

# ARM Cement PLC

## (under Administration)

### PUBLIC ANNOUNCEMENT

#### TIME EXTENSION TO PUBLISH THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2018

The Administrators of ARM Cement PLC (under Administration) wish to announce to the shareholders and other stakeholders that the Company has applied for and obtained approval from the Capital Markets Authority for an extension in order to publish the audited financial statements of the Company for the financial year ended 31 December 2018 on or before 31 August 2019.

The Administrators are addressing the challenges that have occasioned the expected delays in publication of the audited financial statements.

Until recently, the financial statements were being prepared by management on the basis of going concern accounting principle. This principle assumes that an entity will remain in business for the foreseeable future. However the recent transaction for sale of all cement and non-cement assets including the business of ARM Cement PLC has made it impossible to support this assumption. Consequently, the audited financial statements will be prepared on break up basis. This requires further review contributing to the delays experienced. The audit of the accounts of the Company and its subsidiaries for the financial year 2018 is currently in progress. The Company expects the financial statements to be signed off by the auditors on or before 31 August 2019.

#### Update of the Administration Process

Following the appointment of the Joint Administrators on 17 August 2018, the Administrators submitted a statement of proposals to the creditors of ARM on 23 October 2018. The proposals were duly approved by the Creditors. Subsequently, a robust and extensive transaction process was undertaken by the Administrators with assistance from the transaction advisors to identify strategic or financial investors with a view to achieving a recapitalization of the Company through an injection of equity and/or a sale of all or some of the assets of the Company and/or a comprehensive restructure of its debt obligations. Potential buyers representing a wide spectrum of investors from varied geographies submitted their offers. In evaluating the offers, the Joint Administrators were guided by their statutory objective of achieving a better outcome for the Company's creditors as a whole.

This process culminated in the Joint Administrators executing an agreement for the sale on 20 May 2019 of all cement and non-cement assets and all the business of ARM Cement PLC in Kenya as a going concern with National Cement Company Limited for an amount of USD 50M. The Transaction is subject to certain conditions precedent including receipt of requisite regulatory approvals.

Subject to successful conclusion of the litigation process highlighted below, and on successful conclusion of the Transaction, the sale proceeds paid to the Administrators shall then be used to settle registered claims against the company and distributed to the creditors in accordance with the provisions of the Insolvency Act 2015 of Kenya (specifically in accordance with provisions relating to priority of payments to creditors under the Second Schedule of the Act).

#### Other Subsidiaries

Subject to the successful conclusion of the litigation process highlighted below, the Administrators will continue to pursue the transaction processes in relation to the other subsidiaries of the Company on a going concern basis so as to achieve the best possible outcome for the Company's creditors and will communicate with relevant stakeholders at the appropriate time.

#### Litigation

On 17 July 2019, the Joint Administrators received court papers filed by the former Managing Director, Mr. Pradeep Paurana seeking orders to stop the ongoing transaction process until an inquiry is conducted by the Capital Market Authority ("CMA"). With this application, Mr. Paurana secured an ex-parte Stay Order restraining the Joint Administrators ("Administrators") from continuing with the ongoing sale transaction.

The Administrators are in the process of substantively responding to the application to enable the court to make informed determination on the matter.

By order of the Administrators  
25<sup>th</sup> July 2019



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