidated Financial Statements
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

3. Operating profit before cement claims

Operating profit before cement claims consists of the following:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Revenue	6,730,968	5,999,295	6,632,008	5,765,114
Raw materials, finished goods and consumables	1,760,553	685,621	2,068,807	763,288
Fuels and electricity	1,546,744	1,366,408	1,512,688	1,339,466
Personnel remuneration and benefits (Note 5)	1,151,115	1,033,331	1,090,248	989,075
Repairs and maintenance	482,309	599,845	433,298	550,614
Operating lease	591,601	578,381	591,601	578,381
Depreciation	273,467	262,190	257,269	244,285
Marketing and selling expenses	429,977	310,472	429,977	310,472
Other operating expenses	691,851	855,288	683,772	807,895
Changes in inventories of finished goods and work in progress	(502,234)	210,082	(452,367)	190,895
Total expenses	6,425,383	5,901,618	6,615,293	5,774,371
Profit (loss) before other income	305,585	97,677	16,715	(9,257)
Other income	116,630	147,616	115,843	117,448
Operating profit before cement claims	422,215	245,293	132,558	108,191

Other income includes:

Amortisation of deferred gain (Note 7)	(113,775)	(113,775)	(113,775)	(113,775)
Loss (gain) on disposal of property, plant and equipment	684	(354)	684	(354)

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3. Operating profit before cement claims (continued)

Operating profit before provision for cement claims is arrived at after charging:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Audit fees				
Current year	8,000	6,988	7,100	6,300
Prior year	4,200	53	4,200	-
Directors' emoluments				
Fees	7,994	6,237	7,994	6,237
Management remuneration	-	-	-	-
Technical assistance fees and				
and related charges	66,239	70,791	66,239	70,791
Operating lease charges	591,601	578,381	591,601	578,381

4. Cement claims

During February 2006, a quantity of non-conforming cement was inadvertently released to the market. The Company has received claims for damages from customers who used this cement in construction projects and has estimated an amount of $304,539,000 to settle these claims.

5. Personnel remuneration and benefits

Personnel remuneration and benefits consist of the following:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Wages and salaries	874,527	859,360	856,114	821,604
Statutory contributions	76,817	82,771	76,817	80,080
Pension costs (Note 28)	38,283	41,115	34,699	37,306
Other personnel costs	161,488	50,085	122,618	50,085
	1,151,115	1,033,331	1,090,248	989,075

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6. Finance costs, net

Finance costs, net, consist of the following:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Finance expenses -				
Interest expense	26,270	13,237	17,916	13,210
Loss on currency exchange	49,206	27,969	50,322	29,470
	75,476	41,206	68,238	42,680
Finance income -				
Interest income	(16,609)	(11,364)	(8,255)	(11,364)
	58,867	29,842	59,983	31,316

7. Deferred gain

	Group and Company	
	2006	**2005**
	$'000	$'000
Balance at 1 January	415,301	529,076
Amortisation for the year	(113,775)	(113,775)
Balance at 31 December	301,526	415,301

Deferred gain represents the profit from the sale of certain machinery and equipment in August 1999 which is being credited to the profit and loss account over the 10 year period of the original operating lease (Note 12).

The current and prior year amortisation gains were transferred to capital reserve as realised capital gains.

8. Taxation

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Statement of earnings				
The taxation charge consists of:				
Deferred tax (credit) charge	(18,500)	20,910	(114,215)	(31,611)
Income tax	-	25,614	-	25,614
Prior year adjustment	143	-	-	-
	(18,357)	46,524	(114,215)	(5,997)

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8. Taxation (continued)

The taxation charge differs from the theoretical amount that would arise using the income tax rate as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Profit (loss) before taxation	58,809	215,451	(231,964)	76,875
Taxed at 33.3%	19,603	71,817	(77,321)	25,625
Tax on non-assessable income	(41,881)	(37,600)	(41,881)	(37,600)
Tax on non-allowable expenses	3,778	12,307	4,987	5,978
Prior year adjustment	143	-	-	-
Effective tax (credit) charge	(18,357)	46,524	(114,215)	(5,997)

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Deferred tax liability				
Balance at beginning of year	298,819	277,909	436,327	467,938
Deferred tax charge (credit) for the year	(18,500)	20,910	(114,215)	(31,611)
Balance at end of year, net	280,319	298,819	322,112	436,327

Deferred tax (asset) liability comprises the following:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Deferred asset in Subsidiary, net	(41,793)	(137,508)	-	-
Deferred liability in Company, net	322,112	436,327	322,112	436,327
	280,319	298,819	322,112	436,327

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8. Taxation (continued)

The significant components of deferred tax (asset) liability are as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Property, plant and equipment	440,751	475,047	431,694	464,473
Other	63,242	-	67,191	-
	503,993	475,047	498,885	464,473
Losses	(223,674)	(147,677)	(176,773)	-
Other	-	(28,551)	-	(28,146)
	(223,674)	(176,228)	(176,773)	(28,146)
	280,319	298,819	322,112	436,327

Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for offset against future profits amount to approximately $671,023,000 (2005 - $441,655,000) for the Group and $530,320,000 (2005 - Nil) for the Company.

9. Profit after taxation and accumulated losses

		2006	**2005**
		$'000	$'000
(i)	The net profit is dealt with in the financial statements as follows:		
	Company	(117,749)	82,872
	Subsidiaries	194,915	86,055
		77,166	168,927
(ii)	The accumulated losses are reflected in the financial statements as follows:		
	Company	(366,344)	(134,820)
	Subsidiaries	(108,581)	(303,496)
		(474,925)	(438,316)

Notes to the Consolidated Financial Statements
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10. Earnings per ordinary stock unit

	Group	
	2006	**2005**
	$'000	$'000
Profit attributable to stockholders	77,166	168,927
Number of stock units in issue (thousands)	851,138	851,138
Earnings per ordinary stock unit (cents)	9	20

11. Related party transactions

a) Transactions with Trinidad Cement Limited and its subsidiaries:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Included in the statement of earnings:				
(Income) Expenses –				
Inventory storage fee received	(880)	(1,249)	(880)	(1,249)
Sale of gypsum	(34,028)	(28,542)	-	-
Interest earned on long-term loan	(6,900)	(8,120)	(6,900)	(8,120)
Purchase (sale) of spares	198,125	(21,457)	198,125	(21,457)
Inventory usage fee paid	9,272	11,707	9,272	11,707
Technical assistance fee charges	53,792	69,065	53,792	69,065
Purchase of goods and materials	343,245	291,382	343,245	291,382
Interest charges on advances	13,792	38,805	13,792	38,805
Payments under operating lease (Note 12)	591,601	578,381	591,601	578,381

Included in balance sheet:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Short-term amounts (advanced) received, net	(365,690)	119,102	(365,478)	116,304
Long-term amounts received	707,796	435,200	707,796	435,200
Included in property, plant and equipment:				
Interest capitalised	47,829	-	47,829	-

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11. Related party transactions (continued)

On 10 March 2003, the Company sold at book value to an affiliated company, TCL Trading Limited, excess spares valued at US$6,174,362 (J$345,764,000). Under the terms of the agreement the sale price was to be paid over ten years, commencing 1 April 2004, by ten equal installments and at an annual interest rate of 2.5% (Note 18). The agreement further provided for TCL Trading Limited to make spares available to the Company when required. The Company was required to pay an annual usage fee of US$185,000 for these services and TCL Trading Limited was required to pay the Company an annual inventory storage fee of US$20,000.

This agreement was terminated during the year and the inventories originally purchased resold to the Company at their book values.

b) Transactions between the Company and its subsidiary, Jamaica Gypsum and Quarries Limited:

	Company	
	2006	**2005**
	$'000	$'000
Included in the Company statement of earnings:		
(Income) Expenses –		
Purchase of gypsum, shale and pozzolan	256,010	179,505
Rental and management fee paid	158,747	115,094

c) Compensation of directors and key management personnel:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Short-term employee benefits	54,118	47,603	50,147	44,578
Directors' fees	7,994	6,237	7,994	6,237
	62,112	53,840	58,141	50,815

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12. Property, plant and equipment

Property, plant and equipment consist of the following:

Group:

	Land and buildings $'000	Plant machinery, equipment and motor vehicles $'000	Office furniture and equipment $'000	Capital work in progress $'000	Total $'000
At cost					
Balance as at 1 January 2006	932,913	3,044,725	157,682	1,087,414	5,222,734
Additions	-	17,641	19,606	966,302	1,003,549
Disposals	-	(12,211)	-	-	(12,211)
Transfers	48,092	759,968	68,431	(876,491)	-
Balance as at 31 December 2006	981,005	3,810,123	245,719	1,177,225	6,214,072
Accumulated depreciation					
Balance as at 1 January 2006	339,282	1,476,364	125,958	-	1,941,604
Charges during the year	27,735	228,772	16,960	-	273,467
Disposals	-	(7,021)	-	-	(7,021)
Balance as at 31 December 2006	367,017	1,698,115	142,918	-	2,208,050
Net book value					
Balance as at 31 December 2006	613,988	2,112,008	102,801	1,177,225	4,006,022
Balance as at 31 December 2005	593,631	1,568,361	31,724	1,087,414	3,281,130

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12. Property, plant and equipment (continued)

Property, plant and equipment consist of the following:

Company:

	Land and buildings $'000	Plant machinery, equipment and motor vehicles $'000	Office furniture and equipment $'000	Capital work in progress $'000	Total $'000
At cost					
Balance as at 1 January 2006	808,802	2,880,718	156,549	1,074,043	4,920,112
Additions	-	17,641	19,606	960,201	997,448
Disposals	-	(12,211)	-	-	(12,211)
Transfers	46,713	752,122	68,431	(867,266)	-
Balance as at 31 December 2006	855,515	3,638,270	244,586	1,166,978	5,905,349
Accumulated depreciation					
Balance as at 1 January 2006	313,120	1,388,871	124,479	-	1,826,470
Charges during the year	23,770	216,762	16,737	-	257,269
Disposals	-	(7,021)	-	-	(7,021)
Balance as at 31 December 2006	336,890	1,598,612	141,216	-	2,076,718
Net book value					
Balance as at 31 December 2006	518,625	2,039,658	103,370	1,166,978	3,828,631
Balance as at 31 December 2005	495,682	1,491,847	32,070	1,074,043	3,093,642

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12. Property, plant and equipment (continued)

a) In August 1999, the Company entered into a sale and operating leaseback transaction with a third party involving certain of its machinery and equipment having a net book value of $1,406,873,000. A gain of $1,139,232,000, representing the difference between the net fair value of the assets and the sale proceeds, was realised and is being amortised on a straight-line basis over ten years, the term of the resulting operating lease (Note 7). The lease was terminated in December 2003 and the related machinery and equipment sold by the lessor to TCL Services Limited, an affiliated company. A lease was established with TCL Services Limited under the same terms and conditions as the original lease, except that the Company could terminate the lease at any time.

In August 2004, the lease with TCL Services Limited was terminated and the machinery and equipment sold to Trinidad Cement Limited. A new lease was then established with Trinidad Cement Limited with similar terms and conditions to those that existed under the lease arrangements with TCL Services Limited (Note 29).

b) The amount of borrowing costs capitalised during the year amounted to $102,075,000 (2005 – $42,540,000).

13. Goodwill

Goodwill arises on consolidation and relates to the acquisition of Jamaica Gypsum and Quarries Limited.

14. Investment in subsidiaries

Investment in subsidiaries consists of the following:

	Company	
	2006	**2005**
	$'000	$'000
At cost:		
Jamaica Gypsum and Quarries Limited 375,000,000 ordinary shares	79,000	79,000
Rockfort Mineral Bath Complex Limited 21,000,000 ordinary shares	20,010	20,010
Less: impairment provision	(13,700)	-
	6,310	20,010
Caribbean Gypsum Company Limited 1,000 ordinary shares	4,000	4,000
	89,310	103,010

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14. Investment in subsidiaries (continued)

An impairment provision is made for the investment in Rockfort Mineral Bath Complex Limited as a result of a reduction in its fair value because of negative cash flows arising from trading losses.

15. Due from subsidiaries

	Company	
	2006	**2005**
	$'000	$'000
Jamaica Gypsum and Quarries Limited	308,146	529,356
Rockfort Mineral Bath Complex Limited	-	27,759
Caribbean Gypsum Company Limited	1,177	1,111
	309,323	558,226

These amounts represent net advances to subsidiaries, which are interest free and have no fixed dates for repayment. An amount of $27,380,000 due from Rockfort Mineral Bath Complex Limited was written off during the year as it is no longer considered recoverable.

16. Inventories

Inventories consist of the following:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Plant spares	675,612	539,773	675,570	539,773
Consumables	277,944	355,078	277,944	355,078
Raw materials and work in progress	355,860	66,974	400,538	61,362
Finished goods	378,397	157,434	295,415	157,434
Goods in transit	43,463	151,204	43,463	151,204
	1,731,276	1,270,463	1,692,930	1,264,851
Provision for obsolescence	(29,718)	(48,831)	(29,718)	(48,831)
	1,701,558	1,221,632	1,663,212	1,216,020

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17. Receivables and prepayments

Receivables and prepayments consist of the following:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Trade receivables	143,029	182,559	123,824	148,578
Sundry receivables and prepayments	160,675	144,889	157,195	141,476
Deferred expenditure	15,135	24,031	15,135	24,031
	318,839	351,479	296,154	314,085
Less: Provision for doubtful debts	(1,072)	(1,034)	-	-
	317,767	350,445	296,154	314,085

18. Due from related companies

Due from related companies consists of the following:

	Group and Company	
	2006	**2005**
	$'000	$'000
TCL Trading Limited (Note 11)	-	292,966
Readymix (West Indies) Limited	1,677	3,681
	1,677	296,647
Long-term	-	283,091
Short-term	1,677	13,556
	1,677	296,647

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19. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Cash at bank and in hand	66,638	72,997	50,284	70,745
Short-term deposits	-	30,269	-	30,269
	66,638	103,266	50,284	101,014

20. Bank overdraft

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Bank overdraft	140,078	110,266	140,078	108,582

The bank overdraft facilities are unsecured.

21. Payables and accruals

Payables and accruals consist of the following:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Sundry payables and accruals	484,687	441,191	488,935	412,131
Trade payables	288,207	417,332	260,435	413,082
Statutory obligations	76,766	45,014	70,451	43,922
	849,660	903,537	819,821	869,135

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22. Due to parent and related companies

The amounts due to parent and related companies consist of the following:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
TCL Ponsa Manufacturing Ltd	288	410	288	410
Trinidad Cement Limited	1,017,204	558,169	1,019,066	560,526
TCL (Nevis) Limited	161,430	102,559	161,430	102,559
TCL Packaging Limited	228,343	160,501	228,343	160,501
Arawak Cement Company Limited	79,646	49,660	84,694	54,425
TCL Trading Limited	39,146	-	39,146	-
	1,526,057	871,299	1,532,967	878,421
Long-term	1,034,299	435,200	1,034,299	435,200
Short-term	491,758	436,099	498,668	443,221
	1,526,057	871,299	1,532,967	878,421

The long term amount comprises the following:

Trinidad Cement Limited	804,685	323,000
TCL Packaging Limited	213,129	112,200
TCL (Nevis) Limited	157,125	-
TCL Trading Limited	36,555	-
	1,211,494	435,200
Less current portion, included in short-term	(177,195)	-
	1,034,299	435,200

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22. Due to parent and related companies (continued)

These amounts payable to parent and related companies represent advances made to the Company that were converted to long term loans. The terms and conditions of these loans are as follows:

Trinidad Cement Limited
This represents loan amounts totalling TT$75,713,500 which comprise loan amounts of TT$31,667,000 (loan #1), TT$15,746,000 (loan #2) and TT$28,300,000 (loan #3). Loan #1 which was received in 2005, bears interest at the rate of 7.5% per annum and is repayable over seven years by equal quarterly installments, commencing March 2007. Loan #2 was received during the year, bears interest at the rate of 8% per annum and is repayable in four semi-annual installments commencing June 2009. Loan #3 which was also received during the year, bears interest at the rate of 7% per annum and is repayable quarterly over five years commencing July 2007.

TCL Packaging Limited
This represents US dollar advances with a balance of US$1,990,000 (2005 – US$2,500,000) (loan #1), received in 2005, and TT$7,495,000 (loan #2) received during the year. Loan #1 bears interest at the rate of 8.25% per annum and is repayable over 24 months by equal monthly installments, commencing June 2006. Loan #2 bears interest at the rate of 8% per annum and is repayable in four semi-annual installments commencing June 2009.

TCL (Nevis) Limited
This represents advances of TT$14,767,000 which were converted to long term loans during the year. Of this amount, TT$11,560,000 bears interest at the rate of 7% per annum and is repayable quarterly over 5 years commencing July 2007. The remaining portion of TT$3,207,000 bears interest at the rate of 8% per annum and is repayable in four semi-annual installments commencing June 2009.

TCL Trading Limited
This represents advances of TT$3,448,000 which were converted to long term loans during the year. The amount bears interest at the rate of 8% per annum and is repayable in four semi-annual installments commencing June 2009.

23. Due to Subsidiary

This amount represents US dollar short term advances with a balance of US$4,102,000 borrowed by Jamaica Gypsum and Quarries Limited from RBTT Bank Jamaica Limited and loaned to the Company on similar terms and conditions as those received from the bank (Note 24).

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24. Short-term loans

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Citibank	67,032	323,231	67,032	323,231
RBTT Bank Jamaica Limited	522,410	-	247,380	-
	589,442	323,231	314,412	323,231

The Citibank loan balance is denominated in US dollars with an outstanding balance of US$1,000,000 (2005 – US$5,000,000) for the Group and the Company. It is unsecured, repayable in January 2007 and bears interest at the rate of 9.5% per annum.

The RBTT loan is also denominated in US dollars with outstanding balances of US$7,792,000 for the Group and US$3,690,000 for the Company, respectively. The loan of US$3,690,000 is repayable by the Company in August 2007, bears interest at the rate of 8.5% per annum and is secured by a letter of comfort issued by the Ultimate Parent Company; the amount of US$4,102,000 is repayable by Jamaica Gypsum & Quarries Limited, Subsidiary, over twelve months, bears interest at the rate of 8.5% per annum and is secured by letters of guarantee issued by the Company and the Subsidiary.

25. Long-term loans

Long-term loans are repayable as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Amounts repayable within:				
One year	9,310	12,210	9,310	12,210
Two years	7,157	6,189	7,157	6,189
Three years	4,148	3,273	4,148	3,273
Four years	983	786	983	786
	21,598	22,458	21,598	22,458
Current portion	(9,310)	(12,210)	(9,310)	(12,210)
	12,288	10,248	12,288	10,248

These loans are:

	Interest rate percentage	Repayable	Group 2006	Group 2005	Company 2006	Company 2005
			$'000	$'000	$'000	$'000
RBTT Bank Jamaica Limited	21.75%	2009	7,595	22,458	7,595	22,458
Bank of Nova Scotia Jamaica Limited	19.50%	2010	14,003	-	14,003	-
			21,598	22,458	21,598	22,458

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25. Long-term loans (continued)

The loans from RBTT Bank Jamaica Limited and Bank of Nova Scotia Jamaica Limited are repayable in equal monthly installments and are secured by a bill of sale over certain of the Company's motor vehicles.

26. Share capital

Share capital consists of the following:

	Number of units 2006 (000)	Number of units 2005 (000)	Group and Company 2006 $'000	Group and Company 2005 $'000
Authorised:				
Ordinary shares	1,350,000	1,350,000	1,808,837	675,000
Issued and fully paid:				
Ordinary stock units	851,138	851,138	1,808,837	425,569

In the previous year, the Company elected under Section 37 of the Companies Act 2004 to have its existing shares converted into shares without nominal or par value at the end of the eighteen month period allowed. Those shares were converted during the year.

27. Revaluation reserve

	Group and Company 2006 $'000	Group and Company 2005 $'000
Balance at 1 January	100,116	147,578
Realised during the year	(47,462)	(47,462)
Balance at 31 December	52,654	100,116

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27. Revaluation reserve (continued)

In August 1999, Caribbean Cement Company Limited entered into a sale and operating leaseback transaction with a third party involving certain of its machinery and equipment. This transaction resulted in the realisation of an existing revaluation reserve of approximately $474,618,000. This realised revaluation reserve is being amortised on a straight line basis over ten years which is the term of the resulting original operating lease (Note 12).

28. Contingencies

There are several pending legal actions and other claims in which the Group is involved. It is the opinion of the directors, based on the information provided by the Company's Attorneys, that liability, if any, arising out of these claims is not likely to be material. Accordingly, no provision has been made in these financial statements in respect of these matters.

29. Commitments

a) Operating leases

The Company has a commitment of J$3,880,369,000 (US$57,889,000) under the operating lease with Trinidad Cement Limited, which is payable semi-annually in United States dollars (Note 12) as follows:

In the year ending 31 December:

	$'000
2007	603,281
2008	603,281
2009	603,281
2010-2013	2,070,526
	3,880,369

b) Capital commitment

The amount of $3,091,125,000 (US$46,170,000) (2005 - $119,374,000 (US$1,823,000)) was approved and contracted for as at 31 December 2006 in respect of the plant expansion and modernisation programme.

c) Guarantees

The Company has provided guarantees in the form of letters of credit and indemnity to third parties in the amount of $343,490,000.

Notes to the Consolidated Financial Statements
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

30. Pension plan

The Group participates in a defined contribution pension plan which is managed by an independent party, Life of Jamaica Limited. This plan is mandatory for all categories of permanent employees. Contributions are 10% of pensionable salary for both employee and employer. The amount of annual pension at any date shall be that pension which can be secured by the accumulated contribution plus interest to that date. The Group's contributions in the year amounted to $ 38,283,000 (2005 - $41,115,000).

31. Limestone reserves

The major raw material used in the cement manufacturing process is limestone. The limestone requirements of the Company are met from reserves in land leased from the Government of Jamaica. The lease term has 42 years remaining but exploitable reserves are expected to have a life of 172 years based on the current extraction rate. Deep reserves have a further exploitable life of approximately 130 years. These limestone reserves are not recorded in these financial statements.

32. Financial instruments

Fair values
The fair values of cash and bank balances, short-term deposits, receivables, related company balances and payables approximate their carrying amounts due to the short-term nature of these instruments.

The fair values of long-term financing approximate their carrying amounts.

Credit risk
The Group and the Company have no significant concentrations of credit risk. Cash and short-term deposits are placed with substantial financial institutions. The primary concentration of the Group's credit risk is with its trade receivables, which is mitigated by regular credit evaluation of its customers with the result that the Group's exposure to bad debts is not significant.

Notes to the Consolidated Financial Statements
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

32. Financial instruments (continued)

Interest rate risk (continued)

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the balance sheet date, the Group's exposure to changes in interest rate relates primarily to bank overdraft which has a floating interest rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The interest rate exposure of borrowings is as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Total borrowings:				
At fixed rates	1,630,278	781,347	1,630,278	781,347
At floating rates	140,078	110,266	140,078	108,582

Weighted average effective interest rates:

	(%)	(%)	(%)	(%)
Bank overdraft	22	22.5	22	22.5
Bank borrowings (US$ loans)	8	7.2	8	7.2
Other bank borrowings	24	21.75	24	21.75
Related party loans	8	6.5	8	6.5

Liquidity risk
The Group maintains a balance between continuity of funding and flexibility through the use of bank overdraft, bank loans and related party financing.

Foreign currency risk
The significant net foreign currency exposures as at year end, expressed in Jamaican dollars are as follows, asset/(liability):

Notes to the Consolidated Financial Statements
Year ended 31 December 2006
(Expressed in Jamaican Dollars)

32. Financial instruments (continued)

Foreign currency risk (continued)

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
United States dollars:				
Cash	18,544	17,849	3,980	15,625
Receivables	69,819	113,923	62,847	82,293
Related parties, net	(314,159)	70,662	(321,006)	63,540
Payables	(213,807)	(399,442)	(213,807)	(399,442)
Bank loans	(589,442)	(323,231)	(314,412)	(323,231)
	(1,029,045)	(520,239)	(782,398)	(561,215)

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Trinidad and Tobago dollars:				
Related parties, net	(1,192,037)	(645,314)	(1,192,037)	(645,314)

CARIBBEAN CEMENT COMPANY LIMITED
FORM OF PROXY - 2007

I/We____

(Name of Shareholder)

of ____

(Address)

being a member(s) of the above named Company, hereby appoint ____________________________

(Name of Proxy)

____or failing him/her

(Address)

____ of

(Name of Proxy)

____

(Address)

as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 17 May 2007 and at any adjournment thereof.

Signed this day of 2007

____

(Signature)

Please indicate with an "X" in the spaces below how you wish your Proxy to vote on the resolutions listed below. Unless otherwise instructed, the Proxy will vote as he thinks fit.

RESOLUTION	FOR	AGAINST
Resolution 1:		
Resolution 2:		
Resolution 3: (a)		
(b)		
(c)		
Resolution 4:		

Note:

1. To be valid, this Form of Proxy must be lodged at the Registered Office of the Company not less than forty-eight hours before the meeting.
2. Any alteration in this Form of Proxy shall be initialed.
3. In the case of joint holders, the signature of one holder will be sufficient but the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, seniority being determined by the order in which the names stand on the register.
4. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal.
5. Please affix a $100.00 postage stamp in the space provided above.

Postal address: CARIBBEAN CEMENT COMPANY LIMITED
P.O. Box 448 Kingston

Registered Office: Rockfort, Kingston

Registered Office: Rockfort, Kingston, Jamaica

Please affix $100 postage stamp here

CARIB CEMENT