

Kolos Cement Ltd

(the “Company”)

Incorporated and registered under the laws of Mauritius on 22 October 1996 and bearing registration number C17125 and Business Registration Number C06017125.

Admission Document

This Admission Document is in respect of the admission to listing of 27,000,000 ordinary shares of Kolos Cement Ltd on the Development and Enterprise Market of the Stock Exchange of Mauritius Ltd by way of an Introduction at a price of MUR80 per share.

Important Notice

This Admission Document is submitted in connection with the admission to the listing of the ordinary shares of Kolos Cement Ltd (or the “Company”) on the Development and Enterprise Market (“DEM”) of the Stock Exchange of Mauritius Ltd (“SEM”) by way of an Introduction. The information disclosed in this Admission Document complies with the Rules for DEM Companies (“the DEM Rules”).

An application was made for the admission of the existing issued share capital consisting of 27,000,000 ordinary shares. The introductory price as determined by the Board is MUR 80. The Listing Executive Committee (“Listing Committee”) of the SEM granted its approval on 29 January 2018 for the proposed admission to the DEM.

Neither the Listing Committee nor the SEM, nor the Financial Services Commission (FSC) assumes any responsibility for the contents of this Admission Document. The Listing Committee, the SEM and the FSC make no representation as to the accuracy or completeness of any of the statements made or opinions expressed in this Admission Document and expressly disclaim any liability whatsoever for any loss arising from or in reliance upon the whole or any part thereof.

The Board of the Company (as detailed in the “Directory” section below) accepts responsibility for the contents and completeness of this Admission Document. To the best of the knowledge and belief of the Board, and after making reasonable enquiries, the information contained in this Admission Document complies with the DEM Rules.

This Admission Document is neither an invitation nor a prospectus nor a statement in lieu of a prospectus for the public in Mauritius or elsewhere to subscribe to the shares in the Company.

As at the date of this Admission Document, the Company has one holder of Ordinary Shares and no shares are held in public hands. In line with the DEM Rules, the Company has undertaken to increase the number of public shareholders to 100 with the shareholding in public hands to be at least 10% of the total number of shares no later than the end of the first year of admission to the DEM.

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Directory

The Company

Kolos Cement Ltd

Registered office:
Mer Rouge, Port Louis
Tel: (+230) 217 8000

Company Secretary

Gamma Corporate Services Ltd

Royal Road
Chapman Hill, Beau Bassin

Auditors

KPMG

KPMG Centre
31 Cybercity
Ebene

Ernst & Young

Tower 1, NeXTeracom
Cybercity
Ebene

Banks

ABC Banking Corporation Ltd
Barclays Bank Mauritius Limited
MauBank Ltd
SBM Bank (Mauritius) Ltd

Legal Advisers

Anwar Moollan SC, Shaheena Carrim and Jennifer Konfortion
Chambers of Sir Hamid Moollan QC
43 Sir William Newton Street, Port-Louis

Board of Directors

AH TECK, Chian Yew
AH TECK, Chian Tat
AH TECK, Chian Luck
BILLON, Dominique Rene Jacky
BISIAUX, Jean Pierre
CHONG AH-YAN, Sui Lien
DE BENITO FERNANDEZ, Javier Francisco
DEDIEU, Geoffroy
DHUNNOO, Aboo Twalha
HALPIN, Paul Laurence
HOW KIN SANG, Paul Cyril

Sponsoring Broker

SBM Securities Ltd

Listing advisor

KPMG Advisory Services Ltd

Glossary of terms

| | |
|--------------------------------|---|
| Act | The Securities Act 2005 |
| CEM | Calcium-Enriched Mixture |
| DSO | Days Sales Outstanding |
| DEM | The Development and Enterprise Market of the Stock Exchange of Mauritius Ltd |
| EIA | Environmental Impact Assessment |
| EIR | Effective Interest Rate |
| EUR | Euro |
| FSC | Financial Services Commission established under Financial Services Act |
| GDP | Gross Domestic Product |
| ISO | International Organization for Standardization |
| KPMG Advisory | KPMG Advisory Services Ltd |
| KT | Kiloton |
| Listing Committee | Listing Executive Committee |
| Ministry of Environment | Ministry of Social Security, National Solidarity, and Environment and Sustainable Development |
| MPA | Mauritius Ports Authority |
| MUR | Mauritian Rupee |
| SEM | Stock Exchange of Mauritius Ltd established under the (now repealed) Stock Exchange Act 1988 |
| USD | United States Dollar |

Declaration of directors

The Directors, as listed in the "Directory" section, declare that they accept responsibility for the contents or completeness of the Admission Document and that to the best of their knowledge and belief and after making reasonable inquiries, the Admission Document complies with the Act or any rules or regulations made under the Act as applicable, is correct and that there is no material fact, the omission of which would make any statement herein, whether in fact or opinion, misleading.

The Board of Directors of the company hereby confirms that:

- 1) In their opinion, having made due and careful enquiry, the working capital available to the Company is sufficient for its present requirements that is for at least 12 months from the date of Admission of its shares to the DEM;
- 2) There are no conflicts of interest between their duties and their private interests or other duties and should there be any conflict, they shall disclose such conflict in the manner provided in the Companies Act 2001 and the applicable laws;
- 3) There has not been any significant change in the financial position or trading position since the end of the latest published financial statements other than as specified in the section titled "Results for the interim period ended 30th September 2017", other than in the normal course of business such as payment of dividend; and
- 4) None of the Directors holds a direct shareholding interest in the Company.

Approved by the Board of the Company on 17 January 2018 and signed on its behalf by

Director

Director

Executive Summary

About Kolos Cement Ltd

Founded in October 1996, Kolos Cement Ltd (the “Company”) was initially incorporated by Gamma-Civic Ltd under the name of Gamma Mehta Cement Ltd and carried out the business of distribution of local cement. On 19 January 2000, Gamma-Mehta Cement Ltd changed its name to Ciments de l’Océan Indien Limitée. In October 2001, Gamma-Civic allied itself with the Holcim Group which held indirectly 51% of the shares of the Company. On 29 January 2004, the Company’s name was changed to Holcim (Mauritius) Ltd. In 2015, following the worldwide merger of the Holcim and Lafarge Groups, the Holcim Group divested itself of its shares in the Company and sold them back to Gamma-Civic Ltd. The Company was named Kolos Cement Ltd on 30 September 2015.

The Company continues to be one of the main suppliers of cement and cementitious products to the construction sector in Mauritius, with an estimated market share of around 44%. The Company pioneered the introduction of 25 kg cement bags and blended cement in Mauritius, and contributed to major infrastructure developments in the country including recent infrastructure projects such as for the Midlands Dam, Bagatelle Dam, Airport of Mauritius and the Mauritius Port Authority Port Extension, amongst others.

Rationale for listing

In order to pursue its strategic expansion in the region and continue maintaining its distinction as the cement market leader in innovation and technical know-how, the Board of Directors, aligned with the vision of the shareholders, believes that the natural course to further the growth of the Company is to list Kolos Cement Ltd on the Development and Enterprise Market of the Stock Exchange of Mauritius Ltd. In addition to providing access to future funding, the listing will open the shareholding to investors who might wish to participate in existing and future markets on which Kolos Cement Ltd focuses.

By listing the Company, the Board of the Company hopes to optimise prospective capital raising, allowing greater flexibility for value creation, and in the future allow the general public and other investors to participate in the future growth and success of the Company.

Capital admitted

The Board of Directors has approved the admission of the entire issued capital of Kolos Cement Ltd consisting of 27,000,000 Ordinary Shares of no par value registered under the Companies Act 2001 as at date. The shareholding structure of the Company will not change at the time the shares are admitted for listing.

In order to provide additional comfort on the proposed introductory price, the Board commissioned its listing advisor to review the valuation prepared by the management of the Company. KPMG Advisory carried out the valuation review as at 31 December 2017 and is of view that management’s valuation of MUR 83.35 per Ordinary Share reflects the fair value of the equity of Kolos Cement Ltd. The fair value of one ordinary share ranges between MUR 80 and MUR 85.

The Company confirms that the “Review of the Valuation of Kolos Cement Ltd” prepared independently by KPMG Advisory Services Ltd has been accurately reproduced in Appendix 3 of this Admission Document and that as far as it is aware or able to ascertain from the information published by KPMG Advisory Services Ltd, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Company proposes to list the share at MUR 80 per Share.

The Board of Directors is fully determined to ensure that the Company will emerge as a strong regional cement player when implementing its growth strategy. The Company has consistently honoured its dividend policy and delivered on the maximisation of shareholders’ value.

The shares offer its holders the entitlement to receive dividends as declared from time to time and have one vote per share at meetings of the Company. All fully paid shares rank equally in rights and entitlement.

Shares made available on the first day of listing

The Board has approved that 1% of all the shares admitted, i.e. 270,000 shares, will be available for trading via the sponsoring broker on the first day of trading, scheduled on or after 19 February 2018, at an indicative price of MUR 80 per Share.

1. Background

The Company was incorporated on 22 October 1996 as a private company limited by shares, having its own memorandum and article of association. Its principal place of operation is located in Mer Rouge, Port-Louis.

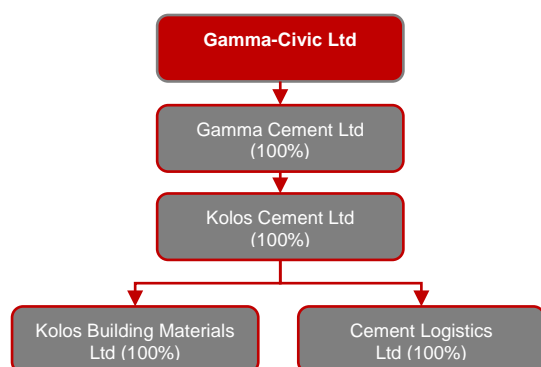
Gamma Civic Ltd owned ultimately 49% shareholding in the Company with the remaining stake held by Holcim Ocean Indien. After the global announcement of the merger between Holcim Ltd and Lafarge S.A on 7 April 2014, the new merged entity called Lafarge-Holcim divested its stake of shares in the Company in December 2015, allowing Gamma Civic Ltd to acquire the remaining 51%.

In December 2015, the Competition Commission of Mauritius (“CCM”) approved the acquisition subject to Gamma Civic Ltd honouring certain undertakings. The Company was then renamed as Kolos Cement Ltd.

Today, the Company is wholly owned by Gamma Civic Ltd and is operated by a dedicated management team. Kolos Cement Ltd continues to supply cement to construction companies and hardware stores over the island.

2. Organisational structure

Ownership structure of Kolos Cement Ltd



Source: management

Kolos Cement Ltd forms part of the Gamma Group of Companies. Founded in 1987, the Gamma Group is a diversified group engaged in building materials, construction, property, and lottery activities in Mauritius. The Group has a total market capitalisation of MUR4.2bn. Through the 100% acquisition of Kolos Cement Ltd in December 2015, the Group consolidated its position as a major player in the cement industry in Mauritius.

Gamma Civic Ltd’s ownership of Kolos Cement Ltd was previously held both directly and indirectly through 4 wholly owned subsidiaries. In order to streamline the structure, on 13th December 2017, all the shares of Kolos Cement Ltd were transferred to Gamma Cement Ltd which is now the 100% holding company of Kolos Cement Ltd.

The Company previously held only one subsidiary, Kolos Building Materials Ltd. Following a restructuring on 13th December 2017, the operations of Cement Logistics Ltd have been consolidated under Kolos Cement Ltd. In this Admission Document, the Cement Cluster refers to the combined activities of Kolos Cement Ltd, Kolos Building Materials Ltd and Cement Logistics Ltd. Unless where otherwise stated, all financials relate to the Cement Cluster consolidated.

A primary line of activity of the Company involves the retail sale of cement and mortar to hardware stores which it carries out through its two 100% owned subsidiaries Kolos Building Materials Ltd and Cement Logistics Ltd.

Kolos Building Materials Ltd is a private company incorporated on 13 February 2015 under the laws of Mauritius and is involved in the regional distribution of cement to hardware shops. Cement Logistics Ltd is a private company and is the trading arm of the cement cluster. It was previously a sister company.

3. Business overview

The core business of the Company is the import, processing and wholesale distribution of cement. It sells grey cement in bulk and in bags. The cement is sourced mostly from cement producers in Asia. The Company is the registered owner of the trademarks Kolos and Ecocem.

The Company is ISO 9001 and ISO 14001 compliant and carries a number of product certifications such as MS EN 197-1: 2011.

ISO 9001 is the international standard that specifies requirements for a quality management system. Certification by ISO 9001 demonstrates the Company's ability to consistently provide products and services that meet customer and regulatory requirements.

The ISO 14001 standard specifies a process for the control and the continuous improvement of an organisation's environmental performance. The ISO 14001 standard applies to those environmental aspects identified and controlled or influenced by the organisation.

With a total silo capacity of 60,000 tons (one of the largest storage terminals in the Indian Ocean region), the Company can bring in ships carrying more than 45,000 tons of cement.

The source products distributed by the Company are currently as follows:

| Product | Description |
|-------------|---------------------------|
| CEM I 52.5 | Ordinary Portland Cement |
| CEM II 42.5 | Portland Composite Cement |

Source: management

In the last semester of 2015, the Company invested EUR 100,000 in a modern cement laboratory, equipped with leading edge equipment to support product development and innovation in order to better serve developing needs and to remain competitive in the marketplace.

Additionally, Kolos Cement Ltd manufactures tailor-made products used for major infrastructural projects, namely Midlands Dam, Bagatelle Dam, Airport, and the Mauritius Port Authority Port Extension.

In line with market demands, the Company is currently looking at expanding into new products and regional expansion into the Indian Ocean islands and East Africa.

4. Risk factors

Like any other business, the activities of Kolos Cement Ltd carry a degree of risk which prospective investors should consider and evaluate. The following risk factors associated with the industry, the Company and which are material to the shares being admitted are being highlighted. The list below is not exhaustive and may not be the only risks faced by the Company and its investors.

a. Competition and substitute products

The Company operates in a competitive market and is subject to changes resulting from product development and innovation by other operators. This may impact the Company's products proposition. Competition has a direct relationship with the Company's performance results and financial position. Management periodically monitors market conditions and adjusts the value proposition of the Company.

b. Currency risks

While most of the Company revenues are made in the local currency, the Company is still exposed to effects of changes in exchange rates. The bulk of Kolos Cement Ltd's cement procurement is made in US Dollars. This means that exchange rate fluctuations between the US dollar and Mauritian Rupee may impact the Company's profitability. Furthermore, with the expectation of future regional exports, the Company may be further exposed to currency risks. The Company mitigates these risks by the forward purchase of USD at favourable rates against budget.

c. Credit risks

Credit risk is the risk of financial loss resulting from failure of other parties in meeting their obligations to effect payment to Kolos Cement Ltd. While the Company has an on-going credit monitoring policy and process for recovery of arrears the terms and nature of sales creation within an increasingly competitive environment will entail credit risks. The current plan to mitigate these risks is to have regular credit meetings on a monthly basis and the monitoring of the DSO ratios.

d. Interest rate risks

An increase in interest rates will affect the Company's finance costs and may adversely impact cash flows. The gearing level has been historically stable and aligned to the Company's target debt to equity ratio. The Board of Directors determines the optimum capital structure based on the future projects, interest rate levels and debt position. It remains confident that the effect of changes in interest rates can be minimised in a timely manner.

e. Regulatory risks

Regulatory enactments including various permitting or licensing requirements or changes in their interpretation by the competent authorities may limit the Company to operate in a manner that would be most advantageous commercially or financially. The foregoing changes in governmental regulations or policies may have an impact on the business, financial performance, future growth and prospects of the Company and on the economic viability of projects undertaken by the Company. Kolos Cement Ltd holds regular communications with local authorities to ensure that the risk is mitigated.

f. Environmental regulations

The Company is subject to laws and regulations relating to the control of pollution in the locations where it operates. In particular, the discharge or emission of, dust or other pollutants into the air, soil or water that exceed permitted levels can cause damage to others and may give rise to liabilities and may result in incurring costs to remedy such discharge or emissions. Environmental laws and regulations may become more stringent in the future and impose new liabilities on our Company, which could affect its business, financial condition or future prospects. In addition to being ISO 4001 compliant, the Company also prepares an Environmental Monitoring Plan each year and submits same to the Ministry of Environment.

4. Risk factors (cont'd)

g. Economic and business risks

The cement industry is dependent on public and private investments in construction and infrastructure projects. Furthermore, the cement business is highly correlated with long term demographic growth and macro-economic variables such as consumer spending and unemployment, among others. Any adverse development on the economic front and/or the construction industry may affect the profitability of the Company.

h. Operational risks.

Industrial disruptions, work stoppages, labour disputes, refurbishments, installation of new plants etc. can result in production losses, which may adversely affect the profitability of Kolos Cement Ltd. The Company has robust operational risk management policies and procedures that comply with international norms for the cement industry. Damage from fire, theft or natural catastrophe could affect the operations and facilities in place. The Company has a comprehensive combined insurance policy covering the above mentioned damages.

i. Liquidity of the shares

Potential investors should be aware that the Ordinary Shares, to be listed, may be illiquid and any trade in shares of the Company will be dependent on capital market conditions which may impact price and volumes traded.

j. Volatility of the value of the Ordinary Shares

Investors should be aware that the value of the Ordinary Shares may be volatile and may go up or down and investors may therefore not recover their original investment. Moreover, the price at which investors may dispose of their shares in the Company may be influenced by a number of internal and external factors.

k. Uncertainty around dividends

There may be no guarantee as to the level of future dividends expected to be paid by the Company. The declaration, payment and amount of any future dividends are subject to Kolos Cement Ltd's earnings, financial position, availability of profits, and cash requirements. The Company endeavours to meet its dividend policy and declare dividends as far as statutory distributable reserves are available, which remain dependent on the fundamentals to be satisfied for dividends payments.

5. Financial and capital investments

In order to maintain its operations, Management has estimated that the annual capital expenditure to sustain of the Company is around MUR 21m. Major costs include the maintenance and overhaul of equipment such as hoppers, the wrapping machines, pumping equipment, and the annual spending in safety and maintenance of the Company's site of operation at Mer Rouge.

The Company has future capital expenditure plans which will require further considerations and research to be able to be presented to the Board for approval. Such expenditure will be in the upstream market of the cement production process.

6. Property, plant and equipment

The net book value of Property, Plant & Equipment stood at MUR 462m as at 30 Sept 2017. Included in Property, Plant & Equipment are Buildings, Plant & Machinery, Motor Vehicles, Furniture & Fittings and Computer Equipment. The buildings of the Company were last revalued as at 31 December 2016 by Broll Indian Ocean Limited, an independent valuer at MUR309m.

| Plant, Property & Equipment | | |
|--|------------------|------------------|
| Amount in MUR'm | 31-Dec-16 | 30-Sep-17 |
| Buildings | 309 | 302 |
| Plant & Machinery | 147 | 154 |
| Motor Vehicles | 3 | 2 |
| Furniture, fittings & computer equipment | 0.4 | 0.5 |
| Assets under Construction | 23 | 4 |
| Total | 482 | 462 |

Source: Audited Financial Statements for FY16 for the Company and management

EIA licences

The plant installation is based as per EIA License dated 14 August 1998. All the conditions of the EIA are being adhered to and are continuously monitored by the Ministry of Environment through an annual Environmental Monitoring Plan. An audit was conducted in July 2017 by an external party in order to ensure conformity in regards to the EIA 1998.

7. Operating and financial review

Macroeconomic landscape

Real GDP growth in Mauritius for 2017 is projected at 3.9% backed by an expected revitalisation of the construction sector. The industry is expected to rebound by 7% from a “no growth” situation experienced in 2016 driven by high investment expected from announced public and private projects. The favourable upside in the construction sector, cement industry and national demand provides a robust foundation for Kolos Cement Ltd to build upon.

The anticipated pickup in construction activity in Mauritius follows the Government's recent announcement on planned public infrastructure projects in the country and private real estate development across the island. Major projects planned include road decongestion initiatives, construction of drains, bridges and road widening, the port master plan, construction of Smart Cities and construction extension, innovation in the field of public transport, and upgrading of infrastructure in public primary and secondary schools. Altogether, these construction projects will have a direct correlation with cement demand in Mauritius.

7. Operating and financial review (cont'd)

Business review

| Financials/Ratios | The Company | | | Consolidated | | |
|-----------------------------------|-------------|--------|--------|--------------|--------|--------|
| | Audited | | | Unaudited | | |
| | FY2014 | FY2015 | FY2016 | FY2014 | FY2015 | FY2016 |
| Turnover (MUR'm) | 873 | 903 | 931 | 873 | 906 | 941 |
| Operating profit (MUR'm) | 221 | 127 | 86 | 300 | 236 | 177 |
| Profit after tax (MUR'm) | 189 | 98 | 72 | 257 | 193 | 152 |
| Earnings per share ⁽¹⁾ | 7.0 | 3.6 | 2.7 | 9.5 | 7.1 | 5.6 |
| Gross profit margin (%) | 44% | 27% | 32% | 53% | 40% | 42% |
| Operating profit margin (%) | 25% | 14% | 9% | 34% | 26% | 19% |
| Gearing ratio (%) | 9% | 26% | 24% | 9% | 26% | 26% |
| Total assets (MUR'm) | 640 | 587 | 681 | 704 | 604 | 670 |
| Total Liabilities (MUR'm) | 143 | 229 | 240 | 156 | 243 | 241 |

Note 1: Earnings per share calculation is based on total number of shares currently in issue for Kolos Cement Ltd i.e. 27m shares.

Source: Audited Financial Statements for FY14, FY15 & FY16 for the Company and consolidated (Kolos Cement Ltd, Kolos Building Materials Ltd and Cement Logistics)

For the year 2016, the cement cluster distributed approximately 42% of total cement sales on the local market. Higher sales volume has contributed to an overall growth in revenue of 3.1% against 2015. Small constructions and refurbishment works were among the driving factors increasing cement sales, together with the introduction of a new product (CEM II) during the year. While the Company turnover grew and market share has been maintained, a decrease in revenue from unloading activities and increased administrative expenses has affected the year-on-year operating results with operating profit margin falling to 19% in 2016.

2014 results were positively impacted by a one-off discount of MUR61m for the purchase of cement.

The decrease in profit after tax between 2015 and 2016 was due essentially to a drop in unloading services provided to third party clients. Prior to the acquisition of a cement unloader by one of the Company's client in the first quarter 2016, Kolos Cement Ltd was the only company providing cement unloading services. This service has now ceased. In 2014, revenue from unloading activities was MUR117m as compared to MUR66m in 2015.

Annual nominal capacity and historical trends

Kolos Cement Ltd has a nominal capacity of 600,000 tons per annum. Cement is imported in bulk shipment and is unloaded into silos prior to packaging. Kolos Cement Ltd's current daily bagging capacity is 1,200 tons of 25 kg bags. On a daily basis, cement is bagged, stored and delivered to customers throughout the island.

In 2015 the cement market was relatively stagnant mainly due to lack of major infrastructure projects. In 2016 and 2017, there was an observed general improvement in economic activity and with the recent announcement of various public projects, the Company expects volume sold to increase over the coming years.

Over the past 3 years, the average price of cement sold has increased by around 2-3% per annum in line with general inflation and worldwide increase in prices.

7. Operating and financial review (cont'd)

Future outlook

With the infrastructure led economic forecasts for 2017/2018, the Board has developed its 5 year strategic plan to position the Company as a recognised cement provider in the region.

New cement products will be launched as from 2018 to meet growing demands and further investment in plant capacity will be launched. The initiatives are expected to improve profitability.

Interim results for the 9 months period ended September 2017

| Financials/Ratios | Consolidated | |
|-----------------------------|---------------------|---------------------|
| | Unaudited Sep-16 | Unaudited Sep-17 |
| Turnover (MUR'm) | 692 | 760 |
| Operating profit (MUR'm) | 139 | 177 |
| Profit after tax (MUR'm) | 116 | 141 |
| Gross profit margin (%) | 35% | 47% |
| Operating profit margin (%) | 20% | 23% |
| Gearing ratio (%) | 16% | 14% |
| Total assets (MUR'm) | 676 | 696 |
| Total Liabilities (MUR'm) | 285 | 210 |

Source: Unaudited management interim results for Sept 16 and Sept 17

The gross profit margin for the 9 months ended September 2017 improved owing to cheaper cost of cement purchased and increased volume. The profit after tax for the 9 months was 22% above the results in 2016.

Stated capital of the Company

Prior to 14 December 2017, the Company had a total of 270,000 shares at MUR1,000 each. Following a share split on 14 December 2017, the number of shares has been increased to 27,000,000 shares i.e. representing a 1 for 100 share split.

The Company has now an authorised, issued and fully paid stated capital of MUR270 million, represented by 27,000,000 ordinary shares of no par value. The share register is currently maintained by the Company Secretary, Gamma Corporate Services Ltd. During the last three years, the stated capital of the Company remained unchanged.

Once the new shares have been admitted on the DEM, the rights and powers of its holders will be the same as the existing shareholders.

Dividend policy

The Company declares dividends only if there are available statutory distributable reserves. Dividend pay-out should be at least 75% of profit after tax. However, Kolos Cement Ltd aims to pay as close to 100% of profit after tax, on the assumption that it meets the solvency test.

Dividends are usually paid in September (Interim) and December (Final) of every year.

7. Operating and financial review (cont'd)

Dividends per share during the last four financial years are as follows:

| Kolos Cement Ltd | | | | | | | | | | | |
|------------------|---------|--------------|--------|---------|--------------|--------|---------|-------------|--------|---------|--------------|
| Date | Type | 2014 | Date | Type | 2015 | Date | Type | 2016 | Date | Type | 2017 |
| | | MUR'm | | | MUR'm | | | MUR'm | | | MUR'm |
| May-14 | Interim | 99.9 | Feb-15 | Special | 60.2 | Aug-16 | Interim | 40.5 | Aug-17 | Interim | 59.9 |
| Oct-14 | Final | 70.2 | Mar-15 | Interim | 58.1 | Dec-16 | Final | 32.9 | Dec-17 | Interim | 135.0 |
| | | | Dec-15 | Final | 119.9 | | | | | | |
| TOTAL | | 170.1 | | | 238.2 | | | 73.4 | | | 194.9 |

| Cement Logistics Ltd | | | | | | | | | | | |
|----------------------|-------|-------------|--------|---------|--------------|--------|---------|-------------|--------|---------|-------------|
| Date | Type | 2014 | Date | Type | 2015 | Date | Type | 2016 | Date | Type | 2017 |
| | | MUR'm | | | MUR'm | | | MUR'm | | | MUR'm |
| Oct-14 | Final | 30.0 | Mar-15 | Interim | 38.0 | Aug-16 | Interim | 40.0 | Aug-17 | Interim | 40.0 |
| | | | Dec-15 | Final | 90.0 | Dec-16 | Final | 48.0 | Dec-17 | Interim | 25.0 |
| TOTAL | | 30.0 | | | 128.0 | | | 88.0 | | | 65.0 |

| Kolos Group | | | | | | |
|---------------------------------|--------------|--|----------------|--|--------------|--------------|
| | 2014 | | 2015 | | 2016 | 2017 |
| Before share split | | | | | | |
| Total dividend (MUR'm) | 200.1 | | 366.1 | | 161.4 | 259.9 |
| No. of shares of KCL (000') | 270 | | 270 | | 270 | 270 |
| Dividend per share (MUR) | 741.1 | | 1,355.9 | | 597.8 | 962.6 |
| After share split | | | | | | |
| Total dividend (MUR'm) | 200.1 | | 366.1 | | 161.4 | 259.9 |
| No. of shares of KCL (000') | 27,000 | | 27,000 | | 27,000 | 27,000 |
| Dividend per share (MUR) | 7.41 | | 13.56 | | 5.98 | 9.63 |

Source: Management information

8. Board of Directors

Directors' profile

Chian Yew Ah Teck - Non-Executive Director and Executive Chairman (60 years old)

Mr Chian Yew Ah Teck holds a first class degree in Civil Engineering from Lancaster University and an MPhil. degree in Soil Mechanics from the University of Cambridge. After university, he joined consulting firm Sir Alexander Gibb and Partners in Mauritius. He is a registered professional engineer. He has also attended several executive management programs at NUS/Stanford University, London Business School and INSEAD. After 5 years with Sir Alexander Gibb, where he held various positions in both the design office and on site for major projects, he founded Gamma Construction Co Ltd in 1987 which has subsequently acquired Randabel & Sons Ltd (now known as Gamma-Civic Ltd). From 1987 to 2011, he was the Chief Executive of the Gamma Group before becoming the Executive Chairman of Gamma-Civic Ltd in February 2011, and Non-Executive Chairman in July 2015.

Since November 2016, Mr Chian Yew has been appointed Executive Chairman of Gamma Civic Ltd, for an interim period, and is heading the management team.

Chian Tat Ah Teck – Non-Executive Director (55 years old)

Mr Chian Tat Ah Teck holds a BSc (Hons) Engineering from the University of Westminster (London, UK) and an M Phil in Mechanical Engineering from Loughborough University (Loughborough, UK). He has worked as trainee Accountant with Griffin & Partners, Chartered Accountants (London, UK). From 1987 to January 2011, he was the Managing Director of the Gamma Group and became the CEO of Gamma-Civic Ltd in February 2011. As from 1 July 2015, he is a non-executive director of Gamma Civic Ltd.

Chian Luck Ah Teck (also called Patrice Ah Teck), BA- Non-Executive Director (50 years old)

Patrice holds a BA (Hons) Accounting and Finance (South Bank University- London) and Polytechnic Certificate in Fundamental of Accountancy (North East London Polytechnic- London). He has worked as Trainee Auditor with Nunn, Crick and Bussell, UK. From 1993 to 2000 he has worked as Sales and Marketing Manager of the Gamma Group and from 2000 to January 2011 he occupied the post of Sales and Marketing Director of the Gamma Group and Deputy Managing Director.

Cyril How Kin Sang, ACA- Non-Executive Director (53 years old)

Cyril studied accountancy at the University of West London and is a member of the Institute of Chartered Accountants in England & Wales. From 1985 to 1988, he trained and worked as a Chartered Accountant in the UK with a number of accounting firms including KPMG.

He joined Gamma-Civic Ltd in 1989 and has occupied several posts within the Gamma Group, including Group Finance Director and Supervisory Executive Director of Lottotech Ltd, and has been involved in the business development of the Group.

He was appointed as the Managing Director of Gamma-Civic Ltd in February 2011. Since July 2015, he is a Non-Executive Director of Gamma-Civic Ltd, Lottotech Ltd, Morning Light Co Ltd and Kolos Cement Ltd. He is the Chief Executive Officer of Landcorp Capital Ltd and Hermes Properties Ltd.

Directorship in listed companies: Two (Morning Light Co Ltd and Lottotech Ltd).

Dominique Rene Jacky Billon - Executive Director/General Manager (57 years old)

Dominique holds a scientific baccalaureate and graduated from the School of Management Sup de Co Poitiers (Poitiers, France). From 1985 to May 1991, he was working with Coopers & Lybrand, (Paris, France). He joined the Holcim Group in June 1991 and has occupied several posts within the Group before taking up the role of General Manager of Kolos Cement Ltd in January 2014. As General Manager, he is responsible for the day to day running of the business and is also a member of the board.

8. Board of Directors (cont'd)

Directors' profile

Javier De Benito - Non-Executive Director (59 years old)

Javier De Benito is a Spanish national, born in 1958, studied business administration and economics at the Universidad Autónoma de Madrid and undertook further studies at the Harvard Business School. After a number of years of professional experience in the finance department of an international steel trading company and as a specialist for finance projects with a Spanish export promotion company, he joined Holcim Trading, Madrid, in 1988. Along with responsibility for controlling at the subsidiary companies division and for business development, he took on the position of Deputy General Manager in 1992, with responsibility for the trading division. On April 1, 2003, he moved to the head office in Switzerland and was appointed Area Manager for the Mediterranean, Indian Ocean and West Africa. As of September 1, 2012, Javier de Benito directly leads Africa Middle East including the Group's positions in West Africa and the Arabian Gulf that formerly have been run by Holcim Trading. As of the same date, he is also responsible for the interests in South and East Africa. Since January 2016 Javier is the Chairman of Globbulk Technologies S.L., a technical consulting services company specialized in the cement industry.

Geoffroy Dedieu- Non-Executive Director (48 years old)

Geoffroy holds a DEA Business Law from Universite Pantheon-Assas, a LLM from the National University of Singapore and an MBA from INSEAD. After his studies, Geoffroy started his career as a corporate lawyer in Asia. He was previously the Managing Director at a top-5 Swiss bank in Singapore and he subsequently set up a single-family office holding company in the UK. He is an experienced family business manager with focus on the entrepreneurial family model. Geoffroy is also a Charter Member of the UK Chartered Institute for Securities & Investments and a Certified Financial Planner.

Twalha Dhunnoo- Non-Executive Director (41 years old)

Twalha holds a BA, MEng and MA (Cantab) from Cambridge University, and is also a fellow (FCA) of the Institute of Chartered Accountants for England & Wales (ICAEW). He started his career with Ernst & Young London in 1998, and left as an Audit Manager in 2004. Between 2004 and 2007, Twalha worked mainly in Financial Services with major global organisations, namely Mellon Bank and Deutsche Bank. In September 2007, he was part of the senior management team for a start-up Bank in London and was promoted to the role of the Chief Financial Officer and Executive Director of the Bank in July 2011. He occupied this role until 2017.

Paul Halpin - Non-Executive Director (58 years old)

Paul Halpin is a Chartered Accountant. He joined the board in Feb 2016, and is a member of the Audit and Risk Committee. He is a business services entrepreneur and a former Partner at PwC Johannesburg, London and Dublin. Paul is widely experienced in matters of corporate governance, board effectiveness and prudential supervision of companies in regulated and non-regulated industries across international borders and in the following sectors: Financial Services, ICT, Healthcare, Real Estate, Construction, Renewables and Heavy Manufacturing. He serves as a Non-Executive Director on the board of two companies listed on the Stock Exchange of Mauritius – Gamma Civic Ltd and Lottotech Ltd. He also serves as a Non-Executive Director on the board of several unlisted companies, which are registered in Mauritius, including Gamma Construction Ltd. He is a fellow of the Institute of Chartered Accountants in Ireland, a fellow of the Mauritius Institute of Directors and he holds a B.Comm from the University College Dublin. He also serves as Lloyd's General Representative for Mauritius.

8. Board of Directors (cont'd)

Marie Claire Chong Ah Yan - Non-Executive Director (57 years old)

Marie Claire qualified in 1988 with a Bachelor's degree from the Faculty of Arts from the University of Jean Moulin-Lyon III, France. She further holds a Bachelor's Degree in Human Resources Management from the University of Natal, South Africa.

In 2000, Marie Claire was in charge of Human Resource at Group level and in 2012, she was appointed HR Director of Gamma-Civic Ltd. She is one of the co-trustees of the Gamma Foundation, which is in charge of all CSR projects at Gamma Group level. She is a Fellow of the Mauritius Institute of Directors. In February 2015 Marie Claire has been awarded the FT NED Diploma (Financial Times Non-Executive Director Diploma).

Since July 2015, Marie Claire is no longer an Executive Director. She remains a member of the Board in a Non-Executive capacity and is also a member of the Supervisory and Investment Board Committee.

Jean Pierre Bisiaux - Non-Executive Director (70 years old)

Jean Pierre Bisiaux studied at Institut Français de Gestion - Paris Business School as well as law at Paris University (Doctor in Business Law) and has graduated from the European Community Institute. He spent more than 35 years in the cement industry and has joined the Gamma Group since April 2010.

Remuneration and benefits

During the financial year ended 31 December 2016, the executive and non-executive Directors received remuneration and benefits from the Company amounting to MUR5,975,318 and MUR7,414,300 respectively.

Related party transactions with directors

An amount of EUR15,625 was paid for consultancy fees in FY2017 to GlobBulk Technologies S.L where Mr Javier de Benito is a common Director.

9. Human Resource

Employees

The headcount of the Company over the last three years was as follows:

| 31 December 2014 | 31 December 2015 | 31 December 2016 |
|------------------|------------------|------------------|
| 57 | 60 | 61 |

Source: Management information

Pension plans

The Company currently maintains a defined contribution plan for its employees with La Prudence Mauricienne Assurances Limitee and a defined benefit plan. The amount accrued by the Company to provide pension and retirement benefits for the financial year ended 31 Dec 2016 amounted to Rs2,124,291.

10. Related party transactions

During the last three financial years, Kolos Cement Ltd had the following transactions with related entities:

| Nature of relationship | Name | Nature of transactions | FY 2014 | FY 2015 | FY 2016 |
|---------------------------|------------------------------|------------------------|---------|---------|---------|
| Amounts in MUR'000 | | | | | |
| Shareholder | Gamma Civic Ltd | Management fees | 36,044 | 34,261 | 36,941 |
| Sister companies | Gamma Materials Ltd | Sale of goods | 206,462 | 232,454 | 221,162 |
| | Cement Logistics Ltd | Purchase of goods | 479,986 | 640,507 | 579,131 |
| Subsidiary | Kolos Building Materials Ltd | Sale of goods | - | 37,595 | 63,669 |

Source: Audited financial statements for FY14, FY15 & FY16 , management information

All transactions between the related parties are performed at an arm's length basis.

11. Constitution

Capacity of the Company

Subject to the Companies Act 2001, any other enactment and general law, the Company shall have full capacity to carry on or undertake any business or activity, do any act or enter into any transaction both within and outside Mauritius, as may from time to time be agreed by the Board.

Shares

The Company has in issue 27,000,000 ordinary shares at no par value, amounting to a stated capital of MUR270,000,000 each having the following rights.

a) Rights of existing Shares

Each share will confer upon its holder the rights set out under Section 46(2) of the Companies Act 2001 together with any other rights conferred by the Constitution.

The rights conferred by Section 46(2) of the Companies Act 2001 are the following:-

- (i) The right to one vote on a poll at a meeting of the Company on any resolution;
- (ii) The right to an equal share in dividends authorized by the Board; and
- (iii) The right to an equal share in the distribution of surplus assets of the Company.

b) Transfer of shares

There are no restrictions on the transfer of fully paid up shares in the Company and transfers and other documents relating to or affecting the title to any shares shall be registered with the Company without payment of any fee.

c) Variation of class rights

If at any time the capital is divided into different classes of shares, the Company shall not take any action which varies the rights attached to a class of shares unless that variation is approved by a special resolution, passed at a separate meeting of the Shareholders of that class, or by consent in writing of the holders of 75% of the shares of the said class. To any such meeting, all the provisions of the Constitution relative to general meetings shall apply "mutadis mutandis".

d) Pre-emptive rights on issue of shares

Shares issued or proposed to be issued by the Company that rank or would rank as to voting or distribution rights, or both, equally with or prior to shares already issued by the Company shall, unless otherwise provided in the resolution approving the issue, be offered to the holders of shares already issued in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those Shareholders in accordance with the provisions of Section 55(1) of the Companies Act 2001.

General Meetings

The General Meeting of Shareholders shall be the supreme body of the Company. The powers reserved to the Shareholders of the Company by the Companies Act 2001 or the Constitution, unless specified in the Companies Act 2001 or the Constitution may be exercised by an ordinary resolution.

11. Constitution (cont'd)

The General Meeting of Shareholders has the following inalienable powers:

- (i) To appoint and remove the members of the Board of Directors and the Auditors;
- (ii) To fix the maximum aggregate cash remuneration to be paid to Directors for their services as Directors;
- (iii) To fix the remuneration to be paid to Directors;
- (iv) To either ratify the payment of any dividend approved by the Board of Directors or to fix an amount of dividend to be paid by the Company, which the Board of Directors shall duly approve;
- (v) The discharge of the members of the Board of Directors; and
- (vi) The passing of resolutions on all matters reserved to it by law, the Constitution or which are submitted to it by the Board of Directors.

a) Notice of General Meetings

Written notice of the time and place of a General Meeting shall be sent to every Shareholder entitled to receive notice of the General Meeting and to every Director, secretary and auditor of the Company not less than 14 days before the General Meeting.

b) Methods of holding General Meetings

A General Meeting shall be held by a number of Shareholders who constitute a quorum, being assembled together at the place, date, and time appointed for the General Meeting.

There shall be a quorum for holding a General Meeting where three Shareholders representing at least 50% of the share capital are present or represented or have cast postal votes.

Where a quorum is not present, no business shall be transacted at a General Meeting.

Annual Meetings

The Board shall call an Annual Meeting of Shareholders to be held:

- (i) Not more than once in each year;
- (ii) Not later than 6 months after the Balance Sheet of the Company; and
- (iii) Not later than 15 months after the previous Annual Meeting.

The business to be transacted at an Annual Meeting shall, unless already dealt with by the Company, include:

- (i) The consideration and approval of the financial statements;
- (ii) The receiving of any auditor's report;
- (iii) The consideration of the annual report;
- (iv) The appointment of any Directors including those whose annual appointment is required by the Companies Act 2001;
- (v) The appointment of any auditor pursuant to Section 195 of the Companies Act 2001; and
- (vi) The remuneration of any Director and of the auditor.

11. Constitution (cont'd)

Special Meetings

A Special Meeting may be called at any time by the Board and shall be so called on the written request of Shareholders holding Shares carrying together not less than 5% of the voting rights entitled to be exercised on the issue.

Powers of the Board

Subject to any restrictions in the Companies Act 2001 or the Constitution, the business and affairs of the Company shall be managed by or under the direction or supervision of the Board.

The Board shall have all the powers necessary for managing, and for directing and supervising the management of, the business and affairs of the Company except to the extent that the Constitution, or the Companies Act 2001, expressly requires those powers to be exercised by the Shareholders or any other person.

The Board shall moreover have all the powers of the Company as expressed in Section 27 of the Companies Act 2001, and the Constitution, including but not limited to, the power to purchase and sell property, to borrow money and to mortgage, pledge or create charges on its assets and to issue debentures and other securities, whether outright or as security for any debt, liability, or obligation of the Company or of any third party.

The powers of the Board shall include, but not limited to:

- (i) The supervision of the business report, the preparation of the General Meetings and the implementation of the organization of its resolutions;
- (ii) The establishment of the organization;
- (iii) The structuring of the accounting system and of the financial controls as well as the financial planning;
- (iv) The appointment and removal of the persons entrusted with the management and representation of the Company; and
- (v) The supervision of the persons entrusted with the management of the Company, in particular in view of compliance with the law, the Constitution, and the policies, organization rules and procedures.

Matters reserved to Shareholders

The Board shall not procure or permit the Company to enter into transactions considered as matters reserved to the Shareholders, and subject to the provisions of the Companies Act 2001 or the Constitution, matters reserved to the Shareholders shall require approval by Ordinary and/or Special Resolution.

Key Managers

The Board shall appoint the Key Employees of the Company on such terms and conditions as the Board deem fit and subject to the terms of any agreement entered into, may terminate such appointment.

It shall be the responsibility of the Key Employees and any Executive Director as provided to implement resolutions as approved by the Board and to act within the limits imposed by the Board.

11. Constitution (cont'd)

Technical committee

The Board shall establish and maintain a Technical Committee.

The meetings of the Technical Committee will be held every time it will be needed and at least once a month, with for purpose:

- (i) To propose modalities to solve difficulties regarding the common management of the Company;
- (ii) To elaborate the program of sale and development of the Company, by integrating the possibilities, the expectations, the needs and the opportunities of the market;
- (iii) To prepare the Annual Budgets, the Investment Plans and the Business Plan which will be subjected to the Board;
- (iv) To make propositions to the Board on the financial policy of the Company;
- (v) To suggest provisions to be constituted regarding bad debts;
- (vi) To suggest to the Board the amount of the investments to make within the framework of the Investment Plans;
- (vii) To propose to the Board the modalities of implementation of a dividend policy;
- (viii) To settle any operational question concerning the Company in a general way, under the supervision of the Board of directors.

12. Material Contracts

Below is a list of major contracts entered by Kolos Cement Ltd. These were all entered in the ordinary course of business. Kolos Cement Ltd has not entered into any contract outside the ordinary course of business during the last 2 years.

- **Assistance Agreement between Gamma-Civic Ltd and Kolos Cement Ltd**

This agreement is valid until it is terminated at any time by either party through a prior written termination notice of 6 months.

The object of the assistance is the provision of a business assistance in the following areas:

- Management support
- Strategic business development and partnering
- Corporate Finance, Accounting
- Monthly Business Review/ Administrative
- Review and oversight of procurement process
- Risk Management/ Insurance
- Information Technology

The assistance fee is calculated at an agreed rate of 4% of the Company's net sales and is periodically reviewed to ensure alignment with recognised and acceptable transfer pricing rules.

- **Lease Agreement between Mauritius Ports Authority and Kolos Cement Ltd (previously known as Gamma-Mehta Cement Ltd)**

The rent of MUR601,563 is payable monthly in advance of every month of occupation regularly as from 1 December 1998. The lease, of a period of twenty years and renewable for two further periods of twenty years, covers land and shed No.2 with a total area of 26,066m². There is no indications or known events within the normal course of business which indicates that the Company will not continue its lease relationship beyond the next lease renewable date.

If the Company defaults to pay on the due date a month's rent and fails to pay within 90 days of service of a legal notice on the Company claiming such payment, the present lease will become null and void.

The lease may also be terminated if:

- i) Any condition of the agreement is not respected;
- ii) The building is not maintained in a good condition; and
- iii) The Shed is used for other purpose unless approved by the lessor.

The lease may be renewed at its expiry, at the option of the Company, for two further periods of twenty years. The Company shall give at least three months prior notice of its intention to renew the said lease. The rental is revised every five years and the increase shall not exceed 25%.

- **Supply contract (for cement and raw materials)**

Following an annual tender exercise, the Company has awarded a contract for the supply of cement and raw materials to an international supplier. In line with its objective to increase shareholders' value and the development of key strategic relationships for the benefit of the Company's growth prospect, the Shareholders and directors of the Company are working on a plan to secure their strategic supplier relationship and the supply contract for the longer term.

13. Additional information

The sole shareholder of the Company will make available 270,000 shares for trading on the first day of listing:

| Holders offering to sell securities | |
|-------------------------------------|-------------------------------------|
| Name | Gamma Cement Ltd |
| Business address | Royal Rd, Chapman Hill, Beau Bassin |
| Nature of relationship | Parent Company |

Source: management

The following expenses have been incurred in respect of the admission:

| | Fees (MUR) |
|-------------------------------|------------|
| Legal and other advisory fees | 900,000 |
| SEM fees | 75,000 |
| Publication fees | 25,000 |

Source: management

The services of KPMG Advisory Services Ltd have been retained to assist the Company in the listing process and KPMG Advisory Services Ltd acted as listing advisor.

The Company has retained the services of members of the Chambers of Sir Hamid Moollan QC for the legal review of this Admission Document.

14. Financial summary

The financial statements for the financial years ended 31 December 2014, 2015 and 2016 have been audited by KPMG (jointly with Ernst & Young for the year ended 2016) and unqualified audit opinions were issued in respect of the audited period.

Copies of the full version of the audited financial statements of Kolos Cement Ltd (Company only) for the last three years are available on demand from the Company.

| Statement of profit or loss and other comprehensive income | | | |
|---|-------------------------|-------------------------|-------------------------|
| Amount in MUR'000 | Audited 2014 | Audited 2015 | Audited 2016 |
| Revenue | 873,406 | 903,260 | 931,456 |
| Cost of sales | (490,994) | (655,998) | (634,309) |
| Gross Profit | 382,412 | 247,262 | 297,147 |
| Other operating expenses | (124,040) | (133,709) | (115,754) |
| Selling and distribution expenses | (31,802) | (32,226) | (31,753) |
| Administration expenses | (72,241) | (71,586) | (93,650) |
| Other income | 66,881 | 117,131 | 30,358 |
| Operating profit | 221,210 | 126,872 | 86,348 |
| Net finance income/(costs) | 398 | (4,141) | 2,523 |
| Profit before tax | 221,608 | 122,731 | 88,871 |
| Income tax expense | (32,943) | (24,422) | (16,694) |
| Profit for the year | 188,665 | 98,309 | 72,177 |
| Other comprehensive income for the year, net of tax | - | 21 | 84,201 |
| Total comprehensive income for the year | 188,665 | 98,330 | 156,378 |

Source: Audited Financial Statements for FY14, FY15 & FY16

14. Financial summary (cont'd)

| Statement of financial position | | | |
|--|-------------------------|-------------------------|-------------------------|
| Amounts in MUR'000 | Audited 2014 | Audited 2015 | Audited 2016 |
| Assets | | | |
| Property, plant and equipment | 397,634 | 386,753 | 481,824 |
| Intangible assets | - | - | 15,802 |
| Investment in subsidiary | - | 1 | 1 |
| | 397,634 | 386,754 | 497,627 |
| Current assets | | | |
| Inventories | 105,134 | 123,507 | 121,361 |
| Trade and other receivables | 56,334 | 59,262 | 56,410 |
| Current tax assets | 73,969 | 2,060 | - |
| Cash in hand and at bank | 6,920 | 15,266 | 5,521 |
| | 242,357 | 200,095 | 183,292 |
| Total assets | 639,991 | 586,849 | 680,919 |
| EQUITY AND LIABILITIES | | | |
| Stated capital | 270,000 | 270,000 | 270,000 |
| Revaluation reserve | - | - | 84,037 |
| Retained earnings | 227,446 | 87,636 | 86,537 |
| Total equity | 497,446 | 357,636 | 440,574 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Retirement benefit obligation | 1,531 | 1,895 | 2,125 |
| Deferred tax liabilities | 21,241 | 22,796 | 42,757 |
| Total current liabilities | 22,772 | 24,691 | 44,882 |
| Current liabilities | | | |
| Bank overdraft | 32,558 | 127,765 | 71,249 |
| Short term loan | 13,846 | - | 70,000 |
| Trade and other payables | 73,369 | 76,757 | 53,498 |
| Current tax liabilities | - | - | 716 |
| Total current liabilities | 119,773 | 204,522 | 195,463 |
| Total liabilities | 142,545 | 229,213 | 240,345 |
| Total equity and liabilities | 639,991 | 586,849 | 680,919 |

Source: Audited Financial Statements for FY14, FY15 & FY16

14. Financial summary (cont'd)

| Statement of changes in equity | | | | |
|---|-----------------------|----------------------------|--------------------------|----------------|
| Amount in MUR'000 | Stated Capital | Revaluation reserve | Retained Earnings | Total |
| Balance at 1 January 2014 | 270,000 | - | 208,881 | 478,881 |
| Total comprehensive income for the year | - | - | 188,665 | 188,665 |
| Dividends | - | - | (170,100) | (170,100) |
| Balance at 31 December 2014 | 270,000 | - | 227,446 | 497,446 |
| Profit for the year | - | - | 98,309 | 98,309 |
| Other comprehensive income for the year | - | - | 21 | 21 |
| Dividends | - | - | (238,140) | (238,140) |
| Balance at 31 December 2015 | 270,000 | - | 87,636 | 357,636 |
| Profit for the year | - | - | 72,177 | 72,177 |
| Other comprehensive income for the year | - | 84,037 | 164 | 84,201 |
| Dividends | - | - | (73,440) | (73,440) |
| Balance at 31 December 2016 | 270,000 | 84,037 | 86,537 | 440,574 |

Source: Audited Financial Statements for FY14, FY15 & FY16

14. Financial summary (cont'd)

| Statement of Cash Flow | | | |
|--|-------------------------|-------------------------|-------------------------|
| Amounts in MUR'000 | Audited 2014 | Audited 2015 | Audited 2016 |
| Cash flow from operating activities | | | |
| Profit before tax | 221,608 | 122,731 | 88,871 |
| Adjustments for:- | - | - | - |
| Depreciation | 30,014 | 27,379 | 27,829 |
| Gain on sale of scrapped spare parts | - | (2,244) | - |
| Finance cost | 1,761 | 3,760 | 6,786 |
| Finance income | (438) | (33) | (94) |
| Non-cash items | | | |
| Movement in employee benefits | (12) | 385 | 427 |
| | 252,933 | 151,978 | 123,819 |
| Changes in: | | | |
| Decrease/(increase) in inventories | 39,797 | (18,374) | 2,146 |
| Decrease in trade and other receivables | (69,940) | 71,042 | 2,852 |
| (Decrease)/ increase in trade and other payables | (32,022) | 3,388 | (23,259) |
| | 190,768 | 208,034 | 105,558 |
| Interest paid | (1,761) | (3,760) | (6,786) |
| Interest received | 438 | 28 | 94 |
| Income Tax paid | (37,216) | (38,773) | (11,203) |
| Net cash generated from operating activities | 152,229 | 165,529 | 87,663 |
| Cash flow from investing activities | | | |
| Purchase of investment in subsidiary | (25) | (1) | - |
| Purchase of property, plant and equipment | (18,870) | (16,493) | (21,650) |
| Purchase of intangible assets | - | - | (15,801) |
| Proceeds from sale and scrapped spare parts | - | 2,244 | - |
| | - | - | - |
| Net Cash used in investing activities | (18,895) | (14,250) | (37,451) |
| Cash flow from financing activities | | | |
| Dividend paid | (170,100) | (238,140) | (73,440) |
| Short term loan | (30,076) | - | 70,000 |
| Net cash used in financing activities | (200,176) | (238,140) | (3,440) |
| Net movement in cash and cash equivalents | (66,841) | (86,862) | 46,771 |
| Cash and cash equivalents at 1 January | 41,204 | (25,637) | (112,499) |
| Cash and cash equivalents at 31 December | (25,637) | (112,499) | (65,728) |

Source: Audited Financial Statements for FY14, FY15 & FY16

15. Other information

Indebtedness

The Company's total borrowings and bank overdrafts are unsecured and amount to MUR 70,000,000 and MUR 71,249,335 respectively as at 31 Dec 2016.

There are no restrictive charges which have been effected against the Company and its assets in respect of these debts. The facilities are unsecured.

Legal proceedings and arbitration

The company has a total of 25 court cases in respect of debtors having overdue accounts with Kolos Cement Ltd as at date, totalling MUR8.5m where the Company has instituted legal action to recover amounts due to it. These have been fully provided for in the financial statements of Kolos Cement Ltd.

There are no pending or threatened legal or arbitral proceedings.

Contingent liabilities

There are no known contingent liability to be honoured by the Company as at date.

Shareholding of directors in Gamma Civic Ltd

The following directors have shares in the Company's ultimate holding company, Gamma Civic Ltd.

| Name of Directors | No. of Ordinary Shares held in Gamma Civic Ltd | | | |
|--------------------------------------|--|------|------------|-------|
| | Direct | % | Indirect | % |
| Chian Yew Ah Teck | - | - | 23,033,487 | 17.29 |
| Chian Tat Ah Teck | - | - | 23,022,987 | 17.28 |
| Chian Luck Ah Teck | 9,237,070 | 6.93 | 13,785,917 | 10.35 |
| Dominique Billon | - | - | - | - |
| Jean Pierre Bisiaux | - | - | - | - |
| Sui Lien Chong Ah Yan | 1,980,830 | 1.49 | 3,716,527 | 2.79 |
| Javier Francisco De Benito Fernandez | - | - | - | - |
| Geoffroy Dedieu | - | - | - | - |
| Aboo Twalha Dhunnoo | - | - | - | - |
| Paul Laurence Halpin | - | - | - | - |
| Paul Cyril How Kin Sang | 9,247,140 | 6.94 | 15,279,920 | 11.47 |

Source: Corporate status report as at 31 Dec 2017

Directorship of the board of directors in other companies since 2013

The directorship history over the last five years is provided below:

| Chian Yew Ah Teck | |
|---------------------------|--------------------------------|
| Name of entity | |
| Ah Teck Investment Co Ltd | Insignia Duty Free Shop Ltd |
| Bro Investment Ltd | Insignia International Limited |
| Broadgate Holdings Ltd | Insignia Limited |
| Broadgate Investment Ltd | Insignia Marketing Ltd |
| Cement Logistics Ltd | JHD Holdings Ltd |
| Consolidated Holdings Ltd | Lottotech Ltd |
| Fen Tze Holding Co Ltd | Melrose Ltd |

Source: List of directorship as at 15 Dec 2017

| Chian Yew Ah Teck (cont'd) | |
|-----------------------------------|--------------------------|
| Name of entity | |
| Gamma Cement Holdco Ltd | Montengro Ltd |
| Gamma Civic Cement Holdings Ltd | Morning Light Co Ltd |
| Gamma Civic Ltd | Regency Gardens Limited |
| Gamma Construction Ltd | Regency Holding Limited |
| Gamma Corporate Services Ltd | Regency Property Limited |
| Gamma Treasury Management Ltd | Regency Realty Ltd |
| Gammafin Ltd | Rus Investment Ltd |
| Gammafin Resource Management Ltd | Star Cement Ltd |
| Grandwood Ltd | Water Dragon Ltd |

| Chian Tat Ah Teck | |
|---------------------------------|--------------------------------|
| Name of entity | |
| Accacias Ltd | Gamma-Civic Hotel Holdings Ltd |
| Aggregate Resources Co Ltd | Glott Holdings (Mauritius) Ltd |
| Ah Teck Investment Ltd | Glott Management Ltd |
| Bitument Storage Ltd | Govenland Co Ltd |
| Boron Investment Ltd | G-Traxx Equipment & Rental Ltd |
| BR Capital Ltd | Insignia Duty Free Shop Ltd |
| BR Hotel Resorts Ltd | Insignia International Limited |
| Bro Investment Ltd | Insignia Leisure Resorts Ltd |
| Broadgate Holding Ltd | Insignia Limited |
| Broadgate Investment Ltd | Insignia Marketing |
| Burford Development Ltd | Insignia Resorts Ltd |
| Burford Investments Ltd | Kolos Building Materials Ltd |
| Burford Property Ltd | Land Securities Ltd |
| Burford Realty Ltd | Lottotech Ltd |
| Cement Logistics Ltd | Ludgate Investments Ltd |
| Centreview Development Ltd | Mauritlot Investments Ltd |
| Consolidated Holdings Ltd | Morning Light Co Ltd |
| Fen Tze Holding Co Ltd | Natlot Investments Ltd |
| Finepoint Property Ltd | North Point Holdings Ltd |
| Finepoint Realty Ltd | North Point Stone Products Ltd |
| Fortier Capital Ltd | Osterley Investments Ltd |
| Gamlot Technologies Ltd | Princegate Holdings Ltd |
| Gamma Asia Construction Ltd | Regency Gardens Limited |
| Gamma Cement International Ltd | Regency Holdings Limited |
| Gamma Cement Ltd | Regency Property Ltd |
| Gamma Civic Cement Holdings Ltd | Regency Realty Ltd |
| Gamma Civic Ltd | RHT Media Ltd |
| Gamma Construction Ltd | Rus Investment Ltd |
| Gamma Energy Holdings Ltd | Star Cement Ltd |
| Gamma Energy Ltd | Traxx Ltd |

Source: List of directorship as at 15 Dec 2017

| Chian Luck Ah Teck | |
|---------------------------------------|--------------------------------|
| Name of entity | |
| Gamma Leisure Ltd | Westbourne Properties Ltd |
| Gamma Materials Ltd | Westview Realty Ltd |
| Gamma-Civic Construction Ltd | Wigmore Investment Ltd |
| Accacias Ltd | Gamma-Civic Construction Ltd |
| Aggregate Resources Co Ltd | Gamma-Civic Hotel Holdings Ltd |
| Ah Teck Investment Ltd | Glott Holdings (Mauritius) Ltd |
| Bitument Storage Ltd | Glott Management Ltd |
| Bluesilver Ltd | Govenland Co Ltd |
| Bon Temps Ltd | G-Traxx Equipment & Rental Ltd |
| Boron Investment Ltd | Insignia Duty Free Ltd |
| BR Capital Ltd | Insignia Leisure Resorts Ltd |
| BR Hotel Resorts Ltd | Insignia Limited |
| Broadgate Holding Ltd | Insignia Marketing Ltd |
| Burford Development Ltd | Insignia Resorts Ltd |
| Burford Investment Ltd | Labelvi (Indian Ocean) Ltd |
| Burford Property Ltd | Land Securities Ltd |
| Burford Realty Ltd | Lottotech Ltd |
| Centreview Development Ltd | Ludgate Investments Ltd |
| Consolidated Holdings Ltd | Mauritlot Investments Ltd |
| Fen Tze Holdings Ltd | Morning Light Co Ltd |
| Finepoint Property Ltd | Natlot Investments Ltd |
| Finepoint Realty Ltd | North Point Holdings Ltd |
| Gamlot Technologies Ltd | North Point Stone Products Ltd |
| Gamma Cement Ltd | Osterley Investments Ltd |
| Gamma Civic Construction Holdings Ltd | Princegate Holdings Ltd |
| Gamma Civic Ltd | Regency Gardens Ltd |
| Gamma Construction Ltd | Regency Holdings Ltd |
| Gamma Energy Holdings Ltd | Regency Realty Ltd |
| Gamma Energy Ltd | RHT Media Ltd |
| Gamma Leisure Ltd | Traxx Ltd |
| Gamma Materials Ltd | Westbourne Properties Ltd |

| Paul Cyril How Kin Sang | |
|--------------------------------|--------------------------------|
| Name of entity | |
| Accacias Ltd | Gamma-Civic Ltd |
| Aggregate Resources Co Ltd | Gapwedge Limited |
| Barachois Villas Co Ltd | Glott Holdings (Mauritius) Ltd |
| Bitument Storage Ltd | Glott Management Ltd |
| Boron Investment Ltd | Govenland Co Ltd |
| BR Capital Ltd | G-Traxx Equipment & Rental Ltd |
| BR Hotel Resorts Ltd | Hermes Properties Ltd |
| Broadgate Holding Ltd | Insignia Duty Free Shop Ltd |
| Broadgate Investment Ltd | Insignia Leisure Resorts Ltd |

Source: List of directorship as at 15 Dec 2017

| Paul Cyril How Kin Sang (cont'd) | |
|---|--------------------------------|
| Name of entity | |
| Broll Indian Ocean Ltd | Insignia Limited |
| Burford Development Ltd | Insignia Resorts Ltd |
| Burford Investments Ltd | Kolos Building Materials Ltd |
| Burford Property Ltd | Land Securities Ltd |
| Burford Realty Ltd | Landcorp Capital Ltd |
| Cement Logistics Ltd | Lottotech Ltd |
| Centreview Development Ltd | Ludgate Investments Ltd |
| Finepoint Property Ltd | Mauritlot Investments Ltd |
| Finepoint Realty Ltd | Morning Light Co Ltd |
| Gamlot Technologies Ltd | Natlot Investment Ltd |
| Gamma Asia Construction Ltd | North Point Holdings Ltd |
| Gamma Cement International Ltd | North Point Stone Products Ltd |
| Gamma Cement Ltd | Osterley Inestement Ltd |
| Gamma Civic Cement Holdings Ltd | Princegate Holdings Ltd |
| Gamma Civic Construction Holdings Ltd | Regency Realty Ltd |
| Gamma Energy Ltd | RHT Media Ltd |
| Gamma Energy Holdings Ltd | Star Cement Ltd |
| Gamma Leisure Ltd | Traxx Ltd |
| Gamma-Civic Construction Ltd | Westbourne Properties Ltd |
| Gamma-Civic Hotel Holdings Ltd | Westview Realty Ltd |

| Dominique Billon | |
|---------------------------------|--|
| Name of entity | |
| Broadgate Investment Ltd | Star Cement Ltd |
| Cement Logistics Ltd | Holcim Reunion (resigned on 14.02.2014) |
| Gamma-civic Cement Holdings Ltd | Holcim Madagascar (resigned on 15.04.2014) |
| Kolos Building Materials Ltd | OIP (resigned on 15.12.2014) |

| Javier Francisco De Benito Fernandez | |
|--|--|
| Name of entity | |
| Global Bulk Technologies S.L, Spain | Holcim (Outre Mer), SAS, France (resigned) |
| Al Jabor Cement Co, Qatar (resigned) | Holcim AOZ SA, Morocco (resigned) |
| Ciments de Bourbon SA, France -resigned | Holcim Espana S.A, Spain (resigned) |
| Ciments de Guinee, Republic of Guinea (resigned) | Holcim Investments (Spain) S.L, Spain (resigned) |
| Ciments Guyanais SA, Guyane, France (resigned) | Holcim Services EMEA S.A, Spain (resigned) |
| Egyptian Cement Holding BV, Netherlands (resigned) | Lafarge Cement Egypt SAE, Egypt (resigned) |
| Holcibel SA, Belgium (resigned) | National Cement Factories, Abu Dhabi (resigned) |
| Holcim (Liban) SAL,Lebanon (resigned) | Nigerian Cement Holding BV, Netherlands (resigned) |
| Holcim (Madagascar) SA, Madagascar (resigned) | Ocean Indien Participations, France (resigned) |
| Holcim (Maroc) SAL,Morocco (resigned) | Socimat, Ivory Coast (resigned) |
| Holcim (Nouvelle Calédoine), France (resigned) | United Cement Company of Nigeria Ltd, Nigeria (resigned) |

Source: List of directorship as at 15 Dec 2017

| Geoffroy Dedieu | |
|-------------------------------|--------------------------------|
| Name of entity | |
| Gamma Civic Ltd | Lottotech Ltd |
| Gamma Construction Ltd | Morning Light Co Ltd |
| Gamma Materials Ltd | Notore Chemical Industries Ltd |
| Gamma Treasury Management Ltd | Norbert Cottet Rentals SARL |

| Twalha Dhunoo | |
|-------------------------------|---|
| Name of entity | |
| Gamma Civic Ltd | Gatehouse Bank Plc -(resigned) |
| Morning Light Co Ltd | Gatehouse Financial Group Limited - (resigned) |
| Gamma Construction Ltd | Gatehouse UK PRS Investment Limited- (resigned on 01.07.2017) |
| Gamma Treasury Management Ltd | Gatehouse UK PRS Carry Limited – (resigned on 01.07.2017) |

| Paul Halpin | |
|------------------------------------|---|
| Name of entity | |
| Citicc (Africa) Holdings Ltd | Lottotech Ltd |
| Gamma Civic Ltd | RMB Westport Real Estate |
| Gamma Construction Ltd | Harshi Energy Holdings Ltd (resigned on 31.03.2016) |
| Kolos Cement Ltd | Mauritius Institute of Directors - (resigned on 22.11.2017) |
| Multichoice International Holdings | |

| Sui Lien Chong Ah Yan | |
|---------------------------------------|--------------------------------|
| Name of entity | |
| Accacias Ltd | Gamma Energy Holdings Ltd |
| Ah Teck Investment Ltd | Gamma Energy Ltd |
| Bitument Storage Ltd | Gamma Leisure Ltd |
| Boron Investments Ltd | Gamma-Civic Construction Ltd |
| BR Capital Ltd | Gamma-Civic Hotel Holdings Ltd |
| BR Hotel Resorts Ltd | Glott Holdings (Mauritius) Ltd |
| Broadgate Holding Ltd | Glott Management Ltd |
| Burford Development Ltd | Governland Co Ltd |
| Burford Investment Ltd | G-Traxx Equipment & Rental Ltd |
| Burford Property Ltd | Insignia Duty Free Shop Ltd |
| Burford Realty Ltd | Insignia Leisure Resorts Ltd |
| Centreview Development Ltd | Insignia Resorts Ltd |
| Finepoint Property Lyd | Kolos Cement Ltd |
| Finepoint Realty Ltd | Land Securities Ltd |
| Gamlot Technologies Ltd | Ludgate Investment Ltd |
| Gamma Asia Construction Ltd | Mauritlot Investments Ltd |
| Gamma Cement Ltd | Natlot Investments Ltd |
| Gamma Civic Construction Holdings Ltd | Osterley Investments Ltd |

Source: List of directorship as at 15 Dec 2017

| Sui Lien Chong Ah Yan (cont'd) | |
|---------------------------------------|-------------------------|
| Name of entity | |
| Gamma Civic Ltd | Princegate Holdings Ltd |
| Gamma Construction Ltd | RHT Media Ltd |

| Jean Pierre Bisiaux | |
|----------------------------|--|
| Name of entity | |
| Gamma Materials Ltd | |

Source: List of directorship as at 15 Dec 2017

KOLOS CEMENT LTD
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

KOLOS CEMENT LTD
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FOR THE YEAR ENDED 31 DECEMBER 2016

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**KOLOS CEMENT LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors are pleased to present the Annual Report together with the audited financial statements of Kolos Cement Ltd (the "Company") for the year ended 31 December 2016.

Principal activities

The principal activities of the Company comprise of unloading, storing, bagging and distribution of cement and other products.

Results and dividend

The results for the financial year are shown on page 17 and the state of the Company's affairs at the reporting date is set out on page 18.

Dividends paid during the year under review amounted to Rs **73,440,000** (2015: Rs 238,140,000).

Business Review

Kolos Cement Ltd reported a 3.1% increase in revenue driven by an increase of 3.6% in cement volume sold compared to prior year. Small constructions and refurbishment works were the driven factor for increased volume sold. Operating Profit was reduced by 31.9% to Rs 86,347,986 in the year under review. Fall in unloading revenue and increases in administrative expenses were the main cause of the fall in Operating Profit.

Future Outlook

There is a high expectation that the overall cement market will grow in 2017 driven by the recent announced public projects. We also expect increased competition in the year 2017 due to new cement player on the bags market.

Directors

The directors of the Company during the year were:

| | Appointed on | Resigned on |
|------------------------------|---------------------|--------------------|
| Dominique Rene Jacky Billon | 17 May 2011 | - |
| Chian Tat Ah Teck | 17 May 2011 | - |
| Paul Cyril How Kin Sang | 17 May 2011 | - |
| Chian Luck Ah Teck | 17 May 2011 | - |
| Javier De Benito | 2 February 2016 | - |
| Paul Halpin | 2 February 2016 | - |
| Chian Yew Ah Teck (Chairman) | 2 February 2016 | - |
| Marie Claire Chong Ah Yan | 2 February 2016 | - |
| Jean Pierre Bisiaux | 2 February 2016 | - |
| Kamben Padayachy | 2 February 2016 | 11 November 2016 |

Auditors

The auditors, KPMG and Ernst & Young have indicated their willingness to continue in office as joint auditors and will be automatically re-appointed at the next Annual Meeting.

KOLOS CEMENT LTD
THE CORPORATE GOVERNANCE REPORT
(INCLUDING STATUTORY DISCLOSURES PURSUANT TO SECTION 221 OF THE COMPANIES ACT 2001)

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3. Shareholding
4. Article of association
5. Board structure
6. Role and function of the Chairman
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THE CORPORATE GOVERNANCE REPORT
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1. Introductory note

Kolos Cement Ltd is a private company, which is a wholly owned subsidiary of Gamma Civic Ltd. As per the definition of The Financial Reporting Act, the Company is a Public Interest Entity (“PIE”).

In line with the commitment of its holding company, Kolos Cement Ltd remains committed to high standards of corporate governance and applies the provisions of the Code, as far as practicable.

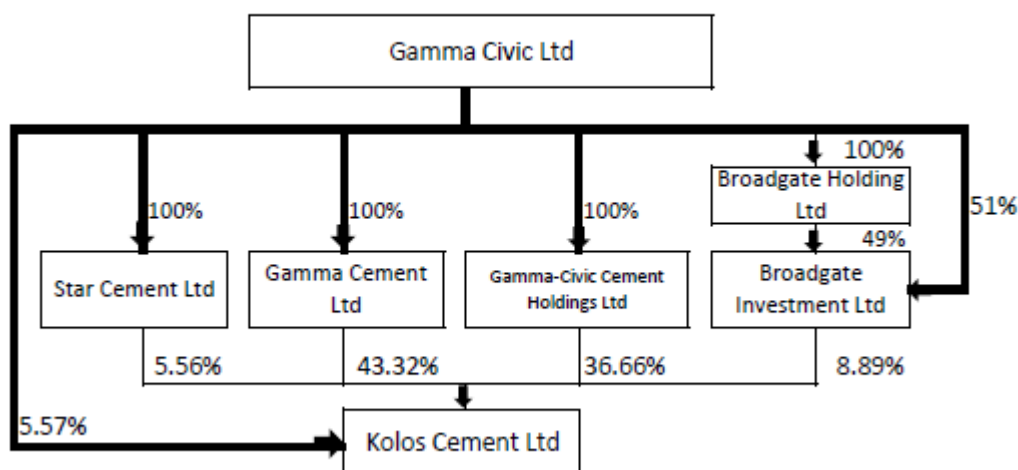
In this report, the Directors hereby report the extent to which Kolos Cement Ltd is complying and applying the Code. The explanations are also given on the areas which are not being complied with and the reasons for the non-compliance.

2. Role of the Board of Directors

The Board of Directors continues in its responsibility of steering, monitoring and overseeing the business and activities of the Company so as to ensure the enhancement of the Company’s total value and shareholder’s returns. For all matters which have strategic, financial and reputational implications and/or consequences the Board of Directors remains the sole decision making body of the Company. It also monitors Management’s delivery on the Company’s short and medium term objectives, and the promotion of the long-term growth of the Company.

3. Shareholding

Gamma Civic Ltd, through its subsidiaries is the ultimate controlling party of the Company; the shareholding structure is as follows:



4. Article of Association

The Company is governed by an Article of Association, which is in line with the provisions of The Companies Act 2001. Furthermore the Article of Association provides for a number of specific sections for the organisation of the Board’s composition and management of the Company by key employees.

A copy of the Company’s Article of Association is available at the registered office of the Company.

5. Board structure

The Company’s Board is composed of 9 Directors and it is in line with the Company’s Article of Association.

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6. Role and function of the Chairman

The Company being ultimately a wholly owned subsidiary of Gamma Civic Ltd, adheres to the provisions of the Gamma Charter, and consequently the role and function of the Chairman is as described in the Gamma Charter.

In addition to his role and responsibility as a Director of the Company, the Chairman is principally involved in that the Board carries out its responsibilities efficiently and that it has a clear comprehension of its role, function and deliverables as well as those of the Management and the shareholders. He is also responsible for ensuring that the resolutions of the Board are promptly executed and implemented by Management.

The Chairman acts for and on behalf of the Board of Directors.

7. Directors' profile

The profile of the individual directors is given below:

Directors

a) Chian Yew Ah Teck - Non-Executive Director and Chairman

Mr Chian Yew Ah Teck holds a first class degree in Civil Engineering from Lancaster University and an MPhil. degree in Soil Mechanics from the University of Cambridge. After university, he joined consulting firm Sir Alexander Gibb and Partners in Mauritius. He is a registered professional engineer. He has also attended several executive management programs at NUS/Stanford University, London Business School and INSEAD. After 5 years with Sir Alexander Gibb, where he held various positions in both the design office and on site for major projects, he founded Gamma Construction Co Ltd in 1987 which has subsequently acquired Randabel & Sons Ltd (now known as Gamma-Civic Ltd). From 1987 to 2011, he was the Chief Executive of the Gamma Group before becoming the Executive Chairman of Gamma-Civic Ltd in February 2011, and Non-Executive Chairman in July 2015.

Since November 2016, Carl has been appointed Executive Chairman of Gamma Civic Ltd, for an interim period, and is heading the management team.

Directorship in listed companies: Gamma-Civic Ltd, Morning Light Co. Ltd and Lottotech Ltd.

b) Chian Tat Ah Teck - Non-Executive Director

Mr Chian Tat Ah Teck holds a BSc (Hons) Engineering from University of Westminster (London, UK) and an M Phil in Mechanical Engineering from Loughborough University (Loughborough, UK). He has worked as trainee Accountant with Griffin & Partners, Chartered Accountants (London, UK). From 1987 to January 2011, he was the Managing Director of Gamma Group and became the CEO of Gamma-Civic Ltd in February 2011. As from 1 July 2015, he is a non-executive director of Gamma Civic Ltd.

Directorship in listed companies Gamma-Civic Ltd, Morning Light Co. Ltd and Lottotech Ltd.

c) Chian Luck Ah Teck (also called Patrice Ah Teck), BA- Non-Executive Director

Patrice holds a BA (Hons) Accounting and Finance (South Bank University- London) and Polytechnic Certificate in Fundamental of Accountancy (North East London Polytechnic- London). He has worked as Trainee Auditor with Nunn, Crick and Bussell, UK. From 1993 to 2000 he has worked as Sales and Marketing Manager of Gamma Group and from 2000 to January 2011 he occupied the post of Sales and Marketing Director of Gamma Group and Deputy Managing Director.

Directorship in listed companies: Gamma-Civic Ltd, Morning Light Co. Ltd and Lottotech Ltd.

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7. Directors' profile (Continued)

d) Cyril How Kin Sang, ACA- Non-Executive Director

Cyril is a member of Institute of Chartered Accountant in England & Wales. From 1985 to 1988 he has trained and worked as Chartered Accountant in UK. He has joined the Gamma Group since 1989 and has occupied several posts within the Group, including the post of Managing Director.

Directorship in listed companies: Gamma-Civic Ltd, Morning Light Co. Ltd and Lottotech Ltd.

e) Dominique Rene Jacky Billon - Executive Director/General Manager

Dominique holds a scientific baccalaureate and graduated from the School of Management Sup de Co Poitiers (Poitiers, France). From 1985 to May 1991, he was working with Coopers & Lybrand, (Paris, France). He joined the Holcim Group in June 1991 and has occupied several posts within the Group before taking up the role of General Manager of Kolos Cement Ltd in January 2014. As General Manager, he is responsible for the day to day running of the business and is also a member of the board.

Directorship in listed companies: None.

f) Javier De Benito - Non-Executive Director

Javier De Benito is a Spanish national, born in 1958, studied business administration and economics at the Universidad Autónoma de Madrid and undertook further studies at the Harvard Business School. After a number of years of professional experience in the finance department of an international steel trading company and as a specialist for finance projects with a Spanish export promotion company, he joined Holcim Trading, Madrid, in 1988. Along with responsibility for controlling at the subsidiary companies division and for business development, he took on the position of Deputy General Manager in 1992, with responsibility for the trading division. On April 1, 2003, he moved to the head office in Switzerland and was appointed Area Manager for the Mediterranean, Indian Ocean and West Africa. As of September 1, 2012, Javier de Benito directly leads Africa Middle East including the Group's positions in West Africa and the Arabian Gulf that formerly have been run by Holcim Trading. As of the same date, he is also responsible for the interests in South and East Africa. Since January 2016 Javier is the Chairman of Globbult Technologies S.L., a technical consulting services company specialized in the cement industry.

Directorship in listed companies - None

g) Paul Halpin - Non-Executive Director

Paul Halpin is a Chartered Accountant. He is a business services entrepreneur and a former Partner at PwC Johannesburg, London and Dublin. He is widely experienced in matters of corporate governance, board effectiveness and prudential supervision of companies in regulated and non-regulated industries across international borders and in the following sectors: Financial Services, ICT, Healthcare, Real Estate, Construction, Renewables and Heavy Manufacturing.

Directorship in listed companies: Gamma-Civic Ltd and Lottotech Ltd

h) Marie Claire Chong Ah Yan - Non-Executive Director

Marie Claire Chong Ah Yan qualified in 1988 with a Bachelor's degree from the Faculty of Arts from the University of Jean Moulin-Lyon III, France. She further holds a Bachelor's Degree in Human Resources Management from the University of Natal, South Africa. She has held the function of human resource at Gamma Group since 2000. She is one of the co-trustees of the Gamma Foundation, which is in charge of all CSR projects at Gamma Group level. She is a Fellow of the Mauritius Institute of Directors. As from 1 July 2015, she is a Non- Executive Director of Gamma Civic Ltd.

Directorship in listed companies: Gamma-Civic Ltd and Morning Light Co Ltd (as alternate director)

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7. Directors' profile (Continued)

i) Kamben Padayachy - Non-Executive Director

Kamben Padayachy started his career in 1994, in the banking sector, and over the years until September 2015, he has acquired a rich experience and exposure to the dynamics of the Mauritian economy. Kamben holds an MSc Economics with specialisation in Money and Banking from Universite de Paris Dauphine and a Post- Graduate Degree in Banking and Finance.

Kamben resigned as a Director of the Company on 11 November 2016.

Directorship in listed companies: resigned from Gamma-Civic Ltd, Morning Light Co. Ltd and Lottotech Ltd

j) Jean Pierre Bisiaux - Non-Executive Director

Jean Pierre Bisiaux studied at Institut Français de Gestion - Paris Business School as well as law at Paris University (Doctor in Business Law) and has graduated from the European Community Institute. He spent more than 35 years in the cement industry and has joined the Gamma Group since April 2010.

Directorship in listed companies - None

8. Board attendance

For the year ended 31st December 2016, the Board of Directors met 4 times and the attendance is as follows:

| Name of Director | Category | Board meetings attended |
|--|--------------------------|-------------------------|
| Chian Yew Ah Teck ¹ | Non-Executive & Chairman | 4/4 |
| Chian Tat Ah Teck | Non-Executive Director | 4/4 |
| Chian Luck Ah Teck | Non-Executive Director | 4/4 |
| Paul Cyril How Kin Sang | Non-Executive Director | 4/4 |
| Dominique Rene Jacky Billon | Executive Director | 4/4 |
| Javier De Benito ¹ | Independent Director | 4/4 |
| Paul Halpin ¹ | Independent Director | 4/4 |
| Marie Claire Chong Ah Yan ¹ | Non-Executive Director | 4/4 |
| Kamben Padayachy ² | Non-Executive Director | 3/4 |
| Jean Pierre Bisiaux ¹ | Non-Executive Director | 4/4 |

- Chian Yew Ah Teck, Javier De Benito, Paul Halpin, Marie Claire Ah Yan and Jean Pierre Bisiaux were appointed on the Board of Directors on 2 February 2016; and*
- Kamben Padayachy was appointed as a Director of the Company on 2 February 2016 and resigned on 11 November 2016.*

9. Role of the company secretary

The Company Secretary is appointed and removed by the Board of Directors on such terms as the Board may deem fit, and it is accountable to the Board through the Chairman in the performance of its duties and responsibilities, as defined in the Companies Act 2001, as well as for the corporate governance processes.

As recommended under the National Code of Corporate Governance, the Board has undertaken its first Board appraisal and the Company Secretary was given the responsibility to supervise the exercise.

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10. Common Directors

| | Chian Yew Ah Teck | Chian Tat Ah Teck | Chian Luck Ah Teck | Paul Cyril How Kin Sang |
|-----------------------|-------------------|-------------------|--------------------|-------------------------|
| Gamma-Civic Ltd | * | * | * | * |
| Lottotech Ltd | * | * | * | * |
| Morning Light Co. Ltd | * | * | * | * |
| Kolos Cement Ltd | * | * | * | * |

11. Profiles of senior management team

The GM, appointed by the Board, leads Management team, and he is assisted by a Technical manager, Finance manager, and Sales & Logistics manager.

Profile of the senior managers

a. Dominique Billon: General Manager

Please see details as provided under section 7(e) above.

b. Kshil Gajadhur - Technical manager

Kshil Gujadhur started his career in 2002 with Kolos Cement Ltd. He studied at the University of Limoges in France. He holds a “Bac +3 in Licence Professionnelle d’électronique, d’optique de télécommunication et systèmes radio fréquence”. He has held different roles within the company and was promoted to the post of Technical Manager in May 2016

c. Shaun Kim Tiam Fook Chong- Finance manager

Mr Shaun Kim Tiam Fook Chong is a member of the Institute of Chartered Accountant in England & Wales. From 2005 to 2012, he worked as an Audit Manager with Harold Everett Wreford LLP (London, UK). He joined Aspen Global Incorporated as Senior Financial Accountant in February 2013 before taking up the role of Finance Manager of Kolos Cement Ltd in December 2013.

d. Jayen Mareemootoo- Sales and Logistics manager

Mr Jayen Mareemootoo holds a BTS ElectroTechnique (Lycée Vaucresson-France 1998-2000), a BSTAT (Brevet Supérieur de Technicien de l'Armé de Terre) in Administration du Personnel option Chancellerie, BTS (Brevet de Technicien Supérieur) Gestion du Personnel -Ecole de Fourier Querqueville 2006-2008 and in 2012 graduated in Marketing and Management from University of Curtin. He worked for the French Ministry of Defence as assistant to Human Resource Director from 2005 - October 2009 and joined Holcim in November 2009 in the field of Marketing & Communication. In September 2013 he was appointed as Sales and Logistics Manager.

12. Board Committees

The Board has two principal committees with the objective of assisting the Board to efficiently fulfill its responsibilities as provided under the Companies Act 2001, the Code of Corporate Governance and the Gamma Charter. These two committees are the Audit & Risk Committee and the Corporate Governance Committee.

The Audit & Risk Committee also fulfils the functions of a Risk Committee, while the Corporate Governance Committee fulfils the functions of Remuneration Committee and Nomination Committee.

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12 Board Committees (Continued)

a) Audit & Risk Committee

The Audit & Risk Committee assists the Board for reporting financial information, for appropriate application and amendment of accounting policies, for the identification and management of risk, for the implementation of internal control systems and for internal audit, statutory and regulatory compliance of the Company. The Committee provides a forum for effective communication between the Board and the external and internal auditors.

| Audit & Risk Committee Member | Role |
|--|-----------------------------------|
| Paul Cyril How Kin Sang | Non-Executive Director & Chairman |
| Paul Halpin | Independent Director |
| Patrice Ah Teck | Non-Executive Director |

The Audit & Risk Committee holds quarterly meetings to examine the quarterly financial statements and the audited financial statements, as well as reports from the auditors.

For the year under review, the Committee met four times as per hereunder table:

| Directors | Attendance |
|--------------------------|-------------------|
| Paul Cyril How Kin Sang | 4/4 |
| Paul Halpin ¹ | 3/3 |
| Patrice Ah Teck | 4/4 |

1. *Paul Halpin was appointed as Audit & Risk Committee member on 16 March 2016.*

b) Corporate Governance Committee

The Corporate Governance Committee acts as a mechanism for making recommendations to the Board on all corporate governance matters relevant to the Company to ensure that the Board remains effective and complies with the "Code" and prevailing corporate governance principles.

The Committee is also responsible for remuneration and nomination matters. The remuneration philosophy is geared towards rewarding efforts and merits for individual and joint contribution to the Company's results, whilst having also due regards to market conditions, the interest of the shareholders and to the financial well-being of the Company.

| Director | Role |
|--------------------------------|-----------------------------------|
| Chian Yew Ah Teck ¹ | Non-Executive Director & Chairman |
| Chian Tat Ah Teck | Non-Executive Director |
| Paul Cyril How Kin Sang | Non-Executive Director |
| Javier De Benito ¹ | Independent Director |

1. *Chian Yew Ah Teck and Javier De Benito were appointed as Corporate Governance Committee members on 16 March 2016.*

For the year under review the Corporate Governance Committee met once on 15 March 2016 and all members were present.

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13. Internal audit

Consultant PwC is the Company's internal auditor, and its function covers the examination and evaluation of the adequacy and effectiveness of the Company's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities.

The appointment of the internal auditor is effected by the Board, upon the recommendation of the Audit & Risk Committee, which oversees the internal audit function.

The internal auditor's reporting line is to the Chairman of the Audit & Risk Committee, on internal audits carried out according to an audit plan, which is prepared by it in collaboration with Management, and duly approved by the Board upon recommendation of the Audit & Risk Committee. The Audit & Risk Committee ensures that that all significant areas of the Company's activities and business operations are duly covered.

The reports of the internal auditor are submitted to the Chairman of the Audit & Risk Committee, with copy to the Company Secretary, who will distribute such reports to all members of the Audit & Risk Committee, Management and Board members, upon request of the Chairman of the Committee.

14. Code of conduct

The Company has no Code of Conduct, but being part of the Gamma Group of companies, the Board has no objection to apply the Code of Conduct, which is part of the Gamma Charter.

The Code of Conduct is based on the fundamental belief that business should be conducted in all honesty, fairness and legally. This commitment is endorsed by the Board and all employees, sharing the commitment to high moral, ethical and legal standards.

15. Safety, health and environment policies

The activities of Kolos Cement Ltd carry inherent risks for its personnel, its customers, the public at large and the environment. Effective control and monitoring of the Health, Safety, Environment and Quality (HSEQ) aspects of its operations is of strategic importance for Kolos.

The Company has developed and implemented social, safety, health and environmental policies and practices that in all material respects comply with existing legislative and regulatory frameworks.

The Company carries out regular risk assessments to ensure that the production units are equipped in a manner to minimize damage to the environment and its neighborhood. Regular training sessions, both in-house and outsourced, are also provided to ensure that health and safety cultures prevail within the Company and to inform employees of their importance in their workplace.

The Company plans and operates its day-to-day business activities in such a way as to be in line with green, environmentally-friendly and energy-saving principles, paying special attention to the regular maintenance and optimal use of its fleet of vehicles to minimize carbon emissions.

16. Directors' Remuneration and Benefits

| | 2016 | 2015 |
|---------------------------------|------------------|-----------|
| Directors of the Company | Rs | Rs |
| - Executive | 5,975,318 | 7,931,446 |
| - Non-executive | 7,414,300 | - |

KOLOS CEMENT LTD
THE CORPORATE GOVERNANCE REPORT
(INCLUDING STATUTORY DISCLOSURES PURSUANT TO SECTION 221 OF THE COMPANIES ACT 2001)

17. Directors' share interest

None of the Directors have any share interest in the Company.

18. Directors service contracts

None of the Directors have any service contracts with the Company.

19. Dividend policy

The Company declares dividends only if there are available statutory distributable reserves. Dividend pay-out should be at least 75% of the net income. In practice, Kolos Cement Ltd shall aim to pay 100% of net income, on the assumption that it meets the solvency test.

Dividends are usually paid in May (Final) and October (Interim) of every year.

20. Shareholders' agreement

The Company has no Shareholders' Agreement in place.

21. Share option plan

There is no share option plan in place.

22. Auditors' remuneration

Ernst & Young was appointed as Joint Statutory Auditor along with KPMG on 07 October 2016.

The auditors' remuneration paid during the year 2016 was as follows:

| | 2016 | 2015 |
|--|-------------|-------------|
| | Rs | Rs |
| Fees for audit services | 568,000 | 378,000 |
| Fees for non-audit services - Taxation | 35,000 | 30,000 |

23. Related party transactions

Details of related party transactions are set out in Note 21 of the Financial Statements of the Company.

24. Interest register

The Company has an Interest Register and for the year under review there is no entry recorded in the Register.

25. Contracts of significance

The Company has no contracts of significance with either a Director or a controlling shareholder.

26. Statement of remuneration philosophy

The Company's long term philosophy is to attract and retain leaders who are focused and encouraged to deliver business priorities within a framework that is aligned with the interest of the Company.

KOLOS CEMENT LTD
THE CORPORATE GOVERNANCE REPORT
(INCLUDING STATUTORY DISCLOSURES PURSUANT TO SECTION 221 OF THE COMPANIES ACT 2001)

27. Risk management

For the year under review, following its business risk management exercise, potential risks which the Company may encounter and its mitigating measures, have laid out. The potential risks are:

- Financial;
- Business interruption;
- Reputational;
- Legal & regulatory;
- Human resource; and
- Strategic.

The Audit & Risk Committee, duly mandated by the Board of Directors, ensures that Management works on appropriate mitigating measures to address all the potential risks identified, and it monitors the implementation of the mitigating measures. This is done through the quarterly Committee meetings, which the Committee would follow the evolution of the Company's Risk Heat Map, which in turn are reported to the Board at the quarterly statutory Board meetings.

Further the Company has in place a Risk Management Framework based on the following principles:

- There is a clearly defined approach for risk management setting out its strategy and objectives and the approaches and processes that the Company adopts to achieve them;
- There is a clearly defined process to identify, assess and mitigate the significant risks to the achievement of business objectives; and
- There is an on-going process to monitor the risk profile and identifying and responding to significant issues and events.

The Risk Management report is reviewed by the Audit & Risk Committee and subsequently a report is presented to the Board.

The key risks identified for the Company are outlined in Note 21 of the Financial Statements.

For the non- financial risks, the Audit and Risk Committee also ensures that Management assesses the non- financial risks and that appropriate mitigating measures are in place to address such risks.

28. Corporate Social Responsibility ("CSR")

As a responsible citizen, the Company remains committed to CSR and it has its CSR program, namely BatirAgir.

29. Donations

For the year 2016, the Company contributed Rs 2,365,920 as donations, including Corporate Social Responsibility (CSR).

KOLOS CEMENT LTD
THE CORPORATE GOVERNANCE REPORT
(INCLUDING STATUTORY DISCLOSURES PURSUANT TO SECTION 221 OF THE COMPANIES ACT 2001)

30. Statement of Directors' Responsibilities

As per the requirement of The Companies Act 2001, the Directors ensures that the financial statements for each financial year, are prepared and presented in a fair manner the financial position and financial performance of the Company. In preparing those financial statements, the Directors ensure that:

- a. A suitable selection of accounting policies is carried out and that the selection is applied consistently;
- b. Judgments and estimates made are reasonable and prudent;
- c. It is clearly stated as to whether the International Financial Reporting Standards (IFRS) have been followed and complied with, subject to any material departures disclosed and explained in the financial statements;
- d. Proper accounting records which disclose with reasonable internal accuracy at any time the financial position of the Company, are kept;
- e. The assets of the Company is safeguarded by maintaining internal accounting and administrative control systems and procedures, and risk management;
- f. Reasonable steps are taken for the prevention of fraud and other irregularities; and
- g. The financial statements are prepared on the going concern basis, unless it is not appropriate to presume that the Company will continue in business.

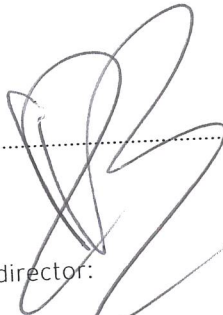
The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2001, Financial Reporting Act 2004 and International Financial Reporting Standards. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board acknowledges that the responsibility of the external auditors is to report on these financial statements.

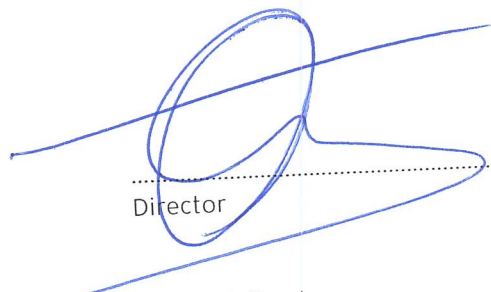
On behalf of the Board

.....
Director
Name of director:



Date: 21 MAR 2017

.....
Director
Name of director:



STATEMENT OF COMPLIANCE
(SECTION 75(3) OF THE FINANCIAL REPORTING ACT)

NAME OF PIE: Kolos Cement Ltd

REPORTING PERIOD: Financial Year 2016

We, the Directors of Kolos Cement Ltd, confirm that to the best of our knowledge that Kolos Cement Ltd has not complied with the hereunder sections of the Code, and reasons for the non-compliance are given hereunder:

- Section 2.2 - Composition of the Board - The Board considers that the presence of one executive director is appropriate and is in line with the Company's operations. The Directors bring a wide range of experience and skills to the Board and ensure that their other responsibilities do not interfere with their responsibilities as Directors of the Company.
- Section 2.8.2 - Remuneration of Directors - Due to confidentiality of the information, no detailed breakdown of remuneration by directors is given in the Corporate Governance Report.
- Section 3.9.1- The Audit and Risk Committee- Though the Audit and Risk Committee is not chaired by an Independent Non-Executive Director, the Board is satisfied with the skill, experience and independence of mind of the Audit and Risk Committee members, and that the members fulfill their assignment of assisting the Board and its Directors in discharging their duties through a more comprehensive evaluation of specific issues, followed by well-considered recommendations to the Board.
- Section 3.9.2- The Corporate Governance Committee- Though the Corporate Governance Committee is not chaired by an Independent Non-Executive Director, the Board is satisfied with the skill, experience and independence of mind of the Corporate Governance Committee members, and that the members fulfill their assignment of assisting the Board and its Directors in discharging their duties through a more comprehensive evaluation of specific issues, followed by well-considered recommendations to the Board.

SIGNED:



CHAIRMAN

Name of Chairman:



DIRECTOR

Name of director:

Date: 21 MAR 2017

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KOLOS CEMENT LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kolos Cement Ltd (the "Company") which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, set out on pages 17 to 57.

In our opinion, the financial statements give a true and fair view of, the financial position of Kolos Cement Ltd as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001 and the Financial Reporting Act 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Secretary's Certificate and the Corporate Governance Report as required by the Companies Act 2001, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001 and the Financial Reporting Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOLOS CEMENT LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

This report is made solely for the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KOLOS CEMENT LTD (CONTINUED)

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacity as auditors, tax advisors and dealings in the ordinary course of business.

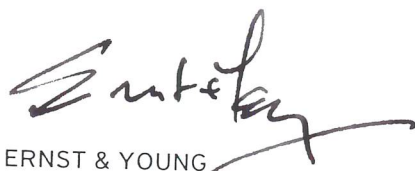
We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the annual report and whether the disclosure is consistent with the requirement of the Code.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.



ERNST & YOUNG
Ebène, Mauritius



ANDRE LAI WAN LOONG, A.C.A.
Licensed by FRC

Date: 21 MAR 2017



KPMG
Ebène, Mauritius



DESIRE LAN, BSC FCA
Licensed by FRC

Date: 21 MAR 2017

KOLOS CEMENT LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

| | Notes | 2016 | 2015 |
|---|-------|----------------------|---------------|
| | | Rs | Rs |
| Revenue | 4 | 931,455,960 | 903,260,470 |
| Cost of sales | | (634,309,041) | (655,998,122) |
| Gross profit | | 297,146,919 | 247,262,348 |
| Other operating expenses | 5.1 | (115,753,641) | (133,709,479) |
| Selling and distribution expenses | 5.2 | (31,753,144) | (32,226,198) |
| Administrative expenses | 5.3 | (93,649,792) | (71,585,511) |
| Other income | 6 | 30,357,644 | 117,130,580 |
| Operating profit | | 86,347,986 | 126,871,740 |
| Finance income | | 9,309,180 | 28,081 |
| Finance costs | | (6,785,940) | (4,169,015) |
| Net finance income/(costs) | 7 | 2,523,240 | (4,140,934) |
| Profit before tax | | 88,871,226 | 122,730,806 |
| Income tax expense | 8 (a) | (16,693,833) | (24,421,894) |
| Profit for the year | | 72,177,393 | 98,308,912 |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent period</i> | | | |
| Gain on revaluation of buildings | | 101,249,847 | - |
| Deferred tax remeasurement of gain on revaluation of buildings | 18 | (17,212,473) | - |
| Remeasurement actuarial gain on retirement contribution obligation | | 197,035 | 24,965 |
| Deferred tax remeasurement of gain on retirement contribution obligation | 18 | (33,496) | (3,745) |
| Other comprehensive income for the year, net of tax | | 84,200,913 | 21,220 |
| Total comprehensive income for the year | | 156,378,306 | 98,330,132 |

The notes on pages 21 to 57 form part of these financial statements.

KOLOS CEMENT LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

| | Notes | 2016 Rs | 2015 Rs |
|-------------------------------------|-------|---------------------------|---------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9(a) | 481,824,430 | 386,753,015 |
| Intangible assets | 9(b) | 15,801,813 | - |
| Investment in subsidiary | 10 | 1,000 | 1,000 |
| | | <u>497,627,243</u> | <u>386,754,015</u> |
| Current assets | | | |
| Inventories | 11 | 121,360,717 | 123,507,159 |
| Trade and other receivables | 12 | 56,410,102 | 59,261,951 |
| Current tax assets | 8(b) | - | 2,059,775 |
| Cash in hand and at bank | 13 | 5,521,304 | 15,265,824 |
| | | <u>183,292,123</u> | <u>200,094,709</u> |
| Total assets | | <u><u>680,919,366</u></u> | <u><u>586,848,724</u></u> |
| EQUITY AND LIABILITIES | | | |
| Stated capital | | | |
| Stated capital | 14 | 270,000,000 | 270,000,000 |
| Revaluation reserve | 15 | 84,037,374 | - |
| Retained earnings | | 86,536,759 | 87,635,827 |
| Total equity | | <u>440,574,133</u> | <u>357,635,827</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Retirement benefit obligation | 17 | 2,124,291 | 1,894,230 |
| Deferred tax liabilities | 18 | 42,757,402 | 22,796,351 |
| | | <u>44,881,693</u> | <u>24,690,581</u> |
| Current liabilities | | | |
| Bank overdraft | 13 | 71,249,335 | 127,765,227 |
| Short term loan | 16 | 70,000,000 | - |
| Trade and other payables | 19 | 53,497,894 | 76,757,089 |
| Current tax liabilities | 8(b) | 716,311 | - |
| | | <u>195,463,540</u> | <u>204,522,316</u> |
| Total liabilities | | <u>240,345,233</u> | <u>229,212,897</u> |
| Total equity and liabilities | | <u><u>680,919,366</u></u> | <u><u>586,848,724</u></u> |

Approved by the Board of directors on 21 MAR 2017 and signed on its behalf by:

.....
Director

.....
Director

The notes on pages 21 to 57 form part of these financial statements.

KOLOS CEMENT LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

| | Stated capital | Revaluation reserve | Retained earnings | Total |
|---|--------------------|------------------------|----------------------|--------------------|
| | Rs | Rs | Rs | Rs |
| At 1 January 2015 | 270,000,000 | - | 227,445,695 | 497,445,695 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | - | 98,308,912 | 98,330,132 |
| Other comprehensive income for the year | - | - | 21,220 | - |
| Total comprehensive income for the year net of tax | 270,000,000 | - | 325,775,827 | 595,775,827 |
| Transaction with owners of the Company recognised directly in equity | | | | |
| <i>Distributions to owners of the Company</i> | | | | |
| Dividends (note 14) | - | - | (238,140,000) | (238,140,000) |
| Balance at 31 December 2015 | 270,000,000 | - | 87,635,827 | 357,635,827 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | - | 72,177,393 | 72,177,393 |
| Other comprehensive income for the year | - | 84,037,374 | 163,539 | 84,200,913 |
| Total comprehensive income for the year net of tax | - | 84,037,374 | 72,340,932 | 156,378,306 |
| Transaction with owners of the Company recognised directly in equity | | | | |
| <i>Distributions to owners of the Company</i> | | | | |
| Dividends (note 14) | - | - | (73,440,000) | (73,440,000) |
| Balance at 31 December 2016 | 270,000,000 | 84,037,374 | 86,536,759 | 440,574,133 |

The notes on pages 21 to 57 form part of these financial statements.

KOLOS CEMENT LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|---------------|
| | Rs | Rs |
| Cash flows from operating activities | | |
| Profit before tax | 88,871,226 | 122,730,806 |
| Adjustments for:- | | |
| Depreciation | 27,828,088 | 27,380,129 |
| Gain on sale of scrapped spare parts | - | (2,244,200) |
| Finance cost | 6,785,940 | 3,760,288 |
| Finance income | (93,805) | (33,182) |
| Movement in employee benefits | 427,096 | 384,595 |
| | 123,818,545 | 151,978,436 |
| Changes in: | | |
| Decrease/(increase) in inventories | 2,146,442 | (18,373,629) |
| Decrease in trade and other receivables | 2,851,849 | 71,040,672 |
| (Decrease)/increase in trade and other payables | (23,259,195) | 3,388,134 |
| | 105,557,641 | 208,033,613 |
| Interest paid | (6,785,940) | (3,760,288) |
| Interest received | 93,805 | 28,081 |
| Income Tax paid | (11,202,665) | (38,772,870) |
| Net cash generated from operating activities | 87,662,841 | 165,528,536 |
| Cash flows from investing activities | | |
| Purchase of investment in subsidiary | - | (1,000) |
| Purchase of property, plant and equipment | (21,649,656) | (16,493,680) |
| Purchase of intangible assets | (15,801,813) | - |
| Proceeds from sale of scrapped spare parts | - | 2,244,200 |
| Net cash used in investing activities | (37,451,469) | (14,250,480) |
| Cash flows from financing activities | | |
| Dividend paid | (73,440,000) | (238,140,000) |
| Short term loan | 70,000,000 | - |
| Net cash used in financing activities | (3,440,000) | (238,140,000) |
| Net movement in cash and cash equivalents | 46,771,372 | (86,861,944) |
| Cash and cash equivalents at 1 January | (112,499,403) | (25,637,459) |
| Cash and cash equivalents at 31 December (note 13) | (65,728,031) | (112,499,403) |

The notes on pages 21 to 57 form part of these financial statements.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. REPORTING ENTITY

Kolos Cement Ltd (the "Company") is a private company with limited liability incorporated on 22 October 1996 and domiciled in Mauritius. The address of the registered office is Mer Rouge, Port Louis. The principal activities of the Company are the unloading, storing, bagging and distribution of cement and other products.

2. BASIS OF PREPARATION

(a) Basis of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and in compliance with the requirements of the Companies Act 2001 and the Financial Reporting Act 2004.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except that buildings are measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in Mauritian rupees (Rs) which is the Company's functional currency. All amounts have been rounded to the nearest Rs, unless otherwise indicated.

(d) Use of estimates and judgements

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

At 31 December 2016, the Company had net current liabilities of Rs 12.2m (2015: Rs 4.4m). The directors consider that there is no going concern issue given that the Company generates free operating cash flow from its operating activities to cover any short term obligations. Therefore, the financial statements continue to be prepared on the going concern basis.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (Continued)

Determination of quantity of cement

The Company has a unique cement storing facilities which are sheds. Unlike vertical silos where there are level detectors where quantity can be reliably measured, sheds do not have such facilities. The Company instead uses a volumetric measurement to estimate the quantity of cement in its sheds. This involves an element of judgement to cater for the absence of level detectors. Even if this methodology has proven to be reliable, there is a margin of error which is considered as tolerable.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Revaluation of buildings

The Company measures buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Company's buildings has been valued based on the valuation carried out by an independent Valuer, not related to the Company, based on depreciated replacement cost approach. Further details in respect of the freehold land and buildings are contained in Note 9(a).

Allowance for doubtful debts on trade receivables

Allowance for doubtful debts is determined using a combination of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customers' financial strength and collateral requirements from customers in certain circumstances. Management makes allowance for doubtful debts based on its best estimates at the reporting date. Also, specific provisions for individual accounts are recorded when the Company becomes aware of the customer's inability to meet its financial obligation such as in the case of deterioration in the customers operating results or financial position. Refer to note 12.

Allowance for slow moving stock

An allowance for slow moving spare parts is determined using a combination of factors including the overall quality and ageing of the stocks.

(e) Changes in accounting policy

The Company has applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes for accounting standards and interpretations relevant to the Company's operations are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. BASIS OF PREPARATION (CONTINUED)

(e) Changes in accounting policy (Continued)

Annual Improvements 2012-2014 Cycle

These improvements include:

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively. The amendment did not have any impact on the financial performance of the Company.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and OCI.

These amendments do not have any major impact on the Company.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either at cost, in accordance with IFRS 9 (or IAS 39), or using the equity method. The entity must apply the same accounting for each category of investment.

A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

The amendments must be applied retrospectively. The amendments do not have any major impact on the Company.

KOLOS CEMENT LTD
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2. BASIS OF PREPARATION (CONTINUED)

(e) Changes in accounting policy (Continued)

The following standards are effective for annual periods beginning on or after 1 January 2016 but are not relevant to the Company's operations:

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11

IFRS 14 Regulatory Deferral Accounts

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38

IAS 16 and IAS 41 Agriculture - Bearer Plants - Amendments to IAS 16 and IAS 41

Annual Improvements 2012-2014 Cycle - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

Annual Improvements 2012-2014 Cycle - IFRS 7 Financial Instruments: Disclosures - Servicing contracts

Annual Improvements 2012-2014 Cycle - IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

Annual Improvements 2012-2014 Cycle - IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

3. SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements except for those explained in note 2(e).

(a) Foreign currency transactions

Transactions denominated in foreign currencies are translated into the respective functional currency of the company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Revenue recognition

Revenue represents sale of products, classified as bulk and bag, net of trade discounts, value added tax, returns and allowances and is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Finance income and costs

Finance income comprises interest income and foreign exchange gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense and foreign exchange losses. Interest expense is recognised as it accrues, using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(d) Other income

Other income is on account of services rendered to a third party under a contractual agreement whereby the Company receives a fee income on unloading of its cement. Other income is recognised on an accrual basis upon unloading of cement services are rendered to the third party.

(e) Taxation

(i) Current tax

Current tax income assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws, used to compute the amount, are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in subsidiary company where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Taxation (Continued)

(ii) Deferred tax (Continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiary companies and associated companies, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

- where the deferred income tax asset relating to the deductible temporary difference arises

(iii) Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(iv) Value Added Tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of accounts receivables or payables in the statement of financial position.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Taxation (Continued)

(v) Corporate Social Responsibility (CSR)

In line with the definition within the Income Tax Act 1995, Corporate Social Responsibility (CSR) is regarded as a tax and is therefore subsumed with the income tax recognised in the profit or loss and the income tax liability on the statement of financial position.

The CSR charge for the current year is measured at the amount expected to be paid to the Mauritian tax authorities. The CSR rate and laws used to compute the amount are those charged or substantively enacted by the reporting date.

(f) Investment in subsidiary

Subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiary company is carried at cost which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Where there has been a permanent diminution in the value of an investment it is recognised as an expense in the period in which the diminution is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of profit or loss and other comprehensive income.

The Company owns 100% of the share capital of Kolos Building Materials Ltd, a Company incorporated in Mauritius and has taken advantage of paragraph 4 of International Financial Reporting Standards ("IFRS") 10, Consolidated Financial Statements, which dispenses it from the need to present consolidated financial statements, as its ultimate holding company Gamma Civic Ltd prepares consolidated financial statements under IFRS. Gamma Civic Ltd is a public limited company incorporated in Mauritius and is listed on the stock exchange of Mauritius. Its registered office is situated at Royal Road, Chapman Hill, Beau Bassin, Mauritius.

(g) Property, plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. All other repair and maintenance costs are recognised in profit or loss as incurred.

Buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Following initial recognition at cost, buildings are revalued every year.

Any revaluation surplus is recognised in other comprehensive income and accumulated in the revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

On 28 July 2016, through a board resolution, the Company has changed its accounting policy for buildings from the cost model to the revaluation model.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (Continued)

Consequently, during the year, buildings has been fair valued and the change of accounting policy applied prospectively as per the requirements of IAS 8.

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date or when events or changes in circumstances indicate that the carrying value may not be recoverable. A revaluation surplus is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Depreciation is calculated on the straight-line basis per annual depreciation rates as follows:

| | |
|------------------------|--------------------------|
| Buildings | Between 2.86% to 10% |
| Plant and machinery | Between 2.86% to 33 1/3% |
| Furniture and fittings | 20% |
| Motor vehicles | Between 10% to 20% |
| Computer equipment | 33 1/3% |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end, and adjusted prospectively if appropriate.

No depreciation is provided on plant and equipment in progress.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. In general, cost is determined on a weighted average basis. The cost of inventories comprises all costs of purchase, costs of conversion and other costs, including a proportion of relevant overheads, incurred in bringing them to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Where necessary a write off is made for obsolete bags and spare parts.

(i) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even of that right is not explicitly specified in the arrangement.

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

Lessee

Lease payments under operating leases, which include leases of land where title is not expected to pass to the lessee by the end of the lease term, are recognised as an expense in the Statements of Profit or Loss and Other Comprehensive Income on a straight line basis over the lease term.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

No amortisation is provided on intangible assets in progress.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Computer Software

Computer software that is not considered to form an integral part of any hardware equipment is recorded as intangible assets. The software is capitalised at cost and amortised over its estimated useful life. The principal annual rate used for the purpose is 20%.

(k) Financial instruments

(i) Financial assets

Initial recognition

Financial assets are classified at initial recognition as financial assets as loans and receivables held-to-maturity investments or available for sale financial assets as appropriate. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Financial assets are recognised initially at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way purchases) are recognised on the trade date, i.e., the date the Company commits to purchase or sell the asset.

The Company's financial assets include cash in hand and at bank, trade and other receivables and amount due from related parties.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

Subsequent measurement (Continued)

The subsequent measurement of financial assets depends on their classifications as follows:

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in profit or loss. The losses arising from impairment are recognised in profit or loss.

Impairment

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment (Continued)

Financial assets carried at amortised cost (Continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(ii) Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of borrowings, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, short term loan, bank overdraft and amount due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortisation is included in profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (Continued)

(iv) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor is transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(l) Fair value measurement

The Company measures its financial instruments, such as derivatives, and non-financial assets such as Buildings, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Fair value measurement (Continued)

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable data.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as unquoted available-for-sale financial assets, and for non-recurring measurement, such as assets held for sale.

Financial assets that are unquoted are fair valued by management at least annually at the reporting date. The use of external valuers is decided by the management when the situation dictates it, taking into consideration the relevant factors.

Involvement of external valuers for the valuation of its buildings is decided upon by management after discussion with and approval of the audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Fair value measurement (Continued)

Management, in conjunction with the Company's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(m) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

(n) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount of the cash generating unit. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits

The Company currently maintains a defined contribution plan and defined benefit plan for its employees.

Defined Contribution plans

The Company maintains a defined contribution plan for its employees. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Gratuity on retirement

The Company is required under the Employment Rights Act 2008 (the "ERA") to make a statutory gratuity payment to employees retiring after continuous employment with the Company for a period of 12 months or more. The employee needs to have reached retirement age as prescribed by the ERA to be eligible for the gratuity payment.

The Company calculates its net obligations in respect of defined benefit pension plans arising from the ERA for employees by estimating the amount of future benefit that its employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the end of the reporting period. The net present value of gratuity on retirement payable under the ERA is calculated by a qualified actuary (Feber Associates) using the projected unit credit method on a yearly basis. The obligations arising under this item are not funded.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Any actuarial gain and loss that arises is recognised immediately in statement of profit or loss and other comprehensive income.

The Company is eligible to deduct employer's share of contributions from the above defined contribution plans maintained by the Company to the extent as prescribed by the ERA, which may or may not leave a residual liability to be provided for in the financial statements. The obligations arising under this item are not funded.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

State pension plan

Contributions to the National Pension Scheme are expensed to profit or loss in the period in which they fall due.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Dividends

The Company recognises a liability to make distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the Board of Directors. A corresponding amount is recognised directly in equity.

(q) Provisions

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

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

(r) Cash and Cash Equivalents

For the statement of cash flows, cash & cash equivalents comprise of cash at bank and on hand net of bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(s) New and revised Standards and Interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

| | | Effective for accounting period beginning on or after |
|---------|--|--|
| IFRS 9 | Classification and measurement of financial assets, Accounting for financial liabilities and derecognition | 1 January 2018 |
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 16 | Leases | 1 January 2019 |
| IAS 7 | Amendments regarding disclosure initiative | 1 January 2017 |
| IAS 12 | Amendments regarding the recognition of deferred tax assets for unrealised losses | 1 January 2017 |

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date but does not expect significant impact on its balance sheet and equity.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New and revised Standards and Interpretations issued but not yet effective (Continued)

IFRS 9 Financial Instruments

Classification and measurement

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Company expects that these will continue to be measured at amortised cost under IFRS 9. However, the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables but it will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Company plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Company is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) *New and revised Standards and Interpretations issued but not yet effective (Continued)*

IFRS 16 Leases (Continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Company plans to assess the potential effect of IFRS 16 on its financial statements.

IAS 7 Disclosure Initiative - Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact.

The Directors anticipate that these standards will be applied on their effective dates in future periods but will have no impact on the financial performance of the Company.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4. REVENUE

| | <u>2016</u> | <u>2015</u> |
|------------------------|---------------------------|---------------------------|
| | Rs | Rs |
| Sale of cement in bulk | 268,051,300 | 274,338,714 |
| Sale of cement in bags | 663,404,660 | 628,921,756 |
| | <u>931,455,960</u> | <u>903,260,470</u> |

5. EXPENSES

5.1 Other operating expenses

Other operating expenses include the following:

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------|
| | Rs | Rs |
| Salaries, wages and allowances* (Note 5.4) | 20,981,121 | 20,195,208 |
| Fuel & oil | 9,912,671 | 24,632,985 |
| Spare parts | 20,881,535 | 20,519,498 |
| Provision for stock obsolescence | 4,900,498 | 4,147,266 |
| Depreciation | 27,157,881 | 26,800,081 |

5.2 Selling and distribution expenses

Selling and distribution expenses include the following:

| | <u>2016</u> | <u>2015</u> |
|--|--------------------|-------------|
| | Rs | Rs |
| Salaries, wages and allowances* (Note 5.4) | 8,617,328 | 6,004,931 |
| Transport charges | 9,788,741 | 9,416,892 |
| Provision for doubtful debts | (2,650,137) | 4,840,255 |

5.3 Administrative expenses

Administrative expenses include the following:

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------|
| | Rs | Rs |
| Salaries, wages and allowances* (Note 5.4) | 18,244,199 | 15,953,254 |
| Management fees | 36,941,192 | 17,924,877 |
| Branding fees | 8,932,456 | 16,335,878 |
| Depreciation | 670,207 | 580,048 |

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

5. **EXPENSES (CONTINUED)**

5.4 *Analysis of salaries, wages and allowances*

| | <u>2016</u> | <u>2015</u> |
|-----------------------------|-------------------|-------------------|
| | Rs | Rs |
| Wages, salaries and bonuses | 41,915,692 | 35,672,086 |
| Social security | 2,808,140 | 3,891,520 |
| Pension costs | 3,118,816 | 2,589,787 |
| | <u>47,842,648</u> | <u>42,153,393</u> |

*

* Salaries, wages and allowances are allocated to either other operating expenses, selling and distribution expenses or administrative expenses on the basis of the nature of work being performed by the employees.

6. **OTHER INCOME**

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|-------------------|--------------------|
| | Rs | Rs |
| Hiring of unloading equipment | <u>30,357,644</u> | <u>117,130,580</u> |

7. **Net finance income/ (costs)**

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------|------------------|--------------------|
| | Rs | Rs |
| Interest income | 93,805 | 28,081 |
| Net foreign exchange gains | 9,215,375 | - |
| | ----- | ----- |
| Finance income | 9,309,180 | 28,081 |
| | ----- | ----- |
| Interest on bank overdrafts | (6,785,940) | (3,760,288) |
| Net foreign exchange losses | - | (408,727) |
| | ----- | ----- |
| Finance costs | (6,785,940) | (4,169,015) |
| | ----- | ----- |
| Net finance income/(costs) | <u>2,523,240</u> | <u>(4,140,934)</u> |

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

8. Income tax expense

The Company is liable to income tax at the rate of 15% (2015 - 15 %).

| | 2016 Rs | 2015 Rs |
|--|-------------------|-------------------|
| <i>In the statement of profit or loss:</i> | | |
| Corporate social responsibility | 2,365,919 | 4,544,738 |
| Income tax on the adjusted profit for the year | 12,190,378 | 18,321,926 |
| Overprovision in previous year | (577,546) | - |
| Deferred tax charge | 2,715,082 | 1,555,230 |
| | <u>16,693,833</u> | <u>24,421,894</u> |

Reconciliation of effective tax rate

| | | |
|----------------------------------|-------------------|--------------------|
| Profit before taxation | <u>88,871,226</u> | <u>122,730,806</u> |
| Income tax at 15% | 13,330,684 | 18,412,804 |
| Non-deductible expenses | 4,826,393 | 6,007,240 |
| Exempt income | (5,966,699) | (6,098,118) |
| Over provision in previous years | (577,546) | - |
| | <u>11,612,832</u> | <u>18,321,926</u> |

Income tax liability

| | 2016 Rs | 2015 Rs |
|----------------------|----------------|--------------------|
| At 01 January | (2,059,775) | 13,846,431 |
| Charge for the year | 13,978,751 | 22,866,664 |
| Paid during the year | (11,202,665) | (38,772,870) |
| | <u>716,311</u> | <u>(2,059,775)</u> |

KOLOS CEMENT LTD**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016**9 (a). **Property, plant and equipment**

| | Work in progress ----- Rs | Buildings ----- Rs | Plant and machinery ----- Rs | Motor vehicles ----- Rs | Furniture and fittings ----- Rs | Computer equipment ----- Rs | Total ----- Rs |
|--|---------------------------------|--------------------------|---------------------------------------|----------------------------------|--|--------------------------------------|----------------------|
| <u>Cost</u> | | | | | | | |
| At 1 January 2015 | 14,569,895 | 318,768,964 | 383,763,611 | 11,894,189 | 4,097,323 | 1,380,500 | 734,474,482 |
| Additions | 16,493,680 | - | - | - | - | - | 16,493,680 |
| Transfer | (16,231,388) | 1,516,316 | 14,136,375 | - | - | 578,697 | - |
| At 31 December 2015 | 14,832,187 | 320,285,280 | 397,899,986 | 11,894,189 | 4,097,323 | 1,959,197 | 750,968,162 |
| At 1 January 2016 | 14,832,187 | 320,285,280 | 397,899,986 | 11,894,189 | 4,097,323 | 1,959,197 | 750,968,162 |
| Additions | 21,649,656 | - | - | - | - | - | 21,649,656 |
| Transfer | (13,010,923) | 895,401 | 12,115,522 | - | - | - | - |
| Revaluation | - | (12,180,681) | - | - | - | - | (12,180,681) |
| At 31 December 2016 | 23,470,920 | 309,000,000 | 410,015,508 | 11,894,189 | 4,097,323 | 1,959,197 | 760,437,137 |
| <u>Accumulated Depreciation</u> | | | | | | | |
| At 1 January 2015 | - | 93,985,364 | 230,359,277 | 7,012,554 | 4,097,323 | 1,380,500 | 336,835,018 |
| Charge for the year | - | 9,634,728 | 16,682,505 | 1,014,671 | - | 48,225 | 27,380,129 |
| At 31 December 2015 | - | 103,620,092 | 247,041,782 | 8,027,225 | 4,097,323 | 1,428,725 | 364,215,147 |
| At 1 January 2016 | - | 103,620,092 | 247,041,782 | 8,027,225 | 4,097,323 | 1,428,725 | 364,215,147 |
| Charge for the year | - | 9,810,436 | 16,806,913 | 1,066,065 | - | 144,674 | 27,828,088 |
| Revaluation | - | (113,430,528) | - | - | - | - | (113,430,528) |
| At 31 December 2016 | - | - | 263,848,695 | 9,093,290 | 4,097,323 | 1,573,399 | 278,612,707 |
| <u>Carrying amount</u> | | | | | | | |
| At 31 December 2015 | 14,832,187 | 216,665,188 | 150,858,204 | 3,866,964 | - | 530,472 | 386,753,015 |
| At 31 December 2016 | 23,470,920 | 309,000,000 | 146,166,813 | 2,800,899 | - | 385,798 | 481,824,430 |

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

9 (a). Property, plant and equipment (continued)

Buildings of the Company were revalued as at 31 December 2016 by Broll Indian Ocean Limited, an independent valuer, not related to the Company, based on the market values. Broll Indian Ocean Limited is a member of the Royal Institute of Chartered Surveyors, and they have appropriate qualifications and recent experience in the valuation of freehold land and buildings in the relevant locations. The basis of valuation in estimating the market values have been effected in accordance with the principles set out by the International Valuation Standards Committee as per the International Valuation Application 1 (IVA 1) which deals with valuation for financial reporting and which is to be used in the context of International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

The fair value of buildings was determined using the depreciated replacement cost approach, which reflects the value by computing the current cost of replacing a property and subtracting any depreciation resulting from one or more of the following factors: physical deterioration, functional obsolescence and external (economic) obsolescence. The significant inputs include the estimated construction costs and other ancillary expenditure and depreciation factor applied to the estimated construction cost. A slight increase in the depreciation factor would result in a significant decrease in the fair value of the buildings and vice versa.

There were no transfers between the levels during the year.

Fair value hierarchy

Details of the Company's buildings and information about the fair value hierarchy is classified under level 3 as at December 2016.

| | |
|---|---------------------------|
| Reconciliation of carrying amount | 2016 |
| | Rs |
| Carrying amount as at 1 January 2016 | 216,665,188 |
| Additions for the year | 895,401 |
| Depreciation for the year | <u>(9,810,436)</u> |
| | 207,750,153 |
| Revaluation gain as at 31 December 2016 | <u>101,249,847</u> |
| Carrying amount and fair value as at 31 December 2016 | <u><u>309,000,000</u></u> |

The buildings categorised into Level 3 of the fair value hierarchy, the following information is relevant:

| | Valuation Techniques | Significant unobservable inputs | Sensitivity |
|-----------|------------------------------|---------------------------------|-------------|
| Buildings | Depreciated replacement cost | | |

Had the land and buildings owned by the Company been measured on a historical basis, their carrying value would have been as follows:

| | | |
|-----------|---------------------------|--------------------|
| | 2016 | 2015 |
| | Rs | Rs |
| Buildings | <u><u>207,750,153</u></u> | <u>216,665,188</u> |

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

9 (b). Intangible assets

| | *Work in progress Rs | Computer software Rs | Total Rs |
|----------------------------|----------------------------|-------------------------|-------------------|
| Cost | | | |
| At 1 January 2015 | - | 1,019,855 | 1,019,855 |
| Additions | - | - | - |
| | ----- | ----- | ----- |
| At 31 December 2015 | - | 1,019,855 | 1,019,855 |
| | ----- | ----- | ----- |
| At 1 January 2016 | - | 1,019,855 | 1,019,855 |
| Additions | 15,801,813 | - | 15,801,813 |
| | ----- | ----- | ----- |
| At 31 December 2016 | 15,801,813 | 1,019,855 | 16,821,668 |
| Amortisation | | | |
| At 1 January 2015 | - | 1,019,855 | 1,019,855 |
| Charge for the year | - | - | - |
| | ----- | ----- | ----- |
| At 31 December 2015 | - | 1,019,855 | 1,019,855 |
| | ----- | ----- | ----- |
| At 1 January 2016 | - | 1,019,855 | 1,019,855 |
| Charge for the year | - | - | - |
| | ----- | ----- | ----- |
| At 31 December 2016 | - | 1,019,855 | 1,019,855 |
| Carrying amount | | | |
| At 31 December 2015 | - | - | - |
| | ----- | ----- | ----- |
| At 31 December 2016 | 15,801,813 | - | 15,801,813 |

*Work in progress relates to the implementation of a new computer software by the Company which was not yet available for use as at year end.

10. Investment in subsidiary

| | 2016 Rs | 2015 Rs |
|----------------|--------------|--------------|
| <i>At cost</i> | | |
| January | 1,000 | - |
| Additions | - | 1,000 |
| | ----- | ----- |
| At 31 December | 1,000 | 1,000 |

| Name of company | Class of shares | % holding | No. of shares | Country of incorporation |
|------------------------------|--------------------|-----------|---------------|--------------------------|
| Kolos Building Materials Ltd | Ordinary | 100 | 1,000 | Mauritius |

The principal activity of the subsidiary is the retail sale of hardware stores, that is, selling of cement, iron and steel bars.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

11. Inventories

| | 2016 | 2015 |
|------------------------------------|---------------------|--------------------|
| | Rs | Rs |
| Finished goods | 83,282,231 | 84,585,079 |
| Bags | 12,483,458 | 11,907,367 |
| Spare parts | 42,038,496 | 38,557,683 |
| Provision for obsolete inventories | (16,443,468) | (11,542,970) |
| | ----- | ----- |
| | 121,360,717 | 123,507,159 |

The Company makes a provision for impairment based on slow moving items in stock. At the reporting date, the provision amounted to Rs 16,443,468. The movement in the provision for impairment in respect of inventories during the year ended was as follows:

| | 2016 | 2015 |
|----------------------|-------------------|-------------------|
| | Rs | Rs |
| At 1 January | 11,542,970 | 7,395,704 |
| Impairment allowance | 4,900,498 | 4,147,266 |
| | ----- | ----- |
| At 31 December | 16,443,468 | 11,542,970 |

12. Trade and other receivables

| | 2016 | 2015 |
|----------------------------------|--------------------|-------------------|
| | Rs | Rs |
| Trade receivables | | |
| - Related parties | 36,928,650 | 29,052,170 |
| - Non-related parties | 22,422,031 | 34,244,191 |
| Provision for bad debts | (8,593,212) | (14,298,488) |
| | ----- | ----- |
| | 50,757,469 | 48,997,873 |
| Other receivables | 2,722,482 | 6,766,508 |
| Amount due from sister companies | - | 894,038 |
| Amount due from subsidiary | 621,000 | 2,387,801 |
| Prepayments | 2,309,151 | 215,731 |
| | ----- | ----- |
| | 56,410,102 | 59,261,951 |

Trade receivables are non-interest bearing and are generally on 30-45 days' term. For terms and conditions relating to amount due from related companies, refer to note 21.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

12. Trade and other receivables (Continued)

The ageing of trade receivables at the reporting date was:

| | Gross 2016 Rs | Impairment 2016 Rs | Gross 2015 Rs | Impairment 2015 Rs |
|---------------------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
| Not past due | 45,520,112 | - | 36,893,358 | - |
| Past due 0-30 days | 4,871,128 | - | 8,948,898 | - |
| Past due 31-90 days | 316,435 | - | 4,249,860 | - |
| More than 90 days | 8,643,006 | (8,593,212) | 13,204,245 | (14,298,488) |
| | <u>59,350,681</u> | <u>(8,593,212)</u> | <u>63,296,361</u> | <u>(14,298,488)</u> |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| | 2016 Rs | 2015 Rs |
|-----------------------------|--------------------|--------------------|
| At 1 January | 14,298,488 | 11,756,499 |
| Charge for the year | 321,729 | 5,024,553 |
| Write off during the year | (3,055,139) | (2,298,226) |
| Release off during the year | (2,971,866) | (184,268) |
| At 31 December | <u>8,593,212</u> | <u>14,298,488</u> |

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. At the reporting date, the Company concluded that there has been a change in credit quality of trade receivables amounting to Rs 8,593,212 and that the trade receivables past due were impaired, either individually or collectively.

13. Cash and cash equivalents

| | 2016 Rs | 2015 Rs |
|----------------|--------------------|--------------------|
| Cash in hand | 89,094 | 434,155 |
| Cash at bank | 5,432,210 | 14,831,669 |
| | <u>5,521,304</u> | <u>15,265,824</u> |
| Bank overdraft | 71,249,335 | 127,765,227 |
| | <u>71,249,335</u> | <u>127,765,227</u> |

Cash and cash equivalents

(65,728,031) (112,499,403)

The Company has overdraft facilities amounting to MUR 215 million unsecured and interest payable monthly and capital repayable on demand. Interest is charged based on bank specific prime lending rate.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

14. **Stated capital**

| | 2016 Rs | 2015 Rs |
|--|--------------------|--------------------|
| <i>Authorised, issued and fully paid</i> | | |
| 270,000 (2015: 270,000) ordinary shares of Rs 1,000 each | <u>270,000,000</u> | <u>270,000,000</u> |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Dividends amounting to Rs **73,440,000** (Rs **272** per share) were declared and paid during the year (2015: Rs 238,140,000; Rs 882 per share).

15. **Revaluation Reserve**

The revaluation reserve comprises the cumulative increase in the value of building at the date of the revaluation over and above the carrying amount as at 31 December 2016.

16. **Short term loan**

The Company has a short term loan facility amounting to MUR 100 million of which MUR 70 million has been drawn down during the year. The loan is repayable in 3 months from the draw down date and interest payable each month based in market interest rate.

17. **Retirement benefit obligation**

Reconciliation of Present Value of Defined Benefit Obligation

| | 2016 Rs | 2015 Rs'000 |
|----------------------|------------------|------------------|
| Opening balance | 1,894,230 | 1,530,855 |
| Current service cost | 294,500 | 273,526 |
| Interest cost | 132,596 | 114,814 |
| Actuarial gain | (197,035) | (24,965) |
| Closing balance | <u>2,124,291</u> | <u>1,894,230</u> |

Amount recognised in profit or loss

| | 2016 Rs | 2015 Rs |
|----------------------|----------------|----------------|
| Current service cost | 294,500 | 273,526 |
| Interest cost | 132,596 | 114,814 |
| | <u>427,096</u> | <u>388,340</u> |

Amount recognised in other comprehensive income

| | 2015 Rs |
|----------------|------------------|
| Actuarial gain | <u>(197,035)</u> |
| | <u>(24,965)</u> |

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

17. Retirement benefit obligation

The principal actuarial assumptions at the end of the year were:-

| | 2016 | 2015 |
|-------------------------|-------------|------|
| Financial assumptions: | | |
| Discount rate | 7% | 7% |
| Future salary increases | 5% | 5% |
| Normal retirement age | 65 | 65 |

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| | 2016 | 2015 |
|---|--------------------|-------------|
| | Rs | Rs |
| 1% decrease in discount rate | 1,252,346 | 1,388,061 |
| 1% increase in discount rate | (2,733,153) | (3,078,881) |
| 1% increase in salary increase assumption | 2,648,833 | 2,975,245 |
| 1% decrease in salary increase assumption | (1,315,692) | (1,468,977) |
| Effect of changing longevity - rate up | (1,861,934) | (2,084,572) |
| Effect of changing longevity - rate down | 1,924,533 | 2,161,559 |

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. The results are particularly sensitive to a change in discount rate due to the nature of the liabilities being the difference between the pure retirement gratuities under the Employment Rights Act (ERA) 2008 and the deductions allowable, being five times the annual pension provided and half the lump sum received by the member at retirement from the pension fund with reference to the Company's share of contributions.

The Company is subject to an unfunded defined benefit plan for the employees. The plan exposes the Company to normal risks described below:

Interest risk: A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

The Company has a residual obligation imposed by ERA 2008 on top of its Defined Contribution plan. It is therefore particularly exposed to investment under-performance of the Defined Contribution plan.

There has been no plan amendment, curtailment or settlement during the year.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

18. Deferred tax liabilities

| | 2016 Rs | 2015 Rs |
|----------------------------|-------------------|-------------------|
| At 01 January, | 22,796,351 | 21,241,121 |
| Deferred tax charge | 2,715,082 | 1,551,485 |
| Deferred tax charge to OCI | 17,245,969 | 3,745 |
| | ----- | ----- |
| At 31 December, | <u>42,757,402</u> | <u>22,796,351</u> |

Deferred tax assets and liabilities are attributable to the following:

| | Profit or loss | | Other comprehensive income | | Statement of financial position | |
|-------------------------------------|------------------|------------------|----------------------------|--------------|---------------------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | Rs | Rs | Rs | Rs | Rs | Rs |
| <i>Deferred tax assets:</i> | | | | | | |
| Provisions | (2,111,462) | (381,298) | - | - | (4,256,235) | (2,144,773) |
| Employee benefit liability | (110,490) | (50,762) | 33,496 | 3,745 | (361,129) | (284,135) |
| <i>Deferred tax liabilities:</i> | | | | | | |
| Accelerated capital allowances | 4,937,034 | 1,991,035 | - | - | 30,162,293 | 25,225,259 |
| Revaluation of buildings | - | - | 17,212,473 | - | 17,212,473 | - |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Net deferred tax liabilities | 2,715,082 | 1,551,485 | 17,245,969 | 3,745 | 42,757,402 | 22,796,351 |
| | ----- | ----- | ----- | ----- | ----- | ----- |

19. Trade and other payables

| | 2016 Rs | 2015 Rs |
|--------------------------------|-------------------|-------------------|
| Trade payables | 24,945,862 | 31,721,203 |
| Other payables and accruals | 28,552,032 | 25,374,394 |
| Amount due to sister companies | - | 19,661,492 |
| | ----- | ----- |
| | <u>53,497,894</u> | <u>76,757,089</u> |

Included in accruals is management fees payable to sister companies amounting to **Rs 3,281,331** (2015: Rs 5,492,973).

Trade payables are non-interest bearing and are normally settled on 60 days' term. For terms and conditions relating to amount due from related companies, refer to note 21.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

20. Operating lease commitment

Non-cancellable operating lease rentals are payable as follows:

| | 2016 Rs | 2015 Rs |
|----------------------------|-------------------|-------------------|
| Less than one year | 15,912,525 | 10,465,993 |
| Between one and five years | 25,252,566 | 27,927,938 |
| More than five years | - | - |
| | ----- | ----- |
| | 41,165,091 | 38,393,931 |

The Company leases vehicles under operating leases which typically run for a period of 1 to 5 years and are renewable. During the year, an amount of Rs 4,685,014 (2015: Rs 2,509,008) was recognised as an expense in profit or loss.

The Company leases land and buildings under operating leases which typically run for a period of 20 years and are renewable. During the year, an amount of Rs 6,705,603 (2015: Rs 9,611,256) was recognised as an expense in profit or loss. A provision of Rs 5,280,000 was made for the increase claimed by the supplier since March 2012 which has been expensed in profit or loss in the year ending 31 December 2016.

21. Related party transactions

During the year ended 31 December 2016, the Company had the following transactions with related entities:

| Nature of relationship | Nature of transactions | Value of transaction for the year ended 31 December 2016 Rs | Value of transaction for the year ended 31 December 2015 Rs | Debit/(credit) at 31 December 2016 Rs | Debit/(credit) at 31 December 2015 Rs |
|------------------------|-----------------------------|--|--|--|--|
| Shareholder | Management fees | 36,941,192 | 34,260,755 | (3,281,331) | (5,492,973) |
| Sister companies | Sales of goods | 221,162,220 | 232,454,155 | - | - |
| | Purchase of goods | 579,130,883 | 640,506,950 | - | - |
| | Trade receivables | - | - | 29,397,990 | 18,797,511 |
| | Other receivables (Note 12) | - | - | - | 894,038 |
| | Trade payables (Note 18) | - | - | - | (19,661,492) |
| Subsidiary | Sale of goods | 63,669,230 | 37,595,161 | - | - |
| | Trade receivables | - | - | 7,530,660 | 10,254,659 |
| | Other receivables (Note 12) | - | - | 621,000 | 2,387,801 |

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

21. Related party transactions (continued)

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. At each financial year, an assessment of provision for impairment is undertaken through examining the financial position of the related party and the market in which the related party operates. For the year ended October 31, 2016, For the year ended October 31, 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Key management personnel

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company including directors.

As at 31 December 2016, executive directors' emoluments amounted to Rs **5,975,318** (2015: Rs 7,931,446) and non-executive directors' emoluments amounted to **Rs 7,414,300** (2015: nil).

All related party transactions are priced at normal market prices and are on commercial terms and conditions. None of the balances are secured and all dues and receivables are under normal payment terms.

22. Financial Instruments – Fair values and risk management

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Carrying amount | | Total |
|---|-----------------------|----------------------|--------------------|
| | Loans and receivables | Loans and Borrowings | |
| | Rs | Rs | Rs |
| 2016 | | | |
| Financial assets not measured at fair value | | | |
| Trade and other receivables | 54,100,951 | - | 54,100,951 |
| Cash in hand and at bank | 5,521,304 | - | 5,521,304 |
| | 59,622,255 | - | 59,622,255 |
| Financial liabilities not measured at fair value | | | |
| Trade and other payables | - | 53,497,894 | 53,497,894 |
| Bank overdraft | - | 71,249,335 | 71,249,335 |
| Short term loan | - | 70,000,000 | 70,000,000 |
| | - | 194,747,229 | 194,747,229 |
| 2015 | | | |
| Financial assets not measured at fair value | | | |
| Trade and other receivables | 59,046,220 | - | 59,046,220 |
| Cash in hand and at bank | 15,265,824 | - | 15,265,824 |
| | 74,312,044 | - | 74,312,044 |
| Financial liabilities not measured at fair value | | | |
| Trade and other payables | - | 76,757,089 | 76,757,089 |
| Bank overdraft | - | 127,765,227 | 127,765,227 |
| | - | 204,522,316 | 204,522,316 |

At 31 December 2016, all financial assets and financial liabilities' carrying amount approximate their fair values as they are current in nature.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

22. Financial instruments – Fair values and risk management (Continued)

(b) Financial risk management

The main risks arising from the Company's financial instruments are as follows:

- credit risk
- liquidity risk
- market risk (which includes currency risk, interest rate risk and price risk)

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by group Internal Audit. Group internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company's exposure to credit risk is monitored by management on an ongoing basis.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company has no concentration of credit risk.

The Credit Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the Credit Committee.

The Company has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

KOLOS CEMENT LTD
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22. **Financial instruments – Fair values and risk management (continued)**

(b) **Financial risk management (continued)**

Credit risk (continued)

- Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

| | 2016 Rs | 2015 Rs |
|-----------------------------|-------------------|-------------------|
| Trade and other receivables | 54,100,951 | 59,046,220 |
| Cash in hand and at bank | 5,521,304 | 15,265,824 |
| | ----- | ----- |
| | 59,622,255 | 74,312,044 |

Cash and cash equivalents

The cash and cash equivalents are held with banks which are of good repute.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Company maintains overdraft facilities amounting to Rs 215 million and has a short term loan facility amounting to Rs 100 million.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

22. **Financial instruments – Fair values and risk management (continued)**

(b) *Financial risk management (continued)*

- Exposure to Liquidity risk

The following are the contractual maturities of financial liabilities:

| | Carrying Amount Rs | Contractual cash flows Less than one year Rs | Total Rs |
|----------------------------|--------------------------|---|--------------------|
| At 31 December 2016 | | | |
| Trade and other payables | 53,497,894 | 53,497,894 | 53,497,894 |
| Bank overdraft | 71,249,335 | 71,249,335 | 71,249,335 |
| Short term loan | 70,000,000 | 70,000,000 | 70,000,000 |
| | ----- | ----- | ----- |
| | 194,747,229 | 194,747,229 | 194,747,229 |
| At 31 December 2015 | | | |
| Trade and other payables | 76,757,089 | 76,757,089 | 76,757,089 |
| Bank overdraft | 127,765,227 | 127,765,227 | 127,765,227 |
| | ----- | ----- | ----- |
| | 204,522,316 | 204,522,316 | 204,522,316 |

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's only significant interest-bearing financial assets and liabilities are cash at bank and bank overdrafts. Interest income and expense may fluctuate in amount, in particular due to changes in interest rates.

- Exposure

- (a) At 31 December 2016, the Company's interest earning financial instruments included cash at bank amounting to Rs 5,432,210 (2015: Rs 14,831,669) which bears rate of interest between 1% and 4%. The rate may increase or decrease depending on the prime lending rate.
- (b) At 31 December 2016, the Company's interest bearing financial statements included borrowings amounting to Rs 141,249,292 (2015: Rs 127,765,227) which bears rate of interest between 6% to 7.15%. The rate may increase or decrease depending on the prime lending rate.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

22. **Financial instruments – Fair values and risk management (continued)**

(b) Financial risk management (continued)

Sensitivity analysis

The sensitivity analysis for the above exposures is as follows:

- (a) At 31 December 2016, if the prime lending rate had been 0.5% higher/lower, profit after tax and equity would have been Rs 35,700 (2015: Rs 419,580) higher/lower, mainly because of higher or lower interest income on cash at bank.
- (b) At 31 December 2016, if the prime lending rate had been 0.5% higher/lower, profit after tax and equity would have been Rs 2,126,021 (2015: Rs 2,861,828) higher/lower; mainly because of higher or lower interest expense on borrowings.

Currency risk

The Company is exposed to currency risk on transactions that are denominated in a currency other than the functional currency.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Company's revenues and costs are transacted in different currencies and exposes the Company to foreign currency risk on its transactions that are denominated in currencies other than the Mauritian rupee.

Currency profile

The currency profile of the Company's financial assets and liabilities are summarised as follows:

| | Financial assets | Financial liabilities | Financial assets | Financial liabilities |
|-----|-------------------------|------------------------------|-------------------------|------------------------------|
| | 2016 | 2016 | 2015 | 2015 |
| | Rs | Rs | Rs | Rs |
| MUR | 50,980,161 | 187,792,936 | 54,273,020 | 191,636,321 |
| USD | 7,916,168 | 4,131,559 | 16,085,520 | 4,956,067 |
| EUR | 725,926 | 2,260,550 | 3,953,504 | 7,929,928 |
| ZAR | - | 493,560 | - | - |
| | ----- | ----- | ----- | ----- |
| | 59,622,233 | 194,747,229 | 74,312,044 | 204,522,316 |

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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22. **Financial instruments – Fair values and risk management (continued)**

(b) **Financial risk management (continued)**

Sensitivity analysis

At 31 December 2016, if exchange rate has strengthened/weakened by 5% against the following currencies, the result would be as follows:

| | Increase/ (decrease) in foreign exchange rates 2016 % | Increase/ (decrease) in profit after tax 2016 Rs | Increase/ (decrease) in foreign exchange rates 2015 % | Increase/ (decrease) in profit after tax 2015 Rs |
|-----|--|---|--|---|
| USD | 5% | 189,230 | 5% | 556,473 |
| EUR | 5% | (76,731) | 5% | (198,821) |
| ZAR | 5% | (24,678) | 5% | - |

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders. There were no changes in the Company's approach to capital management during the year.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return on capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as long term debt to shareholder's equity ratio. The gearing ratios as at 31 December 2016 and 2015 were as follows:

| | 2016 Rs | 2015 Rs |
|--------------------------------|-------------|--------------|
| Total borrowings | 141,249,335 | 127,765,000 |
| Less: Cash in hand and at bank | (5,521,304) | (15,265,000) |
| | ----- | ----- |
| Net debt | 135,728,031 | 112,499,000 |
| Total equity | 440,574,133 | 357,635,000 |
| | ----- | ----- |
| Total capital | 576,302,164 | 470,135,000 |
| | ----- | ----- |
| Gearing ratio | 24% | 24% |

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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23. Commitments

- No liability has been recognised in respect of bank guarantees given to the Board of Investment for its executive directors amounting to Rs **40,000** (2015: Rs 40,000).
- The Company has confirmed that it will continue to provide financial support to Kolos Building Materials Ltd to enable it to meet its obligations as they fall due.

24. Ultimate holding companies

The ultimate holding company is Gamma Civic Ltd, a company incorporated in Mauritius and listed on the stock exchange of Mauritius.

There has been a change in ownership as from 17 December 2015 whereby Gamma Civic Ltd took control of Kolos Cement Ltd by acquiring the remaining 51% held by Holcim (Outre-Mer) S.A.S.

25. Events after reporting date

There are no events subsequent to the reporting date which would require adjustment in the financial statements at 31 December 2016.

KOLOS CEMENT LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Secretary's certificate under Section 166(d) of the Mauritius Companies Act

In accordance with section 166 (d) of the Companies Act 2001, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001 for the year ended 31 December 2016.



.....
For and on behalf of
Company secretary

Date: 21 MAR 2017

CONSOLIDATED INCOME STATEMENT

| | Sep-17 | Sep-16 |
|--|--------------------|--------------------|
| | MUR | MUR |
| Revenue | 760,243,501 | 692,041,334 |
| Cost of sales | (403,411,814) | (407,899,947) |
| Gross profit | 356,831,687 | 284,141,387 |
| Other operating income | 4,188,345 | 30,357,644 |
| Operating expenses | (159,222,120) | (154,300,370) |
| Depreciation & amortisation | (24,662,825) | (20,844,152) |
| Operating profit | 177,135,087 | 139,354,509 |
| Finance (costs)/income | (5,053,546) | 8,133,021 |
| Profit for the period before taxation | 172,081,541 | 147,487,530 |
| Taxation | (30,954,740) | (31,109,784) |
| Profit for the period | 141,126,801 | 116,377,746 |

CONSOLIDATED BALANCE SHEET

| | Sep-17 | Sep-16 |
|--------------------------------------|--------------------|--------------------|
| ASSETS | MUR | MUR |
| Non-current assets | | |
| Property, plant and equipment | 462,410,879 | 384,846,625 |
| Intangible assets | 14,616,676 | - |
| Other long term assets | 180,652 | 118,125 |
| Total Non-Current Assets | 477,208,207 | 384,964,750 |
| Current assets | | |
| Inventories | 117,725,429 | 175,068,179 |
| Trade and other receivables | 90,975,619 | 63,297,231 |
| Cash at bank and in hand | 9,636,816 | 52,590,638 |
| Total Current Assets | 218,337,864 | 290,956,048 |
| Total Assets | 695,546,071 | 675,920,798 |
| EQUITIES AND LIABILITIES | | |
| Capital and reserves | | |
| Share Capital | 270,000,000 | 270,000,000 |
| Retained earnings | 131,631,420 | 120,709,991 |
| Other Reserves | 84,037,374 | - |
| Shareholders' equity | 485,668,794 | 390,709,991 |
| Non-current liabilities | | |
| Deferred Taxes | 44,565,265 | 23,975,931 |
| Retirement Benefit Obligations | 2,124,291 | 1,894,230 |
| Total Non-Current liabilities | 46,689,556 | 25,870,161 |
| Current liabilities | | |
| Bank overdrafts | 80,607,485 | 73,528,516 |
| Trade Payables | 46,394,173 | 92,627,868 |
| Other payables | 14,577,407 | 83,498,676 |
| Current Tax Liabilities | 21,608,655 | 9,685,586 |
| Total current liabilities | 163,187,720 | 259,340,646 |
| Total liabilities | 209,877,277 | 285,210,807 |
| Total equity and liabilities | 695,546,071 | 675,920,798 |

CONSOLIDATED CASH FLOW

| Statement of cash flow | | |
|---|---------------|---------------|
| | Sep-17 | Sep-16 |
| Cash flow from operating activities | | |
| Profit/(Loss) before tax | 172,081,541 | 147,487,531 |
| Adjustment for: | | |
| Finance cost | 5,478,053 | 8,039,216 |
| Finance Income | - | (93,805) |
| Depreciation | 23,477,689 | 20,844,152 |
| Amortisation | 1,185,136 | - |
| Profit on disposal of property, plant and equipment | 321,902 | - |
| Prior year adjustment | (137,247) | - |
| Changes in: | | |
| Stock elimination adjustment | 14,785,133 | - |
| Decrease/(Increase) in inventories | (10,743,655) | (46,971,333) |
| Decrease/(increase) in trade and other receivables | (16,756,998) | (4,201,291) |
| Increase/(decrease) in trade and other payables | (4,296,137) | 115,313,747 |
| | 185,395,416 | 240,418,217 |
| Interest paid | (5,478,053) | (8,039,216) |
| Interest received | - | 93,805 |
| Income tax paid | (10,083,868) | (21,192,929) |
| Net cash generated from operating activities | 169,833,495 | 211,279,877 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (4,733,865) | (18,937,763) |
| Disposal of property, plant and equipment | 347,826 | - |
| Net cash used in investing activities | (4,386,039) | (18,937,763) |
| Cash flows from financing activities | | |
| Dividend paid | (99,940,000) | (80,500,000) |
| Net cash used in financing activities | (99,940,000) | (80,500,000) |
| Net movement in cash and cash equivalents | 65,507,456 | 111,842,115 |
| Cash and cash equivalents at 1 January | (136,478,125) | (132,779,991) |
| Cash and cash equivalents at 30 September | (70,970,669) | (20,937,877) |
| Bank and cash balances | 9,636,816 | 52,590,638 |
| Bank overdrafts | (80,607,485) | (73,528,516) |
| | (70,970,669) | (20,937,876) |

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

| Statement of changes in equity for nine months ended 30 Sep 2016 | | | | |
|---|-----------------------|--------------------------|----------------------------|--------------------|
| | Stated capital | Retained earnings | Revaluation reserve | Total |
| As at 1 Jan 2016 | 270,000,000 | 84,832,245 | - | 354,832,245 |
| Profit for the year | - | 116,377,746 | - | 116,377,746 |
| Dividend | - | (80,500,000) | - | (80,500,000) |
| As at 30 Sep 2016 | 270,000,000 | 120,709,991 | - | 390,709,991 |

| Statement of changes in equity for nine months ended 30 Sep 2017 | | | | |
|---|-----------------------|--------------------------|----------------------------|--------------------|
| | Stated capital | Retained earnings | Revaluation reserve | Total |
| As at 1 Jan 2017 | 270,000,000 | 75,796,733 | 84,037,374 | 429,834,107 |
| Prior year adjustments | - | 14,647,886 | - | 14,647,886 |
| Profit for the year | - | 141,126,801 | - | 141,126,801 |
| Dividend | - | (99,940,000) | - | (99,940,000) |
| As at 30 Sep 2017 | 270,000,000 | 131,631,420 | 84,037,374 | 485,668,794 |



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Confidential

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The Directors
Gamma-Civic Ltd
4th Floor, HSBC Centre
18 Bank Street, Cybercity
Ebène 72201

FAO: Mr Twalha Dhunnoo

31 December 2017

Dear Sir/s

Review of the Valuation of Kolos Cement Ltd

KPMG Advisory Services Ltd (“KPMG”) was appointed to review the valuation of Kolos Cement Ltd in the context of a proposed listing of Kolos Cement Ltd on the Development and Enterprise Market (“DEM”) of the Stock Exchange of Mauritius Ltd. The valuation was prepared by management of Kolos Cement Ltd.

Scope of work

Our scope and limitations are set out in our engagement letter. We have performed a review of the valuation of Kolos Cement Ltd (the “Company”) based on information supplied by management of Kolos Cement Ltd and by performing such other financial analysis and procedures to enable us to comment on the valuation.

Key review considerations

We have undertaken the following procedures in our review of the valuation of Kolos Cement Ltd:

- obtained an understanding of the structure of Kolos Cement Ltd, the nature of operations and assets that make up the business of Kolos Cement Ltd;
- considered the historical performance of the Company with reference to its audited financial statements for the financial years ended 31 December 2015 and 31 December 2016;
- considered the unaudited management accounts of Kolos Cement Ltd for the period ended 30 June 2017;



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- held discussions with management of Kolos Cement Ltd around its strategy and outlook, and other matters we considered necessary, including assessment of the prevailing economic and market conditions in the cement industry;
- reviewed the process followed by management of Kolos Cement Ltd in the preparation of the financial forecast and the valuation model;
- reviewed the five-year management's forecast in respect of Kolos Cement Ltd and the basis of the assumptions therein including the prospects of the business. Our review included an assessment of the recent historical performance as well as the reasonableness of the outlook based on discussions with management; and
- reviewed the reasonableness of material assumptions in the forecasts relating to revenue growth, gross margin, operating margin, capital expenditure and working capital. Adjustments which we deemed to be appropriate were made to the forecast after discussion with management of Kolos Cement Ltd.

Conclusion

On the basis of our review, we are of the view that management's valuation of MUR 83.35 reflects the fair value of the equity of Kolos Cement Ltd. The fair value of one ordinary share is estimated to be between MUR80 and MUR85. Management has applied the discounted cash flow methodology as the primary methodology for the valuation. Kolos Cement Ltd has a future stream of income and growth prospects that can be captured using the discounted cash flow methodology. Management supported its valuation by market-based methodologies.

Limitations

The valuation review is based on prevailing conditions and KPMG's view as at 31 December 2017. KPMG has not undertaken to nor shall KPMG be under any obligation to update this letter or revise the information contained in this letter for events or circumstances arising after the 31 December 2017 and this letter or any information contained in this letter shall not amount to any form of guarantee that KPMG have determined or predicted future events or circumstances.

We have relied upon and assumed the accuracy of the information used by us during this engagement. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of this engagement, whether in writing or by discussion with management of Kolos Cement Ltd or by reference to publicly available and independently obtained information.

While our work has involved an analysis of, inter alia, the annual financial statements, and other information provided to us, our engagement does not constitute, nor does it include, an audit or review, due diligence, or other assurance engagement or an agreed-upon procedures engagement, performed in accordance with International Standards on Auditing, International Standards on Review Engagements, International Standards on



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Assurance Engagements or International Standards on Engagements to perform Agreed-upon Procedures regarding Financial Information.

Where relevant, the forecasts of Kolos Cement Ltd relate to future events and are based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Kolos Cement Ltd will correspond to those projected. Where practicable, we compared the forecast financial information to past trends as well as discussed the assumptions inherent therein with the management of Kolos Cement Ltd.

Independence

We confirm that we have no direct or indirect material interest in Gamma-Civic Ltd or Kolos Cement Ltd.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Huns Biltoo', written in a cursive style.

Huns Biltoo
Partner