

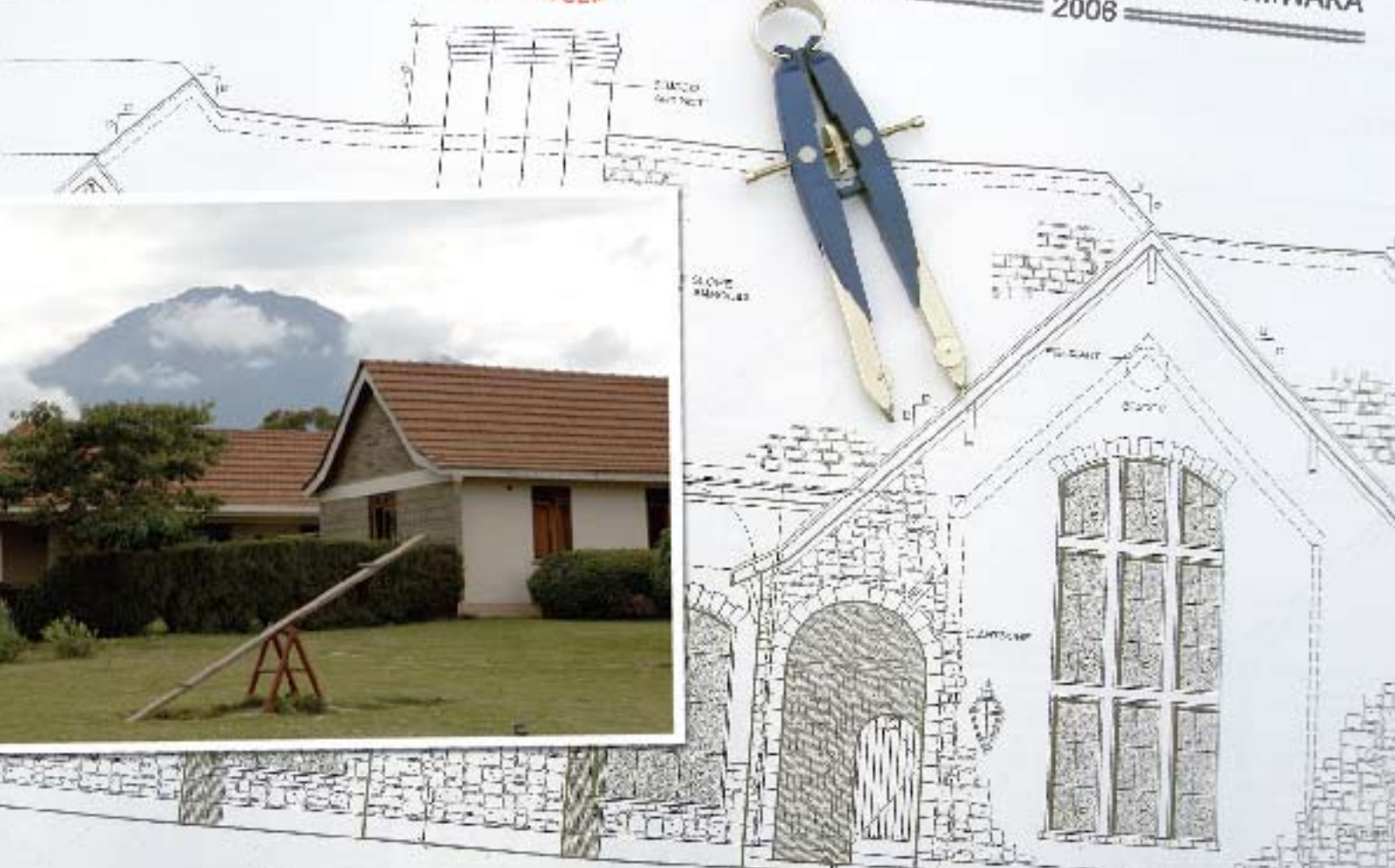


TANGA CEMENT
BUILDING TANZANIA



ANNUAL REPORT - TAARIFA YA MWAKA
2008

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RECOGNISING SIMBA LANDMARKS



RECOGNISING SIMBA LANDMARKS



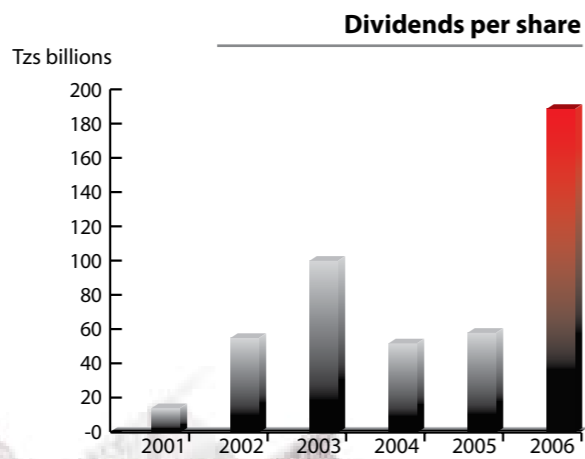
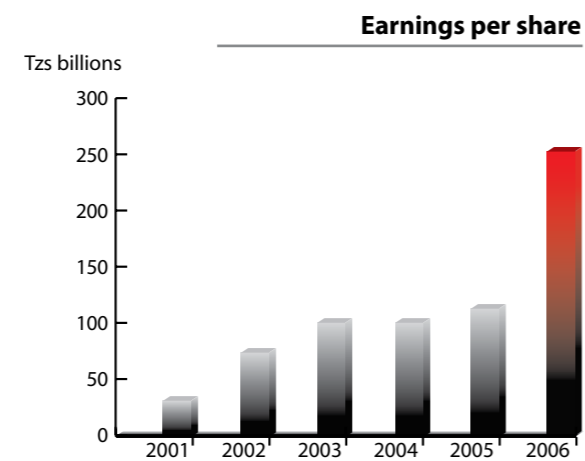
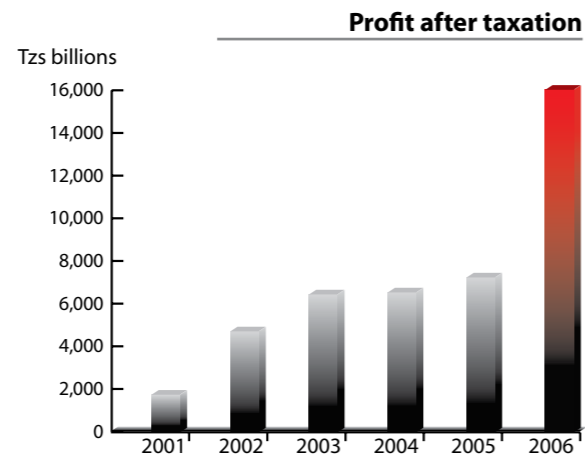
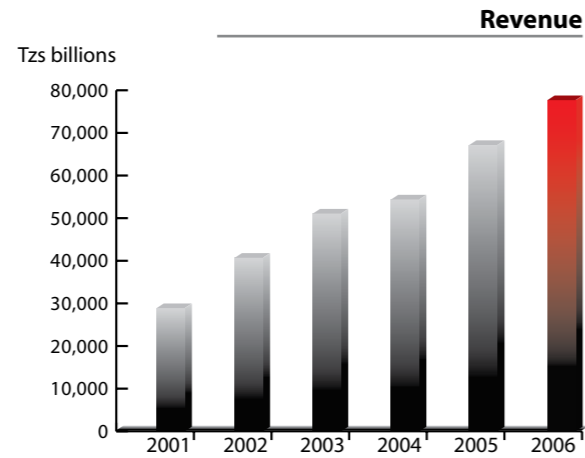
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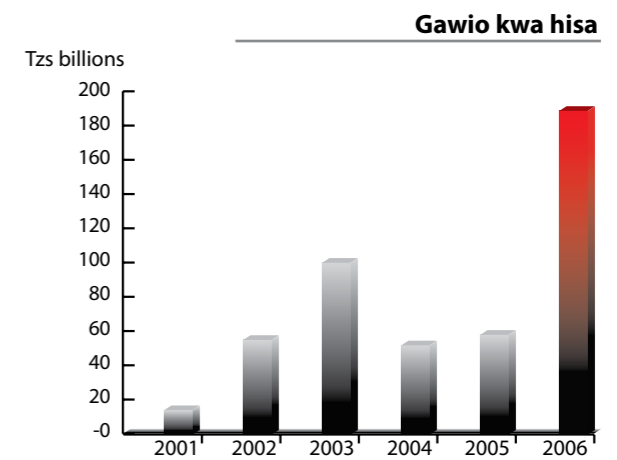
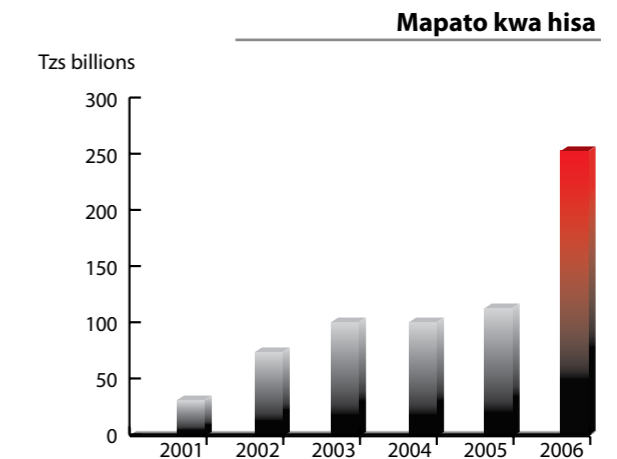
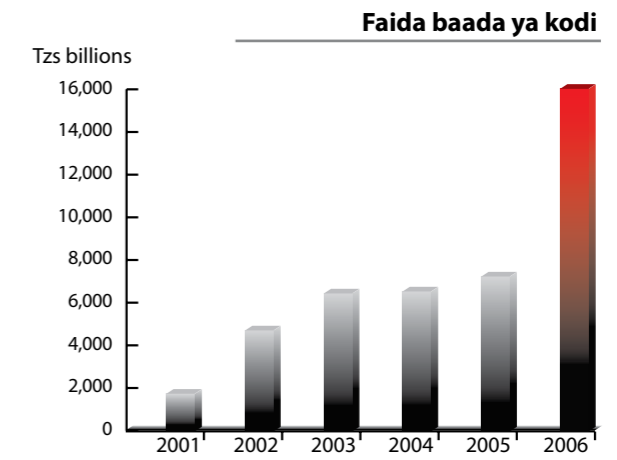
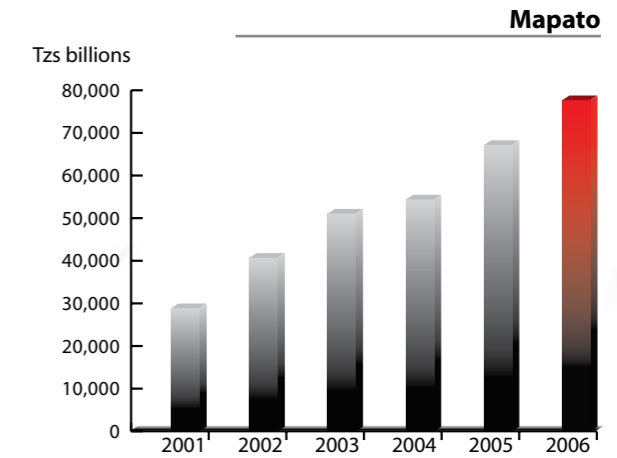
FINANCIAL HIGHLIGHTS

- Revenue increased by 16%
- Net profit after taxation 121% higher than 2005
- Earnings per share increased with 121% on 2005
- Interim dividend 2006: Tzs 53 (2005: Tzs28) paid
Final dividend 2006: Tzs135 proposed (2005: Tzs29 paid)



VIDOKEZO VYA MAPATO

- Ongezeko la mapato kwa asilimia 16
- Faida rasmi baada ya kodi asilimia 121 zaidi ya mwaka 2005
- Pato kwa hisa limeongezeka kwa asilimia 121 kulinganisha na mwaka 2005
- Gawiwi la katikati: Tzs 53 (2005: Tzs 28) Limelipwa lote
Gawiwi la mwisho 2006: Gawiwi lililopendekezwa Tzs 135 (2005: Tzs 29)



BOARD OF DIRECTORS AND PROFILES



Dave King

Chairman

Dave King (43) South African
B. Comm, B. Acc, CA (SA)

Dave King is the Chief Financial Officer of Holcim South Africa (Pty) Limited and serves on numerous subsidiary boards of Holcim South Africa and Holcim Mauritius Investment Holdings Limited. Mr. King is Chairman of the Board of Tanga Cement and has been with Holcim Limited for 19 years.

Mwenyekiti

Dave King (43) Raia wa Afrika ya Kusini
B. Comm, B. Acc, CA (SA)

Dave King ni Afisa Mkuu wa Fedha wa Kampuni ya Holcim ya Afrika Kusini na anatumikia kwenye bodi nyingi za kampuni tanzu ya Holcim Afrika Kusini na Holcim Mauritius Investment Holdings Limited. Bw. King ni Mwenyekiti wa Bodi ya Kiwanda cha Tanga Cement na amefanya kazi na Holcim Limited kwa miaka 19.



Jürg Flühmann

Managing Director

Jürg Flühmann (52) Swiss
Mechanical Engineer

Jürg Flühmann is the Managing Director of Tanga Cement. Prior to joining Tanga Cement, Jürg Flühmann was at Holcim Group Support in Zurich, Switzerland, where he was Vice President, Corporate Procurement. Mr. Flühmann has over 20 years of experience in the cement industry.

Mkurugenzi Mtendaji

Jürg Flühmann (52) Raia wa Uswisi
Mhandisi Mitambo

Jürg Flühmann ni Mkurugenzi Mkuu wa Kampuni ya Tanga Cement. Kabla ya kujiunga na Kampuni ya Tanga Cement, Jürg Flühmann alikuwa Holcim Group Support huko Zurich, Uswisi, ambako alikuwa Makamu wa Rais, Mnunuzi wa Shirika. Bw. Flühmann ana uzoefu kwenye sekta ya sementi kwa zaidi ya miaka 20.

MAELEZO MAFUPI KUHUSU WAKURUGENZI



Karl Meissner-Roloff

Karl Meissner-Roloff (54)

South African - B. Sc (Hons) Civ. Eng.

Karl Meissner-Roloff is the Managing Director of Holcim South Africa (Pty) Limited. He holds a Bachelor of Science Honours Degree in Civil Engineering and has many years experience in the cement industry.

Karl Meissner-Roloff (54)

Raia wa Afrika ya Kusini
B. Sc (Hons) Civ. Eng.

Karl Meissner-Roloff ni Mkurugenzi Mkuu wa Kampuni ya Holcim Afrika Kusini. Ana shahada ya kwanza ya Sayansi katika Uhandisi Ujenzi na anao uzoefu wa muda mrefu katika tasnia ya saruji.



BOARD OF DIRECTORS AND PROFILES



Professor Samuel Mwita Wangwe

Professor Samuel Mwita Wangwe (58) Tanzanian
Phd (Economics), BA (Economics)

Professor Wangwe is a highly respected academic. He read for his doctorate in collaboration with Nobel Prize Winner Professor Amartya Sen at Oxford and has held lecturing posts at the University of Dar es Salaam. Professor Wangwe has published extensively and continues to act as an independent consultant.

Professor Samuel Mwita Wangwe (58) Raia wa Tanzania
Phd (Economics), BA (Economics)

Profesa Wangwe ni msomi anayeheshimika sana. Alisoma kwa ajili ya shahada ya udaktari kwa kushirikiana na Mshindi wa Nobel Prize, Profesa Amartya Sen huko Oxford na amekuwa mhadhiri katika Chuo Kikuu cha Dar es Salaam. Profesa Wangwe ameandika na kuchapisha vitabu vingi na anaendelea kufanya shughuli kama mshauri binafsi.



Grace Rubambey

Grace Rubambey (61) Tanzanian
MA (Economics), B. BA (Economics)

Grace Rubambey who recently retired from the Bank of Tanzania where she last served as the Director of Microfinance and had served in various senior capacities including Director of Banking, Financial Markets, Administration and Rural Finance.

An Economist by profession, Mrs. Rubambey brings to Tanga Cement years of work experience from both regional and international settings.

She serves on a number of boards and committees.

Grace Rubambey (61) Raia wa Tanzania
MA (Uchumi)

Grace Rubambey amestaafu wa hivi karibuni kutoka Benki Kuu ya Tanzania (BoT). Alikua ni Mkurugenzi wa Microfinance na pia alikua ameshika nyadhifa mbalimbali za juu ikawa ni pamoja na Ukurugenzi wa Shuguli za Uendeshaji Benki, Masoko ya Fedha, Utawala na Fedha Vijijini.

Akiwa nimwanauchumi, Bi. Rubambey ameleta uzoefu wa kazi wa miaka mingi kwa kiwanda cha Tanga Cement kutoka kwa mazingira yote ya Kanda na Kimataifa.

Anafanya kazi katika bodi na Kamati nyingi.

MAELEZO MAFUPI KUHUSU WAKURUGENZI



Khamis Mussa Omar

Khamis Mussa Omar (42) Tanzanian
Post Graduate Diploma (Business Administration),
Advanced Diploma (Tax Management)

Khamis Omar is currently the Principal Secretary, Ministry of Finance and Economic Affairs. He has served in different senior positions in both Government and the private sector, which include Secretary General of the Zanzibar National Chamber of Commerce, Executive Director of Zanzibar Investments Promotion Authority and Deputy Commissioner of Customs & Excise Department with the Tanzania Revenue Authority.

Mr. Omar also serves on various boards including the Zanzibar Revenue Board and the Zanzibar Ports Corporation.

Khamis Mussa Omar (42) Raia wa Tanzania
Diploma ya Uzamili (Uendeshaji wa shuguli za Biashara)
Diploma ya Juu (Usimamizi wa Kodi)

Khamis Omar kwa sasa ni Katibu Mkuu Wizara ya Fedha na Uchumi, Zanzibar. Ameshika nyadhifa mbalimbali za juu serikalini na katika sekta binafsi. Pia alikua katibu Mkuu wa Chama cha Wafanyabiashara Zanzibar, Mkurugenzi Mtendaji wa Mamlaka ya Kukuza, na Naibu Kamishna wa Idara ya Ushuru na forodha ya Mamlaka ya Mapato Tanzania.



Lafras Moolman

Company Secretary
Lafras Moolman (34) South African
B.Comm. (Hons), CA (SA)

Lafras Moolman is the Company's Chief Financial Officer and Company Secretary. Prior to joining Tanga Cement Company, he was Chief Financial Officer with Holcim Group companies in Kosovo and in Macedonia.

Katibu wa Kampuni
Lafras Moolman (34) Raia wa Afrika ya Kusini
B.Com. (Hons), CA (SA)

Lafras Moolman ni Ofisa Mkuu wa Fedha na Katibu wa Kampuni. Kabla ya kujiunga na Kampuni ya Tanga Cement, alikua Ofisa Fedha Mkuu wa makampuni ya Holcim Group huko Kosovo na pia Macedonia.

PPF TOWERS - DAR ES SALAAM

The Parastatal Pension Fund (PPF) provides security for the future of every Tanzanian.

Whether you are an employee of a private company, parastatal organization, public institution, self-employed or are a member of the informal sector, you are entitled to a pension, to help you and your family through your retirement years.

The 17-storey building is a landmark in the heart of Dar es Salaam. Constructed by MDS architects the high-rise building was completed in 1999. Today the towering building is home to many offices, many of which are leaders in their respective industries.

Parastatal Pension Fund (PPF) hutoa huduma za pensheni kwa mtanzania kwa maisha ya baadaye.

Kama ni muajiriwa wa sekta binafsi au Serikalini unastahili huduma ya pensheni kwa ajili yako na familia yako baada ya kustaafu kazi.

Hili jengo ambalo ni gorofa 17 ni utambulisho uliopo katikati ya jiji la Dar es Salaam. Makandarasi kutoka MDS waliweza kujenga jengo hili mwaka 1999. Leo, jengo hili limekuwa ni sehemu muhimu ya maofisi mbalimbali.



CHAIRMAN'S STATEMENT



Dave King

Dave King
Chairman of the Board/
Mwenyekiti wa Bodi

"Electricity shortages and the resulting power shedding towards the end of the year have had a direct impact on production output and costs..."

The year ended December 2006 was a challenging, but successful period for the Company. Revenue increased by 16%, while earnings per share rose by 121% from the year 2005.

The Company's domestic cement volumes have grown by 7.7%, slightly higher than the market growth. The Company's results clearly showed the positive impact of the switch over to coal.

However, increased fuel prices continues to impact operational and transportation cost. This, together with the unreliable rail distribution continues to impact distribution cost resulting in higher cement prices in the market.

The unreliable rail distribution is impacting on sales volumes in the Lake Region, where cement imports from Kenya and Uganda have replaced Tanga's product to a large extent.

Electricity shortages and the resulting power shedding towards the end of the year have had a direct impact on production output and costs, affecting sales volumes and operating profits negatively.

Dividends

The dividend policy is a 50% payout. Based on these record results and the positive cash position the Board proposes a final dividend of Tzs 135 bringing the total for the year to Tzs 188, a 230% improvement on 2005.

Prospects

After having a successful year it is expected that cement demand will grow further. With the growth foreseen in the coming years, investigations have already started into possibilities to expand production capacity.

Additionally the Company is in the process of setting up its own alternative fuel resource close to the plant and is looking into own power generation options to be able to satisfy further electricity requirements.

Appreciation

The Board would like to thank all stakeholders for their support during the past year and hopes to be able to count on their continued support in the exciting years to come.

Closure of Share Register

The Register of Members will close on 7 March 2007. The last day of trading cum dividend will be 27 February 2007. Dividends will be paid on or about 31 May 2007.

TAARIFA YA MWENYEKITI WA BODI YA WAKURUNGENZI

"Ukosefu wa umeme pamoja na mgawo uliokuwepo kuelekea mwishoni mwa mwaka, kumesababisha athari za moja kwa moja kwenye uzalishaji na gharama..."

Mwaka ulioishia Desemba 2006 ulikuwa na changamoto nyingi lakini wenye mafanikio kwa kampuni. Matarajio ya mapato yaliongezeka kwa asilimia 16%, wakati mapato kwa kila hisa yamepanda kwa asilimia 121%.

Kiasi cha mauzo ya saruji kampuni yetu kimeongezeka kwa asilimia 7.7% ikiwa ni juu kidogo ya kiwango cha ukuaji wa soko. Matokeo haya ya kampuni yanaonyesha waziwazi faida ya kubadili na kuanza kutumia makaa ya mawe.

Hata hivyo kupanda kwa bei ya mafuta kumeendelea kuathiri shughuli za uendeshaji na usafirishaji. Hili pamoja na matatizo ya usafiri wa reli kumeendelea kuzidisha gharama za usambazaji na hivyo kusababisha kupanda kwa bei ya saruji kwenye soko.

Ukosefu wa uhakika wa usambazaji kwa njia ya reli kunasababisha kiasi kidogo cha mauzo kwenye kanda ya ziwa na hivyo uingizwaji wa saruji toka Kenya na Uganda kumechukua nafesi ya bidhaa za Tanga Cement kwa kiasi kikubwa.

Ukosefu wa umeme pamoja na mgawo uliokuwepo kuelekea mwishoni mwa mwaka, kumesababisha athari za moja kwa moja kwenye uzalishaji na gharama hivyo kuathiri kiasi cha mauzo na faida.

Gawio

Sera ya gawio ni malipo 50%. Kwa kuzingatia matokeo mazuri pamoja na hali nzuri kifedha Bodi inapendekeza awamu ya mwisho ya ya mgawo wa wanahisa wa Tsh 135 (kwa hisa) hivyo kufanya jumla ya malipo ya gawio kwa mwaka huu kuwa Tzs 188 ikiwa ni ongezeko la 230% kulinganisha na mwaka 2005.

Matarajio

Baada ya mwaka wa mafanikio inategemewa mahitaji ya saruji yetaekosa kukua. Kutokwa na materajio hayo ya kukua kwa mahitaji kwa miaka ijayo, uchunguzi tayari umeanza kuangalia uwezekano wa kuongeza uzalishaji.

Uwezo

Na kwa kuongezea kampuni iko kwenye mchakato wa kuweka chanzo chake chenyewe cha nishati mbadala karibu kabisa na kiwanda na pia inaangalia uwezekano wa kuwa na umeme wake yenyewe ili kukidhi mahitaji yake ya umeme.

Shukurani

Bodi inapenda kuwashukuru wadau wote kwa ushirikiano walionyeshwa kwa mwaka uliopita na inatumaini kuendelea kutegemea ushirikiano wenu kwa miaka mingine ijayo.

Kufungwa kwa usajili wa hisa

Usajili wa wanahisa utafungwa 7 Machi 2007. Siku ya mwisho ya biashara na gawio itakuwa tarehe 27 Februari 2007. Gawio utatolewa tarehe 31 Mei 2007.



Flühmann

Jürg Flühmann
Managing Director / Mkurugenzi Mkuu

"Construction is expected to grow strong in 2007..."

The year 2006 was a remarkable year in the history of Tanga Cement with record output and record profits despite the many challenges such as the power shedding, collapse of the railway distribution and the severe drought at the beginning of the year.

These factors negatively impacted on our results remarkably, however the changeover from using heavy fuel oil (HFO) to coal, after having completed successfully the coal mill installation by end 2005, contributed to the reduced production costs hence the good financial results in 2006.

Besides the ongoing modernization of the plant equipment to ensure the continuous production of Simba Cement in the required stable quality, the installation of two new modern electronic packers was completed during the year. With this new installation, Tanga Cement further increased the reliability of delivering Simba products hence complying fully to both the ISO 9001:2000 quality-certification and the ISO 14001 environmental-certification.

After achieving triple-bottom-line growth, we are not only proud of big economic achievements but of our environmental and social achievements as well. The usage of biomass as alternative fuel in our process was further increased and numerous Corporate Social Investments were undertaken during 2006. Particularly worthy of mention in this regard, was the 'Usalama Program', which focused on the implementation of optimised 'Occupational Health & Safety' regulations, and which made a substantial contribution to ensuring that Tanga Cement continues to provide a safe and healthy workplace for employees and management alike.

Achievements in 2006:

- Further expanded our market presence within Tanzania, resulting in becoming the biggest cement producer in Tanzania.
- Exceeded the previous year's profit after tax by 121% with Tzs16 billion up from Tzs 7,2 billion in 2005.
- Fully converted the kiln firing from using HFO to Coal resulting in a substantial reduction of our production costs.
- Installed and commissioned the new cement packers increasing the weight accuracy of dispatched Simba bags and an increased cement loading efficiency with less dust generation.
- Successfully negotiated with Tanzania Union of Industrial and Commercial Workers (TUICO) a new Substantive Agreement for the period 2006-2010, ensuring continued good and respectful relations between Management and the people who continue to make Tanga Cement the pride of Tanzania.

Challenges in 2007:

The well known infrastructure problems in Tanzania are continuing to have its negative impacts on the Company's results by adding additional costs and limiting full plant output, as well as affecting considerably the distribution pattern of Simba Cement in the country.

- The lack of railway locomotives, which in 2006 resulted in a reduction to half of cement distributed on rail compared to 2005, will further deteriorate until the privatization of TRC is put in place and starts to operate officially. With the resulting low cement volumes reaching the lake region, cement imports from Kenya and Uganda will continue to replace our products.
- The uncompleted road network and the poor conditions of roads in general, make the transport of cement upcountry very expensive, which is even further aggravated with the application of the new tax regime on imported fuels. The resulting increase of transportation costs is continuing to impact cement price increases in the market.
- The ongoing construction of the port in Zanzibar combined with the Tanga port reaching its capacity limits makes shipping of cement, as well as receiving of goods an increasing challenge for Tanga Cement.
- The unstable supply of electricity is causing many interruptions and consequential damages in our operation, affecting our production costs negatively. We had more than 180 power interruptions in 2006 and do not see an improvement of this negative situation.

Future Prospects:

Construction is expected to grow strong in 2007 after the slow down in 2006 caused by the drought and power shedding. With production capacity, we expect a good year for Tanga Cement. Plant expansion projects are in their final planning stages and will be executed to further grow Tanga Cement and to remain a leading company in Tanzania and East Africa.

"Shughuli za ujenzi zinategemewa kukua zaidi mwaka 2007..."

Mwaka 2006 ni mwaka wa kukumbukwa kwenye historia ya Tanga Cement kwa kuweka rekodi ya uzalishaji pamoja na faida licha ya changamoto mabalimbali zilizojitokeza ambazo ni kama vile mgawo wa umeme, kudorora kwa miundo mbinu ya njia za reli na ukame mkali ulioikumba nchi nzima mwanzoni mwa mwaka.

Licha ya kuathirika na hivyo kushindwa kupata matokeo mazuri zaidi kutokana na vikwazo hivyo, kubadilishwa kwa mfumo kutoka kutumia mafuta mazito (Heavy Fuel Oil) kwenda makaa ya mawe, baada ya mafanikio ya kufunga mtambo wa makaa ya mawe mwishoni mwa mwaka 2005, kulichangia kupunguza gharama za uzalishaji na hivyo kufanya vizuri zaidi kifedha.

Pamoja na kuendelea kwa zoezi la kubadilisha mitambo kuwa ya kisasa zaidi ili kuhakikisha uzalishaji wa Simba Cement unabaki kuwa wa kiwango cha uhakika, pia ufungwaji wa mitambo miwili ya kisasa kabisa ya kujaza saruji ulikamilika katika mwaka huo. Kukamilika kwa zoezi hilo kumeiwezesha Tanga Cement kuongeza zaidi uhakika wa upatikanaji wa bidhaa za Simba na hivyo kuendelea kuridhisha matakwa ya viwango vya kimataifa ambavyo ni cha ubora ISO 9001:2000 na cha mazingira ISO 14001.

Kutokana na malengo matatu ya msingi ya kuwa kampuni bora si tu kiuchumi bali kimazingira na kijamii, utumiaji wa samadi (Biomass) kama nishati mbadala umeongezeka maradufu na pia kwa mwaka huo wa 2006 kumefanyika miradi kadhaa ya kijamii. Katika hili pia programu ya Usalama inayolenga kwenye suala la afya na usalama kazini imechangia kwa kiasi kikubwa kuifanya Tanga Cement kuwa sehemu salama na yenye siha zaidi kwa pande zote zinazohusika.

Mafanikio 2006:

- Kuweza kupanua zaidi soko letu na ndani na hivyo kutufanya kuwa wazalishaji wakubwa zaidi wa saruji Tanzania.
- Ongezeko la faida baada ya kodi kwa 121% kulinganisha na mwaka jana kwa Tsh16b/- kutoka Tsh 7.2b/- mwaka 2005.
- Kubadli kabisa mfumo wa kuwasha kinu kutoka kutumia mafuta mazito (HFO) kwenda makaa ya mawe kumepunguza kwa kiasi kikubwa gharama za uzalishaji.
- Kufungwa na kuanza kutumika kwa mitambo mipya ya kujaza saruji kumeboresha uhakiki wa idadi ya mifuko ya saruji ya Simba itokayo kiwandani na kuleta ufanisi kwenye shughuli nzima ya upakiaji saruji bila kuzalisha vumbi jingi.
- Kufanikiwa kwa majadiliano na chama cha wafanyakazi wa viwandani (TUICO) kuhusu mkataba mpya wa hiari kwa kipindi cha 2006-2010, kumehakikisha kuwepo kwa mahusiano mazuri na ya kuheshimiana kati ya menejementi na watanyakazi wanaoendelea kuifanya Tanga Cement kuwa fahari ya Tanzania.

Changamoto 2007:

Matatizo yanayojulikana ya miundo mbinu Tanzania yanaendelea kuleta athari kwenye matokeo ya ujumla ya kampuni kwa kuleta gharama za ziada na kukibana kiwanda kufanya uzalishaji kadiri ya uwezo wake vile vile kwa kiasi kikubwa kuathiri mfumo wa usambazaji wa saruji ya Simba nchini.

- Uhaba wa mabehewa ambao mwaka 2006 ulisababisha kusambazwa nusu tu ya kiasi cha saruji kulinganisha na mwaka 2005, hali hii itaendelea kudorora mpaka TRC itakapopata mwekezaji na kuanza kazi. Kutokana na kuwepo kiasi kidogo cha saruji kinachoifika kanda ya ziwa, uingizaji wa saruji kutoka Kenya na Uganda utaendelea kuwa mbadala wa bidhaa zetu.
- Kutokamilika kwa mtandao wa barabara na hali duni ya barabara kwa ujumla imesababisha usafirishaji wa saruji kuwa ghali zaidi hali ambayo inachochewa zaidi na uanzishwaji wa utaratibu mpya wa kodi ya mafuta yaingizwayo toka nje.
- Ujenzi unaoendelea wa bandari ya Zanzibar pamoja na kufikia mwisho kwa uwezo wa bandari ya Tanga umesababisha usafirishaji wa saruji pamoja na upokeaji mizigo kwa njia hii kuzidi kuwa changamoto kubwa kwa Tanga Cement.
- Kukosekana kwa umeme wa uhakika kunasababisha usumbufu na uharibifu kwenye shughuli zetu za uendeshaji na hivyo kuathiri gharama za uzalishaji. Kwa mwaka 2006 peke yake kumekuwa watokeo zaidi ya 180 ya kukatika umeme na hakuna dalili yoyote ya hali hii mbaya kubadilika.

Mipango ya mbeleni:

Shughuli za ujenzi zinategemewa kukua zaidi mwaka 2007 baada ya kulegalega mwaka 2006 kuliko sababishwa na ukame na mgawo wa umeme. Huku tukiwa na uwezo wa kutosha wa uzalishaji, tunategemea mwaka mwingine mzuri kwa Tanga Cement. Mradi wa upanuzi wa kiwanda uko katika hatua za mwisho za mipango na utekelezaji wake utakuwa kwa mujibu wa sera za kampuni ambayo ni kuzidi kuifanya Tanga Cement kuendelea kuwa kampuni inayoongoza Tanzania na Afrika Mashariki.



SOS VILLAGE - ARUSHA

The first SOS Children's Village in mainland Tanzania provides a home to orphaned children. The first corner stone laying ceremony for this unique village took place in 1998 and by the year 2000 the children were able to move into their new home.

The SOS Village philosophy is to care for orphaned children in a home-style environment.

Simba Cement is proud to be associated with the construction of the SOS Children's Village.

Kijiji cha watoto SOS ni cha kwanza kabisa Tanzania bara kutoa huduma ya kulea watoto yatima. Hatua za mwanzo kabisa za ujengaji wa kituo hiki cha kipekee ulianza mwaka 1998 na mwaka 2000 watoto waliweza kuanza kutumia kituo hiki.

Azma ya SOS ni kulea watoto yatima katika mazingira ya kujisikia wapo nyumbani.

Simba Cement inajivunia kuwa na mchango mkubwa wa kujenga kituo cha SOS.



CORPORATE SOCIAL INVESTMENTS

In line with its tagline, "Building Tanzania", Tanga Cement continues to invest in the Tanzanian communities through the Company's Corporate Social Investments (CSI) program.

In the year 2006, the Company spent Tzs 239 million on classrooms, food aid to drought stricken areas in different parts of the country earlier in the year, rehabilitation of quarries, and community development programmes.

Some of the social investments made during the year include:

1. Construction of four classrooms in different parts of the country:

Tanga Cement constructed classrooms in four different schools in different parts of the country. This is in line with the Company's policy of investing directly into schools and areas that need the most help.

2. ZAYEDESAs Community Development Activities:

Tanga Cement has continued to partner with the Zanzibar Youth, Education, Environment and Development Support Association (ZAYEDESAs). The Company donated 100 tons of cement to the Association which was used to renovate schools and hospitals in Zanzibar. The Company intends to continue offering support to the humanitarian and community development initiatives of this association.

3. Construction to mini-hydro power plant in Lushoto:

As part of the effort to promote the usage of sustainable and renewable energy alternatives to address rural energy needs, Tanga Cement partnered with UNIDO (United Nations Industrial Development Organisation) to construct and commission a mini power plant of 9kW in the Kinko village, Lushoto District. This plant supplies 100 households in the vicinity of the village with electricity and has enabled the village set up a community centre where they are able to watch television and browse the internet. In addition to promoting usage of renewable sources of energy, the availability of electricity is expected to stimulate small-scale production and industrial activities that will result in income generation for the Kinko Community.

4. Food aid:

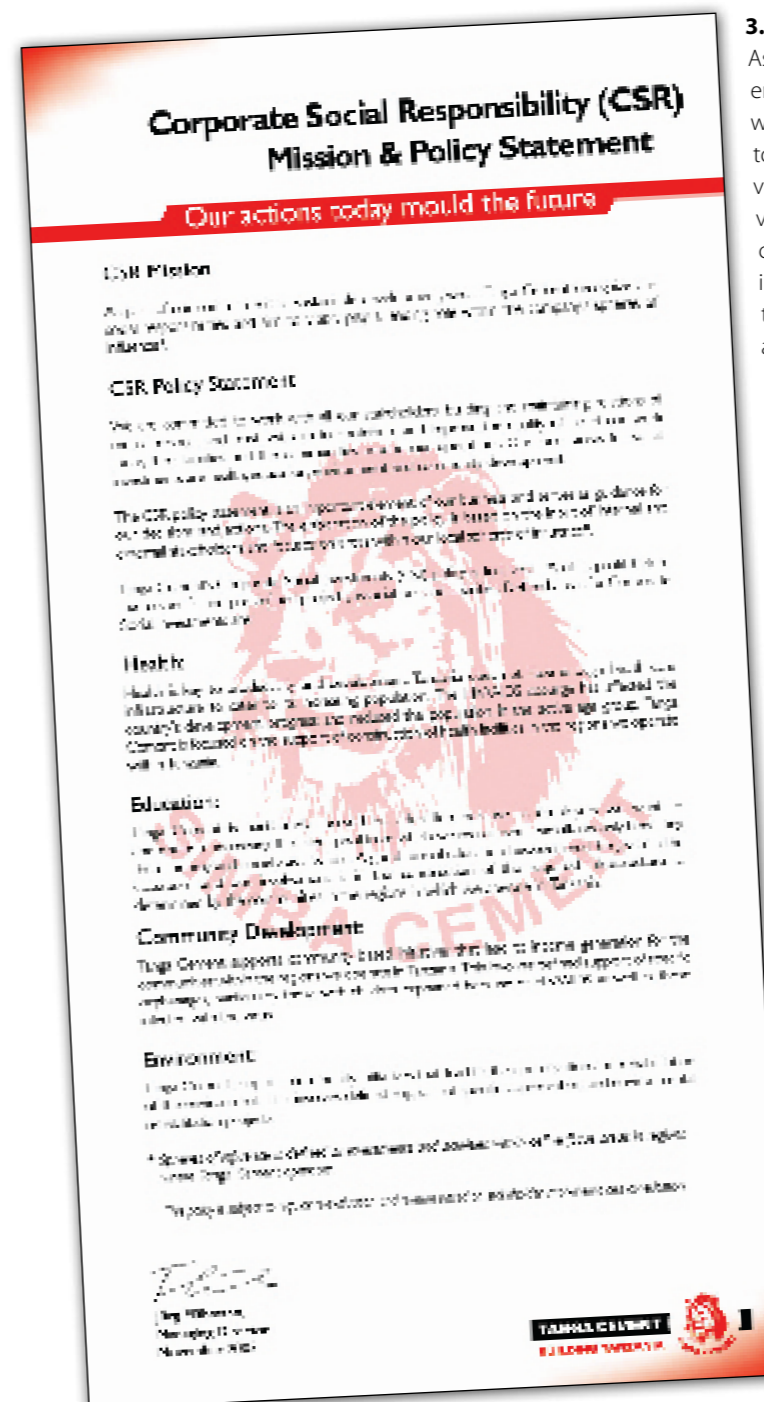
The year 2006 started on a challenging note for Tanzania with the food shortage due to poor rainfall between August and November of the previous year. With close to 4 million people needing food assistance, Tanga Cement decided to mark its 25th anniversary by making a contribution of 350 tons of maize which was distributed to the people in the worst affected districts of Handeni, Rombo, Monduli and Hanang.

5. Donation and installation of water pump in the Saunyi Village, Handeni:

To better the lives of the people in the Saunyi Village, the Company made a decision to refurbish a bore hole and install a water pump to enable the villagers easy access to water for their own use as well as for their livestock. Tanga Cement supplied and installed a three-phase generator and water pump. The Company also built a permanent shelter to house the equipment.

The above mentioned are a few of the Company's Corporate Social Investments during the year. Tanga Cement has a Corporate Social Responsibility Policy that guides its social investment decisions.

This policy is displayed here.



Kulingana na kaulimbiu yake, "Building Tanzania", Tanga Cement inaendelea kuwekeza kwenye jamii za Tanzania kupitia Mradi wake wa Uwekezaji Jamii, yaani Corporate Social Investments (CSI).

Mwaka 2006, Kampuni ilitumia Sh. 239 milioni kujenga madarasa, msaada wa chakula kwa sehemu zilozokumbwa na ukame sehemu mbali mbali nchini mwanzoni mwa mwaka, ukarabati wa machimbo ya mawe na miradi ya maendeleo jamii.

Baadhi ya uwekezaji jamii uliyofanyika mwaka 2006 ni pamoja na:

1. Ujenzi wa madarasa manne sehemu mbali mbali nchini:

Tanga Cement ilijenga madarasa kwenye shule nne tofauti sehemu mbali mbali nchini. Hii inaenda sambamba na sera ya Kampuni ya kuwekeza moja kwa moja kwenye shule na maeneo yanayohitaji msaada zaidi.

2. Miradi ya Maendeleo Jamii ya ZAYEDES:

Tanga Cement imeendelea kushirikiana na Zanzibar Youth, Education, Environment and Development Support Association (ZAYEDES). Kampuni ilitoa tani 100 za saruji kwa chama hicho, The Company donated to the association 100 tons of cement which was used to renovate ambayo ilitumika kukarabati shule na hospitali visiwani Zanzibar. Kampuni inakusudia kuendelea kutoa msaada kwa shughuli za kibinadamu na za maendeleo jamii za chama hicho.

3. Ujenzi wa mtambo mdogo wa umeme maji Lushoto:

Ikiwa ni sehemu ya jitihada zetu za kuendeleza utumiaji wa nishati mbadala za kudumu kwa maeneo ya vijijini, Tanga Cement imeshirikiana na UNIDO (United Nations Industrial Development Organisation) kujenga na kuzindua mtambo mdogo wa umeme wa kW9 kwenye kijiji cha Kinko, Wilayani Lushoto. Mtambo huu unatoa umeme kwa kaya 100 kwenye eneo linalozunguka kijiji na imekiwezesha kijiji kufungua kituo cha jamii ambapo wakazi wanaweza kuangalia runinga na kutumia mtandao wa intanet. Pamoja na kuendeleza matumizi ya nishati za kudumu, upatinakaji wa umeme unatarajiwa kuchochea shughuli ndogo ndogo za uzalishaji ambazo zitapelekea upatikanaji kipato kwa Jamii ya Kinko.

4. Utoaji msaada wa chakula:

Mwaka 2006 ulianza na changamoto kubwa kwa Tanzania kukiwa na upungufu wa chakula uliohusishwa na kutokupatikana kwa mvua kati ya mwezi Agosti na Novemba mwaka 2005. Kukiwa na takriban watu milioni 4 wakihitaji msaada wa chakula, Tanga Cement iliamuakusherehekea miaka 25 yake kwa kutoa msaada wa tani 350 za mahindi ambazo zilisambazwa kwa watu kwenye sehemu zilizoathirika zaidi za Handeni, Rombo, Monduli na Hanang.

5. Utoaji na ufungaji wa pampu ya maji Kijiji cha Saunyi, Handeni:

Kuboresha maisha ya wakazi wa Kijiji cha Saunyi, Kampuni ilichukua uamuzi wa kuchimba kisima na kufunga pampu ya maji kuwawezesha wanakijiji kupata maji kwa urahisi kwa matumizi yao wenyewe na mifugo yao. Tanga Cement ilitoa na kufunga jenereta la njia tatu na pampu hiyo hiyo kuhakiki usalama wake.

Hivyo ni baadhi ya vitegachumi jamii vya Kampuni kwa mwaka 2006. Tanga Cement ina Sera ya Majukumu Jamii inayoongoza maamuzi yake uwekezaji jamii.

Sera hiyo imeonyeshwa hapa.

During 2006 we maintained the pace for continual environmental improvements and compliance with applicable legislation.

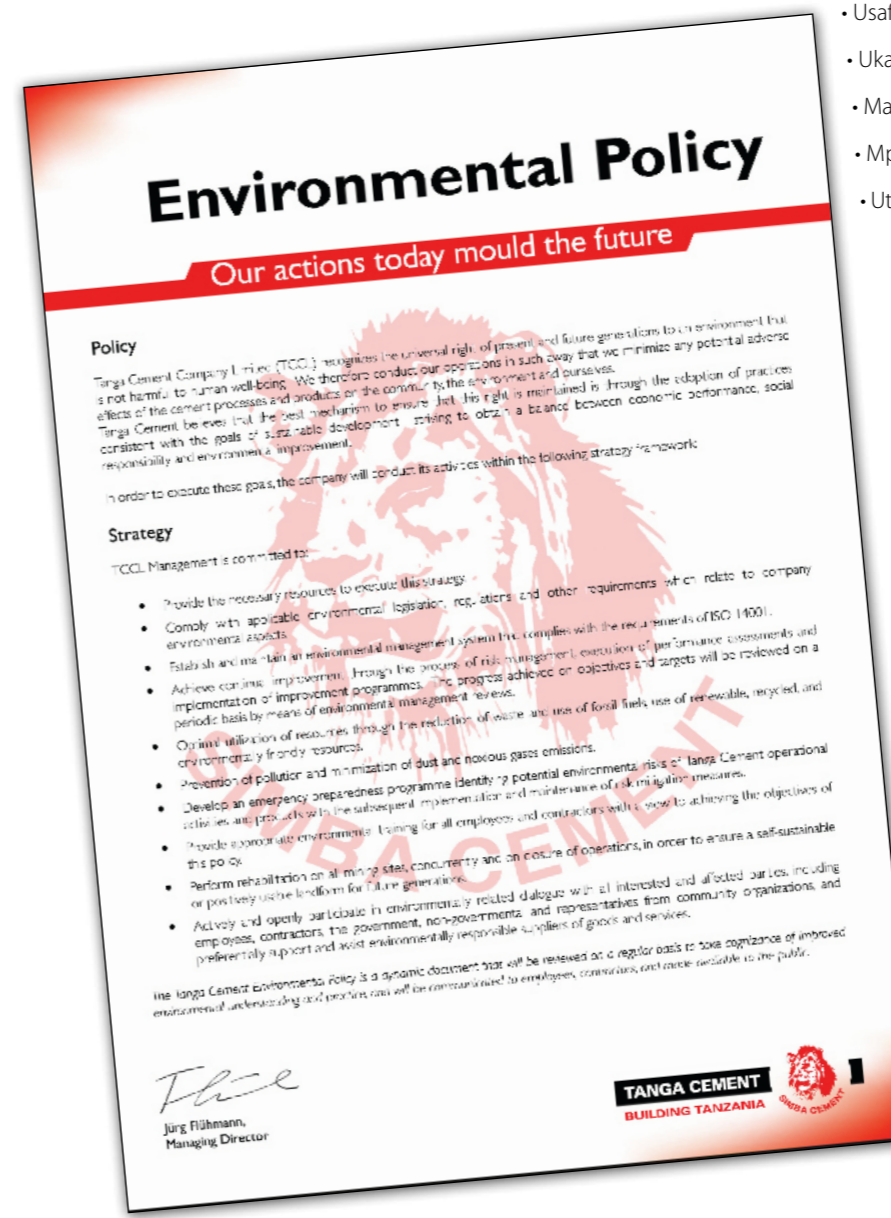
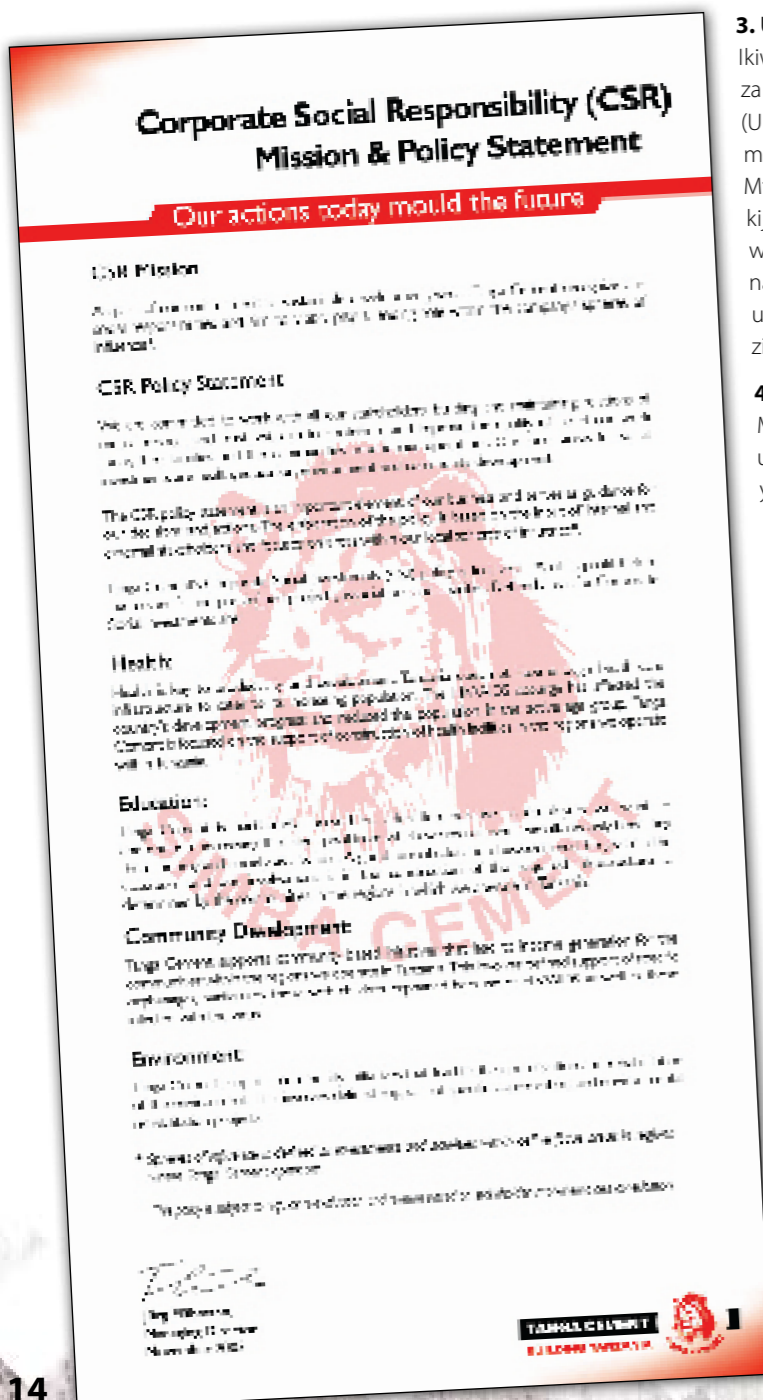
We are proud of the huge strides made in environmental care and progress in the areas of:

- Emission measuring and control
- House keeping and greening programmes
- Quarry rehabilitation
- Environmental training
- Alternative fuels programme
- Maintaining our ISO 14001 accreditation

Kipindi cha 2006 tuliendeleza hatua za uboreshaji wa masuala ya mazingira na kuzingatia matakwa ya sheria zinazohusika.

Hivyo tunajivunia hatua kubwa tulizopiga katika utunzaji wa mazingira na mafanikio makubwa katika maeneo ya:

- Upimaji na udhibiti wa uvujaji wa vumbi
- Usafi wa mazingira na uoteshaji
- Ukarabati wa machimbo ya zamani
- Mafunzo katika masuala ya mazingira
- Mpango wa kuongeza matumizi ya nishati mbadala
- Utunukiwaji na uendelezaji kiwango cha kimataifa cha ISO 14001



QUALITY

Tanga Cement Company continues to maintain its ISO 9001:2000 accreditation and continues to produce high quality products in line with the quality management system standard.

UBORA

Tanga Cement Company inaendelea kuzingatia kuthibitishwa kwake kwa ISO 9001:2000 na inaendelea kuzalisha bidhaa zenye ubora wa hali ya juu ikisisitiza ufanisi katika maswala yote ya uendeshaji kuhakiki viwango stahili vinazingatiwa.

The image shows a document titled "Quality Policy" with a red header that reads "Our actions today mould the future". The document is signed by Jürg Flühmann, Managing Director, and features the Tanga Cement logo at the bottom. The text on the document is as follows:

Quality Policy

Our actions today mould the future

Policy

The vision of Tanga Cement Company Limited (TCCL) is to become the most admired, efficient and profitable cement operation within East Africa. In order to maintain our core values of integrity and a commitment to everything we do we will consistently provide products and services in line with the requirements of our customers. This quality policy will guide behavior that aims to develop, implement and maintain a quality culture of customer satisfaction. To achieve this, the following objectives have been defined:

Objectives

- TCCL management will provide employees with adequate resources in order to achieve the stated objectives.
- Comply with the requirements of the ISO 9001 : 2000 series of quality management system standard and the product requirements of the TZS 727:2002.
- Identify customer requirements, plan their realization and measure our success in meeting them.
- Set specific quality objectives appropriate to the activities of our business, measure the progress and review the achievement thereof.
- Audit and continually improve the effectiveness of TCCL's documented quality management system.
- Increase quality awareness throughout TCCL.
- Agree to key performance indicators for all TCCL employees, which are directed towards quality performance, meeting long term business goals and personal growth.
- Share the achievements of TCCL's business performance with all stakeholders.
- Communicate TCCL Quality Policy to employees.

All TCCL employees will work together with management in the execution of this policy by acting upon non-conformities that have an impact on the quality of TCCL products and services.

This policy will be reviewed on a periodic basis to ensure that it is best suited to realizing TCCL's long term business goals.

Jürg Flühmann
Jürg Flühmann,
Managing Director

TANGA CEMENT
BUILDING TANZANIA

CORPORATE GOVERNANCE

Tanga Cement continues to improve its levels of corporate governance and has committees that have been established in line with established best practice.

Tanga Cement believes that high standards of corporate governance are fundamental to achieving its long-term strategic goals and to meet the needs of the Company's stakeholders.

Board of Directors

The Board is primarily responsible for setting the broad direction of the Company by approving strategic objectives, key policies and financial performance criteria.

Accountability to shareholders and responsibility to other stakeholders remains of paramount consideration in Board decisions, being balanced against the demands of the regulatory environment in which the Company operates.

The Board structure comprises one executive director and seven non-executive directors.

Each shareholder having a 12.5% shareholding is entitled to nominate a director.

The non-executive directors are selected on the basis of their experience, knowledge and independence. They bring a wealth of experience to the Board.

The strong independent composition of the Board provides for independent and objective judgement in the decision making process and ensures that no one individual has unfettered powers of decision and authority.

All directors are subject to retirement by rotation and re-election by the shareholders at least once every three years in accordance with the Company's Articles of Association. The Board as a whole proposes the appointment of new directors, based on recommendations of the Nomination Committee.

The Board meets formally at least once a quarter or more frequently if circumstances so require, to review matters specifically reserved for its decision, including the review of financial and operational results, and to consider issues of strategic direction, major acquisitions and disposals, approval of major capital expenditure and construction tenders as well as any other matters having a material effect on the Company.

Chairman and Managing Director

The roles of Chairman and Managing Director are separate. The Board is led by the Chairman, Dave King, who is a non-executive director. The executive management is the responsibility of the Managing Director, Jürg Flühmann.

Company Secretary

All directors have access to the advice and services of the Company Secretary, and to any other information or documentation they may require. The Company Secretary also keeps the Board advised of any relevant changes in regulation and company law legislation.

Nomination Committee

Members:

| | | |
|---------------------|---|-------------|
| Jürg Flühmann | - | Chairperson |
| Grace Rubambey | - | Member |
| Khamis Omar | - | Member |
| Prof. Samuel Wangwe | - | Member |

A Nomination Committee has been established and is chaired by the Managing Director, Jürg Flühmann. The rest of the committee members are non-executive directors.

Terms of reference and powers delegated to this committee have been approved by the Chairman.

The primary purpose of this Committee is to ensure that the Board of Directors consists of people with skills and attributes needed by the Company. To do this it considers the need for new directors, searches for candidates and recommends new directors to the main board.

Risk Committee

Members:

| | | |
|----------------|---|--------------------|
| Jürg Flühmann | - | Acting Chairperson |
| Grace Rubambey | - | Member |

The committee's primary objective is to review all business risks that faces Tanga Cement including litigation that it is involved in and to recommend to the Board courses of action to resolve issues and reduce risk.

The Committee presents recommendations to the Board of Directors at the quarterly board meeting.

The Committee is convened at least twice per year, or otherwise as required when circumstances dictate.

Audit Committee

Members:

| | | |
|----------------------|---|-------------|
| Prof. Samuel Wangwe | - | Chairperson |
| Karl Meissner-Roloff | - | Member |
| Dave King | - | Member |

The Committee's primary objective is to provide the Board with additional assurance regarding the integrity and effectiveness of the risk management framework and related internal controls, corporate governance, reporting and compliance systems, that are operating within the Company.

The Audit Committee Charter clearly sets out the terms of reference and powers delegated to this Committee. The Audit Committee Charter has been approved by the Board.

The Committee reviews internal and external audit processes, accounting policies and significant issues raised by auditors.

The Committee Members have access to all information, documentation and management explanations required in the discharge of their duties.

The Committee meets twice a year.

Remuneration Committee

Members:

| | | |
|----------------------|---|-------------|
| Grace Rubambey | - | Chairperson |
| Dave King | - | Member |
| Karl Meissner-Roloff | - | Member |
| Prof. Samuel Wangwe | - | Member |

The purpose of the Remuneration Committee is to consider, investigate, review and recommend for Board approval any material changes to the Company's existing remuneration policy, the employees share scheme and incentive bonus scheme with the objective of ensuring that the Company's employee remuneration accords with remuneration practice in Tanzania and supports the Company's commitment to attracting and retaining high performing people.

The Remuneration Committee will also review, on an annual basis, the Managing Director's remuneration package, Directors' remuneration and overall annual remuneration increases proposed for the Company.

The Remuneration Committee meets at least once per annum.

Internal Audit

Internal audit is outsourced to Holcim South Africa. It is an independent appraisal function, which examines and evaluates the activities and the appropriateness of the systems of internal control, risk management and governance processes.

The objective of internal audit is to assist management in the effective discharge of their responsibilities and acts as a resource designed to add value and improve the organization's operations. Every assignment is followed by detailed reports to management including recommendations on aspects requiring improvement. Significant findings are reported to the Audit Committee.

External Audit

The external auditors express their opinion on the annual financial statements.

The external auditors attend the Tanga Cement Company Audit Committee meetings.

Share Dealing by Directors and Officers

The Company operates closed periods prior to publication of its interim and year-end financial results. The closed periods are from 1st December and 1st June until publication of the results.

During these periods the directors, officers and employees of the company may not deal in the shares or any other instrument pertaining to the shares of the company.

Investor and Stakeholder Relations

Tanga Cement is committed to open and prompt communication with all its stakeholders. It is committed to transparency only to the extent that such transparency would not be detrimental to the business.

Shareholders are welcome to attend the company's Annual General Meeting to meet Members of the Board and discuss any issues with the directors.

Kampuni ya Tanga Cement imeendelea kuimarisha viwango vyake vya utawala bora na ina kamati mbalimbali ziliundwa zikiwa ni sehemu muhimu ya utendaji bora.

Kampuni ya Tanga Cement inaamini kwamba utawala bora ni msingi wa mafanikio katika uzalishaji na hata kwa washika dau.

Bodi ya Wakurugenzi

Jukumu la awali la Bodi hiyo ni kuweka bayana mwelekeo wa Kampuni kwa kuidhinisha mikakati, malengo, sera za msingi pamoja na mapato ya Kampuni.

Bodi pia inawajibika kikamilifu katika maamuzi yanayowahusu wanahisa na washikadau wengine.

Mfumo wa Bodi ni ule ambao kuna Mkurugenzi Mtendaji mmoja na wakurugenzi wengine saba ambao sio watendaji.

Kila mwanahisa ambaye anamiliki asilimia 12.5 ana haki ya kumchagua Mkurugenzi.

Wakurugenzi wasio watendaji wanachaguliwa katika misingi ya uzoefu walio nao, elimu na jinsi gani wanavyoweza kufanya kazi kwa kujitegemea wenyewe. Hii inatokana na majukumu makubwa ya maamuzi ambayo wanatakiwa kuyatoa katika Bodi.

Wakurugenzi wanatakiwa kuwa na maamuzi fasaha na ya pamoja katika Bodi, na kuhakikisha kuwa hakuna mtu mmoja anayehodhi madaraka ya kuamua.

Wakurugenzi wako chini ya sheria inayowataka kustaafu kwa hiari punde muda wao unapowadia, ama kuchaguliwa tena na wanahisa angalau mara moja baada ya kipindi cha kila miaka mitatu kufuatana na kanuni za Kampuni. Bodi ndiyo yenye mamlaka ya kuthibitisha wakurugenzi ambao wamechaguliwa kutokana na mapendekezo ya kamati ya uteuzi.

Kwa kawaida Bodi hukutana mara moja katika kipindi cha miezi mitatu ama chini ya hapo ili kujadili masuala ya msingi yanayohitaji maamuzi ya Bodi ikiwa ni pamoja na kupitia masuala ya fedha, uendeshaji, mwelekeo wa Kampuni na kupitisha mapendekezo ya matumizi ya fedha, tenda za ujenzi na mambo mengine yanayogusa Kampuni.

Mwenyekiti na Mkurugenzi Mtendaji

Wajibu wa Mwenyekiti na Ofisa Mtendaji Mkuu ni tofauti. Bodi inaongozwa na Mwenyekiti, Dave King ambaye siyo Mkurugenzi Mtendaji. Usimamizi wa utendaji wa Kampuni umo chini ya uongozi wa Mkurugenzi Mtendaji, Jürg Flühmann.

Katibu wa Kampuni

Wakurugenzi wote wanahusika moja kwa moja kwa Katibu wa Kampuni ikiwa ni pamoja na haki ya kupata taarifa za kampuni kutoka kwa katibu huyo. Katibu ana wajibu wa kuhakikisha kwamba Bodi inapata ushauri mbalimbali kuhusu mabadiliko ama masuala ya sheria yanayoihusu kampuni.

Kamati ya Uteuzi

Wajumbe:

| | | |
|---------------------|---|------------|
| Jürg Flühmann | - | Mwenyekiti |
| Grace Rubambey | - | Mjumbe |
| Khamis Omar | - | Mjumbe |
| Prof. Samuel Wangwe | - | Mjumbe |

Kamati ya uteuzi imeundwa ikiwa chini ya uenyekiti wake Mkurugenzi Mtendaji, Jürg Flühmann. Wajumbe wengine sio wakurugenzi watendaji.

Majukumu yao yameidhinishwa na Mwenyekiti.

Lengo la awali la kamati hiyo ni kuhakikisha kwamba Bodi ya Wakurugenzi ina watu wenye sifa zinazohitajika, ufahamu na mchango unaohitajika kwa kampuni. Ili kuhakikisha kwamba lengo hilo linafanikiwa kamati hiyo huangalia kama kuna umuhimu wa kuwapata Wakurugenzi wapya wa kampuni, kuwapata watarajiwa walio na sifa ya wadhifa huo pamoja na kupendekeza majina ya Wakurugenzi wapya kwenye Bodi ya Wakurugenzi.

Kamati ya Tahadhari

Wajumbe:

| | | |
|----------------|---|------------------|
| Jürg Flühmann | - | Kaimu Mwenyekiti |
| Grace Rubambey | - | Mjumbe |

Jukumu la awali la kamati hiyo ni kupitia hali ya kesi mbalimbali zilizofikishwa na kutoa ushauri kwa Bodi kuhusu jinsi ya kukabiliana nazo mahakamani.

Kamati huwakilisha mapendekezo yake kwa Bodi wakati wa kikao cha Bodi.

UTAWALA WA KAMPUNI

Kwa kawaida kamati hiyo hukutana mara mbili kwa mwaka, ama kama kuna umuhimu wa kufanyika kwa kikao cha dharura.

Kamati ya Ukaguzi wa Mahesabu

Wajumbe:

| | | |
|------------------------|---|------------|
| Prof. Samuel Wangwe | - | Mwenyekiti |
| Karl Meissner – Roloff | - | Mjumbe |
| Dave King | - | Mjumbe |

Jukumu la awali la kamati hiyo ni kuipatia Bodi uhakika kuhusu hali ya kifedha ya Kampuni pamoja na hali halisi ya uongozi inavyofanya kazi katika maeneo mbali mbali ya Kampuni.

Mkataba wa kamati hiyo umeweka bayana na hadidu za rejea na mamlaka ambayo kamati hiyo imepeva. Mkataba wa kamati hiyo umeidhinishwa na Bodi.

Kamati hiyo hupitia taarifa za ukaguzi wa ndani na nje wa mahesabu kwa mujibu wa sera za uhasibu.

Wajumbe wa kamati hiyo wana haki ya kupata taarifa zote muhimu ambazo zitawasaidia kutekeleza majukumu yao.

Kamati hiyo hukutana mara mbili kwa mwaka.

Kamati ya Mafao

Wajumbe:

| | | |
|------------------------|---|------------|
| Grace Rubambey | - | Mwenyekiti |
| Dave King | - | Mjumbe |
| Karl Meissner – Roloff | - | Mjumbe |
| Prof. Samuel Wangwe | - | Mjumbe |

Madhumuni ya kamati hii ya mafao ni kufuatilia, kuchunguza na kupitia mabadiliko muhimu katika mfumo wa mafao yote ya Kampuni kwa lengo la kuhakikisha kwamba ulipaji wa mafao hayatofautiani na mfumo ulioko Tanzania na mfumo huo unasaidia kampuni kuvutia na kuhakikisha wachapakazi wanaendelea kufanya kazi na kampuni.

Kamati ya mafao pia hupitia kila mwaka, mafao ya Mkurugenzi Mtendaji, Wakurugenzi na ongezeko la mafao la kila mwaka kwa wafanyakazi wa kampuni.

Kamati ya mafao hukaa angalau mara moja kwa mwaka.

Wakaguzi wa Mahesabu wa Ndani

Huduma hii ya ukaguzi wa ndani unakodishwa kutoka Holcim Afrika ya Kusini. Majukumu ya huduma hii ni pamoja na kuhakiki mfumo wa ndani wa fedha za kampuni ili kuhakikisha kwamba kampuni haiingii katika hasara na inazingatia misingi ya utawala bora.

Lengo la ukaguzi wa mahesabu wa ndani ni kusaidia utawala katika kufanya kazi yake kufuatiwa pamoja na kuboresha utendaji wa kampuni. Mara zote utendaji wa kazi hufuatiwa na taarifa sahihi kwa uongozi ikiwa ni pamoja na ushauri unaohusu uboreshaji wa kazi husika. Taarifa maalum hukabidhiwa kwa kamati ya ukaguzi wa mahesabu.

Wakaguzi wa Mahesabu wa Nje

Wakaguzi wa mahesabu wa nje wana jukumu la kutoa mapendekezo yao juu ya hesabu za Kampuni katika kikao cha mwaka.

Wakaguzi wa mahesabu wa nje huhudhuria vikao vya kamati ya ukaguzi wa mahesabu ya Tanga Cement Company Limited.

Wakurugenzi, Maafisa, na Masuala ya Hisa

Tanga Cement Company ina utaratibu wa kufunga mahesabu yake katika kipindi maalum kilichowekwa au mwishoni mwa mwaka wa fedha kabla taarifa hiyo ya fedha haijachapishwa katika taarifa yake ya mwaka. Kwa kawaida mahesabu hayo hufungwa tarehe 1 mwezi wa Desemba na tarehe 1 mwezi wa Juni.

Katika vipindi hivyo Wakurugenzi, maafisa na waajiriwa wa kampuni hawajihusishi na masuala ya hisa, ama masuala yoyote yanayohusika na hisa za kampuni.

Uhusiano kati ya Wawekezaji na Wadau

Tanga Cement Company imejizatiti katika suala zima la uwazi na kuwa na mawasiliano ya karibu na wadau wake. Imejizatiti katika uwazi, uwazi ambao hata hivyo hautaathiri shughuli zake za biashara.

Wenye hisa wanakaribishwa kuhudhuria mikutano mikuu ya mwaka ya kampuni ili kukutana na wajumbe wa Bodi pamoja na kujadiliana masuala mbalimbali na Wakurugenzi wake.



MOROGORO HIGHWAY

This highway is the lifeline of Tanzania, linking people from downtown Dar es Salaam to other regions of the country. The repair and expansion of the Morogoro Highway was financed by the Japan International Corporation Agency in the 1990's.

Hii ni barabara kuu inayotumiwa na Watanzania wengi. Inaunganisha watu kutoka mikoa mbalimbali na jiji la Dar es Salaam. Upanuzi na ukarabati wa hii barabara ulifadhiliwa na Japan International Corporation Agency.

VALUE ADDED STATEMENT

For the year ended 31 December

| | 2006 | | 2005 | |
|-----------------------------|-------------------|------------|-------------------|------------|
| | Tzs '000 | % | Tzs '000 | % |
| Value Added | | | | |
| Gross Turnover | 77,626,642 | | 67,022,50 | |
| Other Income | 90,000 | | 317,015 | |
| Other operating expenditure | -42,841,383 | | -49,132,060 | |
| | 34,875,259 | 100 | 18,207,705 | 100 |
| Value Allocated | | | | |
| To Employees | 9,550,069 | 27.4 | 6,015,560 | 33.0 |
| To Government - Company Tax | 7,067,479 | 20.3 | 3,294,993 | 18.1 |
| To Shareholders - Dividend | 5,221,026 | 15.0 | 3,240,383 | 17.8 |
| To Lending Institutions | 135,824 | 0.4 | 349,342 | 1.9 |
| To Expansion and Growth | | | | |
| - Depreciation | 1,895,275 | 5.3 | 1,067,984 | 5.9 |
| - Retained Income | 11,005,586 | 31.6 | 4,239,443 | 23.3 |
| | 34,875,259 | 100 | 18,207,705 | 100 |

TAARIFA YA ONGEZECO LA THAMANI

Kwa mwaka ulioishia tarehe 31 Decemba

| | 2006 | | 2005 | |
|----------------------------------|-------------------|------------|-------------------|------------|
| | Tzs '000 | % | Tzs '000 | % |
| Ongezeko la thamani | | | | |
| Mapato ya pamoja | 77,626,642 | | 67,022,50 | |
| Mapato mengine | 90,000 | | 317,015 | |
| Gharama nyingine za uendeshaji | -42,841,383 | | -49,132,060 | |
| | 34,875,259 | 100 | 18,207,705 | 100 |
| Thamani ilivyogawanywa | | | | |
| Kwa wafanyakazi | 9,550,069 | 27.4 | 6,015,560 | 33.0 |
| Kwa serikali | 7,067,479 | 20.3 | 3,294,993 | 18.1 |
| Kwa wanahisa | 5,221,026 | 15.0 | 3,240,383 | 17.8 |
| Kwa wakopeshaji | 135,824 | 0.4 | 349,342 | 1.9 |
| Kwa upanuzi na ukuaji | | | | |
| - Uchakavu | 1,895,275 | 5.3 | 1,067,984 | 5.9 |
| - Mapato yaliyobakizwa kwa Mwaka | 11,005,586 | 31.6 | 4,239,443 | 23.3 |
| | 34,875,259 | 100 | 18,207,705 | 100 |

DIRECTORS, OFFICERS AND ADMINISTRATION

Directors

Mr. Dave King (Chairman)
 Mr. Jürg Flühmann (Managing Director)
 Mr. Karl Meissner-Roloff
 Prof. Samuel Wangwe
 Mr. Khamis Omar
 Mrs. Grace Rubambey
 Mrs. Mwanaidi Sinare Maajar (Resigned 18th August 2006)

Secretary

Mr. Lafras Moolman
 Tanga Cement Company Limited
 Pongwe Factory Area
 P.O. Box 5053
 Tanga

Auditors

Ernst & Young
 Utalii House
 P.O. Box 2475
 Dar es Salaam

Legal Advisors

Rex Attorneys
 Mirambo Street
 P.O. Box 7495
 Dar es Salaam

Share Registration Service Provider

CAD Securities
 NSSF Building, Nyerere Tower, 3rd Floor
 Bibi Titi/Morogoro Road
 P.O. Box 23226
 Dar es Salaam

Registered Office & Principal Place of Business

Tanga Cement Company Limited
 Pongwe Factory Area
 P.O. Box 5053
 Tanga

Bankers

NBC Limited
 P.O. Box 71625, Tanga

Citibank Tanzania Limited
 P.O. Box 5031, Dar es Salaam

Standard Chartered Bank Tanzania Limited
 P.O. Box 9011, Dar es Salaam

Tax Advisors

Price Waterhouse Coopers
 International House
 Dar es Salaam



REPORT OF THE DIRECTORS

For the year ended 31 December 2006

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2006, which disclose the state of affairs of the Company.

Principal Activities

The principal activities of the Company are manufacturing and selling of clinker and cement.

Results

The performance of the Company during the year is set out on page 30 of these financial statements.

Details of the movements in the issued share capital and reserves are given in the statement of changes in equity on page 33.

Solvency

The Company's state of affairs as at 31 December 2006 is set out on page 31 of these financial statements. The Directors consider the Company solvent.

Administrative Matters

The Company is capable of handling all administrative matters.

Dividend

The Directors declared the payment of an interim dividend for 2006 of Tzs 53 (2005: Tzs 28). The Directors propose a final dividend of Tzs 135 (2005 final dividend approved Tzs 29).

Subsequent Events

There are no subsequent events that have occurred that could materially affect the financial statements.

Share Capital

The total issued share capital amounts to 63,671,045 ordinary shares (2005 - 63,671,045).

The shareholding of the Company as at 31 December 2006 is as stated below:-

| | 2006 % Shareholding | 2005 % Shareholding |
|--|------------------------|------------------------|
| Holcim (Mauritius) Investment Holdings Limited | 62.5 | 62.5 |
| Tanzania General Public and Institutions | 36.4 | 36.4 |
| Employees' Share Trust | 1.1 | 1.1 |
| Total | 100 | 100 |

The conditional change in the shareholding of Holcim South Africa (the Ultimate shareholder of Tanga Cement Company Limited) that was announced on 24 August 2006 has not been finalised at the date of this report. On that date it was announced that Holcim Limited would sell 85% of its stake in Holcim South Africa to a Black Economic Empowerment consortium.

Directors

The Directors of the Company at the date of this report are:

| Name | | Nationality |
|-----------------------------|---|---------------|
| Mr. Dave King | (Chairman) | South African |
| Mr. Jürg Flühmann | (Managing Director) | Swiss |
| Mr. Karl Meissner-Roloff | | South African |
| Prof. Samuel Wangwe | | Tanzanian |
| Mr. Khamis Omar | | Tanzanian |
| Mrs. Grace Rubambey | | Tanzanian |
| Mrs. Mwanaidi Sinare Maajar | (Resigned 18 th August 2006) | Tanzanian |

REPORT OF THE DIRECTORS

For the year ended 31 December 2006

Director's interest in the shares of the company

The Director's shareholding in the Company is as follows:

| | |
|-------------------------|--------------|
| Professor Samuel Wangwe | 2,000 shares |
|-------------------------|--------------|

Directors' Responsibilities

The Directors are required under the Companies Ordinance to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the income statement of the Company for that year.

The Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 December 2006. The Directors also confirm that applicable standards have been followed and that the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect frauds and other irregularities.

To fulfill its responsibilities, the management has developed and continues to maintain systems of internal financial controls.

Management is responsible for the preparation and 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 the 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.

Accounting Policies

The annual financial statements are prepared on the underlying assumptions of going concern and accruals.

The Company's accounting policies, which are laid out on pages 35 to 49 are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

Investments

Information regarding the Company's interests in associate companies is given in the notes to the financial statements.

Acquisitions and Disposals

There were no material disposals during the year. For acquisitions refer to Note 12 to the financial statements.

Related Party Transactions

All related party transactions and balances are disclosed in Note 28 of the financial statements.

Quality

The Company has formal quality assurance accreditation programme, with all operations following the ISO 9001:2000 route.

Employee Welfare

The Company's employment terms are regularly reviewed to ensure they continue to meet statutory and market conditions. The Company communicates with its employees through regular management and staff meetings and through circulars. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. Generally, most employees have some form of annual training to upgrade skills and enhance development. The Company has continued to maintain a conducive working environment in terms of offices, canteen, medical facilities and transport.

The average number of employees during the year was 329 (2005 - 326).

REPORT OF THE DIRECTORS

For the year ended 31 December 2006

Disabled Persons

It remains the Company's policy to accept disabled persons for employment for those vacancies that they are able to fill. Opportunities for advancement are provided to each disabled person when a suitable vacancy arises with the organization and all necessary assistance is given with initial training. Where an employee becomes disabled during the course of his or her employment, the Company will seek suitable alternate employment and necessary training thereof. The Company's policy is not discriminatory against people with regards to race, gender, religion or disability.

Health and Safety

The Company adheres to the Holcim occupational health and safety pyramid. The Company considers the health and safety awareness campaign as an on-going process.

Environmental

The Company has a formal environmental control accreditation programme, with all operations following the ISO 14001 route.

Auditors

Ernst & Young are the Company's statutory auditors. The auditors have expressed their willingness to continue in office and are eligible for re-appointment. A resolution to re-appoint them as auditors of the company for 2007 will be put to the next Annual General Meeting.

Tax Advisors

PriceWaterHouseCoopers are the Company's tax advisors.

Approval of Financial Statements

The financial statements were approved at the meeting of the Directors held on 9 February 2007.

By order of the Board



Chairman
9 February 2007



Managing Director
9 February 2007

ZANZIBAR SOCIAL SECURITY FUND - PEMBA

Located in Chake, Pemba, this building is not only a testimony to wonderful architecture but it provides the people of Pemba with an important assurance to their future.

Apart from housing the ZSSF offices, the building has other facilities that can be used by the public, such as its conference and meeting hall.

Jengo hili limejengwa mjini Chake Chake, Pemba. Zaidi ya ofisi za ZSSF, ndani ya jengo hili kuna huduma mbalimbali kama ukumbi mkubwa wa mikutano na warsha mbalimbali



To the Members of
Tanga Cement Company Limited

We have audited the accompanying financial statements of **Tanga Cement Company Limited** which comprise the balance sheet as at 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibilities for the financial statements

Management is responsible for the preparation and 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 the 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 the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements, 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 for 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, in all material respects, give a true and fair view of the state of the financial affairs of the company at 31 December 2006 and of its profits and cash flows for the year then ended in accordance with the International Financial Reporting Standards and in compliance with the requirements of the Companies Ordinance (CAP 212).

Certified Public Accountants
Dar Es Salaam

Sydney Bvurere
Partner

9 February 2007

Kwa wanahisa
Kampuni ya Tanga Cement

Tumekagua hesabu za Kampuni ya Tanga Cement zilizoko kwenye ukurasa wa 30 hadi wa 34. Taarifa za hesabu zinalingana u, na tumepata taarifa na maelezo yote tuliyoamini kuwa ni muhimu kwenye ukaguzi wetu.

Wajibu wa Wakurugenzi na Wakaguzi

Wakurugenzi wa kampuni wanawajibika na taarifa za fedha. Wajibu wetu ni kutoa maoni juu ya taarifa hizi yanayotokana na ukaguzi wetu.

Msingi wa Maoni

Tumefanya ukaguzi wetu kufuatana na viwango vya ukaguzi vya kimataifa. Viwango hivyo vinatuagiza kupanga na kufanya ukaguzi ili kuwa na uhakika kuwa taarifa za fedha hazikupotoshwa. Ukaguzi hujumuisha uchunguzi na upekuzi kwa kutumia sampuli, na vielelezo vinavyohibitisha usahihi wa tarakimu zilizoonyeshwa kwenye hesabu. Pia ukaguzi unajumuisha tathimini ya makadirio na maamuzi yaliyofanywa na wakurugenzi wa Kampuni ya Tanga Cement wakati wa kuandaa taarifa za fedha na kuhakikisha kuwa sera za uhasibu ni sahihi katika mazingira ya kampuni husika, na sera hizo zimekuwa zikitumika kila mwaka mfululizo na kuwekwa bayana kwenye taarifa za fedha.

Maoni

Kwa maoni yetu hesabu hizi zinaonyesha hali halisi ya fedha ya kampuni, pamoja na faida iliyopatikana na mtiririko wa fedha kwa kipindi cha mwaka ulioishia tarehe 31 Desemba 2006 kufuatana na matakwa ya viwango vya kimataifa vya taarifa za fedha na zinaandana na matakwa ya sheria ya makampuni (CAP 212).

Wakaguzi Walioidhinishwa
Dar es Salaam

Sydney Bvurere
Mkuguzi Mkuu

9 Februari 2007

INCOME STATEMENT

For the year ended 31 December

| | Notes | 2006 Tzs ' 000 | 2005 Tzs ' 000 |
|-------------------------------------|---------|-------------------|-------------------|
| Revenue - sale of goods | | 77,626,645 | 67,022,750 |
| Cost of sales | 2 | (45,952,752) | (50,089,977) |
| Gross profit | | 31,673,893 | 16,932,773 |
| Other operating income | 4(a) | 396,414 | 178,398 |
| Other operating expense | 4(b) | - | (26,452) |
| Selling and administrative expenses | 5 | (7,148,240) | (5,441,774) |
| Depreciation and amortization | 12 & 13 | (1,895,277) | (1,067,984) |
| Profit from operations | 6 | 23,026,790 | 10,574,961 |
| Share of profit of associates | 10 | 90,000 | 317,015 |
| Finance cost | 8 | (137,377) | (15,457) |
| Finance revenue | 9 | 1,553 | 857 |
| Foreign exchange gains /(losses) | 7 | 84,457 | (349,342) |
| Profit before tax | | 23,065,423 | 10,528,034 |
| Income tax expense | 11 | (7,067,479) | (3,294,993) |
| Profit for the year | | 15,997,944 | 7,233,041 |
| Basic earnings per share (Tzs) | 14(a) | 251 | 114 |
| Diluted earnings per share (Tzs) | 14(b) | 251 | 114 |

The notes on pages 35 to 49 form part of these annual financial statements. Independent auditors' report on page 28.

TAARIFA YA MAPATO

Mwaka wa fedha uishao 31 Desemba

| | Kumbukumbu za pembeni | 2006 Tzs ' 000 | 2005 Tzs ' 000 |
|--|--------------------------|-------------------|-------------------|
| Mapato | | 77,626,645 | 67,022,750 |
| Gharama za mauzo | | (45,952,752) | (50,089,977) |
| Faida Ghafi | | 31,673,893 | 16,932,773 |
| Mapato mengineyo | 4(a) | 396,414 | 178,398 |
| Gharama za Uendeshaji | 4(b) | - | (26,452) |
| Gharama za mauzo na utawala | 5 | (7,148,240) | (5,441,774) |
| Gharama za uchakavu wa mali | 12 & 13 | (1,895,277) | (1,067,984) |
| Faida ya biashara | 6 | 23,026,790 | 10,574,961 |
| Gawio la faida kutoka kampuni shiriki | 10 | 90,000 | 317,015 |
| Gharama za usimamizi wa fedha | 8 | (137,377) | (15,457) |
| Mapato ya Fedha | 9 | 1,553 | 857 |
| Faida/Hasara itokanayo na mabadiliko ya fedha za kigeni. | 7 | 84,457 | (349,342) |
| Faida kabla ya kodi | | 23,065,423 | 10,528,034 |
| Kodi ya mapato | 11 | (7,067,479) | (3,294,993) |
| Faida baada ya kodi | | 15,997,944 | 7,233,041 |
| Pato kwa kila hisa (Tzs) | 14(a) | 251 | 114 |
| Pato halisi kwa hisa (Tzs) | 14(b) | 251 | 114 |

Maelezo ya hesabu yaliyoonyeshwa ukurasa wa 35 hadi 49 ni sehemu ya hesabu hizi. Taarifa ya wakaguzi wahesabu ipo ukurasa 29.

BALANCE SHEET

For the year ended 31 December

| | Notes | 2006 Tzs ' 000 | 2005 Tzs ' 000 |
|--------------------------------------|---------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 25,226,657 | 21,615,081 |
| Intangible assets | 13 | 119,512 | 159,350 |
| Due from Employees' Share Trust | 15 | 133,009 | 282,761 |
| Investment in associates | 16 | 418,246 | 418,246 |
| | | 25,897,424 | 22,475,438 |
| Current assets | | | |
| Inventories | 17 | 9,113,426 | 9,941,203 |
| Trade and other receivables | 18 | 3,906,770 | 5,089,093 |
| Cash and short-term deposits | 19 | 10,112,629 | 1,082,962 |
| | | 23,132,825 | 16,113,258 |
| TOTAL ASSETS | | 49,030,249 | 38,588,696 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Issued capital | 20 | 1,273,421 | 1,273,421 |
| Non-distributable reserves | | 3,081,673 | 3,241,741 |
| Retained earnings | | 31,100,806 | 20,095,220 |
| | | 35,455,900 | 24,610,382 |
| Non-current liabilities | | | |
| Provision for site restoration | 21 | 45,442 | 41,441 |
| Deferred tax liability | 11 | 4,467,136 | 3,512,336 |
| | | 4,512,578 | 3,553,777 |
| Current liabilities | | | |
| Interest bearing loans and borrowing | 19 & 27 | 419,554 | 3,126,082 |
| Trade and other payables | 22 | 8,627,451 | 6,680,133 |
| Income tax payable | 23 | 14,766 | 618,322 |
| | | 9,061,771 | 10,424,537 |
| TOTAL EQUITY AND LIABILITIES | | 49,030,249 | 38,588,696 |

The notes on pages 35 to 49 form part of these financial statements. Auditors' report on page 28.

These financial statements were approved by the Board of Directors on 9 February 2007 and signed on its behalf by:


Dave King
Chairman


Jürg Flühmann
Managing Director

MIZANIA YA KAMPUNI

Mwaka wa fedha uishao 31 Desemba

| Kumbukumbu za pembeni | | 2006 Tzs '000 | 2005 Tzs '000 |
|--------------------------------------|---------|-------------------|-------------------|
| MALI | | | |
| Mali za muda mrefu | | | |
| Mali ya kudumu | 12 | 25,226,657 | 21,615,081 |
| Mali isiyoshikika | 13 | 119,512 | 159,350 |
| Mfuko wa hisa za wanafanyakazi | 15 | 133,009 | 282,761 |
| Vitega uchumi katika kampuni shiriki | 16 | 418,246 | 418,246 |
| | | 25,897,424 | 22,475,438 |
| Mali za muda mfupi | | | |
| Mali ghafi | 17 | 9,113,426 | 9,941,203 |
| Wadaiwa | 18 | 3,906,770 | 5,089,093 |
| Fedha taslimu na viashiria fedha | 19 | 10,112,629 | 1,082,962 |
| | | 23,132,825 | 16,113,258 |
| JUMLA YA MALI | | 49,030,249 | 38,588,696 |
| MTAJI NA DHIMA | | | |
| Mtaji na Hazina ya Mapato | | | |
| Mtaji wa hisa | 20 | 1,273,421 | 1,273,421 |
| Hazina isiyogawiwa | | 3,081,673 | 3,241,741 |
| Limbikizo la faida | | 31,100,806 | 20,095,220 |
| | | 35,455,900 | 24,610,382 |
| Dhima ya muda mrefu | | | |
| Tengo la gharama za kukarabati eneo | 21 | 45,442 | 41,441 |
| Kodi iliyoahirishwa | 11 | 4,467,136 | 3,512,336 |
| | | 4,512,578 | 3,553,777 |
| Dhima ya muda mfupi | | | |
| Mkopo wa benki | 19 & 27 | 419,554 | 3,126,082 |
| Wadai na madai mengine | 22 | 8,627,451 | 6,680,133 |
| Madai ya kodi | 23 | 14,766 | 618,322 |
| | | 9,061,771 | 10,424,537 |
| Jumla Ya Mtaji Na Dhima | | 49,030,249 | 38,588,696 |

Maelezo ya hesabu yaliyoonyeshwa ukurasa wa 35 hadi 49 ni sehemu ya hesabu hizi. Taarifa ya wakaguzi wahesabu ipo ukurasa 29.

Bodi ya Wakurugenzi imeidhinisha taarifa ya mahesabu tarehe 9 Februari 2007 na kutiwa saini kwa miaba ya Bodi na:


Dave King
Mwenyekiti


Jürg Flühmann
Mkurugenzi Mtendaji

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

| | Notes | Share Capital Tzs '000 | Non-Distributable Reserves Tzs '000 | Distributable Reserves Tzs '000 | TOTAL Tzs '000 |
|---|-------|---------------------------|--|------------------------------------|-------------------|
| At 1 January 2005 | | 1,273,421 | 3,414,492 | 15,855,775 | 20,543,688 |
| Equity dividends | 25 | - | - | (3,240,383) | (3,240,383) |
| Profit for the year | | - | - | 7,233,041 | 7,233,041 |
| Transfer from deferred taxation | 11 | - | 74,036 | - | 74,036 |
| Transfers - Depreciation transfer on revalued property, plant and equipment | | - | (246,787) | 246,787 | - |
| At 31 December 2005 | | 1,273,421 | 3,241,741 | 20,095,220 | 24,610,382 |
| Equity dividends | 25 | - | - | (5,221,026) | (5,221,026) |
| Profit for the year | | - | - | 15,997,944 | 15,997,944 |
| Transfer from deferred taxation | 11 | - | 68,600 | - | 68,600 |
| Transfers - Depreciation transfer on revalued property, plant and equipment | | - | (228,668) | 228,668 | - |
| At 31 December 2006 | | 1,273,421 | 3,081,673 | 31,100,806 | 35,455,900 |

The notes on pages 35 to 49 form part of these annual financial statements. Independent auditors' report on page 28.

TAARIFA YA MABADILIKO YA MTAJI

Mwaka wa fedha uishao 31 Desemba

| | Kielelezo | Mtaji wa Hisa Tzs '000 | Hazina Isiyogawiwa Tzs '000 | Limbikizo la Faida Tzs '000 | JUMLA Tzs '000 |
|----------------------------------|-----------|---------------------------|--------------------------------|--------------------------------|-------------------|
| Baki 1 Januari 2005 | | 1,273,421 | 3,414,492 | 15,855,775 | 20,543,688 |
| Gawio lililolipwa | 25 | - | - | (3,240,383) | (3,240,383) |
| Faida ya mwaka | | - | - | 7,233,041 | 7,233,041 |
| Hamisho toka kodi iliyoahirishwa | 11 | - | 74,036 | - | 74,036 |
| Hamisho | | - | (246,787) | 246,787 | - |
| Baki 31 Desemba 2005 | | 1,273,421 | 3,241,741 | 20,095,220 | 24,610,382 |
| Gawio lililolipwa | 25 | - | - | (5,221,026) | (5,221,026) |
| Faida ya mwaka | | - | - | 15,997,944 | 15,997,944 |
| Hamisho toka kodi iliyoahirishwa | 11 | - | 68,600 | - | 68,600 |
| Hamisho | | - | (228,668) | 228,668 | - |
| Baki 31 Desemba 2006 | | 1,273,421 | 3,081,673 | 31,100,806 | 35,455,900 |

Maelezo ya hesabu yaliyoonyeshwa ukurasa wa 35 hadi 49 ni sehemu ya hesabu hizi. Taarifa ya wakaguzi wahesabu ipo ukurasa 29.

CASH FLOW STATEMENT

For the year ended 31 December

| | Notes | 2006 Tzs '000 | 2005 Tzs '000 |
|---|-------|--------------------|---------------------|
| CASHFLOW FROM OPERATING ACTIVITIES | | | |
| Cash generated from operating activities | 24(a) | 28,945,539 | 12,930,784 |
| Dividends received | 10 | 90,000 | 171,000 |
| Net interest paid | 8 & 9 | (135,824) | (14,600) |
| Income taxes paid | 23 | (6,647,635) | (1,540,875) |
| Ordinary dividends paid | 24(b) | (5,221,026) | (3,240,383) |
| Net cash generated from / (used in) operations | | 17,031,054 | 8,305,927 |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Proceeds from sales of property, plant and equipment | | 74,517 | 45,038 |
| Purchase of property, plant and equipment | | (5,519,128) | (12,620,842) |
| Net cash flow from investing activities | | (5,444,611) | (12,575,804) |
| CASHFLOW FROM FINANCING ACTIVITIES | | | |
| Employees' Share Trust | | 149,752 | - |
| Net cash flow from financing activities | | 149,752 | - |
| Decrease in cash and cash equivalents | | 11,736,195 | (4,269,878) |
| Cash and cash equivalents at the beginning of the year | | (2,043,120) | 2,226,758 |
| Cash and cash equivalents at the end of the year | 19 | 9,693,075 | (2,043,120) |

The notes on pages 35 to 49 form part of these annual financial statements. Independent auditors' report on page 28.

MTIRIRIKO WA FEDHA

Mwaka wa fedha uishao 31 Desemba

| | Kielelezo | 2006 Tzs '000 | 2005 Tzs '000 |
|--|-----------|--------------------|---------------------|
| Mtiririko wa fedha kutoka shughuli za kawaida | | | |
| Gawio lilopokelewa | 10 | 90,000 | 171,000 |
| Net interest (paid) received | 8 & 9 | (135,824) | (14,600) |
| Kodi ya mapato iliyolipwa | 23 | (6,647,635) | (1,540,875) |
| Gawio lililolipwa | 24(b) | (5,221,026) | (3,240,383) |
| Fedha iliyopatikana nashughuli za uendeshaji | | 17,031,054 | 8,305,927 |
| SHUGHULI ZA VITEGA UCHUMI | | | |
| Uuzaji wa mali za kudummu | | 74,517 | 45,038 |
| Ununuzi wa mali za kudummu | | (5,519,128) | (12,620,842) |
| Fedha halisi kwenye shughuli za vitega uchumi | | (5,444,611) | (12,575,804) |
| SHUGHULI ZA MITAJI | | | |
| Mfuko wa hisa kwa wafanyakazi | | 149,752 | - |
| Fedha halisi kwenye shughuli za mitaji | | 149,752 | - |
| Jumla ya zalisho la fedha kwa kipindi husika | | 11,736,195 | (4,269,878) |
| Fedha na kilinganisho cha fedha mwanzo wa kipindi | | (2,043,120) | 2,226,758 |
| Fedha na kilinganisho cha fedha mwisho wa kipindi | 19 | 9,693,075 | (2,043,120) |

Maelezo ya hesabu yaliyoonyeshwa ukurasa wa 35 hadi 49 ni sehemu ya hesabu hizi. Taarifa ya wakaguzi wahesabu ipo ukurasa 29.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous year unless otherwise indicated.

a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards. They have been prepared on the historical cost accounting basis modified to include revaluation of property, plant and equipment. No other adjustments have been made for inflationary factors affecting the statements.

b) Adoption of revised accounting standards

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:-

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial statements of the Company. They did however give rise to additional disclosures.

- IAS 29 Amendment – Employee Benefits
- IAS 21 Amendment – The Effects of Changes in Foreign Exchange Rates
- IAS 39 Amendments – Financial Instruments: Recognition and Measurement
- IFRIC 4 Determining whether an Arrangement contains a Lease
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The Company has also early adopted the following IFRS and IFRIC interpretations. Adoption of these standards and interpretations did not have any effect on the financial position of the company. They did however give rise to additional disclosures.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment – Presentation of Financial Statements
- IFRIC 8 Scope of IFRS 2

The principal effects of these changes are as follows:

IAS 21 The Effects of Changes in Foreign Exchange Rates

As of 1 January 2006, the Company adopted the amendments to IAS 21. As a result, all exchange differences arising from monetary item that forms part of the Company's net investment in a foreign operation are recognized in a separate component of equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. This change has had no significant impact as at 31 December 2006 or 31 December 2005.

IAS 39 Financial Instruments: Recognition and Measurement

Amendment for financial guarantee contracts (issued August 2005) – amended scope of IAS 39 to require the financial guarantee contracts that are not considered to be insurance contracts to be recognized initially at fair value and to be remeasured at the higher of the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 *Revenue*. This amendment did not have an effect on the financial statements.

Amendment for hedges of forecast intracompany transactions (issued April 2005) – amended IAS 39 to permit foreign currency risk of a highly probable intraCompany forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that foreign currency risk will affect the consolidated income statement. As the Company currently has no such transactions, the amendment did not have an effect on the financial statements.

Amendment for the fair value option (issued June 2005) – amended IAS 39 to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Company had not previously used this option, hence the amendment did not have an effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

IFRIC 4 Determining Whether an Arrangement contains a Lease

The Company adopted IFRIC Interpretation 4 as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which accounting must be applied. This change in accounting policy has not had a significant impact on the Company as at 31 December 2006 or 31 December 2005.

IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The Company adopted IFRIC Interpretation 5 as of 1 January 2006, which establishes the accounting treatment for funds established to help finance decommissioning for a company's assets. As the entity does not currently operate in a country where such funds exist, this interpretation has had no impact on the financial statements.

IFRIC 8 Scope of IFRS 2

The Company early adopted IFRIC Interpretation 8 as of 1 January 2006, which requires IFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position of the Company.

The directors anticipate that the adoption of the following standards and interpretations not yet effective will have no material impact on the financial statements of the company:-

- IFRS 7 Financial Institution: Disclosure
- IAS 1 Presentation of Financial Statements

Significant accounting estimates and assumptions Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Asset Useful Lives

The useful lives of items of property, plant and equipment have been estimated to be in line with the rate at which they are depreciated.

c) Summary of significant accounting policies

Revenue recognition

Revenue is recognized only when it is probable that the economic benefits associated with a transaction will flow to the Company and the amount of revenue can be measured reliably. Value added taxation is excluded.

Sale of Goods

Revenue arising from the sale of goods is recognized when significant risks and rewards of ownership of the goods have passed to the buyer.

Other Income

- Revenue arising from rendering of services - technical fees - is recognised when services are rendered.
- Revenue from dividends is recognised when the Company's right to receive the payment is established.
- Interest is recognised on a time proportional basis that takes account of the effective yield on the asset and an appropriate accrual is made at each accounting reference date.

Translation of foreign currencies

The financial statements are presented in Tanzanian Shillings, which is the Company's functional and presentation currency. Transactions in foreign currencies during the year are translated into Tanzanian Shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are re-translated at the exchange rate ruling at the balance sheet date. Resulting exchange differences are recognised in the income statement for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate ruling at the date of transaction.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value.

Depreciation on property, plant and equipment is computed on a straight line basis over the estimated useful lives of the assets. The rates of depreciation used are:

| | |
|--|---------------|
| • Leasehold land | 1.00% -10.00% |
| • Buildings, roads and railways siding | 2.86% -10.00% |
| • Plant, machinery and equipment | 3.33% -10.00% |
| • Motor vehicles | 3.33% -12.50% |
| • Fixtures, fittings and equipment | 3.33% -33.33% |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Property, plant and equipment of the Company were revalued to reflect their market value at the acquisition date by the new owners. Any excess of the value of the net assets acquired over their cost at the date of take over is described as non-distributable reserve.

An annual transfer from the non-distributable revaluation reserve to retained earnings is made for the difference between the depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each financial year end.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The expense relating to any provision is recognised in the income statement.

Provision for site restoration

A provision is made over the life of the quarry, for the restoration of the quarry and general upkeep of the environment surrounding the quarry. The annual charge to the income statement is based on the expected life of the quarry and is included in operating expenditure.

Investments in associates

The investments in the associates are accounted for under the equity method. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor joint venture.

Under the equity method the investment is carried in the balance sheet at cost plus post acquisition changes in the Company's share of the net assets of the associate. The income statement reflects the share of the results of operations of the associates. After application of the equity method, the Company determines whether it is necessary to recognise any additional impairment loss with respect to the Company's net investment in the associate. The income statement reflects the share of the results of operations of the associate.

The reporting dates of the associates and the Company are identical.

Inventory

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the net estimated selling price in the ordinary course of the business less estimates costs of completion and the estimated costs necessary to make the sale.

Cost is determined on the following basis:

- Raw materials and consumable stores are valued on a first-in-first-out basis.
- Finished goods and work in progress are valued at raw materials cost plus labour cost and appropriate portion of related fixed and variable overhead manufacturing expenses based on normal operating capacity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

Trade and other receivables

Trade receivables which generally have 30 days terms are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

The allowance is raised when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

Trade Payables

Trade payables which are non-interest bearing and generally normally settled on 30 day terms are recognised and carried at original invoice date.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits with maturity of three months or less, net of bank overdrafts.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and method for an intangible asset with a finite useful life is reviewed at least at each financial year end. The changes in the useful life is accounted for by changing the amortisation period or method and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised as an expense in the income statement.

Royalties

Royalties, payable to the Ministry of Energy and Minerals, included under the cost of sales, are calculated based on quantities of limestone, red soil crushed/hailed and pozollana during the year under review.

Impairment of assets

The carrying amounts of tangible and intangible assets are reviewed at each balance sheet date to determine whether there is objective evidence that an asset or a group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss recognised for the difference between the recoverable amount and the carrying amount.

The company 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 Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or cash generating unit's fair value less cost 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 market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognized. 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 recognized for the asset in prior years. Such reversal is recognised in income statement unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date. The current rate of taxation is 30%.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with the investments in associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with the investments in associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of the deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Income tax relating to items recognised in equity is recognised in equity and not in the income statement.

Value added tax

Revenues, expenses and assets are recognised at amounts net of value added tax except;

- where the Value Added Tax is incurred on a purchase of assets or services is not recoverable from the taxation authority in which case the Value Added Tax is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable.
- receivables and payables are stated with the amount of Value Added Tax included.

The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the balance sheet.

Borrowing cost

Borrowing costs are recognized as an expense when incurred.

Employees benefits

All of the Company's local employees are either members of the National Social Security Fund ("NSSF") or Parastatal Pension Fund ("PPF"), which are defined contribution plans. These plans are prescribed by Law. All employees must be a member of at least one of the aforementioned. The Company and employees both contribute 10% of the employees' gross salaries to the NSSF. For PPF, the Company and employees contribute 15% and 5% of the employees' gross salaries to the scheme respectively. The contribution is charged to the income statement when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

Leases

Leases under which the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Obligation incurred under operating leases are charged to the income statement in equal installments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

Construction in progress

Construction in progress includes accumulated cost of property, plant and equipment which is under construction or for which cost has been incurred, but which is not yet ready for use by the reporting entity. It also includes cost incurred for assets being constructed by third parties, assets which have not been delivered to or installed in the facility and assets which cannot be used until certain other assets are acquired and installed.

Where there is a significant interval between the time at which cost is incurred in connection with the acquisition of an asset, and when the asset will be ready for use, the cost is accumulated in capital work in progress. At the time the asset is ready for use, the accumulated cost is to be transferred to the appropriate category and depreciation starts.

Construction in progress is not depreciated, since by the definition it is not yet ready for use.

Interest – bearing borrowings

All borrowings are initially recognized at the fair value of the consideration received less directly attribute transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Derecognition of financial assets and liabilities

A financial asset is derecognized when the rights to received cash flows from the asset have expired while a financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

2. COST OF SALES

Incurred in Cost of Sales are:

| | 2006 Tzs '000 | 2005 Tzs '000 |
|---------------------------|---------------------|---------------------|
| Raw materials | (3,571,062) | (4,645,639) |
| Distribution costs | (8,746,080) | (12,484,735) |
| Fuel expenses | (10,840,953) | (15,895,119) |
| Electricity expenses | (5,235,069) | (4,340,569) |
| Personnel expenses | (4,436,619) | (2,287,544) |
| Maintenance expenses | (5,467,504) | (5,485,559) |
| Other production expenses | (6,738,270) | (4,918,585) |
| Changes in inventory | (917,195) | (32,227) |
| | (45,952,752) | (50,089,977) |

3. ROYALTIES

| | 2006 Tzs '000 | 2005 Tzs '000 |
|-----------|------------------|------------------|
| Limestone | 70,953 | 31,995 |
| Red Soil | 7,223 | 2,282 |
| Pozzolana | 5,079 | - |
| | 83,255 | 34,277 |

Royalties payable to the Ministry of Energy and Minerals during the year are recognised as expenses and are included in the cost of sales line item as part of direct costs of raw materials.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

4 (a). OTHER INCOME

| | 2006 Tzs '000 | 2005 Tzs '000 |
|---|------------------|------------------|
| Technical fees | 352,960 | 152,917 |
| Sundry income - sale of scrap metals | 21,050 | 25,481 |
| Gain on sale of property, plant and equipment | 22,404 | - |
| | 396,414 | 178,398 |

4 (b). OTHER EXPENSE

| | | |
|---|---|-----------------|
| Loss on sale of property, plant and equipment | - | (26,452) |
|---|---|-----------------|

5. SELLING AND ADMINISTRATIVE EXPENSES

| | | |
|-------------------------|--------------------|--------------------|
| Selling expenses | (1,063,774) | (1,114,287) |
| Administrative expenses | (6,084,466) | (4,327,477) |
| | (7,148,240) | (5,441,774) |

6. PROFIT FROM OPERATIONS

Net profit from operations is after charging:

| | | |
|-------------------------------|-----------|-----------|
| Auditors' remuneration: | | |
| Audit fees | | |
| -external | 116,896 | 39,585 |
| Directors' remuneration | | |
| - director's fees | 67,066 | 36,917 |
| Management fees to Holcim | 195,390 | 128,011 |
| Holcim Group fee | 1,199,774 | 951,742 |
| Staff costs: | | |
| - Service costs | 7,344,668 | 4,420,130 |
| - Defined contribution plan | 1,112,727 | 580,364 |
| Rentals - Lease payments | 379,828 | 309,669 |
| Depreciation and amortisation | 1,895,277 | 1,067,984 |

7. FOREIGN EXCHANGE GAINS / (LOSSES)

| | | |
|------------------------------------|---------------|------------------|
| Foreign exchange gains / (losses) | 84,457 | (349,342) |
|------------------------------------|---------------|------------------|

8. FINANCE COSTS

| | | |
|--|------------------|-----------------|
| Financial expenses - interest on bank overdrafts | (137,377) | (15,457) |
|--|------------------|-----------------|

9. FINANCE REVENUE

| | | |
|------------------|-------|-----|
| Financial income | 1,553 | 857 |
|------------------|-------|-----|

10. SHARE OF PROFIT OF ASSOCIATES

| | | |
|---|---------------|----------------|
| Dividends received | | |
| - Cement Distributors (East Africa) Limited | 90,000 | 126,000 |
| - East African Rail Hauliers Limited | - | 45,000 |
| | 90,000 | 171,000 |
| Share of retained profits | | |
| - Cement Distributors (East Africa) Limited | - | 46,313 |
| - East African Rail Hauliers Limited | - | 99,702 |
| | - | 146,015 |
| | 90,000 | 317,015 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

| | 2006 Tzs '000 | 2005 Tzs '000 |
|--|--------------------|--------------------|
| 11. TAXATION | | |
| Normal Corporation taxation | | |
| Current | (6,044,079) | (1,906,256) |
| Deferred tax charge on accelerated wear and tear | (1,023,400) | (1,388,737) |
| | (7,067,479) | (3,294,993) |
| Deferred taxation | | |
| Due to accelerated capital allowances | | |
| Opening balance | 2,196,256 | 807,519 |
| Charge for the year | 1,023,400 | 1,388,737 |
| Closing balance | 3,219,656 | 2,196,256 |
| Due to creation of non distributable reserves | | |
| Opening balance | 1,316,080 | 1,390,116 |
| Transfer to non distributable reserves | (68,600) | (74,036) |
| Closing balance | 1,247,480 | 1,316,080 |
| | 4,467,136 | 3,512,336 |
| Tax rate reconciliation | | |
| | % | % |
| Standard rate of Tanzania normal taxation | 30 | 30 |
| The standard rate has been affected by: | | |
| - Expenses not deductible for tax purposes | 0.76 | 1.78 |
| - Tax exempt income | (0.12) | (0.49) |
| | 30.64 | 31.29 |

12. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold Land and Buildings | Plant and Machinery | Motor Vehicles | Furniture Fittings & Equipment | Construction in Progress | Total |
|-----------------------------|------------------------------------|------------------------|-------------------|--------------------------------------|--------------------------------|-------------------|
| | Tzs '000 | Tzs '000 | Tzs '000 | Tzs '000 | Tzs '000 | Tzs '000 |
| At 1 January 2006 | 3,003,899 | 25,219,968 | 1,036,156 | 770,378 | 2,801,673 | 32,832,074 |
| Additions | 148,968 | 2,240,449 | 117,004 | 21,896 | 2,990,811 | 5,519,128 |
| Transfers | 252,557 | 2,204,065 | 327,736 | - | (2,784,358) | - |
| Disposals | (17,950) | (37,025) | (39,602) | - | - | (94,577) |
| At 31 December 2006 | 3,387,474 | 29,627,457 | 1,441,294 | 792,274 | 3,008,126 | 38,256,625 |
| Cost | 2,578,486 | 19,972,103 | 1,270,399 | 742,187 | 3,008,126 | 27,571,301 |
| Revaluation - 1996 | 808,988 | 9,655,354 | 170,895 | 50,087 | - | 10,685,324 |
| Total | 3,387,474 | 29,627,457 | 1,441,294 | 792,274 | 3,008,126 | 38,256,625 |
| Depreciation | | | | | | |
| At 1 January 2006 | 1,681,677 | 8,430,842 | 344,953 | 757,176 | 2,345 | 11,216,993 |
| Charge for the year | 90,362 | 1,600,815 | 160,317 | 6,290 | - | 1,857,784 |
| Disposals/ value adjustment | (17,011) | (4,420) | (21,033) | - | - | (42,464) |
| Write-up | - | - | - | - | (2,345) | (2,345) |
| At 31 December 2006 | 1,755,028 | 10,027,237 | 484,237 | 763,466 | - | 13,029,968 |
| Net book value | | | | | | |
| At 31 December 2006 | 1,632,446 | 19,600,220 | 957,057 | 28,808 | 3,008,126 | 25,226,657 |
| At 31 December 2005 | 1,322,222 | 16,789,126 | 691,203 | 13,202 | 2,799,328 | 21,615,081 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

Information relating to property, plant and equipment:

- The property, plant and equipment are used as security for facilities provided by the NBC Limited and Standard Chartered Bank Limited, refer note 25. The property, plant and equipment to the value of Tzs 1.3 billion are also security for a bank facility for Cement Distributors (East Africa) Limited that Tanga Cement Company Limited guaranteed.
- The property, plant and equipment were revalued by an independent sworn appraiser in 1996 to reflect their market value at the acquisition date by the new owners and the excess over cost credited to non distributable reserves.

If the property, plant and equipment were carried at cost less accumulated depreciation, the carrying amount would have amounted to Tzs 17,623,006,000 (2005: Tzs 16,810,473,000).
- The write up is a reversal of depreciation previously charged on capital work in progress.

| | 2006 Tzs '000 | 2005 Tzs '000 |
|------------------------------|------------------|------------------|
| 13. INTANGIBLE ASSETS | | |
| Computer software | | |
| Balance brought forward | 159,350 | 199,188 |
| Amortised during the period | (39,838) | (39,838) |
| Balance carried forward | 119,512 | 159,350 |

The useful life of computer software is assessed to be six years

14. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The calculation is based on:

| | | |
|--|------------|------------|
| Attributable profit to ordinary shareholders | 15,997,944 | 7,233,041 |
| Weighted average number of ordinary shares | 63,671,045 | 63,671,045 |

(b) Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting interest on the convertible non - cumulative redeemable preferences shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares

| | | |
|--|------------|------------|
| Attributable profit to ordinary shareholders | 15,997,944 | 7,233,041 |
| Weighted average number of ordinary shares | 63,671,045 | 63,671,045 |

15. EMPLOYEES' SHARE TRUST

| | | |
|--|----------------|----------------|
| Opening balance | 282,761 | 282,761 |
| Redemption of share | (23,187) | - |
| | 259,574 | 282,761 |
| Interim dividend for 2005 and final dividend for 2004 and 2005 | (69,627) | - |
| Interim dividend 2006 received | (56,938) | - |
| | 133,009 | 282,761 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

An amount advanced to Tanga Cement Employees' Share Trust, established under a registered Trust Deed to purchase 2,983,552 shares of the total shares issued (63,671,045 shares) of Tanga Cement Company Limited (TCCL) for the benefit of TCCL employees.

The loan from TCCL to the Trust is repaid, in installments in amounts and at times that the Trust decides that the value of its assets exceed its obligations to the employees in accordance with the TCCL Employees Share Trust Rules.

16. INVESTMENT IN ASSOCIATES

| | 2006 Tzs '000 | 2005 Tzs '000 |
|------------------------------------|------------------|------------------|
| Unlisted shares at cost | 154,960 | 154,960 |
| Share of post acquisition reserves | 263,287 | 263,287 |
| | 418,246 | 418,246 |

- a) The Company owns 20% of Cement Distributors (East Africa) Limited's total ordinary shares in issue. The associate's principal activity is the distribution of cement produced by Tanga Cement. A summary of financial information of Cement Distributors (East Africa) Limited is as follows:

| | 2006 Un-audited Tzs '000 | 2005 Un-audited Tzs '000 |
|----------------------------------|--------------------------------|--------------------------------|
| Share capital | (102,000) | 102,000 |
| Accumulated profit | (1,564,220) | 217,253 |
| Non-current liabilities | 891,651 | 478,193 |
| Non-current assets | 2,389,103 | 1,091,638 |
| Net current assets/(liabilities) | 168,768 | (294,192) |
| Profit after tax | 1,346,967 | 927,847 |

- b) The Company owns 20% in East African Rail Hauliers Limited total ordinary shares issued. The principle activity of the associate is the rail transportation of cement manufactured by Tanga Cement Company Limited in Tanzanian mainland. Summary of financial information of East African Rail Hauliers Limited is as follows:

| | 2006 Un-audited Tzs '000 | 2005 Un-audited Tzs '000 |
|----------------------------------|--------------------------------|--------------------------------|
| Share capital | 659,375 | 659,375 |
| Accumulated profit | 56,996 | 186,840 |
| Non-current liabilities | 1,219,895 | 1,167,441 |
| Non-current assets | 1,821,771 | 2,274,337 |
| Net current assets/(liabilities) | 114,496 | (260,681) |
| (Loss)/Profit after tax | (129,844) | 378,353 |

17. INVENTORIES

| | 2006 Tzs '000 | 2005 Tzs '000 |
|---|------------------|------------------|
| Raw materials (at cost) | 1,133,045 | 611,760 |
| Semi finished and finished products (at cost) | 1,199,812 | 1,956,541 |
| Fuels (at cost) | 1,994,016 | 2,290,463 |
| Parts and consumables (at cost) | 4,786,553 | 5,082,439 |
| | 9,113,426 | 9,941,203 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

The amount of write-down of inventories recognised as an expense is Tzs 197 million (2005: Tzs 351 million). This expense is included in the cost of sales line item as an expense, which is disclosed in Note 2.

18. TRADE AND OTHER RECEIVABLES

| | 2006 Tzs '000 | 2005 Tzs '000 |
|---------------------|------------------|------------------|
| Accounts receivable | 3,196,976 | 4,056,561 |
| Prepaid expenses | 348,969 | 750,800 |
| Other receivables | 360,825 | 281,732 |
| | 3,906,770 | 5,089,093 |

19. CASH AND SHORT-TERM DEPOSITS

| | 2006 Tzs '000 | 2005 Tzs '000 |
|--------------------------|------------------|--------------------|
| Cash at bank and on hand | 10,112,629 | 1,082,962 |
| Bank overdraft | (419,554) | (3,126,082) |
| | 9,693,075 | (2,043,120) |

20. ISSUED CAPITAL

Authorised

| | 2006 Tzs '000 | 2005 Tzs '000 |
|---|------------------|------------------|
| 63,671,045 Ordinary shares of Tzs 20 each | 1,273,421 | 1,273,421 |

Issued and fully paid

| | 2006 Tzs '000 | 2005 Tzs '000 |
|---|------------------|------------------|
| 63,671,045 Ordinary shares of Tzs 20 each | 1,273,421 | 1,273,421 |

The proportion of shareholding is as follows:

| | 2006 % | 2005 % |
|--|------------|------------|
| Holcim (Mauritius) Investment Holdings Limited | 62.5 | 62.5 |
| Tanga Cement Employee Share Trust | 1.1 | 1.1 |
| Tanzania General Public | 36.4 | 36.4 |
| | 100 | 100 |

b) Non-Distributable Reserves

Property, plant and equipment of the Company were revalued to reflect their market value at the acquisition date by new owners. Any excess of the value of the net assets acquired over their cost at the date of take over is described as non-distributable reserves.

c) Distributable Reserves

These represent retained earnings.

21. PROVISION FOR SITE RESTORATION

| | 2006 Tzs '000 | 2005 Tzs '000 |
|--------------------------|------------------|------------------|
| Balance brought forward | 41,441 | 37,440 |
| Movement during the year | 4,001 | 4,001 |
| Balance carried forward | 45,442 | 41,441 |

Provision for site restoration is based on the estimated net present value of cash outflows that will be required to restore the environment. The provision is assessed on an annual basis and any increase (decrease) is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

22. TRADE AND OTHER PAYABLES

| | 2006 Tzs '000 | 2005 Tzs '000 |
|------------------------|------------------|------------------|
| Trade accounts payable | 3,315,504 | 1,485,753 |
| Freight clearing | 57,338 | 119,006 |
| Other payables | 5,254,609 | 5,075,374 |
| | 8,627,451 | 6,680,133 |

23. INCOME TAX

| | | |
|----------------------------------|---------------|----------------|
| Taxation payable brought forward | 618,322 | 252,941 |
| Payment made during the year | (6,647,635) | (1,540,875) |
| Current year provision (note 11) | 6,044,079 | 1,906,256 |
| Taxation carried forward | 14,766 | 618,322 |

24. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to cash flow from operating activities

| | | |
|--|------------|------------|
| Profit before tax, foreign exchange (losses)/gains, interest received and interest paid. | 23,026,790 | 10,574,961 |
| Adjusted for: | | |
| Depreciation and amortisation | 1,895,277 | 1,067,984 |
| (Gain)/Loss on sale of property, plant & equipment | (22,404) | 26,452 |
| Site restoration | 4,001 | 4,001 |
| Foreign exchange gains/(loss) | 84,457 | (349,342) |

Operating profit before working capital changes

| | | |
|---|-----------|-------------|
| Decrease (Increase) in inventory | 827,777 | (1,946,958) |
| Decrease in trade and other receivables | 1,182,323 | 813,734 |
| Increase in trade and other payables | 1,947,318 | 2,739,952 |

Cash generated from operating activities

(b) Dividend Paid

| | | |
|-----------------------------|------------------|------------------|
| Ordinary dividend (note 25) | 5,221,026 | 3,240,383 |
|-----------------------------|------------------|------------------|

25. DIVIDEND

| | | |
|--|------------------|------------------|
| Final dividend 2005 -Tzs 29 per share (2004 - Tzs 23 per share) | 1,846,460 | 1,464,434 |
| Interim dividend 2006 - Tzs 53 per share (2005 - Tzs 28 per share) | 3,374,566 | 1,775,949 |
| | 5,221,026 | 3,240,383 |

The dividend paid is subject to appropriate withholding tax which is payable to Tanzania Revenue Authority.

Proposed for approval at the Annual General Shareholders Meeting (not recognised as a liability as at 31 December):

Equity dividends on ordinary share:

| | | |
|--|-----------|-----------|
| Final dividend for 2006 Tzs 135 per share (2005: Tzs 29 per share) | 8,595,591 | 1,846,460 |
|--|-----------|-----------|

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

26. CAPITAL COMMITMENTS

Approved but not contracted for

Approved and contracted for

Rental/ lease commitments - current

- Less than one year

- In 1 - 5 years

- Greater than 5 years

| | 2006 Tzs '000 | 2005 Tzs '000 |
|-------------------------------------|------------------|------------------|
| Approved but not contracted for | 839,681 | 309,693 |
| Approved and contracted for | 2,911,535 | 1,687,603 |
| Rental/ lease commitments - current | | |
| - Less than one year | 103,612 | 102,697 |
| - In 1 - 5 years | - | - |
| - Greater than 5 years | - | - |

27. INTEREST BEARING BORROWINGS

The details of external borrowing facilities of Tanga Cement Company Limited as at the end of year are as set out below:

| Name of Holder | Facility | Repayment/ Settlements terms |
|---|-----------|---|
| (a) Standard Chartered Bank Tanzania limited | | |
| Overdraft (Tzs '000) | 1,000,000 | On demand |
| Letter Of Credit (USD) | 1,000,000 | Sight/usage up to a maximum of 180 days |

Security Held

- Debenture charge over fixed & floating assets for Tzs 5,450,000,000.
- Legal Mortgage over Title No. 1802 registered in name of Tanga Cement Factory, Maweni for Tzs1,450,000,000 shared pari passu with National Bank of Commerce (NBC).
- The overdraft bears a rate of interest of NBC Ltd. Base rate of 13.5% p.a. charged every month on the outstanding amount.

(b) NBC Limited

| | | |
|----------------------|-----------|-----------|
| Overdraft (Tzs '000) | 2,600,000 | On demand |
|----------------------|-----------|-----------|

Security held by the banks

- Debenture over the company's fixed and floating assets shared with Standard Chartered Bank(T) Limited on a pari passu basis registered to cover Tzs 4.6 billion.
- Legal Mortgage CT No.1802 located at Maweni, Tanga District in name of company, valued at Tzs 18.3 billion by UCLAS in August 1998 with Standard Chartered Bank (T) Limited on a pari passu basis registered to cover Tzs 4.6 billion.
- Collateral Sharing Agreement between the company, NBC limited and Standard Chartered Bank (T) Limited.
- The over draft bears a rate of interest of NBC Ltd Base rate of 13% p.a. charged every month on the outstanding amount. It's agreed that, the Bank is entitled to vary the rate of interest provided that due notice shall be given to the Tanga Cement Company Limited.

(b) Citibank

| | |
|-----------------------------------|-----------|
| Overdraft (Tzs equivalent of USD) | 3,000,000 |
|-----------------------------------|-----------|

Security held by the banks

Comfort expressed by Holcim Limited.

The overdraft bears a rate of interest of 11.75% per annum charged every month on the outstanding amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

28. RELATED PARTY TRANSACTIONS

- (a) The Company sells at arm's length a major portion of its production through Cement Distributors (East Africa) Limited (CDEAL), an associate Company and charges CDEAL technical fees at an agreed rate of Tzs 400 per ton.

Transactions with the associate in the current year at arms length were as follows:

| | 2006 Tzs '000 | 2005 Tzs '000 |
|-------------------------|------------------|------------------|
| Sales | 72,225,477 | 44,027,741 |
| Technical fees received | 352,960 | 152,917 |

- (b) The Company utilises the railway facilities of Trans Africa Railway Corporation Tanzania Limited, through its associate East African Rail Hauliers Limited for the transportation of cement to upcountry markets at agreed rates.

- (c) East African Rail Hauliers Limited, a Company in which Tanga Cement Company Limited owns 20% of the issued share capital. The company commenced operations in December 2004. Its business is to provide rail services to Tanga Cement Company Limited for the transportation of cement into mainland Tanzania according to a commercial contract signed between the two parties.

Transactions with the associate in the year are as follows:

| | 2006 Tzs '000 | 2005 Tzs '000 |
|--|------------------|------------------|
| Haulage fees | - | 1,838,076 |
| (d) Compensation of Key Management Personnel | | |
| Short-term employee benefits | 288,073 | 242,599 |
| Long-term employee benefits | 36,882 | 35,348 |
| | 324,955 | 277,947 |

- (e) The Company pays fees to the ultimate holding company Holcim Limited as follows:
- i) A fixed monthly management fee of USD 15,000 net of withholding tax. This amounted to Tzs 195,389,647 and Tzs 128,011,136 for the years 2006 and 2005 respectively.
- ii) A group management fee is calculated at 1.75% (2005: 1.5%) of turnover per formula in the management contract. This amounted to Tzs 1,199,773,224 and Tzs 951,742,000 for the years 2006 and 2005 respectively.

Balances outstanding at the end of the year to and from related companies are as follows:

Due from related Company

| | | |
|---|-----------|-----------|
| Cement Distributors (East Africa) Limited | 3,236,414 | 3,098,434 |
|---|-----------|-----------|

Due to related Companies

| | | |
|---|------------------|----------------|
| Holcim Limited - Management fees | 424,745 | 233,732 |
| Holcim Limited - Group fees | 1,492,524 | 420,519 |
| Cement Distributors (East Africa) Limited | - | (83,594) |
| Holcim (South Africa) (Pty) Limited | 85,611 | 343,115 |
| | 2,002,880 | 913,772 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments, other than derivatives, comprise of bank loans, cash and cash equivalents, trade debtors and trade creditors which arise directly from its operations. The Company does not enter into derivative transactions for trading purposes.

The main risks arising from the company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. Policies are reviewed and agreed upon at a group and Company level in order to manage these risks as summarised below:

Credit risk

The Company deals only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. With respect to credit risk arising from the other financial assets of the Company which comprise cash and cash equivalents, the Company exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Interest rate and liquidity risk

Fluctuations in interest rates impact on the value of short-term debt and financing activities, giving rise to interest rate risk. In the ordinary course of business, the Company receives cash proceeds from its operations and is required to fund working capital and capital expenditure requirements. The cash is managed to ensure surplus funds are invested to maximise returns whilst ensuring that capital is safeguarded to the maximum extent possible by investing only with top financial institutions.

Foreign currency risk

Foreign currency risk is managed at an operational level and monitored by the head of accounts department. Exposure to losses from foreign liabilities is managed through prompt payment of outstanding liabilities.

30. CONTINGENT LIABILITIES

- (a) There are several court cases instituted against the Company by some of its ex-employees whose services ceased as part of a specific redundancy exercise. These ex-employees are claiming various termination employment benefits aggregating to over Tzs 148 million. There are also cases instituted against the Company by ex-suppliers/contractors worth Tzs 1.2 billion.

(b) Security granted to Cement Distributors (East Africa) Limited

The Company provided security to the value of USD 1.3 million for an NBC Limited loan taken by its associate, Cement Distributors (East Africa) Limited (CDEAL) - the liability will only crystallize in the event that CDEAL fails to repay the loan. Currently the outstanding loan balance is Tzs 478 million.

31. HOLDING COMPANY

The immediate holding company is Holcim (Mauritius) Investment Holdings Limited.

32. INCORPORATION

The company is incorporated in Tanzania under the Companies Act of 2002.

33. CURRENCY

The financial statements are presented in thousands Tanzanian Shillings (Tzs '000').

NOTICE TO SHAREHOLDERS

TANGA CEMENT COMPANY LIMITED (Incorporated in the United Republic of Tanzania)

Notice is hereby given that the thirteenth Annual General Meeting of the shareholders of Tanga Cement Company Limited will be held at the Mkongwe Hotel in Tanga on Friday 4 May 2007 at 14:00 hours, for the following purposes:

1. Notice of Meeting

Notice convening the meeting be taken as read.

2. Approval of Minutes

To approve and sign the minutes of the twelfth Annual General Meeting held on 17 May 2006.

3. Financial Statements and Directors' Reports

To receive and adopt the financial statements and directors' report for the year ended 31 December 2006.

4. Dividend for the year ended 31 December 2006

To approve the declaration of the dividend for the year ended 31 December 2006.

5. Appointment of Directors

To appoint new directors to the Board.

6. Appointment of Statutory Auditors

To approve the appointment of the Statutory Auditors for the year ending 31 December 2007.

7. General

Any other business.

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy so appointed need not be a member of the Company. Proxy forms are to reach the registered office of the Company not less than 48 hours before the time of holding the meeting.

By order of the Board.



Lafras Moolman
Company Secretary

9 February 2007

TAARIFA KWA WANAHISA

TANGA CEMENT COMPANY LIMITED (Imeshirikishwa katika Jamhuri ya Muungano wa Tanzania)

Taarifa inatolewa kwa wanahisa kwamba Mkutano Mkuu wa Mwaka wa kumi na tatu wa wanahisa wa Kampuni ya Tanga Cement utafanyika Hoteli ya Mkongwe jijini Tanga Ijumaa tarehe 4 Mei 2007 kuanzia saa 8 mchana kwa madhumuni yafuatayo:

1. Taarifa ya Mkutano

Taarifa ya kuitisha mkutano ichukuliwe kama inavyosomeka.

2. Kupitisha Kumbukumbu

Kupitisha na kusaini kumbukumbu za Mkutano Mkuu wa Mwaka wa kumi na moja uliofanyika tarehe 17 Mei 2006.

3. Taarifa za Fedha na Ripoti za Wakurugenzi

Kupokea na kupitisha taarifa za fedha na ripoti za wakurugenzi kwa mwaka ulioishia tarehe 31 Desemba 2006.

4. Gawio kwa mwaka ulioishia tarehe 31 Desemba 2006

Kuidhinisha taarifa maalumu ya gawio kwa mwaka ulioishia tarehe 31 Desemba 2006.

5. Uchaguzi wa Wakurugenzi

Kuchagua wakurugenzi wapya wa bodi.

6. Uchaguzi wa wakaguzi wa hesabu wanaokubalika kisheria.

Kuidhinisha uchaguzi wa wakaguzi wa hesabu wanaokubalika kisheria kwa mwaka unaoishia tarehe 31 Desemba 2007.

7. Jumla.

Mengineyo.

Mwanachama yeyote anayestahili kuhudhuria na kupiga kura kwenye mkutano ana haki ya kuchagua mwakilishi au wawakilishi kuhudhuria na kupiga kura kwa niaba yake. Mwakilishi aliyeteuliwa asiwe mtumishi wa Kampuni. Fomu za mwakilishi zifike katika ofisi za usajili za Kampuni si chini ya saa 48 kabla ya mkutano kuanza.

Kwa agizo la Bodi.



Lafras Moolman
Katibu wa Kampuni

9 Februari 2007

TANGA CEMENT

BUILDING TANZANIA



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