ARM CEMENT LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED	31.12.2016 Ksh.'000	31.12.2015 Ksh.'000
Revenue	**12,793,408**	**14,735,935**
(Loss)/Profit Before Tax	**(3,978,831)**	**(3,539,156)**
Taxation credit	1,178,656	648,315
(Loss)/Profit After Tax	**(2,800,175)**	**(2,890,841)**
Other comprehensive(Loss)/ income forthe year net of income tax	**(397,080)**	**10,612,967**
Total comprehensive (Loss)/ income for the year	**(3,197,255)**	**7,722,126**
(Loss)/Earnings Per Share (Ksh.)	(3.30)	(5.84)
Proposed Dividend Per Share (Ksh.)	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT		
Assets		
Non Current Assets	42,773,131	44,168,407
Current Assets	8,285,671	7,768,257
Total Assets	**51,058,802**	**51,936,664**
Equity & Liabilities		
Share Capital	848,940	495,275
Share Premium	14,094,970	302,027
Capital and Other Reserves	12,845,247	16,043,295
Equity attributable to equity holders of parent Company	27,789,157	16,840,597
Non - Controlling interest	5,964	5,171
	27,795,121	**16,845,768**
Non Current Liabilities	9,104,246	14,831,994
Current Liabilities	14,159,435	20,258,902
Total Equity & liabilities	**51,058,802**	**51,936,664**

CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED		
Cash Generated before working capital changes	1,424,883	1,267,727
Working capital changes	179,267	1,056,431
Cash Generated from operations	**1,604,150**	**2,324,158**
Net Interest	(2,806,298)	(1,873,739)
Dividends paid	-	(301,391)
Tax Paid	(83,455)	(640,454)
Net Cash from Operating Activities	**(1,285,603)**	**(491,426)**
Net Cash used in Investing Activities	(242,499)	(2,976,595)
Net Cash from Financing Activities	2,087,772	1,030,400
Increase/(Decrease) in Cash and Cash Equivalents	**559,670**	**(2,437,621)**
At start of the Period	(3,382,783)	(2,735,632)
Exchange Adjustment	(578,403)	1,790,470
At end of the Period	**(3,401,516)**	**(3,382,783)**

CONDENSED STATEMENT OF CHANGES IN EQUITY AS AT		
Share Capital/Premium	14,943,910	797,302
Revaluation reserve	10,308,338	11,082,676
Fair value and translation reserves	14,921	-53,492
RetainedEarnings	2,521,988	5,014,111
Attributable to equity holders of the parent Company	**27,789,157**	**16,840,597**
Non - Controlling interest	5,964	5,171
At end of the period	**27,795,121**	**16,845,768**

2016 GROUP RESULTS

The Board of Directors hereby announces the audited results for the Group for the year ended 31st December 2016.

The operating conditions in 2016 were similar to 2015 in many respects, but particularly due to business challenges in Tanzania. The company's cash flow was strained throughout the year due to high debt burden that was only reduced in October 2016, by way new equity of KES 14.1 billion issued to CDC Group, the development finance institution of the UK government.

Turnover for 2016 was 13% lower than the previous year, primarily due to increased competition and lower cement selling prices in Tanzania. The Tanzania business environment continued to worsen during the year. Whilst electricity supply normalized, the Tanzania government's ban on importation of coal, in favour of local procurement, not only increased manufacturing cost, but also impacted on proper capacity utilization of the 4,000 tons per day clinker plant at Tanga due to chronic under supply. Overall, the company's plants in Tanga and Dar es Salaam operated at around 50% capacity during the year. The difficult business environment was similarly reflected in the 2016 results of the other cement companies operating in Tanzania.

The construction sector in Kenya on the other hand has remained buoyant and cement prices remained stable whilst volumes grew at over 10% during 2016. The company increased production and sales volumes from the 3rd quarter of the year by over 10%.

During the year the Group made a loss after tax of KES 2.8 billion. Interest burden increased substantially in 2016, at KES 2.8 billion, up by nearly KES 1.0 billion over the previous year. Total assets of the company remained at KES 51 billion shillings as the company did not invest into any further capital projects. Cash generated from operations before working capital in 2016, at KES 1.4 billion was slightly higher than the previous year. Subsequent to the CDC equity investment the company, total debt reduced to KES 13 billion from KES 24 billion the previous year. This allowed the company to start investing internal cash generation into its normalized working capital resulting in significantly improved operational performance in the last quarter of the year.

OUTLOOK 2017

2017 is a year of financial and operational consolidation for the company. The management team, strengthened by several professionals from local and international cement companies, is confidently executing a plan for renewed profitability and growth as a leading regional cement company. This includes a deep focus on managing cost chains, improving operational efficiencies, strengthening distribution channels and developing new routes to markets and customer service.

Further, in order to remain focused on the cement business, and to raise cash and release a significant amount of working capital locked up in the Mavuno Fertilisers division, the company decided to exit all of the non-cement businesses. After going through a due selection process, the company has entered into an agreement for the sale of the non-cement to a strategic investor, and expects to close the sale during the 3rd quarter of the year.

As the market growth in Kenya remains strong, the company has decided to complete the expansion of the Athi River cement grinding plant, thereby increasing the Kenya capacity by 650,000 tons per year. This will be the first increase of capacity in Kenya since the company commissioned the Athi River plant in 2010. This capacity expansion, and other plant improvement programs will be funded from internally generated cash flow.

Whilst the Tanzania market has been over supplied and competitive, the Tanzania government has embarked on a major infrastructure development program, including the high speed Dar es Salaam - Morogoro SGR electrified railway, which is likely to spur economic growth and demand for cement. As part of the profitability improvement plan, the company will make better use of its strategic location in Tanga to supply clinker to Kenya and Rwanda, and cement in the central and northern Tanzania markets. The company believes that in medium term Tanzania's cement consumption will return to the double digit growth rate seen over the past 15 years, led by housing and infrastructure sectors.

In the first 3 months of 2017, net debt reduced by KES 200 million and net working capital by KES 300 million .The company continues to utilize internally generated cash in reducing overall indebtedness.

The company intends to reduce this debt level over a longer term amortizing term loan, and has initiated a process to restructure the balance sheet with view to reducing the short term nature of the debt. The company is in advanced stages of discussions with development finance institutions in this regard. The Board of Directors believe that further restructure of the balance sheet will strengthen the financial position of the company and lay the foundation for the continued growth of the cement business in the region.

DIVIDEND

The Board of Directors does not recommend any dividend for the year.

By Order of the Board

R. R. Vora
Company Secretary
27th April 2017

RHINO CEMENT

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