ATHI RIVER MINING LIMITED

2010 ANNUAL REPORT & FINANCIAL STATEMENTS

INSULATION OF HOT GAS DUCTING AT KALOLENI PREHEATER TOWER AND PREHEATER TOWER UNDER CONSTRUCTION AT TANGA

The 2nd preheater tower at Kaloleni, rising to a height of 84 metres, was completed in July 2010, increasing clinker production capacity from 650 tons per day (tpd) to 1,500 tpd.

The construction of the preheater tower at Tanga began in August 2010 and is scheduled to be completed in January 2012. The tower will reach a height of 123 metres, equivalent to a 42 floor building, making it one of the tallest structures in East Africa. The clinker capacity of Tanga plant is designed at 4,000 tpd, with margin for expansion at a later date.

RHINO CEMENT OFFICE & PLANT LOCATIONS

The Rhino Cement Manufacturing Plants are located at the source of limestone and other raw materials in Kaloleni and Tanga, and the grinding plants around the main centres of growth, Nairobi and Dar-es-Salaam, and the main transport hubs for the rest of East Africa

- Nairobi - Head Office
- Athi River - Cement Grinding Plant
- Mombasa - Branch Office
- Kaloleni - Integrated Cement Plant
- Tanga - Integrated Cement Plant
- Dar-es-Salaam - Cement Grinding Plant

Contents

Annual General Meeting Notice

To all Shareholders

NOTICE is hereby given that the 2011 Annual General Meeting will be held at the Laico Grand Regency Hotel, Nairobi on Tuesday, 14th June 2011 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 22nd June 2010.
3. To receive, consider and adopt the Balance Sheet and Accounts for the year ended 31st December 2010 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 2010.
5. To approve the payment of a first and final dividend of Kshs. 1.75 per share in respect of the year ended 31st December 2010.
6. To re-elect Directors:

   i) Mr. M. A. Turner 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.

   ii) Mr. D. N. Ndonye 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: 15th March 2011

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.

DIRECTORS AND CORPORATE INFORMATION

Directors

Mr R Ashley*	Chairman
Mr P H Paunrana	Managing Director
Mr S L Bhatia**	Deputy Managing Director
Mr A Mathur **	(Appointed on August 7 2010)
Mr W Murungi	
Mr P J Rune	(Retired on August 7 2010)
Mr T Mbathi	(Retired on August 7, 2010)
Dr M Gondwe***	(Retired on August 7 2010)
Mr D M Ndonye	(Appointed on August 7, 2010)
Mr M Turner*	(Appointed on August 7, 2010)

** British*
*** Indian*
**** Zambian*

Audit & Risk Committee

Mr D M Ndonye	Chairman
Mr R Ashley	
Mr W Murungi	

Investment and Strategy Committee

Mr R Ashley	Chairman
Mr P H Paunrana	
Mr S L Bhatia	
Mr A Mathur	
Mr M Turner	

Nomination, Remuneration & HR Committee

Mr W Murungi	Chairman
Mr M Turner	
Mr D Ndonye	

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)
Deloitte Place, Waiyaki Way, Muthangari
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

Citi Bank NA
P O Box 30711 - 00100
Nairobi

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

BOARD OF DIRECTORS

Mr. Rick Ashley - Chairman - Non-Executive Director - 54 Yrs

Mr. Rick Ashley is a qualified accountant and brings with him over 30 years of experience in the Financial Sector. He was the Chief Executive of Old Mutual Asset Managers, Kenya, and Managing Director of Kestrel Capital (EA) Limited, having previously worked for Peat Marwick, Cayman Islands, Arthur Andersen & Company and Prudential Corporation Plc in London.

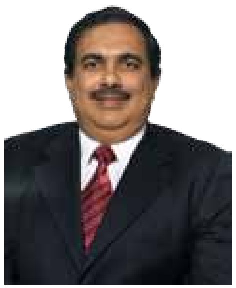
Mr. Ashley serves on the Board of several companies including Apollo Investments Limited, Apollo Life Assurance Limited, Apollo Asset Management Company Limited and Protectors Limited, etc. He was also the founding Chairman of Fund Managers Association of Kenya and previously served as a member of Market Leaders Forum, Central Bank of Kenya.

He serves as a Chairman on ARM's Board, Director of Maweni Limestone Limited, ARM Tanzania Limited, Mafeking Cement Company in South Africa and member of ARM's Audit Committee.

Mr. Pradeep H Paunrana - Managing Director – 51 Yrs

Mr. Pradeep H Paunrana joined the family business in 1984 after graduating with Masters in Business Administration from the New York University Stern Business School. From the outset, Pradeep's mission was to transform the small industrial minerals processing operation, with 1984 annual sales of Ksh 7.5 million, into a socially responsible, public listed corporate business with professional management.

Pradeep plays an active role in several Policy and Advocacy Institutions, is a Board member of Kenya Association of Manufacturers, a trustee of the Tree Biotechnology Trust, Chairman of Nairobi GreenLine Trust, and a trustee of the Company sponsored Rhino Cement Foundation, a corporate charity with a mission of investing in education, health and environment. In October 2010, Pradeep Paunrana was awarded the Africa Business Leader of Innovation in Washington DC by the Africa Investor Group.



Mr. Surendra Bhatia - Deputy Managing Director - 51 Yrs

Mr. Surendra Bhatia is a Chartered Engineer and holds an MBA from Bombay University. He was a University rank holder through out engineering and topped Bombay University at the MBA examination. He is a member of Institution of Engineers and a registered engineer.

Mr. Bhatia has worked in Engineering Markets for the last 25 years. A corporate planning and strategy specialist, he has worked with the top business groups in India – The Tata Group and with the Bahwan Group in the Middle East.

He joined the Board in 2000 and brings extensive Senior Management, Project Management, Corporate Planning and Strategic Management experience in Asia, Middle East and Africa with him.

Mr. Atul Mathur - Finance Director - 54 Yrs

Mr. Atul Mathur joined ARM as the Group Chief Financial Officer of the company in 2005. He is a Chartered Accountant from the Institute of Chartered Accountants of India with over 30 years experience in the fields of Finance, Accounts, Audit, Systems and Controls.

He has vast experience with one of the largest flexible packaging Companies and a Construction Company in India prior to joining ARM.

BOARD OF DIRECTORS

Mr. Wilfred Murungi: Non Executive Director – 67 Yrs

Mr. Wilfred Murungi is a qualified electrical engineer. He started his career with Kenya Power and Lighting Company Limited before joining BAT where he held the position of Technical Director. In 1985 he started his own company Mastermind Tobacco.

Mr. Wilfred Murungi serves on the Boards of Athi River Power Company Limited, Greenlands Agro producers Limited, NGM Company Limited, Continental Tobacco Group of Companies in Malawi, Uganda, Tanzania and Sudan, Nanyuki Ranching Limited, Ozzbeco Breweries (K) Ltd, Remu Limited (Microfinance Bank), Mitithiru Limited and Tobacco Commodities (Canada) Inc. He is the Chairman of the Chuka University College Council, and also a member of the National Economic and Social Council. He has also served on the Boards of Kenya Association of Manufacturers, Kenya Bureau of Standards and the Energy Regulatory Board. He was awarded the EBS (Elder of Burning Spear) decoration by the President of the Republic of Kenya in 2005.

Eng. Murungi is on the Board of Athi River Mining Limited, Subsidiaries Mavuno Fertilizers Limited, ARM Energy Limited, ARM Tanzania Limited and Maweni Limestone Limited. He Chairs the Remuneration and Nomination Committee and is also a member of the Audit Committee of Athi River Mining Limited.

Mr. Daniel Ndonye : Non Executive Director - 61 Yrs

Mr. Daniel Ndonye is a fellow of the Institute of Chartered Accountant in England and Wales, Fellow of the Institute of Certified Public Accountants of Kenya and Fellow of the Institute of Certified Public Secretaries of Kenya.

Mr. Ndonye holds Board Director's position in several institutions including the Capital Markets Authority where he is a member of the Appeals Tribunal, KenolKobil Limited, Access Kenya Group Limited, Apollo Investments Limited, APA Insurance Limited, and United States International University (USIU).

He joined ARM's Board in August 2010 and Chairs the Audit Committee of the Board. He is also on the Board of ARM (Tanzania) Limited, Maweni Limestone Limited and a Trustee of the Rhino Cement Foundation.

Mr. Michael Turner - Non Executive Director - 52 Yrs

Mr. Michael Turner joined ARM's Board in August 2010 and has been responsible for Actis's $200m Private Equity investments in East Africa for the last ten years. He has also been managing the $93m Pan Africa Actis Africa Agribusiness Fund. Based in Nairobi, Kenya. Mr. Turner is an experienced private equity investor and has developed a deep understanding of agribusiness, financial services, real estates and infrastructure sectors.

Prior to joining Actis, Mr. Turner worked in investment banking in London, for Lehman Brothers and Kleinwort Benson, having started his career with Price Waterhouse.

Mr. Turner holds a first class degree in Civil Engineering from Southampton University and is also a Fellow of the Institute of Chartered Accountant in England & Wales.

Mr. Turner also serves as a Member of ARM's Remuneration and Nomination Committee.

BOARD OF DIRECTORS

Mr. Ramesh Vora – Company Secretary – 60 Yrs

Mr. Ramesh Vora is a Member of the Institute of Chartered Secretaries and Administrators of England and a Fellow of the Institute of Certified Public Secretaries of Kenya. He is a Practicing Company Secretary with a client base of over 150 companies ranging from public companies to multinationals and other local companies.

He has been the Company Secretary for ARM since 1994 and a Trustee for Rhino Cement Foundation. Mr. Vora also serves as the Company Secretary for Group Subsidiary Companies ARM (Tanzania) Limited and Maweni Limestone Limited.

Hon. H. Bakari Mwapachu– Chairman – Maweni Limestone Limited – 72 Yrs

Hon. Bakari Mwapachu is a graduate from the Makerere University and he has done a certificate course from the Harvard Business school and holds advanced diploma in Science Management from Arthur D. Little Management Institute, Cambridge Mass., USA. He has been long standing minister in the Government of Tanzania, as Minister for Justice and Constitutional Affairs, Minister for Public Safety and Security. He has also been Chief Executive of Public Enterprises such as Board of Internal Trade, Air Tanzania, National Insurance Corporation.

He has held the position of Chairman of Parastatal institutions including Institute if Development Management, Williamson Diamonds Limited. Apart from serving in parastatal sector, he has also been Permanent Secretary in the Ministry of Water, Energy and Minerals.

He is presently the Chairman of ARM's Subsidiaries, Maweni Limestone Limited, ARM Tanzania Limited.

Mr. Shakir Merali : Non Executive Director – Maweni Limestone Limited - 39 Yrs

Mr. Merali, a graduate from London School of Economics, is a seasoned Consultant and Investment Professional with over 20 years experience in Developed and Emerging Markets. He has previously worked with a range of companies, including Fortune 1000 corporations, multinational technology companies across Europe and the United States and start up companies in emerging markets.

Mr Merali is now a partner at Aureos Capital in Nairobi and represents Aureos Capital on the ARM subsidiary, Maweni Limestone Limited's Board.

Dr. Ben Moshi - Non Executive Director – Maweni Limestone Limited – 66 Yrs

Dr. Ben Moshi is an experienced Civil servant, has served for over 25 years in the Government of Tanzania as Permanent Secretary-Ministry of Water Energy and Mineral, Permanent Secretary – Ministry of Tourism Natural Resources and Environment as well as Permanent Secretary – Ministry of Agriculture and Co-operatives. He is the former Chairman of Williamson Diamonds Limited and National Milling Corporation and serves on the Board of Directors of Kilimanjaro Gemstones Limited, Minjingu Phosphates Limited, Lake Victoria Environment Management Council, National Milling Corporation and Bio Massive (T) Limited

Dr. Ben serves as a Director of Maweni Limestone Limited and ARM (Tanzania) Limited, subsidiaries of ARM.

Chairman's Statement

It is once again my pleasure to present the Company's Annual Report for the year ended 31st December 2010. I must start by acknowledging the invaluable contribution of Palle Rune and Titus Mbathi, both of whom retired as Board members in August 2010.

Palle Rune has been associated with the Company since its founding in 1974 and joined the Board in 1994 when the Company decided to enter the cement business. His contribution at the Board, and his counsel to the Management team in particular, during these years helped to transform the company from a family business to a professionally managed public company. Titus Mbathi joined the Board in 2003 and his many years of public service and understanding of national issues, contributed immensely where the Company was involved in regulatory and government policy issues. On behalf of the Board and the Company staff, I wish both gentlemen a happy and healthy retirement. I am particularly pleased Titus has accepted the role of Chairman of Rhino Cement Foundation and am sure his counsel will ensure funds are wisely spent.

I also take this opportunity to welcome Michael Turner and Daniel Ndonye, who joined the Board during 2010. Michael Turner is not new to your Company, having served as a Director from 1997 to 2002, when he represented Kenya Capital Partners, who had invested in the Company at the time of our IPO in 1997. Michael Turner is a partner with Actis, responsible for agribusiness investments. Daniel Ndonye has also been associated with your Company for many years. He has represented the Company Auditors, Deloitte & Touche , at the Company's AGMs. Daniel Ndonye joined your Board following his retirement from Deloitte as Managing Partner.

2010 Operating Environment

With the help of a strong, independent group of non-executive directors, and a team of dedicated professional executive directors and managers, I am proud as Chairman, to confirm that the Company has once again delivered strong growth in 2010, and made further steady progress in growing shareholder wealth.

The Kenyan economy grew briskly, in spite of the challenges faced by the coalition government. This was helped by renewed spending on infrastructure. The October 2010 presidential and parliamentary elections in Tanzania had a positive impact on the economy.

Cement consumption grew by about 12% throughout the region, and demand for our non cement products increased in line with the GDP growth of about 5%.

Demand for our Mavuno fertilizer brand also grew and we sold our full capacity. This is a testament to the quality of our soil specific and crop specific formulations. It is noteworthy to recognise that during 2010, the Ministry of Agriculture contracted ARM to supply Mavuno Fertilizer to over 35,000 small scale farmers through the National Agriculture Accelerated Input Program (NAAIP), funded by the European Union. The program was very successful and farmers reported increased maize yields from an average of 12 bags (of 90kgs) per acre to 19 bags per acre where Mavuno Fertilizer was used. This yield is still very low, compared to the average in larger farms of around 32 bags, but the campaign to increase availability of fertilizers to more than 4 million peasant farmers will potentially increase food security in the country, and help to grow GDP even further. ARM is continuing this partnership and development work with the Ministry of Agriculture.

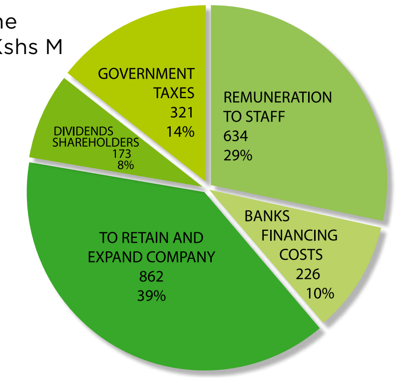
During 2010, competitive activity increased in all our businesses, with several new potential entrants in the cement business in Kenya and in Tanzania. Lime and silicate businesses also saw increased competition. This development is natural in a growing economy, particularly in a sector such as cement where strong growth continues to be exhibited. The Management has taken appropriate strategic measures to ensure that our market shares and margins are protected.

During 2010, the Company announced that the non cement part of the business would be separated and new equity investors would be invited to grow the business and eventually exit by way of a listing or outright sale of the businesses. This will allow for the non cement businesses to grow, under focused management teams, and with new capital. There has been no change in the operations and your Board continues to explore the appropriate structures and partners for these businesses. The Board will consider all options carefully and proceed in the best interest of all shareholders to grow the shareholders wealth.

Distribution of the wealth created in 2010

The Company continued to invest in new Cement capacities in 2010, 39% of the wealth created was re-invested in the Company. 29% was paid as remuneration to staff, Government taxes accounted for 14% . Lenders of Capital were paid 10% and the balance of 8% has been earmarked for distribution as dividends to shareholders.

Distribution of the wealth created Kshs M



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 excellent results once again.

Strategic Focus On Cement

I reported last year that the strategic intent of your Company is to focus on the cement business and invest in new capacity in the region. I am pleased to report that significant progress has been made during the year.

In the one year since I presented the last Annual Report, your Company has completed the expansion of the Kaloleni clinker plant, increasing the capacity from 650 tons per day (tpd) to 1,500 tpd. This allows us to produce 650,000 tons of cement per year, some of which will now be produced in the newly completed Athi River grinding plant close to the main markets in Nairobi and Central Kenya. The combined cement grinding capacity of our 2 Kenyan locations is now one million tons per year, a surplus grinding capacity which we will supplement with clinker from our Tanga plant when that comes on stream in 2012.

In line with your Company's strategy, and in order to capture the full value chain of the cement manufacturing business, the management team is now considering further increases in the clinker manufacturing capacity in Kenya. In the meanwhile, the emphasis is on building a robust cement distribution network and increasing sales in a strongly growing market.

Tanzania Cement Project Status

In April 2010, your Company raised Kshs 1.6 billion by issuing an equity linked debt note. This amount, together with funds earlier committed by Aureos Capital Partners, Development Bank of South Africa and PTA Bank, allowed us to commence the construction of our cement plants in Tanzania. As shown in the photographs in this report, construction is at an advanced stage in Tanga and in Dar-es-Salaam. Our grinding facility in Dar will be operational early 2012 and the Tanga plant is scheduled to be in commercial production in QIV 2012. Tanga will produce 4,000 tons per day, or 1.2 million tons per year, of clinker. This will enable us to produce a total of 1.5 million tons of cement per year, between 2 grinding plants, in Tanga, and in Dar-es-Salaam. Both grinding plants have a planned surplus capacity, and the clinker plant has been designed so that further capacity can be added at a later date.

Both the Kenya and Tanzania plants will be fully integrated, capturing the entire manufacturing value chain, from mining raw materials, to manufacturing clinker, and finally cement. The strong margins associated with this approach will enable us to be competitive in all market conditions and secure a competitive advantage particularly against those cement producers who rely on imported clinker.

Outlook For 2011

As I write this, we are already into the second quarter of the year and competitive activity in the cement business has increased. Nonetheless, the Company has recorded a significant growth in its cement volumes and with the larger production base, economies of scale have helped to maintain margins. The non-cement business is doing well, however, as there has been no new capacity increases, the growth remains constrained.

Although the economy is still to grow at a rate of 5% this year, the uncertain rains, rising fuel prices, inflationary pressures on food items, devaluation of the Kenya Shilling and rising interest rates all point towards caution for the rest of the year. Your Board and the management are therefore taking all necessary measures to ensure that the Company achieves another year of growth and increase in shareholder value.

Dividend

The Board of Directors recommends a dividend payment of Ksh 1.75 per share for the year 2010. Subject to approval by shareholders, the dividend will be paid in July 2011 to members on the register of members as at the close of business on May 25, 2011. For this purpose, the register of members will remain closed on May 26, 2011 and May 27, 2011

R Ashley
Chairman

WEALTH CREATION THROUGH INNOVATION

"At ARM, generating new ideas, and the ability to execute such ideas into a value proposition, is what we are good at. This is innovation which creates shareholder wealth.

We passionately seek ways to add value to our raw materials, and create products that in turn add value for our customers. We understand our customers' needs, and constantly seek solutions that improve our service delivery. We devote a significant part of our resources on product and market development and we actively engage the government and regulatory authorities to help us to promote the use of new products and ideas. The highly successful "Mavuno Fertiliser" is an example of such value creation initiatives.

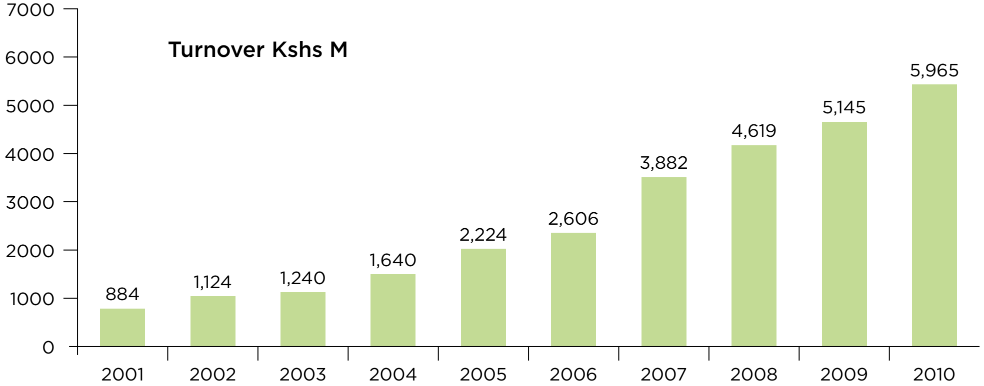
We strive to reduce the cost of manufacturing, and the cost of building new plants. Today, we have a proven track record of building world class technology cement plants at the lowest per ton cost of installed capacity. This has been possible through applying known ideas in construction and engineering in a unique way to reduce overall project costs."

Managing Director's Report

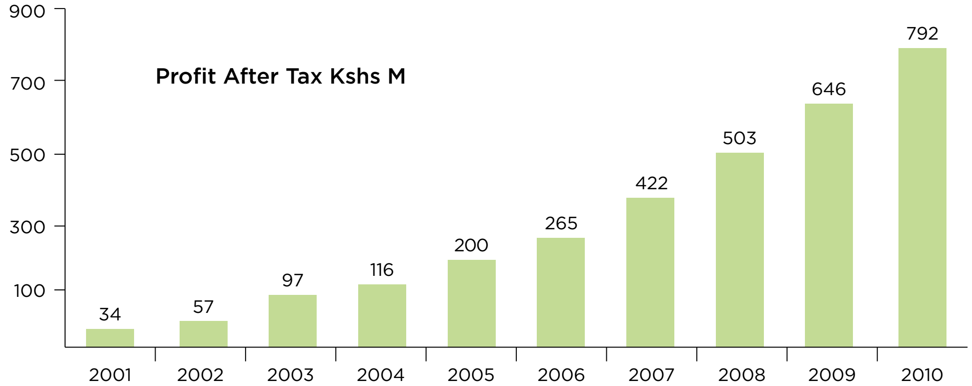
A Decade Of Strategic Growth (2001-2010)

In 2001, at the beginning of this decade, the Company developed a key strategic plan aimed at growing ARM into a regionally diversified manufacturing Company and making investments which would significantly increase shareholder value.

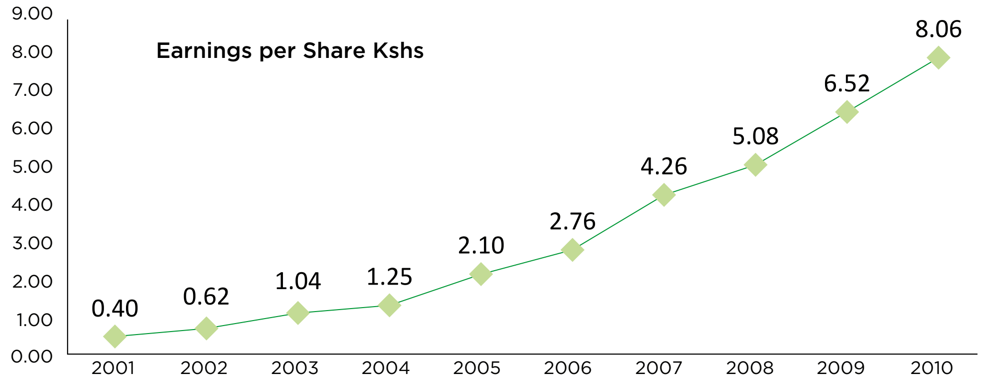
I am pleased to report that ARM has implemented this strategy successfully,



and as a result the Company's turnover grew from Kshs 884 million to Kshs. 5.97 billion (675%), and profit after tax grew from Kshs. 34 million to 792 million (2329%) during this period.

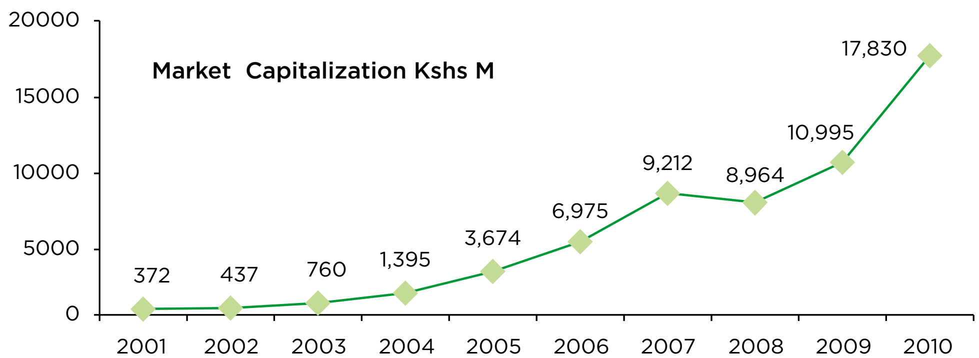


From the shareholder's perspective, earnings per share also grew 20 times during the same period and the market capitalization of the Company moved from Kshs. 372 million to Kshs. 17.8 billion.



The key element of the strategy implementation plan was to invest in world class manufacturing plants which would meet international cost and quality benchmarks. During the period between 2001 and 2005, the Company invested into non-cement businesses thereby growing capacity of the silicate division ten fold and in other divisions the capacity grew nearly five fold.

The strategic vision for ARM was to diversify and become a regional Company, with a Sub-Saharan foot print. In 2002 the Company established manufacturing operations in Tanzania and in 2004 diversified into South Africa, thereby achieving the strategic objective of geographical presence.



Managing Director's Report (continued)

Between the period of 2006 to 2010, the Company made significant investments into growing its cement capacity. In 2006, the Company commissioned its first rotary kiln in Kaloleni growing the cement capacity from 120,000 tons per annum to 300,000 tons per annum.

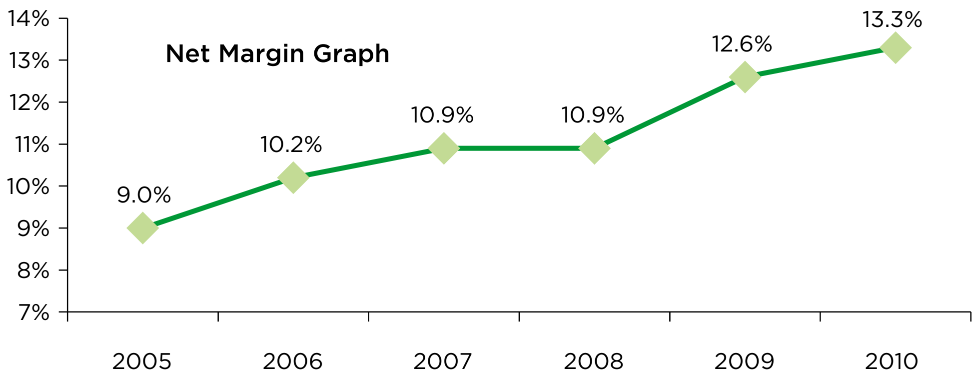
The Company completed the expansion of its clinker plant in Kaloleni which doubled the Company's clinker production capacity. The Company has also completed a cement grinding plant at Athi River. The combined Cement capacity of the two plants in Kenya is 1.0 million tons, an eight fold growth in capacity in the last ten years.

2010 Annual Results

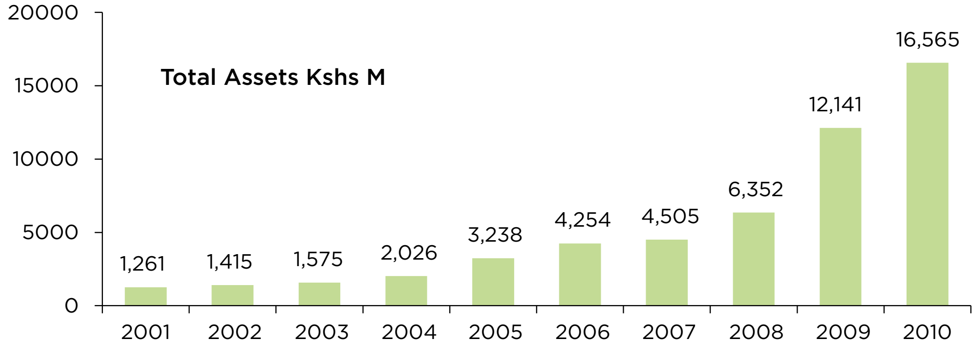
In 2010, the group turnover grew by 16%. All divisions of the group recorded increased sales. In particular, cement grew by over 20%. Fertilizer business grew by over 40%. Cement remained the main business of the Company contributing 54% to the total turnover of the Group.

Whereas turnover increased by 16% in 2010, profit after tax grew by 23% during the year. This was due to operational efficiencies brought in by new capacity commissioned. Earnings per share have been increasing in line with net profit of the Company.

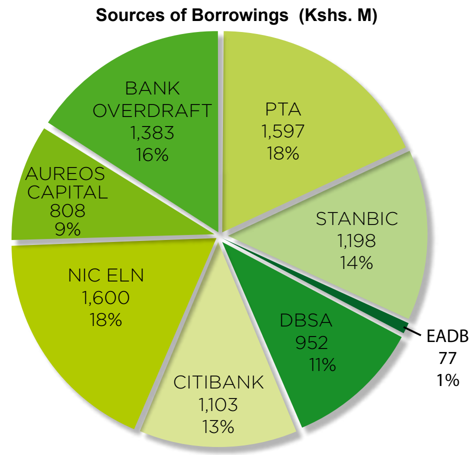
Net profit margin has consistently grown over the last decade, moving to 13.28% this year. The improvements in margins were driven by investments in new capacities, increased capacity utilization and continuous focus on operational efficiencies.



Total assets grew to Kshs. 16.6 billion, an increase of 36% over the previous year. The increase was due to investments in increasing the capacities in Kenya and Tanzania.



The net debt as on 31st December 2010 was Kshs. 7.5 billion. Additional debt was raised to fund the expansion in Kenya and the ongoing expansion in Tanzania. In April 2010 the Company also raised an Equity Linked Note (ELN) through private placement for Kshs. 1.6 billion for funding the Tanzania expansion.



At the end of the year, the Company's market capitalization stood at Kshs. 17.8 billion, reflecting an increase of 62% over 2009, indicating market confidence in the Company, its investment and growth plans.

Managing Director's Report (continued)

Operational Review 2010

The operational plan during the year was to run the plants to capacity, improve internal efficiencies and increase productivity. This enabled the Company to maintain and grow its margins despite increased fuel costs, power costs and the weakening of the Kenyan Shilling against the Dollar.

The two projects earmarked for completion in 2010 were the clinker capacity expansion in Kaloleni and the grinding unit at Athi River. Both projects were completed on schedule and budget.

We recognize that human capital is a key pillar which supports the Company's growth plans. Significant investments were made during the year in HR Systems, Training and Skills Development. This is an ongoing process and we expect to continue improving our staff recruiting, motivation and retention of human capital.

Another area of focus was to build systems which would help reduce the operational and internal risks of the Company. To achieve this, the Company has devoted significant time and resources in strengthening its internal audit teams, improve and standardise operating procedures within different units of the company, setting up an operations audit to ensure benchmarking and efficiency improvement, the Company's information technology platform and management information systems too have been improved during the year.

The Company continues to invest in the communities it operates in. This year, Rhino Cement Foundation was launched with the objective of further strengthening our relationship with the communities we work with.

Environmental management of company operations is very important to us. The Kaloleni plant is ISO:14001:2004 registered for environmental management systems and the company's plants in Athi River and in Tanzania will likewise implement the best industry pratices.

Credit Rating

	2004	2005	2006	2007	2008	2009	2010
Short Term	A1	A1	A1	A1	A1	A1	A1
Long Term	A	A	A	A	A	A	A

The Company's credit rating by Global Credit Rating has remained consistent for many years at A1 for short term and A for long term in spite of increase in borrowings for expansion of capacities. 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.

Strategy 2011 and Beyond

The Company will continue to grow the cement business with integrated clinker and cement manufacturing capacity in the region. The cement grinding unit in Dar-es-Salaam will be commissioned in early 2012. The clinker plant in Tanga will be completed in QIV 2012.

ARM cement capacity will grow to nearly 2.5 million tons when the Tanzania plants are completed. Cement will then be a major contributor to the overall turnover and profitability of the Company.

Going forward, the strategy of the Company is to become a focused, efficient and competitive cement manufacturer in the region, an African cement Company building Africa.

Pradeep H Paunrana
Managing Director

Rhino Cement Foundation

RHINO CEMENT FOUNDATION

Investing In Education Health and Environment

The Company launched the Rhino Cement Foundation in November 2010, with the aim of driving the Company's corporate social investment initiatives in the communities in East Africa.

The Foundation will be funded by the Company and will focus on channelling together and strategically managing different corporate social investment functions for more impactful results specifically in areas of education, health and environment.

The Foundation, which has been registered as a charitable trust, is chaired by Titus Mbathi, who recently retired from the Board of Directors of ARM. Other Trustees include Ramesh Vora, Daniel Ndonye and Pradeep Paunrana.

Athi River Mining Limited has invested heavily in various parts of the country, for instance by building health institutions, classrooms, funding the less fortunate through their education, funding women's self help groups, funding rural community projects, and planting and maintaining trees. By setting up this Foundation, the Company expects to bring together all these disparate activities together through a more structured organisation, and track how impactful these initiatives are to our communities.

The Rhino Cement Foundation initiatives are driven through staff teams committing their time to ensure projects are sustainable over a period of time. Teams with good knowledge of local communities are tasked with determining various needs in different areas, helping to offer help where it is needed most.

ARM staff teams are passionately involved in the projects they initiate, and take responsibility to ensure that funds are being used correctly, and the benefits are recorded properly. The teams decide on the program implementation, on monitoring the effectiveness of the program, on improvements, and on new ideas for future projects. The Trustees consider and approve the various projects submitted by the staff teams under guidelines approved by the Board of ARM, and advice on implementation and monitoring.

RHINO CEMENT FOUNDATION - INVESTING IN EDUCATION

The Rhino Cement Foundation was formally launched at the ground breaking ceremony of a science laboratory and building at st. Anne's Gichocho Secondary School in Kiambu, in November 2010. In addition to providing funding for the construction, RCF provides full scholarships at the school for bright girls from humble backgrounds. These young girls are mentored by a group of female staff from the head office in nairobi as seen in the photograph above.

RCF has several such scholarship programs in various schools across the country, and in 2011, launched a full university scholarship program for students who would otherwise not be able to raise the funds. Rhino Cement Foundation can be followed on Facebook.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report together with the group audited financial statements for the year ended 31 December 2010.

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

	2010 KShs '000
Profit before taxation	1,112,962
Taxation expense	(320,951)
Profit for the year transferred to retained earnings	792,011

Dividends

The directors propose the payment of a first and final dividend of KShs 1.75 (2009 – KShs 1.50) per share totalling KShs 173,346,250 in respect of the year ended 31 December 2010 (2009 – KShs 148,582,500).

Directors

The present directors are shown on page 4.

Mr. Titus Mbathi, Dr. M Gondwe and Mr. P J Rune retired as directors in August 2010.

Mr. D M Ndonye, Mr. M Turner and Mr. A Mathur were appointed as directors in August 2010.

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
15th March 2011

CORPORATE GOVERNANCE

Introduction

Athi River Mining Limited is fully committed to the principles of transparency, integrity and accountability. The Directors are ultimately accountable to all stakeholders for ensuring that the company's business is conducted in accordance with high standards of corporate governance. Of particular importance to the company are the observance of shareholders' interest, efficient practices and open corporate communication systems.

Separation of Responsibilities

The roles and responsibilities of the board of directors and those of management are clearly set out. The Board of Directors take the overall responsibility of the company. It exercises leadership and sound judgement in directing the company to achieve sustainable growth and acts in the best interests of the shareholders. The company has a schedule of matters that are served for the Board of Directors. Further, the role of the chair and the group managing director are separate in line with best practice.

Board Of Directors

The names of the Directors who held office in the year and to the date of this report are set out on page 4.

The Board is responsible for formulating company policies and strategies and ensuring that business objectives, aimed at promoting and protecting shareholder value, are achieved. The Board also retains the overall responsibility for effective control of the company and implements corporate governance policies of the company.

The Board comprises executive and non-executive Directors. The Directors have diverse skills and are drawn from various sectors of the economy. The Chairman and Chairmen of Board committees are non-executive Directors.

Roles And Responsibilities

Chairman of the Board

The chairman of the board is responsible for the operation, leadership and governance of the Board, ensuring the Board is efficient, focused and operates as a unit. He is the facilitator of the board and shareholders meeting ensuring flow of opinion and leading discussions to ensure robust and constructive challenge and debate among those present

Group Managing Director

The Group Managing Director is responsible for the day to day management of the company including implementation of policies and strategy. Board authority delegated to management is through the Group Managing Director, who is supported in this role by the executive committee.

Company Secretary

The Company Secretary provides the Board of Directors with detailed guidance on discharge of their duties in terms of legislation and regulatory requirements of relevant jurisdictions. The company secretary is the central source of information and advice to the board and within the company on matters of good governance and business ethics ensuring that the proceedings and affairs of the Board, the company itself and its shareholders are properly administered.

Board Meetings

Board and its committees meets regularly in accordance with business requirements. Notice of Board meetings is given in advance in accordance with the company's Statutes and General By-Laws and is distributed together with the agenda and board papers to all the Directors beforehand. During the year, the board convened and held four ordinary meetings. The summary of the meetings and attendance is shown on page 20.

Directors' Emoluments And Loans

The aggregate amount of emoluments paid to Directors for services rendered during the financial year is disclosed in Note 8 to the financial statements for the year ended 31 December 2010.

Board Training

To ensure that the board remains up to date on new legislation, best practice, changing risks together with the ever changing operating and business environment, all directors are provided with training and are encouraged to attending training

Board Committees

The Board has in place three main committees, namely Audit and Risk Committee, Nomination, Remuneration & HR Committee and Investments & Strategy committee. To discharge its mandate effectively, the Board delegates its authority to various sub-committees, whose chairpersons report to the board. These committees assist the Board in ensuring that proper policies, strategies, internal controls, and organisational structure are in place to achieve the company's objectives and obligations to its stakeholders. All the committees have detailed terms of reference and hold meetings as necessary. The Board may delegate some of its powers to any committee and may appoint any other committee, including ad hoc task forces, as and when it is deemed necessary. The authority for the day to day running of the company is delegated to the Managing Director.

a) Audit and Risk Committee

The Audit and Risk Committee is chaired by a non-executive director Mr. D. M. Ndonye. Other members are two non-executive directors Mr. R. Ashley and Mr. W. Murungi. The responsibilities of this committee are the review of financial information and the monitoring of the effectiveness of management information and internal control systems. The Committee receives reports from both external and internal auditors and also monitors implementation of audit recommendations, on behalf of the Board.

b) Nomination, Remuneration & HR committee.

The Nomination, Remuneration & HR committee is chaired by a non-executive Director Mr. W. Murungi. The other members are two non-executive appointees of the Board Mr. M. Turner and Mr. D. Ndonye. The Committee is responsible to assist in and make recommendations on, the formulation by the Board and review of the general administrative and procurement policies of the Company and the Company's Policies on Human Resource requirements.

c) Investment & Strategy committee.

The Investment & Strategy committee is chaired by a non-executive Director Mr. R. Ashley The other members are one non-executive appointee of the Board Mr. M. Turner and three executive appointees of the Board Mr. P. H. Paunrana, Mr. S. L. Bhatia and Mr. A. Mathur. The Committee is responsible to assist in and make recommendations on the formulation by the Board and review of the Company's strategies and investments.

Conflict Of Interest

Business transactions with all parties, directors or their related parties are carried out at arm's length. The directors are under fiduciary duty to act honestly and in the best interests of the institution. The directors submitted their annual declaration of interests which included:

- An acknowledgment that should it come to his/her attention that a matter concerning the Company may result in a conflict of interest, the director is obliged to declare the same and will exclude himself/herself from any discussion over the matter in question
- An acknowledgement that should the director be appointed to the Board or acquire a significant interest in a business competing with the company, the director will be obliged to offer his/her resignation.
- An acknowledgement that the foregoing also applies to interest of the immediate family members of the directors.

Business transactions with the directors or their related parties are disclosed in Note 26 to the financial statements for the year ended 31 December 2010.

Business Ethics

The company conducts its business in compliance with high ethical standards of business practice. In this respect, transactions with its intermediaries, employees and other stakeholders are conducted at arm's length, with integrity and transparency.

Risk Management And Internal Control

Management, in consultation with the Board Committees, is responsible for the company's day-to-day overall risk management to minimize potential adverse effects on its financial performance while the Board is responsible for the company's system of internal control and for reviewing its effectiveness. The company has an ongoing process of identifying, evaluating and managing significant risks inherent in its business, by the Risk Management department. This process is also reviewed by the Internal Auditor. The internal Auditor reports administratively to the Managing Director and functionally to the BAC. As part of the independency required , the Internal Audit annual work program and budget are separately approved by the BAC, which also reviews and approves Audit reports and internal audit annual report. The company has in place a chain of controls which include, but are not limited to, an annual budgeting process, a regular review of strategic initiatives, a well defined organisational structure which is kept under regular review by the Board and a review of quarterly financial and operating information by Management and the Board.

Responsibility For Staff Welfare And Training

As part of its policy, the company recognizes the need for diversity, equal opportunities, gender sensitivity and provision of a safe and conducive work environment for its entire staff. The company assists its staff to undertake continuous professional and development training programmes to fulfil their potential. This process is appropriately managed to align staff development with the company's strategic and business goals and objectives, and is reinforced with appropriate remuneration and incentive systems.

Compliance

The company operates within the requirements of the Constituent Charter, its Statutes and General By-Laws and adopts certain universally accepted principles in the areas of human rights, labour standards and environment in its commitment to best practice. Additionally, the company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS).

Communication

The company subscribes to the principles of objective, honest, prompt, balanced, relevant and clear communication of its strategy and activities. To this end, the group continues to promote dialogue with shareholders, media and investors. Shareholders are encouraged to attend the Annual General Meeting which provides the shareholders with the opportunity to question the Board.

2010 BOARD & BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

Director	Classification	Designation		Board	Audit Committee	Nomination & Remuneration Committee
Mr R Ashley	Non-Executive	Chairman of the Board & Investment and Stategy Committee	Membership	√	√	n/a
			Attendance	4/4	1/1	1/2
Mr. P H Paunrana	Executive Director	Managing Director	Membership	√	n/a	n/a
			Attendance	4/4	n/a	n/a
Mr. S L Bhatia	Executive Director	Deputy Managing Director	Membership	√	n/a	n/a
			Attendance	3/4	n/a	n/a
Mr. A Mathur	Executive Director	Finance Director	Membership	√	n/a	n/a
			Attendance	2/4	n/a	n/a
Mr. W Murungi	Non-Executive	Chairman Nomination and Remuneration committee	Membership	√	√	√
			Attendance	4/4	1/1	1/2
Mr. M J Rune	Non-Executive	Director (Retired on August 7, 2010)	Membership	√	n/a	n/a
			Attendance	2/4	n/a	n/a
Mr. T Mbathi	Non-Executive	Director (Retired on August 7, 2010)	Membership	√	n/a	√
			Attendance	3/4	n/a	1/2
Mr. D M Ndonye	Non-Executive	Chairman Audit Committee (Appointed on August 7, 2010)	Membership	√	√	√
			Attendance	2/4	1/1	1/2
Mr. M Turner	Non-Executive	Director (Appointed on August 7, 2010)	Membership	√	n/a	√
			Attendance	2/4	n/a	1/2
PTA	Non-Executive	Director (Retired on August 7, 2010)	Membership	√	n/a	n/a
			Attendance	2/4	n/a	n/a

√ Member of respective committee

Where a director did not attend a Board or Board Committee meeting, an acceptable apology had been received by the Chairman well in advance of the scheduled meeting. Some board members did not serve on the board for the full year hence non attendance of meetings when they were not on the board.

Shareholding Profiles

The company, through its Registrar, files returns regularly in line with Capital Markets Authority and the Nairobi Stock Exchange under the listing regulations on transactions related to shareholders.

a) Principal Shareholders

The top 10 major shareholders, based on the company's share register as at 31 December 2010 are as follows:

Name	No. of Shares	%
Amanat Investments Limited	45,432,249	45.87
CFC Stanbic Nominees A/C NR01503	7,600,000	7.67
Athi River Mining ESOP	5,455,000	5.51
Standard Chartered Nominees A/C 9867	2,615,300	2.64
Orthodox Archibishopric of Kenya	1,852,200	1.87
Standard Chartered Nominees A/C 9230	1,384,577	1.40
Wilfred Murungi	1,058,400	1.07
Standard Chartered Nominees A/C 9697	1,014,700	1.02
Insurance Company of East Africa - Pooled	945,380	0.95
NSSF Board of Trustees	870,000	0.88
Others	30,827,194	31.12
Total	**99,055,000**	**100**

b) Distribution of shareholders

Number of shares	No. of Shareholders	No. of Shares	%
Less than 500	2579	467,803	0.47
501 - 5000	2671	4,115,892	4.16
5001 - 10,000	176	1,290,361	1.30
10,001 - 100,000	199	6,544,899	6.61
100,001 - 1,000,000	73	21,924,819	22.13
1,000,001 and over	8	64,711,226	65.33
Total	**5706**	**99,055,000**	**100**

Rick Ashley
Chairman

Pradeep H Paunrana
Managing Director

KALOLENI CLINKER PLANT SET IN A BIODIVERSITY ENVIRONMENT

The 1,500 tons per day clinker plant, surrounded by thousands of trees and a 3 acre tilapia filled dam, has become home to many species of birds.

ARM is actively promoting biodiversity at its operations, and focuses on tree planting, not only at the plants and quarries, but also in the surrounding communities.

The company has twice been awarded the highest award by Total Eco Challenge for its work in environmental and tree planting activities in the country.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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
Chairman

Pradeep H Paunrana
Managing Director

15th March 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATHI RIVER MINING LIMITED

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
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Report on the Financial Statements

We have audited the accompanying financial statements of Athi River Mining Limited and its subsidiaries, set out on pages 16 to 67 which comprise the consolidated and parent company statements of financial position as at 31 December 2010, 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, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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 of the 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 obtained 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 2010 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

Report on 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)

21 April **2011**

Nairobi

CEMENT MILL ERECTION AT KALOLENI

A dedicated team of engineers and fitters work late to meet commissioning deadlines. Having completed the plant erection work at Kaloleni in mid 2010, the team went on to complete the grinding plant at Athi River. The same team will now complete the Dar es Salaam plant in 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 Kshs '000	2009 Kshs '000
Turnover		5,964,670	5,144,822
Cost of sales		(3,865,982)	(3,289,991)
Gross profit		**2,098,688**	**1,854,831**
Other operating income		116,372	7,986
Net foreign exchange gains		7,599	10,970
Distribution costs		(263,483)	(278,184)
Administrative expenses		(619,898)	(580,190)
Finance costs	4	(226,316)	(76,494)
Finance income	5	-	9,795
Profit before taxation	6	1,112,962	948,714
Taxation charge	8(a)	(320,951)	(302,940)
Profit for the Year	9	**792,011**	**645,774**
Other comprehensive income, net of income tax			
Exchange differences on translating foreign operations		(12,739)	(18,774)
Surplus on revaluation of property, plant and equipment		-	2,140,295
Deferred tax on revaluation surplus		-	(642,089)
Other comprehensive income/ (loss) for the year, net of tax		(12,739)	1,479,432
Total Comprehensive Income for the Year		**779,272**	**2,125,206**

	Notes	2010 Kshs '000	2009 Kshs '000
Total Comprehensive Income for the Year		**779,272**	**2,125,206**
Profit attributable to:			
Owners of the Company		798,277	645,774
Non-controlling interests		(6,266)	-
		792,011	**645,774**
Total comprehensive income attributable to:			
Owners of the Company		785,538	2,125,206
Non-controlling interests		(6,266)	-
		779,272	**2,125,206**
EARNINGS PER SHARE – Basic and diluted	10	**Sh 8.06**	**Sh 6.52**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2010

	Notes	2010 Kshs '000	2009 Kshs '000
Assets			
Non current assets			
Property, plant and equipment	12(a)	12,189,267	8,688,161
Operating lease prepayments	13	30,462	32,146
Intangible assets	14	54,201	7,130
Goodwill	15	50,908	50,908
		12,324,838	**8,778,345**
Current assets			
Inventories	17	1,129,885	1,084,286
Trade and other receivables	18	1,787,062	1,378,602
Due from Employee Share Ownership Plan (ESOP)	19	48,959	66,767
Due from related parties	26(b)	61,907	20,564
Tax recoverable	8(c)	13,323	-
Short term Deposits		843,043	-
Cash and bank balances		355,882	812,527
		4,240,061	3,362,746
Total assets		**16,564,899**	**12,141,091**
Equity and Liabilities			
Equity			
Share capital	20	495,275	495,275
Share premium		302,027	302,027
Revaluation surplus		1,465,354	1,531,797
Translation reserve		(99,570)	(86,831)
Retained earnings		2,499,082	1,886,662
Equity attributable to equity holders of the parent		4,662,168	4,128,930
Non - controlling interest	16(c)	(18,566)	-
Total capital and reserves		**4,643,602**	**4,128,930**
Non current liabilities			
Borrowings	21(a)	6,764,785	3,013,460
Deferred income tax	22	1,950,053	1,644,101
Finance leases	23(a)	-	838
		8,714,838	4,658,399
Current liabilities			
Borrowings	21(a)	1,954,028	2,199,250
Finance leases	23(a)	1,026	7,421
Trade and other payables	24	1,231,394	1,123,824
Due to related parties	26(d)	16,532	6,462
Unclaimed dividends	11	3,479	3,574
Current tax payable	8(c)	-	13,231
		3,206,459	3,353,762
Total equity and liabilities		**16,564,899**	**12,141,091**

The financial statements on pages 16 to 67 were approved by the board of directors on 15th March 2011 and were signed on its behalf by:

Rick Ashley
Chairman

Pradeep H Paunrana
Managing Director

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2010

	Notes	2010 Kshs '000	2009 Kshs '000
Assets			
Non current assets			
Property, plant and equipment	12(b)	8,644,781	6,836,008
Operating lease prepayments	13	1,942	2,010
Intangible assets	14	3,653	7,130
Investment in subsidiaries	16	367,642	292,642
		9,018,018	**7,137,790**
Current assets			
Inventories	17	1,015,200	982,621
Trade and other receivables	18	1,167,198	1,140,778
Due from Employee Share Option Plan (ESOP)	19	48,959	66,767
Due from related parties 26(c)		2,729,550	990,915
Current tax recoverable		41,175	-
Cash and bank balances		71,453	13,173
		5,073,535	**3,194,254**
Total assets		**14,091,553**	**10,332,044**
Equity and Liabilities			
Equity			
Share capital	20	495,275	495,275
Share premium		302,027	302,027
Revaluation surplus		1,465,354	1,531,797
Retained earnings		2,540,984	1,861,931
		4,803,640	**4,191,030**

	Notes	2010 Kshs '000	2009 Kshs '000
Non current liabilities			
Borrowings	21(b)	4,454,549	1,403,762
Deferred income tax	22	1,932,553	1,631,848
		6,387,102	**3,035,610**
Current liabilities			
Borrowings	21(b)	1,938,026	2,173,428
Finance leases	23(b)	-	6,297
Trade and other payables	24	948,244	906,773
Due to related parties	26(e)	11,062	2,101
Unclaimed dividends	11	3,479	3,574
Current tax payable	8(c)	-	13,231
		2,900,811	**3,105,404**
Total equity and liabilities		**14,091,553**	**10,332,044**

The financial statements on pages 16 to 67 were approved by the board of directors on 15th March 2011 and were signed on its behalf by:

Rick Ashley
Chairman

Pradeep H Paunrana
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital Kshs '000	Share Premium Kshs '000	Revaluation surplus Kshs '000	Translation reserve Kshs '000	Retained earnings Kshs '000	Attributable to equity holders of the parent Kshs '000	Non-controlling interest Kshs '000	Total Kshs '000
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 - 2009	-	-	-	-	(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
2010								
At 1 January 2010	495,275	302,027	1,531,797	(86,831)	1,886,662	4,128,930	-	4,128,930
Profit for the year	-	-	-	-	798,277	798,277	(6,266)	792,011
Other comprehensive income/(loss) for the year	-	-	-	(12,739)	-	(12,739)	-	(12,739)
Total comprehensive income for the year	**-**	**-**	**-**	**(12,739)**	**798,277**	**785,538**	**(6,266)**	**779,272**
Write off of intangible assets arising from acquisition of mining rights through subsidiary (note 16(b))	-	-	-	-	(103,717)	(103,717)	(12,300)	(116,017)
Transfer of excess depreciation	-	-	(94,918)	-	94,918	-	-	-
Deferred tax on excess depreciation	-	-	28,475	-	(28,475)	-	-	-
Dividends declared - 2010	-	-	-	-	(148,583)	(148,583)	-	(148,583)
At 31 December 2010	**495,275**	**302,027**	**1,465,354**	**(99,570)**	**2,499,082**	**4,662,168**	**(18,566)**	**4,643,602**

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital Kshs '000	Share Premium Kshs '000	Revaluation Surplus Kshs '000	Retained Earnings Kshs '000	Total Kshs '000
At 1 January 2009	**495,275**	**302,027**	**35,323**	**1,354,556**	**2,187,181**
Profit for the year	-	-	-	629,462	629,462
Total other comprehensive income for the year	-	-	1,498,206	-	1,498,206
Transfer of excess depreciation	-	-	(2,474)	2,474	-
Deferred tax on excess depreciation	-	-	742	(742)	-
Dividends declared - 2009	-	-	-	(123,819)	(123,819)
At 31 December 2009	**495,275**	**302,027**	**1,531,797**	**1,861,931**	**4,191,030**
At 1 January 2010	**495,275**	**302,027**	**1,531,797**	**1,861,931**	**4,191,030**
Profit for the year	-	-	-	761,194	761,194
Total other comprehensive income for the year	-	-	-	-	-
Transfer of excess depreciation	-	-	(94,918)	94,918	-
Deferred tax on excess depreciation	-	-	28,475	(28,475)	-
Dividends declared - 2010	-	-	-	(148,583)	(148,583)
At 31 December 2010	**495,275**	**302,027**	**1,465,354**	**2,540,985**	**4,803,641**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 Kshs '000	2009 Kshs '000
Cash flows from operating activities			
Cash generated from operations	25(a)	1,353,126	858,094
Interest paid	25(e)	(502,687)	(287,216)
Interest received	5	-	9,795
Corporation tax paid	8(c)	(46,853)	(21,768)
Net cash generated by operating activities		803,586	558,905
Cash flows from investing activities			
Additions to property, plant and equipment	25(b)	(3,618,561)	(2,216,881)
Additions to intangible assets	14	(50,989)	-
Proceeds of disposal of property, plant and equipment		771	921
Net cash used in investing activities		(3,668,779)	(2,215,960)
Cash flows from financing activities			
Finance lease payments	23(c)	(7,587)	(22,438)
Borrowings received	25(c)	4,377,801	2,493,002
Repayment of amounts borrowed	25(c)	(1,251,709)	(499,081)
Dividends paid	11(b)	(148,678)	(123,794)
Net cash generated by financing activities		2,969,827	1,847,689
Net increase in cash and cash equivalents		**104,634**	**190,634**

	Notes	2010 Kshs '000	2009 Kshs '000
Movement in Cash and Cash Equivalents			
Cash and cash equivalents 1 January		**53,127**	**(137,878)**
Net increase in cash and cash equivalents above		104,634	190,634
Effect of translation adjustment on cash held in foreign subsidiaries		(22,973)	371
Cash and cash equivalents 31 December	25(d)	**134,788**	**53,127**

ROTO PACKER COMMISSIONING AT THE ATHI RIVER CEMENT GRINDING PLANT

The new Grinding Plant at Athi River was commissioned in December 2010, with machinery and automation supplied by world renowned manufacturers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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) New standards and amendments to published standards effective for the year ended 31 December 2010

Amendments and revised standards	Effective for annual periods beginning on or after
IFRS 1, First-time adoption of International Financial Reporting Standards – revised and restructured	1 July 2009
IFRS 1, First-time adoption of International Financial Reporting Standards – amendments relating to oil and gas assets and determining whether an arrangement contains a lease	1 January 2010
IFRS 2, Share-based payment – amendments relating to group cash-settled sharebased payment transactions	1 January 2010
IFRS 3 (Revised 2008), Business Combinations – comprehensive revision on applying the acquisition method	1 July 2009
IAS 27, Consolidated and Separate Financial Statements; IAS 28, Investments in Associates; and IAS 31, Interests in Joint Ventures – consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 39, Financial Instruments: Recognition and Measurement – amendments for eligible hedged items	1 July 2009
Various improvements resulting from May 2008, April 2009 and May 2010 Annual Improvements to IFRSs	1 July 2009 and 1 January 2010
New interpretations	
IFRIC 17, Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18, Transfers of Assets from Customers	Transfers received on or after 1 July 2009

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2010

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 1, First-time Adoption of International Financial Reporting Standards – limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2010
IFRS 1, First-time Adoption of International Financial Reporting Standards – replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'; and additional exemption for entities ceasing to suffer from severe hyperinflation.	1 July 2011
IFRS 7, Financial Instruments: Disclosures – amendments enhancing disclosures about transfers of financial assets	1 January 2011
IFRS 9, Financial Instruments – Classification and Measurement	1 January 2013
IAS 12, Income Taxes – limited scope amendment (recovery of underlying assets)	1 January 2012
IAS 24, Related Party Disclosures – revised definition of related parties	1 January 2011
Various improvements resulting from May 2010 Annual Improvements to IFRSs	1 July 2010 and 1 January 2011
IAS 32, Financial Instruments: Presentation – amendments relating to classification of rights issues	1 February 2010
New interpretation	
IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

1 Accounting Policies (continued)

b) Adoption of new and revised international financial reporting standards (IFRs) (continued)

iii) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2010 and future annual periods

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective for annual periods beginning on or after 1 January 2011. The Group will apply this amendment prospectively. The directors, however, anticipate no material impact to the Group financial statements.

IFRS 3, Business combinations

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 profit or loss. 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.

IAS 28 (revised in 2008) Investments in Associates

The principle adopted under IAS 27 that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions

The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

IFRIC 18 Transfers of Assets from Customers

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18.

1 Accounting Policies (continued)

b) Adoption of new and revised international financial reporting standards (IFRs) (continued)

iii) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2010 and future annual periods (continued)

Improvements to IFRSs issued in 2009 and 2010

The application of Improvements to IFRSs issued in 2009 and 2010 has not had any material effect on amounts reported in the consolidated financial statements.

IFRS 9, Financial Instruments

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt instruments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 which will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will not have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

IAS 24 Related Party Disclosures (as revised in 2009)

This modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the defintion of a related party may come within the scope of the Standard.

The amendments to IAS 32 titled Classification of Rights Issues

These address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

This provides interpretation guidance regarding accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

iv) Early adoption of standards

The Group did not early-adopt any new or amended standards in 2010.

c) Summary of significant accounting policies

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.

1 Accounting Policies (continued)

c) Summary of significant accounting policies (continued)

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-byacquisition 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, Maweni Limestone Limited and Mafeking Cement (Pty) Limited, all made up to 31 December, except for Mafeking Cement (Pty) where the reporting period end is 28 February. Mafeking Cement (Pty) Limited has prepared additional financial statements to respond to the group reporting period for consolidation purposes. Mavuno Fertilizer Limited did not operate in the year. Mavuno Fertiliser Limited's intended operations were undertaken by Athi River Mining Limited.

Revenue recognition

(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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated to Kenya shillings using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity in the group's translation reserve. Such differences are recognised in the profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

1 Accounting Policies (continued)

c) Summary of significant accounting policies (continued)

Taxation

The taxation charge represents the sum of the current taxation charge and the deferred taxation charge for the year.

Current taxation is provided for on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred taxation is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred taxation.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. All property, plant and equipment except computer equipment and furniture and fittings are subsequently shown at their revalued amounts based on valuations by external independent valuers, less accumulated depreciation and any accumulated impairment losses. Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued property, plant and equipment is recognised in profit or loss. Each year the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserves to retained earnings. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised

Depreciation

Depreciation is calculated to write off the cost or valuation of property, plant and equipment in equal annual instalments over their estimated useful lives. The annual rates in use are:

Freehold land	Nil
Buildings	2.5%
Heavy commercial vehicles and quarrying equipment	10%
Plant, machinery and equipment	5% to 15%
Motor vehicles	10% to 25%
Furniture and fittings	7.5% to 15%
Computer hardware	20% to 30%

Capital work in progress

Capital work in progress relates to property and plant under construction. Cost includes materials, directlabour and any other direct expenses incurred in respect of the project. The amounts are transferred to theappropriate 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 interests 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.

1 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 benefitfrom 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 Kshs 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 and Mafeking Cement (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.

Financial assets

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 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 reevaluates 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.

1 Accounting Policies (continued)

c) Summary of significant accounting policies (continued)

Financial instruments (continued)

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.

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).

1 Accounting Policies (continued)

c) Summary of significant accounting policies (continued)

Financial instruments (continued)

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.

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

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.

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.

RHINO CEMENT BAGS ROLLING OFF THE ROTO PACKERS

The Athi River grinding plant has a capacity of producing 2,000 tons of cement per day, and packing capacity of 4,000 tons per day, with 4 simultaneous semi automatic loading lines. The packing plant was designed with customer service in mind - to enable loading of trucks with speed and eliminate any waiting time.

3. Operating segments

The group has adopted IFRS 8 Operating Segments with effect from 1 January 2010. 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.

	Cement and Lime		Other Products		Total	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
Sales and other income	3,690,609	2,874,747	2,390,433	2,278,061	6,081,042	5,152,808
Cost of sales and other expenditure	2,982,476	2,292,005	1,985,604	1,912,089	4,968,080	4,204,094
Profit before taxation	708,133	582,742	404,829	365,972	1,112,962	948,714
Assets	11,923,320	7,675,747	4,641,579	4,485,885	16,564,889	12,141,091
Liabilities	11,787,829	7,892,998	133,468	119,163	11,921,297	8,012,161
Depreciation and amortisation	223,721	133,121	105,815	92,620	329,536	225,741
Capital expenditure	3,705,454	2,192,224	188,943	269,919	3,894,397	2,462,143

Revenue reported above represents revenue generated from external customers.

3. Operating segments (continued)

Geographical information

31 December 2010	Kenya Kshs '000	Tanzania Kshs '000	South Africa Kshs '000	Eliminated on consolidation Kshs '000	Total Kshs '000
Sales and other income	5,531,408	457,964	260,553	(168,883)	6,081,042
Cost of sales and other expenditure	(4,483,447)	(393,776)	(259,740)	168,883	(4,968,080)
Profit before taxation	1,047,961	64,188	813	-	1,112,962
Assets	14,114,052	5,242,735	200,236	2,992,124	16,564,899
Liabilities	9,284,309	5,019,184	307,994	2,690,190	11,921,297
Depreciation and amortisation	295,534	28,956	5,082	-	329,572
Capital expenditure	2,123,041	1,769,523	1,833	-	3,894,397

31 December 2009	Kenya Kshs '000	Tanzania Kshs '000	South Africa Kshs '000	Eliminated on consolidation Kshs '000	Total Kshs '000
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

4. Finance costs

	2010 Kshs '000	2009 Kshs '000
Interest payable on:		
- Loans	371,221	214,409
- Bank overdrafts	119,696	95,087
- Corporate bond carried at amortised cost	10,759	49,439
- Finance leases	1,011	2,288
Total borrowing costs	502,687	361,223
Less: Amounts included in the cost of qualifying assets	(252,375)	(243,408)
	250,312	117,815
Net foreign exchange gains on borrowings	(23,996)	(41,321)
	226,316	76,494

5 Finance income

	2010 Kshs '000	2009 Kshs '000
Interest receivable	-	9,795

6 Profit before taxation

	2010 Kshs '000	2009 Kshs '000
The profit before taxation is arrived at after charging/(crediting):		
Depreciation property, plant and equipment	315,151	221,654
Depreciation on strategic spares	14,421	-
Amortisation of operating lease prepayments	1,139	279
Amortisation of intangible assets	3,918	3,808
Operating lease rentals:		
- property	909	6,402
- motor vehicles	1,528	39,955
Directors' emoluments:		
- fees	7,603	3,019
- other emoluments	102,358	99,018
Staff costs (note 7)	522,762	474,613
Auditors' remuneration:		
- company	3,346	2,175
- subsidiaries	1,720	1,025
Loss/(gain) on disposal of property, plant and equipment	83	(921)

7 Staff costs

	2010 Kshs '000	2009 Kshs '000
Wages and salaries	419,689	391,627
Social security cost (NSSF)	7,890	3,385
Termination benefits	3,049	14,263
Leave pay	211	1,149
Other staff costs	91,923	64,189
	522,762	474,613
Executive directors' emoluments	109,961	102,037
	632,723	576,650

8 Taxation

	Group		Company	
	2010 Kshs '000	**2009 Kshs '000**	**2010 Kshs '000**	**2009 Kshs '000**
a) Taxation charge				
Current taxation charge based on taxable income:	22,538	36,384	-	36,384
Prior year over provision	(2,239)	(6,113)	(2,239)	(6,113)
	20,299	30,271	(2,239)	30,271
Deferred tax charge (note 22)				
Current year charge	300,652	253,267	300,706	243,883
Prior year under provision	-	19,402	-	19,402
	300,652	272,669	300,706	263,285
	320,951	302,940	298,467	293,556
b) Reconciliation of tax charge to expected taxation based on accounting profit				
Profit before taxation	1,112,962	948,714	1,059,660	923,018
Tax calculated at a tax rate of 30%	333,889	284,614	317,898	276,905
Tax effect of:				
- Income not subject to tax	(23,730)	(143)	(23,730)	(143)
- Expenses not deductible for tax purposes	13,031	5,180	6,538	3,505
Prior year current taxation over provision	(2,239)	(6,113)	(2,239)	(6,113)
Prior year deferred taxation under provision	-	19,402	-	19,402
Taxation charge	320,951	302,940	298,467	293,556
c) Current tax payable/(recoverable) movement				
At 1 January	13,231	4,727	13,231	4,554
Taxation charge	22,538	36,384	-	36,384
Prior year over provision	(2,239)	(6,113)	(2,239)	(6,113)
Taxation paid	(46,853)	(21,768)	(52,167)	(21,594)
Translation adjustment	-	1	-	-
At 31 December	(13,323)	13,231	(41,175)	13,231

9 Profit for the year

The profit attributable to shareholders dealt with in the company separate financial statements is Kshs 761,195,000 (2009 – Kshs 629,462,000).

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.

	2010	2009
Profit attributable to ordinary shareholders (S h'000)	798,277	645,774
Weighted average number of ordinary shares in issue	99,055,000	99,055,000
Basic and diluted earnings per ordinary share (Kshs)	8.06	6.52

11 Dividends

(a) Dividends per share

The directors propose the payment of a first and final dividend of Kshs 1.75 (2009 – Kshs 1.50) per share totalling Kshs 173,346,250 in respect of the year ended 31 December 2010 (2009 – Kshs 148,582,500). This dividend is subject to approval by shareholders at the Annual General Meeting to be held on June 14th 2011 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	
	2010 Kshs '000	2009 Kshs '000
At 1 January	3,574	3,549
Final dividend declared	148,583	123,819
Dividends paid	(148,678)	(123,794)
At 31 December	3,479	3,574

PREHEATER TOWER AND SILO UNDER CONSTRUCTION AT TANGA

The Tanzania clinker and cement project, with an annual capacity of 1.5 million tons, has a workforce of 1,200 engineers, skilled construction workers, and artisan technicians.

The project will consume 35,000 tons cement, 75,000 tons of aggregate, 120,000 tons of sand, and 10,000 tons of reinforcing steel bars. In addition to this, a further 10,000 tons of structural steel will be used for onsite fabrication for the cement plant.

ARM is fully equipped to carry out this enormous project - with its own aggregate quarries and crushing plant, concrete batching plant and transit mixer trucks, tower crane, mobile cranes, heavy earth moving machinery, and a fully equipped fabrication and engineering workshop with facilities to bend, roll, weld and machine heavy parts for the cement plant.

12(a) Property, plant and equipment- Group

	Freehold land Kshs '000	Buildings on leasehold land Kshs '000	Heavy commercial vehicles and quarrying equipment Kshs '000	Computer hardware, plant, machinery, motor vehicles, furniture and fittings Kshs '000	Capital work in progress Kshs '000	Total Kshs '000
Cost or valuation						
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 gain	-	(2,278)	(803)	(5,908)	(55,730)	(64,719)
Revaluation surplus/ (Deficit)	92,398	346,315	(177,221)	714,869	-	976,361
At 1 January 2010	241,015	598,533	158,126	5,294,444	2,551,112	8,843,230
Reclassification	8,600	(8,600)	-	-	-	-
Additions	882	-	398	21,666	3,847,990	3,870,936
Transfers	-	1,305,086	-	424,839	(1,729,925)	-
Disposals	-	-	-	(962)	-	(962)
Translation gain/(loss)	-	(2,186)	(8,047)	2,166	(45,331)	(53,938)
At 31 December 2010	250,497	1,892,833	150,477	5,742,153	4,623,846	12,659,806
Comprising						
At cost	882	1,302900	9,478	828,336	4,623,846	6,765,442
At valuation 2009	249,615	589,933	140,999	4,913,817	-	5,894,364
	250,497	1,892,833	150,477	5,742,153	4,623,846	12,659,806
Depreciation						
At 1 January 2009	8,379	51,483	196,638	845,190	-	1,101,690
Charge for the year	-	5,518	21,168	194,968	-	221,654
Eliminated on disposal	-	-	-	(4,312)	-	(4,312)
Translation gain/(loss)	-	(72)	(232)	275	-	(29)
Transfers	(8,379)	8,379	-	-	-	-
Write back on revaluation	-	(63,386)	(212,004)	(888,544)	-	(1,163,934)

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

	Freehold land Kshs '000	Buildings on leasehold land Kshs '000	Heavy commercial vehicles and quarrying equipment Kshs '000	Computer hardware, plant, machinery, motor vehicles, furniture and fittings Kshs '000	Capital work in progress Kshs '000	Total Kshs '000
At 1 January 2010	-	1,922	5,570	147,577	-	155,069
Charge for the year	-	14,943	15,038	285,170	-	315,151
Eliminated on disposal	-	-	-	(108)	-	(108)
Translation gain/(loss)	-	(59)	(4,591)	5,077	-	427
At 31 December 2010	-	16,806	16,017	437,716	-	470,539
NET BOOK VALUE (REVALUATION BASIS)						
At 31 December 2010	250,497	1,876,027	134,460	5,304,437	4,623,846	12,189,267
At 31 December 2009	241,015	596,611	152,556	5,146,867	2,551,112	8,688,161
NET BOOK VALUE - (COST BASIS)						
At 31 December 2010	268,934	1,755,269	182,718	3,903,146	4,623,846	10,723,913
At 31 December 2009	104,361	183,177	117,773	3,543,456	2,551,112	6,499,879

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 Kshs 1,545,295,500 (2009 – Kshs 1,116,728,000) 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 Kshs 187,529,895 (2009 – Kshs 189,886,555) which were fully depreciated as at 31 December 2010. The normal depreciation charge would have been Kshs 25,364,347 (2009 – Kshs 22,808,466).

12(b) Property, plant and equipment-Company

	Freehold land Kshs '000	Buildings on leasehold land Kshs '000	Heavy commercial vehicles and quarrying equipment Kshs '000	Computer hardware, plant, machinery, motor vehicles, furniture and fittings Kshs '000	Capital work in progress Kshs '000	Total Kshs '000
Cost or valuation						
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 1 January 2010	241,015	525,773	140,999	4,926,321	1,040,141	6,874,249
Reclassifications	8,600	(8,600)	-	-	-	-
Additions	882	-	398	20,776	2,068,660	2,090,716
Transfers	-	1,287,409	-	424,839	(1,712,248)	-
Disposals	-	-	-	(940)	-	(940)
At 31 December 2010	250,497	1,804,582	141,397	5,370,996	1,396,553	8,964,025
Comprising						
At cost	882	1,287,409	398	457,179	1,396,553	3,142,421
At valuation 2009	249,615	517,173	140,999	4,913,817	-	5,821,604
	250,497	1,804,582	141,397	5,370,996	1,396,553	8,964,025
Depreciation						
At 1 January 2009	8,379	50,521	192,594	760,472	-	1,011,966
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)

12(b) Property, plant and equipment-Group (continued)

	Freehold land Kshs '000	Buildings on leasehold land Kshs '000	Heavy commercial vehicles and quarrying equipment Kshs '000	Computer hardware, plant, machinery, motor vehicles, furniture and fittings Kshs '000	Capital work in progress Kshs '000	Total Kshs '000
At 1 January 2010	-	-	-	38,241	-	38,241
Charge for the year	-	12,929	14,130	254,054	-	281,113
Eliminated on disposal	-	-	-	(110)	-	(110)
At 31 December 2010	-	12,929	14,130	292,185	-	319,244
NET BOOK VALUE (REVALUATION BASIS)						
At 31 December 2010	250,497	1,791,653	127,267	5,078,811	1,396,553	8,644,781
At 31 December 2009	241,015	525,773	140,999	4,888,080	1,040,141	6,836,008
NET BOOK VALUE (COST BASIS)						
At 31 December 2010	101,752	1,132,940	95,992	3,825,184	1,396,553	6,552,421
At 31 December 2009	104,361	112,339	106,216	3,940,669	1,040,141	5,203,726

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 Kshs 1,545,295,500 (2009 – Kshs 766,788,000) 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 Kshs 187,529,895 (2009 – Kshs 189,886,555) which were fully depreciated as at 31 December 2010. The normal depreciation charge would have been Kshs 25,364,347 (2009 – Kshs 22,808,466).

13 Operating lease repayments

	Group Kshs '000	Company Kshs '000
Cost		
At 1 January 2009	35,066	2,707
Exchange adjustment	(1,137)	-
At 1 January 2010	33,929	2,707
Exchange adjustment	(603)	-
At 31 December 2010	33,326	2,707
Amortisation		
At 1 January 2009	1,512	629
Charge for the year	279	68
Exchange adjustment	(8)	-
At 1 January 2010	1,783	697
Charge for the year	1,139	68
Exchange adjustment	(58)	-
At 31 December 2010	2,864	765
Net Book Value		
At 31 December 2010	30,462	1,942
At 31 December 2009	32,146	2,010

14 Intangible assets

	Group Kshs '000	Company Kshs '000
Cost		
At 1 January 2009	15,230	15,230
Additions	50,989	441
At 1 January and 31 December 2010	66,219	15,671
Amortisation		
At 1 January 2009	4,292	4,292
Charge for the year	3,808	3,808
At 1 January 2010	8,100	8,100
Charge for the year	3,918	3,918
At 31 December 2010	12,018	12,018
Net Book Value		
At 31 December 2010	54,201	3,653
At 31 December 2009	7,130	7,130

15 Goodwill

On 24 January 2009, Athi River Mining Limited acquired all the shares held by the minority shareholders of ARM (Tanzania) Limited making it a wholly owned subsidiary.

	Kshs '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 2010 and 2009	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.

16 (a) Investment in subsidiaries

	Company	
	2010 Kshs '000	2009 Kshs '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
Mafeking Cement (Pty) Limited	75,000	-
	367,642	292,642

16 (b) Mafeking Cement (Pty) Limited

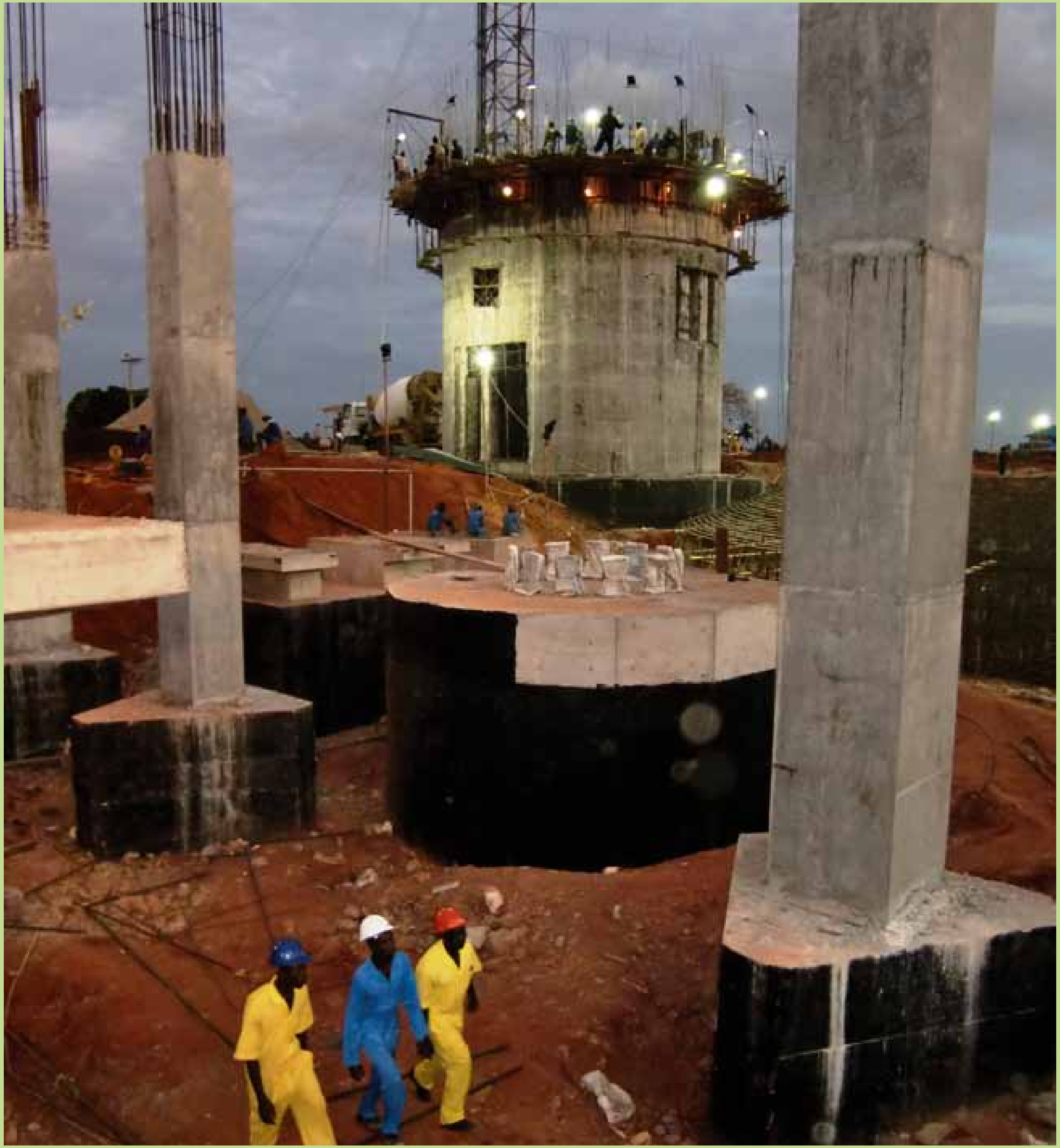
During the year, the company entered into an agreement to purchase mining rights for a future raw materials source in South Africa. These rights accrue to the company through acquisition of a controlling interest in Mafeking Cement (Pty) Limited, the Company that holds the rights. However, the rights were accounted for as an asset purchase since the acquisition is not a business purchase and therefore does not fall within the scope of IFRS 3.

On the date of acquisition of a controlling interest by Athi River Mining Limited, Mafeking Cement (Pty) Limited, had a shareholders' deficit equivalent to Kshs 41,017,000. The intangible asset charged against retained earnings in the statement of changes in equity is made up as follows:

	Kshs '000
Consideration paid for a 70% share of equity interest	75,000
Athi River Mining Limited's share of pre acquisition shareholders' deficit	28,717
	103,717

16 (c) None controlling interest

	Kshs '000
Balance at the beginning of the year	-
Share of the loss for the year	6,266
Non controlling interest arising on pre-acquisition of shareholders deficit (Note 16(b)	12,300
	18,566



CONSTRUCTION IN PROGRESS AT DAR ES SALAAM GRINDING PLANT

The 2,750 tons per day cement grinding plant is located 37kms south of the city centre, on the Lindi Mtwara road. The plant is scheduled for commissioning in early 2012.

The details of the above subsidiary companies are as follows:

Company	Percentage holding	Country of incorporation and domicile	Country of incorporation and domicile
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
Mafeking Cement (Pty) Limited	70%	South Africa	Not yet operational

On 1 January 2010, the group commenced implementation of a restructuring of its operations which involved the split of Athi River Mining Limited into two distinct companies namely ARM Cement Limited dealing in Cement and Lime business and ARM Minerals & Chemicals Limited dealing in Minerals, Chemicals and Fertilizer business, while Athi River Mining Limited was to serve as the holding company. However the decision was subsequently reversed and with effect from 1 April 2010, all operations reverted back to Athi River Mining Limited and the two companies were left to be dormant. These companies are wholly owned subsidiaries of Athi River Mining Limited and have not been consolidated as the balances involved are insignificant.

Athi River Mining Limited also holds 100% of the equity interest in two other companies, ARM Zambia Limited and ARM Botswana Limited. These companies have not yet commenced operations and have not been consolidated in view of the insignificance of the amounts involved

17 Inventories

	Group		Company	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
Raw materials	386,115	477,590	313,480	414,204
Finished goods	178,439	68,773	147,157	56,149
Packaging materials	29,776	55,191	28,957	55,191
Stores, spares and laboratory inventories	549,008	460,547	539,059	456,199
Work in progress	968	22,185	968	878
Impairment provision on spare parts	(14,421)	-	(14,421)	-
	1,129,885	1,084,286	1,015,200	982,621

18 Trade and other receivables

	Group		Company	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
Trade receivables	1,135,578	1,094,402	1,031,535	973,752
Prepayment for acquisition of shares*	-	116,550	-	116,550
Other receivables and prepayments	651,484	167,650	135,663	50,476
	1,787,062	1,378,602	1,167,198	1,140,778

*In October 2009 the company entered into an agreement to purchase mining rights for a future raw materials source in South Africa. These rights accrue to the company through acquisition of a controlling interest in Mafeking Cement (Pty) Limited, the company that holds the rights The purchase has since been approved by the relevant authorities in South Africa during the year. However, the rights were accounted for as an asset purchase since the acquisition is not a business purchase and therefore does not fall within the scope of IFRS 3. This has been shown under note 16 (b).

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 plan's Trust Deed.

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 6,055,000 share options granted (2009 – 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. The movement in the ESOP receivable balance during the year is as shown below;

Group & Company

	2010 Kshs '000	2009 Kshs '000
Amount due from ESOP		
At 1 January	66,767	83,635
Net Proceeds from sale of ESOP shares	(9,322)	(9,678)
Repayments	(8,486)	(7,190)
At 31 December	48,959	66,767

The amount due from the ESOP represents the amount receivable from the ESOP in relation to the shares held by the ESOP as at the end of the year.

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

20 Share capital

	2010 Kshs '000	2009 Kshs '000
Authorised:		
135,000,000 ordinary shares of Sh 5.00 each	675,000	675,000
Issued and fully paid:		
99,055,000 fully paid ordinary shares of Sh 5.00 each	495,275	495,275

21 (a) Borrowings – Group

	2010 Kshs '000	2009 Kshs '000
Bank loans	6,054,676	4,126,119
Equity linked notes*	1,600,000	-
Corporate bond	-	327,191
Bank overdrafts	1,064,137	759,400
	8,718,813	5,212,710
The borrowings are repayable as follows:		
On demand or within one year	1,954,028	2,188,514
In the second year	747,155	323,627
After 2 years but within 5 years	4,582,178	2,538,677
After 5 years	1,435,452	161,892
	8,718,813	5,212,710
Less: amount due for settlement within one year	1,954,028	2,199,250
Amount due for settlement after one year	6,764,785	3,013,460

21 (a) Borrowings – Group (continued)

Analysis of borrowings by currency

	Borrowings in US$	Kshs Equivalent Kshs '000	Borrowing in local currency Kshs '000	Total borrowings Kshs '000
2010				
Bank overdrafts	8,886,613	717,594	346,543	1,064,137
Bank loans	65,293,116	5,270,950	783,726	6,054,676
Equity linked notes*	-	-	1,600,000	1,600,000
At 31 December 2010	74,179,729	5,988,544	2,730,269	8,718,813
2009				
Bank overdrafts	6,778,487	514,860	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	2,150,380	3,062,330	5,212,710

*During the year the Company raised Kshs 1,600,000,000 on 20 April 2010. The proceeds have been used to finance the construction of a cement factory being undertaken by a subsidiary located in Tanzania through an issue of Equity linked notes by way of private placement. The unsecured notes have a coupon rate of 12% with an equity upside on maturity of up to 1.2% depending on Athi River Mining Ltd 's share price performance on the Nairobi Stock Exchange. The notes are redeemable in full on 20 April 2015.

The average interest rates incurred on the borrowing during the year were as follows:

	2010 %	2009 %
Bank overdrafts	13.50	12.00
Bank loans (Sh)	12.00	11.90
Bank loans (US $)	7.10	6.80
Equity linked notes	12.00	-
Corporate bond	-	9.42

21 (b) Borrowings – Company

	2010 Kshs '000	2009 Kshs '000
Bank loans	3,728,438	2,490,599
Equity linked notes	1,600,000	-
Corporate bond	-	327,191
Bank overdrafts	1,064,137	759,400
	6,392,575	3,577,190

The borrowings are repayable as follows:	2010 Kshs '000	2009 Kshs '000
On demand or within one year	1,938,026	2,173,428
In the second year	555,496	294,116
After 2 years and within 5 years	2,463,601	958,490
After 5 years	1,435,452	151,156
	6,392,575	3,577,190
Less: amount due for settlement within one year	1,938,026	2,173,428
Amount due for settlement after one year	4,454,549	1,403,762

21 (b) Borrowings – Company (continued)

Analysis of borrowings by currency

	Borrowings in US$	Kshs equivalent Kshs '000	Borrowings in local currency Kshs '000	Total borrowings Kshs '000
2010				
Bank loans	36,485,215	2,944,712	783,726	3,728,438
Equity linked notes	-	-	1,600,000	1,600,000
Bank overdrafts	8,886,613	717,594	346,543	1,064,137
At 31 December 2010	45,371,828	3,662,306	2,730,269	6,392,575
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

The average interest rates incurred on the borrowing during the year were as follows:

	2010 %	2009 %
Bank overdrafts	13.50	13.50
Bank loans (Sh)	12.00	10.24
Bank loans (US$)	7.50	6.75
Equity Linked notes	12.00	9.42

Details of securities

The general short term borrowings, 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 Kshs 225,000,000 and USD 19,134,000 together with a first legal charge for Kshs 225,000,000 and USD 19,134,000 over the company's freehold and leasehold properties ranking pari passu to the legal charges in favour of other lenders, Barclays Bank of Kenya Limited, Citibank NA 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 Kshs 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 for Kshs 264,000,000 and a debenture of Kshs 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 USD 5,940,000.

Athi River Mining Kenya Limited is a guarantor to 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 Equity linked notes are unsecured and matures in 2015.

The Aureos income note is unsecured and matures in 2015.

At 31 December 2010, the company had outstanding letters of credit amounting to Kshs 177,650,000(2009 – Kshs 1,135,973,505).

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		Company	
	2010 Kshs '000	**2009 Kshs '000**	**2010 Kshs '000**	**2009 Kshs '000**
The net deferred taxation liability is attributable to the following items:				
Liabilities:				
Accelerated capital allowances	1,690,494	1,022,914	1,675,445	980,245
Revaluation surplus	628,009	656,485	628,009	656,485
Unrealised exchange gains	13,702	14,063	12,287	12,964
	2,332,205	1,693,462	2,315,741	1,649,694
Assets:				
Leave pay provision	(2,748)	(2,684)	(2,748)	(2,684)
Bonus provision	(7,152)	(4,886)	(7,152)	(4,886)
Unrealised exchange losses	(4,924)	(10,276)	(5,960)	(10,276)
Tax losses available for future offset	(367,328)	(31,515)	(367,328)	-
	(382,152)	(49,361)	(383,188)	(17,846)
Net deferred taxation liability	1,950,053	1,644,101	1,932,553	1,631,848

The movement on the deferred taxation account is as follows:

	Group		Company	
	2010 Kshs '000	**2009 Kshs '000**	**2010 Kshs '000**	**2009 Kshs '000**
At 1 January	1,644,101	728,534	1,631,848	726,474
Income statement charge (note 8(a))				
- current year	300,652	253,267	300,705	243,883
- prior year	-	19,402	-	19,402
Credited directly to revaluation surplus	-	642,089	-	642,089
Exchange adjustment	5,300	809	-	-
At 31 December	1,950,053	1,644,101	1,932,553	1,631,848

23(a) Finance leases - Group

	Minimum lease payments		Present value of minimum Payments	
	2010 Kshs '000	**2009 Kshs '000**	**2010 Kshs '000**	**2009 Kshs '000**
Amounts payable under finance leases				
Within one year	1,126	7,431	1,026	7,135
In the second to fifth years inclusive	-	1,431	-	1,124
	1,126	8,862	1,026	8,259
Less: Future finance charges	(100)	(603)	-	-
Present value of lease obligations	1,026	8,259	1,026	8,259
Less: Amount due for settlement within 12 months			(1,026)	(7,421)
Amounts due for settlement after 12 months			-	838

23(b) Finance leases - Company

	Minimum lease payments		Present value of minimum Payments	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
Amounts payable under finance leases				
Within one year	-	6,470	-	6,297
In the second to fifth years inclusive	-	-	-	-
	-	6,470	-	6,297
Less: Future finance charges	-	(173)	-	-
Present value of lease obligations	-	6,297	-	6,297
Less: Amount due for settlement within 12 months			-	(6,297)
Amounts due for settlement after 12 months			-	-

(c) Analysis by cash flows:

	Group		Company	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
At 1 January	8,259	28,502	6,297	27,317
New financing received	-	1,854	-	-
Repayments	(7,587)	(22,438)	(6,297)	(21,020)
Exchange adjustment	354	341	-	-
At 31 December	1,026	8,259	-	6,297

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 accruing on the obligations under finance lease agreements during the year was 10.00 % (2009: 12.31%). 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 2010 was Kshs 1,527,769 (2009 – Kshs 31,536,908).

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		Company	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
Trade payables	845,784	891,828	778,199	771,399
Other payables and accruals	376,450	223,047	160,885	126,425
Leave pay provision	9,160	8,949	9,160	8,949
	1,231,394	1,123,824	948,244	906,773

CREATING EMPLOYMENT OPPORTUNITIES FOR YOUNG PEOPLE IN TANZANIA

Between the 2 sites, in Tanga and Dar es Salaam, ARM has created job opportunities for over 1000 Tanzanians. Many young employees are being trained in various technical skills and are being prepared for operating the largest cement plant in Eastern Africa.

25 Notes to the cash flow statement

	2010 Kshs '000	2009 Kshs '000
(a) Cash generated from operations		
Profit before taxation	1,112,962	948,714
Adjustments:		
Depreciation	315,151	221,654
Amortisation of operating lease prepayments	1,139	279
Amortisation of intangible assets	3,918	3,808
Interest expense charged to statement of comprehensive income	226,316	117,815
Finance income recognised in statement of comprehensive income	-	(9,795)
Net unrealised foreign exchange gains	53,511	(53,493)
Loss/ (Gain) on disposal of property, plant and equipment	83	(921)
Adjusted profit before working capital changes	1,713,080	1,228,061
Increase in inventories	(45,599)	(297,206)
Increase in trade and other receivables	(408,460)	(426,655)
Movement due from related party balances	(31,273)	(1,056)
Increase in trade and other payables	107,570	338,082
Decrease in due from ESOP	17,808	16,868
Cash generated from operations	1,353,126	858,094

	2010 Kshs '000	2009 Kshs '000
(b) Analysis of additions to property, plant and equipment		
Additions in the year (note 12(a))	3,870,936	2,462,143
Less:		
Acquisitions through finance leases (note 23(c))	-	(1,854)
Interest capitalised (note 4)	(252,375)	(243,408)
Acquisition by cash	3,618,561	2,216,881
(c) Analysis of cash flow by loans and corporate bond (note 21(a))		
At 1 January	4,453,310	2,486,700
Received	4,377,801	2,493,002
Repayment	(1,251,709)	(499,081)
Accrued interest on borrowings	-	74,007
Exchange adjustment	75,274	(101,318)
	7,654,676	4,453,310
(d) Analysis of cash and cash equivalents		
Cash and bank balances	355,882	812,527
Bank overdrafts (note 21(b))	(1,064,137)	(759,400)
Investments in short-term deposits	843,043	-
	134,788	53,127
(e) Analysis of interest paid		
Interest included in the cost of qualifying assets (note 4)	252,375	243,408
Interest charged to profit or loss(note 4)	250,312	117,815
Accrued interest on corporate bond (note 25 (c))	-	(74,007)
	502,687	287,216

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:

(a) Transactions

	2010 Kshs '000	2009 Kshs '000
Sales:		
ARM (Tanzania) Limited	11,136	14,675
ARMSA (Pty) Limited	120,751	56,616
Maweni Limestone Limited	36,996	-
Rhino Special Products Limited	84,949	76,552
	253,832	147,843
Purchases:		
Operating lease rentals	5,400	3,000

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

(b) Due from related parties – group

	2010 Kshs '000	2009 Kshs '000
Rhino Special Products Limited	60,787	19,921
Royal Ceiling	1,120	-
Cement Distributors Limited	-	643
	61,907	20,564

(c) Due from related parties – company

	2010 Kshs '000	2009 Kshs '000
Maweni Limestone Limited	2,135,076	572,233
ARM (Tanzania) Limited	294,187	268,013
ARMSA (Pty) Limited	119,267	130,748
Rhino Special Products Limited	60,786	19,921
Mafeking cement (Pty) Limited	119,113	-
Royal Ceiling Ltd	1,121	-
	2,729,550	990,915

d) Due to related parties – group

	2010 Kshs '000	2009 Kshs '000
Due to directors	16,532	6,462

(e) Due to related parties – company

	2010 Kshs '000	2009 Kshs '000
Due to directors	11,062	2,101

(f) Key management compensation

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

	2010 Kshs '000	2009 Kshs '000
Salaries and other benefits	167,557	155,662

(g) Directors' remuneration

	2010 Kshs '000	2009 Kshs '000
Fees for services as directors	7,603	3,019
Other emoluments (included in key management compensation)	102,358	99,018
	109,961	102,037

27 Operating lease commitments

The company as a lessee:

Rental payments during the year amounted to Kshs 41,347,235 (2009 – Kshs 46,357,000). At the balance sheet date, the company had contracted for the following future lease payables:

	2010 Kshs'000	2009 Kshs '000
Within one year	31,144	43,655
In the second to fifth year inclusive	23,042	47,549
After five years	4,235	4,832
	58,421	96,036

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 for in the lease agreements.

28 Capital commitments	Group		Company	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
Authorised and contracted for	178,200	1,618,721	76	128,289
Authorised but not contracted for	3,480,000	971,711	280,000	971,711
29 Contingent liabilities				
Guarantees	15,000	44,465	15,000	44,465

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 department identifies, evaluates and where possible 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 the risk of being materially affected by adverse foreign currency fluctuations is effectively managed and minimised.

The company has the natural hedge of its foreign exchange risk on foreign currency denominated borrowings by matching commitments on borrowings obligations with dollar denominated sales At 31 December 2010, 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 Kshs 56,371,400 (2009: Kshs 110,343,552) higher/lower, mainly as a result of translation 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. During the year, an increase/decrease of 5 percentage points on average borrowing rates would have resulted in an increase/decrease in pre tax profit of Kshs 13,578,960 (2009 - Kshs 10,543,350).

Credit risk

Credit risk refers to the risk that a 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 representing the group's maximum exposure to credit risk without taking account of the value of any collateral obtained is as follows:

	Fully performing Kshs '000	Past due Kshs '000	Impaired Kshs '000	Total Kshs '000
At 31 December 2010				
Trade receivables	981,422	154,156	81,961	1,217,539
Provision for impairment	-	-	(81,961)	(81,961)
	981,422	154,156	-	1,135,578
Due from related parties	61,907	-	-	61,907
Bank balances	355,882	-	-	355,882
Investments in Kshsort term deposits	843,043	-	-	843,043
	2,242,254	154,156	-	2,396,410

The amount that best represents the group's maximmum exposure to credit risk as at 31 December 2009 is made up as follows:

	Fully performing Kshs '000	Past due Kshs '000	Impaired Kshs '000	Total Kshs '000
At 31 December 2009				
Trade receivables	718,001	376,401	72,372	1,166,774
Provision for impairment	-	-	(72,372)	(72,372)
	718,001	376,401	-	1,094,402
Due from related parties	5,142	15,422	-	20,564
Bank balances	812,527	-	-	812,527
	1,535,670	391,823	-	1,927,493

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.

Liquidity risk

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.

	Less than 1 month Kshs '000	Between 1-3 months Kshs '000	Over 3 months Kshs '000	Over 12 months Kshs '000	Total Kshs '000
At 31 December 2010					
Borrowings	-	22,850	1,931,178	6,764,785	8,718,813
Finance leases	-	1,026	-	-	1,026
Trade payables	485,745	360,039	-	-	845,784
Due to related parties	-	-	16,532	-	16,532
	485,745	388,915	1,947,710	6,764,785	9,582,155
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

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	
	2010 Kshs '000	2009 Kshs '000	2010 Kshs '000	2009 Kshs '000
Share capital	495,275	495,275	495,275	495,275
Share premium	302,027	302,027	302,027	302,027
Revaluation surplus	1,465,354	1,531,797	1,465,354	1,531,797
Retained earnings	2,499,082	1,886,662	2,540,984	1,861,931
Translation reserve	(99,570)	(86,831)	-	-
Equity	4,662,168	4,128,930	4,803,640	4,191,030
Total borrowings and Finance leases	8,719,839	5,220,969	6,392,575	3,583,487
Less: cash and bank balances	(1,198,925)	(812,527)	(71,453)	(13,173)
Net debt	7,520,914	4,408,442	6,321,122	3,570,314
Total capital	12,183,082	8,537,372	11,124,762	7,761,344
Gearing	62%	52%	57%	46%

32 Incorporation

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

33 Currency

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

STAFF CHRISTMAS PARTY

ARM has a staff strength of over 3,000 between its various operations in Kenya, Tanzania and South Africa. At staff family parties, the company's team spirit is reinforced with fun and games.

Notes

Notes

Proxy Form

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 / us and on my / our behalf at the Annual General Meetings of the Company to be held on the 14 June 2011 and at any adjournment thereof.

Number of shares held of ______________________________

Account number of member ______________________________

As witness my / our hand this ____________ day of ____________ 2011

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.

The Secretary
Athi River Mining Limited,
P.O Box 41908 - 00100
Nairobi, Kenya

CREATING OPPORTUNITIES FOR KENYAN ENTREPRENEURS

Rhino Cement is developing dedicated outlets such as the one above, by partnering with entrepreneurs to increase availability of Cement throughout the country.

INFRASTRUCTURE LED GROWTH

In June 2010 budget, the government allocated KShs 182 billion, about 20% of the national budget, for financing prioritised infrastructure development throughout Kenya. Of this Kshs 78.6 billion was allocated for roads. Infrastructure spending by the government significantly increases the GDP growth of the country, and has a direct impact on cement consumption.

ARM sales of 42.5 grade and OPC grade cement to the road construction industry formed 11% of the total cement sales in 2010.