ARM
ATHI RIVER MINING LIMITED

38TH ANNUAL REPORT AND FINANCIAL STATEMENTS
2011

www.armafrica.com

KENYA

CAPITAL CITY

Nairobi

POPULATION

39.5 million

GDP PER CAPITA

$900

CEMENT CONSUMPTION PER CAPITA

85 kg

Examining core drilling samples at the Chauringo limestone and shale quarry at Kaloleni. The results of the drilling program are used to develop an efficient mining plan and raw material chemistry for clinker manufacture.

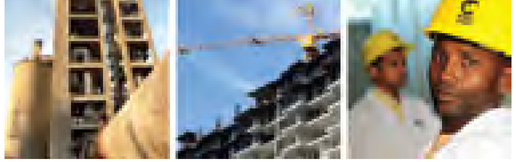
ARM ATHI RIVER MINING LIMITED

CONTENTS

Sylvester Makaka, ARM Chief Electrical Engineer, at the electric panel room at the fully automated Dar-es-Salaam grinding plant.

EXECUTIVE SUMMARY

Laying a strong steel reinforcing foundation for the 15,000 tons cement silo at the Dar-es-Salaam grinding plant.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 2012 Annual General Meeting will be held at the Parklands Sports Club, Nairobi on Tuesday, 24th July 2012 at 2.30 p.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 14th June 2011.

3. To receive the Balance Sheet and Accounts for the year ended 31st December 2011 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 2011.

5. To approve the payment of a first and final dividend of KES. 2.00 per share in respect of the year ended 31st December 2011.

6. To re-elect Director: Mr. R. Ashley retires from the Board under the provisions of Article 95 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.

Special Business

8. To consider and if thought fit to pass the following resolution as a Special resolution:

"That the name of the Company be and is hereby changed from Athi River Mining Limited to ARM Cement Limited".

9. To consider and if thought fit to pass the following resolution as an Ordinary resolution:

"That each of the 135,000,000 ordinary shares of KES 5 each in the authorized capital of the Company be and is hereby sub-divided into five ordinary shares of KES 1 each".

By Order of the Board

R.R. Vora
Secretary

Date: 17th May 2012

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

ATHI RIVER MINING LIMITED

P R O X Y   F O R M

I / We ______________________________

of ______________________________
being 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 24 July 2012 and at any adjournment thereof.

Number of Shares held ______________________________

Account number of member ______________________________

As witness my / our hand this ______________ day of ______________ 2012

____
SIGNED

NOTES

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

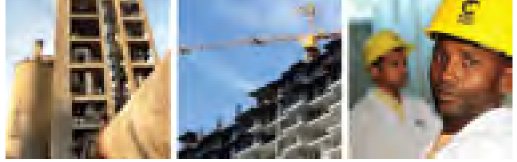
2. In case of a member being a corporation, this form must be completed either under its common seal, or under the hand of an officer or duly authorised attorney.

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 meeting as your proxy.

TEAR OFF HERE

The Secretary
Athi River Mining Limited
PO Box 41908 - 00100
Nairobi, Kenya



ARM CEMENT LOCATIONS

HEAD OFFICE
Nairobi

CEMENT GRINDING PLANT
Nairobi

BRANCH OFFICE
Mombasa

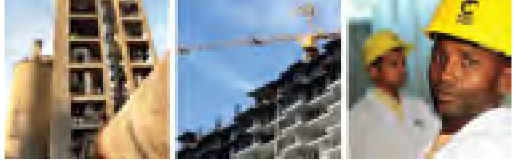
INTEGRATED CEMENT & CLINKER PLANT
Kaloleni

INTEGRATED CEMENT & CLINKER PLANT
Tanga

BRANCH OFFICE & CEMENT GRINDING PLANT
Dar-es-Salaam

CEMENT GRINDING PLANT
Kigali

Rhino House, Chiromo Road, Westlands
P. O. Box 41908, 00100, Nairobi. Kenya
Mobile +254-733-636-456
Tel +254-20-2692978
Fax +254-20-2667677
Email info@armafrica.com



DIRECTORS & CORPORATE INFORMATION

Directors

CHAIRMAN	Mr. R. Ashley*
GROUP MANAGING DIRECTOR	Mr. P. H. Paunrana
DEPUTY MANAGING DIRECTOR	Mr. S. L. Bhatia**
FINANCE DIRECTOR	Mr. A. Mathur**
	Mr. W. Murungi
	Mr. D. M. Ndonye
	Mr. M. Turner*

Audit Committee

CHAIRMAN	Mr. D. M. Ndonye
	Mr. W. Murungi
	Mr. R. Ashley

Investment And Strategy Committee

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

Nomination And Remuneration Committee

CHAIRMAN	Mr. W. Murungi
	Mr. M. Turner
	Mr. D. Ndonye

Secretary

Mr R. R. Vora,
Certified Public Secretary (Kenya)
Marakwet House,
Po Box 48405 - 00100, Nairobi

Registered Office

Rhino House,
Chiromo Road, Westlands,
Po Box 41908 - 00100, Nairobi

Auditors

Deloitte & Touche,
Certified Public Accountants (Kenya)
Deloitte Place,
Waiyaki Way, Muthangari,
Po Box 40092 - 00100, Nairobi

Advocates

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

Bankers

CfC Stanbic Bank Limited
Kenyatta Avenue
Po Box 30550-00100, Nairobi

Barclays Bank of Kenya Limited
Barclays Plaza Branch
PO Box 46661-00100, Nairobi

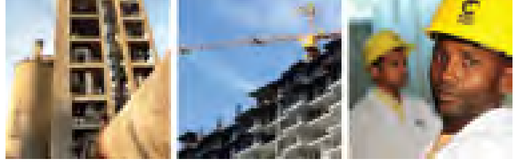
Citi Bank NA
PO Box 30711-00100, Nairobi

Bank of Africa Limited
Taifa Road,
PO Box 69562-00400, Nairobi

Rhino Cement Foundation

CHAIRMAN	Mr. T. Mbathi
TRUSTEES	Mr. D. Ndonye
	Mr. R. Vora
	Mr. P. H. Paunrana
	Mrs. A. Paunrana

** British   ** Indian*



CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to invite you all to another Annual General Meeting of Athi River Mining Ltd, to be held on the 24th of July 2012. Your company was founded by Mzee H J Paunrana in early 1974, and he held his first meeting of the founder shareholders in 1975. This year's AGM will therefore mark the 38th annual general meeting of shareholders of Athi River Mining Ltd. As requested by some shareholders at last year's meeting, we have recognised the anniversary as is custom amongst other public companies in Kenya.

The importance of the event is perhaps not so much in the number of years the company has been in existence. Rather, the remarkable fact is that the founder, Mzee Paunrana, then of course a young man of 42, was only a 25% shareholder of the company he had founded. The majority shareholders were those who had provided him with the initial capital to set up the company, and included a retired banker, friends and relatives. Right from the outset, Mzee Paunrana set a rare trend in start-up businesses of that era. He provided detailed reports on the implementation of the company's plans and financial statements to his shareholders on a regular basis. The principles of transparency, separation of executive and non executive Board roles, and communication with shareholders were established as part of ARM's culture long before Corporate Governance became a fashionable phrase a decade ago. As Chairman of the Board, I am proud to say that this tradition has continued and strengthened over the years.

OUR FOUNDER
Mzee H J Paunrana
(1935 – 2009)

Patience and perseverance are necessary qualities to achieve material success, but true business success is only achieved when you begin to serve the needs and the interests of the country and its people and do so by fair and honest means.

Mzee Paunrana, paraphrasing JRD Tata, whom he admired greatly.

ARM was amongst the first NSE listed companies to adopt a formal Corporate Governance Charter, and early this year, the Managing Director and I were amongst the first of Kenyan companies to sign and commit your company to abide by the Code Of Ethics for Business in Kenya, an initiative of the Kenya Association of Manufacturers (KAM), the UN Global Compact Network Kenya and the Kenya Private Sector Alliance (KEPSA).

I can confirm that your company continues to strive to provide as full a picture of our activities as is practicable within the space afforded in our Annual Report & Accounts. We are also trying to reflect the respective responsibilities of the organs of your Company in our reporting. Accordingly, and in line with the Report on Corporate Governance in this report, my report, as Chairman of your Board, will concentrate on matters of "Strategy, Policy and Governance" whilst the executive management team provides a full account of financial and operational matters elsewhere in this report.

I trust you will find this approach instructive and it will help you to gain a better overall understanding of your Company.

That your Company has grown strongly and consistently since our listing in 1997 is perhaps obvious to even the most casual of observers. However, it is important to put this growth in a strategic context. That is, to consider the evolution and delivery of ARM's vision and strategy over the last few years.

CHAIRMAN'S STATEMENT - Continued

Hon. Martha Karua E.G.H., MP with Rick Ashley and Pradeep Paunrana at the signing of the Letter of Commitment and Engagement on Code of Ethics for Business in Kenya

CODE OF ETHICS
FOR BUSINESS IN KENYA

We, the business community, recognize that ethical business brings about good business. We are committed to play a proactive role in building a globally competitive and prosperous nation, with a high quality of life, as envisioned in Vision 2030.

As good corporate citizen, we commit to treating our stakeholders with respect, to run our businesses with responsibility, to act in compliance with applicable laws, and to be actively involved in corruption prevention. Our commitment to these ethical standards determines our interaction with our stakeholders, that is, our organization; our shareholders and investors; users of our products and services; our suppliers, contractors and agents; our society; and our state and government, and the environment.

ARM IS A SIGNATORY TO THIS
CODE OF ETHICS FOR BUSINESS IN KENYA

INITIATIATED BY
KENYA ASSOCIATION OF MANUFACTURERS (KAM)
KENYA PRIVATE SECTOR ALLIANCE (KEPSA)
UN GLOBAL COMPACT NETWORK KENYA

CHAIRMAN'S STATEMENT - Continued

Our Vision

It is opportune to look at your Company's vision of its place in society periodically as part of this process. If I may take the liberty of quoting our Managing Director:

"As we grow our business across Africa, our success will be measured not by financial performance alone, but by the value we bring to our customers, to our employees and to the communities we operate in. We will progress from simply being successful, to being significant in everything we do."

Pradeep made that bold statement in 2007.

Five years on, it is clearly emerging that our achievements are indeed demonstrating that commitment.

• Your Company has begun to grow its business across Africa, with substantial investments not only in Kenya, but also in South Africa, Tanzania and Rwanda.

• Your company has consistently achieved recognition and awards in environmental conservation and clean production practices.

• Your company has firmly established itself as one of the COMPANIES THAT MAKE KENYA & KENYANS PROUD as illustrated by the Business Daily poll in September 2011. It is particularly noteworthy that your company ranked third both for Innovation and Contribution to Development in both cases behind only Equity Bank and Safaricom. Truly "significant in everything we do"!

• Your Company actively promotes wealth creation in the communities we operate in through the Rhino Cement Foundation, by investing in health, education and environment projects that have an enduring and transformational impact.

Ngong Forest Sanctuary is one of only very few forests in the world that exists within a city. Only 6 kilomteres from Nairobi's central business district, the forest is a precious resource for Kenya's capital city. Rhino Cement Foundation donated the cement for the construction of the Imre Loefler Education Centre at the Sanctuary, which is open to school children, institutions for private functions and the general public. Rhino Cement Foundation provides a monthly financial support to the Centre promote environmental awareness and education.

CHAIRMAN'S STATEMENT - Continued

Rick Ashley, Ben Moshi, and Sylvester Makaka(ARM Chief Electrical Engineer) at the Dar-es-Salaam cement grinding plant early this year

Our Strategy

"ARM engineers and builds world class cement plants with lower then industry average capital costs, and manufactures high quality cement economically and efficiently, to supply to the growing infrastructure, housing and construction needs of Africa. At the same time, ARM champions, through its employees, social investments in health, education and environment to promote wealth creation in the communities and countries it operates in, and to help BUILD AFRICA."

Our statement of purpose is given prominence once more in our strategy statement. Your company's strategy is not about being the best or the biggest, or overcoming competition and achieving the highest margins, but about what we believe makes a difference to our employees and all our stakeholders in a significant way.

Rightly so, the strategy demonstrates a clear value proposition and our grand purpose. It focuses on our core business and is rooted in a deep and certain knowledge of our customers. Further, we believe it demonstrates a realistic appraisal of your Company's capabilities and strengths.

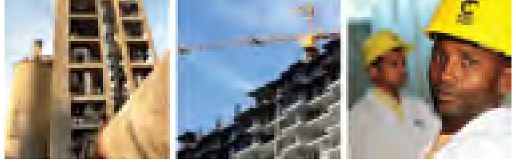
As a Board, we are also mindful of the quality of ARM's Strategy in terms of the value proposition for shareholders and stakeholders.

• We build plants at lower than industry average costs creating value for our shareholders.

• We manufacture high quality cement economically and efficiently creating value for our customers.

• Our employees help us to make social investments, creating value for our communities.
• In Building Africa, we are creating value for Africa and its people.

Our strategy, formulated and endorsed by the Board and executed by the employees aims to



CHAIRMAN'S STATEMENT - Continued

make the company resilient in uncertain times, whilst creating opportunities to increase cement capacity, improve operating efficiencies and increase shareholder value.

A strong and consistent share price performance suggests this is so for shareholders. Our cumulative average growth per year of 32% in the share price over the past 7 years ranks ARM as one of the top performing companies in Africa, as reported by the magazine African Business in April 2012.

Distribution of Wealth Created

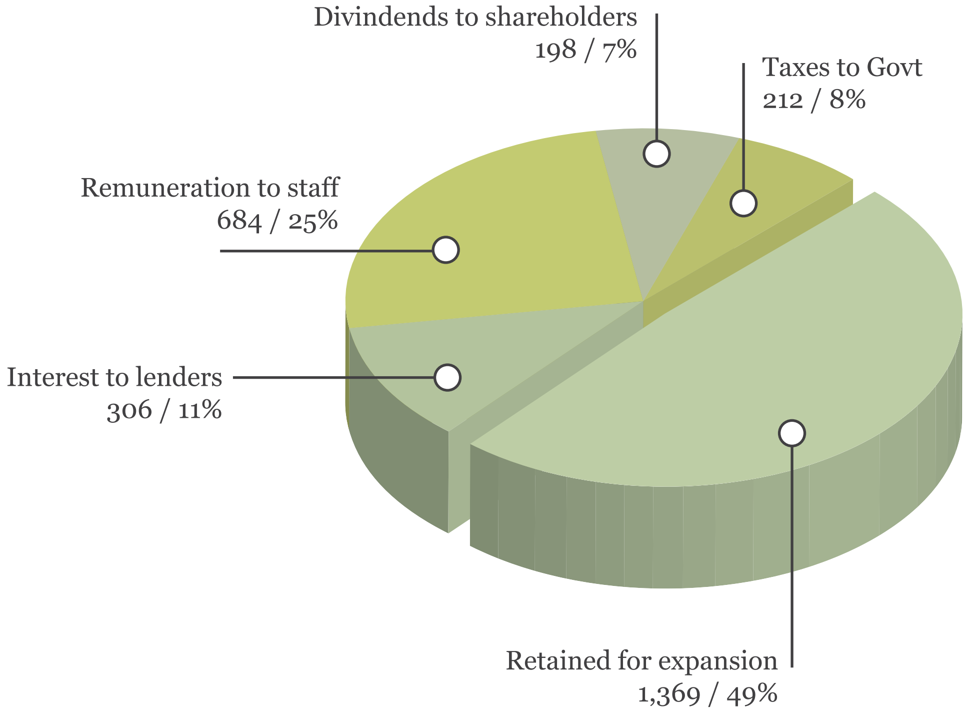
Although a detailed analysis of our financial performance is included in the Managing Director's Report, as Chairman of the Board, I feel particularly proud to present the chart showing the distribution of wealth created by your company during the past financial year.

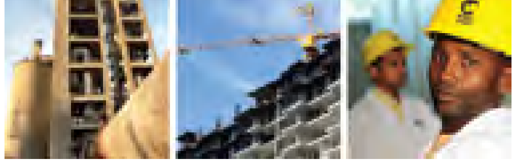
The Board of Directors recognise that the growth we have witnessed does not come without significant challenges. Our transition from a small company in Athi River to the regional player now operating in seven locations across four countries has been dramatic. Ensuring your Company continuously monitors and improves the resources required to manage such an enterprise remains key to our continued growth and success. That manifests itself in scaling up operational and financial controls, skills development and talent retention, and deepening of senior management team to succeed in an increasingly complex business environment. During 2011 and 2012 to date, this has particularly seen our Senior management and Internal Audit teams strengthened, supported by continued investment in the IT platform required to manage the regional scale of our businesses.

I take this opportunity, on behalf of the Board, to applaud management and all our employees on another year of exceptional performance which was achieved in spite of a difficult external environment, particularly in the context of the volatility of inflation, exchange and interest rates, rising input costs, reduced pricing power and competition.

Distribution of Wealth Created

KES - MILLIONS





CHAIRMAN'S STATEMENT - Continued

Pradeep Paunrana, Andrew Alli, CEO of AFC, and Surendra Bhatia signing agreement with Africa Finance Corporation.

AFC's mission is to help address Africa's infrastructure development needs while seeking a competitive return on capital for its shareholders. AFC is an international organization established in 2007 by treaty between sovereign states, hosted by Nigeria, and majority private sector shareholder owned with US$1.1 billion in fully paid-in equity capital. AFC is driven by a diverse team of experienced of professionals from investment banking, engineering and private sector backgrounds.

AFC Investment

Further expansion of our cement capacity in the region remains at the heart of our future plans and the Investment secured from Africa Finance Corporation is an important part of this strategy. The injection of US$ 50 million enables your Company to strengthen its balance sheet which is particularly important as we continue to invest heavily ahead of completion of plants in Tanzania and we look ahead to further new capacity in our growing regional markets.

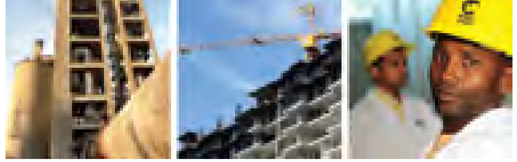
We believe that the issue of this convertible instrument at a significant premium to the prevailing market price is favourable to existing shareholders. It means our current and prospective shareholders participate equitably in the projected growth over a 6 year horizon and beyond, in this opportunity.

I also take this opportunity to welcome Andrew Alli, the CEO of AFC as the newest member of our Board of Directors.

Governance

Matters of corporate governance are clearly spelt out separately in this Report. Board governance and policy setting goals to implement strategy remain at the heart of your Board's role. Our Board Committees continue to meet regularly and diligently discharge their responsibilities and we continue to strive to improve capacity and effectiveness. We look forward to AFC increasing the capacity of the Board, and your Company's corporate leadership.

The chairman's report would not be complete without mentioning



CHAIRMAN'S STATEMENT - Continued

matters related to environmental compliance. The Board regards compliance with the applicable laws, regulations and standards as a critical to the success of our strategy articulated earlier. The Board is confident that the all our plants and operations are fully compliant in line with international cement industry norms and within the scope of current regulatory framework. Where orders outside of the regulations are proposed by our National Environment Management Authority, your Company will seek reasonable solutions.

Proposed Share Split

The proposed share split will also, we believe, further enhance shareholder value as it is aimed at increasing liquidity and improving trading volumes.

Change of Name

The Board of Directors has recommended to the AGM that your Company considers a change of name to ARM Cement Ltd. We firmly believe this will recognise the increasing influence of our cement business on the Group. It retains our links with the past as ARM but is forward looking as our cement business dominates our continued growth.

Outlook

Your Company remains positive about the regional economy's prospects boosted by infrastructure investment and regional economic integration. The Kenyan economy appears to have stabilised from the volatility experienced in 2011 and we see a return to stronger growth as interest rates are eased during the remainder of 2012. Cement growth remains robust perhaps signalling confidence that the election cycle will be more measured in 2013.

We look forward with confidence to the commissioning of our grinding plant in Dar in mid 2012. Work continues at Tanga and good market conditions suggest our investment will be well rewarded when full production commences in 2013.

Conclusion

In conclusion, the year under review has been another challenging and rewarding one for your Company. 2012 promises further strong growth.

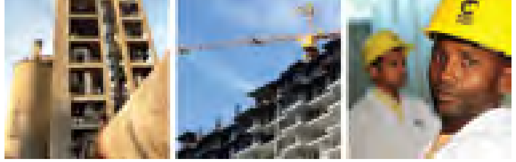
However, none of these achievements would have been possible without the unwavering commitment of your Management and all our employees to the bold vision of the Company. Their resourcefulness and industry continue to delight our customers, stakeholders and your Board.

I must also acknowledge the guidance and support of my colleagues on the Board. Their advice is fundamental to your Company's continued ability to deliver. Further, I would like to make particular mention of our Tanzania based directors whose wise counsel has been invaluable in ensuring our investments there remain on track.

Sincerely,

Rick Ashley

CHAIRMAN



MANAGING DIRECTOR'S REPORT

A CHALLENGING YEAR

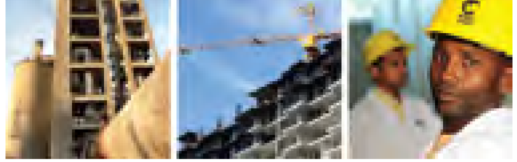
2011 proved to be a year of many challenges. The Kenyan economy faced considerable turmoil chiefly the severe drought, food shortages, spiraling inflation, and currency depreciation. This led to increased food prices and reduced purchasing power in the economy. The increase in fuel, power and transport costs particularly impacted the cost of cement manufacturing and distribution. The construction sector however continued to grow during the year, and although demand for cement increased, cement selling prices remained constant and gross margins declined during the year.

By September 2011, the Kenyan currency depreciated from KES 83 to the US Dollar at the beginning of the year to KES 107. This led to an unrealized exchange loss of KES 681 million, arising from US Dollar denominated borrowings, on our 9 month profit and loss statement. Fortunately, the Kenya Shilling strengthened again by the end of the year, which reversed most of this currency loss. Interest rates on the local currency debt however increased steeply in the last quarter and impacted margins.

General security around our plants and project sites declined and increasing cases of thefts and pilferage necessitated additional control measures. The Kaloleni plant suffered from and unprecedented 93 power outages during the year. This not only reduced the clinker production volume and efficiency of our plant, but led to increased maintenance costs. The Company has now revived the captive coal fired power plant project where surplus power generation would be sold through the national grid. During the year the Company signed a Joint Development Agreement with Aldwych International Ltd, a specialist power projects company, to fast track this power project. Meanwhile, improvements have been made by Kenya Power and electricity supply is now stable.

KALOLENI CLINKER PLANT SET IN A BIODIVERSITY ENVIRONMENT

The 1500 tonnes per day clinker plant, surrounded by thousands of trees and its three 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 the Total Eco Challenge for its work in environmental and tree planting activities in the country.

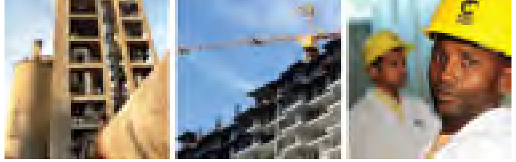


MANAGING DIRECTOR'S REPORT - Continued

Our distributors and loyal customers helped us to increase Rhino Cement sales by over 70% in 2011

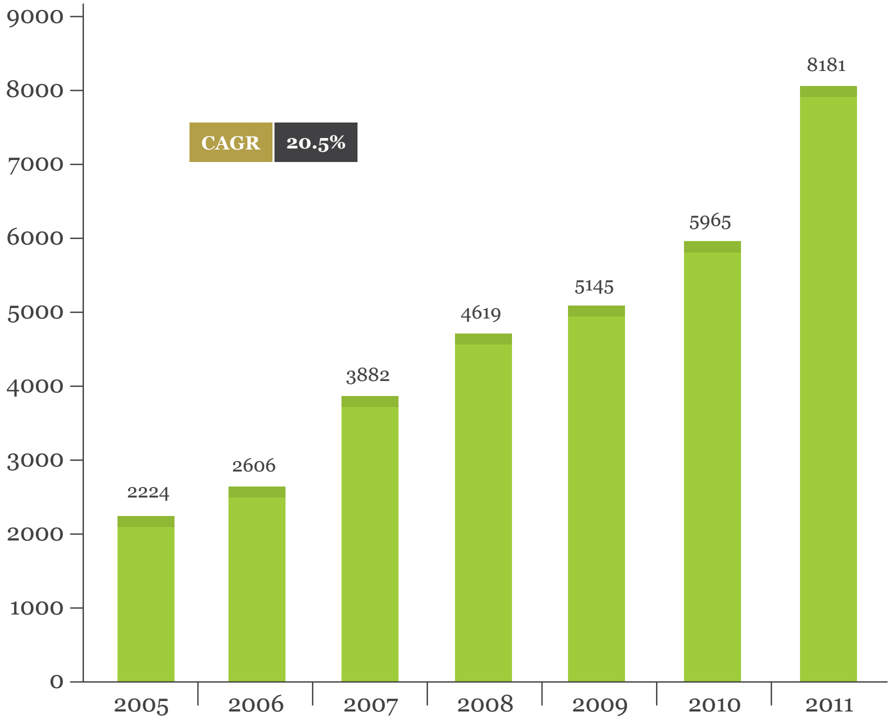
Although the Company is fully compliant with environmental laws and regulations, one of the unfortunate consequences of frequent power outage is the impairment of the emission monitoring and control equipment at the cement plant. During 2011, the Company has taken various measures to ensure the state of art equipment remains fully operational even during power voltage dips and outages. The Company has further embarked on measures to control fugitive dust on the road from the quarry to the plants and surrounding areas. Such measures include paving of the internal roads, water sprinkling and providing further covered raw materials storage buildings.

The effort and dedication of the management and the entire staff in finding solutions to these challenges was critical, and ensured yet another year of growth and increase in profitability. The Company emphasizes on developing its human capital, and during the year invested in human resource systems, software and training to improve skills development and talent retention. ARM is now focused on building a professional pool of middle management for steady performance, long term stability and deep corporate knowledge. We are confident that this team will overcome the uncertainties and challenges that lie ahead as we execute our strategy of growing the Company and building Africa.



MANAGING DIRECTOR'S REPORT - Continued

Historial Performance
TURNOVER - KES - MILLIONS



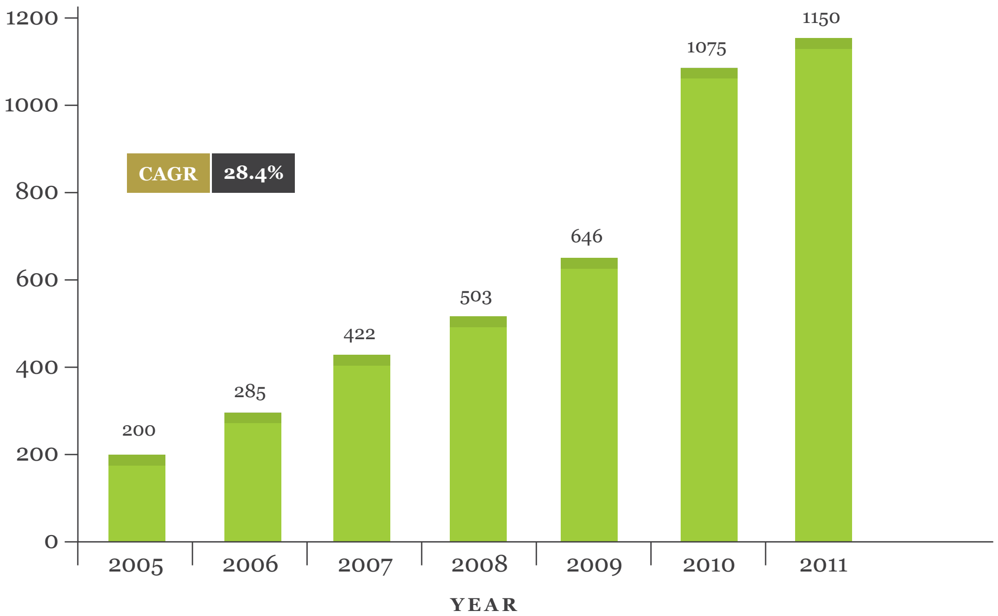
The year started with the commissioning of the cement grinding plant at Athi River. The new capacity helped to increase our turnover from KES 5.9 billion in 2010, to KES 8.2 billion, an increase of 37%. Cement contributed to 70% of the total turnover, increasing from 56% the previous year. The Company's turnover has been growing over the 7 years at a cumulative average growth rate (CAGR) of 24%, almost 5 times the underlying GDP growth rate during this period.

Historial Performance
EBITA - KES - MILLIONS

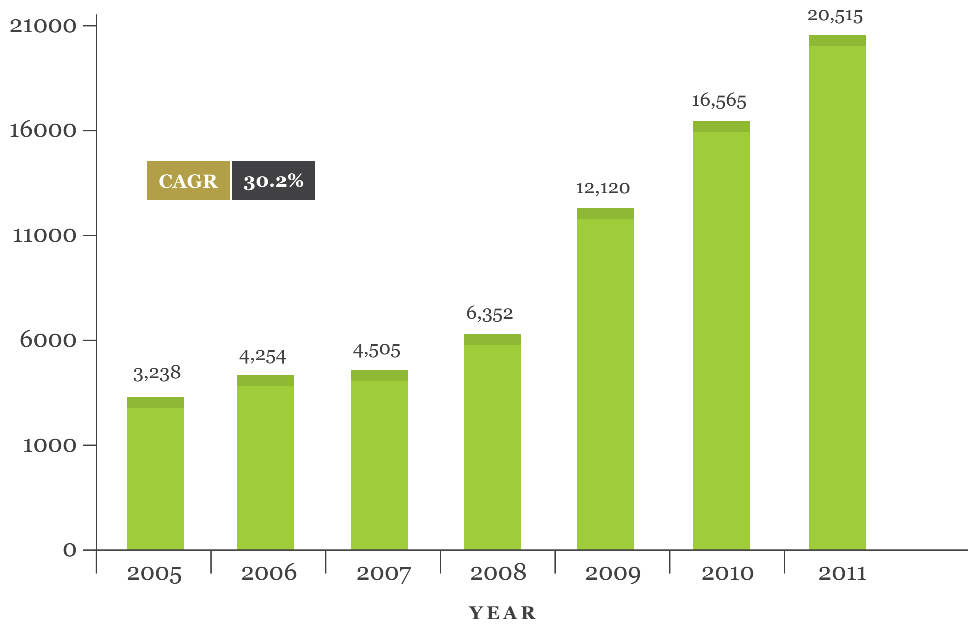
The Company's earnings before interest, tax and depreciation increased from KES 1.65 billion in 2010 to KES 2.17 billion in 2011, an increase of 31%. However, due to the challenges described above, the EBIDTA margin for 2011 declined from 28% in 2010 to 26%. As clinker production and cement sales volumes increase, particularly after commissioning the Tanzania plants, the EBIDTA margins are expected to improve.

MANAGING DIRECTOR'S REPORT - Continued

Historial Performance
PROFIT AFTER TAX - KES - MILLIONS

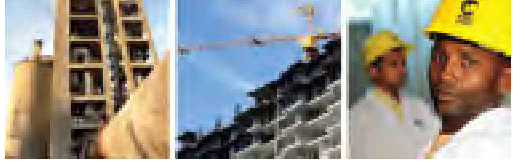


Historial Performance
TOTAL ASSETS - KES - MILLIONS



Group Profit before tax increased by 20.4% over the previous year to KES 1.36 billion in 2011. Net profit for the year stood at KES 1.15 billion, an increase of 7% over 2010. However, the prior year profit after tax has been restated upwards from KES 792 million, to KES 1,074 million arising from an adjustment in deferred tax liability to recognize the impact of an amendment to the Income Tax Act in relations to the investment deduction as contained in the 2009 Kenya Finance Act.

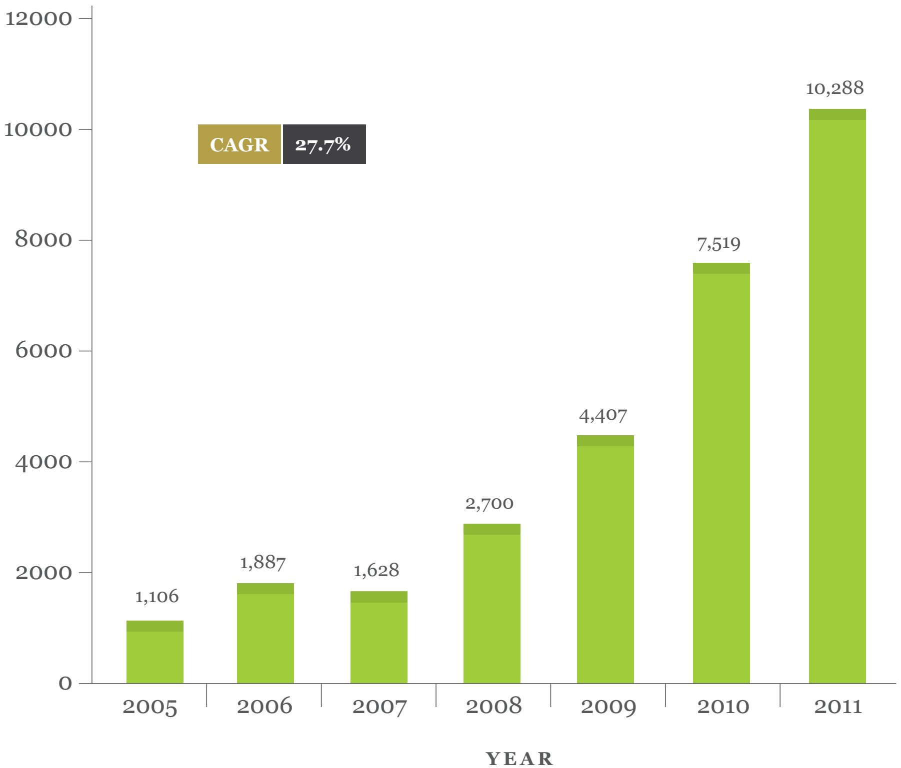
The total group assets increased by KES 4.0 billion during 2011 mainly through investments in plant, property and equipment. The ongoing construction of the Tanzania cement plants, under Maweni Limestone Ltd, our Tanzania subsidiary for the cement business, took up KES 3.3 billion. During the year, KES 730 million was also invested in raw material storage and process flow improvements at Kaloleni and in completing the Athi River grinding plant. A further KES 66 million was invested in our South African subsidiary, Mafikeng Cement Company Ltd, for completing geological investigation, mine development plans and social and environmental impact assessment to secure a mining license for the construction of a cement plant near Mafikeng. The total assets also include our stocks of raw materials and spares, and during 2011, this increased by KES 291 to support the increased production volumes.



MANAGING DIRECTOR'S REPORT - Continued

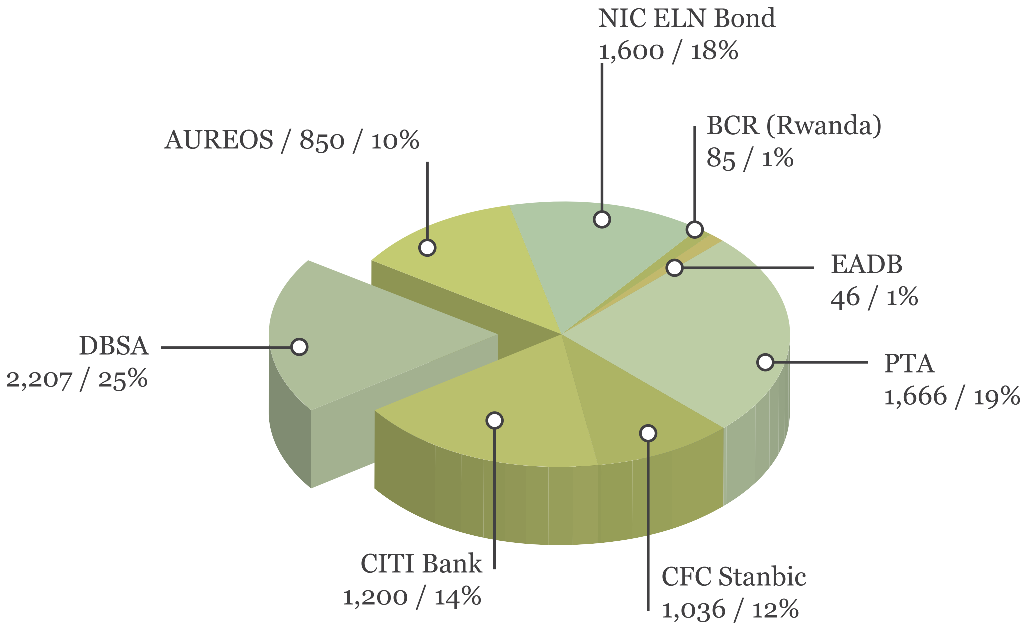
Historial Performance

GROUP NET DEBT KES - MILLIONS



Sources Of Borrowing

KES - MILLIONS



During the year Group net debt increased by KES 2.8 billion, to a total of 10.3 billion as at the end of 2011. The additional debt was drawn down as per our budget to fund the ongoing construction of the Cement plants in Tanzania. The pie chart below shows the sources and amount of borrowings from our various lenders.

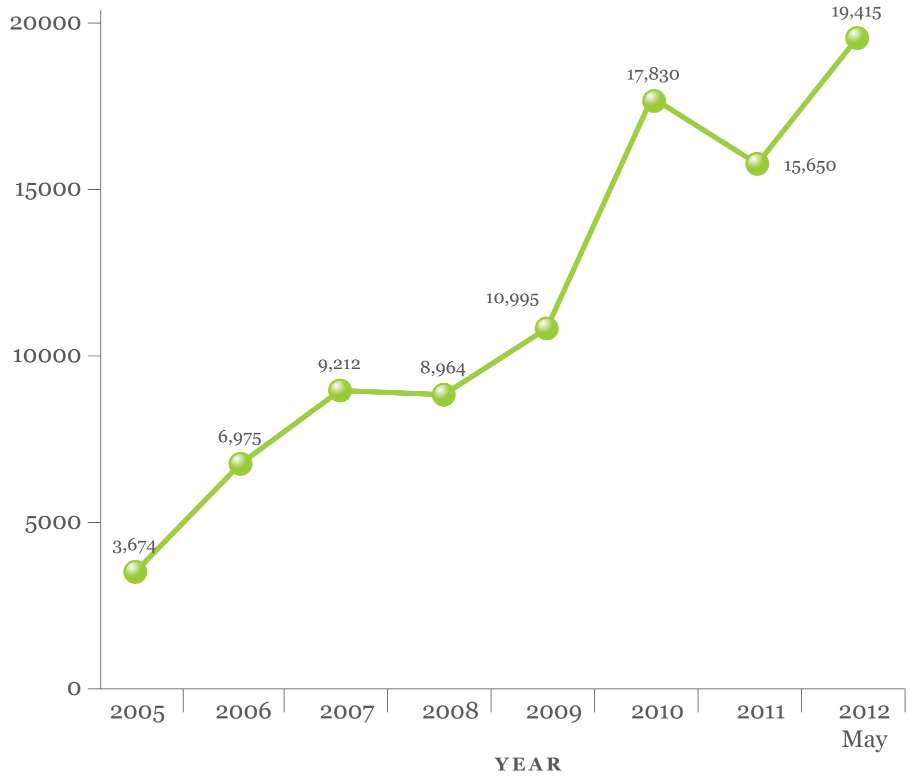
In July 2011, Global Credit Rating Company (GCR) once again reviewed our balance sheet and evaluated our business model and strategy. For the 8th successive year, since 2004, GCR rated ARM's long term ability to meet its obligations as "A" (indicating high credit quality, good protection, with small risk factors that are variable due to economic cycles), and short term as "A1" (indicating a high certainty of timely payments, excellent liquidity factors and minor risk factors).

Earnings per Share - KES

KES - MILLIONS

Market Capitalisation

KES - MILLIONS



Although the Company's earnings per share have been growing at 28% CAGR over the past 6 years, dividend payout has been significantly lower. As explained in our previous annual reports, the company policy is to strike a balance between the need to maintain and grow the Company, and distribute surplus to the shareholders. The Company's strategy of reinvesting the majority of annual earnings in new capacity has resulted in a nearly 800% increase in the share price over the last 7 years.

One of the main performance measures for management is long term shareholder value creation. As stated above over the last 6 years ARM share price has increased by an average of 34% per year and at the beginning of 2011 the ARM share price was KES 180 and market capitalization stood at 17.8 billion. During the year most of the listed companies at the Nairobi Securities Exchange experienced a decline in share prices as a result of the difficult economic climate described earlier and a global slowdown in investment due to Euro the crisis. At the end of the year ARM market capitalization stood at KES 15.6 billion. As at end of May 2012 the share price has risen to an all time high of KES 200, and market capitalization stood at KES 19.8 billion, reflecting investor confidence in the company and its growth prospects.

MANAGING DIRECTOR'S REPORT – Continued

Pradeep Paunrana with staff at the Tanga cement plant construction site. *"We establish and abide by clear company values centred on integrity, accountability and ethical behaviour. We constantly raise our performance standards by recognition, celebration, and communication of our success stories."*

I thank the management team and entire staff at ARM for an excellent performance in a particularly difficult year. I would also like to take this opportunity to acknowledge the support of, and thank our distributors, loyal customers, engineers and industry professionals in helping us to grow the cement sales volumes by over 70% during this difficult year. Similarly, without the support of our suppliers of raw materials, spare parts, transport and other services, we would have faltered in our progress during the year. Finally, I must thank all our bankers and financiers for their continued support and confidence in our strategy for growing the cement business.

Pradeep H Paunrana
MANAGING DIRECTOR

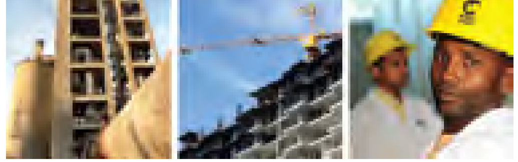
Rotary packers at the Athi River grinding plant have a capacity of 4,000 tons per day with 4 simultaneous semi automatic loading lines.

SECTION

II

CORPORATE GOVERNANCE

The Rhino Cement Football team line up before a local league match at the Bondora Primary School grounds. The Company has committed KES 15 million to purchase additional land, and build a Premier League standard football stadium, complete with changing rooms and public amenities. The stadium will be used by the local schools and amateur football teams in the Kaloleni and Rabai districts.



CORPORATE GOVERNANCE STATEMENT

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 Group's business is conducted in accordance with high standards of corporate governance. Of particular importance to the group 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 for Group. It exercises leadership and sound judgement in directing the group to achieve sustainable growth and acts in the best interests of the shareholders. The Group has a schedule of matters that are reserved for the Board of Directors. Further, the role of the chair and the Group Managing Director are separate in line with best practice.

The names of the Directors who held office in the year and to the date of this report are set out on page 8.

Board of Directors

The Board is responsible for formulating Group 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 Group and implements corporate governance policies of the Group.

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 that the Board is efficient, focused and operates as a unit. The Chairman 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

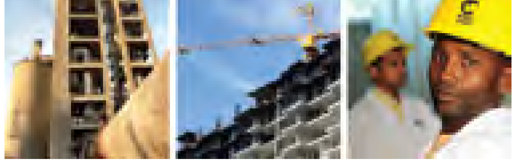
The Group Managing Director is responsible for the day to day management of the group including implementation of policies and strategy. Board authority delegated to management is through the Group Managing Director, who is supported in this role by the Executive Committee.

Company Secretary

The Company Secretary provides the Board of Directors with detailed guidance on the 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 group 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 meet regularly in accordance with business requirements. Notice of Board meetings is given in advance in accordance with the Group'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 8.



CORPORATE GOVERNANCE STATEMENT - Continued

Directors' Emoluments And Loans

The aggregate amount of emoluments paid to Directors for services rendered during the financial year is disclosed in Note 6 to the financial statements for the year ended 31 December 2011.

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 Investment & 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 organizational structure are in place to achieve the Group'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 Group is delegated to the Managing Director.

a) Audit and Risk Committee

The Audit 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 Group and the Group's Policies on Human Resource requirements.

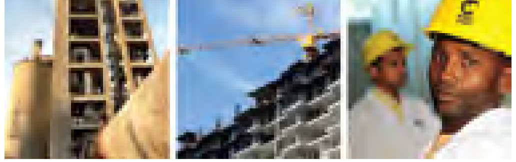
c) Investment & Strategy committee.

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 to the Board and to review of the Group'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 company. 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 Group 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 group, the director will be obliged to offer his/her resignation.
- An acknowledgement that the forgoing also applies to interest of the immediate family members of the Directors.



CORPORATE GOVERNANCE STATEMENT - Continued

Business transactions with the Directors or their related parties are disclosed in Note 26 to the financial statements for the year ended 31 December 2011.

Business Ethics

The Group 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 Group's day-to-day overall risk management to minimize potential adverse effects on its financial performance while the Board is responsible for the group's system of internal control and for reviewing its effectiveness. The Group 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 Board Audit & Risk Committee. As part of the independency required, the Internal Audit annual work program and budget are separately approved by the Board Audit & Risk Committee, which also reviews and approves audit reports. The group 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 organizational 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

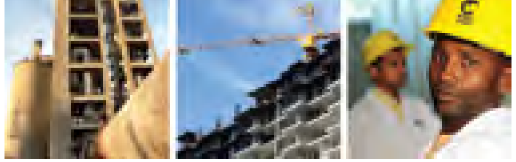
As part of its policy, the Group recognizes the need for diversity, equal opportunities, gender sensitivity and provision of a safe and conducive work environment for its entire staff. The Group assists its staff to undertake continuous professional and development training programmes to fulfil their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

Compliance

The Group 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 Group prepares its financial statements in accordance with International Financial Reporting Standards (IFRS).

Communication

The Group 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.



BOARD OF DIRECTORS

Mr Rick Ashley

CHAIRMAN - NON-EXECUTIVE DIRECTOR

Mr Pradeep H Paunrana

MANAGING DIRECTOR

Mr Surendra Bhatia

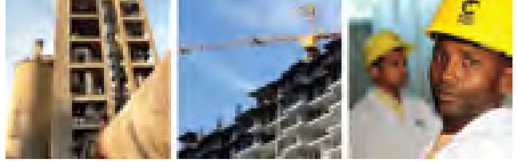
DEPUTY MANAGING DIRECTOR

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. He is 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.

Pradeep H Paunrana is 52 years old and joined Athi River Mining Ltd in 1984 after graduating with an MBA from New York University Stern School of Business. Pradeep's main academic interest at NYU and earlier at Manchester University was financial modeling and cashflow accounting. Pradeep was able to combine his business education with the entrepreneurial passion and energy of his late father in growing the Company. Over the years, Pradeep built a team of professionals with a deep culture of transparency, diligence, and innovation to execute the vision of transforming ARM, a small producer of agricultural lime into a major publicly listed cement company.

Pradeep plays an active role in several Policy and Advocacy institutions, and has chaired and participated task forces in the energy, environment and agriculture sectors. He is a Board member of Kenya Association of Manufacturers, a Trustee of the Tree Biotechnology Trust, Chairman Nairobi Greenline Trust, and member of several charitable organizations. In 2010, Pradeep was awarded the Africa Business Leader of Innovation by Africa Investor.

Mr Surendra Bhatia is 52 years old. He holds a degree in electrical engineering from South Gujarat University and a Masters Degree in Management Studies (MMS) from the prestigious Bombay University in India. A University rank holder throughout engineering college, he also graduated at the top of his Masters Degree class at Bombay University. Surendra has attended many executive education programmes, including an Executive program in Leadership at the Harvard Business School. Surendra Bhatia started his management career the TATA Group, India's largest manufacturing Group, and subsequently developed his professional career with the Bhawan Group in the Middle East and Africa. He joined the ARM Board in the year 2000, bringing a wealth of experience in the field of strategic and corporate planning, and has been instrumental in building the company's core business of cement manufacturing, from technical design and evaluation of plants and machinery, to strengthening the company's presence in key markets and implementing best business practices in the company operations. As Deputy Managing Director, Surendra Bhatia shares a major responsibility with the Managing Director in articulating and delivering the Company's strategic plans, and growing long term shareholder value. He represents the Company at many national and regional forums, and at investor conferences in Africa, Europe and North America. Surendra Bhatia is a trustee of several charitable organizations, and actively participates in community and cultural activities.



BOARD OF DIRECTORS - Continued

Mr Atul Mathur

FINANCE DIRECTOR

Mr Atul Mathur is a Chartered Accountant from the Institute of Chartered Accountants of India. He has over 31 years experience in various Senior Management Capacities. Prior to joining ARM as the Group Chief Financial Officer in 2005,he had worked for 13 years with the largest flexible packaging group in India. He had also worked with a leading Construction group in India for about 11 years. He specializes in Project Financing, Development & Implementation of Systems & Controls, Budgeting & Forecasting and Working Capital Management.

Mr Wilfred Murungi

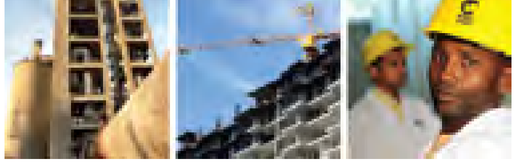
NON EXECUTIVE DIRECTOR

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

Mr Daniel Ndonye is a Fellow of the Institute of Chartered Accountants 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, Kenol Kobil 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 is a Trustee of the Rhino Cement Foundation.



BOARD OF DIRECTORS - Continued

Mr Michael Turner

NON EXECUTIVE DIRECTOR

Mr. Michael Turner joined ARM's Board in August 2010, Michael Turner is 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.

Mr Andrew Alli

NON-EXECUTIVE DIRECTOR

Mr Andrew Alli is responsible for the overall strategy and operations of the Africa Finance Corporation. The Executive Management under Andrew's leadership has undertaken over US$300m in investments across Africa, financing high- impact projects like a West African submarine cable, a wind farm in Cape Verde, a toll road in South Africa, and a green power plant in Ghana. Until his appointment, Andrew was a Partner and Deputy Chief Executive Officer of Travant Capital, a West-Africa focused private equity fund. Prior to that, he was with the International Finance Corporation, the private sector financing arm of the World Bank Group, in Washington, as an investment officer working first in the Oil Gas and Mining Department and then in the Telecommunications Department. In 2002 he was appointed IFC's Country Manager for Nigeria, responsible for managing IFC's operations. In 2006, he was appointed Country Manager for Southern Africa, where he was responsible for South Africa and seven other countries.

Mr Ramesh Vora

COMPANY SECRETARY

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 is 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.

BOARD OF DIRECTORS - Continued

Hon. H. Bakari Mwapachu

CHAIRMAN – MAWENI LIMESTONE LIMITED

Hon. Bakari Mwapachu is a graduate from the Makerere University and he has completed 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

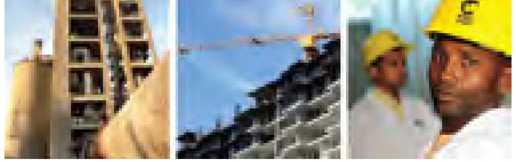
NON EXECUTIVE DIRECTOR, MAWENI LIMESTONE LIMITED

Mr Shakir 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

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 served on the Board of Directors of Kilimanjaro Gemstones Limited, Minjingu Phosphates Limited, Lake Victoria Environment Management Council. Dr. Ben serves as a Director of Maweni Limestone Limited and ARM (Tanzania) Limited, subsidiaries of ARM. He is also a Director of Selous Farming Limited.

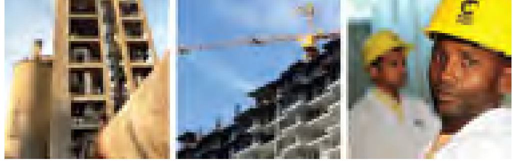


2011 BOARD OF DIRECTORS & BOARD COMMITTEES MEMBERSHIP & ATTENDANCE

Director	Classification	Designation	Status	Board	Audit Committee	Nomination & Renumeration Committee	Strategy & Investment Committee
Mr. R. Ashley	Non-Executive	Chairman of the Board & Investment and Stategy Committee	Membership Attendance	√ 3/4	√ 4/5	N/A N/A	√ 3/3
Mr. P H Paunrana	Executive Director	Managing Director	Membership Attendance	√ 4/4	N/A N/A	N/A N/A	√ 3/3
Mr. S L Bhatia	Executive Director	Deputy Managing Director	Membership Attendance	√ 4/4	N/A N/A	N/A N/A	√ 3/3
Mr. A Mathur	Executive Director	Finance Director	Membership Attendance	√ 4/4	N/A N/A	N/A N/A	√ 3/3
Mr. W Murungi	Non-Executive	Chairman Nomination and Remuneration committee	Membership Attendance	√ 3/4	√ 5/5	√ 2/2	N/A N/A
Mr. D M Ndonye	Non-Executive	Chairman Audit Committee	Membership Attendance	√ 4/4	√ 5/5	√ 2/2	N/A N/A
Mr. M Turner	Non-Executive	Director	Membership Attendance	√ 2/4	N/A N/A	√ 1/2	√ 3/3

√ 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.



SHAREHOLDING PROFILE

The Company, through its Registrar, files returns regularly with Capital Markets Authority and the Nairobi Securities 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 2011, are as follows:

Name	No. of Shares	%
Amanat Investments Limited	27,496,249	28
Paunrana Pradeep Harjivandas	17,936,000	18
CfC Stanbic Nominees Ltd A/C Nr01503	7,609,700	8
Athi River Mining Employee Share Ownership Plan	4,955,000	5
Standard Chartered Nominees non-resident. A/C 9867	3,194,500	3
Orthodox Archbishopric of Kenya and Irinoupolis	1,852,200	2
Standard Chartered Nominees A/C 9230	1,440,577	1
Wilfred Murungi	1,166,862	1
Standard Chartered Nominees Ltd non-resident. A/C 9697	1,110,100	1
National Social Security Fund Board of Trustees	870,000	1
Others	31,423,812	32
Total	**99,055,000**	**100**

b) Distribution Schedule

Category	No. of Shareholders	No. Shares	%
Less than 500	2,452	434,557	0.44
501-5,000	2,395	3,662,788	3.70
5001-10,000	163	1,198,213	1.21
10,0001-100,000	187	6,081,558	6.14
100,001 - 1,000,000	80	22,726,358	22.94
Over 1,000,000	9	64,951,526	65.57
Total	**5,286**	**99,055,000**	**100**

CORPORATE SOCIAL RESPONSIBILITY

RHINO CEMENT FOUNDATION
Investing In Education Health and Environment

The Rhino Cement Foundation was established in October 2010 as a charity funded by Athi River Mining Ltd, company employees and trading partners. The Foundation's mission is to promote social investments in health, education and environment projects that have a lasting impact and increase the well being of our communities and lead to increase in the wealth creation in our country. The Foundation provides a formal process for ARM employees to identify and promote charitable projects in partnership with schools, community groups and other charitable organizations.

Although still young, the Foundation's mission derives from the very early days of the Company, when our Founder, Mzee Paunrana began to contribute to various self help projects for construction of schools, dispensaries, water dams and even jua kali or artisan workshops in Athi River and around the quarry operations in Kajiado. As ARM has grown, the Board of Directors saw it appropriate to set up the Foundation, not only to channel the Company's charitable contributions, but with 2 other objectives:

a) To separate and manage independently the sales and advertising expenditures from the social investments, and focus the returns on a non commercial criteria

b) To allow the Company employees, trading partners and other organizations to participate in the Foundation's activities so that the mission of social investing, rather than corporate social responsibility, takes importance in order to genuinely help to create wealth in the communities and countries we operate in.

Whilst Rhino Cement Foundation is still young and internal budget allocation and monitoring processes are being improved, we expect to launch the Foundation in other countries where ARM operates in - Tanzania, Rwanda and South Africa over the next couple of years.

Mr. Titus Mbathi

CHAIRMAN - RHINO CEMENT FOUNDATION

Titus Mbathi retired from the ARM Board of Directors in 2010, and graciously agreed continue his association with the Company as Chairman of the Rhino Cement Foundation.

"Establishing the Rhino Cement Foundation funded from the after tax profits of the Company, and contribution from Company employees, was indeed a noble idea – we will carry the legacy of Mzee Paunrana and ensure that we work to increase the wealth of the communities we work in, the country and its people."

CORPORATE SOCIAL RESPONSIBILITY - Continued

Rhino Cement foundation contributed Ksh 10 million towards the construction of a new science block at St. Anne's Gichocho School in Kiambu in 2011. Each year, RCF and ARM employees sponsor the complete tuition, schools books and uniforms, and boarding costs of over 80 girls at St. Gichocho and other schools in Kenya.

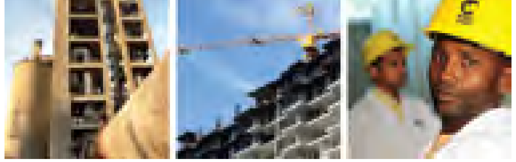
During the 2011, the Trustees received a variety of project proposals from ARM employees, and directly from community based organizations. After careful scrutiny, a number of projects were approved with budgetary allocations ranging from KES 450,000 to KES 8 million per project, with a total budget of KES 20 million that had been previously approved and allocated to RCF by the ARM Board of Directors. As a general policy, ARM plans to contribute 2.0% of its after tax profit Rhino Cement Foundation each year. The most promising of the projects are our schools and university scholarship programs to children from disadvantaged families and backgrounds, as well as assistance in construction of water pipelines and storage tanks for a nonprofit water distribution operation in rural areas of Kajiado and Kaloleni. Several school classrooms were also constructed in Rabai and Kaloleni districts, and monthly support for the Ngong Forest Sanctuary's Educational Centre is showing great promise in our environment investment

Our employees and volunteers have done a remarkable job in running these programmes, mostly in their own time and during weekends. They have truly embraced the mission of the Foundation, to invest in the long term wealth creation in our country. In the words of Christopher Kengah, our Community Relations Officer in Kaloleni,

"We want to help build our communities, in a way that will have a high, positively transformative benefit. We don't want to just help build classrooms or schools for instance. We want to help build schools that will teach and nurture the next generation of professionals - teachers and scientists, doctors, nurses and our political leaders. We want to help build schools where the students will be able to achieve greater milestones, and contribute in a much bigger way to the society in the future"

CORPORATE SOCIAL RESPONSIBILITY - Continued

The photo on the right is of a classroom at Mwanjama Primary School, located near the Kaloleni Cement Plant, and just 25 Kms from Mombasa. This classroom reveals the poverty that our children, our future generation of Kenyans are living through. The Foundation is helping to transform education in Kaloleni and Rabai districts by building and furnishing classrooms, such as at Malau Primary School, shown on the second photo.



CORPORATE SOCIAL RESPONSIBILITY - Continued

ARM staff and families planting trees at the Nairobi national Park, supporting the Nairobi Greenline Trust.

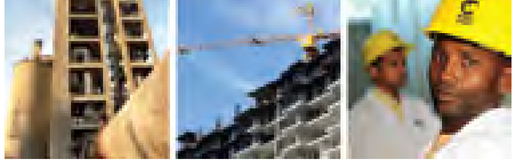
Palle Rune, past ARM Chairman, planting a tree by the dam at the Kaloleni clinker plant. Standing beside him are Hon Mwapachu and Michael Turner.

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

SECTION III

FINANCIALS

Surendra Bhatia, Deputy Managing Director, at the limestone deposit near Mafikeng, North West Province, Republic of South Africa. *"The wealth of the company is generated from value addition to the limestone we mine."*



REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company and its subsidiaries for the year ended 31 December 2011.

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.

Group Financial Results

	2011 KES'000
Profit before taxation	1,362,912
Taxation expense	(212,414)
Profit for the year transferred to retained earnings	1,150,498
Attributable to	
Owners of the Company	1,152,373
Non-controlling interests	(1,875)
	1,150,498

Directors

The directors propose the payment of a first and final dividend of Sh 2 (2010 – Sh 1.75) per share totalling Sh 198,110,000 in respect of the year ended 31 December 2011 (2010 – Sh 173,346,250).

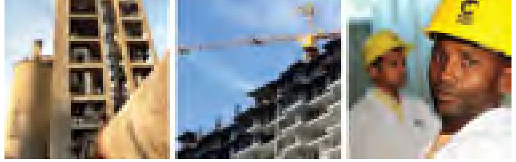
The present directors are shown on page 8.

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, 27 March 2012



STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

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

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

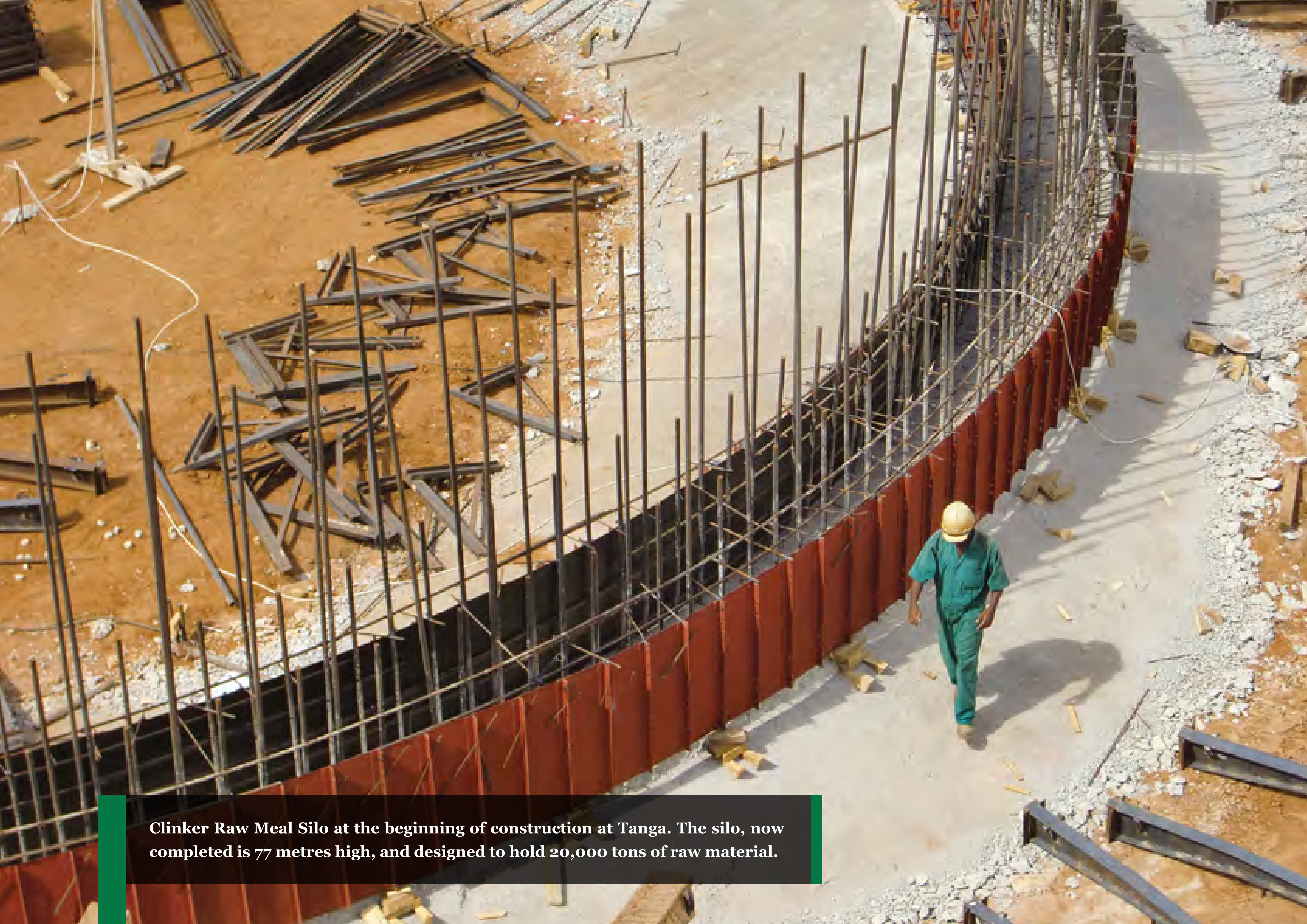
The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan 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 group's operating results. 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.

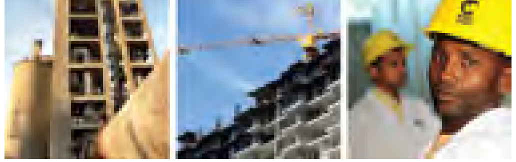
Rick Ashley
CHAIRMAN

Pradeep H Paunrana
MANAGING DIRECTOR

27 March 2012



Clinker Raw Meal Silo at the beginning of construction at Tanga. The silo, now completed is 77 metres high, and designed to hold 20,000 tons of raw material.



INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P O Box 40092 - GPO 00100, Nairobi, Kenya

Tel : +254 (20) 423 0000
+254 (20) 444 1344/05-12
Fax: +254 (20) 444 8966
Dropping Zone No. 92
Email: admin@deloitte.co.ke

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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 44 to 100 which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated and 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 information.

Directors' Responsibility For The Financial Statements
The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of 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 of financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 group and of the company as at 31 December 2011 and of the group profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of 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
iii) the company's statement of financial position (balance sheet) is in agreement with the books of account.

Deloitte & Touche

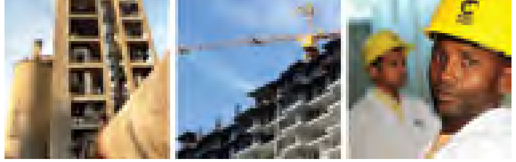
CERTIFIED PUBLIC ACCOUNTANTS (KENYA)
17 May 2012, Nairobi

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 KES'000	2010 KES'000
Turnover		8,180,992	5,964,670
Cost of sales		(5,550,453)	(3,865,982)
Gross profit		2,630,539	2,098,688
Other operating income		86,419	116,372
Net foreign exchange (losses)/gains		(118,326)	7,599
Distribution costs		(226,139)	(263,483)
Administrative expenses		(736,357)	(619,898)
Finance costs	4	(306,227)	(226,316)
Finance income	5	33,003	-
Profit before taxation	6	1,362,912	1,112,962
Taxation charge	8(a)	(212,414)	(37,694)
PROFIT FOR THE YEAR	9	**1,150,498**	**1,075,268**
Other comprehensive income			
Exchange differences on translating foreign operations		76,184	(12,739)
Other comprehensive income/(loss) for the year		76,184	(12,739)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,226,682**	**1,062,529**

	Note	2011 KES'000	2010 KES'000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,226,682	1,062,529
Profit / (loss) attributable to:			
Owners of the Company		1,152,373	1,081,534
Non-controlling interests		(1,875)	(6,266)
		1,150,498	1,075,268
Total comprehensive income / (loss) attributable to:			
Owners of the Company		1,226,578	1,068,795
Non-controlling interests		104	(6,266)
		1,226,682	1,062,529
EARNINGS PER SHARE			
– Basic and diluted	10	Sh 11.63	Sh 10.92



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	2011 KES'000	2010 KES'000
ASSETS			
Non current assets			
Property, plant and equipment	12(a)	16,442,852	12,189,267
Operating lease prepayments	13	177,327	30,462
Intangible assets	14	101,528	54,201
Investment in subsidiaries	15	71,012	50,908
		16,792,719	12,324,838
Current assets			
Inventories	17	1,420,153	1,129,885
Trade and other receivables	18	1,853,873	1,848,970
Due from Employee Share Ownership Plan (ESOP)	19	38,216	48,959
Due from related parties	26(b)	1,794	-
Tax recoverable	8(c)	72,052	13,323
Short term deposits		225,339	843,043
Cash and bank balances		111,794	355,882
		3,723,221	**4,240,062**
Total assets		**20,515,940**	**16,564,900**

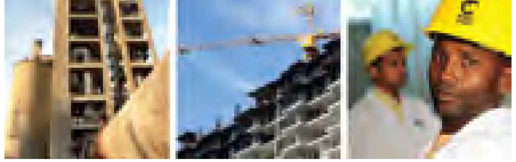
	Note	2011 KES'000	2010 KES'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	495,275	495,275
Share premium		302,027	302,027
Revaluation surplus		1,398,911	1,465,354
Translation reserve		(25,365)	(99,570)
Retained earnings		3,827,809	2,782,339
Equity attributable to equity holders of the parent		5,998,657	4,945,425
Non - controlling interests	16(b)	103,869	(18,566)
Total equity		**6,102,526**	**4,926,859**

	Note	2011 KES'000	2010 KES'000
Non current liabilities			
Borrowings	21(a)	8,128,602	6,764,785
Deferred income tax	22	1,864,392	1,666,796
Finance lease	23(a)	367	-
		9,993,361	8,431,581
Current liabilities			
Borrowings	21(a)	2,496,821	1,954,028
Finance leases	23(a)	340	1,026
Trade and other payables	24	1,905,031	1,231,395
Due to related parties	26(d)	14,382	16,532
Unclaimed dividends	11	3,479	3,479
		4,420,053	3,206,460
Total equity and liabilities		**20,515,940**	**16,564,900**

The financial statements on pages 44 to 100 were approved and authorised by the board of directors on 27 March 2012 and were signed on its behalf by:

Rick Ashley
CHAIRMAN

Pradeep H Paunrana
MANAGING DIRECTOR



COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

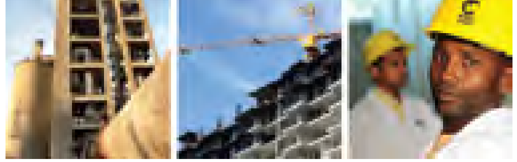
	Note	2011 KES'000	2010 KES'000
ASSETS			
Non current assets			
Property, plant and equipment	12(b)	9,318,132	8,644,781
Operating lease prepayments	13	1,874	1,942
Intangible assets	14	1,229	3,653
Investment in subsidiaries	16 (a)	452,642	367,642
		9,773,877	9,018,018
Current assets			
Inventories	17	1,257,041	1,015,200
Trade and other receivables	18	1,067,752	1,287,433
Due from Employee Share Option Plan (ESOP)	19	38,216	48,959
Due from related parties	26(c)	3,448,493	2,609,316
Current tax recoverable	8(c)	105,135	41,175
Cash and bank balances		24,065	71,453
		5,940,702	5,073,536
Total assets		**15,714,579**	**14,091,554**

	Note	2011 KES'000	2010 KES'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	495,275	495,275
Share premium		302,027	302,027
Revaluation surplus		1,398,911	1,465,354
Retained earnings		3,881,431	2,824,243
		6,077,644	5,086,899
Non current liabilities			
Borrowings	21(b)	4,220,097	4,454,549
Deferred income tax	22	1,866,224	1,649,296
Finance lease	23(b)	367	-
		6,086,688	6,103,845
Current liabilities			
Borrowings	21(b)	2,477,283	1,938,026
Finance leases	23(b)	199	-
Trade and other payables	24	973,554	948,243
Due to related parties	26(e)	95,732	11,062
Unclaimed dividends	11	3,479	3,479
		3,550,247	2,900,810
Total equity and liabilities		**15,714,579**	**14,091,554**

The financial statements on pages 44 to 100 were approved and authorised by the board of directors on 27 March 2012 and were signed on its behalf by:

Rick Ashley
CHAIRMAN

Pradeep H Paunrana
MANAGING DIRECTOR



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

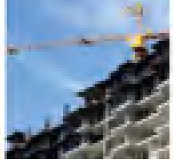
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share Capital	Surplus Premium	Revaluation Surplus	Translation Reserve	Retained Earnings	Attributable to Equity Holders of the parent	Non-Controlling Interest	TOTAL
	KES'000	KES'000	KES'000	KES'000	KES'000	KES'000	KES'000	KES'000
2010								
At 1 January 2010	495,275	302,027	1,531,797	(86,831)	1,886,662	4,128,930	-	4,128,930
Profit / (loss) for the year – as previously reported	-	-	-	-	798,277	798,277	(6,266)	792,011
Prior year adjustment (Note 32)					283,257	283,257	-	283,257
Profit / (loss) for the year – as restated					1,081,534	1,081,534	(6,266)	1,075,268
Other comprehensive loss for the year	-	-	-	(12,739)	-	(12,739)	-	(12,739)
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**(12,739)**	**1,081,534**	**1,068,795**	**(6,266)**	**1,062,529**
Write off of intangible assets arising from acquisition of mining rights through subsidiary (note 16(a))	-	-	-	-	(103,717)	(103,717)	-	(103,717)
Non-controlling interests arising on the acquisition (note 16(a)	-	-	-	-	-	-	(12,300)	(12,300)
Transfer of excess depreciation	-	-	(94,918)	-	94,918	-	-	-
Deferred tax on excess depreciation	-	-	28,475	-	(28,475)	-	-	-
Dividends declared – 2009	-	-	-	-	(148,583)	(148,583)	-	(148,583)
At 31 December 2010	**495,275**	**302,027**	**1,465,354**	**(99,570)**	**2,782,339**	**4,945,425**	**(18,566)**	**4,926,859**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – Continued

FOR THE YEAR ENDED 31 DECEMBER 2011

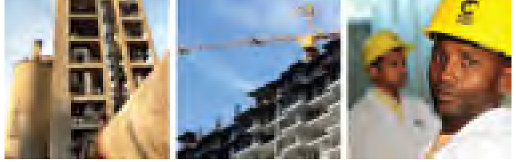
	Share Capital KES'000	Share Premium KES'000	Revaluation Surplus KES'000	Translation Reserve KES'000	Retained Earnings KES'000	Attributable to Equity Holders of the parent KES'000	Non-Controlling Interest KES'000	TOTAL KES'000
2011								
At 1 January 2011								
- As previously reported	495,275	302,027	1,465,354	(99,570)	2,499,082	4,662,168	(18,566)	4,643,602
- Prior year adjustment (note 32)	-	-	-	-	283,257	283,257	-	283,2571
As restated	495,275	302,027	1,465,354	(99,570)	2,782,339	4,945,425	(18,566)	4,926,859
Profit / (loss) for the year	-	-	-	-	1,152,373	1,152,373	(1,875)	1,150,498
Other comprehensive income for the year	-	-	-	74,205	-	74,205	1,979	76,184
Total comprehensive income for the year	**-**	**-**	**-**	**74,205**	**1,152,373**	**1,226,578**	**104**	**1,226,682**
Non-controlling interests arising on the acquisition of Kigali Cement Company Limited (Note 16(c)							122,331	122,331
Transfer of excess depreciation	-	-	(94,918)	-	94,918	-	-	-
Deferred tax on excess depreciation	-	-	28,475	-	(28,475)	-	-	-
Dividends declared - 2010	-	-	-	-	(173,346)	(173,346)	-	(173,346)
At 31 December 2011	**495,275**	**302,027**	**1,398,911**	**(25,365)**	**3,827,809**	**5,998,657**	**103,869**	**6,102,526**


COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital KES'000	Share premium KES'000	Revaluation surplus KES'000	Retained earnings KES'000	Total KES'000
At 1 January 2010	495,275	302,027	1,531,797	1,861,931	4,191,030
Profit for the year – as previously reported	-	-	-	761,194	761,194
Prior year adjustment (Note 32)	-	-	-	283,257	283,257
Profit for the year – as restated				1,044,451	1,044,451
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**	**2,824,242**	**5,086,898**
At 1 January 2011					
- As previously reported	495,275	302,027	1,465,354	2,540,985	4,803,691
- Prior year adjustment (note 32)	-	-	-	283,257	283,257
As restated	495,275	302,027	1,465,354	2,824,242	5,086,898
Profit for the year	-	-	-	1,164,092	1,164,092
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 - 2011	-	-	-	(173,346)	(173,346)
At 31 December 2011	**495,275**	**302,027**	**1,398,911**	**3,881,431**	**6,077,644**

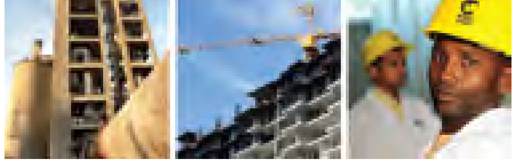


CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 KES'000	2010 KES'000
Cash flows from operating activities			
Cash generated from operations	25(a)	2,557,313	1,353,126
Interest paid	25(e)	(477,874)	(502,687)
Interest received	5	33,003	-
Corporation tax paid	8(c)	(73,858)	(46,853)
Net cash generated from operating activities		**2,038,584**	**803,586**
Cash flows from investing activities			
Additions to property, plant and equipment	25(b)	(4,029,693)	(3,618,561)
Additions to intangible assets	14	(66,454)	(50,989)
Proceeds of disposal of property, plant and equipment		2,953	771
Net cash used in investing activities		**(4,093,194)**	**(3,668,779)**

	Note	2011 KES'000	2010 KES'000
Cash flows from financing activities			
Dividends paid	11(b)	(173,346)	(148,678)
Finance lease payments	23(c)	(230)	(7,587)
Borrowings received	25(c)	2,119,371	4,377,801
Repayment of amounts borrowed	25(c)	(1,160,777)	(1,251,709)
Net cash generated from financing activities		785,018	2,969,827
Net (decrease)/ increase in cash and cash equivalents		**(1,269,592)**	**104,634**
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents 1 January		134,788	53,127
Net (decrease)/ increase in cash and cash equivalents above		(1,269,592)	104,634
Effect of translation adjustment on cash held in foreign subsidiaries		(69,234)	(22,973)
Cash and cash equivalents 31 December	**25(d)**	**(1,204,038)**	**134,788**



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

01. 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 2011

The following new and revised IFRSs have been applied in the current year and have not affected the amounts reported in these 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 disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the consolidated financial statements. The Group continued to disclose such items in the statement of changes in equity and the amendment had no effect on the Group's financial statements.

IAS 24 *Related Party Disclosures (as revised in 2009)*: IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Group is not a government-related entity. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.

Amendments to IFRS 3 Business Combinations: As part of Improvements to IFRSs issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 Share-based Payment at the acquisition date ('market-based measure').

The application of IFRS 3 has had no effect on the amounts reported in the current year because the company acquired during the year had no outstanding share options held by the employees and non-controlling interests was measured at their acquisition-date fair value.

Amendments to IAS 32 Classification of Rights Issues: The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – Continued

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement: IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.
Improvements to IFRSs issued in 2010: The application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

ii) New and revised IFRSs in issue but not yet effective for the year ended 31 December 2011

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

	Effective for annual periods beginning on or after
Amendments to IFRS 7, Financial Instruments: Disclosures – amendments enhancing disclosures about transfers of financial assets	1 July 2011
IFRS 9, Financial Instruments – Classification and Measurement	1 January 2013
IFRS 10 - Consolidated financial statements. IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements	
IFRS 11, Joint Arrangements	1 January 2013
IFRS 12, Disclosure of Interests in Other Entities	1 January 2013
IFRS 13, Fair Value Measurement	1 January 2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to IAS 12 -Deferred Tax -Recovery of Underlying Assets	1 January 2012
IAS 19 (as revised in 2011)- Employee Benefits	1 January 2013

(iii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2011 and future annual periods

Amendments to IFRS 7: Disclosures-Transfers of Financial Assets
The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but

the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures regarding transfers of financial assets. However, if the Group enters into transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IFRS 9: Financial Instruments

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

Key requirements of IFRS 9 are described as follows:

- 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 investments 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 the 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 presented 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 presented in profit or loss.

The directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IAS 27 (as revised in 2011) - Separate Financial Statements
IAS 27 has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements.

IAS 28 (as revised in 2011) - Investments in Associates and Joint Ventures

IAS 28 has been amended for conforming changes based on issuance of IFRS 10 and IFRS 11.

The directors anticipate that IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 as detailed above will be adopted in the Group's financial statements for the annual period beginning 1 January 2013 and that the application of the new Standards may affect amounts and disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements, however, the Group is yet to assess IFRS 13's full impact and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2013.

(iv) Early adoption of standards

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis.

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

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, ARM (Tanzania) Limited, Mavuno Fertilizer Limited and Kigali Cement Company Limited, ARMSA (Pty) Limited, Maweni Limestone Limited, Mafeking Cement (Pty) Limited and Kigali Cement Company 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. Kigali Cement Company Limited was acquired during the year, details of the acquisition are provided under note 16 (c). Mavuno Fertilizer Limited did not operate in the year. Mavuno Fertiliser Limited's intended operations were undertaken by Athi River Mining Limited during the year.

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 income

Interest income 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 end of reporting 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.

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.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to IAS 12 -Deferred Tax -Recovery of Underlying Assets

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The above amendments are effective for annual periods beginning on or after 1 January 2012. The Group will apply this amendment prospectively. The directors anticipate no material impact to the Group's financial statements currently. However, the Group would have to apply this standard to any such arrangements entered into in the future.

IAS 19 (as revised in 2011) - Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

Property, plant and equipment

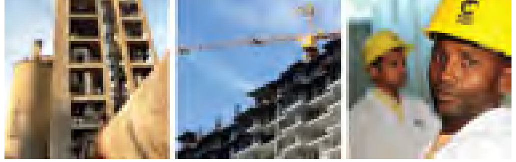
Property, plant and equipment are initially recorded at cost. All property, plant and equipment except computer equipment and furniture and fittings are subsequently shown at their revalued amounts based on valuations by external independent valuers, less accumulated depreciation and any accumulated impairment losses. Any revaluation increase arising on the revaluation of such property, plant and equipment 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 item of property, plant and equipment, the attributable revaluation surplus remaining in the item'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, direct labour and any other direct expenses incurred in respect of the project. The amounts are transferred to the appropriate property, plant and equipment categories once the project is completed and commissioned.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to an entity within 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 on the outstanding liability over the remaining term of the lease.

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.

Goodwill

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

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

Investment in subsidiaries

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

Inventories

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

Share-based payments

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

Dividends payable

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

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

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

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

Retirement benefit obligations
The group contributes to the statutory National Social Security Fund in Kenya and Tanzania. The group's obligations under the schemes are determined by local statute and are currently at Sh 200 per employee per month in Kenya and 10% of the gross pay of each employee in Tanzania. The group's contributions are charged to the statement of comprehensive income in the year to which they relate. ARMSA (Pty) Limited and Mafeking Cement (Pty) Limited do 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 re-evaluates this at every reporting date.

i) Financial assets at fair value through profit or loss ("FVTPL")

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

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

iii) Held-to-maturity financial assets

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

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

Recognition of financial assets

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

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

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

Derecognition of financial assets

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

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 amoun of the asset exceeds its recoverable amount.

Provisions

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

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

Segmental reporting

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

Contingent liabilities

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

Comparatives

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

02. 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

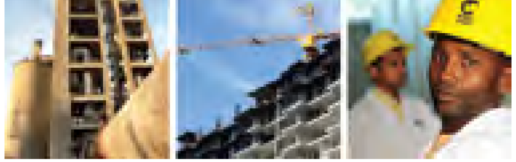
The following are the critical judgements and key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have had the most significant effect on amounts recognised in the financial statements and that have a significant risk of causing material 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 reporting 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.

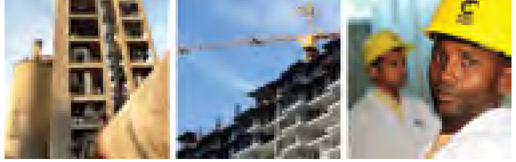
Contingent liabilities

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.

03. OPERATING SEGMENTS

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.



03. OPERATING SEGMENTS – Continued

The bulk of 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	
	2011 KES'000	2010 KES'000	2011 KES'000	2010 KES'000	2011 KES'000	2010 KES'000
Sales & Other income	5,613,120	3,225,668	2,687,294	2,855,374	8,300,414	6,081,042
Expenditure	4,271,051	2,493,987	2,666,451	2,474,093	6,937,502	4,968,080
Profit before taxation	1,342,069	731,681	20,843	381,281	1,362,912	1,112,962
Assets	17,418,865	13,304,300	3,097,075	3,260,589	20,515,940	16,564,889
Liabilities	13,802,747	11,341,163	610,667	580,134	14,413,414	11,921,297
Depreciation & Amortization	306,707	213,767	110,162	106,541	416,869	320,308
Capital Expenditure	4,185,388	3,681,993	85,813	188,943	4,271,201	3,870,936

Revenue reported above represents revenue generated from external customers.

03. OPERATING SEGMENTS – Con't

Geographical Information

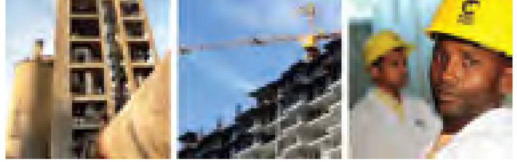
	Kenya KES'000	Tanzania KES'000	South Africa KES'000	Rwanda KES'000	Eliminated on Consolidation KES'000	TOTAL KES'000
31 December 2011						
Sales and other income	7,853,043	355,229	285,490	12,816	(206,164)	8,300,414
Cost of sales and other expenditure	(6,472,198)	(376,445)	(281,498)	(13,525)	206,164	(6,937,502)
Profit before taxation	1,380,845	(21,216)	3,992	(709)	-	1,362,912
Assets	15,720,716	8,078,826	244,738	384,633	(3,912,973)	20,515,940
Liabilities	9,636,935	7,843,203	332,799	197,107	(3,596,630)	14,413,414
Depreciation and amortisation	373,827	30,450	5,242	7,350	-	416,869
Capital expenditure	1,044,736	3,226,465	-	-	-	4,271,201
31 December 2010						
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	14,091,554	5,265,234	200,236	-	(2,992,124)	16,564,900
Liabilities	9,004,655	5,015,582	307,994	-	2,690,190	11,638,041
Depreciation and amortisation	285,009	30,217	5,082	-	-	320,308
Capital expenditure	2,090,716	1,778,387	1,833	-	-	3,870,936

	GROUP 2011 KES'000	GROUP 2010 KES'000
4. FINANCE COSTS		
Interest payable on:		
- Loans	254,448	371,221
- Bank overdrafts	78,998	119,696
- Corporate bond carried at amortised cost	-	10,759
- Finance leases	144,428	1,011
Total borrowing costs	477,874	502,687
Less: Amounts included in the cost of qualifying assets	(241,508)	(252,375)
	236,366	250,312
Net foreign exchange losses/(gain) on borrowings	69,861	(23,996)
	306,227	**226,316**
5. FINANCE INCOME		
Interest receivable	33,003	-

	GROUP 2011 KES'000	GROUP 2010 KES'000
6. PROFIT BEFORE TAXATION		
The profit before taxation is arrived at after charging:		
Depreciation property, plant and equipment	412,178	315,151
Depreciation on strategic spares	8,442	14,421
Amortisation of operating lease prepayments	973	1,139
Amortisation of intangible assets	3,718	3,918
Operating lease rentals - property	-	909
- motor vehicles	26,251	1,528
Directors' emoluments: - fees	8,477	7,603
- other emoluments	103,515	102,358
Staff costs (note 7)	571,844	522,762
Auditors' remuneration - company	4,396	3,346
- subsidiaries	3,687	1,720
Loss on disposal of property, plant and equipment	857	83
7. STAFF COSTS		
Wages and salaries	558,789	419,689
Social security cost (NSSF)	5,123	7,890
Termination benefits	-	3,049
Leave pay	4,068	211
Other staff costs	3,864	91,923
	571,844	522,762
Directors' emoluments	111,992	109,961
	683,836	632,723

8. TAXATION

	GROUP		COMPANY	
	2011 KES'000	**2010 KES'000**	**2011 KES'000**	**2010 KES'000**
a) Taxation Charge				
Current taxation charge based on taxable income:	15,129	22,538	-	-
Prior year over provision	-	(2,239)	-	(2,239)
	15,129	**20,299**	**-**	**(2,239)**
Deferred tax charge (note 22)				
Current year charge	197,285	64,968	216,928	67,207
Prior year over provision	-	(47,573)	-	(49,760)
	197,285	17,395	216,928	17,447
	212,414	**37,694**	**216,928**	**15,208**



8. TAXATION – Continued

	GROUP		COMPANY	
	2011 KES'000	**2010 KES'000**	**2011 KES'000**	**2010 KES'000**
b) Reconciliation of tax charge to expected taxation based on accounting profit				
Profit before taxation	1,362,912	1,112,962	1,381,020	1,059,660
Tax calculated at a tax rate of 30%	408,874	333,889	414,306	317,898
Tax effect of:				
- Income not subject to tax	(7,461)	-	-	-
- Expenses not deductible for tax purposes	15,903	10,463	7,524	6,155
Prior year current taxation over provision	-	(2,239)	-	(2,239)
Prior year deferred taxation under provision	-	(47,573)	-	(49,760)
Tax effect of investment deduction earned at a rate in excess of 100% of cost of related assets	(204,902)	(256,846)	(204,902)	(256,846)
Taxation charge	**212,414**	**37,694**	**216,928**	**15,208**
c) Current tax recoverable movement				
At 1 January	(13,323)	13,231	(41,175)	13,231
Taxation charge	15,129	22,538	-	-
Prior year over provision	-	(2,239)	-	(2,239)
Taxation paid	(73,858)	(46,853)	(63,960)	(52,167)
At 31 December	**(72,052)**	**(13,323)**	**(105,135)**	**(41,175)**

A Prior year adjustment has been processed in these financial statements in relation to 2010 deferred tax charge as disclosed in note 32.

9. PROFIT FOR THE YEAR

The profit attributable to shareholders dealt with in the company separate financial statements is Sh. 1,164,092 (2010 – Sh 1,044,452).

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.

	2011	2010 Restated (Note 32)	2010 As Previous Reported
Profit attributable to ordinary shareholders (KES'000)	1,152,373	1,081,534	798,277
Weighted average number of ordinary shares in issue	99,055,000	99,055,000	99,055,000
Basic and diluted earnings per ordinary share (Sh)	11.63	10.92	8.06

11. DIVIDENDS

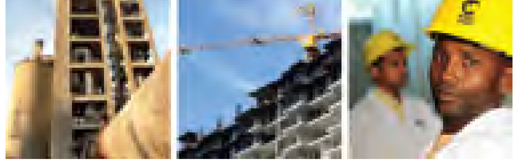
(a) Dividends per share

The directors propose the payment of a first and final dividend of Sh 2 (2010 – Sh 1.75) per share totalling Sh 198,110,000 in respect of the year ended 31 December 2011 (2010 – Sh 173,346,250). This dividend is subject to approval by shareholders at the Annual General Meeting to be held later in 2012 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.

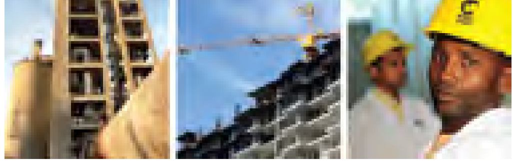
(b)The movement in the dividends payable account is as follows:

	GROUP & COMPANY	
	2011 KES'000	2010 KES'000
At 1 January	3,479	3,574
Final dividend declared	173,346	148,583
Dividends paid	(173,346)	(148,678)
At 31 December	3,479	3,574



12(a) PROPERTY, PLANT AND EQUIPMENT-GROUP

	Freebold land	Buildings on leasehold land	Heavy commercial vehicles and quarrying equipment	Computer hardware plant, machinery motor vehicles, furniture and fittings	Capital work in progress	Total
	KES'000	KES'000	KES'000	KES'000	KES'000	KES'000
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)	(53,398)
At 1 January 2011	250,497	1,892,833	150,477	5,742,153	4,623,846	12,659,806
Acquisitions through business combinations	-	108,519	-	56,032	-	164,551
Additions	6,661	-	31,932	13,398	4,219,210	4,271,201
Transfers	-	1,139,661	-	241,854	(1,381,515)	-
Disposals	-	-	-	(6,226)	-	(6,226)
Translation gain / (loss)	-	(18,672)	(437)	13,548	268,385	259,235
At 31 December 2011	**257,158**	**3,122,341**	**181,972**	**6,060,759**	**7,729,926**	**17,352,156**
Comprising						
At cost	7,543	2,532,408	40,973	1,146,942	7,729,926	11,457,792
At valuation 2009	249,615	589,933	140,999	4,913,817	-	5,894,364
	257,158	**3,122,341**	**181,972**	**6,060,759**	**7,729,926**	**17,352,156**



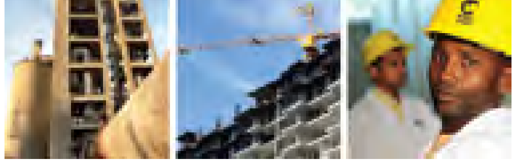
12(a) Property, plant and equipment-Group - Continued

	Freebold land	Buildings on leasehold land	Heavy commercial vehicles and quarrying equipment	Computer hardware plant, machinery motor vehicles, furniture and fittings	Capital work in progress	Total
	KES'000	KES'000	KES'000	KES'000	KES'000	KES'000
Depreciation						
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(loss)/ gain	-	(59)	(4,591)	5,077	-	427
At 1 January 2011	-	16,806	16,017	437,716	-	470,539
Acquisitions through business combinations	-	5,732	-	24,531	-	30,263
Charge for the year	-	68,012	19,438	324,728	-	412,178
Eliminated on disposal	-	-	-	(4,130)	-	(4,130)
Translation gain	-	(21)	116	359	-	454
At 31 December 2011	-	90,529	35,571	783,204	-	909,304
NET BOOK VALUE (REVALUATION BASIS)						
At 31 December 2011	257,158	3,031,812	146,401	5,277,555	7,729,926	16,442,852
At 31 December 2010	250,497	1,876,027	134,460	5,304,437	4,623,846	12,189,267
NET BOOK VALUE (COST BASIS)						
At 31 December 2011	174,566	2,507,268	118,574	3,914,128	7,729,926	14,444,462
At 31 December 2010	167,905	1,442,322	103,422	3,758,492	4,623,846	10,095,988

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 open market value basis while plant and equipment were valued on a depreciated replacement cost basis. Freehold land and buildings for the company and all the assets for ARM (Tanzania) Limited with a net book value of Sh 1,514,391,625 (2010 – Sh 1,545,295,500) have been charged to secure banking facilities granted to the group as disclosed in note 21. Included above are assets with a total cost of Sh 195,031,091(2010 -Sh 187,529,895) which were fully depreciated as at 31 December 2011. The normal depreciation charge would have been Sh 26,378,921 (2010 – Sh 25,364,347).

12(b) Property, plant and equipment - Company

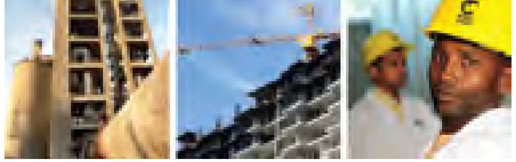
	Freebold land	Buildings on leasehold land	Heavy commercial vehicles and quarrying equipment	Computer hardware plant, machinery motor vehicles, furniture and fittings	Capital work in progress	Total
	KES'000	KES'000	KES'000	KES'000	KES'000	KES'000
Cost or valuation						
At 1 January 2010	241,015	525,773	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 1 January 2011	250,497	1,804,582	141,397	5,370,996	1,396,553	8,964,025
Additions	6,661	-	31,067	13,397	993,611	1,044,736
Transfers	-	1,121,701	-	241,854	(1,363,555)	-
Disposals	-	-	-	(1,820)	-	(1,820)
At 31 December 2011	**257,158**	**2,926,283**	**172,464**	**5,624,427**	**1,026,609**	**10,006,941**
Comprising						
At cost	7,543	2,409,110	31,465	710,610	1,026,609	4,185,337
At valuation 2009	249,615	517,173	140,999	4,913,817	-	5,821,604
	257,158	**2,926,283**	**172,464**	**5,624,427**	**1,026,609**	**10,006,941**



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

	Freebold land	Buildings on leasehold land	Heavy commercial vehicles and quarrying equipment	Computer hardware plant, machinery motor vehicles, furniture and fittings	Capital work in progress	Total
	KES'000	KES'000	KES'000	KES'000	KES'000	KES'000
Depreciation						
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 1 January 2011	-	12,929	14,130	292,185	-	319,244
Charge for the year	-	65,470	18,515	286,121	-	370,106
Eliminated on disposal	-	-	-	(541)	-	(541)
At 31 December 2011	-	78,399	32,645	577,765	-	688,809
NET BOOK VALUE (REVALUATION BASIS)						
At 31 December 2011	257,158	2,847,884	139,819	5,046,662	1,026,609	9,318,132
At 31 December 2010	250,497	1,791,653	127,267	5,078,811	1,396,553	8,644,781
NET BOOK VALUE (COST BASIS)						
At 31 December 2011	151,373	2,421,232	111,993	3,608,614	1,026,609	7,319,820
At 31 December 2010	144,712	1,354,938	95,962	3,559,226	1,396,553	6,551,391

Property, plant and equipment were revalued on 31 December 2009, by Peter Huth, Registered Valuers and Estate Agents. Land and buildings were valued on t open market value basis while plant and equipment were valued on a depreciated replacement cost basis. Freehold land and buildings with a net book value of Sh 1,225,878,347 (2010 – Sh 1,227,674,111) have been charged to secure banking facilities granted to the company as disclosed in note 21. Included above are assets with a total cost of Sh 195,031,091 (2010 – Sh 187,529,895) which were fully depreciated as at 31 December 2011. The normal depreciation charge would have been Sh 26,378,921 (2010 – Sh 25,364,347).



13. OPERATING LEASE PREPAYMENTS

	GROUP KES'000	COMPANY KES'000
COST		
At 1 January 2010	33,929	2,707
Exchange adjustment	(603)	-
At 1 January 2011	33,326	2,707
Acquisitions through business combinations	145,607	-
Exchange adjustment	755	-
At 31 December 2011	179,688	2,707
AMORTISATION		
At 1 January 2010	1,783	697
Charge for the year	1,139	68
Exchange adjustment	(58)	-
At 1 January 2011	2,864	765
Charge for the year	973	68
Exchange adjustment	(1,476)	-
At 31 December 2011	2,361	833
NET BOOK VALUE		
At 31 December 2011	177,327	1,874
At 31 December 2010	30,462	1,942

14. INTANGIBLE ASSETS

	GROUP KES'000	COMPANY KES'000
COST		
At 1 January 2010	66,219	15,671
Acquisitions through business combinations	3,390	-
Additions	66,454	1,229
Exchange adjustment	(14,408)	-
At 31 December 2011	121,655	16,900
AMORTISATION		
At 1 January 2010	8,100	8,100
Charge for the year	3,918	3,918
At 1 January 2011	12,018	12,018
Acquisitions through business combinations	2,740	-
Charge for the year	3,718	3,653
Exchange adjustment	1651	-
At 31 December 2011	20,127	15,671
NET BOOK VALUE		
At 31 December 2011	101,528	1,229
At 31 December 2010	54,201	3,653

15. GOODWILL

On 24 January 2010, Athi River Mining Limited acquired all the shares held by the minority shareholders in ARM Tanzania Limited. On 1 December 2011, Athi River Mining Limited acquired 35% of the issued share capital in Kigali Cement Company Limited. Goodwill arising from the above transactions are shown below:

	2011 KES'000	2010 KES'000
Balance at the beginning of the year	50,908	50,908
Goodwill recognised from business combination occurring during the year (Note 16(c))	20,104	-
Accumulated impairment losses	-	-
Balance at year end	**71,012**	**50,908**
Allocation of goodwill to the acquired subsidiaries		
ARM Tanzania Limited	50,908	50,908
Kigali Cement Company Limited	20,104	-
	71,102	**50,908**

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	
	2011 KES'000	2010 KES'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	75,000
Kigali Cement Company Limited	85,000	-
	452,642	**367,642**

Mafeking Cement (Pty) Limited

In the year 2010, 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 KES. 41,017,000. The intangible asset written off against retained earnings in the statement of changes in equity was KES. 103,717,000. Non-controlling interests arising on the acquisition was KES. 12,300,000.

16(B) NON CONTROLLING INTEREST

	COMPANY	
	2011 KES'000	**2010 KES'000**
Balance at the beginning of the year	(18,566)	-
Share of the loss for the year	(1,875)	(6,266)
Non controlling interest arising on acquisition of Mafeking Cement (Pty) shareholders deficit (Note 16(a))	-	(12,300)
Non controlling interest arising from acquisition of Kigali Cement Company Limited	122,331	-
Share of other comprehensive income for the year	1,979	-
	103,869	**(18,566)**

16(C) BUSINESS COMBINATION

During the year, Athi River Mining Limited acquired 35% equity interest in and also effectively acquired control of Kigali Cement Company Limited, whose principal activity is to buy raw materials and to produce finished cement for the Rwanda market and export. Kigali Cement Company Limited was acquired to support the Group's strategy of expanding its business activities in cement production in Africa. The board of directors of Kigali Cement Company Limited comprises seven board members of which four represent Athi River Mining Limited. Athi River Mining therefore has 53.84% voting power in addition to exercising management control of the Company. Athi River Mining Limited therefore controls the board of directors and thus the acquisition has been accounted for as business combination under IFRS 3.

Goodwill arising on acquisition

	KES'000
Fair value of net assets of Kigali Cement Company Limited at acquisition date	198,552
Fair value of net assets acquired by ARM (35% of total net assets)	69,493
Total purchase consideration	89,597
Goodwill as at 31 December 2011	20,104
Purchase consideration settled in cash	89,597
Less: cash and cash equivalents acquired from subsidiary	-
Cash outflow on acquisition, net of cash acquired	89,597

16(d) DETAILS OF THE SUBSIDIARY COMPANIES:

	Percentage Holding	Country of Incorporated Domicile	Principal Activity
ARM (Tanzania) Limited	100%	Tanzania	Extraction and processing of limestone
ARMSA (Pty) Limited	100%	South Africa	Manufacture of silicate liquid
Mavuno Fertilizer Limited	100%	Kenya	Not operational
Maweni Limestone Limited	100%	Tanzania	Manufacture of Cement
Mafeking Cement (Pty) Limited	70%	South Africa	Not yet operational
Kigali Cement Company Limited	35%	Rwanda	Manufacture of Cement
ARM Rwanda Limited	100%	Rwanda	Not operational
ARM Africa Cement (MAU) Limited	100%	Mauritius	Not operational
ARM Rhino Cement Limited	100%	Mauritius	Not operational

Athi River Mining Limited also holds 100% of the equity interest in other companies which are all dormant. These are ARM Zambia Limited, ARM Energy Limited, ARM Mineral and Chemical Limited, Mavuno 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	
	2011 KES'000	2010 KES'000	2011 KES'000	2010 KES'000
Raw materials	696,762	386,115	553,451	313,480
Finished goods	128,771	178,439	122,324	147,157
Packaging materials	40,583	29,776	40,583	28,957
Stores, spares and laboratory inventories	507,922	549,008	506,888	539,059
Work in progress	860	968	860	968
Goods in transit	68,118	-	55,798	-
Impairment provision on spare parts	(22,863)	(14,421)	(22,863)	(14,421)
	1,420,153	1,129,885	1,257,041	1,015,200

18. TRADE AND RECEIVABLES

	GROUP		COMPANY	
	2011 KES'000	2010 KES'000	2011 KES'000	2010 KES'000
Trade receivables	992,438	1,197,485	869,041	1,151,769
Other receivables and prepayments	861,435	651,485	198,712	135,664
	1,853,873	**1,848,970**	**1,067,753**	**1,287,433**

19. DUE FROM EMPLOYEE SHARE OPTION PLAN (ESOP)

In 2005, 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's Trust Deed and rules, 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. 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) resulting in a total consideration of 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 in the next page;

19. DUE FROM EMPLOYEE SHARE OPTION PLAN (ESOP)

	GROUP AND COMPANY	
	2011 KES'000	2010 KES'000
Amount due from ESOP		
At 1 January	48,959	66,767
Repayments	(10,743)	(8,486)
Impairment	-	-
At 31 December	**38,216**	**48,959**

The balance in the ESOP account 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

	2011 KES'000	2010 KES'000
Authorised:		
135,000,000 ordinary shares of Sh 5 each	675,000	675,000
Issued and fully paid:		
99,055,000 fully paid ordinary shares of Sh 5 each	495,275	495,275

At the 2008 Annual General Meeting held on June, 9 2008, the shareholders authorised directors;
a) to exercise borrowing powers of the Company to borrow money or raise capital or other finance (in any currency) for the purpose of facilitating the expansion of the Company's operations and to create and issue unsecured convertible bonds or notes to any person lending such money or granting such capital or finance and;

b) In their sole discretion and as they deem fit and at such premium as they may determine(but subject to such regulatory and other authorisations, consents, filings and approvals as required by law), to allot and issue by way of private transaction or offer up to a maximum of 25,000,00 ordinary shares of KES. five (KES. 5.00) each in the Capital of the Company, credited as fully paid and ranking pari passu in all respects with the existing ordinary shares of Kenya Shillings Five (KES. 5.00) each by way of redemption and in exchange for such convertible bond or notes.

21. BORROWINGS - GROUP

	2011 KES'000	2010 KES'000
Bank loans	6,634,252	5,247,176
Aureos income note	850,000	807,500
Equity linked notes*	1,600,000	1,600,000
Bank overdrafts	1,541,171	1,064,137
Total	**10,625,423**	**8,718,813**
On demand or within one year	2,496,821	1,954,028
In the second year	2,705,065	747,155
After 2 years but within 5 years	5,027,127	4,582,178
After 5 years	396,410	1,435,452
TOTAL	**10,625,423**	**8,718,813**
Less: amount due for settlement within one year	2,496,821	1,954,028
Amount due for settlement after one year	8,128,602	6,764,785

21(a). BORROWINGS - GROUP

Analysis of borrowings by currency

	Borrowings in US$'000	KES. equivalent KES. '000	Borrowings in local currency KES. '000	Total borrowings KES. '000
2011				
Bank overdrafts	16,305	1,385,901	155,270	1,541,171
Bank loans	77,684	6,895,615	588,637	7,484,252
Aureos income note	10,000	850,000	-	850,000
Equity linked notes*	-	-	1,600,000	1,600,000
At 31 December 2011	**93,989**	**8,281,516**	**2,343,907**	**10,625,423**
2010				
Bank overdrafts	8,886	717,594	346,543	1,064,137
Bank loans	52,511	4,463,450	783,726	5,247,176
Aureos income note	10,000	807,500	-	807,500
Equity linked notes*	-	-	1,600,000	1,600,000
At 31 December 2010	**71,397**	**5,988,544**	**2,730,269**	**8,718,813**

*The equity linked notes were raised by way of private placement. They are unsecured notes that 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 Securities Exchange. The notes are redeemable in full on 20 April 2015.

21(a). BORROWINGS - GROUP - Continued

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

	2011 %	2010 %
Bank overdrafts (Sh)	13.60	13.50
Bank overdrafts (US $)	4.50	-
Bank loans (Sh)	12.50	12.00
Bank loans (US $)	7.50	7.10
Equity linked notes (Sh)	12.00	12.00

21(b). BORROWINGS - COMPANY

	2011 KES'000	2010 KES'000
Bank loans	2,706,209	2,920,938
Aureos income note	850,000	807,500
Equity linked notes	1,600,000	1,600,000
Bank overdrafts	1,541,171	1,064,137
	6,697,380	**6,392,575**
The borrowings are repayable as follows:		
On demand or within one year	2,477,283	1,938,026
In the second year	676,262	555,496
After 2 years and within 5 years	3,291,538	2,463,601
After 5 years	252,297	1,435,452
Total	**6,697,380**	**6,392,575**
Less: amount due for settlement within one year	2,477,283	1,938,026
Amount due for settlement after one year	4,220,097	4,454,549

21(a). BORROWINGS - COMPANY - Continued

Analysis of borrowings by currency

	Borrowings in US$'000	KES. equivalent KES. '000	Borrowings in local currency KES. '000	Total borrowings KES. '000
2011				
Bank loans	24,913	2,117,572	588,637	2,706,209
Aureos income note	10,000	850,000	-	850,000
Equity linked notes	-	-	1,600,000	1,600,000
Bank overdrafts	16,305	1,385,901	155,270	1,541,171
At 31 December 2011	**51,218**	**4,353,473**	**2,343,907**	**6,697,380**
2010				
Bank loans	26,467	2,137,212	783,726	2,920,938
Aureos income note	10,000	807,500	-	807,500
Equity linked notes	-	-	1,600,000	1,600,000
Bank overdrafts	8,886	717,594	346,543	1,064,137
At 31 December 2010	**45,353**	**3,662,306**	**2,730,269**	**6,392,575**

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

	2011 %	2010 %
Bank overdraft (KES)	13.6	13.5
Bank Loans (KES)	12.5	12.0
Bank Loans (US$)	7.5	7.5
Equity linked notes (KES)	12.0	12.0

21(b) BORROWINGS - GROUP - Continued

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 Sh 225,000,000 and USD 19,134,000 together with a first legal charge for Sh 225,000,000 and USD 19,134,000 over the company's freehold and leasehold properties ranking pari passu with 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 stamped for Sh 120,000,000 over all the assets of the company.

The overdraft and loan facilities with Barclays Bank of Kenya Limited are secured by a legal charge over certain properties for Sh 264,000,000 and a debenture of Sh 264,000,000 over all the assets of the group.
The long term loan of US$ 1,000,000 is secured by a first ranking legal mortgage on the ARM (Tanzania) Limited assets located on plot No. 1 Industrial Area –Maweni Tanga Municipality and a first ranking floating debenture on the company's assets present and future.

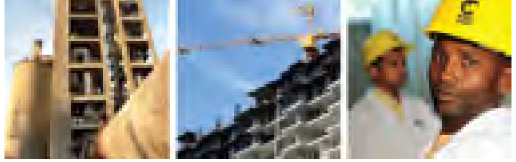
The loan from East African Development Bank is secured by a bank guarantee from Bank of Africa Kenya Limited.

The loan from PTA Bank is secured by an all assets debenture of 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 mature in 2015.
The Aureos income note is unsecured and matures in 2015.

As at 31 December 2011, the company had outstanding letters of credit amounting to KES. 64,068,750 (2010- Sh 177,650,000).



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, Tanzania and Rwanda and 29% for South Africa.

	GROUP		COMPANY	
	2011 KES'000	**2010 KES'000**	**2011 KES'000**	**2010 KES'000**
The net deferred taxation liability is attributable to the following items:				
Liabilities:				
Accelerated capital allowances	1,744,308	1,402,546	1,779,117	1,443,057
Revaluation surplus	605,725	632,013	555,988	584,001
Unrealised exchange gains	-	11,086	-	1,086
	2,350,033	**2,045,645**	**2,335,105**	**2,028,144**
Assets:				
Leave pay provision	(8,286)	(2,748)	(3,636)	(2,748)
Unrealised exchange losses	(35,020)	-	(35,018))	-
Bonus provision	-	(7,152)	-	(7,152)
General bad debt provision	(18,967)	(4,328)	(6,859)	(4,327)
Tax losses available for future offset	(423,368)	(364,621)	(423,368)	(364,621)
	(485,641)	(378,849)	(468,881)	(378,848)
Net deferred taxation liability	1,864,392	1,666,796	1,866,224	1,649,296

22. DEFERRED INCOME TAX - Continued

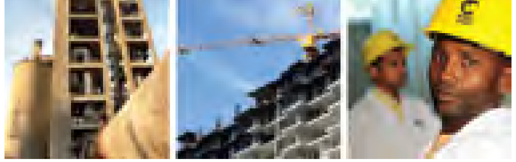
The movement on the deferred taxation account is as follows:

	GROUP		COMPANY	
	2011 KES'000	2010 KES'000	2011 KES'000	2010 KES'000
At 1 January	1,666,792	1,646,288	1,649,296	1,631,849
Income statement charge (note 8(a))				
- current year	197,285	64,968	216,928	67,207
- prior year overprovision	-	(47,573)	-	(49,760)
Exchange adjustment	315	3,113	-	-
At 31 December	**1,864,392**	**1,666,796**	**1,866,224**	**1,649,296**

A Prior year adjustment has been processed in these financial statements in relation to 2010 deferred tax liability as disclosed in note 32.

23(A) FINANCE LEASES - GROUP

	Present value of minimum lease payments			
	2011 KES'000	**2010 KES'000**	**2011 KES'000**	**2010 KES'000**
Amounts payable under finance leases				
Within one year	784	1,126	707	1,026
In the second to fifth years inclusive	-	-	-	-
	784	1,126	707	1,026
Less: Future finance charges	(77)	(100)	-	-
Present value of lease obligations	707	1,026	707	1,026
Less: Amount due for settlement within 12 months			(340)	(1,026)
Amounts due for settlement after 12 months			(367)	-
Amounts payable under finance leases				
Within one year	244	-	193	-
In the second to fifth years inclusive	529		373	-
	773	-	566	-
Less: Future finance charges	(207)	-	-	-
Present value of lease obligations	566	-	566	-
Less: Amount due for settlement within 12 months			(199)	-
Amounts due for settlement after 12 months			(367)	-



23 (C) FINANCE LEASES - ANALYSIS BY CASH FLOWS:

	GROUP		COMPANY	
	2011 KES'000	2010 KES'000	2011 KES'000	2010 KES'000
At 1 January	1026	8,259	-	6,297
New financing received	-	-	770	-
Repayments	(230)	(7,587)	(204)	(6,297)
Exchange adjustment	(89)	354	-	-
At 31 December	**707**	**1,026**	**566**	**-**

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 13.50 % (2010: 10%). 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 2011 was Sh 705,883 (2010 – Sh 1,527,769). 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	
	2011 KES'000	2010 KES'000	2011 KES'000	2010 KES'000
Trade payables	1,269,059	845,784	662,817	778,199
Other payables and accruals	625,703	376,451	300,468	160,884
Leave pay provision	10,269	9,160	10,269	9,160
	1,905,031	1,231,395	973,554	948,244

25. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before taxation to cash gener ated from operations

	2011 KES'000	2010 KES'000
Profit before taxation	1,362,912	1,112,962
Adjustments:		
Depreciation	412,178	315,151
Amortisation of operating lease prepayments	973	1,139
Amortisation of intangible assets	3,718	3,918
Finance cost recognised in profit before tax	306,227	226,316
Finance income recognised in profit before tax	(33,003)	-
Net unrealised foreign exchange loss	118,187	53,511
Loss on disposal of property, plant and equipment	857	83
Adjusted profit before working capital changes	2,172,049	1,713,080
Increase in inventories	(290,268)	(45,599)
Increase in trade and other receivables	(4,903)	(408,460)
Movement in related party balances	(3,944)	(31,273)
Increase in trade and other payables	673,636	107,570
Decrease in due from ESOP	10,743	17,808
Cash generated from operations	2,557,313	1,353,126

(b) Analysis of additions to property, plant and equipment

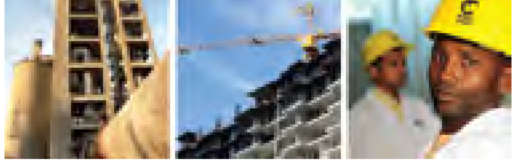
	2011 KES'000	2010 KES'000
Additions in the year (note 12(a))	4,271,201	3,870,936
Less:		
Interest capitalised (note 4)	(241,508)	(252,375)
Acquisition in cash	4,029,693	3,618,561

(c) Analysis of cash flow by loans (note 21(a))

	2011 KES'000	2010 KES'000
At 1 January	7,654,676	4,453,310
Received	2,119,371	4,377,801
Repayment	(1,160,777)	(1,251,709)
Exchange adjustment	470,982	75,274
	9,084,252	7,654,676

(d) Analysis of cash and cash equivalents

	2011 KES'000	2010 KES'000
Cash and bank balances	111,794	355,882
Bank overdrafts (note 21(b))	(1,541,171)	(1,064,137)
Investments in short-term deposits	225,339	843,043
	(1,204,038)	134,788



25. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

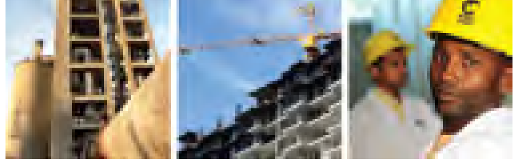
	2011 KES'000	2010 KES'000
(e) Analysis of interest paid		
Interest included in the cost of qualifying assets (note 4)	241,508	252,375
Interest charged to profit or loss(note 4)	236,366	250,312
	477,874	502,687

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:



26. RELATED PARTY TRANSACTIONS AND BALANCES - Continued

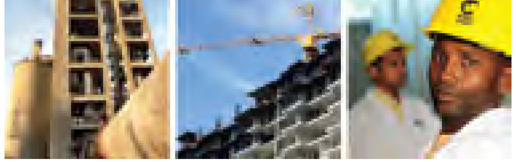
	2011 KES'000	2010 KES'000
(a) Transactions		
Sales:		
ARM (Tanzania) Limited	5,438	11,136
ARMSA (Pty) Limited	123,829	120,751
Maweni Limestone Limited	76,897	36,996
	206,164	168,883
Purchases: Operating lease rentals Chiromo Holdings Ltd	5,400	5,400

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

	2011 KES'000	2010 KES'000
(b) Due from related parties – Group		
ARM Rhino Cement Limited	897	-
ARM Africa Cement (MAU)Ltd	897	-
	1,794	-

26. RELATED PARTY TRANSACTIONS AND BALANCES - Continued

	2011 KES'000	2010 KES'000
(c) Due from related parties – Company		
Maweni Limestone Limited	2,773,920	2,135,076
ARM (Tanzania) Limited	325,647	294,187
ARMSA (Pty) Limited	180,128	119,267
Mafeking Cement Company Limited	167,004	60,786
ARM Africa Cement (MAU)Ltd	897	-
ARM Rhino Cement Limited	897	-
	3,448,493	2,609,316
(d) Due to related parties – Group		
Due to directors	14,382	16,532
(e) Due to related parties – Company		
Due to directors	10,732	11,062
Due to ARM (Rwanda) Limited	85,000	-
	95,732	11,062



26. RELATED PARTY TRANSACTIONS AND BALANCES - con't

(f) Key management compensation

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

	2011 KES'000	2010 KES'000
Salaries and other benefits	196,470	167,557

(g) Directors' remuneration

	2011 KES'000	2010 KES'000
Fees for services as directors	3,010	7,603
Other emoluments (included in key management compensation)	108,982	102,358
	111,992	109,961

All the companies disclosed in the note are subsidiaries except Chiromo Holdings Limited which is related to common directorship.

27. OPERATING LEASE COMMITMENTS

The company as a lessee:

Rental payments during the year amounted to Sh 26,251,000 (2010 – Sh 2,437,000). At the balance sheet date, the company had contracted for the following future lease payables:

	2011 KES'000	2010 KES'000
Within one year	21,297	31,144
In the second to fifth year inclusive	24,011	23,042
After five years	1,050	4,235
	46,358	58,421

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	
	2011 KES'000	2010 KES'000	2011 KES'000	2010 KES'000
Authorised and contracted for	1,147,500	178,200	-	76
Authorised but not contracted for	1,642,500	3,480,000	240,000	280,000

29. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2011 KES'000	2010 KES'000	2011 KES'000	2010 KES'000
Guarantees	-	15,000	-	15,000

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.

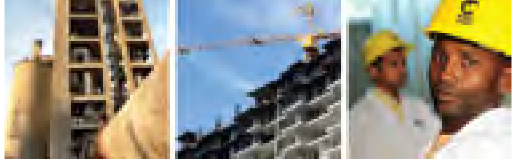
Risk management is carried out by the group's finance department under policies approved by the Board of Directors. Finance department identifies, evaluates and where possible hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering 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 group has a natural hedge of its foreign exchange risk on foreign currency denominated borrowings by matching commitments on borrowings obligations with dollar denominated sales receipts.

At 31 December 2011, if the Kenya Shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the pre tax profit for the year would have been Sh 66,725,950(2010: Sh 56,371,400) 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 through 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 by Sh 957,793,144 (2010 - Sh 692,177,570).

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.

30. FINANCIAL RISK MANAGEMENT - Continued

Credit risk - con't

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 KES'000	Past Due KES'000	Impaired KES'000	Total KES'000
At 31 December 2011				
Trade receivables	875,893	116,545	93,171	1,085,609
Provision for impairment	-	-	(93,077)	(93,077)
	875,893	116,545	-	992,438
Due from related parties	1,794	-	-	1,794
Investments in short term deposits	225,339	-	-	225,339
Bank balances	111,794	-	-	111,794
	1,214,820	116,545	-	1,331,365

30. FINANCIAL RISK MANAGEMENT - Continued

Credit risk - Continued

The amount that best represents the Group's maximum exposure to credit risks as of 31 December 2010 is made as follows:

	Fully Performing KES'000	Past Due KES'000	Impaired KES'000	Total KES'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 short term deposits	843,043	-		843,043
	2,242,254	154,156	-	2,396,410

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.

30. FINANCIAL RISK MANAGEMENT - Continued

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.

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

	Less than 1 Month KES'000	Between 1-3 Months KES'000	Over 3 Months KES'000	Over 12 Months KES'000	Total KES'000
At 31 December 2011					
Borrowings	-	29,543	2,760,492	7,835,388	10,625,423
Finance leases	-	707	-	-	707
Trade payables	704,414	564,645	-	-	1,269,059
Due to related parties	-	-	14,382	-	14,382
	704,414	594,895	2,774,874	7,835,388	11,909,571

30. FINANCIAL RISK MANAGEMENT - Continued

Liquidity risk - Continued

	Less than 1 Month KES'000	Between 1-3 Months KES'000	Over 3 Months KES'000	Over 12 Months KES'000	Total KES'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	455,745	360,039	-	-	845,784
Due to related parties	-	-	16,532	-	16,532
	455,745	388,915	1,947,910	6,764,785	9,582,155

31. CAPITAL RISK MANAGEMENT

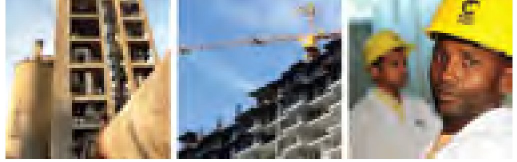
The group manages its capital to ensure that entities in the group will be able to continue as a going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

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 and other services.

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.

31. CAPITAL RISK MANAGEMENT - Continued

	GROUP		COMPANY	
	2011 KES'000	2010 KES'000	2011 KES'000	2010 KES'000
Share capital	495,275	495,275	495,275	495,275
Share premium	302,027	302,027	302,027	302,027
Revaluation surplus	1,398,911	1,465,354	1,398,911	1,465,354
Retained earnings	3,827,809	2,782,339	3,881,431	2,824,243
Translation reserve	(25,365)	(99,570)	-	-
Equity	5,998,657	4,945,425	6,077,644	5,086,899
Total borrowings and Finance leases	10,625,423	8,718,813	6,697,946	6,392,575
Less: cash and bank - balances	(337,133)	(1,198,925)	(24,065)	(71,453)
Net debt	10,288,290	7,519,888	6,673,881	6,321,122
Total capital	16,286,947	12,465,313	12,751,525	11,408,021
Gearing	63%	60%	52%	55%



32. PRIOR ADJUSTMENT

The prior year adjustment relates to a revision of 2010 deferred tax liability to recognise the impact of an amendment to the Income Tax Act in relation to investment deductions as contained in the 2009 Kenya Finance Act. The adjustment has been processed in the 2011 financial statements. The effect of the restatement on the financial statements is summarised below;

GROUP

	As Previously Reported as at December 2010	Adjustment	As Restated 31 December 2010
Capital and reserve			
Retained earnings	2,499,082	283,257	2,782,339
Liabilities			
Deferred tax liability	1,950,053	(283,257)	1,666,796

COMPANY

	As Previously Reported as at December 2010	Adjustment	As Restated 31 December 2010
Capital and reserve			
Retained earnings	2,540,985	283,257	2,824,242
Liabilities			
Deferred tax liability	1,932,553	(283,257)	1,649,296

32. PRIOR ADJUSTMENT - Continued

Results for the year ended 31 December 201

	Group KES'000	Company KES'000
Profit for the year as previously reported	792,011	761,195
Prior year adjustments	283,257	283,257
Profit as restated	1,075,268	1,044,452

33. INCORPORATION

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

34. CURRENCY

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

Amarjeet Chaudhary, an experienced fabricator and part of the ARM project team, works late into the evening to complete the plant at Dar es Salaam. Seen in the background is the packing plant building with a truck loading capacity of 180 tons per hour.

TANZANIA

CAPITAL CITY

Dar-es-Salaam

POPULATION

43.6 million

GDP PER CAPITA

$530

CEMENT CONSUMPTION PER CAPITA

58 kg

RWANDA

CAPITAL CITY
Kigali

POPULATION
11.7 million

GDP PER CAPITA
$652

CEMENT CONSUMPTION PER CAPITA
34 kg