2010

Annual Report and Financial Statements

Bamburi cement ltd

Part of you. From the start.

LAFARGE

Waterbuck at Haller Park - Mombasa

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First fire kiln light up at Hima Cement's new production line.

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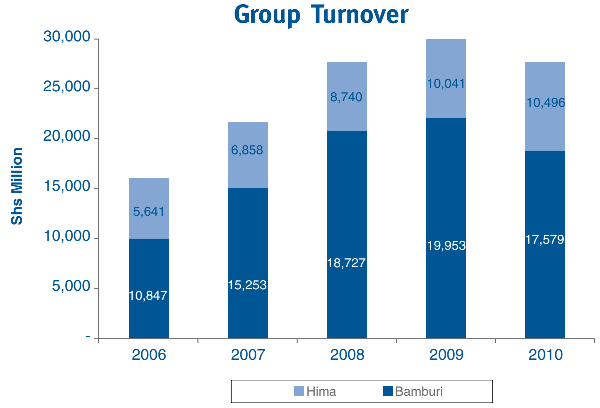
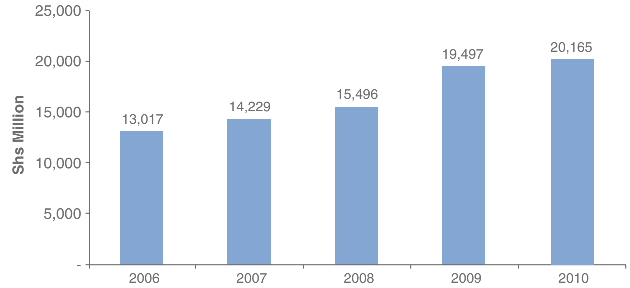
5 Year Performance Highlights

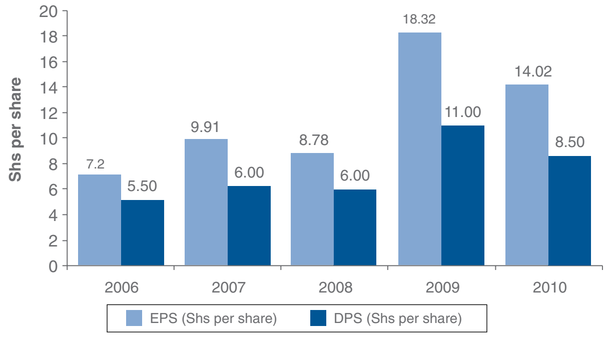
Group Turnover



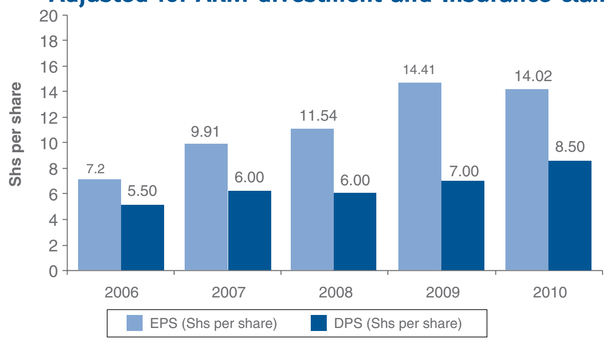
Shareholder Equity



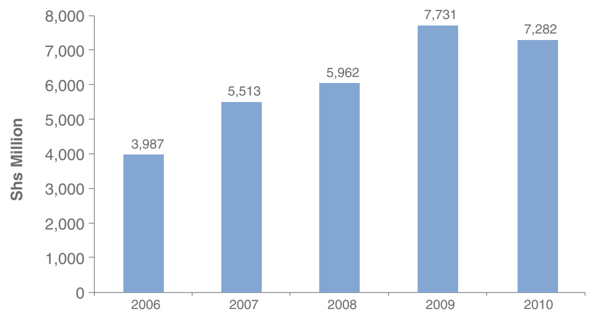
Earnings/ Dividend per Share



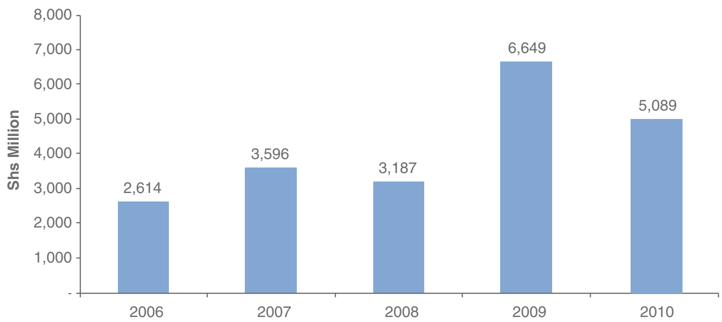
Earnings/ Dividend per Share Adjusted for ARM divestment and Insurance claim



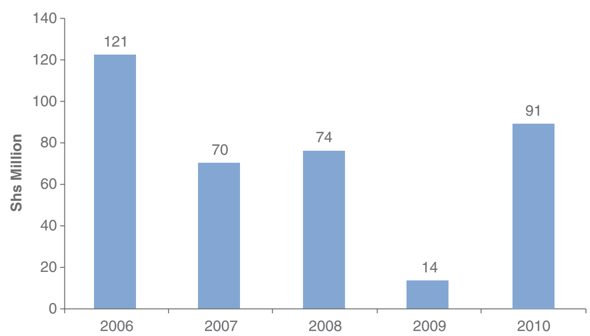
Operating Income



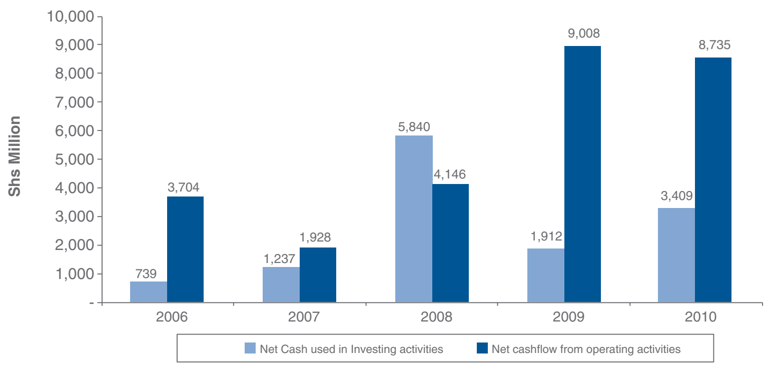
Profit attributable to shareholders



Finance Costs



Investments and Net Cashflows from Operating Activities



Customers
Net cash from our activities
Shs 28,463m

Staff Costs **Shs 2,127m**
Employees

Contribution **Shs 88m**
Communities

Purchases **Shs 11,301m**
Suppliers

Capital Investments **Shs 3,429m**
Projects

Interest **Shs 91m**
Banks

Loan **Shs 3,034m**
Debt Financiers

Taxes **Shs 3,229m**
Government

Dividends **Shs 3,993m**
Shareholders

The Group Information



Our Vision

To be the leading market and end-user oriented Cement Company across Eastern Africa, with a strong and clear dedication to our communities.

Our Ambitions

To enable us achieve our vision as one entity driven by the same energy, the Group identified tangible ambitions in five key areas:

1. **Safety, Health and Environment**
   We are dedicated to:
   - Training employees, contractors and business partners and adopting Best practices to ensure safety for all.
   - The good health of our employees and welfare of our local communities
   - Protecting the natural environment and limiting the impact of our activities on the ecology.

2. **Innovation**
   - We are committed to top line growth through the introduction of new and innovative products. We commit to have a significant amount of our turnover generated from new products.

3. **Sustainable Market Leadership**
   - We are committed to being the leader in Eastern Africa market, with strong sales to the inland export markets.

4. **Profitable Enterprise**
   - To protect and augment our profitability by enhancing production and other internal efficiencies while realising our aim to make cement affordable to our customers and end users.

5. **Team Achievement**
   We are focussed on:
   - Attracting the best talent, developing the skills and potential of our people and recognising and rewarding achievement.
   - Building a disciplined and motivated workforce that drives for outstanding results.

Our Values

As part of the Lafarge family, we are bound by shared values. The Lafarge brand stands for commitment to excellence and the values of the group are expressed in the 'Lafarge Way'.

The Lafarge Way

Courage, integrity, commitment, consideration for others and an overriding concern for the group's interest are the foundations of our management philosophy. Every employee is expected to demonstrate commitment to these values. We will achieve them by:

Making our people successful
- Expecting people to give their best.
- Leading by example.
- Achieving greater results through teamwork.

Focussing on performance improvement
- Resulting from actions of all.
- Making performance a daily commitment.
- Sharing systems and tools.

With a multi-local organisation
- Building on our local and global strengths.
- Making our Business Units successful by leveraging the resources of a decentralised organisation.
- Sharing clear processes and a limited number of respected and known rules.

Lafarge Group

Lafarge in Brief

Lafarge is the world leader in building materials, with top-ranking positions in all of its businesses: Cement, Aggregates & Concrete and Gypsum. With 76,000 employees in 78 countries, Lafarge posted sales of Euros 16.2 billion in 2010.

Lafarge was ranked 6th in the "Carbon Disclosure Project" and entered the global "Dow Jones Sustainability Index" in 2010 in recognition of its sustainable development actions.

With the world's leading building materials research facility, Lafarge places innovation at the heart of its priorities, working for sustainable construction and architectural creativity.

Additional information is available on the web site at www.lafarge.com.

2010 Key Figures

Consolidated

	2010 M€	2009 M€
Sales	16,169	15,884
Operating Income	2,441	2,477

Cement Division

	2010 M€	2009 M€
Sales	10,280	10,105
Operating Income	2,230	2,343

DIRECTORS	**Executive**		
	H. Mansi (Egyptian)	-	Group Managing Director
	D. Njoroge	-	General Manager, Hima Cement Limited
	J. Oigara	-	Group Finance Director
	Non Executive		
	R. Kemoli	-	Chairman
	S. W. Karanja		
	C. C. Kisire		
	S. M'Mbijjewe		
	D. Brugier (French)		
	J. Stull (American)		
	A. Kazongo		

SECRETARY

B. Kanyagia
Certified Public Secretary (Kenya)
Kenya-Re Towers, Upper Hill
P. O. Box 10921 – 00100 GPO
Nairobi

REGISTERED OFFICE

Kenya-Re Towers, Upper Hill
P. O. Box 10921 – 00100 GPO
Nairobi

REGISTRARS

Custody & Registrars Services Limited
Bruce House
Standard Street
P. O. Box 8484 – 00100 GPO
Nairobi

AUDITORS

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

PRINCIPAL BANKERS

Citibank N A
Citibank House, Upper Hill
P. O. Box 30711 – 00100 GPO
Nairobi,Kenya

Standard Chartered Bank Kenya Limited
Kenyatta Avenue Branch
P. O. Box 40310 – 00100 GPO
Nairobi, Kenya

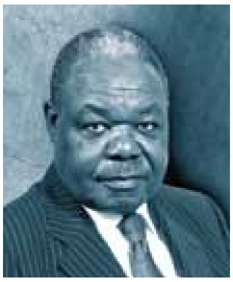
Citibank N A Uganda
Centre Court, Nakasero
P. O. Box 7505
Kampala, Uganda

Standard Chartered Bank Uganda Limited
Speke Road Branch, 5 Speke Road
P. O. Box 7111
Kampala,Uganda

The Nyali Bridge - Mombasa

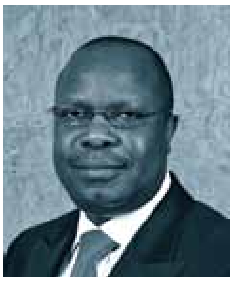
NON EXECUTIVE **DIRECTORS**

Richard Kemoli, 75 holds a B. Sc (Econ) London Degree from Makerere University, Kampala and a Diploma in Management Studies at Regent Street Polytechnic (now University of Westminster, London). He is a member of the Institute of Directors, United Kingdom. He has 33 years experience with Commonwealth Development Corporations - East Africa Region. He is the Chairman of the Boards of Directors of Bamburi Cement Limited and the Unga Group of Companies together with being a director in several other companies.



John Stull, 50 holds a Bachelor of Science Degree in Chemical Engineering from the University of Akron and a Business Management Degree from Harvard University. He is the Regional President, Sub-Saharan Africa. He joined Lafarge in 1992 as Operations Manager rising to Plant Manager, Alpena MI with overall responsibility of the largest cement plants in North America. In 1996, he was promoted to Vice President, Manufacturing US Region, a position he held until 2000 when he was promoted to President Missouri Division, Ready-mix and Aggregates. Thereafter, John held numerous positions including Senior Vice President, Marketing and Supply Chain, Paris and Regional President, Latin America.

Alex Kazongo, 46 is the Managing Trustee of the National Social Security Fund (NSSF). He holds a Bachelor of Commerce – Accounting Degree from the University of Nairobi and is a Member of the Institute of Certified Public Accountants of Kenya. Alex has a wealth of experience in investment and financial management from both the private and public sectors, having worked in senior positions at Kenya Ports Authority, Kenya Pipeline Company, Old Mutual, and Deloitte & Touche among others. He is also a director in National Bank of Kenya, East African Portland Cement Company Ltd and Consolidated Bank.



Dominique Brugier, 52 is a graduate mechanical engineer from Ecole des Arts et Metiers, Paris. He joined Lafarge in 1991 as a Mechanical Expert. He moved to Lafarge China in 1995 as a Maintenance Manager, became Project Manager in 1997 and rose to Industrial Director in 2005. In 2009, he was promoted to the position of Director, Performance and Progress, East and West Sub-Saharan, Africa.

Amb. Solomon Karanja, 74 is a BA graduate of Makerere University and holds an MA from University of London. He has worked as a Deputy to the University of East Africa Registrar and was the first Kenyan Registrar of the University of Nairobi. Subsequently he held the position of Executive Chairman, East Africa Portland Cement Company for twelve years until he was appointed Executive Chairman National Bank of Kenya in 1987. He has served as Chairman of the Kenya Golf Union, Muthaiga Golf Club and Fidelity Shield Insurance Company. Amb. Karanja has also been appointed by the Government to serve on several commissions. He recently retired as a Director of Muthaiga Country Club and also as the Kenyan Ambassador & Permanent Representative to UN Habitat after serving for two three year terms. Amb. Karanja is the Chairman of the Kenya Medical Supplies Agencies.

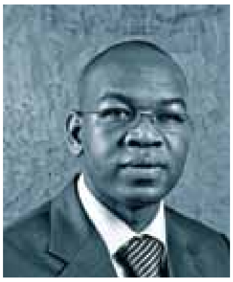
Sheila M'Mbijjewe MBS, 53 is a Chartered Accountant ICAEW and a Certified Public Accountant. She is the Chairperson of the Audit Committee. Sheila's previous jobs have included the Finance Director position at PricewaterhouseCoopers, Stagecoach International and Standard Chartered Bank Kenya. She is a member of the Monetary Policy Committee of the Central Bank of Kenya.

Chris C. Kisire, 44 is a holder of Bachelor of Commerce - Accounting Major and a Masters of Business & Administration degrees from the University of Nairobi. He also holds Certified Public Accountant of Kenya, CPA (K) and Certified Public Secretary of Kenya, CPS (K) qualifications. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Certified Public Secretaries of Kenya (ICPSK). He has business experience spanning over nineteen years in Finance, Administration and Business Management both locally and internationally. He is currently the Group Chief Executive Officer of Sovereign Group Limited, an international investment Group.

Board of Directors

EXECUTIVE DIRECTORS

Hussein Mansi, 44 Managing Director, is a graduate of the University of Cairo, B. Sc (1988) and has a Post Graduate Certificate of Business Administration from the University of Leicester, UK (2004). He began his career in 1989 as a Design Engineer Saudi Building Systems. In January 1999, he joined the Orascom Cement Division, which was acquired by Lafarge in 2007, in the Egyptian Cement Company as Works Director, Sales and Marketing rising to Commercial Director, Algeria Cement Company, a position he held until December 2009.



Joshua Oigara, 35 has an MBA from Edith Cowan University (ECU) in Australia. He holds a BCom. (HONS) degree in Accounting from the University of Nairobi and is a Certified Public Accountant of Kenya. He is a member of the Institute of Public Accountants of Kenya (ICPAK). He is a graduate of the Duke University Business School (Fuqua) Leadership Development Programme and the Institut Europeen d'Administration des Affaires (INSEAD) Advanced Management Programme. He started his professional career with PricewaterhouseCoopers in Kenya and also worked with Bidco Oil Refineries Limited before joining the Company in 2003. He was seconded to Hima Cement Limited in Uganda before being promoted to the Group Controller position in 2006. He was appointed as the Group Finance Director in 2008. He is a director in the Group's three Subsidiary companies and chairs the Board Audit Committee for Mbeya Cement Company Limited. He has experience in commercial, performance improvement, IT management, business advisory and finance across various sectors in East Africa.

David Njoroge, 40 is a holder of a Bachelor of Commerce degree, Accounting major and is a Certified Public Accountant. He has attended managerial, financial and leadership related courses' both locally and internationally and has broad experience in finance and related fields. He joined the company in 1999 as Finance Manager a position he held until 2002 when he was promoted to Group Finance Director. In April 2006, he was appointed General Manager, Hima Cement Ltd and also responsible for the Group's capacity increase projects in Uganda. He is also a director at the Nairobi Stock Exchange where he chairs the Finance and Manpower Committees.

SECRETARY

Betty Kanyagia, 36 is a graduate of the University of Nairobi, LLB, a Commissioner for Oath and Notary Public. She practised with a law firm in Nairobi before joining PricewaterhouseCoopers, Tax and Legal Services Department as a Consultant. Betty joined Bamburi Cement Limited in 2003 as the Compensation and Benefits Manager, a position she held until she took over as Company Secretary in June 2007. She is a member of the Law Society of Kenya, the Chartered Institute of Arbitrators - Kenya Chapter, the Institute of Certified Public Secretaries of Kenya and the Commonwealth Lawyers Association.

Board of Directors

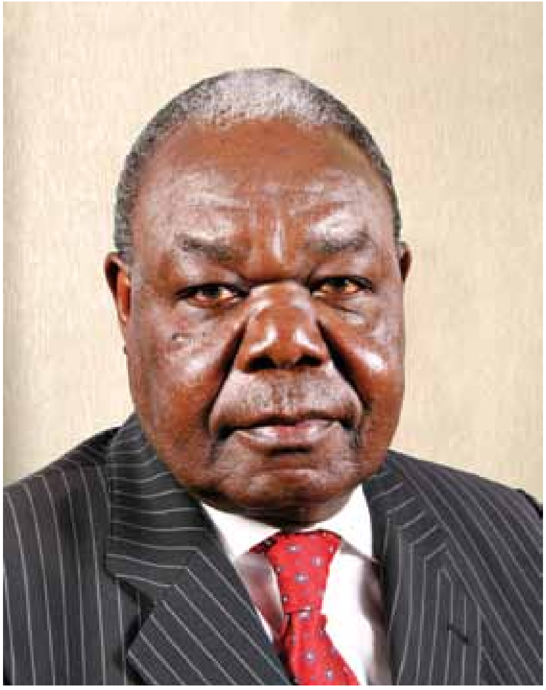
From left to right standing:
Joshua Oigara, Chris C. Kisire, David Njoroge, Hussein Mansi, Dominique Brugier, Amb. Solomon Karanja, Alex Kazongo

From left to right sitting:
Betty Kanyagia, Richard Kemoli, John Stull, Sheila M'Mbijjewe

Management Team

From left to right standing:
Joshua Oigara, Finance Director; **Steve Okeyo,** Sales Director; **Robert Nyangaya,** Marketing Director; **Henri Nicot,** Industrial Director; **Tariq Iqbal,** Supply Chain Director; **Job Oduor,** Projects Director; **Xavier DeCharentenay** - Industrial Manager.

From left to right sitting
Susan Maingi, Human Resource and Organisation Director; **Hussein Mansi,** Managing Director; **David Njoroge,** General Manager, Hima Cement



Richard Kemoli - Chairman

'The Group is well positioned to meet challenges during the next phase of our growth'

The East African cement demand continued to grow in 2010 as most economies recovered from the post-election disturbances of 2008 in Kenya and the global economic meltdown of 2009.

The expansion of the industry over the previous year was attributable to new entrants and increased economic activity. However, increased capacity led to over-supply of cement in the domestic market with consumption remaining below output. A steady rise in demand is expected across the region which, over time, should result in reduction of supply-demand gap. With improved access to mortgage products and a cultural change to home ownership among the middle-income population, individual home builders are expected to remain the key drivers of cement consumption.

The Kenyan Government has continued to demonstrate strong commitment to infrastructure investments as a key pillar of its Vision 2030 plan. The Economic Stimulus Package unveiled in 2009 contributed to higher spending on public infrastructure projects in 2010. The Government initiated an infrastructure bond to fund large projects, which is expected to boost cement demand.

Looking forward, the implementation of the East African Community (EAC) common market protocol is expected to result in infrastructure expenditure receiving increased attention as countries seek to improve the flow of trade between member states.

Cement market & Competition[i]

The cement market in East Africa grew by close to 14.4% to 7 million tons, compared to 13.5% growth in 2009 driven by individual home builders and infrastructural projects. The growth in the second half of 2010, estimated at 19.4%, was more than double that of first half of 8.9%.

With competition from new players, capacity increase by existing players and increasing imports, there will be need for the Group to continue with stringent cost control and improve efficiencies of route to market while exploring new markets and products in order to improve operating profit margins.

Investing in Our Future

In October 2010, the Group successfully commissioned its new integrated production line at Kasese, Uganda constructed at a cost of USD 115 million. The new production facility, officially inaugurated by the President of the Republic of Uganda, H.E.Yoweri Museveni on 7 January 2011, will go a long way in enhancing the Group's efficiency levels, improving operating results and boosting regional growth strategy particularly into the emerging markets of Southern Sudan, Rwanda, Burundi and eastern DR Congo.

In pursuance of its vertical integration strategy and to anchor its market leadership position, the Group expanded its ready mix and precast businesses in Kenya by investing in additional truck mixers and commissioning two ultra modern block making machines in Nairobi. Construction of a precast plant is in advanced stages in Mombasa.

Financial Performance Review

The financial year was affected by increased competition across the region. Despite this, revenue and profit growth in the second half of the year was strong as the Group focused on its strategic priorities and achieved improvement in underlying operating margin and strong cash generation. This performance is a testament to the strength of the Group's brands, the leading market position, unique product offerings and robust risk management framework.

On a comparable basis, revenues grew by 9% in the second half of the year following a very challenging competitive and operating environment. A healthy margin expansion was achieved on the back of proactive cost reduction initiatives and increased productivity. As a result, strong growth in operating profit of 14% was achieved in the second half compared to a similar period in 2009.

The Group's robust balance sheet and liquidity position provides confidence to pursue market opportunities and to grow organically by expanding the product portfolio and offering superior customer service. In all business lines, the Group has put in place strategies that seek both to address near-term challenges and to seize opportunities to strengthen its platform for the future.

2011 Outlook

The Eastern African economies are expected to grow subject to various

[i] *Source: East African Cement Producers Association*

uncertainties, key among them being the rising global fuel prices.

The regulatory environment will continue to be a challenge for cement manufacturers in the region. The influx of cheap cement into the region continues to pose a major threat to the cement industry. However, the Group together with other industry players is engaging the governments of EAC through the East Africa Cement Producers Association (EACPA).

The Group remains committed to deepening our relationships with our customers and key partners. We will continue to focus relentlessly on cost control, industrial productivity improvements and customer service while remaining alert to any opportunities that may arise.

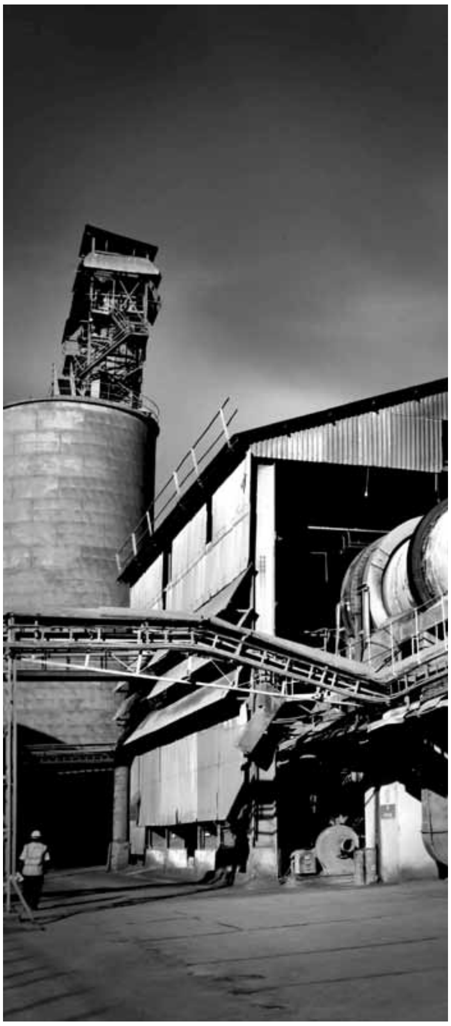
Appreciation

The Group owes a debt of gratitude to all its shareholders, the Board of Directors, management and staff for guiding the Group during a very difficult and challenging year while re-positioning the Group to meet the challenges during the next phase of growth.

This was an extraordinary year and it made extraordinary demands on many of our people. It is through our staff that the Group's distinctive character stood out for our customers. There can be no doubt that the Group's resilience is testament to the indomitable spirit and capability of our staff. Our employees' commitment to customer service and innovation will be key to securing our ambitions. The Board has the confidence that the Group has the leadership and the people to exploit these opportunities to the best advantage of our shareholders.

I wish to highlight the four Financial Reporting awards the Group received during the period under review. These were Overall winner: Industrial, Commercial and Services category, Overall winner: International Financial Reporting Standards, First Runner up: Best Listed entities and First Runner Up: Corporate Social Responsibility. These awards could not have been achieved without the commitment, dedication and hard work of the Group's employees.

I am also particularly grateful to our shareholders for their faith and continued support. Based on our combined effort, I have no doubt that we can successfully execute the goals we have set for ourselves.



Hussein Mansi - Group Managing Director

"The group steered through a challenging first half to emerge stronger in the second. We believe our investments will sustain profitability momentum into the future."

The group made a strong recovery in the second half of the year after a difficult first half. Despite subdued performance occasioned by increased regional competition, capacity increases by major players and spiraling fuel costs, the group emerged stronger in the second half to post impressive results in all key operational and financial performance headers. The group's financial results are a clear demonstration of our internal strengths and resolve to maintain regional market leadership.

Safety, Health and Environment

The group continues to raise the bar on safety performance excellence in the region. During the year, the group performed exceptionally well by posting zero industrial and road fatalities for both employees and contractors leading to the group's admission into the Lafarge Health and Safety Excellence Club, an exclusive club joined only after the fulfilment or strict performance standards and demonstration of excellence in safety maturity audits. These achievements were realized on the back of higher industrial activities spurred by the commissioning of the new plant in Uganda and the expansion of the ready mix concrete and precast units in Kenya.

Furthermore, as part of our continued focus on road safety management practices in the value chain, the group rolled out the *'Mchukuzi'* Awards in June 2010 and subsequently 'Know your driver' campaign in December 2010 to enhance safety partnering with contracted transport operators. To proactively enhance road safety along major routes, the group implemented route hazards mapping using geo-fencing on electronic vehicle tracking and global positioning systems (GPS). The group's annual road safety campaigns in Kenya and Uganda branded *'Waza Usalama'*- Swahili word meaning 'Think Safety' attracted many stakeholders key among them transporters, Total Kenya limited, the World Bank, the Traffic Police department, the Ministry of Transport, the National Road Safety Council, the Provincial Administration as well as Municipalities in all areas we operate.

Health remains a key pillar in the group's operating strategy anchored in our ambition to be the world's safest business with zero accidents and zero occupational illnesses. During the year, the group successfully completed HIV/AIDS & Malaria Workplace Programme for 31 contractor companies through a Public Private Partnership with the German Development Agency (GIZ). More than 2000 contractor staff participated and have since benefitted from enhanced workplace health policies, registration with the National Health Insurance Fund (NHIF) and several promotion interventions at their workplaces.

The group's environmental focus was recognized through the award for "The Best Environmental Compliant Firm 2010" - Cement Sector from the National Environmental Management Authority (NEMA). The group's environmental protection through community partnering continues to yield positive results for communities.

During the year, over 50% of seedlings were sourced from community nurseries while maintenance of the Biofuels plantations carried out through the shamba system cultivators resulting in a 28% growth of community earnings over 2009 to KES 3.2 million.

The group has a strict policy for rehabilitation of quarries. During the year under review, quarry rehabilitation coverage was extended by a further 23% and by planting an additional 504,000 seedlings.

Capacity enhancement

In October 2010, the group successfully commissioned its fully integrated state of the art cement plant in Kasese, Uganda. The plant increased the annual cement output capacity from 500,000 tonnes to 850,000 tonnes. The USD 115 million plant is also expected to increase efficiency and profitability in the future.

In pursuant of the ready mix and precast businesses expansion strategy, the group invested in additional truck mixers and commissioned two ultra modern block making machines in Nairobi and is in progress of finalizing the Mombasa set up. These investments have cemented

Managing Director's Statement

the group's market leadership position in the segment.

Operational and financial performance

The Group demonstrated strong resilience in the face of new capacities by competition across all markets, by increasing its turnover in the second half of the year by 9% compared to a similar period last year.

Operating profit for the year decreased by 5.8% to Shs 7.3 billion driven by lower turnover and higher power prices in the first quarter of the year. However, there was strong recovery in the second half of the year on the back of improved efficiencies from the new production line in Uganda and major steps on cost reduction efforts, resulting in a 14% growth in operating profit compared to the previous year. The fixed operating expenses dropped by 8%, notwithstanding inflationary pressures. The improvements in the distribution system implemented in March 2009, resulted in lower distribution costs in comparison to prior year.

Profit before tax and exceptional items dropped by 7.4%. The exceptional items in 2009 were the major one-off divestment gain from Athi River Mining of Shs 1.2 billion and receipt of Shs 218 million from the insurers in respect of the Mombasa Plant fire incident of 2007.

The Group's working capital improvement initiatives taken during the year contributed to boosting its cash position. The Group refinanced its US dollar denominated loan from the ultimate holding company by a local currency loan to mitigate hard currency exposure in Uganda.

Outlook for 2011

The group takes cognisance of increased competitive environment and continues to implement appropriate strategies to enhance its growth and profitability. The new production line at Kasese Plant, Uganda will go a long way in enhancing the Group's efficiency levels and improve operating results. The Group will focus on maintaining a superior offer to the market through, inter alia, innovation and first-rate customer service. Further, the Group will increase its efficiency by stringent cost management and rationalization of capital expenditure while remaining cognisant of its safety and health obligations and environmental stewardship responsibilities.

To steer through the anticipated challenges, the Group will leverage on the ongoing commercial initiatives to drive sales and grow its market share, improve industrial productivity to meet customer expectations and sustain the cash generation initiatives.

The group appreciates the support of all its stakeholders, its loyal customers, service providers, regional governments and talented staff and will continue to rely on them as it strives to cement its market leadership position.

Ready Mix Concrete Truck

Management's Discussion and Analysis
of Financial Conditions and Results of Operation

Economic Highlights

Kenya's economy demonstrated strong recovery from several shocks which included two consecutive droughts. Gross Domestic Product (GDP) growth remained strong at above 5% up from 2.6% in 2009 to stand at USD 32.4 billion. This was driven mainly by a rebound in agriculture and a boost in construction activity specifically in the second half, helped by the government's renewed efforts to upgrade infrastructure.

According to the IMF, the ratification of the new constitution by the August 2010 referendum spurred confidence as it provides an opportunity to address long-standing social and institutional problems and implement additional reforms, including on fiscal decentralization, the public expenditure framework, and land ownership.

Annual average inflation in the year declined to 4.08% from a high of 9.2% in 2009 mainly driven by lower food and electricity prices. The shilling depreciated against major hard currencies edging slightly above the Shs 80: USD barrier.

Uganda's economy was characterized by volatile currency movements against major hard currency mainly driven by speculation and sentiments overriding economic fundamentals.

The Uganda shilling edged out 6.8% weaker to the USD over the period compared to 2009. Headline inflation dropped to 3.1% taking benefit of increased food supplies. GDP growth was estimated above 6% (2009: 6.3%) edging out at approximately USD 16 billion mainly driven by a resilient agricultural sector.

Sector Highlights

East Africa cement consumption recorded an estimated growth of 14.4% to 7 million tonnes mainly due to increased government expenditure on development projects and donor funded projects. The region's per capita consumption of cement stood at 60 kg/ca compared to an average of 54kg/ca in 2009.

In Kenya, cement market grew by 15.3% to 3.1 million tonnes on the back of increased government investment in infrastructure development projects. The growth in the first half was relatively slower at 8.5% but rose sharply to 21.5% in the last six months of the year.

In Uganda, the cement market grew by 12.9% to 1.5 million tons stimulated by privately financed construction projects. The Bujagali hydro power project, which has been a key driver of cement consumption in Uganda, is expected to be finalized in the first quarter of 2011.

Segment Highlights

KENYA

Bamburi Cement Limited

The company's operating profit dropped by 9.4% to Shs 5.8 billion (2009: Shs 6.4 billion) mainly due lower turnover occasioned by lower domestic volumes and realized prices accentuated by realignment of the competitive landscape.. The pressure on top line was greatly cushioned by strong reduction in fixed expenses, production efficiency enhancements and improvements in the distribution system.

Sales

The company's total sales revenues dropped by 12.9% to Shs 19.8 billion (2009: Shs 22.8 billion). Domestic volumes dropped on the back of evolving competition landscape.. Despite a 6.8% growth in export volumes, export sales revenues dropped marginally by 6.4% to Shs 4.4 billion (2009: Shs 4.7 billion) mainly due to increased price competition in inland Africa markets. Increased regional demand was mainly driven by public infrastructure rehabilitation projects.

During the year, clinker sales volumes dropped to 23Kt (2009: 76Kt) mainly due to reduced clinker exports to Hima in Uganda on the back of capacity expansion and improved clinker productivity.

Industrial Operations

1. Mombasa Plant

Boasting of a good lost time injury frequency rate of below 0.7, the plant concluded the year with a straight record of zero fatalities. Mombasa plant continued to perform well in the annual safety audits with a score of above 70%.

Clinker production reduced by 7.6% to 878kt (2009: 950kt), mainly due to lower kiln reliability significantly negated by frequent power interruptions. In pursuance of its alternative fuel substitution ambition, the plant successfully installed a tyre feeding system and continued to substitute petcoke in its kiln processes greatly reducing energy costs.

Cement milling production dropped to 590kt (2009: 641kt) on the back of heightened competition. The production of PowerMax (Cem II 42.5) launched in 2009 increased with growth in market uptake.

The plant's fire protection project started in 2009 was completed in September and successfully commissioned in November 2010.

2. Nairobi Grinding Plant

The plant achieved four years without any lost time injury (LTI) or medical injury. Furthermore, during the year's health and safety cross plant audit, the plant achieved the highest score in the Sub Saharan Africa Region of 86.55% compared to 80% in 2009.

Despite attaining a record cement mill utilization rate of 88.4%, the plant's cement output shrunk to 1.2 million tonnes in 2010 (2009: 1.5 million tonnes) mainly due to increased domestic competition.

The Pozzolana Drier commissioned in 2009 continued to perform well. The plant achieved drier utilization factor of 85% with tangible benefits of better raw material consumption efficiency and higher mill output.

During the year, the fire hydrant and sprinkler alarm system initiated in 2009 as part of the overall fire protection project was installed and fully commissioned. This system will complement the other fire protection initiatives that are in place, such as the 650,000 litre water tank, to ensure the site is prepared for any fire incident.

Cost environment

Total variable costs decreased by 14.4% mainly due to better power prices and lower imported clinker consumption partly negated by higher fuel prices. The production fixed costs in the year reduced mainly due to cost rationalization across board and continued focus on preventive maintenance practices.

3. Bamburi Special Products

Bamburi Special Products Ltd (BSP), a wholly owned subsidiary, is the largest supplier of Ready Mix concrete and precast blocks in Kenya.

During the year, the company's revenues grew by 40% to Shs 736 million mainly attributed to strong ready mix growth and better laying and distribution revenue streams. The strong top line performance was further augmented by resilient precast performance whose revenues marginally rose by 4%. Profit before tax rose 4 times to Shs 77 million (2009: Shs 10 million) mainly due to strong top line performance bolstered by improvements of ready mix performance.

Sales

Ready Mix operations experienced unprecedented growth in 2010 recording 178% growth in sales volumes to 27,190 m^3 (2009: 9,766 m^3) compared to 2009. This was due to increased uptake of ready mix solutions as a convenient alternative to conventional concrete mixing processes. Pre-cast volumes marginally dropped 2% to 506,169 m^2 (2009: 517,351 m^2) on the backdrop of diminishing household savings and slow housing demand. The company's Mombasa operations is expected to commence in quarter one 2011.

Operations

The company attained 1,259 days without any lost time injury, an achievement that accentuates the company's continued commitment to safety.

During the year, overall production costs grew by 39.3% due to increased production exacerbated by inflationary pressure on key raw materials and high fuel prices. Despite the cost pressure, Ready Mix operations received a major boost with investment in extra truck mixers and a mobile concrete pump, changing the concrete market. Furthermore, the company installed two new block making machines commissioned in November 2010.

These higher capacity machines are expected to significantly bolster production capacity and cement the company's market leadership position. 2011 will see the installation of additional batching plants and trucking capacity intended to improve the company's ability to service market demand.

4. Lafarge Eco-Systems Limited

During the year, the company's profit before tax dropped by 55.5% to Shs 8.9 million (2009: Shs 19.9 million) mainly due to lower revenues partly hampered by self sustaining diversification initiatives.

Operations

During the year, the Haller Park and forest trails, attracted 169,637 visitors (2008: 164,186) depicting improvement of domestic tourism.

During the year, the Bio-fuel plantations were extended by another 504,000 seedlings on 142ha, extending total plantation area to 597ha. Unfortunately, a significant number of trees were lost during the two consecutive drought seasons in 2009 and 2010, but the gaps were re-planted. Despite slower growth rates, new tree species were included, amongst them Cassia siamea, Acacia xanthophloea, Neem and various species of Bamboo to boost survival rates under harsh conditions.

More than 50% of the seedlings were bought from community nurseries, trained in seedling production and provided with seeds. During the year, the communities earned Shs3.2m (2009: 2.5m) through sale of seedlings to the Bio-fuel Project while maintenance of the plantations and weed control was carried out through shamba system cultivators and contracted community groups on 180ha.

UGANDA

Hima Cement Limited

The company's profit before tax dropped by 36% to Shs 1.0 billion (2009: Shs 1.6 billion) mainly due to higher depreciation charge and financing costs associated with the newly commissioned plant at Kasese.

Sales

The company's turnover increased by 5% to Shs 10.5 billion (2009: Shs 10.0 billion). Domestic cement sales revenues rose by 31% to Shs 7.1 billion (2009: Shs 5.4 billion) mainly due to higher market presence accentuated by higher capacity. Export sales revenues dropped by 28% to Shs 3.4 billion (2009: Shs 4.7 billion) on the back of increased competition in key inland Africa markets.

Operations

During the year, the plant attained impressive safety audit score of 73.4% from 66.1% in 2009 on the back of increased activities at the Kasese plant following the successful integration and commissioning of new operations line.

Overall production increased by 95% mainly attributed to the commissioning of the new plant and improved efficiency existing production facilities. This improvement was mainly attributable to better inspections and maintenance done during the shutdowns and the implementation of the Plant Operating Model (POM).

The new plant was up and running with clinker production starting mid May. Cement mill and the packing plant were also successfully commissioned with the first bag officially launched and unveiled to the stakeholders on 30th July 2010. The new plant was also officially inaugurated by the president of Uganda His excellence President Yoweri Kaguta Museveni on 7th January 2011.

Cost Environment

During the year the business fuel costs increased by 14% due to the impact of increased world fuel prices coupled with axle loading rule enforcement by the government, this was mitigated by higher increase of alternative fuels in our kiln operations. Other operations costs (fixed and variable) increased considerately due to costs related to the new plant.

Hussein Mansi (MD), David Njoroge (GM-Hima Cement) with State Minister for Mines and Mineral Development- Hon Peter Lokeris (center) unveil the first bag from the Hima Cement's new production line.

Turkwell Hydro Power Station - North Rift-Kenya

Corporate Governance

Overview

The Bamburi Cement Limited Group of Companies remains committed to the highest standards of corporate governance believing that corporate governance is central to the effective management of the business and increasing shareholder value.

In furtherance of this commitment, the Group undertakes its businesses in full compliance of the laws and in observance of local customs and cultures in the countries within which it operates.

SEPARATION OF RESPONSIBILITIES

There is a clear division of responsibility between the Chairman and the Chief Executive Officer, which is set out in writing in the Board Charter and approved by the Board.

The Chairman is responsible for leadership of the Board, ensuring its effectiveness and setting its agenda. He also ensures effective communication with shareholders and facilitates relations between the different board members.

The Chief Executive Officer is responsible for the day to day management of the Company and the execution of the strategy agreed by the Board.

THE BOARD OF DIRECTORS

Mandate

All matters relating to the Board are guided by the Board Charter. In order to be relevant in the changing environment and improve Board contribution, the Board Charter was updated in 2010.

The Board is collectively responsible for promoting the success of the Company. It has a formal schedule of matters reserved to it for decision and approval, this schedule was revised and updated in 2010.

The Board provides leadership for the Group and concentrates its efforts on strategic issues, governance, key projects, major investments, controls and monitors performance against the agreed targets. The Board also reviews regular updates on health and safety, which are critical for the Group.

To ensure it meets its responsibilities, the Board undertakes annual self evaluations while the Chairman and the Chief Executive Officer evaluate the performance of the individual members. The performance of the Chairman is evaluated by the Nomination & Corporate Governance Committee.

Membership

The composition of the board is set with the aim of having a board with an appropriate balance of skills and experience to support the Company's strategy and meet the requirements to lead the Company effectively.

As at the date of this report, the Board had ten directors, seven of whom are non-executive directors. The position of Chair is held by an independent non-executive director. The non-executive directors are experienced and influential individuals from a range of industries and backgrounds, who bring wide and varied experience to the Board and committee deliberations. The Board is satisfied of the independence of the directors who have executive and non-executive directors' roles with other companies and that they all have sufficient time available to devote to the Company.

Information and Development

The Chairman, working with the Company Secretary, ensures all members of the Board are properly briefed on issues arising at Board meetings and that they have full and timely access to relevant information. Board papers are distributed two weeks prior to each meeting while the quality and supply of information provided is reviewed as part of the board evaluation process.

The Company has a programme for meeting the Board's training and development needs. Training begins with comprehensive and tailored inductions that include visits to all sites including the Plants. Subsequent training is available on an ongoing basis to meeting any particular needs.

Further, all directors have access to the advice and services of the Company Secretary together with unlimited access to Company employees, officers, information and records. Directors can also obtain independent professional advice, where necessary and in furtherance of their duties, at the Company's expense following the procedure laid down in the Board Charter.

The Board is required to have at least four meetings and any additional meetings can be called as deemed necessary. In the year 2010, the Board had four meetings and the attendance is as indicated in the next page.

Company Secretary

Appointment and removal of the Company Secretary is a matter reserved for the Board. She is the central source of information and advice to the Board and within the Company on matters of good governance and business ethics. She has the responsibility for ensuring board procedures are followed and governance matters are complied with.

The Company Secretary is also secretary to the Audit and Nomination & Corporate Governance Committees.

Board Meeting Attendance

Name of Director	Category	25 February	10 June	5 August	22 November
R. Kemoli	Non-executive	√	√	√	√
C. Kisire	Non-executive	√	√	√	√
S. M'Mbijjewe	Non-executive	√	√	√	√
A. Kazongo	Non-executive	√	x	x	x
S. Karanja	Non-executive	√	√	√	√
H. Mansi	Executive	√	√	√	√
J. Stull	Non-executive	√	x	x	√
D. Brugier	Non-executive	√	x	x	√
David Njoroge	Executive	√	√	√	√
Joshua Oigara	Executive	√	x	√	√

BOARD COMMITTEES

The Board has delegated some of its responsibilities to committees, which review the respective matters delegated to them and make recommendations to the Board. All decisions, however, can only be made by the Board.

Each committee has terms of reference approved by the Board and the Chair of each committee is required to report on their proceedings at the board meeting immediately following the committee meeting.

Audit Committee

The Audit Committee comprises entirely of independent non-executive directors. The Group Internal Audit Manager together with the internal and external auditors are required to attend the Board Audit Committee meetings while the Chief Executive Officer and Finance Director attend by invitation. The Chairperson has direct access to the Group Internal Audit Manager.

The Audit Committee is responsible for monitoring the integrity of the financial statements and financial results together with reviewing the effectiveness of controls and risk management systems. It reviews the external and internal audit work plans, the external auditors fees together with the Management's implementation of the recommendations from the auditors.

The Committee is required to meet at least four times a year, normally one day prior to the Board meetings and additional meetings may be called if deemed necessary. In the year under review, the Audit Committee met five times including one meeting with the auditors in the absence of Management.

Nomination and Corporate Governance Committee

In 2010, the Nomination & Corporate Governance Committee Charter was reviewed in light of the changing business environment and the need to strengthen the Committee. The committee comprises of three directors, two of whom are non-executive.

The NCG Committee evaluates the balance of the skills on the Board, recommends appointment of directors, reviews the performance of the Board and manages succession planning. It also reviews corporate governance policies taking into account the Company's corporate governance objectives.

The committee is required to meet at least once a year while other meetings can be held when need arises.

Audit Committee Meetings Attendance:

Name of Directors	24 Feb	5 May	9 June	3 August	19 Nov
S. M'Mbijjewe	√	√	√	√	√
C. Kisire	√	√	√	√	x
A. Kazongo	√	√	x	x	x
D. Brugier	√	√	x	x	√
Auditors					
S. Kibirige	√	√	√	√	√
Deloitte & Touche	√	√	n/a	n/a	√

Executive Committee

The Executive Committee (ExCom) comprises of the Chief Executive Officer, General Manager – Hima, Finance Director, Human Resources & Organization Director, Industrial Director, Marketing Director, Projects Director – Kenya, Sales Director and Supply Chain Director.

The day to day management of the Company is delegated to the ExCom, which is chaired by the Chief Executive Officer. It creates the framework of strategy, organization and objectives to ensure the successful delivery of results.

The ExCom is required to meet at least twice a month while additional meetings may be scheduled where necessary. In 2010, the ExCom had twelve full day and ten half day meetings

CONTROL ENVIRONMENT ASSESSMENT

Risk Management

Accepting that risk is an inherent part of doing business, the Group has designed risk management systems to identify, evaluate and monitor key risks while providing assurance that these are fully understood and managed.

Identified risks and risk management are subject to regular review to ensure compliance with internal controls and legislation. The risk management system is designed to provide reasonable but not absolute assurance that risks are appropriately identified, evaluated and managed.

Internal Controls

The Board has overall responsibility for the systems of internal control which are fully embedded into the operations of the Company. Certain responsibilities, such as review of the effectiveness of the internal control system and ensuring any required remedial action has been taken on identified weaknesses, are delegated to the Audit Committee.

Internal controls comprise of methods and procedures adopted by Management to provide reasonable assurance in safeguarding assets, prevention and detection of error, accuracy and completeness of accounting records together with reliability of financial statements.

During the year, the Company reviewed all the business cycles and the final versions were approved. The benefits from the process were seen during the year but will have better impact in the coming year.

CODE OF CONDUCT

All employees are required to maintain the highest ethical standards in ensuring the Company's business practises are conducted in a manner which, in all reasonable circumstances, is above reproach. To this end, the Group has a Code of Business Conduct to which all employees must adhere, with regular training and education, including e-learning, undertaken to ensure compliance.

The Group has developed a procedure that specifies the manner in which any potential violations of the Code of Business Conduct should be handled together with the method and level of investigation. The procedure also establishes a whistle blowing hotline that is independently operated to enable employees make confidential disclosures of suspected breaches.

The Code of Business Conduct is enforced with appropriate discipline in consistent basis and action taken to prevent recurrence of breach.

COMMUNICATION

The Group is committed to maintaining open and good communication with investors through the Annual General Meeting, annual report, press releases and the corporate website www.bamburicement.com. During the AGM, shareholders have the opportunity to meet and question the Board.

The Group continues to promote dialogue with other stakeholders and media.

A manyatta at Haller Park- Mombasa.

Mandela National Stadium Namboole - Kampala

SAFETY PERFORMANCE

"Proud Member of the Lafarge Health and Safety Excellence Club"

As a strong testimony to our concerted efforts towards achieving "world class" Health and Safety standards, Bamburi Cement was officially inducted into the prestigious Lafarge Health and Safety Excellence Club for having fulfilled strict performance indicators and excelling in the maturity audits carried out throughout its operations in Kenya. Only two other Lafarge business units in Africa are members of this club and the induction confirms the Groups resilience in this area despite operating in a very challenging environment.

In 2010, we achieved a fatality free year for our operations in both Kenya and Uganda. This outstanding achievement was realised against a background of increased activities within our industrial sites following the commissioning of a new line in Uganda and the expansion project of our ready mix concrete and blocks unit in Kenya. We had more activity on the roads due to increased volumes of cement transfers especially in Uganda while the situation in Kenya was made much more difficult by an increased national road carnage rate.

Road Safety

We achieved a zero major accident record despite a very challenging year for the group in the area of road transport. The group developed two new advisories on logistics safety and people road transport. We succeeded in the implementation of a comprehensive 14 element road safety program in Kenya and this was used as a basis for formulation of these new safety requirements by the group. Due to our success in this area, we also got the opportunity to host 29 Lafarge Business units from Africa and Middle East who visited Kenya for purposes of benchmarking on road safety best case practice.

Road Safety management system

We identified three pillars, namely the Owner, the Driver and the Truck underpinned by visible management commitment, as part of a conceptual framework for management of road safety. This was consolidated into an operational document in the form of a road safety manual. As part of our focus on management practices amongst our contracted transporters, we introduced the *Mchukuzi Awards* in June 2010. Within this program, we are seeking to professionalise the way our transporters operate.

This will enable us to move to the next level where the transporters take full charge of road safety. We focused on increasing our level of communication with our drivers by rolling out mandatory weekly toolbox talks with drivers in all our sites. This has culminated with an initiative known as *'Know your driver campaign'* started in December 2010. We have reviewed the driver training program to incorporate collision avoidance as a key segment of the 2- day program. This was in response to the increased cases of near-misses reported by our drivers where third party drivers are to blame.

Route Hazard Mapping

We continued to proactively look out for potential accident hot spots in all major routes used by our drivers. This route hazard mapping was integrated to our electronic vehicle tracking systems using global positions system (GPS) through geo-fencing. We now require our drivers to observe lower speeds and avoid overtaking in areas marked out as black spots. This is monitored in real time basis daily from a central control centre located in the Athiriver grinding plant.

Lafarge Cement division Co-President Guillame Roux hands over Excellence Certificate to Nairobi Grinding Plant management team.

Partnerships and collaboration

We have continued to reach out to other stakeholders in road transport safety. Our focus is to increase the network of key players who are aligned to our vision of zero accidents on our roads. Towards this end we launched our annual road safety campaigns and road shows in Kenya and Uganda in December under a shared theme *'Waza Usalama'*. We partnered with our transporters and were supported by other stakeholders such as Total Kenya limited, the World Bank, the Traffic Police department, the Ministry of Transport, the National Road Safety Council, the Provincial Administration as well as Municipalities in areas where we operate. The media also supported our cause in 2010 by featuring some of our initiatives and sharing the message with the rest of the country.

Industrial Health & Safety

In 2010, we consolidated our success in managing safety through increasing the level of management and shop floor employee involvement in promotion of a safe working environment.

A number of initiatives stood out:

Visible Felt Leadership

Demonstrating management commitment to safety remained a key pillar of our safety philosophy. Towards this end we embarked on Visible Felt Leadership (VFL) program within which the top 75 managers of the business engaged staff informally at their places of work. 743 VFL reports were submitted. The program has served to influence employee behaviour and provide an opportunity of senior management to be more in touch with operational challenges that employees face.

Implementation of Group Standards and Advisories

The Groups Standards on Health was a key focus for 2010. These standards amongst other elements improved our Medical Emergency response capacity. We now have ambulances in all plant sites and have had clear partnerships with local medical facilities around our plants for purposes of quick management of casualties in the event of an accident. First responder training targeting all employees was started with the intention of enabling every person on site to respond in case of a medical emergency. We began a detailed review of the health status of our employees through a health assessment program. This has enabled us to address potential health issues.

Improvement on Emergency infrastructure

We revamped our fire protection system in our plants thereby increasing our ability to fight fire emergencies. Above this all the sites have well trained fire marshals.

Finally, we realise, with pride, that we have come closer to our zero accidents, zero occupational illnesses target and we look forward to achieve our ambition of being amongst the world safest businesses in 2011.

COMMUNITY DEVELOPMENT

KENYA

Infrastructure

In line with our business objective of being a key contributor to the development of infrastructure in the region, several projects to this effect continued to be implemented. The Cement for Schools Program in its second year running saw more than 14,000 bags delivered to approximately 80 schools across

Gongoni Primary School pupils after receiving a cheque from Bamburi Cement for restocking their Library.

Kenya towards renovation projects, in liaison with the Ministry of Education (School Infrastructure Programme). The company worked closely with schools' administration to ensure that the cement was used for the right purpose. The project is expected to be completed in 2011. Approximately Shs 8 million was also spent in the Coast Province towards the construction of additional classrooms in Kazandani Primary School, Sinking of community boreholes and wells in Shanzu and Vipingo, water-tanks in Denyenye and Lawakera. Local Administration offices in Kisauni and Ngombeni also benefited from renovations and furniture donations. The company also made significant equipment donations to the Coast General Renal and Cancer Clinics as our focus on Health changed to investing in sustainable programs.

Environment

A Tribute to the Green Schools Program

2010 marked the completion of one of our most significant community environmental projects, whose main goal was to expose children to environmental conservation and provide access to water for the children. "The Green Schools Program". The project has been running for the past 7 years at a total cost of Shs 49 million. 134 schools across Kenya have benefited in this program and were at the end of 2010 presented with certificates of participation. To date the program has ensured the planting of 558,000 trees in schools and donation of 156 water tanks. More than 59,000 school children participated in this program.

Baobab Trust

A tribute to a life long partnership

The Boabab Trust is a non-profit organization established in Mombasa to particularly work closely with the local communities through education, farm trainings and other community initiatives. Dr. Rene Haller founded this organization in 1991 and has used his knowledge in developing sustainable eco-systems, most notably his contribution to the restoration of a limestone quarry into the famous Haller Park.

Bamburi Cement has been a continuing partner to the trust on various projects namely;

i) Sustainable Agriculture - Farmer Field Training

The objective of the farm training program is to educate the community, local grass root farmers and the surrounding stakeholder's with skills in small scale farming using simple alternative demonstration methods for the challenging environmental conditions.

In 2010, we provided intensive training to over 500 community members, organisations and government ministries. The Mtopanga Training and Demonstration Farm is the center that facilitates this education with focus on organic farming, integrated fish farming, livestock and poultry keeping. On September 16th 2010, we had the annual Farmer's Field Day which provided an avenue for farmers and our technicians to exchange ideas and experiences on the various aspects of sustainable farming.

We supported 8,700 community members by establishing community outreach stations in Mdengerekeni, Kimbunga, Mitedi and Vikwatani to gauge the effectiveness of these training programs and the success is quite evident. The local communities are still using our best practice methods in land and forest restoration; inter cropping methods, establishing water catchment sections and soil erosion control through terracing but to name a few.

ii) Nguuni Health Center

In 2010, the health service program managed to help 7,400 people from the local communities including diagnosing and treatment of around 9,700 diseases. Having most of the communities living below the poverty line, the trust operates a medical outreach service aimed at helping vulnerable and isolated people who are unable to travel to the main clinic for medical assistance. The community also benefits from the various workshops and health campaigns usually carried out by the trust to engage and communicate messages on the important topics affecting them.

iii) Nguuni Nature Sanctuary and Educational Center

The trust's approach to wildlife conservation has been to demonstrate it as a sustainable resource. This has been done by ensuring all wildlife and floras are maintained with the introduction of a variety of animals and plant species into the rehabilitated land, building a self-sustaining eco-system. The sanctuary is home to a big number of ostriches, elands, oryx, water bucks, giraffes and camels.

The sanctuary also opened an Education Center in October 2006 as the first free children's library in Kenya. It enhances students' learning and a reading culture with environmental education during the occasional individual and school tours.

iv) Sea Turtle Conservation

As one of the first projects initiated by the trust, the sea turtle program has progressed into its 21st year of existence in the protection and raise of awareness for these endangered species. The trust recorded a 3% hatching growth of 144 hatched nests from last year (2009: 109 nests) that were reported along the managed beaches.

The Bamburi Hatchery still remains as the haven where unsecured nesting sites are brought in for incubation and later on released into the ocean after the hatching process. The Trusts close link with the local fishermen over the years has also contributed to the success of this project as we rely on their report on any sea turtle nesting sites and mortalities discovered along the beaches.

Marine Turtles help in managing some species of sea weed and soft coral that might excessively grow causing species of reef animals or plants to die off. They are economically important to humans and are linked to coastal communities in developing countries as a source of food.

UGANDA

Health & Sanitation

Hima Cement Limited officially handed over Kyabenda Health Center constructed in partnership with the Kyabenda-Kamwenge community. It serves as a catchment area of over 20km and is facilitated with a general ward, maternity ward, consultation rooms, a store, a VIP latrine and a solar system which provides lighting for the health center.

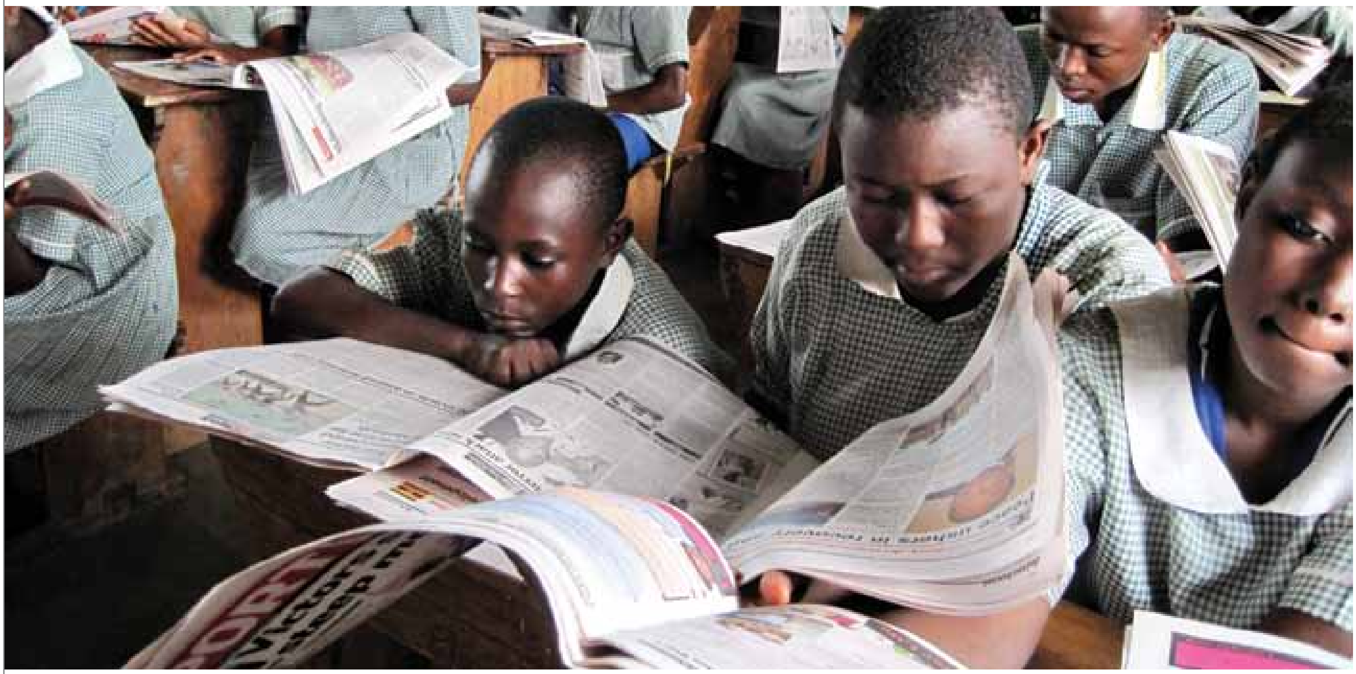
A Tribute to Baobab Trust

Sustainable Farming

Nguuni Nature Sanctuary and Education Center

Nguuni Health Center

Sea Turtle Conservation



Hima public primary school readers club read Monitor newspapers before a debate.

In addition, a 5-stance VIP latrines were constructed in Kabirizi Primary School and Kanara Secondary School both along Kamwenge- Dura road; Kyanya Primary School, Merryland Secondary School, Kiruli SDA Primary School and Kabatunda Primary School all in Kasese district. Rwesande Health Centre in Kasese was also provided with a 5-stance VIP latrine in September 2010 as part of support to community sanitation. In partnership with SNV Netherlands Development Organisation Uganda, an ecological sanitation toilet was constructed at Kanara Primary school as a pilot project of environment friendly latrines.

Under the Green schools project, 5 schools were supplied with concrete water tanks of 10,000 litre capacity. The schools are; Rugonjo Muslim Primary School, Kanara Primary School, Busabura Primary School in Kamwenge; and at Karusandara Seed Secondary School and Muzahura Primary School in Kasese.

Education

Hima Cement in partnership with Monitor Publications Limited launched a programme dabbed *"Newspapers in Education".* The objective of the programme was to improve literacy in primary schools that we were already supporting through the Green Schools project. Ten schools in Kamwenge and six schools in Kasese were selected for the program and each receive the monitor newspaper weekly with a child friendly pull out.

In addition, two classrooms were constructed at Kanara Secondary School along Kamwenge - Dura road. As a result of this upgrading of the school infrastructure, the school was awarded a certificate by Ugandan National Examinations Board, authorising the school to conduct national examinations. The school was also provided with 72 three-seater desks.

Several projects were also handed over to community in 2010. In Rugonjo Muslim Primary School - Kamwenge, Hima Cement constructed 4 new classrooms, a 5-stance latrine and provided 74 three-seater desks and teachers' furniture and planted 4,000 trees.

Another major project that was handed over was Katahooka Primary School in Ntungamo district. The project included; construction of a 4-classroom block, furnishing of the four classrooms with 72 three-seater desks, and construction of a 10,000 litre capacity water tank and a 5-stance VIP latrine. 5,000 trees were also planted in this school.

STAKEHOLDER ENGAGEMENT

KENYA

During the year, a total of 26 meetings were held with local community leaders and representatives in Athi River, Kisauni, Vipingo and Diani. This was evidence that the stakeholder cycle implemented in 2009 has been internalized and has created a structured approach to engaging with our neighbours.

Key areas of concern for the company in 2010 were issues to do with trespassing, illegal mining, security and reckless driving of *"matatus"* along the Felix Mandl road. The communities expressed their interest of our increased involvement in promoting education as well as health and safety promotion.

The company responded to these concerns by setting aside Shs 1,000,000 annually towards the Kisauni CDF Bursary fund and prioritising infrastructure development in schools by constructing more than ten classrooms, as well as engaging the community on road safety and health awareness. In 2011/2012 the company has plans to make investments toward the upgrade of plant equipment with a view to installing state of the art environmentally friendly technology.

UGANDA

Key leaders from Ngoma and Kanara trading centres, the nearest trading centres to the Dura quarry met on 15th April 2010 to update the leaders on our operations in Dura. The Deputy Resident District Commissioner, Mr. Elijah Biryabarema chaired the meetings on behalf of the community leaders who were about 200 in attendance. The local leaders were actively involved in the discussions in which several issues were addressed.

Further on 28th April 2010, the Group MD, Mr. Hussein Mansi met with area MPs for Kitagwenda and Busongora North together with other top leaders from Kamwenge and Kasese. The meeting focused on understanding the concerns of the community regarding our operations.

Another meeting was held with the business community of Hima Town Council to sensitize them on best practices and requirements of running a successful business. The ultimate goal was to develop a professional business community that can supply some of the products and services required at the plant. It was also an opportunity to build relationships with the business community of Kasese.

Hima Cement Plant also conducted a successful stakeholder week from 16th - 19th August 2010 giving an opportunity to stakeholders to engage directly with us and understand our operations.

The activities of the week included;

- Plant tour by employees' dependants
- Plant tour by Hima community members.
- Road shows in Kasese Town and Hima Town.
- Fun-fare activities at Hima play ground.

Awards and Recognitions in 2010

Kenya

1. **Financial Reporting (FiRe) Awards:**
   Overall Winner - Industrial, Commercial and Services
   Overall Winner - International Financial Reporting Standards (IFRS)
   1st Runners Up - Listed Entities
   1st Runners Up - Corporate Social Investment

2. **Best Environmental Compliant Firm** (Cement Sector) - Award from the National Environmental Management Authority.

3. **Gold Award** - Comprehensive Workplace Programs Partnership Award - USAID (United States Agency for International Development)

4. **Certificate of Recognition -** Promotion of Socio - Economic Development - Kilifi County Council.

Uganda

1. **Gold Award** - Overall Investor of the year- HIMA Cement.

2. **Diamond Awards** - Annual Presidential Export Award.

3. **Sponsorship Award** - Daily Monitor Newspaper for the Literacy in Education

Bamburi Cement staff after scooping four FiRe Awards 2010

Hima Cement receiving overall Investor of the Year Award 2010

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 60th Annual General Meeting of the Shareholders of Bamburi Cement Limited will be held in Mombasa at the Nyali International Beach Hotel on Thursday 9 June 2011 at 2.00 pm. for the following purposes:

1. To table the proxies and to note the presence of a quorum.

2. To read the notice convening the meeting.

3. To receive the Chairman's statement, the Report of the Directors and the Audited Accounts for the year ended 31 December 2010.

4. To declare dividends:
   a) To ratify the payment of the interim dividend of Shs 1.50/= per ordinary share paid on 31 October 2010;
   b) To declare a final dividend payment of Shs 7.00/= per ordinary share for the year ended 31 December 2010.

5. To approve Directors' fees for 2010 and increase Directors' fees in 2011.

6. To re-elect directors:
   a) In accordance with Article 96 of the Company's Articles of Association R. Kemoli retires by rotation and being eligible, offers himself for re-election;
   b) In accordance with Article 96 of the Company's Articles of Association S. Karanja retires by rotation and being eligible, offers himself for re-election;
   c) In accordance with Article 96 of the Company's Articles of Association J. Oigara retires by rotation and being eligible, offers himself for re-election.

7. To note that Deloitte and Touche continue in office as Auditors in accordance with Section 159 (2) of the Companies Act and to authorize the Directors to fix their remuneration for 2011.

SPECIAL BUSINESS

8. To consider and, if thought fit, pass the following resolution as a special resolution:
   a) that the Articles of Association be amended as per the attached proposals;
   b) that the Articles of Association be reprinted and signed by the Chairman for purposes of identification;
   c) that the signed Articles of Association be adopted as the new Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association.

9. To transact any other business of the Company of which due notice has been received.

By order of the Board

B Kanyagia
SECRETARY
27 April 2011

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy, who need not be a member of the Company, to attend and vote in his stead. Proxy forms must be lodged at the registered office of the Company, P.O. Box 10921, 00100 Nairobi not less than 48 hours before the time of the meeting. A proxy form is provided with this report.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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Housekeeping at Bamburi Cement Nairobi Grinding Plant

Hima Cement New Production Line - Uganda

REPORT OF THE DIRECTORS

The Directors have the pleasure of presenting their report together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Group is primarily engaged in the manufacture and sale of cement and cement related products. The Group also owns and manages a world class nature and environmental park developed from rehabilitated quarries.

RESULTS

	Shs'million
Group profit before taxation	7,564
Taxation charge	(2,265)
Group profit for the year	**5,299**
Attributable to:	
Owners of the parent company	5,089
Non-controlling interests	210
	5,299

DIVIDENDS

During the year, an interim dividend amounting to Shs 544 million (2009 – Shs 544 million) which amounts to Shs 1.50 per share (2009 – Shs 1.50 per share) was paid. The Directors recommend that a final dividend of Shs 7.00 (2009 – Shs 5.50) per share equivalent to a total sum of Shs 2,541 million (2009 – Shs 1,997 million) be paid to owners of the Company. The final dividend is subject to approval by the owners of the Company at the next Annual General Meeting.

DIRECTORS

The present Board of Directors is shown on pages 7 and 8.

AUDITORS

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

BY ORDER OF THE BOARD

B. Kanyagia
Secretary
Nairobi
25 February 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act and for such controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, 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.

Joshua Oigara
Director
25 February 2011

Hussein Mansi
Director
25 February 2011

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BAMBURI CEMENT LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Bamburi Cement Limited and its subsidiaries, set out on pages 36 to 84, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, 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 as to 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company and its subsidiaries as at 31 December 2010 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on Other Legal Requirements

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

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

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

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

Deloitte & Touche

Certified Public Accountants (Kenya)
25 February 2011
Nairobi

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Notes	2010 Shs'million	2009 Shs'million
Revenue		28,075	29,994
Direct Costs	4	(18,457)	(19,179)
Gross Profit		9,618	10,815
Investment income	5	143	103
Other gains and losses	6	230	1,775
Distribution costs		(467)	(846)
Marketing expenses		(173)	(89)
Administration expenses	7	(1,064)	(1,422)
Other expenses	8	(632)	(726)
Finance costs	9	(91)	(14)
Profit before taxation		7,564	9,596
Taxation charge	11	(2,265)	(2,626)
Profit for the year	12	5,299	6,970
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		(654)	67
Net gain on revaluation of available for sale financial assets	20(b)	5	60
Cumulative gain reclassified from equity on disposal of available for sale investments	20(c)	-	(1,197)
Gain on hedging instruments entered into for cash flow hedges		28	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		(621)	(1,070)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,678	5,900
Profit attributable to:			
Owners of the Company		5,089	6,649
Non-controlling interests		210	321
		5,299	**6,970**
Total comprehensive income attributable to:			
Owners of the Company		4,662	5,562
Non-controlling interests		16	338
		4,678	**5,900**
Earnings per share – basic and diluted	13	Shs 14.02	Shs 18.32
Dividends per share	14(c)	Shs 8.50	Shs 11.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 Shs'million	2009 Shs'million
ASSETS			
Non current assets			
Property, plant and equipment	15(a)	17,833	11,847
Prepaid operating lease rentals	16	187	9
Intangible assets	17	76	101
Capital work in progress	18	1,219	6,259
Other equity investments	20	911	906
Goodwill	21	217	217
		20,443	**19,339**
Current assets			
Corporate tax recoverable	11(c)	10	9
Inventories	22	3,523	4,338
Trade and other receivables	23(a)	1,686	1,999
Cash flow hedge contracts	24	28	-
Bank and cash balances	25(a)	7,616	6,427
		12,863	**12,773**
TOTAL ASSETS		**33,306**	**32,112**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	1,815	1,815
Revaluation surplus	27(a)	2,063	2,249
Fair value reserve	27(b)	708	703
Translation reserve	27(c)	(377)	56
Cash flow hedging reserve	27(d)	25	-
Retained earnings		15,931	14,674
Equity attributable to owners of the company		20,165	19,497
Non-controlling interests		1,461	1,444
Total equity		**21,626**	**20,941**
Non-current liabilities			
Deferred tax liability	28	2,620	2,445
Provision for liabilities and charges	29	529	581
Loan from ultimate holding company	31(a)	-	2,962
Term loan	31(b)	1,067	239
		4,216	**6,227**
Current liabilities			
Corporate tax payable	11(c)	72	356
Unclaimed dividends	14(a)	30	30
Provision for liabilities and charges	29	261	202
Trade and other payables	30	5,215	3,986
Loan from ultimate holding company	31(a)	-	370
Term Loan	31(b)	1,886	-
		7,464	**4,944**
		33,306	**32,112**

The financial statements on pages 36 to 84 were approved by the board of Directors on 25 February 2011 and were signed on its behalf by:

Joshua Oigara
Director

Hussein Mansi
Director

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 Shs'million	2009 Shs'million
ASSETS			
Non current assets			
Property, plant and equipment	15(b)	8,128	8,400
Prepaid operating lease rentals	16	1	1
Intangible assets	17	72	100
Capital work in progress	18	810	556
Investments in subsidiaries	19	968	968
Other equity investments	20 (b)	911	906
Loan to subsidiary	35 (iii)	257	-
		11,147	**10,931**
Current assets			
Inventories	22	2,341	3,409
Loan to subsidiary	35 (iii)	29	-
Trade and other receivables	23(a)	2,180	2,203
Cash flow hedge contracts	24	19	-
Bank and cash balances	25	7,215	5,865
		11,784	**11,477**
TOTAL ASSETS		**22,931**	**22,408**
EQUITY AND RESERVES			
Capital and reserves			
Share capital	26	1,815	1,815
Revaluation surplus	27(a)	1,942	2,126
Fair value reserve	27(b)	708	703
Cash flow hedging reserve	27(d)	19	-
Retained earnings		12,837	12,094
Shareholders' funds		**17,321**	**16,738**
Non-current liabilities			
Deferred tax liability	28	1,707	1,762
Provision for liabilities and charges	29	513	500
		2,220	**2,262**
Current liabilities			
Corporate tax payable	11(c)	72	328
Unclaimed dividends	14(a)	30	30
Provision for liabilities and charges	29	147	149
Trade and other payables	30	3,141	2,901
		3,390	**3,408**
		22,931	**22,408**

The financial statements on pages 36 to 84 were approved by the board of Directors on 25 February 2011 and were signed on its behalf by:

Joshua Oigara
Director

Hussein Mansi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

	Share capital Shs'million	Revaluation surplus Shs'million	Fair value reserve Shs'million	Cash flow hedge reserve Shs'million	Translation reserve Shs'million	Retained earnings Shs'million	Attributable to equity holders of parent Shs'million	Non-controlling interests Shs'million	Total Shs'million
At 1 January 2009	1,815	2,445	1,840	-	19	9,377	15,496	1,106	16,602
Profit for the year	-	-	-	-	-	6,649	6,649	321	6,970
Other comprehensive income for the year									
Exchange differences on translation of foreign operations	-	5	-	-	37	8	50	17	67
Net gain on available for sale investments	-	-	60	-	-	-	60	-	60
Cumulative gain reclassified from equity on disposal of available for sale investments	-	-	(1,197)	-	-	-	(1,197)	-	(1,197)
Total comprehensive income for the year	**-**	**5**	**(1,137)**	**-**	**37**	**6,657**	**5,562**	**338**	**5,900**
Transfer of excess depreciation	-	(287)	-	_	-	287	-	-	-
Deferred tax on excess depreciation	-	86	-	_	-	(86)	-	-	-
Dividends:									
- final dividends for 2008 declared and paid	-	-	-	_	-	(1,017)	(1,017)	-	(1,017)
- interim for 2009 declared and paid	-	-	-	_	-	(544)	(544)	-	(544)
At 31 December 2009	**1,815**	**2,249**	**703**	**-**	**56**	**14,674**	**19,497**	**1,444**	**20,941**
At 1 January 2010	1,815	2,249	703	-	56	14,674	19,497	1,444	20,941
Profit for the year	-	-	-	-	-	5,089	5,089	210	5,299
Other comprehensive income for the year									
Exchange differences on translation of foreign operations	-	16	-	-	(433)	(41)	(458)	(196)	(654)
Net loss on available for sale investments	-	-	5	-	-	-	5	-	5
Gain on hedging instruments entered into for cashflow hedges	-	-	-	25	-	-	25	3	28
Total comprehensive income for the year	**-**	**16**	**5**	**25**	**(433)**	**5,048**	**4,661**	**17**	**4,678**
Transfer of excess depreciation	-	(284)	-	-	-	284	-	-	-
Deferred tax on excess depreciation	-	85	-	-	-	(85)	-	-	-
Revaluation reserve realised on disposal of property	-	(4)	-	-	-	4	-	-	-
Deferred tax on revaluation realised on disposal of property	-	1	-	-	-	(1)	-	-	-
Dividends:									
- final dividends for 2009 declared and paid	-	-	-	-	-	(1,997)	(1,997)	-	(1,997)
- interim dividends for 2010 declared and paid	-	-	-	-	-	(544)	(544)	-	(544)
- special interim dividends declared and paid	-	-	-	-	-	(1,452)	(1,452)	-	(1,452)
At 31 December 2010	**1,815**	**2,063**	**708**	**25**	**(377)**	**15,931**	**20,165**	**1,461**	**21,626**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010 (Continued)

The reserve accounts included in the statement of changes in equity are explained below:

- The revaluation surplus represents the net cumulative surplus arising from revaluations of property, plant and equipment - Note 27(a).
- The fair value reserve represents the cumulative surplus or deficit arising from revaluation of available-for-sale investments from cost to fair value based on the market values of the equities at the end of the reporting period – Note 27(b).
- Retained earnings represent accumulated profits retained by the Group after payment of dividends to the shareholders.
- The translation reserve represents the cumulative position on translation gains and losses arising from conversion of a net assets of the foreign subsidiary company to the reporting currency – Note 27(c).
- The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes of fair value of hedging instruments entered into for cash flow hedges – Note 27(d).

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

	Share capital Shs'million	Revaluation surplus Shs'million	value reserve Shs'million	Cash flow Hedging reserve Shs'million	Retained earnings Shs'million	Total Shs'million
At 1 January 2009	**1,815**	**2,309**	**1,840**	**-**	**7,586**	**13,550**
Profit for the year	-	-	-	-	5,886	5,886
Other comprehensive income for the year						
Net gain on available for sale investments	-	-	60	-	-	60
Cumulative gain reclassified from equity on disposal of available for sale investments	-	-	(1,197)	-	-	(1,197)
Total comprehensive income for the year	**-**	**-**	**(1,137)**	**-**	**5,886**	**4,749**
Transfer of excess depreciation	-	(262)	-	-	262	-
Deferred tax on excess depreciation	-	79	-	-	(79)	-
Dividends:						
- final dividends for 2008 declared and paid	-	-	-	-	(1,017)	(1,017)
- interim dividends for 2009 declared and paid	-	-	-	-	(544)	(544)
At 31 December 2009	**1,815**	**2,126**	**703**	**-**	**12,094**	**16,738**
At 1 January 2010	**1,815**	**2,126**	**703**	**-**	**12,094**	**16,738**
Profit for the year	-	-	-	-	4,552	4,552
Other comprehensive income for the year						
Net loss on available for sale investments	-	-	5	-	-	5
Gain on hedging instruments entered into for cashflow hedges	-	-	-	19	-	19
Total comprehensive income for the year	**-**	**-**	**5**	**19**	**4,552**	**4,576**
TTransfer of excess depreciation	-	(262)	-	-	262	-
Deferred tax on excess depreciation	-	78	-	-	(78)	-
Dividends:	-	-	-	-	-	-
- final dividends for 2009 declared and paid	-	-	-	-	(1,997)	(1,997)
- interim dividends for 2010 declared and paid	-	-	-	-	(544)	(544)
- special interim divided declared and paid	-	-	-	-	(1,452)	(1,452)
At 31 December 2010	**1,815**	**1,942**	**708**	**19**	**12,837**	**17,321**

The reserve accounts included in the statement of changes in equity are explained below:

- The revaluation surplus represents the net cumulative surplus arising from revaluations of property, plant and equipment – Note 27(a).
- The fair value reserve represents the cumulative surplus or deficit arising from revaluation of available-for-sale investments from cost to fair value based on the market values of the equities at the end of the reporting period – Note 27(b).
- The retained earnings represent accumulated profit retained by the company after payment of dividends to the shareholders.
- The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes of fair value of hedging instruments entered into for cash flow hedges – Note 27(d).

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2010

	Notes	2010 Shs'million	2009 Shs'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	10,949	10,623
Interest received	5	128	85
Interest paid	9	(91)	(14)
Taxation paid	11(c)	(2,251)	(1,732)
Net cash generated from operating activities		**8,735**	**8,962**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment, intangible assets and expenditure on capital work in progress		(3,429)	(3,281)
Proceeds from disposal of available for sale investments	20 (c)	-	1,346
Proceeds from disposals of property, plant and equipment		5	5
Dividends received	5	15	18
Net cash used in investing activities		**(3,409)**	**(1,912)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the Company	14(b)	(3,993)	(1,561)
Loans repaid	31(a)	(3,034)	(1,104)
Term loan received	31(b)	2,872	239
Net cash (used in)/generated from financing activities		**(4,155)**	**(2,426)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,171**	**4,624**
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At beginning of the year		6,427	1,758
Net increase in cash and cash equivalents above		1,171	4,624
Effects of exchange rate changes on cash held in foreign currencies		18	45
At end of the year	**25(b)**	**7,616**	**6,427**

Notes to the Financial Statements

1 ACCOUNTING POLICIES

Statement of compliance

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

For the Kenyan companies Act reporting purposes, in these financial statements the balance sheet is represented by/ equivalent to the statement of financial position and the profit and loss account is presented in the statement of comprehensive income.

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

(a) Relevant new and revised IFRS affecting disclosures and presentation in the current year (and /or prior years)

The following new and revised IFRSs have been applied in the current period and have affected the amounts reported in these financial statements.

- Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)
- Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)

Impact of the relevant new and revised standards and interpretations in issue

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.

This amendment has had no effect on the amounts reported because the company has not previously issued instruments of this nature.

Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The Group will apply this amendment prospectively. The directors, however, anticipate no material impact to the Group's financial statements.

(b) New and revised IFRSs and interpretations in issue but not yet effective

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

Notes to the Financial Statements

(c) Impact of the relevant new and revised IFRSs in issue but not yet effective

Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)
The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The Group will apply this amendment prospectively. The directors, however, anticipate no material impact to the Group's financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)
The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements The Group will apply this amendment prospectively. The directors, however, anticipate no material impact to the Group's financial statements.

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

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

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

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

IFRS 7, Financial Instruments; Disclosures
Titled Disclosures – Transfers of Financial Assets 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 instruments previously effected, however, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IAS 24, Related Party Disclosures (as revised in 2009)
The amendment modifies the definition of a related party and simplifies disclosures for government-related entities.

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

Notes to the Financial Statements

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

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

IFRS 3, 'Business combinations' effective 1 July 2009

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit or loss. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquire either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group applied IFRS 3 (revised) prospectively to all business combinations from 1 January 2010 although there were no business combination arrangements that took place in the year.

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

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

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

(iii) Early adoption of standards

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

The Group's principal accounting policies are set out below:

(a) Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain items of property, plant and equipment and the carrying of available-for-sale investments at fair value.

(b) Consolidation

Subsidiary undertakings, which are those companies in which the Group either directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, are consolidated. A listing of the subsidiaries in the Group is provided in Note 19. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and consolidation ceases from the date of disposal. All inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated; losses are also eliminated unless cost cannot be recovered.

Where necessary, accounting policies for subsidiaries have been changed to achieve consistency with the policies adopted by the parent company.
Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified.

(c) Revenue recognition

Sales are recognised upon dispatch for self collection or else on delivery of products to customers or performance of service. The sales are stated net of value added tax and discounts, and after eliminating sales within the Group.

Interest income is recognised as it accrues, unless its collectability is in doubt. Dividends receivable are recognised as income in the period in which they are declared by investee companies.

(d) Translation of foreign currencies

i) Transactions and balances

Transactions in foreign currencies during the year are translated into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at the end of reporting period. The resulting differences from conversion and translation are dealt with in the profit or loss for the year in which they arise.

Notes to the Financial Statements

ii) Translation of foreign operations

The results and financial position of all the group entities (none of which has the currency of a hyperinflationery economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated into Kenya Shillings using exchange rates prevailing at the end of the reporting period;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised under other comprehensive income and accumulated in a separate heading, translation reserve, in the consolidated statement of changes in equity

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, the cumulative amount of the exchange differences relating to that foreign entity, recognised in other comprehensive income and accumulated on the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

(e) Borrowing costs

Borrowing costs that are 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 capitalised as part of the cost of those assets, until such a time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(f) Leases

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

Rentals payable under operating leases are amortised on the straight line basis over the term of the relevant lease.

(g) 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 business 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.

(h) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Freehold land and buildings are subsequently shown at their revalued amounts based on valuations by external independent valuers, less accumulated depreciation and any accumulated impairment losses. Plant and machinery is revalued internally on the basis of a valuation model prescribed by engineers and consultants at the technical centre of the ultimate shareholder. The valuations are carried out approximately once every five years.

All other property and equipment are stated at historical cost less accumulated depreciation less any accumulated impairment losses.

Increases in the carrying value of buildings arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Increases are recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Decreases arising from revaluation of assets are recognised in profit or loss. However, decreases that offset previous increases of the same asset are recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Each year the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to the income statement) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated on the straight line basis to write down the cost of each item of property plant and equipment, or the revalued amount, to its residual value over its expected useful life as follows:

Buildings, plant and machinery	14 - 22 years
Equipment and mobile plant	3 - 10 years
Residential buildings	40 years

Notes to the Financial Statements

Freehold land is not depreciated as it is deemed to have an infinite life. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the actual proceeds and the carrying amount of the asset and is recognised in the profit or loss in the year in which the disposal or retirement occurs.

(i) Intangible assets

Computer software costs are stated at cost less accumulated amortisation and any accumulated impairement losses. The costs are amortised over the expected useful lives of the software on the straight line basis. Currently, the estimated useful life is five years.

(j) Taxation

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

Deferred tax 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.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Income tax assets and income tax liabilities are offset only when there is a legally enforceable right to set off the tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle the tax assets and the tax liabilities on a net basis.

(k) Inventories

Inventories of consumables and spare parts are stated at weighted average cost less provision for obsolete and slow moving items. All other inventories are stated at the lower of cost and net realisable value. Cost includes direct cost and appropriate overheads and is determined on the first-in first-out method. Net realisable value is the estimated selling price of the inventories in the ordinary course of the Group's business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) 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 in an Annual General Meeting.

(m) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the company has become party to the contractual provisions of the instrument.

Financial assets

i) Classification and measurement

The Group classifies its financial assets into the following IAS 39 categories: Financial assets at fair value through profit or loss; loans and receivables; held to maturity financial assets; and available for sale financial assets. Management determines the appropriate classification of its financial instruments at initial recognition.

Financial assets at fair value through profit or loss

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 as held for trading if:

a) it has been acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and for which there is evidence of a recent actual pattern of short-term profit taking; or; c) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss if:

a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or b) the financial asset forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or c) it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial instruments at fair value through profit or loss are recognised initially at fair value; transaction costs are taken directly to the statement of comprehensive income. Gains and losses arising from changes in fair value are included directly in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Notes to the Financial Statements

Held to maturity financial assets

Held to maturity investments 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 of other than an insignificant amount of held-to-maturity assets occurs, the entire category would be tainted and classified as available for sale.

Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Available for sale investments are those that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale investments are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve with the exception of impairment losses, which are recognised in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Dividends on available for sale equity instruments are recognised in the statement of comprehensive income when the Group's right to receive the dividends is established.

ii) Reclassification of financial assets

Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

iii) De-recognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

iv) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.
For listed and unlisted equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include; the Group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period, delinquency, and initiation of bankruptcy proceedings as well as observable changes in national or local economic conditions that correlate with default on receivables.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Financial liabilities and equity instruments issued by the Group.

i) Classification and measurement

Debt and equity instruments are classified as either financial liabilities or as equity

Notes to the Financial Statements

in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as other financial liabilities. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities 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, to the net carrying amount on initial recognition.

ii) De-recognition of financial liabilities

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

(n) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to changes in fuel prices and foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(o) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on net basis, or realise the asset and settle the liability simultaneously.

(p) Retirement benefits obligations

The Group operates a defined contribution pension scheme for eligible employees. The scheme is administered by an independent administration company and is funded by contributions from the Group companies and employees.

The Group also makes contributions to the statutory defined contribution schemes in the two countries where operations are based.

Unionisable staff who retire on attaining the age of 55 years or are declared redundant are eligible for service gratuity and pension based on each employee's length of service with the Group, as provided for in the collective bargaining agreement.

The Group's obligations to the staff retirement schemes are charged to the profit or loss as they fall due or in the case of service gratuity as they accrue to each employee.

(q) Impairment of non financial assets

At each reporting period end, the Group reviews the carrying amounts of its tangible and intangible 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 is recognised as income immediately.

(r) Provisions

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

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

Restructuring Provisions

Restructuring provisions mainly comprise employee termination payments and are recognised in the year in which the Group becomes legally or constructively committed to payment.

Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and numbers of employees affected, or after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the Group are not provided for in advance.

Notes to the Financial Statements

(s) Employee entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for long-service awards as a result of services rendered by employees up to the reporting period end. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave at the reporting period end

(t) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (the Group Managing Director). The management then allocates resources to and assesses the performance of the operating segments of the Group.

Segment result is segment revenue less segment expenses.

Segment revenue is the revenue that is directly attributable to a segment plus the relevant portion of the group's revenue that can be allocated to the segment on a reasonable basis.

Segment expenses are expenses resulting from the operating activities of a segment plus the relevant portion of an expense that can be allocated to the segment on a reasonable basis.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Capital expenditure represents the total cost incurred during the year to acquire segment assets (property, plant and equipment) that are expected to be used during more than one year.

(u) Comparatives

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

Notes to the Financial Statements

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, the Directors have made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key areas of judgement and sources of estimation uncertainty are as set out below:

Inventories provision

Management makes provisions for spares that exceed the set maximum level based on the usage of the inventory by comparing items in stock with the recent past consumption. The maximum level is determined by taking into consideration the lead time, the specified order quantity, the source of the spares and the projected usage rate.

Impairment losses

At each reporting period end, the Group reviews the carrying amounts of its tangible and intangible 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.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the financial year, no changes to the useful lives were identified by the Directors.

Contingent liabilities

As disclosed in note 32 to these financial statements, the Group is exposed to various contingent liabilities in the normal course of business including a number of legal cases.

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.

Income taxes

The group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

3 SEGMENT INFORMATION

In accordance with IFRS 8, Operating segments, the information presented hereafter by operating segment is the same as that reported to the Chief Operating Decision Maker (the Group Managing Director) for the purposes of making decisions about allocating resources to the segment and assessing its performance.

The Group analyses its organisational structure and internal reporting system for the purpose of identifying suitable segment reporting format for the Group. In particular, the Group has identified geographical segments as the primary segment reporting format that is suitable for the Group. The Group is organised on a regional basis into two main geographical segments: Kenya and Uganda.

Both geographical segments are mainly involved in the manufacture and sale of cement which comprises over 95% of the business activities of the Group. The remaining business activities, which include manufacture and sale of paving

Notes to the Financial Statements

blocks and rehabilitation of quarries that are used as source of raw materials for cement productions, are not deemed significant for separate segment reporting.

Group management internally evaluates its performance based upon:

- Operating income before capital gains, impairment and restructuring
- Capital employed (defined as the total of goodwill, intangible and tangible assets and working capital).

Year ended 31 December 2010 - All figures in million of Kenya Shillings

	Kenya Shs'million	Uganda Shs'million	Group Shs'million
Revenue	17,579	10,496	28,075
Profit before taxation	6,556	1,008	7,564
Income taxation expense	(1,957)	(308)	(2,265)
Profit for the year	4,599	700	5,299
Segment assets	24,065	9,241	33,306
Segment liabilities	5,719	5,961	11,680
Capital additions	847	2,582	3,429
Depreciation and amortisation	731	284	1,015

Year ended 31 December 2009 - All figures in million of Kenya Shillings

	Kenya Shs'million	Uganda Shs'million	Group Shs'million
Revenue	19,953	10,041	29,994
Profit before taxation	8,015	1,581	9,596
Income taxation expense	(2,115)	(511)	(2,626)
Profit for the year	5,900	1,070	6,970
Segment assets	23,382	8,730	32,112
Segment liabilities	5,785	5,386	11,171
Capital additions	456	2,825	3,281
Depreciation and amortisation	656	180	836

Total assets are shown by the geographical area in which the assets are located. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash and mainly exclude unquoted investments. Segment liabilities comprise operating liabilities, dividends payable and certain corporate borrowings.

In addition to the depreciation and amortisation reported above, impairment losses of Shs Nil (2009: 11 million) were recognised in respect of property, plant and equipment. These losses were attributable to Kenya reportable segment.

Notes to the Financial Statements

Information about major customers

Included in the revenues of Shs 28,075 million (2009: Shs 29,994 million) are approximately Shs 1,420 million (2009: Shs 1,131 million) which arose from sales to the group's largest customer.

	GROUP	
4 COST OF SALES	**2010 Shs'million**	**2009 Shs'million**
Energy	5,088	4,781
Maintenance supplies and contract works	1,062	1,275
Imported clinker	1,429	2,440
Packaging	1,052	1,052
Additives and production supplies	2,013	2,014
Freight of raw materials	2,303	2,572
Purchased cement and clinker costs	1,368	1,286
Staff costs	1,455	1,353
Professional fees	425	533
Telecommunication costs	40	91
Transport and Travelling costs	82	107
Rentals, Security and business licences	210	223
Depreciation	922	737
Amortisation	20	11
Others	988	704
	18,457	**19,179**
5 INVESTMENT INCOME		
Interest income – Held to maturity bank deposits	128	85
Dividends income – Available for sale equity investments	15	18
	143	**103**
6 OTHER GAINS AND LOSSES		
Profit on disposal of Available for sale equity investments (note 20(c))	-	1,203
Insurance claim	-	218
Profit on disposal of property, plant and equipment	5	2
Loss on impairment of property, plant and equipment	-	(11)
Sundry income	369	222
Net foreign exchange (losses)/gains	(144)	141
	230	**1,775**
7 ADMINISTRATION EXPENSES		
Staff costs	672	880
Professional fees	41	69
Telecommunication costs	138	201
Transport and travelling costs	57	108
Rentals, security and business licences	95	96
Bank charges	61	68
	1,064	1,422

Notes to the Financial Statements

	GROUP	
	2010 Shs'million	2009 Shs'million
8 OTHER EXPENSES		
Depreciation	61	73
Amortisation	12	15
Contract works	51	23
Technical fees	444	430
Other costs	64	185
	632	726
9 FINANCE COSTS		
Interest expense	91	14
10 a PROFIT BEFORE TAXATION		
The profit before taxation is arrived at after charging		
Staff costs	2,127	2,233
Depreciation	983	810
Amortisation of intangible assets	29	26
Amortisation of leasehold land	3	-
Directors' emoluments: (note 35 (iv))		
- Fees	4	5
- Other emoluments	134	115
Auditors' remuneration	9	9
b STAFF COSTS		
Defined contribution plans	85	95
Defined benefit plans - Gratuities	60	116
Other employee benefits	1,982	2,022
	2,127	2,233
Presented as;		
Cost of sales (Note 4)	1,455	1,353
Administration expenses (Note 7)	672	880
	2,127	2,233

Notes to the Financial Statements

11 TAXATION

(a) Taxation charge

	GROUP 2010 Shs'million	GROUP 2009 Shs'million
Current taxation based on the adjusted profit at 30%	1,992	2,069
(Over)/underprovision of current tax in prior years	(3)	354
Net current taxation charge	1,989	2,423
Deferred tax charge (note 28)	338	506
Over provision of deferred tax in prior years (note 28)	(62)	(303)
Net deferred tax charge	276	203
Total taxation charge	2,265	2,626

(b) Reconciliation of expected tax based on accounting profit to taxation charge:

	GROUP 2010 Shs'million	GROUP 2009 Shs'million
Profit before taxation	7,564	9,596
Tax calculated at the domestic rates applicable of 30 %	2,269	2,879
Tax effect of income not subject to tax	(5)	(366)
Tax effect of expenses not deductible for tax purposes	66	62
(Over)/underprovision of current tax in prior years	(3)	354
Over provision of deferred tax in prior years	(62)	(303)
Total taxation charge	2,265	2,626

(c) Corporate tax movement

	GROUP 2010 Shs'million	GROUP 2009 Shs'million	COMPANY 2010 Shs'million	COMPANY 2009 Shs'million
Net tax (recoverable)/payable at beginning of the year	347	(341)	328	(392)
Taxation charge	1,992	2,069	1,986	1,722
Taxation paid	(2,251)	(1,732)	(2,239)	(1,333)
Prior years under-provision	(3)	354	(3)	331
Foreign exchange differences	(23)	(3)	-	-
Net tax payable at end of the year	62	347	72	328
Comprising:				
Tax payable	72	356	72	328
Tax recoverable	(10)	(9)	-	-
Net tax payableat end of the year	62	347	72	328

Notes to the Financial Statements

12 PROFIT FOR THE YEAR

Included in the profit for the year is an amount of Shs 4,552 million (2009 – 5,886 million) which relates to and is dealt with in the company's financial statements.

13 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to the equity shareholders by the weighted average number of ordinary shares in issue during the year, as shown below:

	2010	2009
Net profit attributable to owners of the Group (Shs million)	5,089	6,649
Weighted average number of ordinary shares (million)	363	363
Basic and diluted earnings per share (Shs)	14.02	18.32

There were no potentially dilutive shares as at 31 December 2010 and as at 31 December 2009. There were also no discontinued operations during the year (2009: Nil).

	GROUP & COMPANY	
	2010 Shs'million	2009 Shs'million
14 DIVIDENDS		
(a) Unclaimed dividends		
At beginning of year	30	30
Declared during the year	3,993	1,561
Dividends claimed in the year - note (b)	(3,993)	(1,561)
At end of year	**30**	**30**
(b) Payments during the year 2010:		
Final dividend for previous year	1,997	1,017
Interim dividend for current year	544	544
Special interim dividend – post year end	1,452	-
	3,993	**1,561**
(c) Dividends declared in respect of the year		
Interim dividend - paid in the year	544	544
Final dividend proposed – post year end	2,541	1,997
Special interim dividend – post year end	-	1,452
	3,085	3,993
Dividends per share (based on number of shares per note 13)	Sh 8.50	Shs 11.00

Proposed final dividend
On 31 October 2010, an interim dividend of Shs 1.50 (2009-Shs 1.50) per share representing an amount of Shs 544 million (2009: Shs 544 million) was declared and paid.

In respect of the current year, the Directors propose that a final dividend of Shs 7.00 (2009 – Shs 5.50) per share equivalent to a total sum of Shs 2,541 million (2009 – Shs 1,997 million) be paid to the shareholders.

Notes to the Financial Statements

14 DIVIDENDS (Continued)

The final dividend is subject to approval by owners of the Group at the Annual General Meeting and has not been included as a liability in these financial statements.

Withholding tax

Payment of dividends is subject to withholding tax at a rate of 10% for non-resident owners of the group and 5% for resident shareholders. For resident owners of the group, withholding tax is only deductible where the shareholding is below 12.5%.

15 PROPERTY, PLANT AND EQUIPMENT

a) GROUP	Land and residential buildings Shs'million	Plant and machinery Shs'million	Office equipment and tools Shs'million	Mobile plant Shs'million	Total Shs'million
Cost or valuation					
At 1 January 2009	1,307	21,214	646	724	23,891
Foreign exchange adjustments*	2	(18)	6	1	(9)
Additions	16	2,106	168	96	2,386
Disposals	-	-	(6)	(6)	(12)
Transfers	(1)	38	(25)	1	13
At 31 December 2009	**1,324**	**23,340**	**789**	**816**	**26,269**
At 1 January 2010	1,324	23,340	789	816	26,269
Foreign exchange adjustments *	(56)	(512)	(35)	(22)	(625)
Additions	97	7,141	135	20	7,393
Disposals	-	-	-	(4)	(4)
Transfers	-	(23)	-	-	(23)
At 31 December 2010	**1,365**	**29,946**	**889**	**810**	**33,010**
Depreciation					
1 January 2010	246	12,355	426	597	13,624
Foreign exchange adjustments*	-	(18)	1	1	(16)
Charge for the year	19	676	79	36	810
Disposals	-	-	(3)	(6)	(9)
Transfers	(1)	35	(22)	1	13
At 31 December 2009	**264**	**13,048**	**481**	**629**	**14,422**
At 1 January 2010	264	13,048	481	629	14,422
Foreign exchange adjustments*	(23)	(158)	(23)	(20)	(224)
Charge for the year	28	831	84	40	983
Disposals	-	-	-	(4)	(4)
At 31 December 2010	**269**	**13,721**	**542**	**645**	**15,177**
Net book value					
At 31 December 2010	**1,096**	**16,225**	**347**	**165**	**17,833**
At 31 December 2009	**1,060**	**10,292**	**308**	**187**	**11,847**

*The foreign exchange adjustments arise from the translation of the carrying values relating to assets held by a subsidiary, HimCem Holdings Limited.

Notes to the Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

b) COMPANY

	Land and residential buildings Shs'million	Plant and machinery Shs'million	Office equipment and tools Shs'million	Mobile plant Shs'million	Total Shs'million
Cost or valuation					
At 1 January 2009	857	18,256	326	489	19,928
Additions	-	1,165	151	87	1,403
Disposals	-	-	-	-	-
Transfers	-	38	(25)	-	13
At 31 December 2009	**857**	**19,459**	**452**	**576**	**21,344**
At 1 January 2010	857	19,459	452	576	21,344
Additions	-	362	67	-	429
Transfers	-	(23)	-	-	(23)
At 31 December 2010	**857**	**19,798**	**519**	**576**	**21,750**
Depreciation					
At 1 January 2009	46	11,551	251	474	12,322
Charge for the year	8	541	51	9	609
Disposals	-	-	-	-	-
Transfers	-	35	(22)	-	13
At 31 December 2009	**54**	**12,127**	**280**	**483**	**12,944**
At 31 December 2009	54	12,127	280	483	12,944
Charge for the year	8	606	51	13	678
At 31 December 2010	**62**	**12,733**	**331**	**496**	**13,622**
Net book value					
At 31 December 2010	**795**	**7,065**	**188**	**80**	**8,128**
At 31 December 2009	**803**	**7,332**	**172**	**93**	**8,400**

(c) OTHER DISCLOSURES

If the property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Cost	20,016	12,899	9,222	8,803
Accumulated depreciation	(4,006)	(4,679)	(3,835)	(3,405)
Net book value	16,010	8,220	5,387	5,398

Notes to the Financial Statements

The Group's land, buildings, plant, and machinery were last revalued on 1 January 2006. Land and buildings were valued on the basis of open market value by independent valuers, Burn & Fawcett Chartered Surveyors, valuers and estate agents in Kenya and Contrad Properties Limited in Uganda. Plant and machinery were revalued on a depreciated replacement cost basis using a valuation model prescribed by engineers and consultants at the technical centre of the ultimate shareholder.

Land and residential buildings include freehold land with a carrying value of Shs 504 million (2009: Shs 504 million) located in Mombasa and limestone deposits with a carrying value of Shs 79 million (2009: Shs 93 million) in Kasese, Uganda.

The Group's plant and machinery, office equipment and mobile plant with a cost of Shs 900 million were fully depreciated as at 31 December 2010 (2009: Shs 1,100 million). The normal annual depreciation charge on these assets in the year ended 31 December 2010 would have been Shs 150 million (2009: Shs 203 million).

The company's plant and machinery, office equipment and mobile plant with a cost of Shs 711 million were fully depreciated as at 31 December 2010 (2009: Shs 861 million). The normal annual depreciation charge on these assets in the year ended 31 December 2010 would have been Shs 119 million (2009: Shs 149 million).

16 PREPAID OPERATING LEASE RENTALS

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Net carrying value at beginning and end of year	187	9	1	1

The operating lease rentals relate to leasehold land, mainly raw materials quarries, located in Mombasa and Athi River in Kenya and Kasese in Uganda.

Notes to the Financial Statements

17 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	GROUP Shs'million	COMPANY Shs'million
Cost		
At 1 January 2009	372	298
Additions	104	104
Transfers	(13)	(13)
At 31 December 2009	**463**	**389**
At 1 January 2010	463	389
Additions	4	-
At 31 December 2010	**467**	**389**
Amortisation		
At 1 January 2009	349	276
Charge for the year	26	26
Transfers	(13)	(13)
At 31 December 2009	**362**	**289**
At 1 January 2010	362	289
Charge for the year	29	28
At 31 December 2010	**391**	**317**
Net book value		
At 31 December 2010	**76**	**72**
At 31 December 2009	**101**	**100**

*The foreign exchange adjustments arise from the translation of the carrying values relating to assets held by a subsidiary, HimCem Holdings Limited.

18 CAPITAL WORK IN PROGRESS

Capital work in progress relates to ongoing work in respect of additions and replacements to various plants as at year end. The main addition during the year relates to the capacity increase project, Project Rwenzori, carried out in Hima Cement Limited, a subsidiary company domiciled in Uganda. No depreciation has been charged during the year.

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
At 1 January	6,258	5,477	556	1,734
Additions	974	3,124	666	238
Transfers to property plant and equipment	(4,942)	(2,229)	(306)	(1,301)
Transfers to intangible assets	-	(104)	-	(104)
Impairment losses recognised in profit or loss	-	(11)	-	(11)
Retirements	(106)	-	(106)	-
Foreign exchange adjustments*	(965)	2	-	-
At 31 December	**1,219**	**6,259**	**810**	**556**

*The foreign exchange adjustments arise from the translation of the carrying values relating to assets held by a subsidiary, HimCem Holdings Limited.

Notes to the Financial Statements

19 INVESTMENTS IN SUBSIDIARIES

Held at cost less impairment provisions:
Details of the subsidiaries in the Group are provided below:

	COMPANY		
	Holding %	2010 Shs'million	2009 Shs'million
Simbarite Limited (Kenya)	100	53	53
Less: impairment provision		(22)	(22)
		31	**31**
Bamburi Special Products Limited (Kenya)	100	20	20
Bamburi Cement Limited, Uganda (Kenya)	100	-	-
HimCem Holdings Limited (Channel Islands)	100	911	911
Lafarge Eco Systems Limited (Kenya)	100	5	5
Diani Estate Limited (Kenya)	100	1	1
Kenya Cement Marketing Limited (Kenya)	50	-	-
Portland Mines Limited (Kenya)	50	-	-
Seruji Management Limited (Channel Islands)	100	-	-
		968	**968**

Except where indicated above, the subsidiaries are incorporated in Kenya. HimCem Holdings Limited has a 70% holding in its subsidiary, Hima Cement Limited, a company incorporated in Uganda.

20 OTHER EQUITY INVESTMENTS – Available for sale

These represent Available-For-Sale investments, which are carried at fair value annually at the close of business on the reporting date. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is determined by reference to the current market for similar instruments or by reference to the discounted cash flows of the underlying net assets. The market value of the quoted equity shares at 31 December 2010 was Shs 911 million (2009: Shs 906 million). Changes in the fair values are recognised in the other comprehensive income and accumulated in fair value reserve in equity.

a) Movement in available-for-sale investments

	GROUP AND COMPANY	
	2010 Shs'million	2009 Shs'million
At 1 January	906	2,186
Disposals (note 20(b))	-	(1,340)
Fair value gains (note 20(b))	5	60
At 31 December	**911**	**906**

Notes to the Financial Statements

20 OTHER EQUITY INVESTMENTS - Available for sale (Continued)

b) Analysis of the equity investments

Quoted investments	Number of shares At 1.1.2009 Units	Additions/ (disposals) Units	At 31.12.2009 Units	Valuation At 1.1.2009 Shs' million	Additions/ (disposals) Shs' million	Decrease in market value Shs' million	At 31.12.2009 Shs' million
East African Portland Cement Limited	11,265,068	-	11,265,068	895	-	6	901
Kenya Oil company Limited	90,550	-	90,550	7	-	(2)	5
Athi River Mining Limited	13,959,300	(13,959,300)	-	1,284	(1,340)	56	-
				2,186	**(1,340)**	**60**	**906**

Quoted investments	Number of shares At 1.1.2010 Units	Additions/ (disposals) Units	At 31.12.2010 Units	Valuation At 1.1.2010 Shs' million	Additions/ (disposals) Shs' million	Increase/ (decrease) in market value Shs' million	At 31.12.2010 Shs' million
East African Portland Cement Limited	11,265,068	-	11,265,068	901	-	-	901
Kenya Oil company Limited	905,500	-	905,500	5	-	5	10
				906	**-**	**5**	**911**

c) Gain on disposal of the equity investments

	2010 Cost Shs'million	2010 Proceeds Shs'million	2010 Gain on disposal Shs'million	2009 Cost Shs'million	2009 Proceeds Shs'million	2009 Gain on disposal Shs'million
Quoted investments	-	-	-	143	1,346	1,203
Comprising:						
Cumulative gain reclassified from fair value reserve on disposal	-	-	-	-	-	1,197
Gain during the year	-	-	-	-	-	6
	-	-	-	-	-	**1,203**

d) Disposals of the equity investments comprise:

	GROUP AND COMPANY 2010 Shs'million	2009 Shs'million
Cost of equity investments disposed	-	143
Cummulative gain reclassified from fair value reserve on disposal	-	1,197
Total disposals (note 20(b))	**-**	**1,340**

Notes to the Financial Statements

21 GOODWILL

	GROUP	
	2010 Shs'million	2009 Shs'million
At beginning and end of the year	**217**	**217**

The goodwill arose from the acquisition of a subsidiary, HimCem Holdings Limited, in 1999. HimCem is the majority owner of the Group's operating company in Uganda, Hima Cement Limited.

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

22 INVENTORIES

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Raw materials	485	624	384	498
Bio fuel supplies	281	208	281	208
Consumables and spare parts	1,515	1,944	986	1,409
Finished and semi-finished goods	884	945	473	725
Fuel and packaging	358	617	217	569
	3,523	**4,338**	**2,341**	**3,409**

The Bio fuel supplies relate to direct operating costs incurred in respect to the on-going Bio-fuels project. These costs include those relating to labour, seedlings, transportation and other directly attributable overheads.

23 TRADE AND OTHER RECEIVABLES

(a) Analysis of trade and other receivables:

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Trade receivables	301	435	50	62
Prepayments	711	1,095	596	813
Deposits	29	21	27	20
Other receivables	466	239	270	78
Receivables from related companies (Note 35 (ii))	179	209	1,237	1,230
	1,686	**1,999**	**2,180**	**2,203**

Notes to the Financial Statements

23 TRADE AND OTHER RECEIVABLES(Continued)

(b) Movement in the provision for insurance claim receivable:

	GROUP AND COMPANY	
	2010 Shs'million	2009 Shs'million
Balance at beginning of the year	-	1,001
Amounts written off during the year as uncollectible	-	(783)
Amounts recovered during the year	-	(218)
	-	**-**

(c) Trade receivables:

The average credit period on sales of finished goods is 30 days. The bulk of the trade receivables are covered by bank guarantees in favour of the Group. Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed quarterly.

The trade receivables are carried net of provision for bad and doubtful debts. The movement in the provision for bad and doubtful debts is as set out below:

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
At beginning of year	362	358	242	223
Impairment losses	(255)	36	(212)	33
Amounts recovered	(27)	(32)	(20)	(14)
At end of year	**80**	**362**	**10**	**242**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Notes to the Financial Statements

24 CASH FLOW HEDGE CONTRACTS

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Derivatives designated and effective as hedging instruments	28	-	19	-

The Group has entered into cash flow hedge contracts with its holding company Lafarge SA. The contracts have different maturity dates ranging upto 12 months from the end of the reporting period.

25 BANK AND CASH BALANCES

(a) Analysis of bank and cash balances:

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Cash at bank and on hand	1,272	1,037	896	629
Cash deposits with related party (note 35(ii))	6,077	5,036	6,077	5,036
Short term bank deposits – Held to maturity	267	354	242	200
	7,616	**6,427**	**7,215**	**5,865**

(b) Cash and cash equivalents:

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less, net of bank overdrafts. Analysis of cash and cash equivalents is as set out below:

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Bank and cash balances (note 25(a))	7,616	6,427	7,215	5,865

(c) Cash deposit with related party:

The short-term bank deposits mature within 90 days from the date of placement.

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Short term fixed deposits	2,674	354	2,424	200

The weighted average interest rates earned on the short-term bank deposits during the year were as shown below:

	GROUP		COMPANY	
	2010	2009	2010	2009
Local currencies	2.5%	5.66%	3.14%	4.61%
Foreign currencies	0.26%	0.59%	0.41%	0.40%

Notes to the Financial Statements

(d) Cash deposit with related party

The weighted average interest rates earned on the cash deposited with related party during the year were as shown below:

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Local currencies	3.13%	3.43%	3.13%	3.43%
Foreign currencies	0.24%	0.66%	0.24%	0.72%

26 SHARE CAPITAL

	GROUP AND COMPANY	
	2010 Shs'million	2009 Shs'million
Authorised		
366,600,000 ordinary shares of Shs 5 each	1,833	1,833
100,000, 7% redeemable cumulative preference shares of Shs 20 each	2	2
	1,835	**1,835**
Issued and fully paid		
362,959,275 ordinary shares of Shs 5 each	**1,815**	**1,815**

Fully paid ordinary shares, which have a par value of Shs 5 each, carry a right of one vote per share and have rights to dividends.

27 RESERVES

a. Revaluation reserve

The revaluation reserve arises on the revaluation of property, plant and equipment. When revalued and assets are sold, the portion of the revaluation reserve that relates to those assets are effectively realised and transferred directly to retained earnings. The revaluation reserve is not distributable.

b. Fair value reserve

The fair value reserve represents accumulated gains and losses arising on the revaluation of available- for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

	GROUP AND COMPANY	
	2010 Shs'million	2009 Shs'million
At 1 January	703	1,840
Net gain arising on revaluation of available for sale investments (note 20(b))	5	60
Cumulative gain reclassified to profit or loss on sale of available for sale investments (note 20(c))	-	(1,197)
At 31 December	**708**	**703**

Notes to the Financial Statements

27 RESERVES (Continued)

c. Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (Kenya shillings) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

d. Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

28 DEFERRED TAX LIABILITY

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2009: 30%). The makeup of the deferred tax liabilities at the year end and the movement on the deferred tax account during the year are as presented below:

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Accelerated capital allowances on property, plant and equipment	3,162	1,822	1,132	1,233
Foreign exchange differences	(19)	(10)	(8)	(16)
Provisions	(280)	(404)	(217)	(333)
Revaluation surplus	931	1,041	800	878
Tax Losses	(1,174)	-	-	-
Other temporary differences	-	(4)	-	-
	2,620	**2,445**	**1,707**	**1,762**

The movement on the deferred tax account during the year is as follows:

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
At beginning of year	2,445	2,222	1,762	1,712
Income statement charge (note11 (a))	338	506	(4)	347
Prior years over provision (note11 (a))	(62)	(303)	(51)	(297)
Foreign exchange differences	(101)	20	-	-
At end of year	**2,620**	**2,445**	**1,707**	**1,762**

Deferred tax liabilities amounting to Shs 85 million (2009: Shs 86 million) in respect of the Group and Shs 78 million (2009: Shs 79 million) in respect of the company has been transferred within shareholders' equity from retained earnings to revaluation reserves. This represents deferred tax on the difference between the actual depreciation charge on the property, plant and equipment and the equivalent depreciation charge based on the historical cost of the property, plant and equipment.

Notes to the Financial Statements

29 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring, site restoration and litigation Shs'million	Service gratuity and holiday pay Shs'million	Long service awards Shs'million	2010 Total Shs'million	2009 Total Shs'million
GROUP					
At beginning of year	62	628	93	783	631
Additional provisions	3	89	11	103	266
Utilised during the year	(1)	(82)	(13)	(96)	(114)
At end of year	64	635	91	790	783
Less: current portion	(57)	(204)	-	(261)	(202)
Non current portion	7	431	91	529	581
COMPANY					
At beginning of year	56	500	93	649	577
Additional provisions	2	57	10	69	165
Utilised during the year	(1)	(44)	(13)	(58)	(93)
At end of year	57	513	90	660	649
Less: Current portion	(57)	(90)	-	(147)	(149)
Non-current portion	-	423	90	513	500

The provision for service gratuity, annual leave and long service awards represent entitlements that accrue as a result of services offered by employees.

The provision for restructuring, site restoration and litigation relate to future outflows that will be required to settle related liabilities or finalise the ongoing restructuring activities of the Group, including termination benefits.

Notes to the Financial Statements

30 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Trade payables	3,257	2,179	1,448	1,182
Accrued expenses	1,517	1,650	1,319	1,632
Other payables	337	63	330	56
Payable to related companies (Note 35 (ii))	104	94	44	31
	5,215	**3,986**	**3,141**	**2,901**

The average credit period on purchases is 34 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

31 BORROWINGS

a) Loan from ultimate holding company - unsecured

During the year, Lafarge SA, the ultimate holding company, did not extend any loans to the company nor its subsidiary, Hima Cement Limited. The loan balances are as shown below.

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
At beginning of year	3,332	4,512	-	1,104
Loans received	-	-	-	-
Foreign exchange differences	(298)	(76)	-	-
Repayments	(3,034)	(1,104)	-	(1,104)
At end of year	**-**	**3,332**	**-**	**-**
Maturity:				
Repayable within one year	-	370	-	-
Repayable after one year	-	2,962	-	-
At end of year	**-**	**3,332**	**-**	**-**

b) Term Loan

In June 2008, Hima Cement Limited, a subsidiary company, signed a syndicated loan facility equivalent to Shs 1,789 million (Ugx 45 billion) with lead arranger Stanbic Bank Uganda Limited, During the year, Hima Cement Limited drew Shs 1,225 million (2009: 239 million) from the facility to finance the ongoing Ruwenzori capacity expansion project. The loan is secured against a corporate guarantee from Lafarge SA and is payable in 5 equal installments starting June 2011 and fully matures in June 2015. The facility is structured in two tranche's of 50% each. Tranche A is at fixed interest rate equivalent to 5 year treasury bond plus 70 basis points while Tranche B is at floating interest rate equivalent to 182day treasury bill plus 100 basis points.

In October 2010, Hima Cement Ltd signed a one year revolving credit facility equivalent to Shs 1,569 million (Ugx 45.5 billion) with Stanbic Bank Uganda Limited. During the year, Hima Cement Limited drew Shs 1,569 million (Ugx 45.5 billion) to finance Ruwenzori capacity expansion project. This loan is secured against a corporate guarantee from Lafarge SA and is payable in full in October 2011. Interest on the facility is charged at 2.5% per annum above the 364 day treasury bill yield re-priced semi-annually.

Notes to the Financial Statements

	GROUP	
	2010 Shs'million	2009 Shs'million
At 1 January	239	-
Received during the year	2,872	239
Foreign Exchange difference	(158)	-
At 31 December	2,953	239

31 BORROWINGS (Continued)

c) Effective interest rates

The weighted average interest rates incurred on borrowing facilities during the year were:

	GROUP		COMPANY	
	2010	2009	2010	2009
Local currencies – loans	8.94%	14.98%	-	-
Foreign currencies – ultimate holding company	-	4.66%	-	2.86%

d) Borrowing facilities

As at end of the year, the Group had borrowing facilities amounting to a total of Shs 3,280 million (2009 – Shs 4,332 million), out of which the undrawn facilities amounted to Shs 2,630 million (2009 – Shs 2,766 million).

The borrowing facilities are annual facilities that were subject to review at various dates during the year 2010. They consist of overdrafts, letters of credit, guarantees among others.

32 CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Bonds issued by the Group's bankers in favour of Kenya Revenue Authority	563	1,030	563	1,030
Bonds issued by the Group's bankers in favour of suppliers	456	241	221	113
Insurance bond issued to Uganda Revenue Authority	-	10	-	-
At end of year	**1,019**	**1,281**	**784**	**1,143**

Guarantees

The guarantees and bonds are issued by the Group's bankers in favour of third parties and the Group has entered into counter-indemnities with the same banks. These guarantees are part of the bank facilities disclosed in note 31 above and are issued in the normal course of business.

Legal matters

The Group is involved in a number of legal proceedings which are yet to be concluded upon. The Directors have evaluated the pending cases and determined that no material liabilities are likely to arise from these cases which arose in the normal course of business.

Taxation matters

The Group is regularly subject to an evaluation, by the taxation authorities, of its direct and indirect taxation affairs and in connection with such reviews, tax assessments can be issued by the taxation authorities in respect of the Group's taxation affairs.

Notes to the Financial Statements

33 CAPITAL COMMITMENTS

Authorised and contracted

Capital expenditure contracted for at the reporting period end but not recognised in the financial statements is as follows:

	GROUP		COMPANY	
	2010 Shs'million	2010 Shs'million	2010 Shs'million	2009 Shs'million
Commitments for the acquisition of property, plant and equipment	1,091	1,095	25	100

Capital commitments include a contract with CBMI Construction Company Limited for the construction of an integrated cement plant in Kasese, Uganda. The construction was completed in 2010. The contract currency is US dollars.

Authorised but not contracted

Capital expenditure authorised but not contracted for at the reporting period end:

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Commitments for the acquisition of property, plant and equipment	163	339	86	71

34 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before taxation to cash generated from operations:

		GROUP	
	Note	2010 Shs'million	2009 Shs'million
Profit before taxation		7,564	9,596
Adjustments for:			
Depreciation	15(a)	983	810
Amortisation of intangible assets	17	29	26
Amortisation of leasehold land		3	-
Gain on disposal of property, plant and equipment	6	(5)	(2)
Loss on impairment of property, plant and equipment	18	-	11
Profit on disposal of equity investments	20(c)	-	(1,203)
Interest income	5	(128)	(85)
Dividend income	5	(15)	(18)
Interest expense	9	91	14
Operating profit before working capital changes		**8,522**	**9,149**
Changes in working capital balances:			
Decrease in inventories		681	659
Decrease in trade and other receivables		132	268
Increase in financial assets		(28)	-
Increase in provisions for liabilities and charges		30	122
Increase in trade and other payables		1,612	425
Cash generated from operations		**10,949**	**10,623**

Notes to the Financial Statements

35 RELATED PARTIES

The ultimate parent of the Group is Lafarge SA, incorporated in France. There are other companies which are related to Bamburi Cement Limited through common shareholdings or common directorships.

(i) Related party transactions

In the normal course of business, the Group sells cement to an associate of its ultimate shareholder. During the year, the group did not sell cement to the associate (2009: Nil).

The company receives technical assistance from the majority shareholder, which is paid for under a five year agreement.

The following transactions were carried out with related parties during the year.

	GROUP	
	2010 Shs'million	2009 Shs'million
Interest received	79	1
Sales of goods and services	782	555
Purchases of goods and services	1,925	5,698

Transactions with related parties were made on terms and conditions similar to those offered to major customers or available from major suppliers.

Notes to the Financial Statements

35 **RELATED PARTIES (Continued)**

(ii) Outstanding balances arising from sale and purchase of goods and services to/from related companies at the year end.

	GROUP 2010 Shs'million	GROUP 2009 Shs'million	COMPANY 2010 Shs'million	COMPANY 2009 Shs'million
Receivables from related parties	179	209	179	209
Receivables from subsidiaries	-	-	1,058	1,021
Total receivables (note 23(a))	179	209	1,237	1,230
Payables to related parties (note 30)	104	94	44	31
Short term cash deposits (note 25(a))	6,077	5,036	6,077	5,036
Cash flow hedges (note 24)	28	-	19	-

The short term deposits represent amounts held in investment accounts with the principal shareholder, Lafarge SA's, central treasury department on terms similar to those offered by unrelated financial institutions.

(iii) Loan to subsidiary

As at the end of the year, the balance due to the company in respect of a loan to its subsidiary, Bamburi Special Products Limited, amounted to Shs 286 Million (2009 - Shs Nil). The loan was unsecured and the related effective interest on the loan was 10% (2009 - Nil). The loan repayment period is 10 years from January 2011.

(iv) Key management compensation

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

	GROUP 2010 Shs'million	GROUP 2009 Shs'million
Fees for services as a director	4	5
Other emoluments		
Salaries and other short-term employment benefits	126	107
Post-employment benefits	8	8
Other long-term benefits	-	-
Termination Benefits	-	-
Share based Payment	-	-
	134	115
Total	138	120
Guaranteed Long-term Loans	18	14

Notes to the Financial Statements

36 OPERATING LEASE COMMITMENTS

	GROUP	
	2010 Shs'million	2009 Shs'million
Lease payments committed under operating leases:		
Not later than 1 year	175	41
Later than 1 year but not later than 5 years	167	139
	342	**180**

37 RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution retirement benefit plans for eligible employees. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The scheme is administered by an independent administration company and is funded by contributions from the Group companies and employees. The Group's obligations to the staff retirement benefits plans are charged to the income statement as they fall due or in the case of service gratuity as they accrue to each employee.

The Group also makes contributions to the statutory defined contribution schemes in the two countries where operations are based. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the income statement of Shs 85 million (2009: Shs 95 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. The expense has been included within the retirement benefits costs under staff costs in note 10.

38 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the group's business and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The key types of risks include:

- Market risk – includes currency, interest rate and other price risk
- Credit risk
- Liquidity risk

The Group's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise potential adverse effects of such risks on its financial performance within the options available in Kenya and Uganda by setting acceptable levels of risks.

Notes to the Financial Statements

38 FINANCIAL RISK MANAGEMENT (Continued)

Risk Management Framework

Financial risk management is carried out by Corporate Finance Department under policies approved by the Board of Directors.

The Group's Corporate Treasury function identifies, evaluates and hedges financial risks in close cooperation with operating units. The board provides written principals for overall risk management, as well as written policies covering specific areas such as credit risk, liquidity risk, foreign exchange risk, interest rate risk, price risk, use of derivative and non derivative financial instruments.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the ultimate parent's policies approved by the Board of Directors.

The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Lafarge SA risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

The board has put in place an internal audit function to assist it in assessing the risk faced by the group on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

(i) Market risks

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Group Finance Director. The Group's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Group Finance Director) and for the day to day implementation of those policies.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

Notes to the Financial Statements

38 FINANCIAL RISK MANAGEMENT (Continued)

(i) Market risks (Continued)

a) Foreign currency risk management (Continued)

Group foreign currency risk:

	EUR Shs'million	USD Shs'million	TOTAL Shs'million
31 December 2010:			
Assets			
Trade and other receivables	-	938	938
Bank balances	543	3,040	3,583
Total assets	**543**	**3,978**	**4,521**
Liabilities			
Trade and other payables	131	2,505	2,636
Total liabilities	131	2,505	2,636
Net exposure position	**412**	**1,473**	**1,885**
31 December 2009:			
Assets			
Trade and other receivables	539	712	1,251
Bank balances	371	1,917	2,288
Total assets	**910**	**2,629**	**3,539**
Liabilities			
Trade and other payables	124	2,079	2,203
Loan from ultimate holding company	-	3,332	3,332
Total liabilities	**124**	**5,411**	**5,535**
Net exposure position	**786**	**(2,782)**	**(1,996)**

Notes to the Financial Statements

38 FINANCIAL RISK MANAGEMENT (Continued)

(i) Market risks (Continued)

a) Foreign currency risk management (Continued)

Company foreign currency risk:

	EUR Shs'million	USD Shs'million	TOTAL Shs'million
31 December 2010			
Assets			
Trade and other receivables	-	938	938
Bank balances	443	2,951	3,394
Total assets	**443**	**3,889**	**4,332**
Liabilities			
Trade and other payables	48	675	723
Total liabilities	**48**	**675**	**723**
Net exposure position	**395**	**3,212**	**3,609**
31 December 2009:			
Assets			
Trade and other receivables	539	712	1,251
Bank balances	334	1,680	2,014
Total assets	**873**	**2,392**	**3,265**
Liabilities			
Trade and other payables	-	1,107	1,107
Total liabilities	**-**	**1,107**	**1,107**
Net exposure position	**873**	**1,285**	**2,158**

Notes to the Financial Statements

38 FINANCIAL RISK MANAGEMENT (Continued)

(i) Market risks (Continued)

a) Foreign currency risk management (Continued)

Foreign currency sensitivity analysis

The following sensitivity analysis shows how profit and equity would change if the Kenya Shilling had depreciated against the other currencies by 5% on the reporting period end with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant. This is mainly attributable to the change in value of foreign exchange receivables, payables and cash.

	GROUP	
	2010 Shs'million	2009 Shs'million
Group		
EUR	21	39
USD	72	27
	93	**66**
Company		
EUR	64	44
USD	159	64
	223	**108**

b) Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates in the form of long term loans and short term loans (overdrafts). The Group also holds cash deposits with financial institutions. The interest rates on the cash deposits are fixed and agreed upon in advance.

Management closely monitors the interest rate trends to minimise the potential adverse impacts of interest rate changes. Deposits are placed at fixed interest rates and management is therefore able to plan for the resulting income. For the facilities with variable rates, the Group is in regular contact with the lenders in a bid to obtain the best available rates.

During the year, a 5% increase/decrease of the annual interest rate would have resulted in an increase/decrease in pre-tax profit of Shs 93 million (2009- Shs 66 million).

c) Price risk

Quoted assets are valued at their market prices. These values are subject to frequent variations and adverse market movements. This risk is mitigated by the fact that equity investments are held for strategic rather than trading purposes. The Group does not actively trade on equity investments.

At 31 December 2010, if the prices at the Nairobi Stock Exchange had appreciated/depreciated by 5% with all other variables held constant would have resulted in an increase/ decrease on other comprehensive income of Shs 46 million (2009 Shs 45 million) as a result of changes in fair value of available for sale shares.

Notes to the Financial Statements

38 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Credit risk management

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 and obtaining sufficient collateral, where appropriate, 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.

The credit risk exposures are classified in three categories:

- Fully performing
- Past due
- Impaired

Maximum exposure to credit risk before collateral held or other credit enhancements

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 made up as follows:

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Trade receivables	301	435	50	62
Other receivables	1,385	1,564	2,130	2,141
	1,686	**1,999**	**2,180**	**2,203**
Bank balances	**7,616**	**6,427**	**7,215**	**5,865**

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On an ongoing basis, a credit evaluation is performed on the financial condition of accounts receivable. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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.

Notes to the Financial Statements

38 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Credit risk management (Continued)

Analysis of Group credit exposure:

	Gross 2010 Shs'million	Impairment 2010 Shs'million	Net 2010 Shs'million	Gross 2009 Shs'million	Impairment 2009 Shs'million	Net 2009 Shs'million
Fully performing	1,274	-	1,274	1,950	-	1,950
Past due	526	114	412	814	765	49
Trade and other receivables (note 23(a))	**1,800**	**114**	**1,686**	**2,764**	**765**	**1,999**

Included in the impairment provision is an amount of Shs Nil (2009 – Shs 403 million) relating to other receivables.

Analysis of company credit risk:

	Gross 2010 Shs'million	Impairment 2010 Shs'million	Net 2010 Shs'million	Gross 2009 Shs'million	Impairment 2009 Shs'million	Net 2009 Shs'million
Fully performing	1,503	-	1,474	2,130	-	2,130
Past due	753	47	706	753	680	73
Trade and other receivables (note 23(a))	**2,256**	**47**	**2,180**	**2,883**	**680**	**2,203**

Included in the impairment provision is an amount of Shs Nil (2009 – Shs 403 million) relating to other receivables.

Fully performing

The Group classifies financial assets under this category for those exposures that are upto date and in line with contractual agreements. These exposures will normally be maintained within approved product programs and with no signs of impairment or distress.

Past due but not impaired

The financial assets that are past due relate to trade receivables overdue by over 30 days. The receivables are not impaired and continue to be paid. The Group is actively following these receivables. No collateral is held with respect to the debt.

Impaired financial assets

Impaired financial assets are financial assets for which the Group determines that it is probable that it will be unable to collect all payments due according to the contractual terms of the agreement(s). No collateral is held with respect to the debt.

Notes to the Financial Statements

38 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Liquidity risk management

This is the risk that the group will encounter difficulties in meeting its financial commitments from its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations.

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 following table analyses the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows and exclude the impact of netting agreements. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

GROUP – Financial liabilities:

	Total amount Shs'million	0-30 days Shs'million	31-90 days Shs'million	91-120 days Shs'million	120 days and above Shs'million
31 December 2010:					
Trade and other payables (note 30)	5,215	3,841	495	643	236
Unclaimed dividends	30	-	-	-	30
Loan from ultimate holding company	2,953	-	-	-	2,953
	8,198	**3,841**	**495**	**643**	**3,219**
31 December 2009:					
Trade and other payables (note 30)	4,096	2,203	627	217	1,049
Unclaimed dividends	30	-	-	-	30
Loan from ultimate holding company	4,512	-	-	-	4,512
	8,638	2,203	627	217	5,591

Notes to the Financial Statements

38 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Liquidity risk management (Continued)

COMPANY – Financial liabilities:

	Total amount Shs'million	0-30 days Shs'million	31-90 days Shs'million	91-120 days Shs'million	120 days and above Shs'million
31 December 2010:					
Trade and other payables (note 30)	3,141	1,770	475	655	241
Unclaimed dividends	30	-	-	-	30
	3,171	**1,770**	**475**	**655**	**271**
31 December 2009:					
Trade and other payables (note 30)	3,364	845	1,173	289	1,057
Unclaimed dividends	30	-	-	-	30
Loan from ultimate holding company	1,104	-	-	-	1,104
	4,498	**845**	**1,173**	**289**	**2,191**

(iv) Capital risk management

The Group's objectives when managing capital are:

- To ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.
- To maintain a strong capital base to support the current and future development needs of the business.

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

The Board of Directors reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital. Based on the review, the Group analyses and assesses the gearing ratio to determine the level and its optimality.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

There have been no material changes in the Group's management of capital during the year.

Notes to the Financial Statements

38 FINANCIAL RISK MANAGEMENT (Continued)

(iv) Capital risk management (Continued)

The constitution of capital managed by the Group is as shown below:

	GROUP		COMPANY	
	2010 Shs'million	2009 Shs'million	2010 Shs'million	2009 Shs'million
Equity	21,626	20,941	17,321	16,738
Total borrowings	(2,953)	(3,571)	-	-
Less: cash and cash equivalents (note 25(b))	7,616	6,427	7,215	5,865
Net debt	4,663	2,856	7,215	5,865
Gearing	-	-	-	-

(v) Fair value of financial assets and liabilities

The table below shows an analysis of financial instruments at fair value by level of the fair value hierarchy. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices);and
iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Notes to the Financial Statements

38 FINANCIAL RISK MANAGEMENT (Continued)

	Note	Level 1 Shs'million	Level 2 Shs'million	Level 3 Shs'million	Total Shs'million
GROUP AND COMPANY					
31 December 2010					
Available for sale financial assets					
Investment in quoted shares	20	911	-	-	911
Cash flow hedge contracts	24	-	28	-	28
Total		**911**	**28**	**-**	**939**
31 December 2009					
Available for sale financial assets					
Investment in quoted shares	20	906	-	-	906

There were no transfers between levels 1, 2 and 3 in the period.

39 FAIR VALUE

The directors consider that there is no material difference between the fair value and carrying value of the company's financial assets and liabilities where fair value details have not been presented.

40 COUNTRY OF INCORPORATION

The company is incorporated and domiciled in Kenya under the Companies Act. The ultimate parent of the Group is Lafarge SA, incorporated in France. The Group is primarily engaged in the manufacture and sale of cement and cement related products.

41 POST BALANCE SHEET EVENTS

On 7 January 2011, the High Court in Kampala, Uganda entered a judgement for Kampala International University in respect of a long outstanding case against Hima Cement Ltd for Shs 79 million (UGX 2.286 billion) plus costs. The Company has been granted a stay pending appeal on condition of provision of a bank guarantee for the sum of Shs 83 million (UGX 2.386 billion).

The Board of Directors approved the financial statements on 25 February 2011 and authorised that the financial statements be issued. On this date, the Directors were not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which would significantly affect the financial position of the Group and results of its operation as laid out in these financial statements.

42 CURRENCY

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are presented in Kenya Shillings million (Shs' Million), which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

Shareholding

Top 10 Shareholders as at 31 December 2010

Rank	Name of Shareholder	Shares	%age
1	Fincem Holding Ltd	106,360,798	29.30%
2	Kencem Holding Limited	106,360,797	29.30%
3	Board of Trustees - National Social Security Fund	50,990,913	14.05%
4	Paramount Company Ltd	40,000,000	11.02%
5	Baloobhai Chhotabhai Patel	4,180,305	1.38%
6	Board of Trustees - National Social Security Fund	2,377,721	0.66%
7	Standard Chartered Nominees Ltd – A/c 9230	2,053,779	0.57%
8	Kenya Reinsurance Corporation Ltd	1,171,543	0.32%
9	Kenya Commercial Bank Nominees Ltd – A/c 769G	1,038,650	0.29%
10	Standard Chartered Nominees Ltd – A/c 9389	1,025,445	0.28%

Share Analysis by Domicile as at 31 December 2010

DOMICILE	NUMBER OF SHARES	%	NUMBER OF HOLDERS
Foreign Institutions	216,465,411	59.53%	37
Foreign Individuals	286,616	0.08%	46
Local Institutions	93,791,177	25.91%	642
Foreign Individuals	52,416,071	14.48%	2,304
TOTAL	**362,959,275**	**100.00%**	**3,029**

Share Analysis by volume as at 31 December 2010

VOLUME	NUMBER OF SHARES	%	NUMBER OF HOLDERS
1 - 500	240,231	0.07%	1,122
501 - 5,000	2,452,151	0.68%	1,199
5,001 - 10,000	1,703,954	0.47%	234
10,001 - 100,000	11,280,304	3.11%	360
100,001 - 1,000,000	30,901,999	8.51%	104
1,000,001 - 99999999999	316,380,636	87.17%	10
TOTAL	**362,959,275**	**100.00%**	**3,029**

Notes

Proxy Form

The Secretary
Bamburi Cement Limited
Corporate Offices
Kenya Re Tower, 6th Floor
Upper Hill, Off Ragati Road
P. O. Box 10921, 00100
NAIROBI, KENYA

I/WE --

----

of --

----

a member of BAMBURI CEMENT LIMITED hereby appoint

----

of --

or in his/her place THE CHAIRMAN OF THE MEETING as my/our proxy and/or representative to vote at his/her discretion for me/us and on my/our behalf at the Annual General Meeting to be held on Thursday 9 June 2011 and at every adjournment thereof.

AS WITNESS my/our hand(s) this ____________________________day of ____________________________ 2011

____
(Usual Signature)

Proxy forms must reach the registered office of the company by 2.00 pm Tuesday 7 June 2011.

Staple here

Staple here

Proxy form:

for the year ended 31 December 2010

Fold here

Fold here

Affix Stamp

The Secretary
Bamburi Cement Ltd.
Corporate Offices
6th floor, Kenya-Re Towers,
Upper Hill, off Ragati Road
P. O. Box 10921, 00100
NAIROBI, KENYA

Giraffes at Nguuni Nature Sanctuary - Mombasa

Bamburi Cement Limited Corporate Office,
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