Contents

Notice

To all Shareholders

NOTICE is hereby given of the 2010 Annual General Meeting to be held at the Crystal Ballroom, Laico Regency Hotel, Nairobi on Tuesday, 22nd June 2010 at 11.30 a.m.

Agenda

Ordinary Business

1. To read the Notice convening the meeting.

2. To approve the minutes of the previous Annual General Meeting held on 11th June 2009.

3. To receive, consider and adopt the Balance Sheet and Accounts for the year ended 31st December 2009 together with the Reports thereon of the Directors and Auditors.

4. To approve the Directors Remuneration as provided in the accounts for the year ended 31st December 2009.

5. To approve the payment of a first and final dividend of Kshs. 1.50 per share in respect of the year ended 31st December 2009.

6. To re-elect Directors:

   i) Mr. W. Murungi retires by rotation under the provisions of Article 95 of the Articles of Association and, being eligible, offers himself for re-election.

   ii) Mr. T. Mbathi, a Director who is over 70 years retires by rotation. Special notice has been received by the Company pursuant to section 142 of the Companies Act of the intention to propose the following resolution, in accordance with section 186(5) of the said Act, to be considered and if thought fit, passed by the members:
   "That Mr. T. Mbathi, a Director who is over 70 years be and is hereby re-elected to serve as Director of the Company until he next comes up for retirement by rotation under the Company's Articles of Association".

   iii) Mr. R. Ashley who was appointed during the year retires from the Board under the provisions of Article 93 of the Articles of Association and being eligible, offers himself for re-election.

7. To note that Deloitte & Touche continue in office as auditors in accordance with the provisions of Sec.159 (2) of the Companies Act and to authorise the Directors to fix their remuneration for the ensuing financial year.

By Order of the Board

R.R. Vora
Secretary

Date: 12th March 2010

Note:
A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend in his stead. A proxy need not also be a member.

Board Members: Left to right, Andrew Siundu (General Manager Finance), Wilfred Murungi, Ramesh Vora (Company Secretary), Titus Mbathi, Rick Ashley, Palle Rune, Pradeep Paunrana, Ben Moshi (Director of Tanzania Subsidiary), Surendra Bhatia, Atul Mathur

Directors

Mr R Ashley*	Chairman
Mr P H Paunrana	Managing Director
Mr P J Rune	
Mr S L Bhatia**	Deputy Managing Director
Mr W Murungi	
Mr T Mbathi	
Dr M Gondwe***	

* British ** Indian *** Zambian

Audit committee

Mr T Mbathi	Chairman
Mr R Ashley	
Mr W Murungi	

Nomination & Remuneration committee

Mr T Mbathi	Chairman
Mr W Murungi	

Secretary

Mr R R Vora
Certified Public Secretary (Kenya)
Marakwet House
P O Box 48405 - 00100 Nairobi

Registered office

L R 209/74/7/2, Chiromo Road Westlands
P O Box 41908 - 00100 Nairobi

Auditors

Deloitte & Touche
Certified Public Accountants (Kenya)
"Kirungii", Ring Road, Westlands
P O Box 40092 - 00100 Nairobi

Advocates

Walker Kontos Advocates
Hakika House, Bishops Road
PO Box 60680 - 00200 Nairobi

Bankers

Barclays Bank of Kenya Limited
Barclays Plaza Branch
P O Box 46661 - 00100 Nairobi

Bank of Africa Kenya Limited
Taifa Road
P O Box 69562 - 00400 Nairobi

CFC Stanbic Bank Limited
Kenyatta Avenue
P O Box 30550 - 00100 Nairobi

It is my pleasure to present the Company's Annual Report for the year ended 31st December 2009. I am delighted to have been invited to assume the role of Chairman by your Board, particularly at such an exciting time in your Company's development. Personally, I feel I am 'returning'. It is wonderful to be able to help guide a Company with whom I was so closely involved as an advisor during the IPO in 1997. It is testament to all involved with ARM that I rejoin a Company which has grown so dramatically and consistently but retains the dynamism so evident back then.

A Tribute To The Founder

Her Worship the Mayor of Mavoko Municipality Mrs. Lilian Nduku at the unveiling ceremony of Mzee Paunrana Road

2009 marked the passing of the Company's founder, Mzee H J Paunrana. His drive and vision, together with an intuitive sense of business and people, have been the motivating factors behind the meteoric rise of the Group since inception. It is fitting that he was able to pass this mantle to his son, our current Managing Director. The responsibility and honour of serving the Group and carrying on Mzee's vision are keenly felt by your Board. Mzee's wealth of experience and wise counsel will be missed.
Investing Today..... For Tomorrow's Prosperity

It will come as no surprise to those familiar with our activities in recent years that "Investing today ... for tomorrow's prosperity" is the phrase we have chosen to capture our philosophy in these accounts. The strategic intent of the Company is to focus on the cement business, and invest in new capacity in the region where cement consumption and market size is growing.

(Continued)

During 2009, the Company set on a course to build world class cement operations, with dynamic management teams and human resource development programmes, and a pro-active Board with governance structures appropriate to support a growing African regional business.

Although your Company has raised a large amount of project specific debt to fund the growth, the Board is confident that the company will create significant value by building cement manufacturing capacity at the lowest possible cost. As the company invests for the future, your board is confident that increased future cash flows provide a basis to aggressively reduce the obligations of the Group as we move into full production with the increased capacities.

2009 Operating Environment

2009 was a year of many varied challenges in the operating environment of Kenya and your Company in particular. The global financial crisis impacted the investment climate resulting in delayed funding for the company's expansion projects in Kenya as well as in Tanzania. Whilst project activities in both countries came to a halt early in the year, the Kenya project for doubling cement capacity to 650,000 tonnes per year, resumed at full pace and is on schedule for completion later in 2010. The Tanzania project, a 1.5 million tonnes per year cement plant at Tanga, with a separate grinding plant in Dar-Es-Salaam, will now be commissioned in early 2012.

The global recession coupled with a prolonged drought in Kenya led to a lower growth in demand for cement.

The slowdown in construction markets in Asia, and a sharp fall in freight rates led to some imports of low priced, and subsidized cement into East Africa, mainly from Pakistan and China. Although these challenges remain, the company increased cement volumes and market share in 2009.

Other areas of the company's business were also affected by the global recession. Fertilizer prices, which had risen to historic levels in 2008, fell just as dramatically in 2009, reducing sales turnover in this division, although the volumes remained steady. In the Industrial minerals and sodium silicate divisions, exports markets were also affected by the economic slowdown. However, the company increased sales through vigorous diversification of product and customer base.

2009 Performance

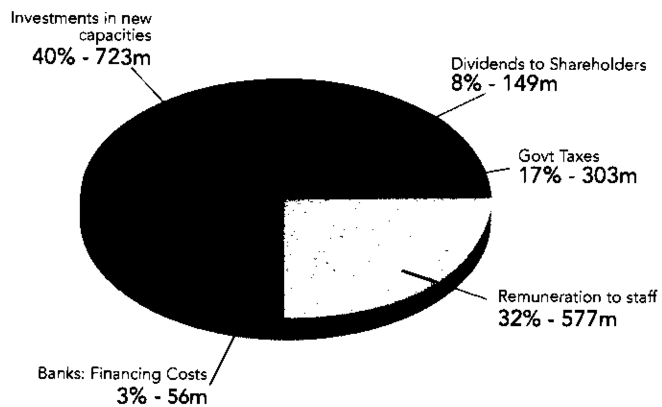
Turnover grew 11% during the year under review, and together with the marketing initiatives and cost control measures delivered a 28% increase in profit after tax at KSh 645.8 million. A detailed performance report is presented in the Managing Director's Report.

Net wealth created in 2009 increased to Ksh. 1.8 billion from Ksh. 1.6 billion in 2008. This is calculated as the difference between turnover and purchase of raw materials and services.

Distribution of Wealth Created

As the Company is investing in new cement capacities, 40% of the wealth created was re-invested in the Company. Nearly a third was paid as remuneration to staff, whilst the Government collected 17% in the form of taxes. Lenders of capital were paid 3% and the balance of 8% has been earmarked for distribution as dividends to shareholders. The distribution of wealth created clearly reflects your Company's desire to invest today for tomorrow's prosperity.

On behalf of the Board of Directors, I congratulate and record my appreciation for the contribution made by the Company's management team and the entire staff for



achieving these results in a difficult year.

(Continued)

Developments During 2009

Shareholders will recall the unanimous decision not to re-elect Bamburi Cement Limited to your Board during the AGM in 2009. Subsequently, Bamburi have exited as a shareholder at a handsome profit on their original investment. The conflicts recognized by our shareholders having been removed, it has enabled your Board to more openly and comprehensively address the challenges within our business and react more appropriately to issues within the cement industry. We are now exploring avenues, out of court, to resolve the legal dispute with Bamburi in respect of our title to Mutomo limestone deposits.

Shareholders will also recall their approval in general meeting of measures to restructure the Group including the separation of companies reflecting our business lines. This remains pending, the subject of an overall strategic review.

Your Company also signed a Power Purchase Agreement with KPLC in respect of our plans to produce power for our own requirements in Kaloleni and to supply the national grid. The regulatory approval process is ongoing and although the project activity is slow, is on track.

Environment Management & Quality Systems

Your Board is actively committed to ensuring that the company operates within the framework of our Environmental Policy. This policy recognizes the need to actively and positively address environmental impact of all activities to protect and improve the local and global environment. Various measures are in place to achieve this, which are subject to annual audits by external agencies. I am proud to confirm that your Company has maintained an excellent track record in this field.

The Company's cement and lime plant at Kaloleni is a state of art plant in achieving environmental emissions below 20mg/Nm3. The plant is certified for both ISO 9001:2000 for quality systems and ISO 14001:2004 for environment management systems. The sodium silicate plant is also ISO 9001:2000 certified for quality systems, and other divisions of the business are undergoing a certification process for the same.

The Company's commitment to the cause of environment was duly recognized during 2008 and 2009. The company won the GOLD AWARD for 2008 in TOTAL ECO challenge. This was followed up by a SPECIAL AWARD in the 2009 selection.

Your company also won the ENERGY INNOVATION award at the Energy Management Awards in 2009 in recognition of the improvements made for energy conservation.

The company continues to conduct regular training programmes for its staff to improve the quality of management systems and achieve international quality benchmarks.

Corporate Social Responsibility

The Company has further entrenched its practical and collaborative approach to Corporate Social Responsibility through its employees and the communities within which we operate. The CSR report provides a detailed narrative of our Community Development Trust model to working with our local communities to prioritize and address their environmental and communal needs.

Outlook for 2010

We remain optimistic concerning prospects for cement market within Kenya, Tanzania and the wider East African region and continue to invest in capacity to meet the growing demand.

The outlook for 2010 for your Company's products remains positive. As the confidence in the economy is returning, cement demand remains particularly robust. Accordingly, your Company is confident that the capacity increases in Kenya and our new plants in Tanzania are timely.

Dividend

The Board of Directors recommends a dividend payment of Ksh. 1.50 per share for the year 2009. Subject to approval by the shareholders, the dividend will be paid in July 2010 to members on the register at the close of business on May 25, 2010. For this purpose, the register of members will remain closed between May 26 and May 27, 2010.

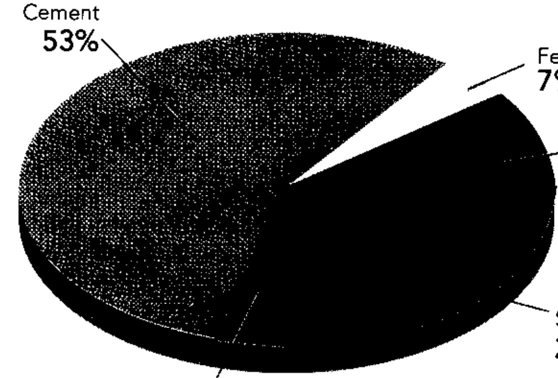
R Ashley
Chairman

2009 Operating Environment

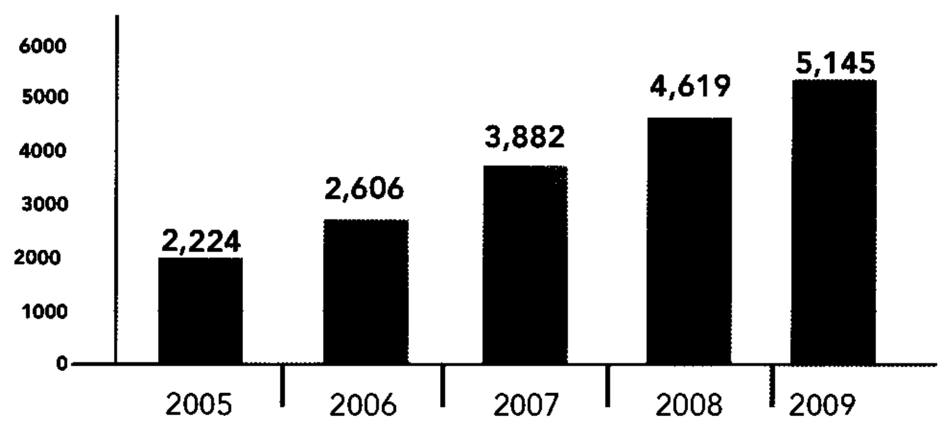
Although the year began on a gloomy note with the collapse of the global financial markets and fear of a recession in the region, the company maintained its high growth level of previous years. The company's 2009 turnover grew by 11% and profit after tax increased by 28%. Operational efficiencies, expanding customer base and disciplined financial management contributed to this performance. Without the dedication and the extraordinary efforts of the entire staff and management team , such results would not have been possible. I wish to record my sincere appreciation to all the staff members for delivering an excellent financial performance during the year.

2009 Annual Results

During the year, the group turnover grew by 11% over the previous year. All divisions of the group recorded increased sales except fertilizers which grew in volume but not in value, due to reduction in global fertilizer prices.



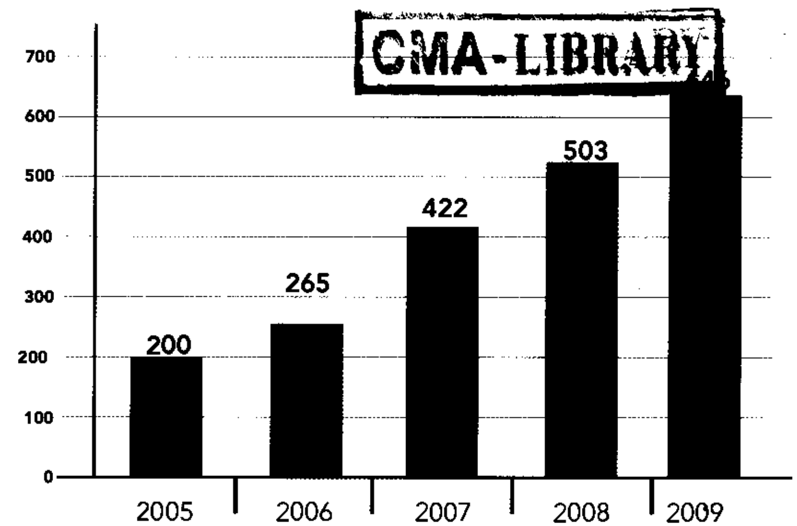
Divisional Turnover



Group Turnover (Ksh M)

Cement remained the main business of the company contributing 53% of the total turnover, up from 50% in the previous year.

Whereas turnover increased by 11% in 2009, profit after tax grew by 28% during the year. This was due to operational efficiencies, lower finance cost and favourable exchange rate.



Profit after Tax Ksh. M

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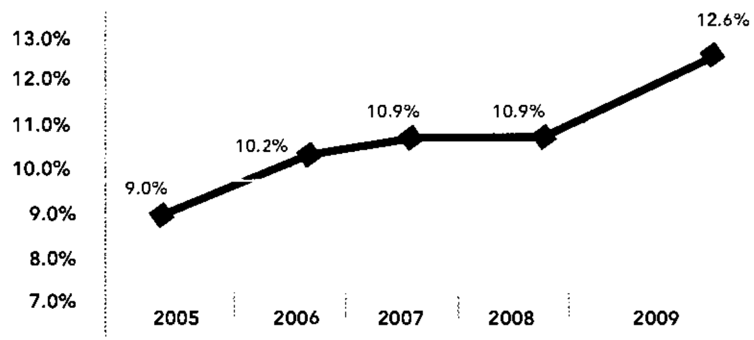
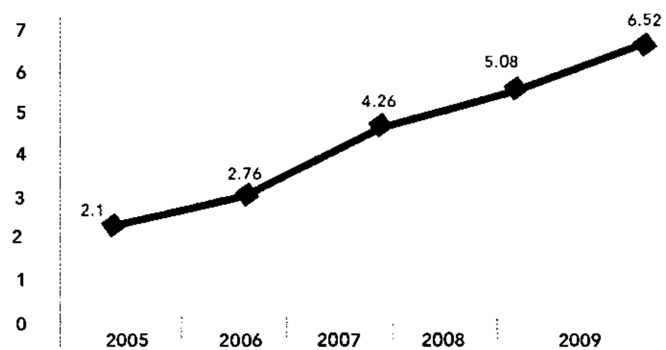
Net Profit Margin has been increasing over the past five years due to investments in new capacities and cost reducing technologies, increased capacity utilization and continuous focus on operational efficiencies.



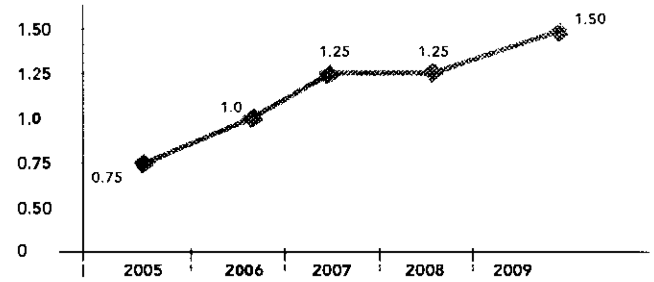
Net Profit Margin

Similarly, earnings per share has been increasing consistently in line with net profit of the company.



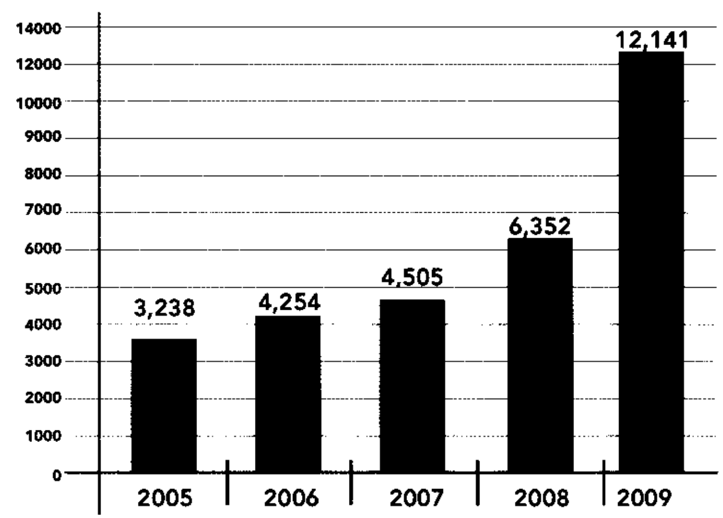
Earnings Per Share (Ksh)

Proposed Dividend per share for 2009 is Ksh. 1.50 per share, up from Ksh. 1.25 per share for 2008.



Dividend Per Share (Ksh)

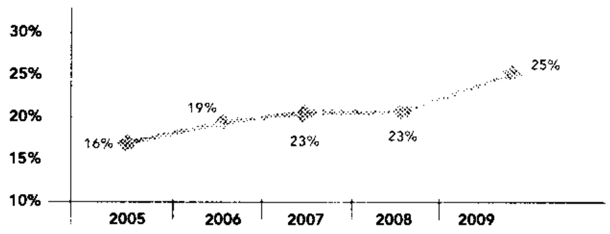
Total assets almost doubled to Ksh. 12.1 billion from previous year. This was due to revaluation of assets, and capitalization of investments made in Kenya to double the cement capacity in Kenya, and investments in a new cement plant in Tanzania. In 2009, the company's assets were revalued in line with International Accounting Standards requirements. This led to an increase in valuation of assets, net of accumulated depreciation, by Ksh 976 million.



Total Assets Ksh. M

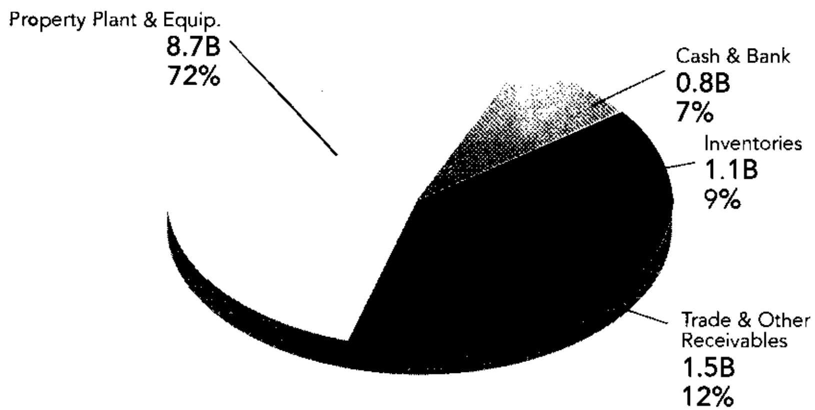
(Continued)

Return on Equity (Shareholders Funds) has grown from 16% in 2005 to 25% in 2009 due to higher productivity of the investments made in the company. Shareholders' funds stood at Ksh.4.13 billion in 2009, up from Ksh.1.16 billion in 2005.



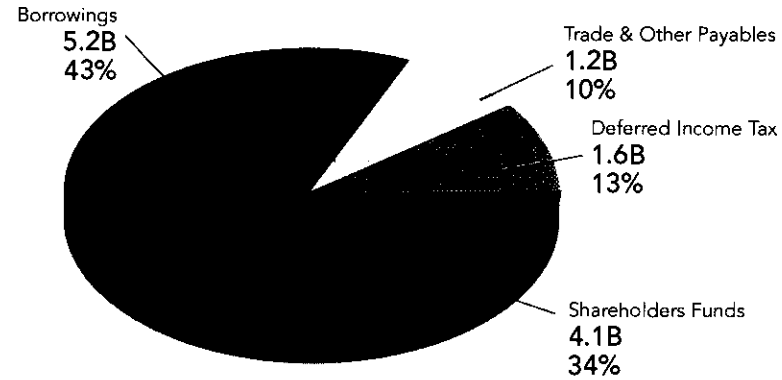
Return on Equity

The chart below depicts the constitution of the total assets of the company, totaling to Ksh 12.1 billion as at December 31st 2009.



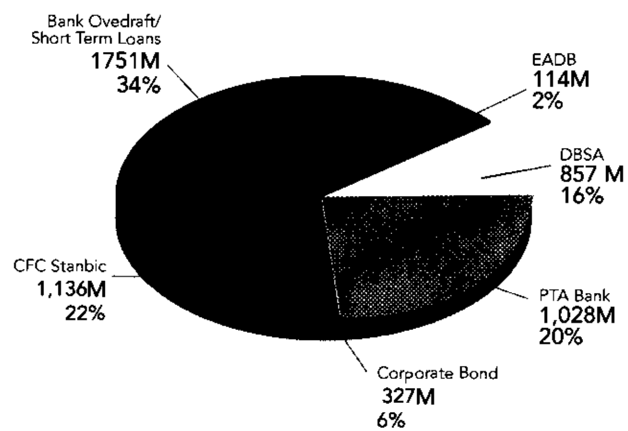
Total Assests

The total assets are represented in the balance sheet by matching shareholders' funds and other liabilities as illustrated in the chart.



Equity and Liabilities

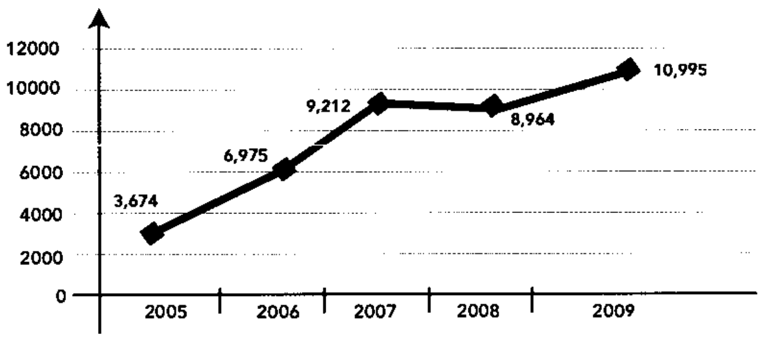
During the year, net debt increased from Ksh. 2.7 billion to Ksh. 4.4 billion as at the end of 2009. The additional borrowings were raised to fund the ongoing investments in Kenya and Tanzania. The chart below illustrates the sources and amounts of borrowings. Short term borrowings were utilized as bridging capital for the ongoing projects, pending completion of the long term project financing planned for early 2010.



Sources of Borrowings

(Continued)

At the end the year, the Company's market capitalization stood at Ksh 10.9 billion, reflecting a 23% increase over last year. This represents a Price Earnings (PE) multiple of 17 times, indicating market confidence in the company's performance, investment plans, and future growth strategy.



Market Capitalization Ksh Millions

Subsidiary Companies

ARM(Tanzania) Limited: Turnover of the company increased by 25% during 2009. A second lime kiln was commissioned in third Quarter of 2009, doubling the production capacity.

ARMSA (Pty) Limited: Our 100% owned subsidiary in South Africa continued to operate at below capacity in 2009 due recessionary conditions in the South African economy. However, the operations are making a positive contribution, and new products introduced during the year are gaining market share.
Mavuno Fertilizers Limited: A 100% owned subsidiary, remained as a dormant company in 2009 as the fertilizer business continued operations as a division of the company.

Maweni Limestone Limited: Our 100% owned subsidiary in Tanzania set up for the purpose of setting up a 1.5 million tonne per year cement plant in Tanga and Dar es Salaam. Although project funding was delayed in 2009, work at the sites continued at a slow pace. Having successfully raised the balance project funding in 2010, site activities have gained momentum for completing the plant by December 2011.

Credit Rating

			2006	2007	2008	2009
Short Term			A1	A1	A1	A1
Long Term			A	A	A	A

The company continues to be rated consistently by Global Credit Rating. The rating of A1 for Short Term, indicating a high certainty of timely payments, excellent liquidity factors and minor risk factors and A for Long Term indicating high credit quality, good protection, with small risk factors that are variable due to economic cycles, were reconfirmed for 2009 also.

Outlook for 2010

During 2009, the company initiated a major investment in cement business in Kenya and Tanzania. Demand for cement has been growing at more than 10% per year over the past decade and we expect this trend to continue as East African economies integrate and maintain high GDP growth levels. With economic stability, and investment in infrastructure, demand for cement is expected to grow.
However, in the near term, several challenges remain. Local energy and other manufacturing costs are rising whilst at the same time, cement imports continue to pose a threat throughout the region. ARM is nonetheless confident that its investment in new cement capacities will result in lower production costs enabling the company to compete effectively in the market.

The outlook for 2010 for company's products remains positive. The expanded cement capacity in Kenya is expected to be commissioned in the third quarter of 2010 and the company expects to maintain its market share in growing market.

Pradeep H Paunrana
Managing Director

A Community Partnership

The Company operates many mining sites in many remote and rural locations. In most of these areas, communications, electricity, and roads are poor, and the communities sometimes even lack basic amenities like water, health centres and schools. From its early days, ARM has always been involved at the grassroots level to help improve the living standards of these communities.

The company has built water dams that support large number of people and livestock, donated cement and materials to build classrooms, school dormitories, and sanitary facilities in a large number of schools. The company also provides bursaries and full educational maintenance of more than 30 children from disadvantaged backgrounds, as well as sponsoring sports and cultural events in schools. Another major area that ARM supports is in the construction of clinics and health centres, and conducts free medical camps.

In the 2009, the company initiated a community driven process of identifying social needs. The company has encouraged local community leaders to form Trusts with elected representatives and company staff members. These Trusts are funded on an annual basis by the company, and their activities are audited by company staff .

The Trustees liaise with the local community, identify needs such as school bursaries, dairy cattle and vegetable farming, micro lending, and other such needs, and are empowered to disburse accordingly. The model is working well, as the communities share responsibility for social welfare with company employees.

St. Annes girls school

Emergency food relief at Mutomo

A Community Partnership

Participation In Lion Project

Community Tree Planting

Tree Planting at Kombeni School

Church in Mathima

Medical Camp

Report Of The Directors
For The Year Ended 31 December 2009

The directors present their report together with the group audited financial statements for the year ended 31 December 2009.

Activities

The principal activities of the group are the manufacture and sale of cement, mining and processing of industrial minerals and chemicals, trading in other building products and the sale of fertilisers.

RESULTS	2009
	Sh'000
Profit before taxation	948,714
Taxation expense	(302,940)
Profit for the year transferred to retained earnings	645,774

Dividends

The directors propose the payment of a first and final dividend of Sh 1.50 (2008 – Sh 1.25) per share totalling Sh 148,582,500 in respect of the year ended 31 December 2009 (2008 – Sh 123,818,750).

Directors

The present directors are shown on page 3.

Mr H J Paunrana passed away on 8 July 2009.

Bamburi Cement Limited ceased to be directors with effect from 11 June 2009.

Mr R Ashley was appointed as a director on 26 June 2009.

Auditors

Deloitte & Touche, having expressed their willingness, continue in office in accordance with section 159 (2) of the Kenyan Companies Act.

BY ORDER OF THE BOARD

R.R. Vora
Secretary

Nairobi
12 March 2010

Surendra Bhatia with Kaloleni District Officers

Introduction

The group is committed to the corporate governance guidelines set out by the Capital Markets Authority. The Board of Directors is responsible for ensuring compliance with the corporate governance guidelines and has set out certain principles in its efforts to ensure adoption of best practices in governance and business ethics.

Principles

1. Leadership: The Board will exercise leadership, enterprise integrity and judgment in directing the group to achieve continuing prosperity and to act in the best interest of the group based on transparency, accountability and responsibility.

2. Strategy & value: The Board will determine the group's purpose and values, determine the strategy to achieve its purpose and implement its values in order to ensure that the group survives and practices are in place to protect group's assets.

3. Group's performance: The Board will monitor and evaluate the implementation of strategies, policies and business plans and the operational results on regular basis.

4. Compliance: The Board will ensure that the group complies with all relevant laws, regulations and codes of best business practice.

5. Communication: The Board will ensure that the group communications with shareholders and other stakeholders effectively.

6. Accountability to shareholders: The Board will serve the legitimate interests of all the shareholders of the group and account to them fully. The Board will ensure equality in its responsibility to the shareholders and will act in the best interest of the group rather than in the interest of any interest group/shareholder.

7. Relationship with stakeholders: The Board will identify the group's internal and external stakeholders and agree on policies determining how the group will relate to them.

8. Board appointments: The Board will ensure that through a managed and effective process – Board appointments are made that provide a mix of proficient directors each of whom are able to add value and to bring independent value and to bring independent judgment to bear on the decision making process.

9. Balance of power: The Board will ensure that no one person or a block of persons will have unlimited power and that there is an appropriate balance of power and authority on the Board which will reflected by separating the roles of the Chief Executive officer and Chairman, and by having a balance between executive and non executive directors.

10. Internal procedures: The Board will regularly review process and procedures to ensure the effectiveness of internal systems and control, so that its decision making capability and the accuracy of its reporting and financial results are maintained at levels at all times.

11. Management appointments and development: The Board will appoint the members as well as participate in the appointment of the senior management, to ensure the motivation and protection of intellectual and protection of intellectual capital of the group, and to ensure that there is adequate training for management and employees, and that there is a succession plan for senior management.

12. Board performance assessment: The Board will regularly and periodically assesses its performance and effectiveness as a whole in directing the group towards achieving its objectives as well as the performance of all senior management team.

13. Technology: The Board will ensure that the technology process and systems used are adequate to properly run the business, achieve international benchmarks in quality and cost so that the group can be a meaningful competitor in the market.

14. Risk management: The Board must identify key risk areas and key performance indicators of the business enterprise and monitor the factors on regular basis.

15. Annual review of future solvency: The Board must ensure annually that the group will continue as a going concern for its next fiscal year.

16. Shareholders: The Board is committed to the protection of the rights of the shareholders and ensures equitable treatment of all its shareholders.

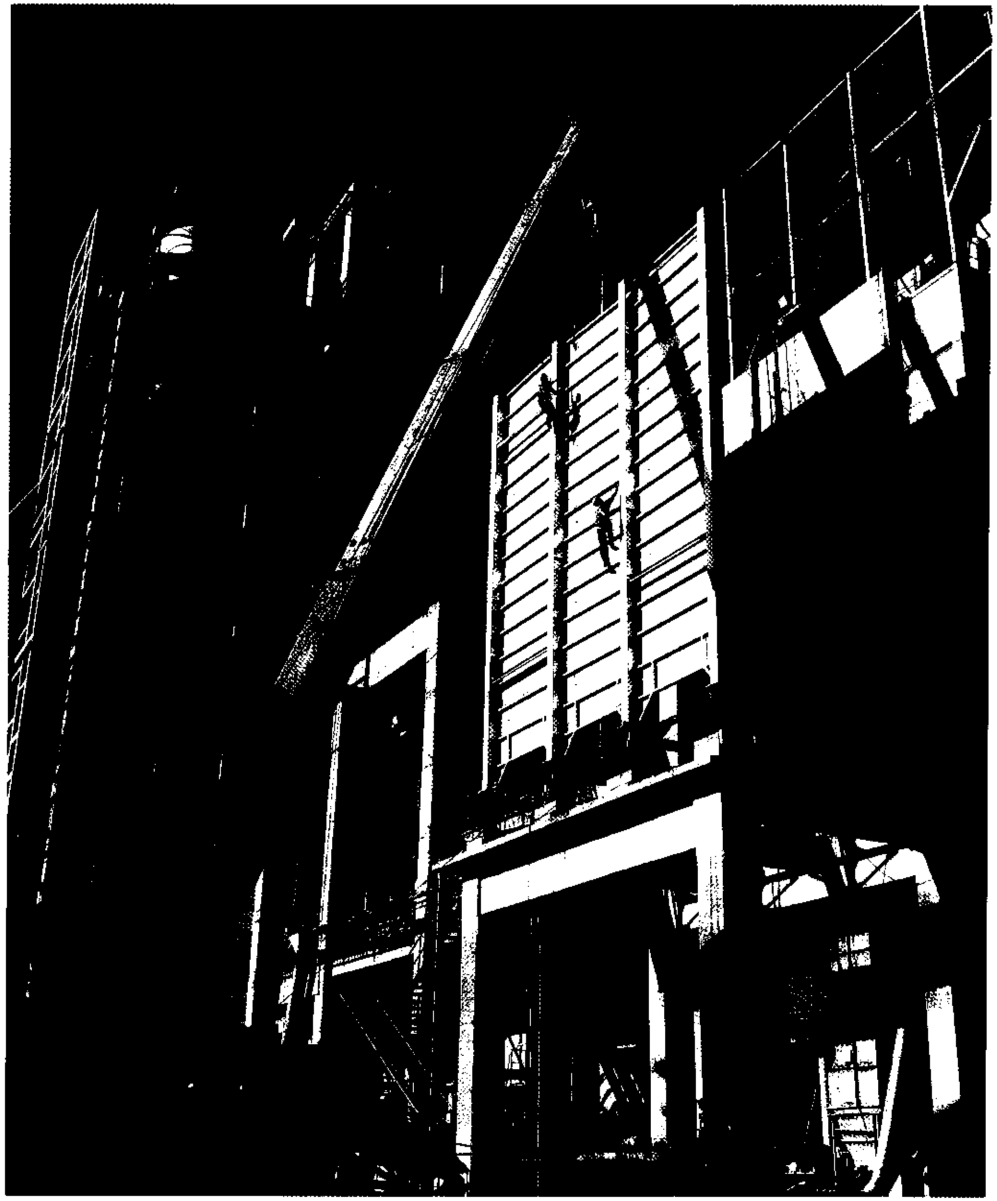
17. Stakeholders: The Board recognizes the rights of all stakeholders as established in law and will encourage active co-operation between group and the stakeholders in creating wealth, jobs and sustainability of a financially sound group.

18. Disclosure and transparency: The directors will ensure that timely and accurate disclosures are made on all material matters relating to the financial situation, performance ownership and governance of the group.

Rick Ashley
Chairman

Pradeep H Paunrana
Managing Director

Statement Of Directors' Responsibilities



Clinker plant expansion works in progress, erecting the 2nd Electro Static Precipitator, state of the art pollution control equipment

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the operating results of the group for that year. It also requires the directors to ensure that the parent company and its subsidiaries keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the parent company and of the subsidiaries. They are also responsible for safeguarding the assets of the group.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the operating results of the group. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

Rick Ashley	**Pradeep H Paunrana**
Chairman	**Managing Director**

12 March 2010

To The Members Of Athi River Mining Limited

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
"Kirungii"
Ring Road, Westlands
P.O. Box 40092 - GPO 00100
Nairobi, Kenya
Tel: +254 (20) 423 0000 / +254 (20) 4441344/05-12
Fax: +254 (20) 444 8966
Dropping Zone No. 92
E-mail: admin@deloitte.co.ke
www.deloitte.com

Report on the Financial Statements

We have audited the accompanying financial statements of Athi River Mining Limited and its subsidiaries, set out on pages 17 to 61 which comprise the consolidated and parent company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated and parent company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors ' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing.

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company and its subsidiaries as at 31 December 2009 and of the group's profit and cash flows for the year then ended in accordance with Internationa.1 Financial Reporting Standards and comply with the Kenyan Companies Act.

Report and Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

ii) the company's statement of financial position is in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Kenya)
12 March 2010
Nairobi

Partners: D.M. Ndonye F.O. Aloo H. Gadhok. N.R. Hira* BW. Irungu J.M. Kiare D.M. Mbogho. A.N. Muraya J. Nyang'aya S.O.Onyango JW. Wanga
* British

Consolidated Statement Of Comprehensive Income
For The Year Ended 31 December 2009

	Note	2009 Shs '000	2008 Shs '000
Turnover		5,144,822	4,619,473
Cost of sales		(3,289,991)	(2,944,803)
Gross profit		1,854,831	1,674,670
Other operating income		7,986	15,672
Net foreign exchange gains		10,970	1,441
Distribution costs		(278,184)	(268,257)
Administrative expenses		(580,190)	(454,574)
Finance costs	4	(76,494)	(263,678)
Finance income	5	9,795	176
Profit before taxation	6	948,714	705,450
Taxation charge	8 (a)	(302,940)	(201,996)
Profit for the year	**9**	**645,774**	**503,454**
Other comprehensive:			
Exchange differences arising on			
Translation of foreign operations		(18,774)	(24,076)
Surplus on revaluation of property, plant			
And equipment		2,140,295	-
Deferred tax on revaluation surplus		(642,089)	-
Total other comprehensive For the year net of tax		**1,479,432**	(24,076)
Total comprehensive income for the year		**2,125,206**	479,378
Earnings per share – basic and diluted	10	Sh 6.52	Sh 5.08

Board of directors at Kaloleni plant

31 December 2009

	Note	2009 Shs '000	2008 Shs '000
ASSETS			
Non current assets			
Property, plant and equipment	12(a)	8,688,161	4,372,067
Operating lease prepayments	13	32,146	33,554
Intangible assets	14	7,130	10,938
Goodwill	15	50,908	50,908
		8,778,345	4,467,467
CURRENT ASSETS			
Inventories	17	1,084,286	787,080
Trade and other receivables	18	1,378,602	951,947
Due from Employee Share Option Plan (ESOP)	19	66,767	83,635
Due from related parties	26(b)	20,564	16,210
Cash and bank balances		812,527	46,139
		3,362,746	1,885,011
Total assets		**12,141,091**	**6,352,478**

	Note	2009 Shs '000	2008 Shs '000
EQUITY AND LIABILITIES			
Equity			
Share capital	20	495,275	495,275
Share premium		302,027	302,027
Revaluation surplus		1,531,797	35,323
Translation reserve		(86,831)	(68,057)
Retained earnings		1,886,662	1,362,975
Total Equity		**4,128,930**	**2,127,543**
Non current liabilities			
Borrowings	21(a)	3,013,460	1,638,743
Deferred income tax	22	1,644,101	728,534
Finance leases	23(a)	838	14,727
		4,658,399	2,382,004
CURRENT LIABILITIES			
Borrowings	21(a)	2,199,250	1,031,974
Finance leases	23(a)	7,421	13,775
Trade and other payables	24	1,123,824	785,742
Due to related parties	26(d)	6,462	3,164
Unclaimed dividends	11	3,574	3,549
Current tax payable	8(c)	13,231	4,727
		3,353,762	1,842,931
Total equity and liabilities		**12,141,091**	**6,352,478**

The financial statements on pages 17 to 61 were approved by the board of directors on 12 March 2010 and were signed on its behalf by:

Rick Ashley
Chairman

Pradeep H Paunrana
Managing Director

Company Statement Of Financial Position
31 December 2009

	Note	2009 Shs '000	2008 Shs '000
ASSETS			
Non current assets			
Property, plant and equipment	12(b)	6,836,008	3,547,990
Operating lease prepayments	13	2,010	2,078
Intangible assets	14	7,130	10,938
Investment in subsidiaries	16	292,642	292,642
		7,137,790	3,853,648
CURRENT ASSETS			
Inventories	17	982,621	672,621
Trade and other receivables	18	1,140,778	795,666
Due from Employee Share Option Plan (ESOP)	19	66,767	83,635
Due from related parties	26(c)	990,915	767,648
Cash and bank balances		13,173	24,974
		3,194,254	2,344,544
Total assets		**10,332,044**	6,198,192

	Note	2009 Shs '000	2008 Shs '000
EQUITY AND LIABILITIES			
Equity			
Share capital	20	495,275	495,275
Share premium		302,027	302,027
Revaluation surplus		1,531,797	35,323
Retained earnings		1,861,931	1,354,556
Total Equity		4,191,030	2,187,181
Non current liabilities			
Borrowings	21(b)	1,403,762	1,569,759
Deferred income tax	22	1,631,848	726,474
Finance leases	23(b)	-	13,954
		[illegible]	2,310,187
CURRENT LIABILITIES			
Borrowings	21(b)	2,173,428	1,001,314
Finance leases	23(b)	6,297	13,363
Trade and other payables	24	906,773	678,044
Due to related parties	26(e)	2,101	-
Unclaimed dividends	11	3,574	3,549
Current tax payable	8(c)	13,231	4,554
		3,105,404	1,700,824
Total equity and liabilities		**10,332,044**	**6,198,192**

The financial statements on pages 17 to 61 were approved by the board of directors on 12 March 2010 and were signed on its behalf by:

Rick Ashley
Chairman

Pradeep H Paunrana
Managing Director

For The Year Ended 31 December 2009

	Share capital Sh'000	Share premium Sh'000	Revaluation surplus Sh'000	Translation reserve Sh'000	Retained earnings Sh'000	Attributable to equity holders of the parent Sh'000	Non-controlling interest Sh'000	Total Sh'000
2008								
At 1 January 2008	495,275	302,027	37,055	(43,981)	944,390	1,734,766	37,218	1,771,984
Profit for the year	-	-	-	-	503,454	503,454	-	503,454
Other comprehensive loss for the year	-	-	-	(24,076)	-	(24,076)	-	(24,076)
Total comprehensive income for the year	**495,275**	**302,027**	**35,323**	**(24,076)**	**503,454**	**479,378**	**-**	**479,378**
Transfer of excess depreciation	-	-	(2,474)	-	2,474	-	-	-
Deferred tax on excess depreciation	-	-	742	-	(742)	-	-	-
Acquisition of non controlling interest	-	-	-	-	37,218	37,218	(37,218)	-
Dividends declared – 2007	-	-	-	-	(123,819)	(123,819)	-	(123,819)
At 31 December 2008	**495,275**	**302,027**	**35,323**	**(68,057)**	**1,362,975**	**2,127,543**	**-**	**2,127,543**
2009								
At 1 January 2009	495,275	302,027	35,323	(68,057)	1,362,975	2,127,543	-	2,127,543
Profit for the year	-	-	-	-	645,774	645,774	-	645,774
Other comprehensive income/(loss) for the year	-	-	1,498,206	(18,774)	-	1,479,432	-	1,479,432
Total comprehensive income for the year	**-**	**-**	**1,498,206**	**(18,774)**	**645,774**	**2,125,206**	**-**	**2,125,206**
Transfer of excess depreciation		-	(2,474)	-	2,474		-	-
Deferred tax on excess depreciation	-	-	742	-	(742)		-	-
Dividends declared – 2008	-	-	-	-	(123,819)	(123,819)	-	(123,819)
At 31 December 2009	**495,275**	**302,027**	**1,531,797**	**(86,831)**	**1,886,662**	**4,128,930**	**-**	**4,128,930**

Company Statement Of Changes In Equity
For The Year Ended 31 December 2009

	Share capital Sh'000	Share premium Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 January 2008	**495,275**	**302,027**	**37,055**	**964,940**	**1,799,297**
Profit for the year	-	-	-	511,703	511,703
Transfer of excess depreciation	-	-	(2,474)	2,474	-
Deferred tax on excess depreciation	-	-	742	(742)	-
Dividends declared - 2007	-	-	-	(123,819)	(123,819)
At 31 December 2008	**495,275**	**302,027**	**35,323**	**1,354,556**	**2,187,181**
At 1 January 2009	495,275	302,027	35,323	1,354,556	2,187,181
Profit for the year	-	-	-	629,462	629,462
Other comprehensive income for the year	-	-	1,498,206	-	1,498,206
Total comprehensive income for the year	-	-	1,533,529	1,984,018	4,314,849
Transfer of excess depreciation	-	-	(2,474)	2,474	-
Deferred tax on excess depreciation	-	-	742	(742)	-
Dividends declared – 2008	-	-	-	(123,819)	(123,819)
At 31 December 2009	**495,275**	**302,027**	**1,531,797**	**1,861,931**	**4,191,030**

For The Year Ended 31 December 2009

	Note	2009 Shs '000	2008 Shs '000
Cash flows from operating activities			
Cash generated from operations	25(a)	858,094	597,122
Interest paid	25(e)	(287,216)	(262,785)
Interest received	5	9,795	176
Corporation tax paid	8(c)	(21,768)	(1,701)
Net cash generated by operating activities		558,905	332,812
Cash flows from investing activities			
Additions to property, plant and equipment	25(b)	(2,216,881)	(1,111,532)
Additions to operating lease prepayments	13	-	(21,136)
Additions to intangible assets	14	-	(6,771)
Proceeds of disposal of property, plant and equipment		921	800
Net cash used in investing activities		(2,215,960)	(1,138,639)

	Note	2009 Shs '000	2008 5hs '000
Cash flows from financing activities			
Finance lease payments	23(c)	(22,438)	(19,044)
Purchase of shares from non-controlling interests	15	-	(100,152)
Borrowings received	25(c)	2,493,002	1,081,664
Repayment of amounts borrowed	25(c)	(499,081)	(181,700)
Dividends paid	11(b)	(123,794)	(123,616)
Net cash generated by financing activities		1,847,689	657,152
Net increase/(decrease) in cash and cash equivalents		**190,634**	**(148,675)**

MOVEMENT IN CASH AND CASH EQUIVALENTS

	Note	2009	2008
Cash and cash equivalents 1 January		**(137,878)**	**8,536**
Net increase/(decrease) in cash and cash equivalents above		190,634	(148,675)
Effect of translation adjustment on cash held in foreign subsidiaries		371	2,261
Cash and cash equivalents 31 December	**25(d)**	**53,127**	**(137,878)**

1. Accounting policies

a) Statement of compliance

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

b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised standards and interpretations have been adopted in the current period and have affected the amounts and disclosures reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but have had no effect on the amounts reported are set out in section b(ii) below.

- **IFRS 2 'Share based payment-vesting conditions and cancellations' (amendment) – effective 1 January 2009.**
  The amendment clarifies that vesting conditions are service conditions and performance conditions only, and as such, any other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of the amendment does not have an impact on the financial position or the comprehensive income of the Group and the company.

- **IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009.**
  The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment does not have an impact on the financial position or the comprehensive income of the Group and the company.

2009 Total ECO Challenge Award

Accounting policies (Continued)

- **IFRS 8 'Operating segments. – effective 1 January 2009.**
IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments will be reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

- **IAS 1 (revised) 'Presentation of financial statements' – effective 1 January 2009.**
A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. According to the amendment to IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period.

The adoption does not have any impact on retained earnings.
The group also adopted the use of the titles per revised IAS 1 of 'statement of financial position' and 'statement of cash flow' to describe the 'balance sheet' and cash flows statement respectively.

- **IAS 23 (revised) 'Borrowing costs' – effective 1 January 2009.**
A revised version of IAS 23 was issued in March 2007. It requires the capitalisation of borrowing costs , to the extent they are directly attributable to the acquisition, production or construction of a qualifying asset. It eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use. The application of IAS 23 amendment will not give rise to any changes in the Group and the company's financial statements.

"The Programmable Logic Control (PLC) Room is like the nerve centre of the cement plant. This is where 96 kms of control cables bring in process control signals from the entire cement plant for efficient monitoring and control." Board members in the PLC Room.

For The Year Ended 31 December 2009

Accounting policies (Continued)

b) Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(ii) Standards and interpretations effective in 2009, but not relevant for the group's operations:

The following new and revised standards and interpretations are effective in the current financial year. Their adoption has not had any significant impact on amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- IFRS 1: First-Time Adoption of International Financial Reporting Standards - Amendment relating to cost of an investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009).
- IAS 20: Accounting for Government Grants and Disclosure of Government Assistance (effective for accounting periods beginning on or after 1 January 2009).
- IAS 27: Consolidated and Separate Financial Statements –Amendments relating to cost of an investment on first time adoption (effective for annual periods beginning on or after 1 January 2009).
- IAS 31: Interest in Joint Ventures - Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 January 2009).
- IAS 32: Financial Instruments: - Presentation - amendments relating to puttable financial instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).
- IAS 40: Investment Property amendments (effective for accounting periods beginning on or after 1 January 2009).
- IFRIC 13: Customer loyalty programmes (effective for accounting periods beginning on or after 1 July 2008).
- IFRIC 15: Agreement for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009).
- IFRIC 16: Hedges of a net investment in a foreign operation (effective for accounting periods beginning on or after 1 October 2008).

(iii) Standards and interpretations issued but not yet effective

- IFRS 3: (revised) 'Business Combinations' – Comprehensive revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009).
- IFRS 9, 'Financial instruments part 1: Classification and measurement' – replaces those parts of IAS 39 relating to the classification and measurement of financial assets (effective for accounting periods beginning on or after 1 January 2013).
- IAS 27: Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009).
- IAS 28: Investment in Associates – Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009).
- IAS 36: Impairment of Assets: Amendment relating the unit of accounting for goodwill impairment test (effective for accounting periods beginning on or after 1 January 2010).
- IAS 38, intangible Assets: Amendment for measuring the fair value of an intangible asset acquired in a business combination (effective for accounting periods beginning on or after 1 January 2010)
- IAS 39: Financial Instruments: Recognition and Measurement – Eligible hedged items Amendments to clarify the accounting for embedded derivatives when reclassifying financial instruments (effective for annual periods ending on or after 30 June 2009).

For The Year Ended 31 December 2009

Accounting policies (Continued)

b) Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

- IAS 39: Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 17: Distribution of non-cash assets to owners (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 18: Transfers of assets from customers (effective for accounting periods beginning on or after 1 July 2009).

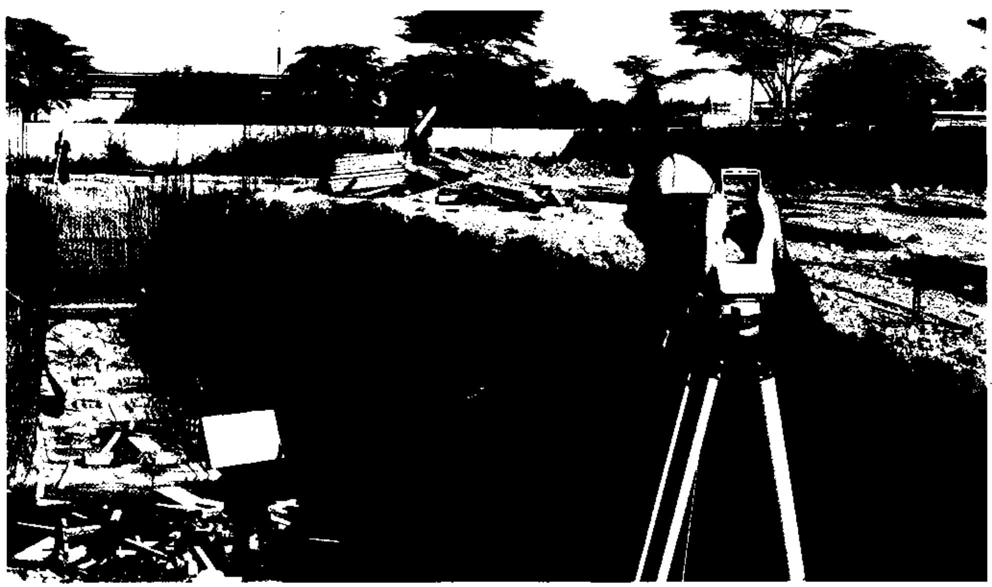
The standards and interpretations above have been issued and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods. The impact of the standards and interpretations expected to be relevant to the Group is detailed above:

- IFRS 3 (revised) 'Business Combinations' – effective 1 July 2009.

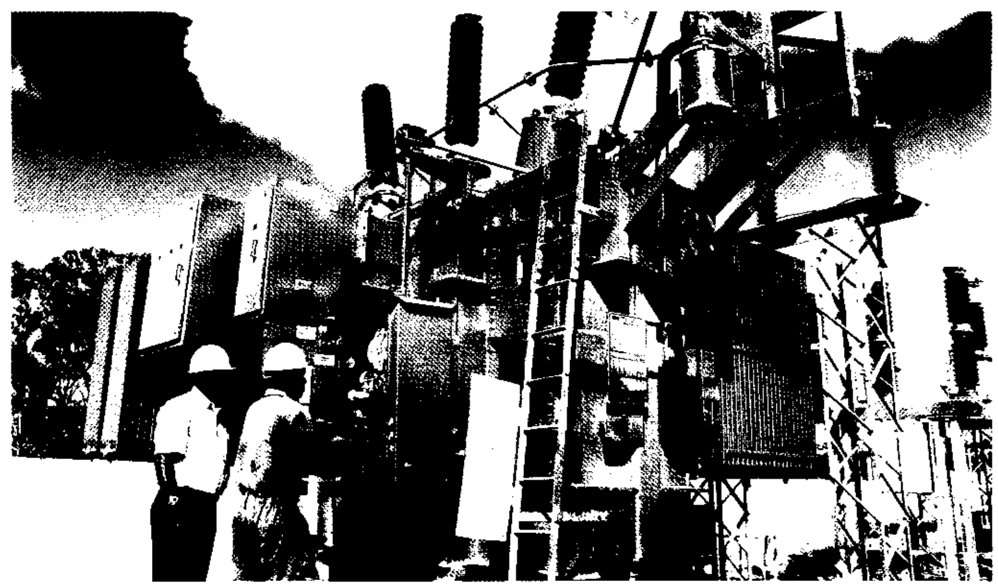
The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquire either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- IAS 27, 'Consolidated and separate financial statements' – effective 1 July 2009.

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.



Precision construction work



Installation of 66Kv/6.6Kv transformer at the Athi River grinding plant site

For The Year Ended 31 December 2009

Accounting policies (Continued)

c) Summary of significant accounting policies

- IAS 27, 'Consolidated and separate financial statements' – effective 1 July 2009 Continued).

The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. In the future, this guidance will also tend to produce higher volatility in equity and/ or earnings in connection with the acquisition of interests by the Group.

- IFRS 9, 'Financial instruments part 1: Classification and measurement' – effective 1 January 2013.

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss.

For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

(iv) Early adoption of standards

The group did not early-adopt new or amended standards or interpretations in 2009.

Impact of other standards and interpretations

The directors anticipate that the adoption of the other standards and interpretations and amendments resulting from the International Accounting Standards Board (IASB)'s annual improvements project published in May 2009, when effective, will have no material impact on the financial statements of the group.

The IASBs annual improvements process deals with non-urgent, minor amendments to standards.

The principal accounting policies adopted are set out below:

Basis of preparation

The group prepares its financial statements under the historical cost convention, modified to include the revaluation of certain assets.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, ARM (Tanzania) Limited, Mavuno Fertilizer Limited, ARMSA (Pty) Limited and Maweni Limestone Limited all made up to 31 December.

Accounting policies (Continued)

c) Summary of significant accounting policies (Continued)

Mavuno Fertilizer Limited did not operate in the year. Mavuno Fertiliser Limited's intended operations were undertaken by Athi River Mining Limited

- IAS 36: Impairment of Assets: Amendment relating the unit of accounting for goodwill impairment test (effective for accounting periods beginning on or after 1 January 2010).
- IAS 38, intangible Assets: Amendment for measuring the fair value of an intangible asset acquired in a business combination (effective for accounting periods beginning on or after 1 January 2010)
- IAS 39: Financial Instruments: Recognition and Measurement – Eligible hedged items Amendments to clarify the accounting for embedded derivatives when reclassifying financial instruments (effective for annual periods ending on or after 30 June 2009).
- IAS 39: Financial Instruments: Recognition and Measurement
- Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 17: Distribution of non-cash assets to owners (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 18 Transfers of assets from customers (effective for accounting periods beginning on or after 1 July 2009).

The standards and interpretations above have been issued and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods. The impact of the standards and interpretations expected to be relevant to the Group is detailed below:

- **IFRS 3 (revised) 'Business Combinations' – effective 1 July 2009.**

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement.

There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquire either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.
The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- **IAS 27, 'Consolidated and separate financial statements' – effective 1 July 2009.**

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. In the future, this guidance will also tend to produce higher volatility in equity and/or earnings in connection with the acquisition of interests by the Group.

- **IFRS 9, 'Financial instruments part 1: Classification and measurement' – effective 1 January 2013.**

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets.
Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss.

For The Year Ended 31 December 2009

Accounting policies (Continued)

c) Summary of significant accounting policies (Continued)

Revenue recognition

The group prepares its financial statements under the historical cost convention, modified to include the revaluation of certain assets.

(i) Sale of goods

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- *the group has transferred to the buyer the significant risks and rewards of ownership of the goods;*
- *the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;*
- *the amount of revenue can be measured reliably;*
- *it is probable that the economic benefits associated with the transaction will flow to the entity; and*
- *the costs incurred or to be incurred in respect of the transaction can be measured reliably.*

(ii) Interest revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Kenya shillings, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

CCR Operator

Hon Bakari Mwapachu, Chairman of Maweni Limestone Ltd, ARM's Tanzania cement subsidiary, with Wilfred Murungi, during a visit of the Kaloleni limestone quarry

Notes To The Financial Statements (Continued)

For The Year Ended 31 December 2009

Accounting policies (Continued)

c) Summary of significant accounting policies (Continued)

Capital work in progress

Capital work in progress relates to property and plant under construction. Cost includes materials, direct labour and any other direct expenses incurred in respect of the project. The amounts are transferred to the appropriate property, plant and equipment categories once the project is completed and commissioned.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the group as a lessee.
All other leases are classified as operating leases.

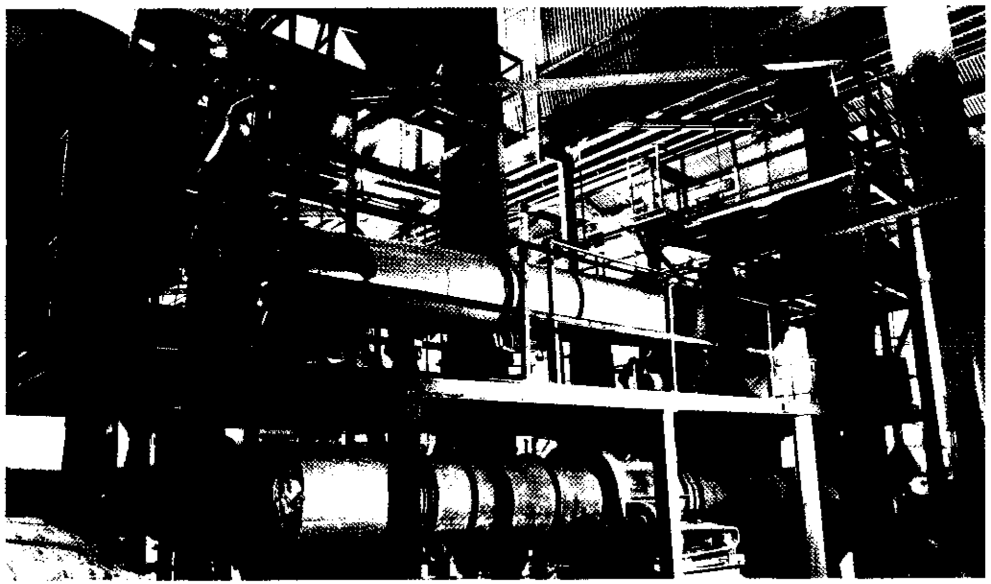
Assets held under finance leases are capitalised at their fair value on the inception of the lease and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease so as to achieve a constant rate of interest over the remaining balance of the liability.

Payments to acquire leasehold interest in land are accounted for as operating lease prepayments and are amortised over the period of the lease.

Rental payments in respect of operating leases are charged to the statement of comprehensive income in the year to which they relate.

Intangible assets-computer software costs

Costs incurred on acquisition or development of computer software are accounted for at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight line basis over the estimated useful life not exceeding a period of 4 years.



Mavuno Plant

Engineers from Institute of Engineers, Kenya at Kaloleni Plant

Accounting policies (Continued)

c) Summary of significant accounting policies (Continued)

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the group's share of the net assets of the acquired subsidiary as at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to the cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of the goodwill allocated to the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Investment in subsidiaries
The investments in subsidiaries are stated at their acquisition cost less any accumulated impairment losses.

Inventories
Inventories are stated at lower of cost and net realisable values. Cost is calculated on the weighted average cost basis and includes direct production costs, labour and relevant transport costs. Work in progress comprises raw materials costs, direct labour costs, other direct costs and related production overheads. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

Dividends payable
Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are not accrued for until ratified at an Annual General Meeting.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired, less advances from banks repayable within three months from the date of advance.

Revaluation reserve
The revaluation reserve arises on the revaluation of property, plant and equipment. Where revalued assets are sold, the portion of the properties' revaluation reserve that relates to those assets is effectively realised and transferred directly to retained earnings.

Translation reserve
The foreign exchange differences relating to the translation of balances from the functional currencies of the Group's foreign subsidiaries into the Kenya Shilling, which is the functional currency of the Group, are brought to account by entries made directly to the foreign currency translation reserve.

Retirement benefit obligations
The group contributes to the statutory National Social Security Fund in Kenya and Tanzania. The group's obligations under the schemes are determined by local statute and are currently limited to Sh 200 per employee per month in Kenya and 10% of the gross pay of each employee in Tanzania. The group's contributions are charged to the statement of comprehensive income in the year to which they relate. ARMSA (Pty) Limited does not contribute to any retirement benefits scheme for its employees.

Employee benefits
Employees' entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued at the statement of financial position date.

Financial instruments
A financial asset or liability is recognised when the group becomes party to the contractual provisions of the instrument.

Classification
The group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification

Accounting policies (Continued)

c) Summary of significant accounting policies (Continued)

adopted for a particular financial asset depends on the purpose for which the asset was acquired. Management determines the classification of its financial asset at initial recognition and re-evaluates this at every reporting date.

i) Financial assets at fair value through profit or loss ("FVTPL")
This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking or if so designated by management.

ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

iii) Held-to-maturity financial assets
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than for an insignificant amount of held-to-maturity financial asset, the entire category would be reclassified as available-for-sale.

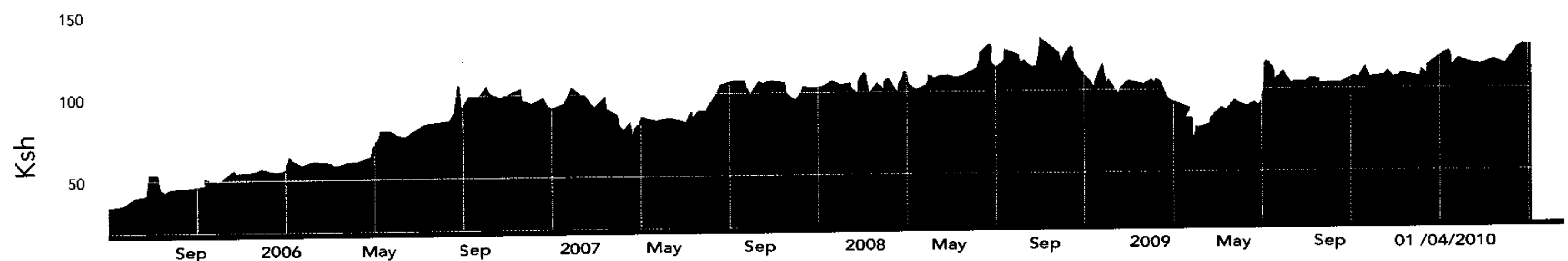
iv) Available-for-sale financial assets
This classification represents financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held-to-maturity.

Recognition of financial assets
Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are dealt with in the statement of comprehensive income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

Derecognition of financial assets
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all risks and rewards of ownership.



ARM Share Price Movement on Nairobi Stock Exchange

Accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities
Financial liabilities are classified as other financial liabilities.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities
The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Impairment
At each balance sheet date, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation.

Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision maker (Group management). Management allocates resources to and assess the performance of the operating segments of the Group. The operating segments are based on the Group's management and internal reporting structure.

In accordance with IFRS 8 the Group has the following business segments; cement and lime and other products segments (see note 3).

Contingent liabilities
Contingent liabilities arise if there is a possible obligation; or a present obligation that may, but probably will not, require an outflow of economic resources; or there is a present obligation, but there is no reliable method to estimate the monetary value of the obligation.

Comparatives
Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Derecognition of financial liabilities
The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Impairment
At each balance sheet date, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

For The Year Ended 31 December 2009

Accounting policies (Continued)

Financial instruments (Continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision maker (Group management). Management allocates resources to and assess the performance of the operating segments of the Group. The operating segments are based on the Group's management and internal reporting structure. In accordance with IFRS 8 the Group has the following business segments; cement and lime and other products segments (see note 3).

Contingent liabilities

Contingent liabilities arise if there is a possible obligation; or a present obligation that may, but probably will not, require an outflow of economic resources; or there is a present obligation, but there is no reliable method to estimate the monetary value of the obligation.

2 Critical accounting judgments and key sources of estimation and uncertainty in applying the entity's accounting policies

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

In the process of applying the group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

2 Critical accounting judgments and key sources of estimation and uncertainty in applying the entity's accounting policies (Continued)

Key areas of judgement and sources of estimation uncertainty
The following are the critical judgements and key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have had the most significant effect on amounts recognised in the financial statements and that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Property, plant and equipment and intangible assets
The group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period.

Impairment
At each balance sheet date, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Any impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss, other than that arising from goodwill, is recognised as income immediately.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated.

Contingent liabilities
As disclosed in note 29 to these financial statements, the group is exposed to various contingent liabilities in the normal course of business.

The directors evaluate the status of these exposures on a regular basis to assess the probability of the group incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

3 Operating segments

The group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. Following the adoption of IFRS 8, the identification of the group's reportable segments has not changed.

The group operations are within Kenya, Tanzania and South Africa.
The critical business segments are:

- Cement and lime.
- Other products.

Building Sodium Silicate furnace

For The Year Ended 31 December 2009

3 Operating segments

	Cement and Lime		Other products		Total	
	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 Sh'000
Sales and other income	2,936,833	2,661,351	2,278,061	1,973,970	5,214,894	4,635,321
Cost of sales and other expenditure	2,292,005	2,175,450	1,974,175	1,754,421	4,266,180	3,929,871
Profit before taxation	644,828	485,901	303,886	219,549	948,714	705,450
Assets	7,675,747	3,905,329	4,465,344	2,447,149	12,141,091	6,352,478
Liabilities	6,892,998	2,971,041	1,119,163	1,253,894	8,012,161	4,224,935
Depreciation and amortisation	133,121	122,414	92,620	82,120	225,741	204,534
Capital expenditure	2,192,224	867,863	269,919	403,498	2,462,143	1,230,878

Revenue reported above represents revenue generated from external customers.

Operating segments (continued)

Geographical information

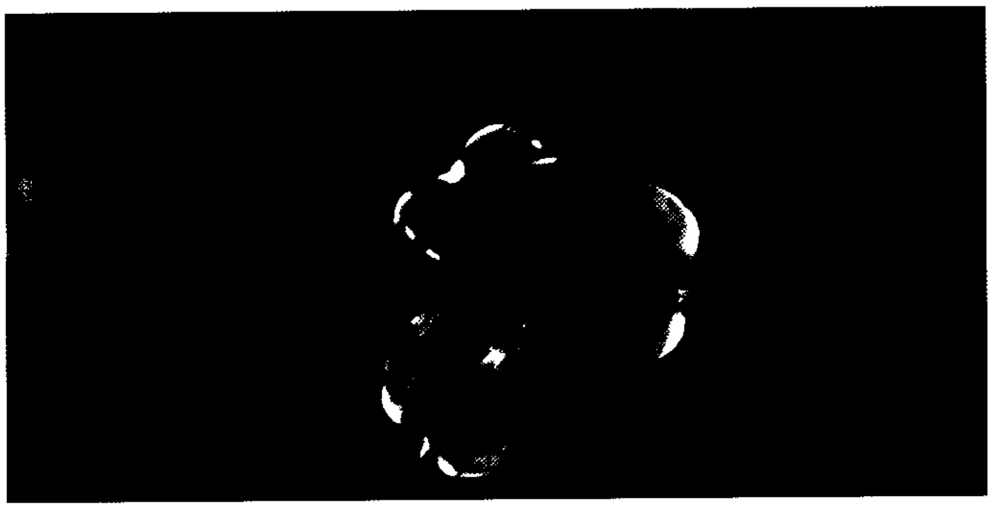
	Kenya Sh'000	Tanzania Sh'000	South Africa Sh'000	Eliminated on consolidation Sh'000	Total Sh'000
31 December 2009					
Sales and other income	4,718,948	384,750	182,487	(71,291)	5,214,894
Cost of sales and other expenditure	(3,795,930)	(393,464)	(148,077)	71,291	(4,266,180)
Profit before taxation	923,018	(8,714)	34,410	-	948,714
Assets	10,338,179	3,038,769	125,490	(1,361,347)	12,141,091
Liabilities	6,140,981	2,843,236	173,281	(1,145,337)	8,012,161
Depreciation and amortisation	198,572	22,859	4,310	-	225,741
Capital expenditure	1,342,244	1,118,740	1,159	-	2,462,143
31 December 2008					
Sales and other income	4,228,581	303,214	185,987	(82,461)	4,635,321
Cost of sales and other expenditure	(3,485,922)	(302,307)	(224,103)	82,461	(3,929,871)
Profit before taxation	742,659	907	(38,116)	-	705,450
Assets	6,204,503	1,125,860	122,635	(1,100,520)	6,352,478
Liabilities	4,011,031	911,088	181,851	(879,035)	4,224,935
Depreciation and amortisation	185,729	15,202	3,603	-	204,534
Capital expenditure	657,276	561,026	12,576	-	1,230,878

4 Finance costs

	2009 Sh'000	2008 Sh'000
Interest payable on:		
- Loans	214,409	141,903
- Bank overdrafts	95,087	54,316
- Corporate bond carried at amortised cost	49,439	73,245
- Finance leases	2,288	3,993
Total borrowing costs	361,223	273,457
Less: Amounts included in the cost of qualifying assets	(243,408)	(119,346)
	117,815	154,111
Net foreign exchange losses	(41,321)	109,567
	76,494	263,678

5 Finance income

	2009 Sh'000	2008 Sh'000
Interest receivable	9,795	176



6 Profit before taxation

	2009 Sh'000	2008 Sh'000
The profit before taxation is arrived at after charging/(crediting):		
Depreciation property, plant and equipment	221,654	201,873
Amortisation of operating lease prepayments	279	279
Amortisation of intangible assets	3,808	2,382
Operating lease rentals		
- property	6,402	4,880
- motor vehicles	39,955	39,208
Directors' emoluments:		
- fees	3,019	3,439
- other emoluments	99,018	55,848
Staff costs (note 7)	474,613	412,308
Auditors' remuneration		
- company	2,175	1,663
- subsidiaries	1,025	1,064
Gain on disposal of property, plant and equipment	(921)	(800)

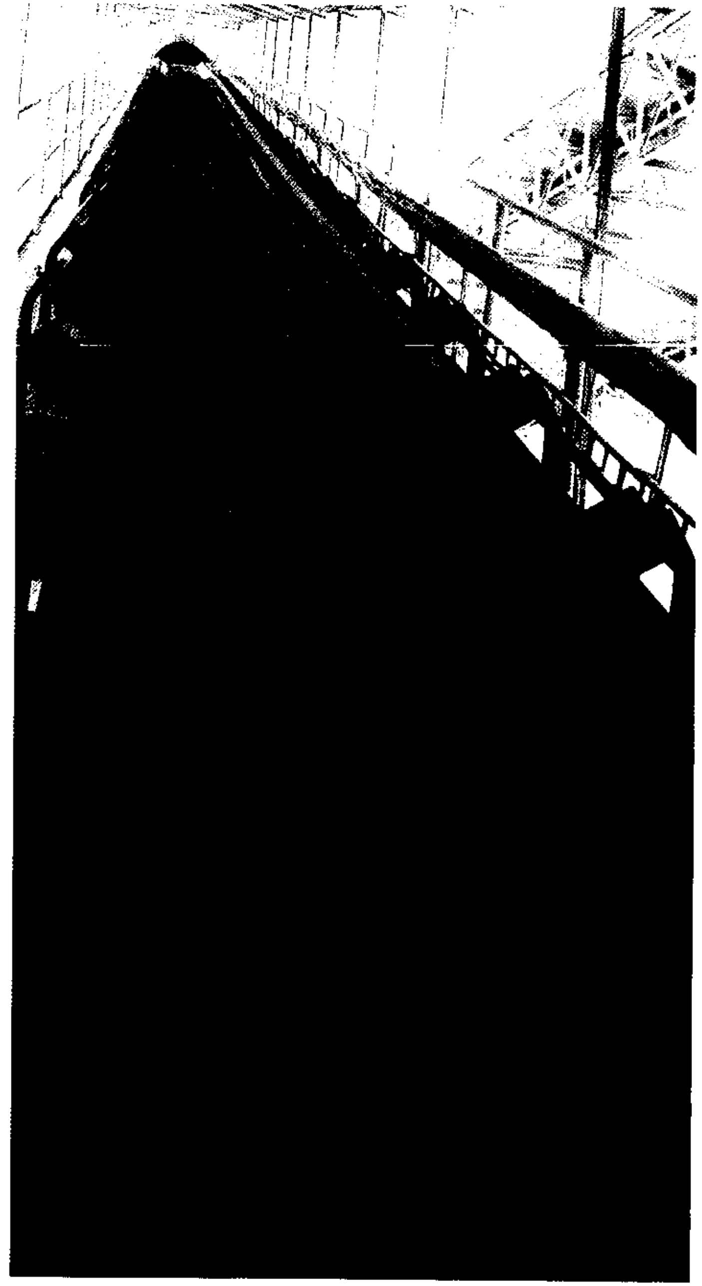
7 Staff costs

	2009 Sh'000	2008 Sh'000
Wages and salaries	391,627	347,161
Social security cost (NSSF)	3,385	3,383
Termination benefits	14,263	6,497
Leave pay	1,149	3,672
Other staff costs	64,189	51,595
	474,613	412,308
Executive directors' emoluments	102,037	55,848
	576,650	468,156

(Continued)

8. Taxation

	GROUP 2009 Sh'000	GROUP 2008 Sh'000	COMPANY 2009 Sh'000	COMPANY 2008 Sh'000
a) Taxation charge				
Current taxation charge based on taxable income:	36,384	6,578	36,384	6,405
Prior year over provision	(6,113)	-		-
	30,271	6,578	30,271	6,405
Deferred tax charge (note 22)				
Current year charge	253,267	214,176	243,883	221,556
Prior year under/(over) provision	19,402	(18,758)	19,402	2,995
	272,669	195,418	263,285	224,551
	302,940	201,996	293,556	230,956
b) Reconciliation of taxation to expected taxation based on accounting profit				
Profit before taxation	948,714	705,450	923,018	742,659
Tax calculated at a tax rate of 30%	284,614	211,635	276,905	222,798
Tax effect of:				
- Income not subject to tax	(143)	(170)	(143)	(170)
- Expenses not deductible for tax purposes	5,180	9,289	3,505	5,333
Prior year current taxation over provision	(6,113)	-	(6,113)	-
Prior year deferred taxation under/ (over) provision	19,402	(18,758)	19,402	2,995
Taxation charge	302,940	201,996	293,556	230,956
c) Current tax payable/(recoverable) movement				
At 1 January	4,727	(150)	4,554	(150)
Taxation charge	36,384	6,578	36,384	6,405
Prior year over provision	(6,113)	-	(6,113)	-
Taxation paid	(21,768)	(1,701)	(21,594)	(1,701)
Translation adjustment	1	-	-	-
At 31 December	13,231	4,727	13,231	4,554



(Continued)

9. Profit for the year

The profit attributable to shareholders dealt with in the company separate financial statements is Sh 629,462,000 (2008 – Sh 511,703,000).

10. Earnings per share

Basic earnings per share has been calculated by dividing the profit for the year attributable to equity holders of the parent company by the number of ordinary shares in issue at the balance sheet date. The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

	2009	2008
Profit attributable to ordinary shareholders (Sh'000)	645,774	503,454
Weighted average number of ordinary shares in issue	99,055,000	99,055,000
Basic and diluted earnings per ordinary share (Sh)	6.52	5.08

11. Dividends

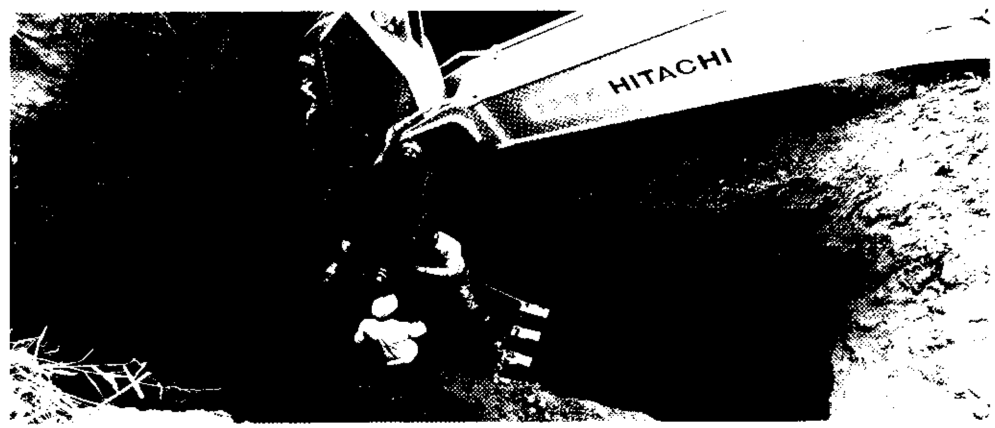
(a) Dividends per share
The directors propose the payment of a first and final dividend of Sh 1.50 (2008 – Sh 1.25) per share totalling Sh 148,582,500 in respect of the year ended 31 December 2009 (2008 – Sh 123,818,750). This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The dividends payable are subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act, Chapter 470 Laws of Kenya.

(b) The movement in the dividends payable account is as follows:

	GROUP & COMPANY	
	2009 Sh'000	**2008 Sh'000**
At 1 January	3,549	3,346
Final dividend declared	123,819	123,819
Dividends paid	(123,794)	(123,616)
At 31 December	**3,574**	**3,549**

Project work in progress



Dar es Salaam excavation site

(Continued)

12(a). Property, plant and equipment - Group

	Freehold land Sh'000	Buildings on leasehold land Sh'000	Heavy commercial vehicles and quarrying equipment Sh'000	Computer hardware, plant, machinery, motor vehicles, furniture and Fittings Sh'000	Capital work in progress Sh'000	Total Sh'000
Cost or valuation						
At 1 January 2008	117,225	186,683	307,296	3,248,636	342,059	4,201,899
Additions	13,640	-	27,690	43,901	1,145,647	1,230,878
Transfers	-	-	-	269,106	(269,106)	-
Disposals	-	-	-	(3,444)	-	(3,444)
Translation gain	-	731	1,071	14,869	27,753	44,424
At 1 January 2009	130,865	187,414	336,057	3,573,068	1,246,353	5,473,757
Additions	17,752	-	93	82,774	2,361,524	2,462,143
Transfers	-	67,082	-	933,953	(1,001,035)	-
Disposals	-	-	-	(4,312)	-	(4,312)
Translation loss	-	(2,278)	(803)	(5,908)	(55,730)	(64,719)
Revaluation surplus	92,398	346,315	(177,221)	714,869	-	976,361
At 31 December 2009	241,015	598,533	158,126	5,294,444	2,551,112	8,843,230
Comprising						
At cost	-	-	17,127	380,627	2,551,112	2,948,866
At valuation 2009	241,015	598,533	140,999	4,913,817	-	5,894,364
	241,015	598,533	158,126	5,294,444	2,551,112	8,843,230
Depreciation						
At 1 January 2008	8,379	46,729	174,187	669,118	-	898,413
Charge for the year	-	4,678	22,131	175,064	-	201,873
Eliminated on disposal	-	-	-	(3,444)	-	(3,444)
Translation loss	-	76	320	4,452	-	4,848
At 1 January 2009	8,379	51,483	196,638	845,190	-	1,101,690

12(a). Property, plant and equipment - Group (Continued)

	Freehold land Sh'000	Buildings on leasehold land Sh'000	Heavy commercial vehicles and quarrying equipment Sh'000	Computer hardware, plant, machinery, motor vehicles, furniture and Fittings Sh'000	Capital work in progress Sh'000	Total Sh'000
Charge for the year	-	5,518	21,168	194,968	-	221,654
Eliminated on disposal	-	-	-	(4,312)	-	(4,312)
Transfers	(8,379)	8,379	-	-	-	-
Translation gain/(loss)	-	(72)	(232)	275	-	(29)
Write back on revaluation	-	(63,386)	(212,004)	(888,544)	-	(1,163,934)
At 31 December 2009	-	1,922	5,570	147,577	-	155,069
NET BOOK VALUE (REVALUATION BASIS)						
At 31 December 2009	241,015	596,611	152,556	5,146,867	2,551,112	8,688,161
At 31 December 2008	122,486	135,931	139,419	2,727,878	1,246,353	4,372,067
NET BOOK VALUE (COST BASIS)						
At 31 December 2009	104,361	183,177	117,773	3,543,456	2,551,112	6,499,879
At 31 December 2008	102,665	105,290	139,419	2,727,878	1,246,353	4,321,605

Property, plant and equipment were revalued on 31 December 2009, by Peter Huth, Registered Valuers and Estate Agents. Land and buildings were valued on the basis of open market value basis while plant and equipment were valued on a depreciated replacement cost basis.

Freehold land and buildings for the company and all the assets for ARM (Tanzania) Limited with a net book value of Sh 1,116,728,000 (2008 – Sh 598,021,000) have been charged to secure banking facilities granted to the group as disclosed in note 21.

Included above are assets with a total cost of Sh 189,886,555 (2008 – Sh 166,929,341) which were fully depreciated as at 31 December 2009.

The normal depreciation charge would have been Sh 25,364,347 (2008 - Sh 22,808,466).

(Continued)

12(b). Property, plant and equipment - Company

	Freehold land Sh'000	Buildings on leasehold land Sh'000	Heavy commercial vehicles and quarrying equipment Sh'000	Computer hardware, plant, machinery, motor vehicles, furniture and Fittings Sh'000	Capital work in progress Sh'000	Total Sh'000
Cost or valuation						
At 1 January 2008	117,225	179,458	299,925	3,051,098	258,418	3,906,124
Additions	13,640	-	18,295	38,211	587,130	657,276
Transfers	-	-	-	269,106	(269,106)	-
Disposals	-	-	-	(3,444)	-	(3,444)
At 1 January 2009	130,865	179,458	318,220	3,354,971	576,442	4,559,956
Additions	17,752	-	-	39,537	1,284,955	1,342,244
Transfers	-	-	-	821,256	(821,256)	-
Disposals	-	-	-	(4,312)	-	(4,312)
Revaluation surplus	92,398	346,315	(177,221)	714,869	-	976,361
At 31 December 2009	241,015	525,773	140,999	4,926,321	1,040,141	6,874,249
Comprising						
At cost	-	-	-	12,504	1,040,141	1,052,645
At valuation 2009	241,015	525,773	140,999	4,913,817	-	5,821,604
	241,015	525,773	140,999	4,926,321	1,040,141	6,874,249
Depreciation						
At 1 January 2008	8,379	46,035	171,326	606,567	-	832,307
Charge for the year	-	4,486	21,268	157,349	-	183,103
Eliminated on disposal	-	-	-	(3,444)	-	(3,444)
At 1 January 2009	8,379	50,521	192,594	760,472	-	1,011,966

(Continued)

12(b). Property, plant and equipment - Company (Continued)

	Freehold land Sh'000	Buildings on leasehold land Sh'000	Heavy commercial vehicles and quarrying equipment Sh'000	Computer hardware, plant, machinery, motor vehicles, furniture and Fittings Sh'000	Capital work in progress Sh'000	Total Sh'000
Charge for the year	-	4,486	19,410	170,625	-	194,521
Eliminated on disposal	-	-	-	(4,312)	-	(4,312)
Transfers	(8,379)	8,379	-	-	-	-
Written back on revaluation	-	(63,386)	(212,004)	(888,544)	-	(1,163,934)
At 31 December 2009	-	-	-	38,241	-	38,241
NET BOOK VALUE (REVALUATION BASIS)						
At 31 December 2009	241,015	525,773	140,999	4,888,080	1,040,141	6,836,008
At 31 December 2008	122,486	128,937	125,626	2,594,499	576,442	3,547,990
NET BOOK VALUE (COST BASIS)						
At 31 December 2009	104,361	112,339	106,216	3,284,669	1,040,141	4,647,726
At 31 December 2008	102,665	98,296	125,626	2,594,499	576,442	3,497,528

Property, plant and equipment were revalued on 31 December 2009, by Peter Huth, Registered Valuers and Estate Agents. Land and buildings were valued on the basis of open market value basis while plant and equipment were valued on a depreciated replacement cost basis.

Freehold land and buildings with a net book value of Sh 766,788,000 (2008 – Sh 251,422,000) have been charged to secure banking facilities granted to the company as disclosed in note 21.

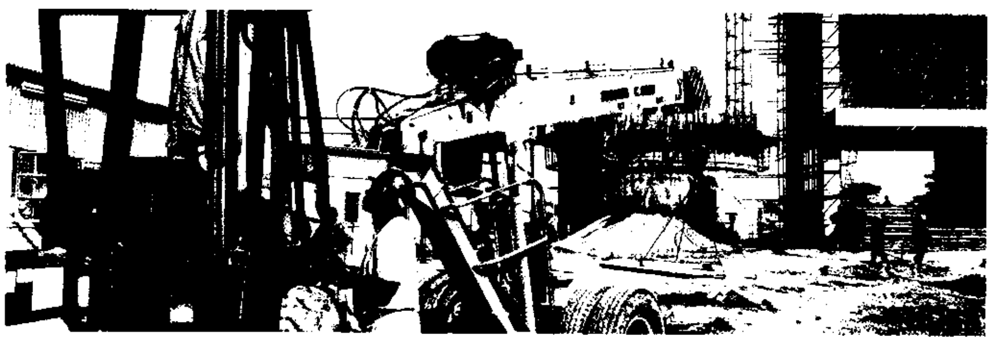
Included above are assets with a total cost of Sh 189,886,555(2008 – Sh 166,929,341) which were fully depreciated as at 31 December 2009. The normal depreciation charge would have been Sh 25,364,347 (2008 – Sh 22,808,466).

13. Operating lease prepayments

	Group Sh'000	Company Sh'000
Cost		
At 1 January 2008	12,880	2,707
Additions	21,136	-
Exchange adjustment	1,050	-
At 1 January 2009	35,066	2,707
Exchange adjustment	(1,137)	-
At 31 December 2009	33,929	2,707
Amortisation		
At 1 January 2008	1,219	561
Charge for the year	279	68
Exchange adjustment	14	-
At 1 January 2009	1,512	629
Charge for the year	279	68
Exchange adjustment	(8)	-
At 31 December 2009	1,783	697
NET BOOK VALUE		
At 31 December 2009	32,146	2,010
At 31 December 2008	33,554	2,078

14. Intangible assets

	Group Sh'000	Company Sh'000
Cost		
At 1 January 2008	8,459	8,459
Additions	6,771	6,771
At 1 January and 31 December 2009	15,230	15,230
Amortisation		
At 1 January 2008	1,910	1,910
Charge for the year	2,382	2,382
At 1 January 2009	4,292	4,292
Charge for the year	3,808	3,808
At 31 December 2009	8,100	8,100
NET BOOK VALUE		
At 31 December 2009	7,130	7,130
At 31 December 2008	10,938	10,938



15. Goodwill

On 24 January 2008, Athi River Mining Limited acquired all the shares held by the minority shareholders of ARM (Tanzania) Limited making it a wholly owned subsidiary.

	Sh'000
Fair value of net assets at acquisition date	175,684
Share of parent – 72%	(126,492)
Fair value of non-controlling interests net assets acquired	49,192
Total purchase consideration	100,100
At 31 December 2009 and 2008	50,908
Purchase consideration settled in cash	100,100
Less: cash and cash equivalents acquired from subsidiary	-
Cash flow on acquisition net of cash acquired	100,100

During the current financial year, the directors assessed the recoverable amount of goodwill and determined that the goodwill was not impaired.
The recoverable amount of the cash generating units was assessed by reference to value in use.

[redacted]

16. Investment in subsidiaries

	COMPANY	
	2009 Sh'000	2008 Sh'000
ARM (Tanzania) Limited	252,317	252,317
ARM SA (Pty) Limited	33,014	33,014
Mavuno Fertilizer Limited	7,259	7,259
Maweni Limestone Limited	52	52
	292,642	292,642

The details of the above subsidiary companies are as follows:

Company	Percentage holding	Country of incorporation and domicile	Principal activity
ARM (Tanzania) Limited	100%	Tanzania	Extraction and processing of limestone
ARMSA (Pty) Limited	100%	South Africa	Manufacture of silicate liquid
Mavuno Fertilizer Limited	100%	Kenya	Not operational
Maweni Limestone Limited	100%	Tanzania	Manufacture of Cement

ARM Zambia Limited and ARM Botswana Limited which are wholly owned subsidiaries, are not yet operational thus are not consolidated. No investments have been made in these companies.

(Continued)

17. Inventories

	GROUP		COMPANY	
	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 Sh'000
Raw materials	477,590	317,879	414,204	231,936
Finished goods	68,773	72,295	56,149	72,295
Packaging materials	55,191	34,049	55,191	30,340
Stores, spares and laboratory inventories	460,547	343,417	456,199	337,366
Work in progress	22,185	19,440	878	684
	1,084,286	787,080	982,621	672,621

18. Trade and other receivables

	GROUP 2009 Sh'000	GROUP 2008 Sh'000	COMPANY 2009 Sh'000	COMPANY 2008 Sh'000
Trade receivables	1,094,402	794,906	973,752	698,671
Prepayment for acquisition of shares*	116,550	-	116,550	-
Other receivables and prepayments	167,650	157,041	50,476	96,995
	1,378,602	951,947	1,140,778	795,666

*In October 2009 the group made prepayments towards the purchase of a majority shareholding in a South African based industrial mineral company.

19. Due from Employee Share Option Plan (ESOP) Loan and receivables

The Company established an Employee Share Ownership Plan (ESOP) for purposes of encouraging employees to own shares in the Company. This is a separate trustee administered plan operating within the ESOP rules as contained in the Trust Deed.

The ownership-based compensation scheme is for employees of the group. In accordance with the provisions of the plan, as approved by shareholders at the annual general meeting held on 17 June 2005, employees who are in permanent employment with the group for a minimum period of three years may be granted options to purchase ordinary shares. When all units are exercised and paid for, the plan will be wound up.

Each employee share option converts into one ordinary share of Athi River Mining Limited on exercise.

Options may be exercised at any time from the date of vesting to the date of their expiry.As at the end of the year there were no share options granted (2008 – nil).

On 30 November 2007, 6,055,000 ordinary shares of Sh 5 each were issued to the ESOP at Sh 15 each (market price at the time of approval by the board and Annual General Meeting in 2005) amounting to Sh 90,825,000. The shares issued to the ESOP carry pari passu rights with regard to dividends and voting rights. Dividends relating to unexercised shares accrue to the ESOP.

The amount due from ESOP is accounted for as a loan and receivable financial instrument. At each reporting period end, the Group reviews the outstanding balance from the ESOP to determine whether the receivable is impaired. Any impairment loss is recognised through profit or loss in the year in which it arises

Notes To The Financial Statements (Continued)

GROUP & COMPANY

	2009 Sh'000	2008 Sh'000
Amount due from ESOP		
At 1 January	83,635	90,825
Proceeds from sale of ESOP shares	(9,678)	-
Repayments	(7,190)	(7,190)
At 31 December	66,767	83,635

The amount due from the ESOP represents the amount receivable from the ESOP for the shares that were issued to it. During the year the trustees sold 100,000 shares to the market in order to repay part of the amount due to the Group.

The group does not have effective control over the ESOP and it is therefore not consolidated into the group

20. Share capital

	2009 Sh'000	2008 Sh'000
Authorised:		
135,000,000 ordinary shares of Sh 5 each	675,000	675,000
Issued and fully paid:		
99,055,000 fully paid ordinary shares of Sh 5 each	495,275	495,275

21. (a) Borrowings - Group

	2009 Sh'000	2008 Sh'000
Bank loans	4,126,119	1,836,028
Corporate bond	327,191	650,672
Bank overdrafts	759,400	184,017
	5,212,710	2,670,717
The borrowings are repayable as follows:		
On demand or within one year	2,188,514	1,031,974
In the second year	323,627	605,445
After 2 years but within 5 years	2,538,677	973,504
After 5 years	161,892	59,794
	5,212,710	2,670,717
Less: amount due for settlement within one year	2,199,250	1,031,974
Amount due for settlement after one year	3,013,460	1,638,743

(Continued)

Analysis of borrowings by currency

	Borrowings in US$	Kshs equivalent Sh'000	Borrowings in local currency Sh'000	Total borrowings Sh'000
2009				
Bank overdrafts	6,778,487	514,080	244,540	759,400
Bank loans	22,340,437	1,635,520	2,490,599	4,126,119
Corporate bond	-	-	327,191	327,191
At 31 December 2009	29,118,924	2,149,600	3,062,330	5,212,710
2008				
Bank overdrafts	-	-	184,017	184,017
Bank loans	17,205,762	1,346,294	489,734	1,836,028
Corporate bond	-	-	650,672	650,672
At 31 December 2009	17,205,762	1,346,294	1,324,423	2,670,717

	2009 %	2008 %
The average interest rates were as follows:		
Bank overdrafts	12.00	12.00
Bank loans (Sh)	11.90	12.00
Bank loans (US $)	6.80	7.21
Corporate bond	9.42	10.00

21. (a) Borrowings - Group (Continued)

Details of securities

The general short term banking, letters of credit and foreign currency facilities with CFC Stanbic Bank Limited are secured by first ranking debenture over all the company's assets for Sh 225,000,000 and a first legal charge for Sh 225,000,000 over the company's freehold and leasehold properties ranking pari passu to the legal charges of Barclays Bank of Kenya Limited and Bank of Africa Kenya Limited.

The overdraft facility and letters of credit with Bank of Africa Kenya Limited are secured by a pari passu debenture for Sh 120,000,000 over all the assets of the company.

" This will be one of the most energy efficient cement manufacturing plants in the region, with the best available pollution control technology".
Pradeep Paunrana with H E President Kikwete during the ground breaking ceremony for the 4,000 tonnes per day cement plant at Tanga.

21. (a) Borrowings – Group (Continued)

The overdraft and loan facilities with Barclays Bank of Kenya Limited are secured by a legal charge over certain properties for Sh 264,000,000 and a debenture of Sh 264,000,000 over all the assets of the group.

The long term loan of US $ 1,000,000 is secured by a first ranking legal mortgage on the ARM (Tanzania) Limited assets located on plot No. 1 Industrial Area –Maweni Tanga Municipality and a first ranking floating debenture on the company's assets present and future.

The loan from East African Development Bank is secured by a bank guarantee from Bank of Africa Kenya Limited. The loan from PTA Bank is secured by an all assets debenture of Sh 76,000,000.
Athi River Mining Kenya Limited is a guarantor of Maweni Limestone Limited's obligations to Eastern and Southern African Trade and Development Bank, Development Bank of Southern Africa Limited and East African Development Bank under facilities agreements amounting to US $ 50,000,000.

The corporate bond is unsecured and matures in 2010.
At 31 December 2009 the group had outstanding letters of credit amounting to Sh 1,135,975,505 (2008 - Sh 5,928,811).

(b) Borrowings – Company

	2009 Sh'000	2008 Sh'000
Bank loans	2,490,599	1,736,384
Corporate bond	327,191	650,672
Bank overdrafts	759,400	184,017
	3,577,190	2,571,073
The borrowings are repayable as follows:		
On demand or within one year	2,173,428	1,001,314
In the second year	294,116	578,618
After 2 years and within 5 years	958,490	931,347
After 5 years	151,156	59,794
	3,577,190	2,571,073
Less: amount due for settlement within one year	2,173,428	1,001,314
Amount due for settlement after one year	1,403,762	1,569,759

(Continued)

21. (b) Borrowings –Company (Continued)

Analysis of borrowings by currency

	Borrowings in US$	Kshs Borrowings in equivalent local currency Sh'000	Sh'000	Total borrowings Sh'000
2009				
Bank loans	-	-	2,490,599	2,490,599
Corporate bond	-	-	327,191	327,191
Bank overdrafts	6,778,487	514,080	245,320	759,400
At 31 December 2009	6,778,487	514,080	3,063,110	3,577,190
2008				
Bank loans	16,207,554	1,269,052	467,332	1,736,384
Corporate bond	-	-	650,672	650,672
Bank overdrafts	-	-	184,017	184,017
At 31 December 2008	16,207,554	1,269,052	1,302,021	2,571,073

The average interest rates were as follows:

	2009 %	2008 %
Bank overdrafts	12.00	13.25
Bank loans (Sh)	10.24	12.00
Bank loans (US$)	6.75	7.21
Corporate bond	9.42	10.00

Details of securities

The general short term banking, letters of credit and foreign currency facilities with CFC Stanbic Bank Limited are secured by a first ranking debenture over all the company's assets for Sh 225,000,000 and a first legal charge for Sh 225,000,000 over the company's freehold and leasehold properties ranking pari passu to the legal charges of Barclays Bank of Kenya Limited and Bank of Africa Kenya Limited.

The overdraft facility and letters of credit with Bank of Africa Kenya Limited are secured by a pari passu debenture for Sh 120,000,000 over all the assets of the company.

The overdraft and loan facilities with Barclays Bank of Kenya Limited are secured by a legal charge over certain properties of Sh 264,000,000 and a debenture of Sh 264,000,000 over all the assets of the group.

The loan from East African Development Bank is secured by a bank guarantee from Bank of Africa Kenya Limited.

The loan from PTA Bank is secured by an all assets debenture of Sh 76,000,000. The corporate bond is unsecured and matures in 2010.

At 31 December 2009, the company had outstanding letters of credit amounting to Sh 1,135,973,505 (2008 – Sh 5,928,811).

22. Deferred income tax

Deferred income tax is calculated on all temporary differences under the liability method using the currently enacted tax rate of 30% for Kenya and Tanzania and 29% for South Africa.

	GROUP 2009 Sh'000	GROUP 2008 Sh'000	COMPANY 2009 Sh'000	COMPANY 2008 Sh'000
The net deferred taxation liability is attributable to the following items:				
Liabilities:				
Accelerated capital allowances	1,022,914	727,290	980,245	703,068
Revaluation surplus	656,485	15,139	656,485	15,139
Unrealised exchange gains	14,063	3,053	12,964	10,607
	1,693,462	745,482	1,649,694	728,814
Assets:				
Leave pay provision	(2,684)	(2,340)	(2,684)	(2,340)
Bonus provision	(4,886)	-	(4,886)	-
Unrealised exchange losses	(10,276)	-	(10,276)	-
Tax losses available for future offset	(31,515)	(14,608)	-	-
	(49,361)	(16,948)	(17,846)	(2,340)
Net deferred taxation liability	1,644,101	728,534	1,631,848	726,474
The movement on the deferred taxation account is as follows:				
At 1 January	728,534	533,346	726,474	501,923
Income statement charge (note 8(a))				
- current year	253,267	214,170	243,883	221,556
- prior year	19,402	(18,758)	19,402	2,995
Credited directly to revaluation surplus	642,089	-	642,089	-
Exchange adjustment	809	(224)	-	-
At 31 December	1,644,101	728,534	1,631,848	726,474

23. (a) Finance leases - Group

	Minimum lease payments 2009 Sh'000	Minimum lease payments 2008 Sh'000	Present value of lease minimum payments 2009 Sh'000	Present value of lease minimum payments 2008 Sh'000
Amounts payable under finance leases				
Within one year	7,431	14,445	7,135	13,775
In the second to fifth years inclusive	1,431	15,775	1,124	14,727
	8,862	30,220	8,259	28,502
Less:				
Future finance charges	(603)	(1,718)	-	-
Present value of lease obligations	8,259	28,502	8,259	28,502
Less:				
Amount due for settlement within 12 months			(7,421)	(13,775)
Amounts due for settlement after 12 months			838	14,727

(b) Finance leases - Company

	Minimum lease payments 2009 Sh'000	Minimum lease payments 2008 Sh'000	Present value of lease minimum payments 2009 Sh'000	Present value of lease minimum payments 2008 Sh'000
Amounts payable under finance leases				
Within one year	6,470	13,879	6,297	13,363
In the second to fifth years inclusive	-	14,638	-	13,954
	6,470	28,517	6,297	27,317
Less:				
Future finance charges	(173)	(1,200)	-	-
Present value of lease obligations	6,297	27,317	6,297	27,317
Less:				
Amount due for settlement within 12 months			(6,297)	(13,363)
Amounts due for settlement after 12 months			-	13,954

(Continued)

23. Finance leases (Continued)

	GROUP 2009 Sh'000	GROUP 2008 Sh'000	COMPANY 2009 Sh'000	COMPANY 2008 Sh'000
(c) Analysis by cash flows:				
At 1 January	28,502	48,026	27,317	45,809
New financing received	1,854	-	-	-
Repayments	(22,438)	(19,044)	(21,020)	(18,492)
Exchange adjustment	341	(480)	-	-
At 31 December	8,259	28,502	6,297	27,317

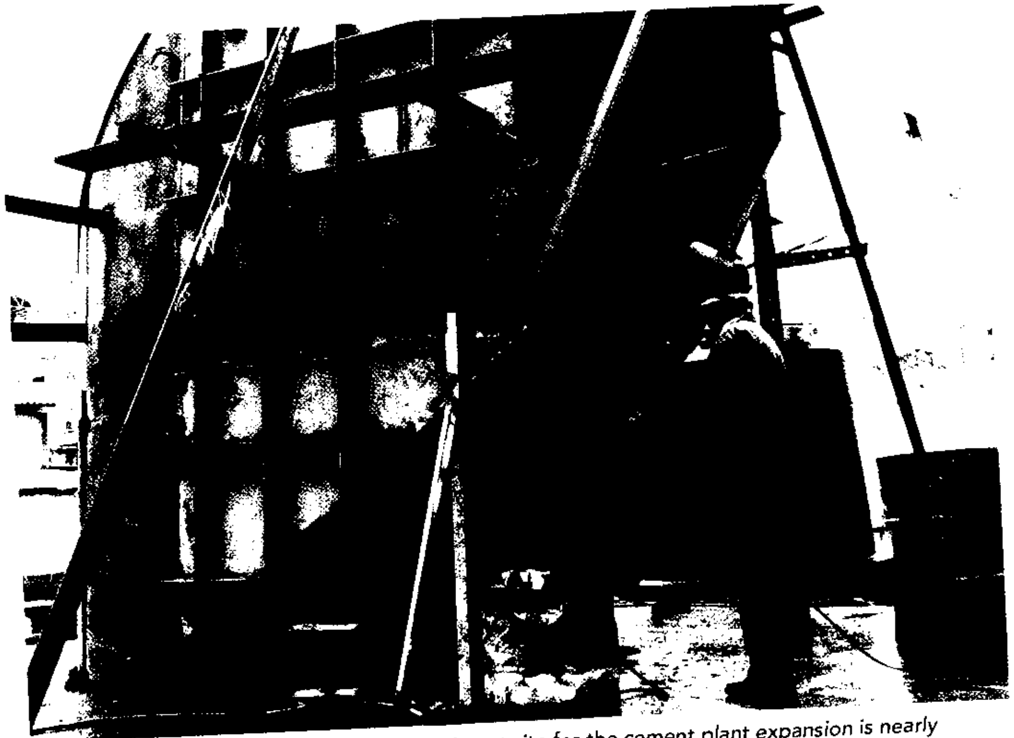
It is the group's policy to acquire some of its motor vehicles through finance leases. The average lease term is 4 years. The weighted average rate of interest on the obligation under finance lease agreements as at 31 December 2009 was 12.31 % (2008: 7.00%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The carrying value of the company's motor vehicles under lease obligations as at 31 December 2009 is Sh 31,536,908 (2008 – Sh 47,017,440).

The group's obligations under the finance leases are secured by the lessor's charges over the leased assets.

24. Trade and other payables

	GROUP 2009 Sh'000	GROUP 2008 Sh'000	COMPANY 2009 Sh'000	COMPANY 2008 Sh'000
Trade payables	891,828	680,782	771,399	490,357
Other payables and accruals	223,047	97,160	126,425	179,887
Leave pay provision	8,949	7,800	8,949	7,800
	1,123,824	785,742	906,773	678,044



"The total structural and machinery fabrication at site for the cement plant expansion is nearly 2,000 tonnes". ARM engineering and machinery fabrication team at work.

(Continued)

25. Notes to the cash flow statement

(a) Cash generated from operations	2009 Sh'000	2008 Sh'000
Profit before taxation	948,714	705,450
Adjustments:		
Depreciation	221,654	201,873
Amortisation of operating lease prepayments	279	279
Amortisation of intangible assets	3,808	2,382
Interest expense charged to statement of comprehensive income	117,815	154,111
Finance income recognised in statement of comprehensive income	(9,795)	(176)
Net unrealised foreign exchange gains	(53,493)	(23,387)
Gain on disposal of property, plant and equipment	(921)	(800)
Adjusted profit before working capital changes	1,228,061	1,039,732
Increase in inventories	(297,206)	(229,909)
Increase in trade and other receivables	(426,655)	(542,371)
Movement in related party balances	(1,056)	(15,375)
Increase in trade and other payables	338,082	344,993
Decrease in due from ESOP	16,868	-
Cash generated from operations	858,094	597,070

	2009 Sh'000	2008 Sh'000
(b) Analysis of additions to property, plant and equipment		
Additions in the year (note 12 (a))	2,462,143	1,230,878
Less:		
Acquisitions through finance leases (note 23(c))	(1,854)	-
Interest capitalised (note 4)	(243,408)	(119,346)
Acquisition by cash	2,216,881	1,111,532
(c) Analysis of cash flow by loans and corporate bond (note 21(a))		
At 1 January	2,486,700	1,588,174
Received	2,493,002	1,081,664
Repayment	(499,081)	(181,700)
Accrued interest on borrowings	74,007	10,672
Exchange adjustment	(101,318)	(12,110)
	4,453,310	2,486,700
(d) Analysis of cash and cash equivalents		
Cash and bank balances	812,527	46,139
Bank overdrafts (note 20(a))	(759,400)	(184,017)
	53,127	(137,878)
(e) Analysis of interest paid		
Interest included in the cost of qualifying assets (note 4)	243,408	119,346
Interest charged to profit or loss(note 4)	117,815	154,111
Accrued interest on corporate bond (note 26 (c))	(74,007)	(10,672)
	287,216	262,785

(Continued)

26. Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Related parties also include the management personnel, their associates and close family members.

In the normal course of business, transactions are conducted with related parties at terms and conditions similar to those offered to other customers. Transactions with related parties during the year and related party outstanding balances are disclosed below:

	2009 Sh'000	2008 Sh'000
(a) Transactions		
Sales:		
ARM (Tanzania) Limited	14,675	12,404
ARMSA (Pty) Limited	56,616	68,580
Rhino Special Products Limited	76,552	75,621
	147,843	156,605
Purchases:		
Operating lease rentals	3,000	4,284

The outstanding balances arising from sale and purchase of goods and services are as follows:

	2009 Sh'000	2008 Sh'000
(b) Due from related parties – group		
Rhino Special Products Limited	19,921	15,537
Cement Distributors Limited	643	673
	20,564	16,210

	2009 Sh'000	2008 Sh'000
(c) Due from related parties – company		
Maweni Limestone Limited	572,233	386,593
ARM (Tanzania) Limited	268,013	196,627
ARMSA (Pty) Limited	130,748	168,659
Rhino Special Products Limited	19,921	15,537
Due from a director	-	232
	990,915	767,648
(d) Due to related parties – group		
Due to directors	6,462	3,164
(e) Due to related parties – company		
Due to directors	2,101	-

(f) Key management compensation

The remuneration of directors and other members of key management during the year were as follows:

	2009 Sh'000	2008 Sh'000
Salaries and other benefits	155,662	110,706
(g) Directors' remuneration		
Fees for services as directors	3,019	3,439
Other emoluments (included in key management compensation above	99,018	55,848
	102,037	59,287

(Continued)

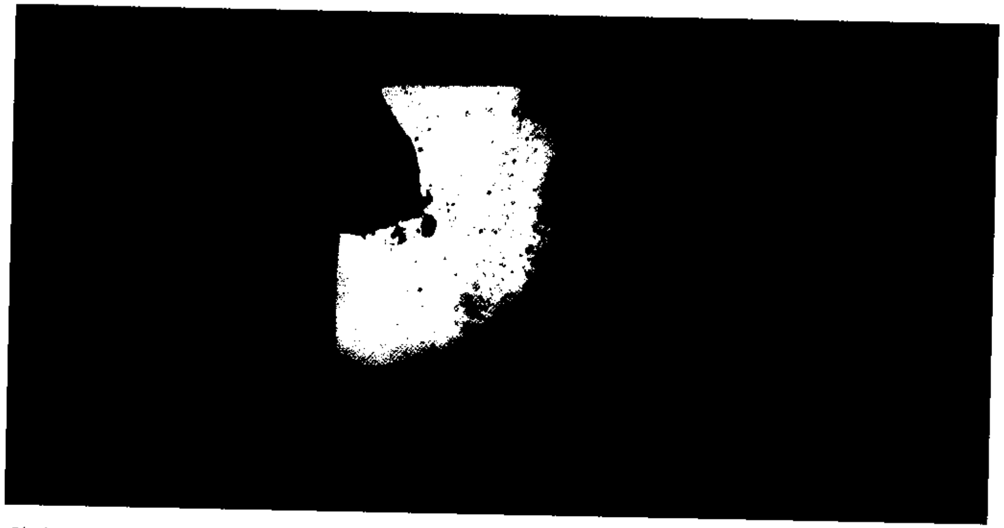
27. Operating lease commitments

The company as a lessee:

Rental payments during the year was Sh 46,357,000 (2008 – Sh 44,088,000).
At the balance sheet date, the company had contracted for the following future lease payables:

	2009 Sh'000	2008 Sh'000
Within one year	43,655	44,660
In the second to fifth year inclusive	47,549	62,821
After five years	4,832	4,832
	96,036	112,313

Leases are negotiated for an average term of five years and rentals are reviewed as per the provisions of the lease agreements. The leases are not cancellable unless one is in breach of the conditions provided in the lease agreements.



Clinker production in rotary klin

28. Capital commitments

	GROUP		COMPANY	
	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 Sh'000
Authorised and contracted for	1,618,721	223,767	128,289	223,767
Authorised but not contracted for	971,711	468,733	971,711	468,733

29. Contingent liabilities

Guarantees	44,465	38,000	44,465	38,000

(Continued)

30. Financial risk management

The group's activities expose it to a variety of financial risks including credit, liquidity and market risks which mainly comprise effects of changes in foreign currency and interest rates risk. The group's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

Risk management is carried out by the group's finance department under policies approved by the Board of Directors. Finance identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas.

The group has policies in place to ensure that sales are made to customers with an appropriate credit history. There has been no change to the group's exposure to market risks or the manner in which it manages and measures the risk.

Market risk

(i) Foreign exchange risk
The group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. Monetary assets and liabilities held in foreign currencies are closely monitored to ensure that they are not materially affected by adverse foreign currency fluctuations.
The company hedges its foreign exchange risk on foreign currency denominated sales with foreign currency borrowings.

At 31 December 2009, if the Kenya Shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the impact on pre tax profit for the year would have been Sh 110,343,552 (2008: Sh 5,314,000) higher/lower, mainly as a result of US dollar payables and bank balances.

(ii) Interest rate risk
The group is exposed to interest rate risk as it borrows funds both at fixed and floating interest rates. The risk is managed by the group by a close management monitoring control. As at 31 December 2009, an increase/decrease of 5 percentage points on average borrowing rates would have resulted in an increase/decrease in pre tax profit of Sh 10,543,350 (2008 - Sh 13,673,000).

Credit risk

Credit risk refers to the risk that counter party will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The group's exposure and the credit rating of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. On an ongoing basis, a credit evaluation is performed on the financial condition of accounts receivable.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year.

The carrying amount of financial assets recorded in the financial statements represents the group's maximum exposure to credit risk without taking account of the value of any collateral obtained is as follows:

(Continued)

Financial risk management (Continued)

Credit risk (Continued)

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000	Total Sh'000
At 31 December 2009				
Trade receivables	728,922	376,401	72,372	1,177,695
Provision for impairment	-	-	(72,372)	(72,372)
	728,922	376,401	-	1,105,323
Due from related parties	5,142	15,422	-	20,564
Bank balances	809,641	-	-	809,641
	1,543,705	391,823	-	1,935,528

The amount that best represents the group's maximum exposure to credit risk as at 31 December 2008 is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000	Total Sh'000
At 31 December 2008				
Trade receivables	291,365	660,582	24,750	976,697
Provision for impairment	-	-	(24,750)	(24,750)
	291,365	660,582	-	951,947
Due from related parties	5,004	11,206		16,210
Bank balances	45,045	-	-	45,045
	341,414	671,788	-	1,013,202

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The debt that is overdue is not impaired and continues to be paid.
The finance department is actively following this debt.

The debt that is impaired has been fully provided for.
However, the finance department are following up on the impaired debt.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has developed and put in place an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(Continued)

Financial risk management (Continued)

Credit risk (Continued)

	Less than 1 month Sh'000	Between 1 – 3 months Sh'000	Over 3 months Sh'000	Over 12 months Sh'000	Total Sh'000
At 31 December 2009					
Borrowings	183,271	366,542	1,649,437	3,013,460	5,212,710
Finance leases	618	1,237	5,566	838	8,259
Trade payables	409,433	197,685	69,768	214,942	891,828
Due to related parties	6,462	-	-	-	6,462
	599,784	565,464	1,724,771	3,229,240	6,119,259

	Less than 1 month Sh'000	Between 1 – 3 months Sh'000	Over 3 months Sh'000	Over 12 months Sh'000	Total Sh'000
At 31 December 2008					
Borrowings	-	498,826	602,132	1,569,759	2,670,717
Finance leases	1,699	3,398	15,292	8,118	28,507
Trade payables	-	372,891	24,846	92,620	490,357
Due to related parties	-	3,164	-	-	3,164
	1,699	878,279	642,270	1,670,497	3,192,745

31. Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	GROUP		COMPANY	
	2009 Sh'000	**2008 Sh'000**	**2009 Sh'000**	**2008 Sh'000**
Share capital	495,275	495,275	495,275	495,275
Share premium	302,027	302,027	302,027	302,027
Revaluation surplus	1,531,797	35,323	1,531,797	35,323
Retained earnings	1,886,662	1,362,975	1,861,931	1,354,556
Translation reserve	(86,831)	(68,057)	-	-
Equity	4,128,930	2,127,543	4,191,030	2,187,181
Total borrowings and finance leases	5,220,969	2,699,219	3,583,487	2,598,390
Less: cash and bank balances	(812,527)	(46,139)	(13,173)	(24,974)
Net debt	4,408,442	2,653,080	3,570,314	2,573,416
Total capital	8,537,372	4,780,623	7,761,344	4,760,597
Gearing	52%	55%	46%	54%

(Continued)

32. Events after the balance sheet date

Effective 1 January 2010 the board split Athi River Mining Limited into 3 separate and distinct entities namely, ARM Cement Limited, ARM Minerals and Chemicals Limited and Athi River Mining Limited.
Athi River Mining Limited will remain the holding company for all the group's subsidiaries.

The board of directors approved the financial statements on 12 March 2010 and authorised that the financial statements be issued. On this date, other than as mentioned above, the directors were not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which would significantly affect the financial position of the group and results of its operation as laid out in these financial statements.

Eng. Joseph Njoroge, MD of Kenya Power and Lighting Company Ltd, andPradeep Paunrana sign a Power Purchase Agreement

33. Incorporation

The company is domiciled and incorporated in Kenya under the Companies Act.

34. Currency

The financial statements are presented in thousands of Kenya Shillings (Sh'000).

Shareholder's Information

ARM Top Ten Shareholders

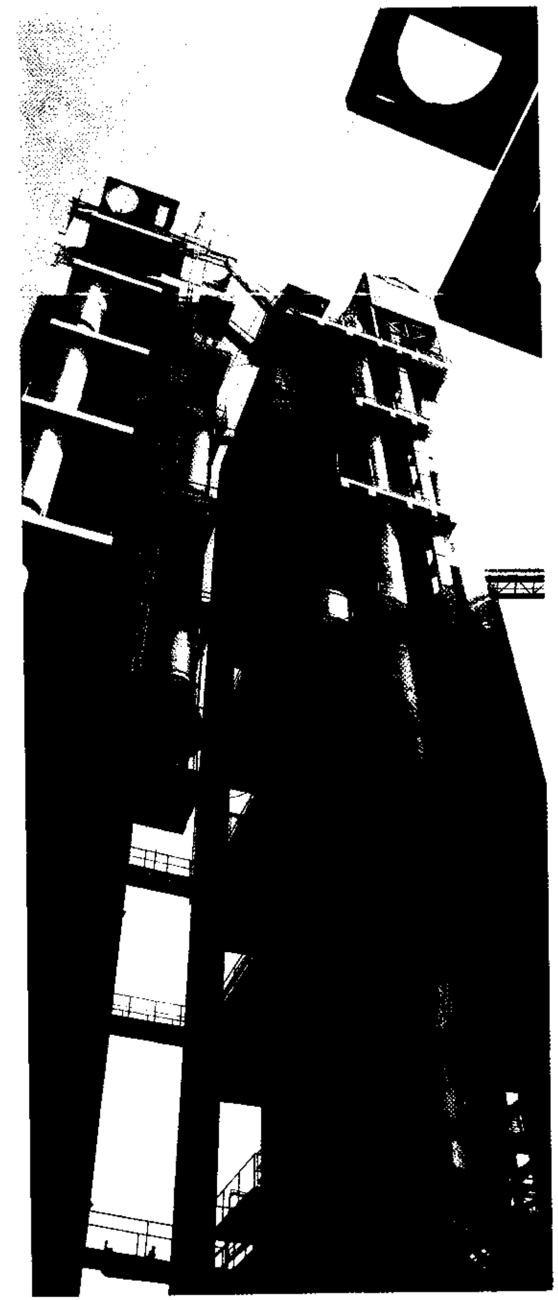
The Ten largest Shareholdings in the company and the respective number of shares held at 31st December 2009 are as follows:

Name	Number Of Shares	% Shareholding
1. Amanat Investments Limited	45,432,249	45.87
2. Cfc Stanbic Nominees Ltd A/C Nr01502	7,600,000	7.61
3.Athi River Mining Employee Share Ownership Plan	5,955,000	6.01
4. Barclays (Kenya)Nominees Lts Non-Resd. A/C 9697	2,137,800	2.16
5. Orthodox Archbishopric Of Kenya & Irinoupolis	1,852,200	1.64
6. Wilfred Murungi	1,166,862	1.18
7. Barclays (Kenya) Nominees Ltd A/C 9230	1,165,577	1.03
8. National Social Security Fund Board Of Trustees	870,000	0.77
9. Barclays (Kenya) Nominees Ltd A/C 9486	859,250	0.76
10. Barclays (Kenya) Nominees Ltd A/C 9203	835,650	0.74
11. Others	31,180,412	32.23
Total	**99,055,000**	**100**

Distribution Of Shares

As At 31st December 2009

Number Of Shares	No. Of Shareholders	Number Of Shares	% Shareholding
LESS THAN 500	2,840	552,061	0.56
501 - 5000	3,235	5,092,849	5.14
5001 - 10,000	224	1,676,495	1.69
10,001 - 100000	241	7,406,618	7.48
100,001 - 1000000	57	16,394,638	16.55
OVER 1,000,000	6	67,932,339	68.58
Total	**6,603**	**99,055,000**	**100**



Athi River Mining Limited

If / We ______________________________

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

____

of ______________________________

or failing him / her ______________________________

of ______________________________

as my / our proxy to vote for me f us and on my f our behalf at the Annual General Meetings of theCompany to be held on the 22nd June 2010 and at any adjournment thereof.

Number of shares held of ______________________________

Account numberof member ______________________________

As witness my / our hand this ____________ day of ____________ 2010

Signed ______________________________

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead.

A proxy need not be a member of the Company.

2. In case of a member being a corporation, this form must be completed either under its common seal, or under the hand of an officer or duly authorized attorney.
3. To be valid, the proxy form must be deposited at the registered office of the Company not less than 48 hours before the time fixed for the meeting.
4. If you wish you may appoint the chairman of the meetings as your proxy.