

KOLOS CEMENT LTD  
ANNUAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2018

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FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors are pleased to present the Annual Report together with the audited consolidated and separate financial statements of Kolos Cement Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018.

#### **Principal activities**

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

#### **Results and dividend**

The results for the financial year are shown on page 26 and the state of the Group and the Company's affairs at the reporting date is set out on page 27.

The total dividends declared by the Group and the Company for the year ended 31 December 2018 were Rs 75,600,000 (2017: Rs 272,940,000) and Rs 75,600,000 (2017: Rs 194,940,000) respectively.

#### **Business Review**

The Group reported a 9% increase in revenue driven principally by an increase in volume of cement sold compared to prior year. Operating Profit increased from Rs 231M to Rs 261M in the year under review. Group profit after tax in 2018 was Rs 201M, which is 6% up from Rs 189M in 2017. Group total assets increased by 52% from Rs 636M to Rs 969M due to early adoption of International Financial Reporting Standard 16: leases.

#### **Future Outlook**

The cement market is expected to grow in 2019 driven by public infrastructure projects.

#### **Directors**

The directors of the Company during the year were:

	<b>Appointed on</b>	<b>Resigned on</b>
ReDominique Rene Jacky Billon	17 May 2011	-
Chian Tat Ah Teck	17 May 2011	-
Paul Cyril How Kin Sang	17 May 2011	8 May 2018
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	-
Sui Lien Chong Ah Yan	2 February 2016	-
Jean Pierre Bisiaux	2 February 2016	9 January 2018
Geoffroy Dedieu	19 May 2017	13 July 2018
Twalha Dhunnoo	19 May 2017	-
Jacqueline Sitorus	29 June 2018	-
Challa Vivekananda Reddy	29 May 2018	-
Charanjeet Singh	29 May 2018	-

#### **Auditors**

Ernst & Young has indicated its willingness to continue in office as auditors and will put themselves for re-election at the next Annual Meeting.

## **Introduction**

The Board of Kolos Cement Ltd is committed to high standards of corporate governance and is fully alive to the fact that good governance is key to ensure continued growth, sustainability of the Group and Company, and value creation for the shareholders.

The Group and Company have prepared this corporate governance report in the light of the 2016 Code of Corporate Governance (the "Code") and explains how it has applied the all principles during the period under review.

The report forms part of the Group and Company's Annual Report for the year ended 31 December 2018 and is available on the Company's website.

## **PRINCIPLE 1- GOVERNANCE STRUCTURE**

### **Governance Documents**

The Group and Company have two main internal corporate documents which have been duly approved by respectively the Board of Directors and the Shareholders, namely the Group and Company's Constitution and the Gamma Charter.

### **The Gamma Charter**

The Gamma Charter is applicable to Kolos Cement Ltd being a subsidiary of the Gamma Civic Ltd. The Gamma Charter is reviewed by the Board of Gamma Civic Ltd every two years. The last review done was in 2017 and no change was required.

A copy of the charter is available for inspection to any Shareholder upon request made to the Company Secretary.

### **Role of the Board**

The Board of Directors is appointed by the shareholders to act on its behalf in running the affairs of the Group and Company so as to ensure its prosperity. In addition to business and financial issues, the Board also deals with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics.

In brief, the Board is also responsible:

- To establish the Group and Company's vision, mission and values;
- To set the Group and Company's strategy and structure;
- For delegating the day to day management of the Group and Company to Management;
- For delegating some of its duties to Board Committee, while retaining certain specific reserved matter to it; and
- For exercising accountability to shareholders and stakeholders.



## PRINCIPLE 1- GOVERNANCE STRUCTURE (CONTINUED)

### Profiles of the Board of Directors

- *Chian Yew Ah Teck (also called Carl Ah Teck) - Executive Chairman*

Carl 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. From July 2015 to November 2016, he was again in the position of a non-executive director and since 11 November 2016 the Board of Directors of Gamma Civic Ltd has appointed him as the Executive Chairman of the company.

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

- *Chian Tat Ah Teck (also called Tommy Ah Teck) - Non-Executive Director*

Tommy 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 and Vice Chairman of the company, where he is responsible for PR and networking across the Gamma Group. He also chairs the Gamma Foundation.

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

- *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. Since July 2015, he is no longer an Executive Director and is a member of the Board of Directors of Gamma Civic Ltd in a Non- Executive capacity.

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

- *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. Since July 2015, he is no longer an Executive Director and is a member of the Board of Directors of Gamma Civic Ltd in a Non- Executive capacity.

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

*He is no longer a Director of the Company as from 08 May 2018.*

PRINCIPLE 1- GOVERNANCE STRUCTURE (CONTINUED)

Profiles of the Board of Directors (Continued)

- *Dominique Rene Jacky Billon - (also called Dominique 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.

*Directorship in listed companies: None.*

- *Javier De Benito - Independent Non-Executive Director*

Javier 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 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.*

- *Paul Laurence Halpin - Independent Non-Executive Director*

Paul has been a Director of the Company since 02 February 2016; and he is a member of the Audit and Risk Committee. Paul is a former Partner at PwC Johannesburg, London and Dublin, where he held leadership positions in the financial services industry practice. He is widely experienced in matters of corporate governance, board effectiveness and prudential supervision and has served companies in the following sectors: Financial Services, ICT, Healthcare, Real Estate, Construction, Renewables and Heavy Manufacturing. Qualifications: Chartered Accountant; B. Comm. University College Dublin. From 2016 to 2018 he served as Lloyd's General Representative for Mauritius. From 2005 to 2010 he was a Non-Executive Board Member of the Board of Investment, Mauritius; and from 2005 to 2009 he was an Independent Non-Executive Director of Standard Bank (Mauritius) Ltd. He is an Independent Non-Executive Director of Gamma Civic Ltd, Gamma Construction Ltd, Gamma Treasury Management Ltd and Lottotech Ltd. Other non-executive directorships: Citicc Africa Holdings Ltd (Real Estate investor in East Africa); Grofin Capital (Development Finance and Private Equity in Africa and the Middle East); MakeMyTrip Limited (India's largest online travel agent, Listed on Nasdaq); various companies in the MIH Group (A leading Internet-based investor in India and China); and RMB Westport Real Estate Development Fund Ltd (Real Estate investor in West Africa).

*Directorship in listed companies: Three: (Lottotech Ltd (Stock Exchange of Mauritius); Kolos Cement Ltd (Development and Enterprise Market, Mauritius); and MakeMyTrip Limited (Nasdaq).*

- *Sui Lien Chong Ah Yan (also called Marie Claire Chong Ah Yan) - Non-Executive Director*

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. 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. In February 2015 Marie Claire has been awarded the FT NED Diploma. Since July 2015, she is no longer an Executive Director and is a member of the Board of Directors of Gamma Civic Ltd in a Non- Executive capacity.

*Directorship in listed companies: Two (Gamma-Civic Ltd and Alternate Director in Morning Light Co. Ltd).*

PRINCIPLE 1- GOVERNANCE STRUCTURE (CONTINUED)

Profiles of the Board of Directors (Continued)

- *Geoffroy Dedieu - Non-Executive Director*

Geoffroy holds a DEA Business Law from Université Panthéon-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. He has been appointed a Director of the Company on 19 May 2017.

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

*He is no longer a Director of the Company as from 13 July 2018.*

- *Jean Pierre Bisiaux - Non-Executive Director*

Jean Pierre 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.*

*He is no longer a Director of the Company as from 09 January 2018.*

- *Twalha Dhunnoo - Non-Executive Director*

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. During the last six years, he was the Chief Financial Officer and Executive Director of a bank in London. He has been appointed as a Director of the Company on 19 May 2017.

*Directorship in listed companies: Two (Gamma-Civic Ltd and Morning Light Co. Ltd).*

- *Jacqueline Sitorus - Independent Non-Executive Director*

Jacqueline graduated from Singapore Management University with a Bachelor in Business Management in 2010, after which she joined Goldman Sachs (Singapore) as an Analyst in Investment Banking until 2012. In 2012, she joined PT Cemindo Gemilang as Sales & Marketing Director and she was appointed as the Commercial Director in 2014 and Vice President Director in 2015, a position which she still holds today. She is also a Director in Aastar Trading Pte Ltd, a trading company based in Singapore.

*Directorship in listed companies: None*

*She was appointed as Director of the Company on 29 June 2018.*

- *Challa Vivekananda Reddy, CFA - Independent Non-Executive Director*

Vivek did his graduation in Veterinary Medicine from India and he did a post-graduation at the Indian Institute of Management, Ahmedabad, which is the leading business school in India. He also completed the CFA program and became a Chartered Financial Analyst (CFA). After completing business school, he joined Kuok Oils & Grains, a commodity trading firm in 2005 as management trainee and later worked as derivatives trader. From 2007 to 2013 he worked in Wilmar international Limited where he performed different roles, such as Fx trader, Business Development Manager and Treasury Manager.

PRINCIPLE 1- GOVERNANCE STRUCTURE (CONTINUED)

Profiles of the Board of Directors (Continued)

- Challa Vivekananda Reddy, CFA - Independent Non-Executive Director (Continued)

In 2014, he joined Mackenzie Investments Limited, a Canadian Fund as Associate Portfolio manager trading Macro and Credit markets. After spending two years at Mackenzie, he joined Aastar Trading Pte Limited in 2016 as Head of Treasury & Investments, a position he still holds today.

*Directorship in listed companies: None*

*He was appointed as Director of the Company on 29 May 2018.*

- Charanjeet Singh - Independent Non-Executive Director

Charanjeet is qualified in Electrical, Electronics and Communication Engineering. He also has a Masters' Degree in Logistics, Materials and Supply Chain Management from Northumbria University. He is also a member of the Institute of Chartered Shipbrokers. Since 2006, Charanjeet has gained much working experience in procurement and logistics and in trading when he joined Holcim in May 2012 as Trading Manager and moved to Lafargeholcim in August 2015. In September 2016, he joined Gama Corp Indonesia as Head of Trading for cement and solid fuels and Overseas Terminals, position which he still holds today.

*Directorship in listed companies: None*

*He was appointed as Director of the Company on 29 May 2018.*

Profiles of Key Governance Officers

- The General Manager- Dominique Billon

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.

- The Deputy General Manager- Xiong Fen Lan Pan Wing, also known as Bernard Lan

Bernard holds a BSc (Hons) Computing with Business from the University of Heartfordshire. In 1998 he joined Gamma-Civic Ltd as IT Manager and was later promoted to be in charge of business units namely Workshop, Concrete and Stone Crushing Department. Since January 2015, he was occupying the position of General Manager at Gamma Materials Ltd and he has joined Kolos Cement Ltd in January 2018 as Deputy General Manager.

- Chief Financial Officer - Shaun Kim Tiam Fook Chong

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.



**PRINCIPLE 1- GOVERNANCE STRUCTURE (CONTINUED)**

Profiles of Key Governance Officers (Continued)

- Sales and Logistics Manager- Jayen Mareemootoo

Jayen Mareemootoo holds a BTS ElectroTechnique (Lycée Vauresson-France 1998-2000), a BSTAT (Brevet Supérieur de Technicien de l'Armée de Terre) in Administration du Personnel option Chancellerie, BTS (Brevet de Technicien Supérieur) Gestion du Personnel -Ecole de Fourrier 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.

- Technical Manager- Kshil Gajadhur

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.

**PRINCIPLE 2- THE STRUCTURE OF THE BOARD AND ITS COMMITTEES**

The Board

The Board of Kolos Cement Ltd is currently managed by a unitary Board of eleven Directors, comprising of an Executive Chairman, one Executive Director, five Independent Directors and four Non-Executive Directors.

*Key roles and responsibilities*

<p><b>Executive Chairman: Chian Yew Ah Teck</b></p> <p>Key responsibilities</p> <ul style="list-style-type: none"> <li>(i) Providing leadership to the Board</li> <li>(ii) Ensuring its effectiveness</li> <li>(iii) Setting its agenda</li> <li>(iv) Ensuring Board's resolutions and decisions are effectively implemented</li> <li>(v) Ensuring effective links between shareholders, the Board and Management</li> <li>(vi) Is the direct reporting line for the Executive Director</li> </ul>	<p><b>Executive Director: Dominique Billon</b></p> <p>Key responsibilities</p> <ul style="list-style-type: none"> <li>(i) Developing the Group and Company's strategy in line with the Board's directives</li> <li>(ii) Implementing policies and strategies as resolved by the Board</li> <li>(iii) Managing the Group and Company's business and operations</li> <li>(iv) Head and lead the Management team</li> </ul>
<p><b>Independent Directors: Charanjeet Singh, Jacqueline Sitorus, Javier De Benito, Paul Halpin &amp; Vivekananda Challa Reddy</b></p> <p>Key responsibilities</p> <ul style="list-style-type: none"> <li>(i) Constructively challenging the strategic objectives and plans presented by the Management</li> <li>(ii) Evaluate the performance of Management in meeting set goals and objectives</li> <li>(iii) Ensure that the obligations to the shareholders are clear and that they are continually met</li> <li>(iv) Assist in developing a framework of reasonable and efficient controls for assessing and managing risk</li> </ul>	<p><b>Non-Executive Directors: Chian Luck Ah Teck, Chian Tat Ah Teck, Sui Lien Chong Ah Yan &amp; Twalha Dhunnoo</b></p> <p>Key responsibilities</p> <ul style="list-style-type: none"> <li>(i) Constructively challenging the strategic objectives and plans presented by the Management</li> <li>(ii) Evaluate the performance of Management in meeting set goals and objectives</li> <li>(iii) Ensure that the obligations to the shareholders are clear and that they are continually met</li> <li>(iv) Assist in developing a framework of reasonable and efficient controls for assessing and managing risk</li> </ul>

## PRINCIPLE 2- THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)

### Company Secretary: Gamma Corporate Services Ltd

Gamma Corporate Services Ltd is a wholly owned subsidiary of Gamma Civic Ltd, which was set up on 16 March 2012 to provide corporate services (legal, secretarial and any other related services) which support the subsidiaries, associates and joint venture companies of the Gamma Group.

#### *Key responsibilities*

- (i) Provides legal and administrative support and guidance to the Board of Directors;
- (ii) Ensures that the Board's decisions and instructions are properly carried out and communicated;
- (iii) Has responsibility to ensure that the Group and Company comply with all relevant statutory and regulatory requirements;
- (iv) Act as the primary channel of communication with the shareholders;
- (v) Ensures that minutes of all meetings of shareholders and directors are duly recorded and that all statutory registers are properly maintained;
- (vi) Acts as principal administration officer, liaising with Management, the Regulators and the Board of Directors; and
- (vii) Executes important documentation on behalf of the Group and Company, together with a Director.

### Balance and Gender Diversity

The Board is satisfied that with its total eleven Directors, the balance and gender diversity is well addressed. Furthermore, the Board believes that the presence of the two women Directors on board, namely Jacqueline Sitorus and Sui Lien Chong Ah Yan, contributes adequately to the diversity of the Board.

### Independence

The five Independent Non-Executive Directors meet the independence criteria as set out in the Code.

### Skills and Experience

Given the business and operations of the Group and Company, the current size of the Board is reasonable, and the Directors have the right mix of skills and experience to provide the Group and Company effective leadership, to set and achieve the strategic goals, and direct the Group and Company's future. The Directors are also well equipped to ensure the integrity and judgement making in managing the affairs of the Group and Company.

### Agenda Setting Process

The process for setting the agenda for Board Meetings is as follows:

- (i) The Company Secretary works with the Chairman to prepare Business topics to be discussed by the Board;
- (ii) Management is invited by the Company Secretary for items which the Board must be made aware of and items requiring a resolution from the Board. All agenda items proposed by Management must be duly motivated and supported by relevant and appropriate documentation;
- (iii) Board members are entitled to request the Company Secretary to have an item on the agenda for the Board to consider and the Directors must also submit to the relevancy and appropriate document to support the proposed agenda item;
- (iv) The Chairman reviews the agenda and gives the Company Secretary the go-ahead for issuing the convocation and agenda to the Directors of the agenda; and
- (v) Notice and agenda are circulated by email to all Board members at least 10 days before the Board meeting and Board papers would be circulated at least 5 days before the meeting. All Board papers are circulated to Directors on Boardpad.

**PRINCIPLE 2- THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)**

Matters considered by the Board for the period under review

Board meetings are scheduled one year in advance so as to allow Board members to ample time to plan organise for the meetings. For the year 2018, the Board held statutory meetings for approval of accounts and strategy/ budget meetings, as follows:

<b>Board Meetings For Year 2018</b>		
	<b>ARC Meetings</b>	<b>Board Meetings</b>
1	Results for Year ending 31 December 2017	27 February 2018 26 March 2018
2	Results for the Quarter ending 31 March 2018	8 May 2018 8 May 2018
3	Annual Meeting for Financial Year ended 31 December 2017	25 May 2018
4	Results for the Quarter and Half Year ending 30 June 2018	31 July 2018 31 July 2018
5	Results for the Quarter and Nine Months ending 30 September 2018	30 October 2018 30 October 2018
6	Strategy Workshop - Corporate Strategy & Budget	-27 September 2018 -12 November 2018

Decisions have also taken by way of written resolution, duly signed by all Directors, in line with the Company's constitution.

Additional Board meetings may be held depending on the exigencies of the Group and Company. For example, the Board met several times this year for the listing project of the Company on the Development and Enterprise Market of the Stock Exchange of Mauritius.

Attendance at Board meetings for the year under review

The Board has met 6 times during the year under review

<b>Directors</b>	<b>Category</b>	<b>Attendance</b>
Mr Chian Yew Ah Teck	Executive Chairman	4/6
Mr Patrice Ah Teck	Non-Executive	5/6
Mr Tommy Ah Teck	Non-Executive	6/6
Mr Cyril How Kin Sang	Non-Executive	1/2
Mr Dominique Billon	Executive	6/6
Mr Geoffroy Dedieu	Non-Executive	2/2
Mr Javier De Benito	Independent Non-Executive	6/6
Mr Paul Halpin	Independent Non-Executive	6/6
Mrs Sui Lien Chong Ah Yan	Non-Executive	6/6
Mr Twalha Dhunnoo	Non-Executive	5/6
Mr Vivekananda Challa	Independent Non-Executive	4/4
Mr Charanjeet Singh	Independent Non-Executive	2/4
Mrs Jaqueline Sitorus	Independent Non-Executive	1/4

The Committees of the Board

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 and the Gamma Charter, which Charter is applicable to the Group and Company. These two committees are the Audit & Risk Committee and the Corporate Governance Committee.

**PRINCIPLE 2- THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)**

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

*a) Audit & Risk Committee*

The Audit & Risk Committee ("ARC") 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 Group and Company. The Committee provides a forum for effective communication between the Board and the external and internal auditors.

ARC Member	Role
Javier De Benito	Chairman- Independent Non-Executive Director
Paul Halpin	Independent Non-Executive 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:

Members	Attendance
Javier De Benito	4/4
Paul Halpin	4/4
Patrice Ah Teck	3/4

*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 Group and 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 Group and Company's results, whilst having also due regards to market conditions, the interest of the shareholders and to the financial well-being of the Group and Company.

Members	Role
Javier De Benito	Chairman- Independent Non-Executive Director
Carl Ah Teck	Non-Executive Director
Tommy Ah Teck	Non-Executive Director
Cyril How Kin Sang	Non-Executive Director
Marie Claire Chong Ah Yan	Non-Executive Director

For the year under review the Corporate Governance Committee met once on 27 February 2018 and all members were in attendance.

### PRINCIPLE 3- DIRECTORS APPOINTMENT PROCEDURES

#### Appointment and re-election

The Corporate Governance Committee under its nomination function, is responsible for making recommendation to the Board, which in turn would be presented to the shareholders at the Company's Annual Meeting, the appointment and/or re-election of potential Directors.

Furthermore, in cases of casual vacancy, the Board may appoint Directors who shall hold office only until the next Annual Meeting and shall then be eligible for re-election.

#### Board induction

Upon appointment, Directors are issued a letter of appointment stipulating the terms and conditions of the directorship. The Directors are also communicated a copy of the Gamma Charter, which is applicable to the Group and Company, the Company's constitution and relevant laws which applied to the operation and business of the Group and Company. The corporate presentation of the Group and Company is effected by the Chairman and the GM continues with a presentation of the operation, including site visit.

#### Professional development and training

The Directors are encouraged to keep themselves up to date with latest professional practices and to changes and trends in the Group and Company's business, market, economic, political, social and legal environment in general.

#### Succession plan

An important responsibility of the Board of Directors is to ensure that the Group and Company have an appropriate succession plan in place for Directors, Top Management and key officers, and this responsibility has been delegated to the Corporate Governance Committee under its Nomination function.

### PRINCIPLE 4- DIRECTORS' DUTIES, REMUNERATION AND PERFORMANCE

#### Directors' Duties

All Directors have been duly informed of their duties and responsibilities as provided under the Companies Act 2001, and their responsibility under the Listing Rules.

They are also conversant with the provisions of the Gamma Charter, which applies to the Group and Company, the Company's constitution and the Code.

#### Interests' register, conflicts of interest and related party transaction policy

The Directors are fully aware of the responsibility of disclosure of any conflicts of interest in accordance with the laws and the Gamma Charter under the heading Conflict of Interest and Disclosure Policy.

- Declaration of Conflict of Interest at each Board Meeting

The Company Secretary holds an Interest Register in which declarations made by Directors at each quarterly statutory meeting.

The first item of the agenda for all board meetings is for directors to declare if they have any conflict on any items which the Board will address for the business of the day. All Directors would sign a duly approved declaration of interest form, which forms part of the Board's proceedings. Furthermore Directors who are conflicted would not participate on discussions on the specific agenda item.

Any related party transaction, if existing, would also be recorded in the said register.

Note: A copy of the register is available for inspection upon request made to the Company Secretary.

#### PRINCIPLE 4- DIRECTORS' DUTIES, REMUNERATION AND PERFORMANCE

##### Remuneration Policy

The Corporate Governance Committee has been mandated by the Board to fulfil the function of Remuneration Committee and has therefore the responsibility of determining the remuneration of Directors and Top Management in line with market conditions, benchmarking within the industry, the Group and Company's performance and ability to pay. The objective is to ensure that the Group and Company attract and retain talent both at the level of the Board and Management.

For Board members, the recommendation of the Corporate Governance Committee is presented to the Shareholders at the Annual Meeting to obtain the approval of the Shareholders on the fees to be paid.

##### Long term incentive plan

The Group and Company have no long-term incentive plan but it would apply the plan which Gamma will implement. Gamma Civic Ltd has appointed consultant Korn ferry to design a long term incentive plan for Top Management of Group companies and the report is still being finalised.

##### Board evaluation

For the year under review the Board has not carried out a Board evaluation in as much as the Board had recently been constituted after the Company has been listed on the Stock Exchange of Mauritius.

##### Information, information technology and information security governance

Information technology ("IT") is key to the Group and Company and it forms part of the Group and Company's asset. The Board is responsible for IT Governance and management of IT risks, through policies, procedures and processes which are regularly updated, monitored and safeguarded by having in place the appropriate tools and software.

It is the role of senior executives to manage information technology and ensure information security.

There is an IT Management Policy included in the Gamma Charter which provides the principles and recommended practices to achieve the future strategic goals identified and approved by the Board. The IT security policy in place covers the following:

- ▶ Guidelines IT team
- ▶ Guidelines server rooms
- ▶ Guidelines for users
- ▶ Antivirus management procedures
- ▶ Back up procedures
- ▶ Change management procedures
- ▶ Information handling procedures
- ▶ Business continuity plan
- ▶ User account management procedures

#### PRINCIPLE 5- RISK GOVERNANCE AND INTERNAL CONTROL

It may not be possible to anticipate all risks which the Group and Company may face. But as the body responsible for risk governance and internal control, the Board has delegated the responsibility of ensuring that the Group and Company have in place a risk management process to manage and mitigate key risks which could potentially impact the Group and Company's business and operations to the Audit and Risk Committee. Furthermore, the governance of risks, nature and risks appetite remain the ultimate responsibility of the Board.

The Audit and Risk Committee in turns ensures that Management puts in place a comprehensive and robust system of risk management and a sound internal control system, and quarterly reports would be submitted to the Board.

The Group and Company have also in place internal controls and procedures to mitigate risks related to the Group and Company's operations.

PRINCIPLE 5- RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

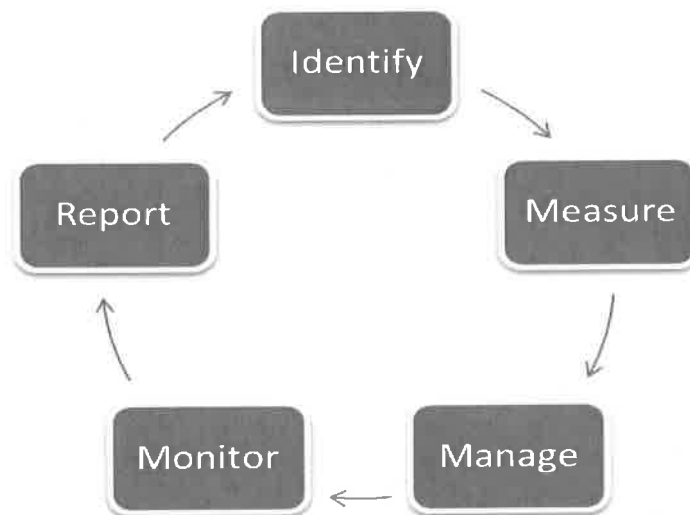
Risk Framework

Kolos Cement Ltd has a framework for identifying and managing risk within its defined tolerance levels, in relation to both its operations and strategy. This framework has been designed to provide the Audit & Risk Committee and the Board with a clear line of sight over risk and to enable informed decision making.

Kolos external operating environment is subject to change. It must be able to respond to this change, take appropriate levels of risk to protect its market position and take advantage of opportunities. Failure to manage risk could have an adverse impact on the achievement of its strategic goals. To better understand its risk profile and align it with its objectives and decision-making processes, Kolos operates a framework that ensures it identify risk, set tolerance levels and consistently manage risk across its business. This line of sight gives management the information they need to make the right decisions for the business and provide The Audit & Risk Committee and the Board a clear view on how we mitigate our principal risks and whether the mitigations are effective.

Understanding our risks help drive informed decision making. It also helps senior management to understand our overall risk profile, current levels of control and the culture of our business. The first line of defence typically sits within the business operations, the second line of defence has oversight over the first line of defence (Technical Committee) and the third line of defence are the independent assurance providers (internal auditors).

The Group and Company's internal audit function is currently outsourced to KPMG for the provision of independent and objective assurance on the effectiveness of risk management and consultancy services. KPMG employs a robust and disciplined methodology to test and assess governance and risk management processes including reliability of information, compliance with laws, regulations and procedures, as well as efficient and effective use of resources.



- Identify: Risks identified in market and entity & strategic risk review by senior management
- Measure: Set risk tolerance using a standard scoring and categorization
- Manage: Controls set to manage the risk within tolerance and ownership defined
- Monitor: Assess the effectiveness of the controls
- Report: Inform the ARC and Board on how effective risks are being managed. Risk management information used for strategic, CAPEX and resourcing decisions.

PRINCIPLE 5- RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Risk Framework (Continued)

Our principal risks in the present situation

What is the risk	What is the impact	How do we manage it
<p><b>Competition</b></p> <p>We face increased competition from other market operators.</p>	<p>This adversely impact our sales revenue and price targets.</p>	<p>A pricing strategy to cope with increasing competition.</p> <p>High product differentiation in the market.</p> <p>New offerings that meet our clients' needs.</p>
<p><b>Exchange Rate Risk</b></p> <p>Significant exchange rate fluctuation impact costs</p>	<p>Significant raw materials cost increase.</p>	<p>The Company uses forward contracts to hedge its exchange rate exposure.</p>
<p><b>Organizational Health &amp; Safety</b></p> <p>The risk of minor, serious or fatal injuries on site.</p>	<p>Reputational damages leading to legal prosecutions and claims.</p>	<p>Insurance cover</p> <p>Occupational health &amp; safety regulations</p> <p>Monthly Health &amp; Safety Committee</p> <p>Zero tolerance to non-compliance with cardinal rules in place</p> <p>Strict rules and work procedures to follow</p> <p>OH&amp;S Training</p> <p>Regular safety inspections and audit</p> <p>Incident investigations</p>
<p><b>Cost pressure</b></p> <p>Increase pressure on our base cost structure due to new CO2 regulations impacting freight cost</p>	<p>Significant raw materials cost increase.</p>	<p>Annual agreement in place</p> <p>Cost monitoring</p>



**PRINCIPLE 5- RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)**

**Risk Framework (Continued)**

Internal Control

The effectiveness of the internal control systems is reviewed by the Audit and Risk Committee and provides the Board with reasonable assurance that assets are safeguarded, financial controls are reliable, and that applicable laws and regulations are complied with. The Board is responsible for the Group and Company's system of internal controls and for reviewing its effectiveness.

To date, no material financial issues, which would have an impact on the results as reported in these financial statements, have been identified. The Board confirms that if significant weaknesses had been identified during this review, the Board would have taken the necessary steps to remedy them.

Solvency and Liquidity of the organization

The Group and Company monitor its liquidity position on a regular basis and have enough financing facilities in place to cover any shortfall in its cash position. There are various key performance indicators which are monitored namely its cash ratio and its net working capital.

Whistleblowing

The Group and Company are committed to openness, accountability, transparency and highest standards of ethics. All employees and the Group and Company's stakeholders are encouraged to report any incidents which they have reasonable grounds to believe may tantamount to an illegal act and cause harm and impact the reputation of the Group and Company.

**PRINCIPLE 6- REPORTING WITH INTEGRITY**

Financial and operational performance

The Group and Company's financial and operational performance is detailed in the primary statements of the Annual Report.

Environment, Health & Safety

The Group and Company are committed to sustainability and protecting the environment for future generations and this is depicted in the manner that the Group and Company carry on its business and operations.

Despite the inherent risks of its operations and activities, the Group and Company have put in place effective control and monitoring of the Health, Safety, Environment and Quality (HSEQ).

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

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

The Group and Company plan and operate 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.

## PRINCIPLE 6- REPORTING WITH INTEGRITY (CONTINUED)

### Code of Ethics

The Group and Company have 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.

### Corporate Social Responsibility ("CSR")

The Group and Company firmly believe in the welfare of its employees and it strives to maintain a high standard of professionalism and regular training and refreshers are organised for the employees and stakeholders working with the Group and Company.

Furthermore, as a responsible citizen, the Group and Company remain committed to CSR and have its own CSR program, namely BatirAgir.

## PRINCIPLE 7- AUDIT

### Internal Audit

The Board is conscious of the importance of having in place internal control which aims at providing reasonable assurance against material misstatements and loss, and this responsibility is fulfilled by the Audit and Risk Committee on behalf of the Board.

The Group and Company maintain a system of financial control which is designed to ensure the proper keeping of accounting records and the reliability of the Group and Company's financial information. It also ensures compliance to internal system and procedures, statutory requirements, accounting and financial reporting standard.

The Board, under the recommendation of the Audit and Risk Committee has appointed KPMG to act as the Group and Company's internal auditor. The internal auditor reports directly to the Audit and Risk Committee and a report is subsequently to the Board at the quarterly statutory Board meetings.

The Audit and Risk Committee monitors the independence and objectivity of the internal audit function and assess its performance and relevant work experience.

The internal audit plan is prepared by the internal audit following discussions with Management under the supervision of the Audit and Risk Committee, which is the body entitled to approve the final audit plan.

In the performance of its function, the internal auditor has free access to the Group and Company's records, employees and members of the Audit and Risk Committee.

The internal auditors provide reports on the areas audited and the completion status of corrective action plans.

### External Auditors

Appointment of the Group and Company's external auditors remains a reserved right of the shareholders, though the appointment is made on the recommendation of the Board. The Group and Company's external auditor for the year under review is EY.

The Board has delegated to the Audit and Risk Committee the responsibility of reviewing the auditors' letter of engagement before the start of the audit work. The Committee will also monitor the independence of the external auditor and ensure that the auditors are not hindered in any manner whatsoever in the performance of their function.

The external auditors have direct access to the Audit and Risk Committee members and attend the Committee meetings. Once a year, the external auditors also meet with the Board to report on the external audit exercise and present their report to the Board.

The Audit and Risk Committee reviews and approves the annual audit plan and ensures it is consistent with the scope of the audit engagement having regard to the seniority, expertise and experience of the audit team.

**PRINCIPLE 8- RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS**

Communication with Key Stakeholders

The Board of Directors is committed to have an open and transparent communication with its shareholders, authorities, financial institutions, suppliers, investors and employees at all times. It normally communicates through its Annual report, announcements as provided under the Listing Rules, whenever applicable, through its statutory reporting and publications.

Annual Meeting of Shareholders

The Group's Annual Meeting for the shareholders to approve the audited financial statements including the Group and Company's annual report, appoint/ renew appointment of Directors and the Board and appoint/ renew the appointment of the external auditors has been fixed for the 31 May 2019.

In due course the appropriate convocation will be issued to all shareholders of the Company to invite them to attend the said Annual Meeting where they are encouraged to ask questions about the financial position of the Group and Company to the board.

The Company Secretary will send out the notices and related papers to all shareholders at least 14 days before the Annual Meeting in accordance to the Company's Constitution. The notices will clearly explain the procedures on proxy voting and include the deadline for receiving the proxies at the office of the Company Secretary.

Website

The Company also use its website [www.koloscement.com](http://www.koloscement.com) to keep in touch with its shareholders and stakeholders, as all Communiqués, Dividend Declarations, Abridged of Financial Statements and Annual Reports are posted on the website to keep them informed and updated on Group and Company's activities and events.

The website also provides relevant information about the business vision and mission, including details on the operations of the Group and Company showing the particulars of the different products available at Kolos Cement Ltd.

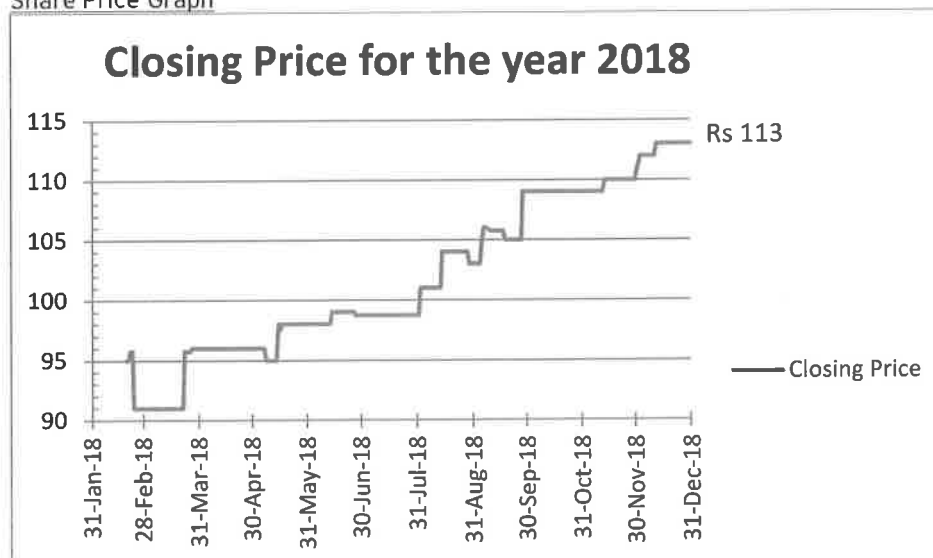
Shareholders' Agreement

The Company being a public listed Company on the DEM does not have a Shareholders' Agreement.

Breakdown of share ownership as at 31 December 2018

Shareholders	%
Gamma Cement Ltd	74%
Public	26%

Share Price Graph



PRINCIPLE 8- RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONTINUED)

Shares in Public Hands

In line with the Listing Rules, the Company has more than 10% of its shareholding in public hand.

Share Registry

Gamma Corporate Services Ltd is the Company's Share Registry and is responsible for maintaining the Company's register of shareholders.

Dividend Policy

The Company's Dividend Policy is that the Company shall distribute a minimum of 75% of its annual net profit after tax as dividend, except as otherwise resolved by the shareholders by way of Ordinary Resolution, subject to the Company meeting the Solvency Test.

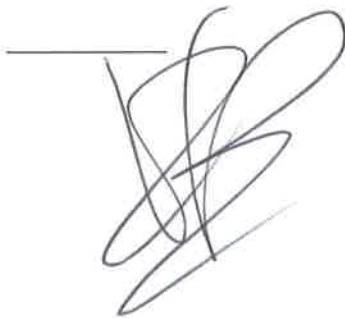
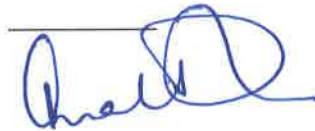
As a general rule, it is expected that the Company will declare an interim dividend in or around August, and a final dividend in or around March following the year-end.

Before the Board decides to declare a dividend, a solvency test is carried out by the Management team to demonstrate the solvency and the liquidity of the Company after the declaration of the dividend. Once the Company passes the test, the Board signed a certificate of solvency and declares the dividend.

Statement of compliance

We, the Directors of Kolos Cement Ltd confirm that to the best of our knowledge Kolos Cement Ltd has complied with all of its obligations and requirements under the Code of Corporate Governance.

Approved by the Board of Directors on 26 March 2019 and signed on its behalf by

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and lines, positioned above a horizontal line.A smaller, more legible handwritten signature in blue ink, appearing to read 'Anatoly', positioned above a horizontal line.

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 and the 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



.....  
Director



Date: 26 MAR 2019

STATUTORY DISCLOSURES

(Pursuant to Section 221 of the Companies Act 2001 and Section 88 of the Securities Act 2005)

Principal Activities

Kolos is a major operator in the market for the importation, blending and distribution of cement and cementitious products in Mauritius.

Directors

The name of the Directors of the Company and its subsidiaries as at 31 December 2018 were as follows:

	Mr Vivekananda Challa									
	Mrs Jacqueline Sitorus									
	Mr Charanjeet Singh									
	Mrs Sui Lien Chong Ah-Yan									
	Mr Twalha Dhunnoo									
	Mr Paul Halpin									
	Mr Javier de Benito									
	Mr Dominique Billon									
	Mr Chian Yew Ah Teck									
	Mr Chian Tat Ah Teck									
	Mr Chian Luck Ah Teck									
Kolos Cement Ltd		✓								
Cement Logistics Ltd			✓							
Kolos Building Materials Ltd				✓						

Directors' and Senior Officers' Interests in Shares

KOLOS CEMENT LTD STATEMENT OF DIRECT AND INDIRECT INTERESTS OF INSIDERS AS AT 31 DECEMBER 2018		
Names of Directors	No. of Shares	
	Direct	Indirect
Mr Chian Luck Ah Teck	-	3,452,152
Mr Chian Tat Ah Teck	-	3,452,152
Mr Chian Yew Ah Teck	-	3,453,727
Mr Dominique Billon	-	-
Mr Javier de Benito	-	-
Mr Paul Halpin	-	-
Mr Twalha Dhunnoo	-	-
Mrs Sui Lien Chong Ah-Yan	-	854,283
Mr Charanjeet Singh	-	-
Mrs Jacqueline Sitorus	-	-
Mr Vivekananda Challa	-	-

Directors' Remuneration and Benefits

Total remuneration and benefits received by the Directors from the Group and Company were:

Remuneration and benefits paid by the Group and Company	Rs
Directors	24,128,551

Note: The Directors' remuneration is disclosed in aggregate due to the confidentiality of the information and no remuneration in the form of share options or bonuses associated with the organisation performance have been issued to non-executive directors.

STATUTORY DISCLOSURES (CONTINUED)

Directors' service contracts

None of the Directors of the Company have service contracts with the Group and Company.

Contract of Significance

The Group and Company has no contract of significance with either a Director or a controlling shareholder.

Directors' Insurance

The directors of Kolos Cement Ltd are insured under the Gamma Civic Ltd master policy directors and officer's liability insurance.

Political and Charitable Donations

The Group and Company remain committed to CSR and have its own CSR program, namely Batir Agir. For the year 2018, the Group and the Company have contributed Rs 4,152,137 and Rs 2,429,210 respectively, as donations, including Corporate Social Responsibility (CSR).

The Group and Company did not make any political donations during the year in review.

Auditors' remuneration

Ernst & Young are the auditors of the Group and Company.

The auditors' remuneration paid during the year 2018 by the Group and Company and its subsidiaries, was as follows:

	Group	Company
	2018	2018
	Rs	Rs
Fees for audit services (Ernst & Young)	908,000	600,000
Fees for internal audit services (KPMG)	400,000	400,000
Fees for taxation services (KPMG)	78,000	39,000

**KOLOS CEMENT LTD  
COMPANY SECRETARY'S CERTIFICATE  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**22.**

**Company secretary's certificate under Section 166(d) of the Companies Act 2001**

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 2018.



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

Date: 26 MAR 2019



**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 Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 73 which comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Group as at 31 December 2018, and of their financial performance and their 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 Consolidated Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of the company. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the company. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We did not identify any key audit matters during the year.

*Other Information*

The directors are responsible for the other information. The other information comprises the Report of Directors, Corporate Governance Report and the Secretary's Certificate as required by the Companies Act 2001. The Annual Report is expected to be made available to us after that date. Other information 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 identified above (other than the Corporate Governance Report) when it becomes available 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.

*Corporate Governance Report*

The Directors are responsible for preparing the Corporate Governance Report. Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance ("the Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Group has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF KOLOS CEMENT LTD (CONTINUED)

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

##### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements 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 Group's and 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 intends to liquidate the Group and or the Company or to cease operations, or have no realistic alternative but to do so.

##### *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 Group's and 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 Group's and 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 Group and 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group and the Company to express an opinion on the Group and Company financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF KOLOS CEMENT LTD (CONTINUED))

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

##### *Auditor's Responsibilities for the Audit of the Financial Statements (Continued)*

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

##### *Use of our report*

This report is made solely for the Group and 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 Group and 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 Group and the Company and the Group and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

##### *Companies Act 2001*

We have no relationship with or interests in the Group and the Company other than in our capacity as auditors 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 Group and the Company as far as it appears from our examination of those records.



ERNST & YOUNG  
Ebène, Mauritius



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

Date: 26 MAR 2019

KOLOS CEMENT LTD  
STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018

26.

	Notes	GROUP		COMPANY	
		2018	2017	2018	2017
		Rs	Rs	Rs	Rs
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10(a)	672,918,185	471,692,698	641,800,646	469,722,199
Intangible assets	10(b)	13,663,920	14,221,631	13,663,920	14,221,631
Investments in subsidiaries	11	-	-	122,500	122,500
		<u>686,582,105</u>	<u>485,914,329</u>	<u>655,587,066</u>	<u>484,066,330</u>
<b>Current assets</b>					
Inventories	12	144,381,082	69,854,636	144,206,946	77,492,370
Trade and other receivables	13	111,886,034	70,155,078	122,901,631	76,412,999
Cash in hand and at bank	14	26,052,787	9,755,474	13,370,125	1,646,939
		<u>282,319,903</u>	<u>149,765,188</u>	<u>280,478,702</u>	<u>155,552,308</u>
<b>Total assets</b>		<u><b>968,902,008</b></u>	<u><b>635,679,517</b></u>	<u><b>936,065,768</b></u>	<u><b>639,618,638</b></u>
<b>EQUITY AND LIABILITIES</b>					
Stated capital	15	270,000,000	270,000,000	270,000,000	270,000,000
Revaluation reserve	16	92,675,877	88,160,551	92,675,877	88,160,551
Retained earnings/(accumulated losses)		<u>119,609,606</u>	<u>(6,495,269)</u>	<u>107,102,716</u>	<u>2,307,517</u>
<b>Total equity</b>		<u><b>482,285,483</b></u>	<u><b>351,665,282</b></u>	<u><b>469,778,593</b></u>	<u><b>360,468,068</b></u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Employee benefit liabilities	17	8,708,283	2,701,532	8,708,283	2,701,532
Interest bearings loans and borrowings	21	166,767,022	-	152,955,761	-
Deferred tax liabilities	18	48,340,198	45,837,394	48,297,099	46,061,292
		<u>223,815,503</u>	<u>48,538,926</u>	<u>209,961,143</u>	<u>48,762,824</u>
<b>Current liabilities</b>					
Bank overdraft	14	-	161,222,796	-	161,222,796
Trade and other payables	19	234,088,451	70,798,918	231,972,483	67,970,751
Interest bearings loans and borrowings	21	12,278,542	-	9,683,410	-
Current tax liabilities	9	16,434,029	3,453,595	14,670,139	1,194,199
		<u>262,801,022</u>	<u>235,475,309</u>	<u>256,326,032</u>	<u>230,387,746</u>
<b>Total liabilities</b>		<u><b>486,616,525</b></u>	<u><b>284,014,235</b></u>	<u><b>466,287,175</b></u>	<u><b>279,150,570</b></u>
<b>Total equity and liabilities</b>		<u><b>968,902,008</b></u>	<u><b>635,679,517</b></u>	<u><b>936,065,768</b></u>	<u><b>639,618,638</b></u>

Approved by the Board of directors on **26 MAR 2019** and signed on its behalf by:

Director

Director

The notes on pages 31 to 73 form part of these consolidated and separate financial statements.

KOLOS CEMENT LTD  
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018

27.

	Notes	GROUP		COMPANY	
		2018 Rs	2017 Rs	2018 Rs	2017 Rs
Revenue	5	1,125,025,900	1,029,809,022	1,097,747,214	1,022,445,413
Cost of sales	6.1	(734,743,985)	(662,717,609)	(742,840,749)	(764,657,544)
<b>Gross profit</b>		<b>390,281,915</b>	<b>367,091,413</b>	<b>354,906,465</b>	<b>257,787,869</b>
Selling and distribution expenses	6.2	(43,449,847)	(34,355,734)	(34,931,682)	(30,130,690)
Administrative expenses	6.3	(125,825,196)	(106,378,467)	(126,196,745)	(95,717,347)
Impairment loss on receivables	13	(1,547,438)	-	(1,141,743)	-
Other gains	8(b)	17,218,302	360,813	17,200,022	237,278
Other income	7	24,078,781	4,692,835	23,922,815	4,692,835
<b>Operating profit</b>		<b>260,756,517</b>	<b>231,410,860</b>	<b>233,759,132</b>	<b>136,869,945</b>
Finance income		167,505	-	167,505	-
Finance costs		(15,009,736)	(6,930,958)	(14,244,901)	(6,468,357)
<b>Net finance costs</b>	8(a)	<b>(14,842,231)</b>	<b>(6,930,958)</b>	<b>(14,077,396)</b>	<b>(6,468,357)</b>
<b>Profit before tax</b>		<b>245,914,286</b>	<b>224,479,902</b>	<b>219,681,736</b>	<b>130,401,588</b>
Income tax expense	9	(44,712,927)	(35,615,833)	(39,790,053)	(21,543,644)
<b>Profit for the year</b>		<b>201,201,359</b>	<b>188,864,069</b>	<b>179,891,683</b>	<b>108,857,944</b>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent period</i>					
Gain on revaluation of buildings	10(a)	8,230,073	7,265,960	8,230,073	7,265,960
Deferred tax effect on remeasurement of gain on revaluation of buildings	18	(1,399,112)	(1,235,213)	(1,399,112)	(1,235,213)
Remeasurement actuarial loss on employee benefit liabilities	17	(2,183,276)	(65,971)	(2,183,276)	(65,971)
Deferred tax effect remeasurement on gain on employee benefit liabilities	18	371,157	11,215	371,157	11,215
<b>Other comprehensive income for the year, net of tax</b>		<b>5,018,842</b>	<b>5,975,991</b>	<b>5,018,842</b>	<b>5,975,991</b>
<b>Total comprehensive income for the year</b>		<b>206,220,201</b>	<b>194,840,060</b>	<b>184,910,525</b>	<b>114,833,935</b>
Earnings per share	24	<u>7.45</u>	<u>6.99</u>		

The notes on pages 31 to 73 form part of these consolidated and separate financial statements.

KOLOS CEMENT LTD  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018

28.

GROUP	Notes	Stated capital	Revaluation reserve	Retained earnings/		Total
				(Accumulated losses)		
		Rs	Rs	Rs	Rs	Rs
At 1 January 2017		270,000,000	84,037,374	75,727,848		429,765,222
<b>Total comprehensive income for the year</b>						
Profit for the year				188,864,069		188,864,069
Realised on depreciation of building		-	(1,907,570)	1,907,570		-
Gain on revaluation of building	10(a)	-	7,265,960	-		7,265,960
Deferred tax effect remeasurement of gain on revaluation of building	18	-	(1,235,213)	-		(1,235,213)
Remeasurement actuarial loss on employee benefit liabilities	17	-	-	(65,971)		(65,971)
Deferred tax effect remeasurement of loss on employee benefit liabilities	18	-	-	11,215		11,215
Other comprehensive income for the year net of tax		-	6,030,747	(54,756)		5,975,991
<b>Transaction with owners of the Company recognised directly in equity</b>						
<i>Distributions to owners of the Company</i>						
Dividends	15	-	-	(272,940,000)		(272,940,000)
Balance at 31 December 2017		270,000,000	88,160,551	(6,495,269)		351,665,282
<b>Total comprehensive income for the year</b>						
Profit for the year				201,201,359		201,201,359
Realised on depreciation of building		-	(2,315,635)	2,315,635		-
Gain on revaluation of building	10(a)	-	8,230,073	-		8,230,073
Deferred tax effect remeasurement of gain on revaluation of building	19	-	(1,399,112)	-		(1,399,112)
Remeasurement actuarial loss on employee benefit liabilities	18	-	-	(2,183,276)		(2,183,276)
Deferred tax effect remeasurement of loss on employee benefit liabilities	19	-	-	371,157		371,157
<b>Transaction with owners of the Company recognised directly in equity</b>						
<i>Distributions to owners of the Company</i>						
Dividends	15	-	6,830,961	(1,812,119)		5,018,842
Balance at 31 December 2018		270,000,000	92,675,877	119,609,606		482,285,483

The notes on pages 31 to 73 form part of these consolidated and separate financial statements.

**KOLOS CEMENT LTD**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

29.

COMPANY	Notes	Stated capital	Revaluation reserve	Retained earnings	Total
		Rs	Rs	Rs	Rs
At 1 January 2017		270,000,000	84,037,374	86,536,759	440,574,133
<b>Total comprehensive income for the year</b>					
Profit for the year		-	-	108,857,944	108,857,944
Realised on depreciation of building		-	(1,907,570)	1,907,570	-
Gain on revaluation of building	10(a)	-	7,265,960	-	7,265,960
Deferred tax effect remeasurement of gain on revaluation of building	18	-	(1,235,213)	-	(1,235,213)
Remeasurement actuarial loss on employee benefit liabilities	17	-	-	(65,971)	(65,971)
Deferred tax effect remeasurement of loss on employee benefit liabilities	18	-	-	11,215	11,215
Other comprehensive income for the year net of tax		-	6,030,747	(54,756)	5,975,991
<b>Transaction with owners of the Company recognised directly in equity</b>					
<i>Distributions to owners of the Company</i>					
Dividends	15	-	-	(194,940,000)	(194,940,000)
Balance at 31 December 2017		270,000,000	88,160,551	2,307,517	360,468,068
<b>Total comprehensive income for the year</b>					
Profit for the year		-	-	179,891,683	179,891,683
Realised on depreciation of building		-	(2,315,635)	2,315,635	-
Gain on revaluation of building	10(a)	-	8,230,073	-	8,230,073
Deferred tax effect remeasurement of gain on revaluation of building	18	-	(1,399,112)	-	(1,399,112)
Remeasurement actuarial loss on employee benefit liabilities	17	-	-	(2,183,276)	(2,183,276)
Deferred tax effect remeasurement of loss on employee benefit liabilities	18	-	-	371,157	371,157
<b>Transaction with owners of the Company recognised directly in equity</b>					
<i>Distributions to owners of the Company</i>					
Dividends	15	-	-	(75,600,000)	(75,600,000)
Balance at 31 December 2018		270,000,000	92,675,877	107,102,716	469,778,593

The notes on pages 31 to 73 form part of these consolidated and separate financial statements.

**KOLOS CEMENT LTD**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

30.

	Notes	GROUP		COMPANY	
		2018	2017	2018	2017
		Rs	Rs	Rs	Rs
<b>Cash flows from operating activities</b>					
Profit before tax		245,914,286	224,479,902	219,681,736	130,401,588
Adjustments for:					
Depreciation and amortisation	10	49,112,471	32,907,648	46,453,700	32,907,648
Net foreign exchange differences		(832,732)	1,045,589	(832,732)	325,535
Loss on sale of equipment	7	-	321,902	-	321,902
Finance cost	8(a)	7,501,153	6,930,958	7,482,355	6,468,357
Finance income	8(a)	(167,505)	-	(167,505)	-
Interest charge on rights of use of assets	8(a)	7,508,583	-	6,762,546	-
Movement in employee benefit liabilities	17	698,856	511,270	698,856	511,270
		<u>309,735,112</u>	<u>266,197,269</u>	<u>280,078,956</u>	<u>170,936,300</u>
Changes in:					
(Increase)/decrease in inventories		(74,526,446)	37,127,138	(66,714,576)	43,868,347
Increase in trade and other receivables		(41,730,956)	(6,448,749)	(46,488,632)	(20,002,897)
Increase in trade and other payables		123,289,533	16,223,881	124,001,732	14,472,857
Movement in employee benefit liabilities	17	3,124,619	-	3,124,619	-
		<u>319,891,862</u>	<u>313,099,539</u>	<u>294,002,099</u>	<u>209,274,607</u>
Interest paid	8(a)	(15,009,736)	(6,930,958)	(14,244,901)	(6,468,357)
Interest received	8(a)	167,505	-	167,505	-
Income tax paid	9	(30,257,644)	(32,851,890)	(25,106,261)	(18,985,864)
<b>Net cash generated from operating activities</b>		<u>274,791,987</u>	<u>273,316,691</u>	<u>254,818,442</u>	<u>183,820,386</u>
<b>Cash flows from investing activities</b>					
Purchase of investment in subsidiary	11	-	-	-	(121,500)
Proceeds from sale of equipment		-	347,826	-	347,826
Purchase of property, plant and equipment and intangibles assets	10	(49,627,104)	(14,599,502)	(36,054,730)	(12,629,003)
<b>Net cash used in investing activities</b>		<u>(49,627,104)</u>	<u>(14,251,676)</u>	<u>(36,054,730)</u>	<u>(12,402,677)</u>
<b>Cash flows from financing activities</b>					
Dividend paid	15	(75,600,000)	(272,940,000)	(75,600,000)	(194,940,000)
Lease payment	25	(12,877,506)	-	(11,050,462)	-
Short term loan received	25	68,000,000	-	68,000,000	-
Short term loan repayment	25	(28,000,000)	(70,000,000)	(28,000,000)	(70,000,000)
<b>Net cash used in financing activities</b>		<u>(48,477,506)</u>	<u>(342,940,000)</u>	<u>(46,650,462)</u>	<u>(264,940,000)</u>
<b>Net movement in cash and cash equivalents</b>		<u>176,687,377</u>	<u>(83,874,985)</u>	<u>172,113,250</u>	<u>(93,522,291)</u>
Net foreign exchange differences		832,732	(1,045,589)	832,732	(325,535)
Cash and cash equivalents at 1 January		<u>(151,467,322)</u>	<u>(66,546,748)</u>	<u>(159,575,857)</u>	<u>(65,728,031)</u>
<b>Cash and cash equivalents at 31 December</b>	14	<u>26,052,787</u>	<u>(151,467,322)</u>	<u>13,370,125</u>	<u>(159,575,857)</u>

The notes on pages 31 to 73 form part of these consolidated and separate financial statements.



**1. REPORTING ENTITY**

Kolos Cement Ltd (the "Company") is a public company, as from 14 December 2017, and was 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 Group and the Company are the unloading, storing, bagging, trading and distribution of cement and cementitious products.

**2. BASIS OF PREPARATION**

*(a) Basis of compliance*

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

At 31 December 2018, the Group and the Company had net current assets position of Rs 19.5m and Rs 24.2m respectively (2017: Rs 85.7m and Rs 74.8m net current liabilities position respectively). Therefore, the financial statements continue to be prepared on the going concern basis.

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 Group 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 Group. Such changes are reflected in the assumptions when they occur.

*Revaluation of buildings*

The Group measures buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group's buildings has been valued based on the valuation carried out by an independent Valuer, not related to the Group, based on depreciated replacement cost approach. Further details in respect of the freehold land and buildings are contained in note 10(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 Group and Company become 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 13.

*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 policies and disclosures*

The Group applied IFRS 15 and IFRS 9 for the first time and has early adopted IFRS 16. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but did not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standards apart from IFRS 16, interpretations or amendments that have been issued but are not yet effective.

Effective for  
accounting period  
beginning on or after

IFRS 9 - Financial instruments	1 January 2018
IFRS 15 Revenue from Contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019

2. BASIS OF PREPARATION (CONTINUED)

(e) *Changes in accounting policies and disclosures (Continued)*

**IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has adopted the standard on the required effective date and has not restated comparative information. The Company has performed an impact assessment of all three aspects of IFRS 9, and there is no significant impact on its financial position or performance. The Company's financial assets include trade and other receivables, and cash at bank, which are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. These financial assets classified as loans and receivable under IAS 39 are classified as financial assets at amortised cost under IFRS 9 and continue to carry at amortised cost.

IFRS 9 requires the Company to record expected credit losses on all cash and cash equivalents and of its trade and other receivables either on a 12 month or lifetime basis. The Company has applied the simplified approach and recorded lifetime expected losses on all trade and other receivables. The impact on the loss allowances as a result of the adoption of IFRS 9 is negligible and no adjustments were recorded at 1 January 2018.

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group applied IFRS 15 using the modified retrospective method of adoption with any adjustment recorded in retained earnings at date of initial application of 1 January 2018. The adoption of IFRS 15 had no impact on the Group's revenue. Revenue is recognized upon the delivery of consignments, when the performance obligation is delivered to its customer. Therefore, the directors are of the view that the current revenue accounting of the Group and the Company is already aligned with the timing at which the performance obligations are delivered to the client. No practical expedient as permitted under the standard have been applied by the Company.

2. BASIS OF PREPARATION (CONTINUED)

(e) *Changes in accounting policies and disclosures (Continued)*

**IFRS 16 Leases**

In line with the option under IFRS 16 in connection with IFRS 15, IFRS 16 is being applied early effective January 1, 2018, using the modified retrospective method. Applying this method, the comparative information for the 2017 fiscal year has not been restated. The previous determination pursuant to IAS 17 and IFRIC 4 of whether a contract is a lease has been maintained for existing contracts.

The main effect on the Group is that IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for almost all leases and therefore resulted in an increase of Property, plant and equipment and total financial debt at January 1, 2018. This standard is mandatory for the accounting period beginning on January 1, 2019, but the Group early adopted it on January 1, 2018, under the modified retrospective approach, utilizing the practical expedient to not reassess whether a contract contains a lease.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. Please refer to accounting policies for more details.

The following table presents the reconciliation of lease liabilities and Right of Use as of January 1, 2018:

	Group	Company
	Rs	Rs
Minimum lease payments under Operating leases as of 31 December 2017	121,636,832	115,082,846
Effect from discounting at the incremental borrowing rate as of 1 January 2018	(50,507,650)	(48,200,719)
Liabilities recognized based on the initial application of IFRS 16 as of 1 January 2018	71,129,182	66,882,127
Right of use recognised based on the initial application of IFRS 16 as of 1 January 2018	71,129,182	66,882,127

The weighted-average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2018, for Group and Company were 4.27% and 4.15 % p.a respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company have 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 Group and the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated 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).

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Revenue recognition and cost of sales**

Revenue represents sale of products, classified as bulk and bag, net of trade discounts, value added tax and allowances. The performance is recognised at a point in time and the transactions price has already been set. As per condition of sales no alterations and cancellation of orders can be made once goods and services have been delivered. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due.

Included in cost of sales are expenses directly related to production which included direct materials, direct labour, utilities and shipping costs.

**Revenue recognition under IAS 18**

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.

**(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.

**(d) Other income**

Other income includes an exceptional revenue received for unloading services provided to third party. Income is non recurrent and recognised in the statement of profit and loss at one point in time and transaction price is already fixed. Other income is recognised on an accrual basis upon unloading of cement services are rendered to the third party. This is recognised under IFRS 15.

**(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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Taxation (Continued)

(ii) *Deferred tax*

- in respect of taxable temporary differences associated with investment in subsidiary companies 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.

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, 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

Deferred tax assets and deferred tax liabilities will be netted off only if the following criteria are met:

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - i) the same taxable entity; or
  - ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Taxation (Continued)**

*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.

*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) Investments in subsidiaries**

Subsidiaries are entities 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 subsidiaries in the separate financial statements of the Company are carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

**(g) Basis of consolidation**

The consolidated financial statements include the results of the Company and its subsidiaries which are controlled by the Company. Control is achieved by the Company when:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Statements of Profit or Loss and Other Comprehensive Income from the date of their control is acquired or up to the date when control is lost. Specifically, income and expenses of a subsidiary acquired or Company loses control of the subsidiary disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Basis of consolidation (Continued)**

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, Non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

**(h) Pooling of interest and Comparatives**

On 14 December 2017 the Company's ultimate shareholder approved a restructuring of the Company so as to improve on its corporate and organisational structure and to combine all of its cement activities. The shareholding of Cement Logistics Ltd, previously a fully owned subsidiary of Gamma Civic Ltd was transferred to Kolos Cement Ltd. However, the results have been prepared on the pooling interest method of accounting as the reorganisation was between companies under common control. The carrying values of the assets and liabilities of the Companies on reorganisation were not adjusted to fair value on consolidation, as this was a common control transaction. However, the difference between the cost of investment and the nominal value of the share capital acquired of Cement Logistics Ltd was credited to the retained earnings.

The Company elected to present the Group's financial information in the financial statements for periods prior to the combination under common control, to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the combination. The Group's financial information in the financial statements for prior periods to the combination is presented only for the period that the entities were under common control.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) 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.

Following initial recognition at cost, buildings are revalued every year. Accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the revalued asset.

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.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

No depreciation is provided on assets under construction.

#### (j) 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.

#### (k) Leases - Group as a lessee

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases:

- recognises right-of-use assets and lease liabilities in the consolidated statement of financial position
- recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leases - Group as a lessee (Continued)

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

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

Land and Buildings	20%
Plant and machinery	33 1/3%
Motor vehicles	between 28% to 32%

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at the present value of the lease payments to be made over the lease term. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'Interest bearing loans and borrowings' in the statement of financial position.

There is no short-term leases and leases of low-value assets for the year ended 31 December 2018.

In comparative year, 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Leases - Group as a lessee (Continued)**

**Leases under IAS 17**

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 on a straight line basis over the lease term.

**(l) 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. The Company have only tangible assets with finite useful lives.

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.

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 10%.

**(m) Financial instruments**

**(i) Financial assets under IAS 39**

*Initial recognition*

Financial assets are classified at initial recognition as financial assets at fair value through profit or loss, loans and receivables held-to-maturity investments or available for sale financial assets as appropriate. The Group and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (Continued)

(i) Financial assets under IAS 39 (Continued)

*Initial recognition (Continued)*

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 recognized on the trade date, i.e., the date the Group and the Company commits to purchase or sell the asset.

The Group's and the Company's financial assets classified as loans and receivables include cash in hand and at bank and trade and other receivables.

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*

Loan and receivables

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 Group and 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 Group or 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (Continued)

(i) Financial assets under IAS 39 (Continued)

*Impairment (Continued)*

Loan and receivables (Continued)

The Group and 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.

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 under IAS 39

*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 Group and 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 Group's and the Company's financial liabilities include trade and other payables, short term loan and bank overdraft.

*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.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) 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 Group 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 group 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 Group or 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 Group's or the Company's continuing involvement in the asset. In that case, the Group or 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 Group 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 Group or 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 Group's or the Company's continuing involvement is the amount of the transferred asset that the Group or 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 Group's or the Company's continuing involvement.

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.

**(v) Financial assets initial recognition and measurement under IFRS 9**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (Continued)

(v) Financial assets initial recognition and measurement under IFRS 9 (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

The Group's financial assets include cash in hand at banks and trade and other receivables.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- ▶ Financial assets at amortised cost (debt instruments)
- ▶ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ▶ Financial assets at fair value through profit or loss

*Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. The Group includes in this category loans and receivables. The Group measures financial assets at amortised cost if both of the following conditions are met:

- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- ▶ The rights to receive cash flows from the asset have expired.

Or

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (Continued)

(v) Financial assets initial recognition and measurement under IFRS 9 (Continued)

**Derecognition (Continued)**

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all trade receivables with third parties. ECLs are based on the difference between the contractual cash flows due and all the cash flows that the Group expects to receive.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The information about the ECLs on the Group's trade receivables is disclosed in Note 13.

(vi) Financial liabilities initial recognition and measurement under IFRS 9

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest bearing loans and borrowings.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (Continued)

(vi) Financial liabilities initial recognition and measurement under IFRS 9 (Continued)

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR 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 EIR. The EIR amortisation is included as finance costs in the Statement of profit or loss.

This category includes interest bearing loans and borrowings.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of profit or loss.

(n) Fair value measurement

The Group and the Company measures its 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.
- 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 Group.

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 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 Group and 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) Fair value measurement (Continued)**

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 Group and 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.

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.

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 Group'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.

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 and the Company 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.

**(o) 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.

**(p) Impairment of non-financial assets**

The Group and 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 Group and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of non-financial assets (Continued)

The Group and the Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group'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, 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 Group 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.

(q) 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 Group 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. 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 (Ferber Associates) using the projected unit credit method on a yearly basis.

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 statement of other comprehensive income. 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 the statement of other comprehensive income.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(q) Employee benefits (Continued)**

*Gratuity on retirement (Continued)*

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.

In accordance with the Employment Rights Act, the amounts deductible are:

- ▶ half the lump sum payable from the defined contribution scheme, based on employer's contribution;
- ▶ five times the amount of any annual pension payable at the retirement age due from the defined contribution, based on employer's contribution;
- ▶ any other gratuity granted at the retirement age; and
- ▶ ten times the amount of any other annual pension granted at the retirement age.

*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.

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

**(r) Dividends**

The Group and 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 Group and the Company. A distribution is authorised when it is approved by the Board of Directors. A corresponding amount is recognised directly in equity.

**(s) Provisions**

Provisions are recognised when the Group and 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 Group and 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.

**(t) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The new and amended standards and interpretations that are issued, but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these new and amended standards and interpretations when they become effective, if applicable.

**New or revised standards and interpretations:**

	<b>Effective for accounting period beginning on or after</b>
<b><u>New or revised standards</u></b>	
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Prepayment Features with Negative Compensation - Amendments to IFRS 9	1 January 2019
Long-term interests in Associates and Joint Ventures - Amendments to IAS 28	1 January 2019
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	1 January 2019
IFRS 3 Business Combinations - Previously held interests in a joint operation	1 January 2019
IFRS 11 Joint Arrangements - Previously held interests in a joint operation	1 January 2019
IAS 12 Income taxes - Income tax consequences of payments on Financial instruments classified as equity	1 January 2019
IAS 23 Borrowing costs-Borrowing costs eligible for capitalisation	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021

The above standards or amendments or improvement is deemed not to have an impact on the financial statements or performance of the Group. Hence, no impact has been described.

4. SEGMENT REPORTING

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments identified previously under IAS 14. Segmental Reporting.

Information reported to the chief operating decision maker focuses on the types of goods and services delivered or provided. The management of the Group have chosen to organise the Group around differences in the categorisation of the products, that are . sales of cement in bulk and sales of cement in bags .

The Group's trade in only one product namely cement and trades only in Mauritius. Sales made to external parties amount to Rs 843m (2017: Rs 791 m). There is no single external customer who generates more than 10% of the revenue of the Group.

	2018	2017
	Rs.	Rs.
Revenue	1,125,025,900	1,029,809,022
Cost of sales	(734,743,985)	(662,717,609)
<b>Gross profit</b>	<b>390,281,915</b>	<b>367,091,413</b>
<b>Total assets</b>	<b>968,902,008</b>	<b>635,679,517</b>
Total liabilities	486,616,525	284,014,235
Total equity	482,285,483	351,665,282
<b>Total equity and liabilities</b>	<b>968,902,008</b>	<b>635,679,517</b>

The Group and Company trades within the group and with external customers.

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Sales				
Internal	281,720,474	238,444,771	486,583,744	321,154,009
External	843,305,426	791,364,251	611,163,470	701,291,404
	<b>1,125,025,900</b>	<b>1,029,809,022</b>	<b>1,097,747,214</b>	<b>1,022,445,413</b>

5. REVENUE

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Sales of cement in bulk	340,515,819	314,423,896	340,519,293	314,423,896
Sales of cement in bags	784,510,081	715,385,126	757,227,921	708,021,517
	<b>1,125,025,900</b>	<b>1,029,809,022</b>	<b>1,097,747,214</b>	<b>1,022,445,413</b>

6. EXPENSES

6.1 Cost of sales

Cost of sales include the following:

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Wages, Salaries and bonuses * (Note 6.4)	15,844,888	16,342,894	15,844,888	16,342,894
Fuel & oil	16,403,031	10,751,123	16,403,031	10,751,123
Spare parts	16,482,194	16,977,992	16,482,194	16,977,992
Movement in provision for stock obsolescence	2,141,216	(4,473,673)	2,141,216	(4,473,673)
Depreciation and amortisation	44,127,135	30,616,018	44,127,135	30,616,018

6. EXPENSES (CONTINUED)

6.2 *Selling and distribution expenses*

Selling and distribution expenses include the following:

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Wages, Salaries and bonuses * (Note 6.4)	9,323,690	8,083,433	8,123,690	8,083,433
Depreciation and amortisation	2,657,561	-	-	-
Movement in provision for doubtful debts	(260,554)	885,327	(666,249)	885,327

6.3 *Administrative expenses*

Administrative expenses include the following:

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Wages, Salaries and bonuses* (Note 6.4)	40,670,397	17,854,165	40,670,397	17,854,165
Management fees	51,880,765	51,569,252	51,880,764	41,121,268
Depreciation and amortisation	2,327,775	2,291,630	2,326,565	2,291,630

6.4 *Analysis of salaries, wages and allowances*

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Wages, salaries and bonuses - (Note 6.1,6.2,6.3)	65,838,975	42,280,492	64,638,975	42,280,492
Social security	1,951,154	1,664,118	1,951,154	1,664,118
Pension costs	3,204,073	2,424,274	3,204,073	2,424,274
	<b>70,994,202</b>	<b>46,368,884</b>	<b>69,794,202</b>	<b>46,368,884</b>

\* Wages, salaries and bonuses are allocated to either other cost of sales, selling and distribution expenses or administrative expenses on the basis of the nature of work being performed by the employees.

7. OTHER INCOME

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Loss on disposal of equipment	-	(321,902)	-	(321,902)
Unloading services	24,078,781	5,014,737	23,922,815	5,014,737
	<b>24,078,781</b>	<b>4,692,835</b>	<b>23,922,815</b>	<b>4,692,835</b>

8(a). NET FINANCE COSTS

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Interest income	167,505	-	167,505	-
Finance income	167,505	-	167,505	-
Interest on bank overdraft/loan	(7,501,153)	(6,930,958)	(7,482,355)	(6,468,357)
Interest on right of use of assets	(7,508,583)	-	(6,762,546)	-
Finance costs	<b>(15,009,736)</b>	<b>(6,930,958)</b>	<b>(14,244,901)</b>	<b>(6,468,357)</b>
Net finance costs	<b>(14,842,231)</b>	<b>(6,930,958)</b>	<b>(14,077,396)</b>	<b>(6,468,357)</b>

8(b). OTHER GAINS

	GROUP		COMPANY	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Foreign exchange gains	17,218,302	1,353,107	17,200,022	509,519
Other gains	17,218,302	1,353,107	17,200,022	509,519
Foreign exchange losses	-	(992,294)	-	(272,241)
Other losses	-	(992,294)	-	(272,241)
Other gains	17,218,302	360,813	17,200,022	237,278

9. INCOME TAX EXPENSE

The Company is liable to income tax at the rate of 15% (2017: 15 %).

	GROUP		COMPANY	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
(a) <i>In the statement of profit or loss:</i>				
Corporate social responsibility	8,897,864	3,672,051	6,829,884	1,587,963
Income tax on the adjusted profit for the year	34,340,214	30,797,741	31,752,317	17,875,789
Over provision in previous years	-	(1,205,398)	-	-
Deferred tax charge	1,474,849	2,351,439	1,207,852	2,079,892
	<u>44,712,927</u>	<u>35,615,833</u>	<u>39,790,053</u>	<u>21,543,644</u>
<i>Reconciliation of effective tax rate</i>				
Profit before taxation	<u>245,914,286</u>	<u>224,479,902</u>	<u>219,681,736</u>	<u>130,401,588</u>
Income tax at 15%	36,887,143	33,671,985	32,952,260	19,560,238
Corporate social responsibility	8,897,864	3,672,051	6,829,884	1,587,963
Non-deductible expenses	204,047	806,422	132,819	698,414
Exempt income	(124,910)	(9,931)	(124,910)	(7,994)
Tax effects of consolidation adjustments	(1,151,217)	(1,056,266)	-	-
Deferred tax movement not recognised	-	(263,030)	-	(294,977)
Over provision in previous years	-	(1,205,398)	-	-
	<u>44,712,927</u>	<u>35,615,833</u>	<u>39,790,053</u>	<u>21,543,644</u>

(b) *Income tax liability*

	GROUP		COMPANY	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
At 01 January	3,453,595	3,041,091	1,194,199	716,311
Charge for the year	43,238,078	33,264,394	38,582,201	19,463,752
Paid during the year	(30,257,644)	(32,851,890)	(25,106,261)	(18,985,864)
At 31 December	<u>16,434,029</u>	<u>3,453,595</u>	<u>14,670,139</u>	<u>1,194,199</u>



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10(a). PROPERTY, PLANT AND EQUIPMENT

GROUP

	Work in progress		Buildings		Plant and machinery		Motor vehicles		Furniture and fittings		Rights of use Assets		Computer equipment		Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<b>Cost and valuation</b>																	
At 01 January 2017	23,470,920	309,000,000	410,015,508	11,894,189	4,097,323	-	-	-	-	1,959,197	-	-	-	-	760,437,137		
Additions	8,839,045	5,012,430	748,027	-	-	-	-	-	-	-	-	-	-	-	14,599,502		
Disposal	-	-	-	(6,550,673)	-	-	-	-	-	-	-	-	-	-	(6,550,673)		
Transfer	(23,466,373)	1,543,007	21,531,216	-	-	-	-	-	-	392,150	-	-	-	-	-		
Revaluation	-	(4,655,437)	-	-	-	-	-	-	-	-	-	-	-	-	(4,655,437)		
<b>At 31 December 2017</b>	<b>8,843,592</b>	<b>310,900,000</b>	<b>432,294,751</b>	<b>5,343,516</b>	<b>4,097,323</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,351,347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>763,830,529</b>		
At 01 January 2018	8,843,592	310,900,000	432,294,751	5,343,516	4,097,323	-	-	-	-	2,351,347	-	-	-	-	763,830,529		
Impact on adoption of IFRS 16	-	-	-	-	-	-	-	-	-	-	71,129,182	-	-	-	71,129,182		
Additions	48,587,304	-	-	-	-	-	-	-	-	-	120,793,888	-	-	-	169,381,192		
Transfer	(41,351,727)	20,184,504	21,167,223	-	-	-	-	-	-	-	-	-	-	-	-		
Revaluation	-	(4,673,056)	-	-	-	-	-	-	-	-	-	-	-	-	(4,673,056)		
<b>At 31 December 2018</b>	<b>16,079,169</b>	<b>326,411,448</b>	<b>453,461,974</b>	<b>5,343,516</b>	<b>4,097,323</b>	<b>191,923,070</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,351,347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>999,667,847</b>		
<b>Accumulated Depreciation</b>																	
At 01 January 2017	-	-	263,848,695	9,093,290	4,097,323	-	-	-	-	1,573,399	-	-	-	-	278,612,707		
Charge for the year	-	11,921,397	18,501,323	629,355	-	-	-	-	-	275,391	-	-	-	-	31,327,466		
Revaluation	-	(11,921,397)	-	-	-	-	-	-	-	-	-	-	-	-	(11,921,397)		
Disposal	-	-	-	(5,880,945)	-	-	-	-	-	-	-	-	-	-	(5,880,945)		
<b>At 31 December 2017</b>	<b>-</b>	<b>-</b>	<b>282,350,018</b>	<b>3,841,700</b>	<b>4,097,323</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,848,790</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>292,137,831</b>		
At 01 January 2018	-	-	282,350,018	3,841,700	4,097,323	-	-	-	-	1,848,790	-	-	-	-	292,137,831		
Charge for the year	-	13,410,177	17,704,301	411,000	-	15,714,091	-	-	-	275,391	-	-	-	-	47,514,960		
Revaluation	-	(12,903,129)	-	-	-	-	-	-	-	-	-	-	-	-	(12,903,129)		
<b>At 31 December 2018</b>	<b>-</b>	<b>507,048</b>	<b>300,054,319</b>	<b>4,252,700</b>	<b>4,097,323</b>	<b>15,714,091</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,124,181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>326,749,662</b>		
<b>NET BOOK VALUE</b>																	
At 31 December 2017	8,843,592	310,900,000	149,944,733	1,501,816	-	-	-	-	-	502,557	-	-	-	-	471,692,698		
At 31 December 2018	16,079,169	325,904,400	153,407,655	1,090,816	-	176,208,979	-	-	-	227,166	-	-	-	-	672,918,185		

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10(a). PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Work in progress		Buildings		Plant and machinery		Motor vehicles		Furniture and fittings		Rights of use Assets		Computer equipment		Total	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
<b>Cost and valuation</b>																
At 01 January 2017	23,470,920		309,000,000		410,015,508		11,894,189		4,097,323		-		1,959,197		761,437,137	
Additions	6,868,546		5,012,430		748,027		-		-		-		-		12,629,003	
Disposal	-		-		-		(6,550,673)		-		-		-		(6,550,673)	
Transfer	(23,466,373)		1,543,007		21,531,216		-		-		-		392,150		-	
Revaluation	-		(4,655,437)		-		-		-		-		-		(4,655,437)	
<b>At 31 December 2017</b>	<b>6,873,093</b>		<b>310,900,000</b>		<b>432,294,751</b>		<b>5,343,516</b>		<b>4,097,323</b>		<b>-</b>		<b>2,351,347</b>		<b>761,860,030</b>	
At 01 January 2018	6,873,093		310,900,000		432,294,751		5,343,516		4,097,323		-		2,351,347		761,860,030	
Impact on adoption of IFRS 16	-		-		-		-		-		66,882,127		-		66,882,127	
Additions	35,014,930		-		-		-		-		106,807,506		-		141,822,436	
Transfer	(26,140,279)		4,973,056		21,167,223		-		-		-		-		-	
Revaluation	-		(4,673,056)		-		-		-		-		-		(4,673,056)	
<b>At 31 December 2018</b>	<b>15,747,744</b>		<b>311,200,000</b>		<b>453,461,974</b>		<b>5,343,516</b>		<b>4,097,323</b>		<b>173,689,633</b>		<b>2,351,347</b>		<b>965,891,537</b>	
<b>Accumulated Depreciation</b>																
At 01 January 2017	-		-		263,848,695		9,093,290		4,097,323		-		1,573,399		278,612,707	
Charge for the year	-		11,921,397		18,501,323		629,355		-		-		275,391		31,327,466	
Revaluation	-		(11,921,397)		-		-		-		-		-		(11,921,397)	
Disposal	-		-		-		(5,880,945)		-		-		-		(5,880,945)	
<b>At 31 December 2017</b>	<b>-</b>		<b>-</b>		<b>282,350,018</b>		<b>3,841,700</b>		<b>4,097,323</b>		<b>-</b>		<b>1,848,790</b>		<b>292,137,831</b>	
At 01 January 2018	-		-		282,350,018		3,841,700		4,097,323		-		1,848,790		292,137,831	
Charge for the year	-		12,903,129		17,704,301		411,000		-		13,562,368		275,391		44,856,189	
Revaluation	-		(12,903,129)		-		-		-		-		-		(12,903,129)	
<b>At 31 December 2018</b>	<b>-</b>		<b>-</b>		<b>300,054,319</b>		<b>4,252,700</b>		<b>4,097,323</b>		<b>13,562,368</b>		<b>2,124,181</b>		<b>324,090,891</b>	
<b>NET BOOK VALUE</b>																
At 31 December 2017	6,873,093		310,900,000		149,944,733		1,501,816		-		-		502,557		469,722,199	
At 31 December 2018	15,747,744		311,200,000		153,407,655		1,090,816		-		160,127,265		227,166		641,800,646	

10(a). PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Buildings of the Group and the Company were revalued as at 31 December 2018 by Broll Indian Ocean Limited, an independent valuer, not related to the Group and 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.

**Fair value hierarchy**

Details of the Group's and the Company's buildings and information about the fair value hierarchy is classified under level 3 as at 31 December 2018.

Reconciliation of carrying amount

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Carrying amount as at 1 January	310,900,000	309,000,000	310,900,000	309,000,000
Additions for the year	20,184,504	6,555,437	4,973,056	6,555,437
Depreciation for the year	(13,410,177)	(11,921,397)	(12,903,129)	(11,921,397)
	317,674,327	303,634,040	302,969,927	303,634,040
Revaluation gain as at 31 December	8,230,073	7,265,960	8,230,073	7,265,960
Carrying amount and fair value as at 31 December	<u>325,904,400</u>	<u>310,900,000</u>	<u>311,200,000</u>	<u>310,900,000</u>

There were no transfers between the levels during the year.

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

	Valuation Techniques	Significant unobservable inputs	Sensitivity
			+5% / -5%
Buildings	Depreciated replacement cost	Depreciation	(5,400,000) / 1,800,000

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

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Cost	347,920,622	327,736,118	332,709,174	327,736,118
Less accumulated depreciation	(134,539,495)	(123,444,355)	(134,032,447)	(123,444,355)
Net book value at 31 December	<u>213,381,127</u>	<u>204,291,763</u>	<u>198,676,727</u>	<u>204,291,763</u>

10(b). INTANGIBLE ASSETS

GROUP AND COMPANY	Work in progress	Computer software	Total
	Rs.	Rs.	Rs.
<b>Cost</b>			
At 1 January 2017	15,801,813	1,019,855	16,821,668
Additions	(15,801,813)	15,801,813	-
<b>At 31 December 2017</b>	<b>-</b>	<b>16,821,668</b>	<b>16,821,668</b>
At 1 January 2018	-	16,821,668	16,821,668
Additions	-	1,039,800	1,039,800
<b>At 31 December 2018</b>	<b>-</b>	<b>17,861,468</b>	<b>17,861,468</b>
<b>Amortisation</b>			
At 1 January 2017	-	1,019,855	1,019,855
Charge for the year	-	1,580,182	1,580,182
<b>At 31 December 2017</b>	<b>-</b>	<b>2,600,037</b>	<b>2,600,037</b>
At 1 January 2018	-	2,600,037	2,600,037
Charge for the year	-	1,597,511	1,597,511
<b>At 31 December 2018</b>	<b>-</b>	<b>4,197,548</b>	<b>4,197,548</b>
<b>Carrying amount</b>			
At 31 December 2017	-	14,221,631	14,221,631
<b>At 31 December 2018</b>	<b>-</b>	<b>13,663,920</b>	<b>13,663,920</b>

10(c) RIGHT OF USE ASSETS

(i). Description of lease activities

- *Land and buildings*  
The Group leases land and buildings for its office and warehouses. The leases are for a fixed period ranging from 6 to 40 years.
- *Vehicle leases*  
The Group leases cars for management and sales function. The average contract is 3 to 4 years.
- *Other leases*  
The Group also leases machinery and equipment such as forklifts used in factory.

(ii). Right of use assets

31 December 2018	Land and Buildings	Vehicles	Other	Total
	Rs.	Rs.	Rs.	Rs.
<b>GROUP</b>				
Net Carrying Amount	159,428,031	11,473,519	5,307,429	176,208,979
Depreciation expense for the year	6,256,181	4,270,247	5,187,663	15,714,091
<b>COMPANY</b>				
Net Carrying Amount	144,738,153	11,473,519	3,915,593	160,127,265
Depreciation expense for the year	4,468,820	4,270,247	4,823,301	13,562,368

11. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2018	2017
	Rs.	Rs.
At 1 January	122,500	1,000
Additions	-	121,500
At 31 December	122,500	122,500

Investment held in:-

	Country of Operation	Activities	Value of investment		Shareholding	
			2018	2017	2018	2017
			Rs.	Rs.	%	%
Kolos Building Materials Ltd	Mauritius	Retailer of cement	1,000	1,000	100%	100%
Cement Logistics Ltd	Mauritius	Retailer of cement	121,500	121,500	100%	100%
			122,500	122,500		

12. INVENTORIES

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Cement	33,384,848	21,324,559	33,384,848	28,962,293
Packaging	29,003,805	16,561,938	28,829,669	16,561,938
Stock in transit	56,592,401	5,975,272	56,592,401	5,975,272
Spare parts	39,511,039	37,962,662	39,511,039	37,962,662
Provision for spare parts	(14,111,011)	(11,969,795)	(14,111,011)	(11,969,795)
	144,381,082	69,854,636	144,206,946	77,492,370

Amount charged to cost of sales

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Inventories consumed	563,495,121	535,767,917	571,631,771	638,049,989

The Group and the Company makes a provision for impairment based on slow moving and obsolete items in stock. The provision for impairment in respect of inventories during the year ended was as follows:

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
At 1 January	11,969,795	16,443,468	11,969,795	16,443,468
Impairment charge/ (reversal)	2,141,216	(4,473,673)	2,141,216	(4,473,673)
At 31 December	14,111,011	11,969,795	14,111,011	11,969,795

13. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Trade receivables				
- Related parties	29,483,280	24,498,787	49,104,146	34,697,497
- Non-related parties	83,865,914	49,588,077	74,378,960	45,766,591
	113,349,194	74,086,864	123,483,106	80,464,088
Allowance for expected credit losses/impairment	(9,463,970)	(9,724,524)	(8,812,290)	(9,478,539)
	103,885,224	64,362,340	114,670,816	70,985,549
Other receivables	334,366	674,580	141,214	171,292
Amount due by subsidiary	-	-	1,301,000	138,000
Prepayments	7,666,444	5,118,158	6,788,601	5,118,158
	111,886,034	70,155,078	122,901,631	76,412,999

Trade receivables (including related parties and non-related parties) 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 22.

The ageing of trade receivables at the reporting date was:

GROUP	Gross	Impairment	Net	Gross	Impairment	Net
	2018	2018	2018	2017	2017	2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Not past due	93,721,774	(124,685)	93,597,089	44,579,338	-	44,579,338
Past due 0-30 days	1,398,224	(311,430)	1,086,794	9,089,380	-	9,089,380
Past due 31-90 days	7,997,916	(888,128)	7,109,788	10,578,310	-	10,578,310
More than 90 days	10,231,280	(8,139,727)	2,091,553	9,839,836	(9,724,524)	115,312
	113,349,194	(9,463,970)	103,885,224	74,086,864	(9,724,524)	64,362,340
COMPANY	Gross	Impairment	Net	Gross	Impairment	Net
	2018	2018	2018	2017	2017	2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Not past due	108,801,804	(115,220)	108,686,584	52,614,804	-	52,614,804
Past due 0-30 days	(1,994,469)	(196,695)	(2,191,164)	7,929,018	-	7,929,018
Past due 31-90 days	7,274,295	(857,254)	6,417,041	10,326,416	-	10,326,416
More than 90 days	9,401,476	(7,643,121)	1,758,355	9,593,850	(9,478,539)	115,311
	123,483,106	(8,812,290)	114,670,816	80,464,088	(9,478,539)	70,985,549

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

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
At 1 January	9,724,524	8,839,197	9,478,539	8,593,212
Expected credit loss/impairment recognised	1,547,438	997,236	1,141,743	997,236
Write off during the year	(1,807,992)	-	(1,807,992)	-
Release off during the year	-	(111,909)	-	(111,909)
At 31 December	9,463,970	9,724,524	8,812,290	9,478,539

The average contractual credit period on sales of goods is three months. Allowance for credit losses is determined by the Group using provision matrix. No interest is charged on the trade receivables. Management expects full recoverability of due balances which are neither past due nor impaired. Expected credit loss/impairment recognised on Trade Debtors refers to allowances for expected losses as required by IFRS 9. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Cash in hand	218,672	68,043	189,672	59,043
Cash at bank	25,834,115	9,687,431	13,180,453	1,587,896
	<u>26,052,787</u>	<u>9,755,474</u>	<u>13,370,125</u>	<u>1,646,939</u>
Bank overdraft	-	161,222,796	-	161,222,796
<b>Cash and cash equivalents</b>	<u>26,052,787</u>	<u>(151,467,322)</u>	<u>13,370,125</u>	<u>(159,575,857)</u>

The Group and the Company has overdraft facilities amounting to Rs 340 million unsecured and interest payable monthly and capital repayable on demand. Interest is charged based on bank specific prime lending rate.

15. STATED CAPITAL

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
<i>Authorised, issued and fully paid</i> 27,000,000 (2017: 27,000,000) ordinary shares of Rs 10 each	270,000,000	270,000,000	270,000,000	270,000,000

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 Group's residual assets.

Dividends amounting to Rs 75,600,00 (Rs 2.80 per share) were declared and paid by the Group during the year (2017: Rs 272,940,000; Rs 10.11 per share).

Dividends amounting to Rs 75,600,00 (Rs 2.80 per share) were declared and paid by the Company during the year (2017: Rs 194,940,000; Rs 7.22 per share).

On 14 December 2017, the company carried out a split exercise whereby one ordinary share was split into one hundred ordinary shares.

16. 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 2018.

17. RETIREMENT BENEFIT OBLIGATION

*Reconciliation of Present Value of Defined Benefit Obligation*

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Opening balance	2,701,532	2,124,291	2,701,532	2,124,291
Current service cost	547,570	362,570	547,570	362,570
Interest cost	151,286	148,700	151,286	148,700
Transfer *	3,124,619	-	3,124,619	-
Actuarial loss	2,183,276	65,971	2,183,276	65,971
Closing balance	<u>8,708,283</u>	<u>2,701,532</u>	<u>8,708,283</u>	<u>2,701,532</u>

\*Transfer amount relates to payment received from a sister company for the internal transfer on an employee.

17. RETIREMENT BENEFIT OBLIGATION (CONTINUED)

<i>Amount recognised in profit or loss</i>	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Current service cost	547,570	362,570	547,570	362,570
Interest cost	151,286	148,700	151,286	148,700
	<u>698,856</u>	<u>511,270</u>	<u>698,856</u>	<u>511,270</u>
<i>Amount recognised in other comprehensive income</i>	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Actuarial loss	2,183,276	65,971	2,183,276	65,971

The Company has the above residual liability on top of its defined contribution plan. The amounts deductible in accordance with the ERA are as detailed in the accounting policy note under the employee benefits section. It is therefore exposed to investment under-performance of the defined contribution plan.

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

	GROUP		COMPANY	
	2018	2017	2018	2017
Financial assumptions:				
Discount rate	5.07%-6.20%	6%	5.07%-6.20%	6%
Future salary increases	4%	3%	4%	3%
Normal retirement age	65	65	65	65
Demographic assumptions:				
Withdrawal before retirement	5% up to age of 40, decreasing to 0% at age of 45 and nil thereafter			
Mortality before retirement	PMA92_PFA92	PMA92_PFA92	PMA92_PFA92	PMA92_PFA92

*Sensitivity analysis*

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

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
1% decrease in discount rate	7,734,568	3,789,143	7,734,568	3,789,143
1% increase in discount rate	(3,863,089)	(1,853,623)	(3,863,089)	(1,853,623)
1% increase in salary increase assumption	7,567,188	3,696,723	7,567,188	3,696,723
1% decrease in salary increase assumption	(3,995,954)	(1,930,638)	(3,995,954)	(1,930,638)
Effect of changing longevity - rate up	(5,471,012)	(2,656,261)	(5,471,012)	(2,656,261)
Effect of changing longevity - rate down	<u>5,689,390</u>	<u>2,744,030</u>	<u>5,689,390</u>	<u>2,744,030</u>

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 Group's and the Company's share of contributions.



17. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

**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.

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

18. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
At 01 January,	45,837,394	42,261,957	46,061,292	42,757,402
Deferred tax charge	1,474,849	2,351,439	1,207,852	2,079,892
Deferred tax charge to Other Comprehensive Income	1,027,955	1,223,998	1,027,955	1,223,998
At 31 December	48,340,198	45,837,394	48,297,099	46,061,292

Deferred tax assets and liabilities are attributable to the following:

GROUP	Profit or loss		Other Comprehensive income		Statement of financial position	
	2018	2017	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Deferred tax assets:</i>						
Provisions	(250,744)	610,053	-	-	(3,896,926)	(3,646,182)
Tax losses	223,898	271,547	-	-	-	(223,898)
Retirement benefit obligations	(118,806)	(86,916)	(371,157)	(11,215)	(949,223)	(459,260)
<i>Deferred tax liabilities:</i>						
Accelerated capital allowances	1,620,501	1,556,755	-	-	33,339,549	31,719,048
Revaluation of buildings	-	-	1,399,112	1,235,213	19,846,798	18,447,686
<b>Net deferred tax liabilities</b>	<b>1,474,849</b>	<b>2,351,439</b>	<b>1,027,955</b>	<b>1,223,998</b>	<b>48,340,198</b>	<b>45,837,394</b>
COMPANY	Profit or loss		Other Comprehensive income		Statement of financial position	
	2018	2017	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Deferred tax assets:</i>						
Provisions	(250,744)	610,053	-	-	(3,896,926)	(3,646,182)
Retirement benefit obligations	(118,806)	(86,916)	(371,157)	(11,215)	(949,223)	(459,260)
<i>Deferred tax liabilities:</i>						
Accelerated capital allowances	1,577,402	1,556,755	-	-	33,296,450	31,719,048
Revaluation of buildings	-	-	1,399,112	1,235,213	19,846,798	18,447,686
<b>Net deferred tax liabilities</b>	<b>1,207,852</b>	<b>2,079,892</b>	<b>1,027,955</b>	<b>1,223,998</b>	<b>48,297,099</b>	<b>46,061,292</b>

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Trade payables	165,846,203	49,467,390	164,169,431	47,598,082
Other payables and accruals	28,120,748	8,210,028	27,681,552	8,314,169
Amount due to holding company	40,121,500	13,121,500	40,121,500	121,500
Amount due to subsidiaries	-	-	-	11,937,000
<b>At 31 December</b>	<b>234,088,451</b>	<b>70,798,918</b>	<b>231,972,483</b>	<b>67,970,751</b>

Included in accruals is management fees payable to holding companies amounting to Rs 9,701,455. (2017: Rs 3,346,650)

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 22.

20. OPERATING LEASE COMMITMENT

Non-cancellable operating lease rentals are payable as follows:

	GROUP	COMPANY
	2017	2017
	Rs.	Rs.
Less than one year	14,835,708	13,597,886
Between one and five years	32,766,124	28,359,960
More than five years	74,035,000	73,125,000
	<b>121,636,832</b>	<b>115,082,846</b>

The Group and Company leases vehicles under operating leases which typically run for a period of 1 to 5 years and are renewable.. In prior year, an amount of Rs 8,308,850 and Rs 8,308,850 respectively was recognised as an expense in profit or loss.

The Group and Company leases land and buildings under operating leases which typically run for a period of 20 years and are renewable. In prior year, an amount of Rs 8,221,798 and Rs 7,218,750 was recognised as an expense in profit or loss.

21. INTEREST BEARING LOANS AND BORROWINGS

	GROUP	COMPANY
	2018	2018
	Rs.	Rs.
Minimum lease payments:		
Not later than 1 year	19,531,835	16,099,122
Later than 1 year and not later than 5 years	59,832,177	45,952,611
Later than 5 years	242,892,602	240,773,438
	<b>322,256,614</b>	<b>302,825,171</b>
Less: Future finance charges on finance leases	(143,211,050)	(140,186,000)
Present value of finance lease liabilities	<b>179,045,564</b>	<b>162,639,171</b>
Present value of minimum lease payments:		
Not later than 1 year	12,278,542	9,683,410
Later than 1 year and not later than 5 years	30,257,895	18,437,478
Later than 5 years	136,509,127	134,518,283
	<b>179,045,564</b>	<b>162,639,171</b>

This relates to lease liability recognised upon the adoption of IFRS 16. All previous operating leases have been recognised.

22. RELATED PARTY TRANSACTIONS

This relate to lease liability.

GROUP

Nature of relationship	Nature of transactions	Value of	Value of	Net-	Net-
		transaction for the year ended 31 December 2018	transaction for the year ended 31 December 2017	debit/(credit) 2018	Debit/(credit) 2017
		Rs.	Rs.	Rs.	Rs.
Ultimate holding company	Management fees	41,935,105	51,569,252	(9,701,455)	(3,346,650)
	Short term loan* (Note 19)	-	-	(40,000,000)	(13,121,500)
	Other payables (Note 19)	-	-	(121,500)	-
Shareholder	Management fees	9,945,660	-	(8,810,650)	-
Sister companies	Sales of goods	281,698,448	238,444,771	-	-
	Purchase of goods and services	7,862,393	-	-	-
	Trade receivables (Note 13)	-	-	29,483,280	24,498,787
	Other Payables	-	-	(1,730,492)	-

COMPANY

Nature of relationship	Nature of transactions	Value of	Value of	Debit/(credit)	Debit/(credit)
		transaction for the year ended 31 December 2018	transaction for the year ended 31 December 2017	2018	2017
		Rs.	Rs.	Rs.	Rs.
Ultimate holding company	Management fees	41,935,105	51,569,252	(9,701,455)	(3,346,650)
	Short term loan* (Note 19)	-	-	(40,000,000)	(13,121,500)
	Other payables (Note 19)	-	-	(121,500)	-
Shareholder	Management fees	9,945,660	-	(8,810,650)	-
Sister companies	Sales of goods	281,423,772	237,852,987	-	-
	Purchase of goods and services	4,715,576	-	-	-
	Trade receivables (Note 13)	-	-	29,466,408	24,006,490
	Other Payables	-	-	(1,730,492)	-
Subsidiary	Staff costs recharge	1,200,000	1,440,000	-	-
	Sale of goods	205,156,492	83,301,022	-	-
	Purchase of goods	-	522,399,186	-	-
	Trade receivables (Note 13)	-	-	19,637,738	10,691,007
	Other receivables (Note 13)	-	-	1,301,000	138,000
	Trade payables (Note 19)	-	-	-	(11,937,000)

\* Short term financing which was arranged by Gamma Treasury Ltd, a subsidiary of Gamma Civic Ltd and Rs. 237,962 was paid as arrangement fees for the year 2018.

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 31 December 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2017: 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.

None of the balances are secured and all dues and receivables are under normal payment terms.

Key management personnel

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

Summarised below are key management personnel emoluments:

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Short term benefits	40,732,572	19,727,767	40,732,572	19,727,767
Post retirement benefits	2,027,387	1,828,866	2,027,387	1,828,866
Other long term benefits	-	-	-	-
	42,759,959	21,556,633	42,759,959	21,556,633

23. 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.

GROUP

	Carrying amount		
	Financial Assets at amortised	Financial Liabilities at amortised cost	Total
<b>2018</b>			
<b>Financial assets</b>			
Trade and other receivables	104,219,590	-	104,219,590
Cash in hand and at bank	26,052,787	-	26,052,787
	<u>130,272,377</u>	<u>-</u>	<u>130,272,377</u>
<b>Financial liabilities</b>			
Trade and other payables	-	234,088,451	234,088,451
Interest bearing loan and borrowings	-	179,045,564	179,045,564
	<u>-</u>	<u>413,134,015</u>	<u>413,134,015</u>
<b>COMPANY</b>			
<b>2018</b>			
<b>Financial assets</b>			
Trade and other receivables	116,113,030	-	116,113,030
Cash in hand and at bank	13,370,125	-	13,370,125
	<u>129,483,155</u>	<u>-</u>	<u>129,483,155</u>
<b>Financial liabilities</b>			
Trade and other payables	-	215,793,532	215,793,532
Interest bearing loan and borrowings	-	162,639,171	162,639,171
	<u>-</u>	<u>378,432,703</u>	<u>378,432,703</u>

GROUP

	Carrying amount		
	Loans and receivables	Loans and Borrowings	Total
<b>2017</b>			
<b>Financial assets</b>			
Trade and other receivables	65,036,355	-	65,036,355
Cash in hand and at bank	9,755,474	-	9,755,474
	<u>74,791,829</u>	<u>-</u>	<u>74,791,829</u>
<b>Financial liabilities</b>			
Trade and other payables	-	68,766,996	68,766,996
Bank Overdraft	-	161,222,796	161,222,796
	<u>-</u>	<u>229,989,792</u>	<u>229,989,792</u>

23. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(a) Accounting classifications and fair values (Continued)

COMPANY

	Carrying amount		
	Loans and receivables	Loans and Borrowings	Total
<b>2017</b>			
<b>Financial assets</b>			
Trade and other receivables	71,294,841	-	71,294,841
Cash in hand and at bank	1,646,939	-	1,646,939
	<u>72,941,780</u>	<u>-</u>	<u>72,941,780</u>
<b>Financial liabilities</b>			
Trade and other payables	-	65,938,829	65,938,829
Bank Overdraft	-	161,222,796	161,222,796
	<u>-</u>	<u>227,161,625</u>	<u>227,161,625</u>

At 31 December 2018, all financial assets and financial liabilities' carrying amount approximate their fair values as they are current in nature.

(b) Financial risk management

The main risks arising from the Group'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 Group's and the Company's risk management framework.

The Group's and the Company's risk management policies are established to identify and analyse the risks faced by the Group and 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 Group's and the Company's activities.

The Company's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Company's Audit Committee is assisted in its oversight role by Company Internal Audit. Company 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 that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments

23. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) *Financial risk management (Continued)*

*Trade and other receivables*

The Group's and the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group and 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 Group's and the Company's standard payment and delivery terms and conditions are offered. The Group's and 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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed below. The Group does not hold collateral as security.

The Group fully provides for balances in default which are balances due from customers for more than 360 days; these balances are considered to be credit impaired.

- **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:

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Trade and other receivables	104,219,590	65,036,920	116,113,030	71,294,841
Cash in hand and at bank	26,052,787	9,755,474	13,370,125	1,646,939
	<b>130,272,377</b>	<b>74,792,394</b>	<b>129,483,155</b>	<b>72,941,780</b>

*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 Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and 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 Group's reputation.

Typically the Group and 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 Group and the Company maintains overdraft facilities amounting to Rs 340 million and has a short term loan facility amounting to Rs 100 million.

23. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) *Financial risk management (Continued)*

*Liquidity risk (Continued)*

- Exposure to Liquidity risk

The following are the contractual maturities of financial liabilities:

GROUP

	Carrying Amount	Less than three months	Contractual cash flows			Total
			Less than one year	Between one to five years	More than five year	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>At 31 December 2018</i>						
Trade and other payables	234,088,451	234,088,451	-	-	-	234,088,451
Interest bearing loan and borrowings	322,256,614	5,464,404	14,067,431	59,832,177	242,892,602	322,256,614
	<b>556,345,065</b>	<b>239,552,855</b>	<b>14,067,431</b>	<b>59,832,177</b>	<b>242,892,602</b>	<b>556,345,065</b>
<i>At 31 December 2017</i>						
Trade and other payables	68,766,996	68,766,996	-	-	-	68,766,996
Bank overdraft	161,222,796	-	161,222,796	-	-	161,222,796
	<b>229,989,792</b>	<b>68,766,996</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>229,989,792</b>

COMPANY

	Carrying Amount	Less than three months	Contractual cash flows			Total
			Less than one year	Between one to five years	More than five year	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>At 31 December 2018</i>						
Trade and other payables	215,793,532	215,793,532	-	-	-	215,793,532
Interest bearing loan and borrowings	302,825,171	4,606,225	11,492,897	45,952,611	240,773,438	302,825,171
	<b>518,618,703</b>	<b>220,399,757</b>	<b>11,492,897</b>	<b>45,952,611</b>	<b>240,773,438</b>	<b>518,618,703</b>
<i>At 31 December 2017</i>						
Trade and other payables	65,938,829	65,938,829	-	-	-	65,938,829
Bank overdraft	161,222,796	-	161,222,796	-	-	161,222,796
	<b>227,161,625</b>	<b>65,938,829</b>	<b>161,222,796</b>	<b>-</b>	<b>-</b>	<b>227,161,625</b>

*Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's and 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 Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Group's and the Company's only significant interest-bearing financial assets and liabilities are cash at bank and interest bearing loan and borrowings. Interest rate risk is managed by the Group and Company by regular monitoring and review of its cash flows and all of its banking facilities to minimise bank overdraft balance. Interest income and expense may fluctuate in amount, in particular due to changes in interest rates.

23. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) *Financial risk management (Continued)*

*Interest rate risk (Continued)*

• Exposure

(a) At 31 December 2018, the Group and the Company's financial instruments included cash at bank amounted to Rs 26,052,787 and Rs 13,370,125 respectively (2017: Rs 9,755,474 and Rs 1,646,939 respectively), on which no significant interest is earned.

(b) At 31 December 2018, the Group and the Company's interest bearing liabilities is nil.

*Sensitivity analysis*

The sensitivity analysis for the above exposures is as follows:

(a) At 31 December 2018, if the prime lending rate had been 0.5% higher/lower, the Group's and Company's profit after tax and equity would have been Rs 806,114 and Rs 806,114 respectively (2017: Rs 759,480 and Rs 706,246 respectively) higher/lower; mainly because of higher or lower interest expense on borrowings.

*Currency risk*

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

*Currency profile*

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

**GROUP**

	Financial assets 2018	Financial liabilities 2018	Financial assets 2017	Financial liabilities 2017
	Rs.	Rs.	Rs.	Rs.
MUR	128,879,796	411,495,315	74,295,794	228,105,025
USD	1,389,753	1,638,700	463,155	2,586,296
EUR	2,827	-	33,445	1,330,393
	<b>130,272,376</b>	<b>413,134,015</b>	<b>74,792,394</b>	<b>232,021,714</b>



23. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) *Financial risk management (Continued)*

*Currency profile (Continued)*

COMPANY

	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	2018	2018	2017	2017
	Rs	Rs	Rs	Rs
MUR	128,090,575	376,794,003	72,445,180	225,279,045
USD	1,389,753	1,638,700	463,155	2,584,109
EUR	2,827	-	33,445	1,330,393
	<u>129,483,155</u>	<u>378,432,703</u>	<u>72,941,780</u>	<u>229,193,547</u>

*Sensitivity analysis*

At 31 December 2018, if exchange rate has strengthened/weakened against the following currencies, the result would be as follows:

GROUP

	Changes in foreign exchange rates	Effect on profit after tax	Changes in foreign exchange rates	Effect on profit after tax
	2018	2018	2017	2017
	%	Rs	%	Rs
USD	+/- 5%	(12,447)/12,447	+/- 5%	(106,157)/106,157
EUR	+/- 5%	(141)/141	+/- 5%	(64,847)/64,847

COMPANY

	Changes in foreign exchange rates	Effect on profit after tax	Changes in foreign exchange rates	Effect on profit after tax
	2018	2018	2017	2017
	%	Rs	%	Rs
USD	+/- 5%	(12,447)/12,447	+/- 5%	(106,048)/106,048
EUR	+/- 5%	(141)/141	+/- 5%	(64,847)/64,847

23. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) *Financial risk management (Continued)*

*Capital risk management (Continued)*

The Group's and the Company's objectives when managing capital are to safeguard the Group's and 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 Group and 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 Group and 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 2018 and 2017 were as follows:

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Total borrowings	179,045,564	161,222,796	162,639,171	161,222,796
Less: Cash in hand and at bank	(26,052,787)	(9,755,474)	(13,370,125)	(1,646,939)
Net debt	152,992,777	151,467,322	149,269,046	159,575,857
Total equity	482,285,483	351,665,282	469,778,593	360,468,068
Total capital	635,278,260	503,132,604	619,047,639	520,043,925
Gearing ratio	24%	30%	24%	31%

24. EARNINGS PER SHARE

	GROUP	
	2018	2017
	Rs.	Rs.
Basic and diluted earning per share		
Profit for the year	201,201,359	188,864,069
Number of shares	27,000,000	27,000,000
Earnings per share	7.45	6.99

25. CHANGES IN LIABILITIES ARISING FROM FINANCING LIABILITIES

	01-Jan-18	Cash inflows	Non - cash movement	Cash outflows	31-Dec-18
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>GROUP</b>					
Interest bearings loans and borrowings	71,129,182		120,793,888	(12,877,506)	179,045,564
Short term loan	-	68,000,000	-	(28,000,000)	40,000,000
	-	68,000,000	120,793,888	(40,877,506)	219,045,564
<b>COMPANY</b>					
Interest bearings loans and borrowings	66,882,127	-	106,807,506	(11,050,462)	162,639,171
Short term loan	-	68,000,000	-	(28,000,000)	40,000,000
	-	68,000,000	106,807,506	(39,050,462)	202,639,171

**26. COMMITMENTS**

- No liability has been recognised in respect of bank guarantees given to the Board of Investment for its executive director amounting to Rs 40,000 (2017: Rs 40,000).

**27. ULTIMATE HOLDING COMPANIES**

The Intermediate holding company is Gamma Cement Ltd and the ultimate holding company is Gamma Civic Ltd, a company incorporated in Mauritius and listed on the Stock Exchange of Mauritius. During the year, 26% of the shareholding was sold to the public.

**28. EVENTS AFTER REPORTING DATE**

There have been no material events after the reporting date which would require disclosure or adjustment to the financial statements for the year ended 31 December 2018.