



## **SHAREHOLDERS CIRCULAR**

A notice of the Extraordinary General Meeting of the company which is to be held on 22<sup>nd</sup> January 2018 starting at 11:00 am at Laico Regency Hotel Nairobi, Kenya, is set out at the end of this document

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**CIRCULAR TO THE SHAREHOLDERS OF ARM CEMENT PLC (“ARM” OR THE “COMPANY”) IN RESPECT OF THE PROPOSED SALE OF 100 PER CENT OF THE ISSUED SHARE CAPITAL OF MAVUNO FERTILISERS LIMITED AND ITS SUBSIDIARIES TO OMYA (SCHWEIZ) AG AND PINNER HEIGHTS KENYA LIMITED AFTER COMPLETION OF THE TRANSFER OF ARM CEMENT PLC’S INDUSTRIAL MINERALS, FERTILISERS BUSINESS, SILICATES BUSINESS AND MINING BUSINESS ASSOCIATED WITH THE SAME TO MAVUNO FERTILIZERS LIMITED AND ITS SUBSIDIARIES**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR ATTENTION**

If you have disposed of all your shares in ARM Cement PLC (the **Company** or **ARM**), please forward this document to the stockbroker, investment bank or other agent through whom you disposed of your shares.

This circular is issued by ARM Cement PLC and has been prepared in compliance with the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 and the Nairobi Securities Exchange Listing Manual, 2002.

The Capital Markets Authority (the **CMA**) has approved the issue of this circular in connection with the proposed sale of 100 per cent of the issued share capital of Mavuno Fertilizers Limited to Omya (Schweiz) AG and Pinner Heights Kenya Limited after completion of the transfer of ARM Cement PLC's industrial minerals, fertilisers business, silicates business and associated mining business to Mavuno Fertilizers Limited and its subsidiaries (the **Sale of the Non – Cement Businesses**).

As a matter of policy, neither the CMA nor the Nairobi Securities Exchange Limited (**NSE**) assume any responsibility for the correctness of any statements or opinions made or reports contained in this Circular.

Approval of this Circular by the CMA is not to be taken as an indication of the merits of the Sale of the Non – Cement Businesses as detailed in this Circular or as a recommendation by the CMA to the shareholders of ARM.

**ARM CEMENT PLC**

**Incorporated in Kenya under the Companies Act (Act No. 17 of 2015)**

**(Registration Number C 19/97)**

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**CIRCULAR TO SHAREHOLDERS**

Proposed sale of 100 per cent of the issued share capital of Mavuno Fertilisers Limited to Omya (Schweiz) AG and Pinner Heights Kenya Limited after completion of the transfer of ARM Cement PLC's industrial minerals, fertilisers business, silicates business and associated mining business to Mavuno Fertilizers Limited and its subsidiaries.

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A Notice of the Extraordinary general Meeting of the Company which is to be held on 22<sup>nd</sup> January 2018 starting at 11:00 am at Laico Regency Hotel Nairobi, Kenya, is set out at the end of this document.

A form of proxy for use by the shareholders is also enclosed.

This circular is dated 22<sup>nd</sup> December 2017.




1. **PART 1: GENERAL**

1.1 **Timetable of Key Events**

The table below captures the key dates:

	<b>Date</b>	<b>Activity</b>
1	5 <sup>th</sup> September 2017	Approval of the entry into of the BATAs and SPA by the ARM Board of Directors
2	5 <sup>th</sup> September 2017	Execution of the Transaction Documents
3	22 <sup>nd</sup> January 2018	Extraordinary general Meeting
5	31 <sup>st</sup> January 2018	Anticipated Completion Date (subject to satisfaction of the conditions precedent in the Transaction Documents, including receipt of all regulatory approvals)

1.2 **Advisors**

Legal Advisor		Coulson Harney LLP 5th Floor, West Wing, ICEA Lion Centre Riverside Park, Chiromo Road, Nairobi PO Box 10643-00100, Nairobi Kenya Contact: Paras Shah <a href="mailto:paras.shah@bowmanslw.com">paras.shah@bowmanslw.com</a>
Independent Financial Advisor		Kestrel Capital (East Africa) Limited Orbit Place, 2 Floor, Westlands Road P.O. Box 40005-00100 Nairobi Contact : ewartsalins@kestrelcapital.com
Auditors		Deloitte Deloitte Place Waiyaki Way, Muthangari P O Box 40092. Nairobi. GPO 00100

## 2. PART 2: DEFINITIONS

The following definitions apply throughout this Circular, unless the context requires otherwise:

<b>ARM or the Company</b>	ARM Cement PLC a public limited liability company (incorporated in Kenya under registration number C. 19/97 ), listed on the NSE
<b>ARM Energy</b>	ARM Energy Limited a company incorporated in Kenya under registration number CPR/2009/6820 with its registered office at L. R. No. 209/74/7/2, Chiromo Road Westlands P.O. Box 41908 – 00100 Nairobi, Kenya
<b>ARM ESOP</b>	The Company's Employee Share Option Plan
<b>ARM Minerals</b>	ARM Minerals and Chemicals Limited a company incorporated in Kenya under registration number C. 163805 with its registered office at L. R. No. 209/74/7/2, Chiromo Road Westlands P.O. Box 41908 – 00100 Nairobi, Kenya
<b>Articles of Association</b>	the articles of association of the Company as amended from time to time
<b>BATAs</b>	the IM and Fertilisers BATA, the Mining BATA and the Silicates BATA
<b>Board</b>	the board of directors of the Company for the time being
<b>CAK</b>	the Competition Authority of Kenya or its successor body
<b>Cash</b>	any (non-operating) cash or cash-like items as per the statement of financial position as at the date of completion of the SPA.
<b>Circular</b>	this Shareholders Circular.
<b>CMA</b>	the Capital Markets Authority of Kenya.
<b>Companies' Act</b>	the Companies Act (Act No. 17 of 2015)
<b>Companies' Regulations</b>	the Companies (General) Regulations, 2015, (Legal Notice No. 239);
<b>Director</b>	a director of the Company
<b>Debt</b>	any debt or debt – like items (including interest bearing debt, intercompany debt, etc.) as per statement of financial position at the SPA Completion Date but excludes moneys due under the IM and Fertilisers BATA from Mavuno to ARM for inventory transferred therein
<b>EGM</b>	the extraordinary general meeting of the Company to be held on [ ] 2017.
<b>Fertilisers Business</b>	ARM's business of importing, blending and trading in fertilisers.
<b>IM and Fertilisers BATA</b>	the business and assets transfer agreement for the IM Business and Fertilisers Business entered into between ARM and Mavuno
<b>IM Business</b>	ARM's business of manufacturing and trading in industrial minerals
<b>KES or K.Sh</b>	Kenya Shilling, the lawful currency of the Republic of Kenya
<b>Mavuno</b>	Mavuno Fertilizers Limited a company incorporated in Kenya under registration number C. 109783 with its registered office at L. R. No. 209/74/7/2, Chiromo Road Westlands P.O. Box 41908 – 00100 Nairobi, Kenya

<b>Mining BATA</b>	the business and transfer agreement for the Mining Business entered into between ARM, ARM Minerals and Mavuno.
<b>Mining Business</b>	ARM's mining business, the mining licences, the special licences, the mining operations, assets and employees involved in the mining business
<b>Non-Cement Businesses</b>	means the IM Business, the Fertilisers Business, the Mining Business and the Silicates Business
<b>Omya</b>	Omya (Schweiz) AG, a company incorporated in Switzerland with company number CHE- 110.344.938 whose registered address is at Baslerstrasse 42, 4665, Oftringen, Switzerland
<b>PHL Mauritius</b>	Pinner Heights Ltd (Company Number 116937) a GBC2 company incorporated under the laws of the Republic of Mauritius
<b>PHL Kenya</b>	Pinner Heights Kenya Limited (Company Number PVT-3QUDADK) a private company limited by shares incorporated under the laws of the Republic of Kenya
<b>Pre – Sale Restructuring</b>	the transaction structure described in paragraph 5.1 of Part 4.3
<b>Purchasers</b>	Omya and PHL Kenya collectively
<b>PoS Regulations</b>	the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002
<b>Sale Shares</b>	means 132,929 redeemable preference shares with a par value of KES 100/- per share and share premium of KES 9,900/- per share and 100 ordinary shares each at a par value of KES 100/- per share, comprising 100% of the issued share capital of Mavuno Fertilisers Limited
<b>Shareholder</b>	a shareholder in the Company
<b>Silicate Back to Back</b>	the share purchase agreement entered into between Omya and PHL Kenya in respect of the sale of 100% of the issued share capital in ARM Energy Limited.
<b>Silicates BATA</b>	the business and transfer agreement for the Silicates Business entered into between ARM ,ARM Energy and Mavuno.
<b>Silicates Business</b>	ARM's silicates business, employees and assets of the sodium silicate business
<b>SPA</b>	means the share purchase agreement entered into between the Purchasers and ARM for the sale and transfer by ARM of the Sale Shares to the Purchasers
<b>USD or \$</b>	United States Dollar, the lawful currency of the United States of America

### 3. PART 3: LETTER FROM THE CHAIRMAN

To all shareholders of ARM Cement PLC

Date: 22<sup>nd</sup> December 2017

Dear Shareholder,

**PROPOSED SALE OF 100 PER CENT OF THE ISSUED SHARE CAPITAL OF MAVUNO FERTILIZERS LIMITED TO OMYA (SCHWEIZ) AG AND PINNER HEIGHTS KENYA LIMITED AFTER COMPLETION OF THE TRANSFER OF ARM CEMENT PLC'S INDUSTRIAL MINERALS, FERTILISERS BUSINESS, SILICATES BUSINESS AND THE MINING BUSINESS ASSOCIATED THEREWITH TO MAVUNO FERTILISERS LIMITED AND ITS SUBSIDIARIES.**

In 2016, when CDC became a shareholder of the company, a strategic review was carried out and Board decided to sell the entire Non Cement Businesses of ARM in order to focus on and grow the cement business.

The purpose of this Circular is to provide you with information on the terms of the Sale of the Non-Cement Businesses and on the positive impact the Sale of the Non-Cement Businesses is expected to have on the Company's financial and operating position, its prospects and on its business in general. As required by the Articles of Association and in accordance with the Laws of Kenya, the EGM has been called in order to give you an opportunity to consider and, if thought fit, to approve the Sale of the Non-Cement Businesses.

On 7 September 2017, the Company announced that an agreement had been executed with Omya and PHL Mauritius, conditional, amongst other things, on shareholder approval and approvals of the CMA and Competition Authority of Kenya, to sell a 100 per cent of the issued share capital of Mavuno to Omya and PHL Mauritius after completion of the transfer of ARM's industrial minerals, fertilisers business, mining business and silicates business to Mavuno Fertilizers Limited and its subsidiaries (the "**Sale of the Non-Cement Businesses**").

It should be noted that PHL Mauritius novated its rights under the SPA to PHL Kenya which is beneficially owned by the Manor Trust, a trust set up for the benefit of Pradipkumar Harjivandas Paurana and his immediate family. Pradipkumar Harjivandas Paurana, is a director and a significant shareholder of the Company. PHL Kenya will be acquiring 65,135 redeemable preference shares and 49 ordinary shares (approximately 49% of the issued share capital of Mavuno).

Regulatory approval of the shareholders circular has been obtained from the CMA under the Capital Markets Act pursuant to The Fourth Schedule of the PoS Regulations.

The Company and the Purchasers have applied for approvals from regulators including the Competition Authority of Kenya.

Further information on the pro-forma effects of the Sale of the Non-Cement Businesses is set out in Part 6 below.

#### **INDEPENDENT FINANCIAL ADVISERS (IFA) OPINION**

Your Board appointed Kestrel Capital to ascertain whether the purchase price offered by the Purchasers represents a fair value of the assets and business of the Non-Cement Businesses post the Pre- Sale Restructuring. In the opinion of the independent financial advisor, the purchase price of USD 16,000,000 does indeed represent a fair value for the sale of the Sale Shares. The IFA's report is set out in this Circular.

#### **EXTRAORDINARY GENERAL MEETING**

Resolutions to approve the Sale of the Non-Cement Businesses are set out in the notice of the EGM, which is printed at the end of this Circular.

A form of proxy for your use in relation to the EGM is enclosed. Whether or not you propose to attend the EGM you are requested to complete the form of proxy in accordance with the instructions printed thereon as soon as possible. The completion and return of a form of proxy will not prevent you from attending and voting in person if you wish to do so. The form of proxy should be returned to the Company Secretary, Unit 4, Ground Floor, Delta Riverside, Riverside Drive, to arrive by no later than 11.00 a.m. 20<sup>th</sup> January 2018.



**RECOMMENDATION**

Your Board considers that the Sale of the Non-Cement Businesses will contribute significantly towards enabling the Company to achieve its objectives, as described above, and that it is in the best long-term interests of the Company and its shareholders. Accordingly, the Directors unanimously recommend all shareholders to vote in favour of the resolutions to be proposed at the EGM, as they intend to do in respect of their own beneficial holdings of ordinary shares and/or the beneficial shareholdings of the entities they represent on the Board.

If you are in any doubt as to what action to take you are recommended to seek independent advice from your stockbroker, Company manager, lawyer or other professional adviser.

Yours sincerely,

WILFRED MURUNGI

**CHAIRMAN**

#### 4. PART 4: NOTES ON THE PROPOSED SALE OF THE NON – CEMENT BUSINESSES

##### 4.1 BACKGROUND TO AND REASONS FOR THE SALE OF THE NON – CEMENT BUSINESSES

###### 4.1.1 Background

ARM Cement PLC was founded in 1973. It started as a mineral mining company, which processed the minerals it mined into value added products. The Company, over the years increased the degree of value addition to the minerals it mined and finally started a cement-manufacturing unit in 1996. Cement manufacturing is a capital extensive business and to support the expansion into the cement business the company went public and listed its shares on the Nairobi Stock Exchange in 1997.

The Company saw a rapid growth in its cement production capacity in the period 2005 - 2015, during which period the Company expanded its cement manufacturing capacity nearly 10 fold. The Company built five new state of the art modern technology cement plants in the region. The Company also diversified its operations with cement plants in Tanzania and Rwanda and the acquisition of Mafeking Cement Company in South Africa.

The rapid growth was driven by increasing cement demand throughout the region. The entire East African region's cement demand has tripled since the year 2000 and is growing at an average compound annual growth rate of 14%. During these years, ARM not only set up new cement capacity to meet the increasing local demand from housing and infrastructure, but also built the largest clinker capacity in the region to reduce the dependence of the region on imported clinker. Even now nearly, 40% of the region's clinker requirement is met through imports.

The investment into the growth of capacity was funded through dollar-based debt instruments. In the middle of 2015, the economy saw some major macroeconomic changes. There was a sharp depreciation in both the Kenyan and Tanzanian currencies. Interest rates doubled and the liquidity in the markets reduced significantly. This had a serious impact on the cash flow of the Company. The economic climate was further weakened by the developments in the banking sector in Kenya.

###### 4.1.2 Rationale for Sale of Non-Cement Business

The decision to separate the industrial minerals, fertilisers and sodium silicate cement businesses was first taken in 2009, and separate companies were registered with a view to handling these businesses.

The Board of Directors had realised that each of the businesses had unique requirements for; (i) short-term working capital needs, (ii) funding needs for long-term capital projects and (iii) market development strategies. These were quite distinct from the cement business, which had been the focus of the Company's growth.

The Company however was not able to justify the additional overhead costs of running these businesses as separate entities and therefore the decision to divest the Non-Cement Business was indefinitely postponed.

During the past 5 years, the Company's focus was almost exclusively on its cement plant investment in Tanzania. The Non-Cement Businesses did not receive the working capital, nor the requisite investment to enhance production capacity. At the same time, competition in these businesses increased, and several new players entered the markets.

In 2016, when CDC became a shareholder of the Company, a strategic review was carried out and Board decided to sell the entire Non-Cement Businesses, and to focus on and grow the cement business. This decision is expected to yield the following benefits:

- reduce the total debt in the Company;
- allow funding of working capital for the cement business; and
- create efficiencies in management and resources mobilisation to enable better focus on the cement business.

In view of the related party elements involved in the divestiture of the Non-Cement Business, the Board formed a sub-committee known as the Non Cement Sale Subcommittee which Non Cement Sale Subcommittee excluded any directors who had an interest in the sale of the Non-Cement Business. This Non Cement Sale Subcommittee approved the decision to sell the entire Non-Cement Business of the Company.

The Board decided to move forward with the offer from the strategic investor for various reasons. Of primary focus was the investor's strategic fit, which will continue to cultivate the vision of the Non-Cement Business. Omya has significant experience in the selling of industrial minerals throughout the world, and brings to the table a developed supply chain that will catalyze the development of the minerals and fertilizer businesses.

## 4.2 **INFORMATION ON OMYA**

### 4.2.1 **Omya**

Omya is a leading global producer of industrial minerals – mainly fillers and pigments derived from calcium carbonate and dolomite – and a worldwide distributor of specialty chemicals.

The company provides a wealth of product solutions that contribute to its customers' competitiveness and productivity in multiple industries such as construction, printing & writing, technical polymers, packaging, food, personal & home care, pharmaceuticals, agriculture, forestry, water and energy. Founded in 1884 in Switzerland, Omya has a global presence extending to more than 175 locations in over 50 countries with 8,000 employees.

Committed to implementing the principals of sustainability at all company levels, Omya provides added value products and services from responsibly sourced materials to meet the essential needs of current and future generations.

## 4.3 **INFORMATION ON PHL KENYA**

PHL Kenya is a private company incorporated in the Republic of Kenya on 27 September 2017 with company number PVT-3QUDADK. PHL Kenya is not operational. All the issued share capital in PHL Kenya is held in trust by Minerva Fiduciary Services (Mauritius) Limited the trustees for the Manor Trust. The Manor Trust is a trust set up for the benefit of Pradipkumar Harjivandas Paurana and his immediate family.

## 5. **PART 5: THE PRINCIPAL TERMS OF THE SALE OF THE NON – CEMENT BUSINESSES**

### 5.1 **Summary**

ARM currently operates the IM Business, Fertilisers Business, Mining Business and Silicates Business. The Purchasers have agreed to acquire the entire issued share capital of Mavuno (a wholly owned subsidiary of ARM), post the transfer of the Non – Cement Business as discussed below.

Mavuno, ARM Minerals and ARM Energy are currently non - operating wholly owned subsidiaries of ARM. Prior to the acquisition of the Sale Shares by the Purchasers, ARM is required to transfer the shares that it holds in ARM Minerals and ARM Energy to Mavuno. Upon completion of the said transfer of shares, ARM shall transfer (i) its IM Business and Fertilisers Business to Mavuno (ii) its Mining Business to ARM Minerals and (iii) its Silicates Business to ARM Energy. The above process collectively is referred to as the Pre – Sale Restructuring.

The terms of the transfer of business are contained in the IM and Fertilisers BATA, Mining BATA and Silicates BATA. The terms of the acquisition of the Sale Shares is contained in the SPA. Copies of the BATAs and the SPA are available for inspection by shareholders as noted in paragraph 7.6of Part 7of this Circular.

## 5.2 Key Terms of Pre - Sale Restructure

### 5.2.1 IM and Fertilisers BATA

- a) The IM and Fertilisers BATA envisages the transfer of the IM Business and Fertilisers Business from ARM to Mavuno. The transfer involves the transfer of assets including business equipment, inventory and work in progress, properties, intellectual property and other assets used in the IM Business and Fertilisers Business. Employees of ARM who work in the IM Business and the Fertilisers Business shall be declared redundant by ARM in compliance with applicable laws and offered new employment contracts in Mavuno and their employment with ARM will be terminated upon completion of the transfer of the IM Business and Fertilisers Business. No liabilities are being transferred.
- b) The consideration for the transfer of the IM Business and Fertilisers Business (save for the inventory) is KES 972,688,190 which shall be settled by the allotment of 97,267 redeemable preference shares each at a nominal value of KES 100 each and a premium of KES 9,900 in Mavuno.
- c) The amount equivalent to the market value of the inventory will be paid by the Mavuno to ARM in accordance with the terms of the SPA.
- d) The completion of the transfer of the IM Business and Fertilisers Business is subject to certain condition precedents including the receipt of regulatory approvals.

### 5.2.2 Mining BATA

- a) The Mining BATA envisages the transfer of the Mining Business from ARM to ARM Minerals. The transfer involves the transfer of assets including business equipment, contracts, properties, special licences and other assets used in the Mining Business. Employees of ARM who work in the Mining Business shall be declared redundant by ARM in compliance with applicable laws and offered new employment contracts in ARM Minerals and their employment with ARM will be terminated upon completion of the transfer of the Mining Business. No liabilities are being transferred.
- b) The consideration for the transfer of the Mining Business is KES 71,627,630 which shall be settled by the allotment of 7,163 redeemable preference shares each at a nominal value of KES 100 each and a premium of KES 9,900 in Mavuno.
- c) The completion of the transfer of the Mining Business is subject to certain condition precedents including the receipt of regulatory approvals.

### 5.2.3 Silicates BATA

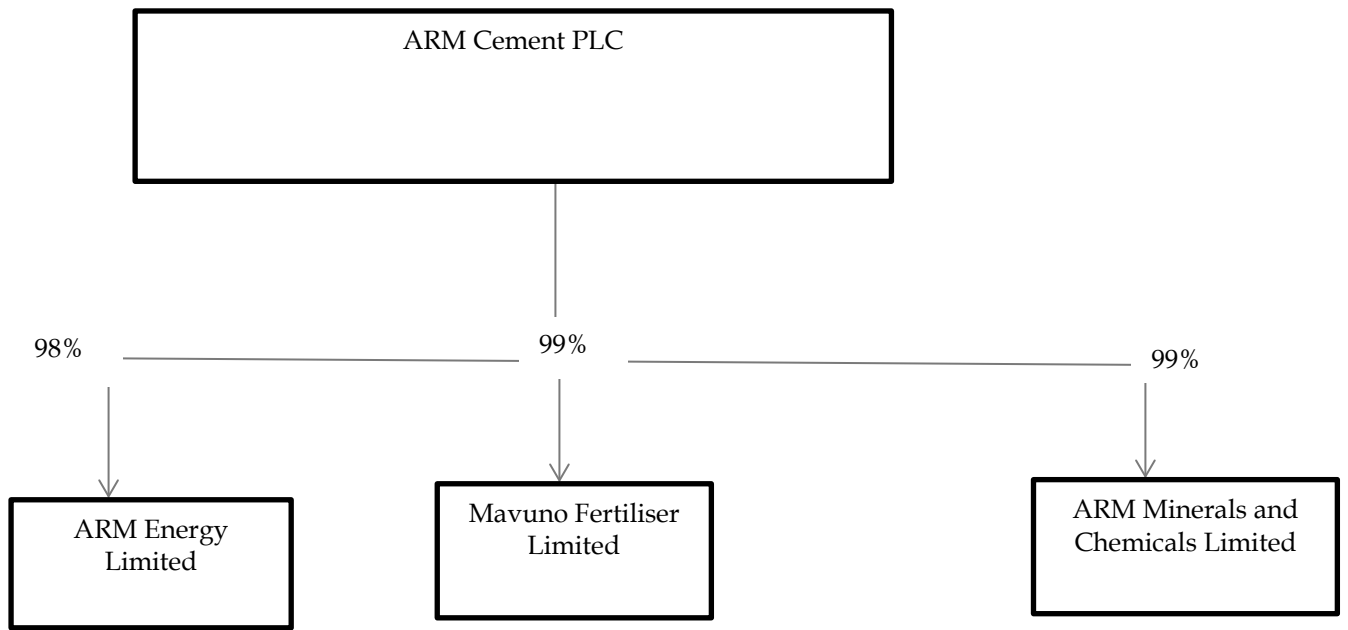
- a) The Silicates BATA envisages the transfer of the Silicates Business from ARM to ARM Energy. The transfer involves the transfer of assets including business equipment, inventory and work in progress, properties, intellectual property and other assets used in the Silicates Businesses. Employees of ARM who work in the Silicates Business shall be declared redundant by ARM in compliance with applicable laws and offered new employment contracts in ARM Energy and their employment with ARM will be terminated upon completion of the transfer of the Silicates Business. No liabilities are being transferred.

- b) The consideration for the transfer of the Silicates Business is KES 98, 040,000 which shall be settled by the allotment of 9,804 redeemable preference shares each at a nominal value of KES 100 each and a premium of KES 9,900 in Mavuno.
- c) The completion of the transfer of the Silicates Business is subject to certain condition precedents including the receipt of regulatory approvals.
- d) Upon completion of the SPA the entire issued share capital of ARM Energy shall be transferred to PHL Kenya in accordance with the terms of the Silicates Back to Back.

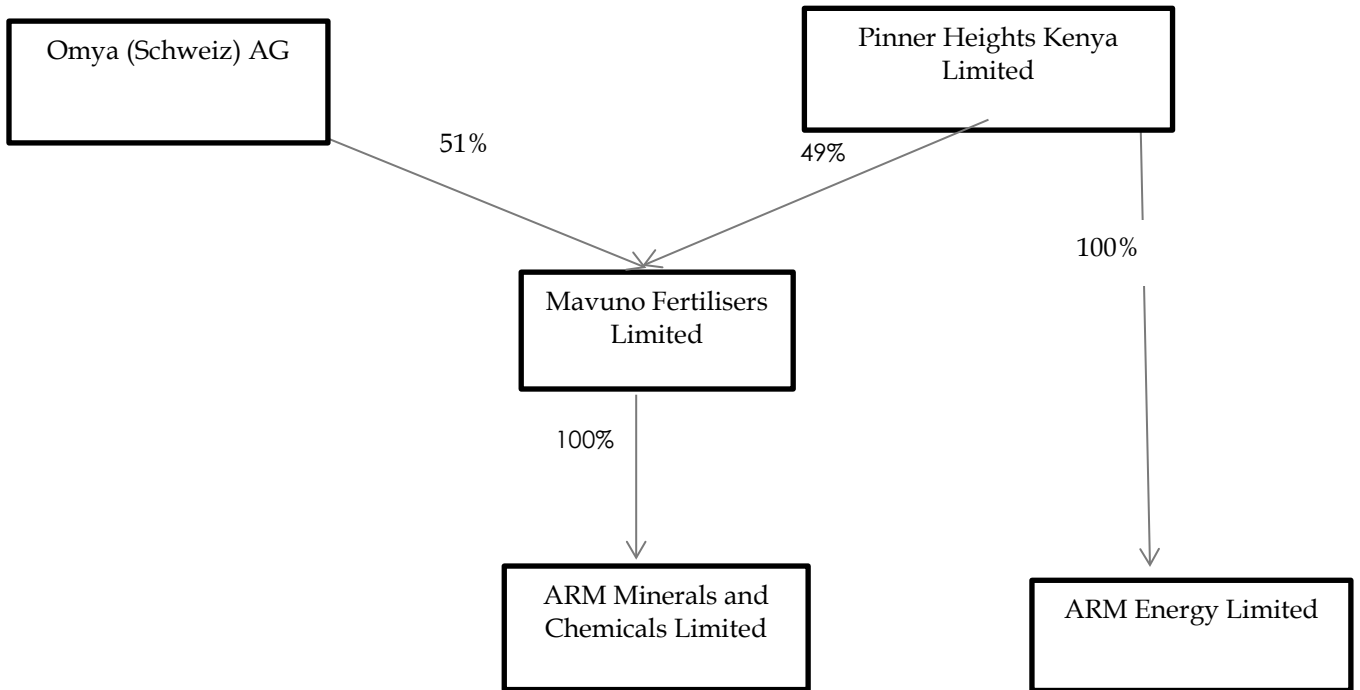
### 5.3 **Key terms of the SPA**

- a) The SPA contemplates the transfer of the entire issued share capital of Mavuno to the Purchasers, subject to the fulfilment or waiver of certain condition precedents, including the completion of the BATAs in accordance with its terms.
- b) The consideration for the acquisition of the shares is USD 16,000,000 plus an amount equivalent to Cash in the Company on closing less the amount equivalent to Debt in the Company on closing less the target net working capital and plus any moneys due for the transfer of inventory under the IM and Fertilisers BATA.

5.4 Pre-sale Company Structure



5.5 Post-Sale Structure



6. PART 6: PROFORMA FINANCIAL STATEMENTS AND SHAREHOLDER INFORMATION

6.1 PROFORMA BALANCE SHEET

<b>ARM CEMENT PLC - GROUP</b>			
<b>Balance Sheet as at 31st August 2017</b>			
	<b>ARM GROUP BEFORE DEAL 31.08.2017</b>	<b>ARM GROUP NON- CEMENT ADJUSTMENT</b>	<b>ARM GROUP PROFORMA AFTER DEAL</b>
	<b>KES'000</b>		<b>KES'000</b>
<b>ASSETS</b>			
Property Plant And Equipment	41,558,142	(1,417,874)	40,140,268
Prepaid Operating Lease	156,325		156,325
Goodwill	71,012		71,012
	<b>41,785,479</b>	<b>(1,417,874)</b>	<b>40,367,605</b>
<b>CURRENT ASSETS</b>			
Stocks	2,613,454	(712,366)	1,901,088
Trade And Other Receivables	4,135,468		4,135,468
Bank & Cash Balances	89,226	1,444,006	1,533,232
	-		
	<b>6,838,148</b>	<b>731,640</b>	<b>7,569,788</b>
<b>TOTAL ASSETS</b>	<b>48,623,627</b>	<b>(686,234)</b>	<b>47,937,393</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share Capital	848,940		848,940
Share Premium	14,094,970		14,094,970
Capital Reserve	10,308,338	(340,364)	9,967,974
Revenue Reserves	272,449	(345,870)	(73,420)
	<b>25,524,697</b>		<b>24,838,463</b>
Non-Controlling Interests	5,964		5,964
	<b>25,530,661</b>		<b>24,844,427</b>
<b>NON CURRENT LIBILITIES</b>			
Deferred Tax Liability	4,381,498	-	4,381,498
Long Term Liabilities -Loans	6,323,566	-	6,323,566
Finance Leases-Long Term	-		-
	<b>10,705,064</b>		<b>10,705,064</b>
<b>CURRENT LIABILITIES</b>			
Trade And Other Creditors	5,233,904	-	5,233,904
Short Term Loans	7,153,997	-	7,153,997
	<b>12,387,901</b>		<b>12,387,901</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>48,623,627</b>	<b>-</b>	<b>47,937,393</b>



6.2 **ARM SHARE CAPITAL**

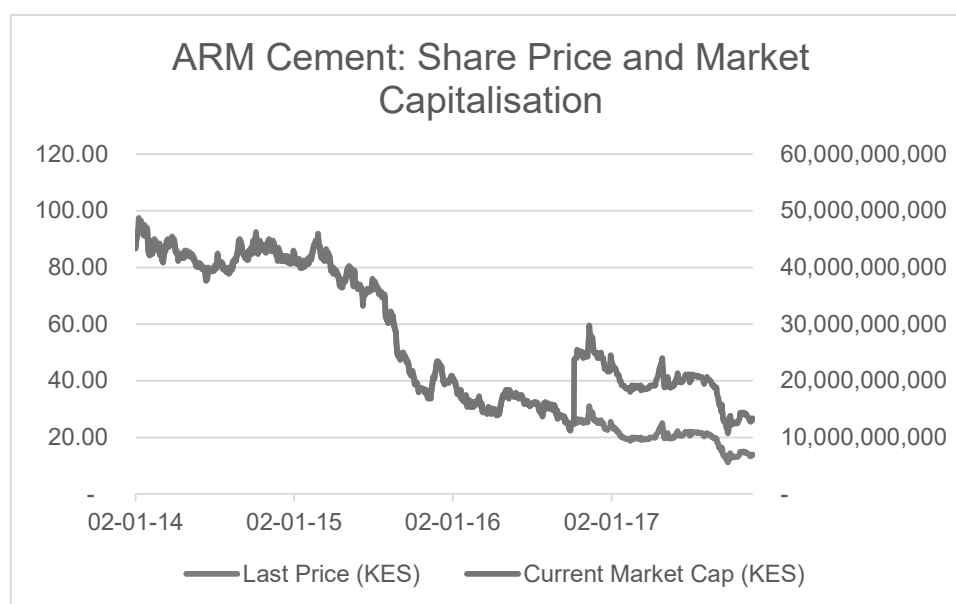
As at 31 October 2017, the Company had an issued share capital of KES 959,940,200 divided into 959,940,200 shares of KES 1 each with a total number of 6,262 shareholders. The top shareholders, based on the company's share register as at 31 October 2017, are as follows:

	<b>Shareholders Name</b>	<b>Number of Shares</b>	<b>Percentage Shareholding (%)</b>
1.	Standard Chartered Kenya Nominees A/C Ke002883	353,665,200	36.84
2.	Amanat Investments Limited	137,481,245	14.32
3.	Athi River Mining Employee Share Ownership Plan	131,435,335	13.69
4.	Paunrana Pradeep Harjivandas	89,680,000	9.34
5.	Standard Chartered Nominees Ac Ke15615	21,757,541	2.27
6.	Stanbic Nominees Limited A/C R 57601	7,958,800	2
7.	Standard Chartered Bank A/C Pan African Unit Linked Funds	17,676,409	1.84
8.	Stanbic Nominees Ltd A/C Nr1030820	14,945,300	1.56
9.	Standard Chartered Nominees Non-Resident A/C 9866	14,249,900	1.48
10.	Tannel World Limited	5,834,310	1.46
11.	Others	165,256,160	15.2
	<b>Total</b>	<b>959,940,200</b>	<b>100</b>

The transaction will not result in any changes to the shareholding of ARM.

### 6.3 HISTORICAL MOVEMENT OF ARM'S SHARE PRICE AND MARKET CAPITALISATION

The graph below shows the average daily share price and market capitalisation from 2014 to date:



### 6.4 EFFECT OF TRANSACTION ON SHAREHOLDERS OF ARM

6.4.1 The operating businesses of Mavuno Fertilizers Limited and its subsidiaries generated a collective profit before tax of KES 341,708,011 and an EBITDA of KES 432,574,364 in 2016. The outlook for the operating businesses in Mavuno Fertilizers Limited and its subsidiaries will be affected by the level of investment in equipment and working capital as well as the increased competition which is expected to drive down sales volumes and margins in the future.

6.4.2 To purchase 100% of the share capital in Mavuno Fertilizers Limited and its subsidiaries, the Purchasers will pay the Kenya Shilling equivalent of USD 16 million plus an amount equivalent to cash in the Company on closing less the amount equivalent to debt in the Company on closing less the target net working capital and plus any monies due for the transfer of inventory under the Industrial Minerals (IM) and Fertilizers BATA. The Purchasers will essentially buy the claim to the future cash flows generated by Mavuno Fertilizers Limited in exchange for a one-off cash payment to ARM. The transaction will not result in any dilution to the shareholders.

6.4.3 Over the past 5 years, ARM has exclusively focused on the cement business. Additionally, when CDC Africa Cement Limited became a shareholder in 2016, a strategic review was conducted, and the Board decided to sell the non-cement business to focus on and continue growing the cement business. The sale of the non-cement business will help reduce the total debt, allow funding of working capital and create efficiencies in management and resources mobilization to enable better focus on the cement business.

## 7. PART 7: ADDITIONAL DISCLOSURES

### 7.1 DISPUTE WITH VAELL

Vehicle and Equipment Leasing Limited ("Vaell"), a company which leases equipment to the Company's cement business filed a suit against the Company and Adpack Limited on 9 November 2017 under Milimani High Court Civil Case No. 452 of 2017 (the **Suit**). In the Suit, Vaell is seeking, among other claims, an injunction to stop the ongoing transfer of the Non-Cement Business to ARM Energy Limited and ARM Minerals and Chemicals Limited and KES 100,237,114.77 from the Company on account of rental arrears and interest for equipment leased to Vaell. However, the assets that are the subject matter of the Suit do not form part of the Non-Cement Business that the Company will transfer to its subsidiaries and subsequently sell to the Purchasers. The High Court declined to award Vaell the injunction stopping the sale of the Company's Non-Cement Business.

Vaell was in the process of repossessing the equipment it leased to the Company and on 16 December 2017, the Company sought injunctive relief from the court to stop the repossession. The Company, through its advocates, informed the Court that the main issue between the parties was the amounts claimed by Vaell. Vaell and the Company are in the process of reconciling their accounts with a view to settling the matter,

### 7.2 RESPONSIBILITY STATEMENT

The Directors, whose names appear below of this Circular accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

	DIRECTOR NAME
1.	Mr. R M Ashley
2.	Mr. P H Paurana
3.	Mr. S L Bhatia
4.	Mr. K Gordhan
5.	Mr. K P P Meijer
6.	Mr. L Mususa
7.	Mr. J Ngumi
8.	Mr. W Murungi
9.	Ms. A Shariff

### 7.3 DIRECTOR'S INTERESTS

At the date of this Circular, the following Directors had direct and indirect beneficial equity interests in the ordinary shares of ARM as follows:

Director	Number of shares	Shareholding %
Pradipkumar Harjivandas Paurana	89,680,000 <sup>1</sup>	11%

<sup>1</sup> Pradipkumar Harjivandas Paurana has a beneficial interest in ARM shares through 15,529,100 units issued to him under the ARM ESOP and 55,000,000 ESOP units capable of being issued to him subject to the Company achieving various targets in relation to its financial performance.

Amanat Investments Limited (beneficial equity interest of Pradipkumar Harjivandas Paurana)	128,975,245	15%
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7.4 Further PHL Kenya is a company beneficially owned by the Manor Trust which is a trust set up for the benefit of Pradipkumar Harjivandas Paurana and his family. Upon completion of the SPA, PHL Kenya is to acquire 65,135 redeemable preference shares and 49 ordinary shares (being approximately 49% of the issued share capital) of Mavuno and the entire issued share capital of ARM Energy.

7.5 **CONSENTS**

Kestrel Capital have given and not withdrawn their consent to the issue of this Circular with the inclusion herein of the references to their report, in the form and context in which they appear. Deloitte (Auditors), and Coulson Harney LLP (Legal Advisors) have given and not withdrawn their respective consents to the issue of this Circular with the inclusion herein of their names and the references thereto, in the form and context in which they appear respective.

7.6 **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection by shareholders, free of charge, at the Company's offices at 9<sup>th</sup> Floor, The Westwood, Ring Road Westlands, Nairobi, Kenya between 9.00 a.m. and 5.00 p.m. Monday to Friday (except public holidays) from the date hereof until [ ] 2017:

- (a) the IM and Fertilisers BATA, the Mining BATA and the Silicates BATA;
- (b) the SPA;
- (c) the Company's audited financial statements for the five financial years ended 31<sup>st</sup> December, 2016; and
- (d) the Company's Memorandum and Articles of Association.

8. **PART 8: EGM NOTICE**

**EXTRAORDINARY GENERAL MEETING**

Resolutions to approve:

- a) the transfer of the Company's Non-Cement Businesses to its subsidiaries namely, its IM Business and Fertilisers Business to Mavuno Fertilizers Limited its Silicates Business to ARM Energy Limited, its Mining Business to ARM Minerals and Chemicals Limited;
- b) to approve the subsequent sale of 100% of the issued share capital of Mavuno Fertilizers Limited to Omya (Schweiz) AG and Pinner Heights Kenya Limited; and
- c) to issue a no objection letter for the sale of 100% of the issued capital of ARM Energy Limited to Pinner Heights Kenya Limited are set out in the notice of the EGM, which is printed at the end of this Circular.

A form of proxy for your use in relation to the EGM is enclosed. Whether or not you propose to attend the EGM you are requested to complete the form of proxy in accordance with the instructions printed thereon as soon as possible. The completion and return of a form of proxy will not prevent you from attending and voting in person if you wish to do so. The form of proxy should be returned to the Company Secretary at Unit 4, Ground Floor, Delta Riverside, Riverside Drive so as to arrive by no later than 11.00 a.m. on 20<sup>th</sup> January 2018.

## 9. PART 9: EGM NOTICE AND PROXY FORM

**NOTICE** is hereby given that an Extraordinary General Meeting of the Company will be held at [ ], Nairobi on [ ], 2017 at 11.00 a.m.:-

### SPECIAL BUSINESS

**NOTICE** is hereby given that an Extraordinary General Meeting of the Company will be held at [ ], Nairobi on [ ], 2017 at 11.00 a.m.:-

1. To consider and, if thought fit, to pass the following ordinary resolutions:
  - a) THAT the transfer of all shares owned by ARM Cement PLC in ARM Energy Limited and in ARM Minerals and Chemicals Limited to Mavuno Fertilizers Limited be and is hereby approved.
  - b) THAT, the transfer of the Company's Non – Cement Businesses to its subsidiaries namely, its industrial minerals business and fertilisers business and assets to Mavuno Fertilizers Limited, its silicates business and assets to ARM Energy Limited, its mining business and assets to ARM Minerals and Chemicals Limited be and is hereby approved in accordance with the terms of the IM and Fertilisers BATA, the Silicates BATA and the Mining BATA.
  - c) THAT the creation, issue and allotment of 132,929 redeemable preference shares with a par value of Kenya Shillings one hundred (KES 100/-) per share and a share premium of Kenya Shillings nine thousand nine hundred (KES 9,900/-) per share in Mavuno Fertilizers Limited to ARM Cement PLC in consideration for the transfer of the Company's Non - Cement Business to Mavuno Fertilizers Limited, ARM Energy Limited and ARM Minerals and Chemicals Limited be and is hereby approved
  - d) THAT, the sale of 132,929 redeemable preference shares with a par value of Kenya Shillings one hundred (KES 100/-) per share and a share premium of Kenya Shillings nine thousand nine hundred (KES 9,900/-) per share and one hundred (100) ordinary shares each at a par value of Kenya Shillings one hundred (KES 100/-) per share, comprising 100% of the issued share capital of Mavuno Fertilisers Limited, held by the Company (the **Sale Shares**), to Omya (Schweiz) AG and Pinner Heights Kenya Limited in accordance with the provisions of the SPA be and is hereby approved'.
  - e) THAT it is consequently noted and approved that the sale of the Sale Shares will result in ARM Minerals and Chemicals Limited and ARM Energy Limited ceasing to be subsidiaries of the Company.
  - f) THAT, having taken cognizance that part of the Sale of the Non-Cement Businesses involves the sale of 100% of the issued capital of ARM Energy Limited by Mavuno Fertilisers Limited to Pinner Heights Kenya Limited in accordance with the Silicates Back to Back, the shareholders confirm that they have no objection to the aforementioned sale and they resolve to issue a no objection letter in this regard.
  - g) THAT the Board be and is hereby authorised to issue a letter of no objection to the sale of the Company's Non-Cement Business as set out in paragraphs (a) to (c) above.
  - h) THAT the approvals in paragraphs (a) (b) and(d) above are subject to the necessary authorisations from the Capital Markets Authority.
2. To transact any other business of the Company which may be legally transacted at the meeting.

Dated at this day of 2017

By Order of the Board

Company Secretary

**Note:** A member entitled to attend and vote at the above meeting is entitled to be present in person or by proxy. Such proxy need not be a member of the Company. A form of proxy is enclosed and should be returned to the registered office of the Company to arrive not later than 48 hours before the time fixed for the meeting.

ARM CEMENT PLC

To: The Company Secretary

I/we .....

Of .....

being a member/s of ARM Cement PLC, hereby appoint:

.....

Of .....

or failing him/her .....

of .....

as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary general Meeting of the Company to be held on 22<sup>nd</sup> January 2018 and at any adjournment thereof

Number of shares held .....

Account number of member .....

As witness my/our hand this.....day of.....

2018

Signature .....

Important notes

1. A member entitles to attend and vote at the Meeting is entitled to appoint one or more proxies to attend in his stead. A proxy need not also be a member.
2. In case of a member being a corporation, this form must be completed either under its common seal, or under the hand of an offer or authorized attorney.
3. To be valid, the proxy form must be completed either under its common seal, or under the hand of an offer or duly authorized attorney.
4. If you wish, you may appoint the Chairman of the meeting as your proxy.

