KOLOS CEMENT LTD

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

KOLOS CEMENT LTD
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Contents

KOLOS CEMENT LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017.

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 18 and the state of the Group and the Company's affairs at the reporting date is set out on page 19.

The total dividends declared by the Group and the Company for the year ended 31 December 2017 were Rs 272,940,000 (2016: Rs 161,440,000) and Rs 194,940,000 (2016: Rs 73,440,000) respectively.

Principal changes in the Group

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 of interest 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.

Business Review

At year end, the Group reported a 9.5% increase in revenue, which is driven principally by an increase of about 10% of volume of cement sold compared to prior year, resulting from a general pick up in the country's economic activities. Operating Profit increased by 30.6% to Rs 231M in the year under review. Our Group profit after tax in 2017 was Rs 189M, which is 24% up from Rs 152M in 2016. Group revenue was Rs 1,030M compared to Rs 941M in 2016, and at the end of year 2017, the Group total assets stood at Rs 636M compared to Rs 683M for the previous year.

Future Outlook

There is a high expectation that the overall cement market will grow in 2018 driven by major public infrastructure projects but any delays in launching of projects might delay the rate of progress and growth.

Directors

The directors of the Company during the year were:

	Appointed on
Dominique Rene Jacky Billon	17 May 2011
Chian Tat Ah Teck	17 May 2011
Paul Cyril How Kin Sang	17 May 2011
Chian Luck Ah Teck	17 May 2011
Javier De Benito	2 February 2016
Paul Halpin	2 February 2016
Chian Yew Ah Teck (Chairman)	2 February 2016
Sui Lien Chong Ah Yan	2 February 2016
Jean Pierre Bisiaux	2 February 2016
Geoffroy Dedieu	19 May 2017
Twalha Dhunnoo	19 May 2017

Auditors

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

The Corporate Governance Report

1. Introductory Note

Prior to 14 December 2017, Kolos Cement Ltd (the "Company") was a private company, until its conversion to a public company. The Company is a wholly owned subsidiary of Gamma Civic Ltd. The Company is a Public Interest Entity ("PIE") as defined in The Financial Reporting Act 2004.

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

In this report, the Directors hereby report the extent to which Kolos Cement Ltd has and applied and complied to the Code for the year under review, namely the financial year 2017. The explanations are also given on the areas which are not being complied with and the reasons for the non-compliance.

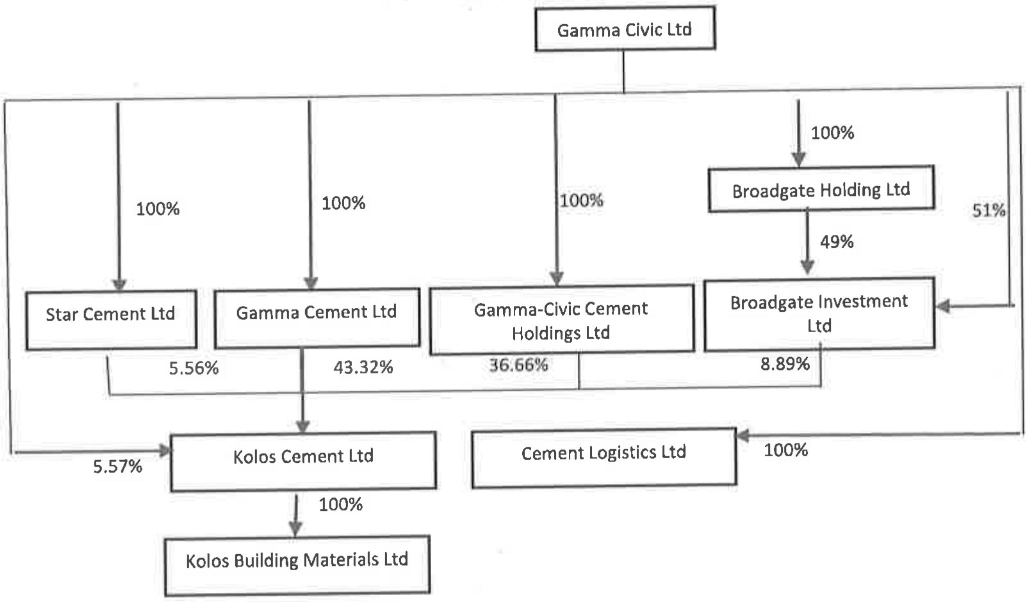
2. Role of the Board of Directors

The Board of Directors is the Company's decision-making body for all matters having strategic, financial and reputational implications and/or consequences. It is also responsible for ensuring that Management delivers on the short and medium term objectives and promotes the long-term growth of the Company.

3. Shareholding

Gamma Civic Ltd, through its subsidiaries is the ultimate controlling party of the Company, and the Company's shareholding structure was as follows:

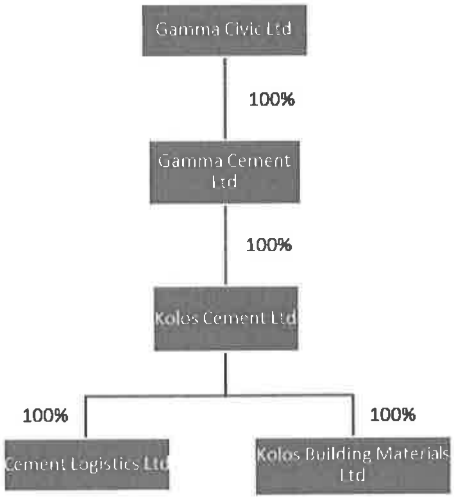
Prior to restructuring



On 14 December 2017 the Company's ultimate shareholder approved a restructuring of the Company and the Company's new shareholding structure is as follows:

3. Shareholding (Continued)

Post restructuring



4. Constitution

Until 14 December 2017, the Company was governed by an Article of Association, which was in line with the provisions of The Companies Act 2001.

On 14 December 2017 the Company's shareholder adopted a Constitution for the Company, in the context of the Company changing its status from a private to a public company.

A copy of both the Company's Article of Association and new Constitution are available for inspection, at the registered office of the Company.

5. Board Structure

As per the Constitution the Board shall consist of not less than two and more than twelve Directors. The Board is composed of 11 Directors, consisting of 10 Non-Executive Directors and 1 Executive Director.

As recommended by the National Code of Corporate Governance, the Board aims at having the appropriate mixed of executive, non-executive and independent directors. Furthermore the Board has the required mixed of skills, experience, independence and knowledge to play its role fully in serving the interests of all the stakeholders of the Company.

6. Role and Function of the Chairman

The Chairman is elected by members of the Board and he presides over the meeting of Directors and Shareholders.

The Chairman is responsible for corporate governance in the Company, ensuring that the Board carries out its responsibilities efficiently and that it has a clear comprehension of its role, function and deliverables as well as those of the Management and Shareholders. He is also responsible for ensuring that resolutions of the Board are promptly executed and implemented by Management. The Chairman of the Board acts for and on behalf of the Board.

Furthermore, it is part of the Chairman's responsibility to ensure that new Directors are properly introduced to the businesses of the Company, with the assistance of the Company Secretary.

For the period under review, a Board appraisal has been carried out, under the aegis of the Chairman's office and the Corporate Governance Committee, in house. The exercise is ongoing with the analysis of the result of the appraisal.

7. Directors' Profile

The profile of the individual directors is given below:

<u>*Directors*</u>

a) *Chian Yew Ah Teck (also called Carl Ah Teck) - Non- Executive Director and 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).

b) *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).

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

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

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

Cyril studied accountancy at the University of West London and is a member of the Institute of Chartered Accountants in England & Wales. From 1985 to 1988, he trained and worked as a Chartered Accountant in the UK with a number of accounting firms including KPMG. He joined Gamma-Civic Ltd in 1989 and has occupied several posts within the Gamma Group, including Group Finance Director and Supervisory Executive Director of Lottotech Ltd, and has been involved in the business development of the Group. He was appointed as the Managing Director of Gamma-Civic Ltd in February 2011. Since July 2015, he is a Non-Executive Director of Gamma-Civic Ltd, Lottotech Ltd, Morning Light Co Ltd and Kolos Cement Ltd. He is the Chief Executive Officer of Landcorp Capital Ltd and Hermes Properties Ltd.

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

e) *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.

7. Directors' Profile (Continued)

f) *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 1 April 2003, he moved to the head office in Switzerland and was appointed Area Manager for the Mediterranean, Indian Ocean and West Africa. As of 1 September 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 Globbulk Technologies S.L., a technical consulting services company specialized in the cement industry.

Directorship in listed companies: None.

g) *Paul Halpin- Independent Non-Executive Director*

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

Directorship in listed companies: Two (Gamma-Civic Ltd and Lottotech Ltd).

h) *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).

i) *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).

j) 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.

k) 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).

8. Board Attendance

For the year ended 31 December 2017, the Board of Directors met 4 times and the attendance is as follows:

Name of Director	Category	Board meetings attended
Carl Ah Teck	Non-Executive & Chairman	4/4
Tommy Ah Teck	Non-Executive	4/4
Patrice Ah Teck	Non-Executive	4/4
Cyril How Kin Sang	Non-Executive	4/4
Dominique Billon	Executive	4/4
Javier De Benito	Non-Executive	4/4
Paul Halpin	Non-Executive	4/4
Marie Claire Chong Ah Yan	Non-Executive	4/4
Jean Pierre Bisiaux	Non-Executive	4/4
Geoffroy Dedieu*	Non-Executive	2/2
Twalha Dhunnoo*	Non-Executive	2/2

**Messrs Geoffroy Dedieu and Twalha Dhunnoo were appointed on the Board of Directors on 19 May 2017.*

9. Role of the Company Secretary

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

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

10. Common Directors

	Carl Ah Teck	Tommy Ah Teck	Patrice Ah Teck	Cyril How Kin Sang	Geoffroy Dedieu	Paul Halpin	Twalha Dhunnoo	Marie Claire Chong Ah Yan
Gamma-Civic Ltd	*	*	*	*	*	*	*	*
Lottotech Ltd	*	*	*	*	*	*	-	-
Morning Light Co. Ltd	*	*	*	*	*	-	*	*
Kolos Cement Ltd	*	*	*	*	*	*	*	*

11. Senior Management Team- Profile

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

<u>Profile of the Senior Managers</u>

a) *Dominique Billon: General Manager*

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

b) *Kshil Gujadhur - Technical Manager*

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

11. Senior Management Team- Profile (Continued)

c) Shaun Kim Tiam Fook Chong- Finance Manager

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

d) Jayen Mareemootoo- Sales and Logistics Manager

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

12. Board Committees

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

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 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
Cyril How Kin Sang	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:

ARC Members	Attendance
Javier De Benito	2 of 2
Cyril How Kin Sang	4 of 4
Paul Halpin	4 of 4
Patrice Ah Teck	4 of 4

Note: Mr Javier De Benito was appointed a member of the Committee on 12 May 2017.

b) Corporate Governance Committee

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

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

12. Board Committees (Continued)

Corporate Governance Committee 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

Note: Mrs Marie Claire Chong Ah Yan was appointed as member of the Committee on 12 May 2017.

For the year under review the Corporate Governance Committee met once on 21 March 2017 and the members were in attendance.

c) Technical Committee

The Technical Committee is a committee set up to ensure that Management is functioning within the strategy and budget as approved by the Board of Directors. In no event shall the Technical Committee have authority over or substitute itself for the Board. The Technical Committee consists of representatives of the Board and of Management, and it holds monthly meetings.

13. Internal Audit

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

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

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

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

14. Code of Conduct

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

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

15. Safety, Health and Environment Policies

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

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

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

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

16. Directors' Remuneration and Benefits

The Company provides for Directors' fees which is payable to all Directors of the Company and it includes reimbursement of expenses for expatriate Directors, in line with market practices.

From time to time, there may be special reward, if approved by the Board, to individual Board members following specific assignment to such members.

For the year under review, remuneration and benefits paid by the Company to its Directors are as follows:

Remuneration and benefits paid by the Company	Rs
Directors	10,574,405

Note: The Directors' remuneration is disclosed in aggregate in view of the confidentiality of the information.

17. Directors' Share Interest

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

18. Directors Service Contracts

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

19. Dividend Policy

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

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

20. Shareholders' Agreement

The Company has no Shareholders' Agreement in place.

21. Share Option Plan

There is no share option plan in place.

22. Auditors' Remuneration

Ernst & Young and KPMG are the joint statutory auditors of the Company.

The auditors' remuneration paid during the year 2017 by the Company and its subsidiaries, was as follows:

	Group	Company
	2017	2017
	Rs	Rs
Fees for audit services	1,239,733	800,000
Fees for non-audit services - Taxation	103,000	37,000

23. Related Party Transactions

Details of related party transactions are set out in Note 22 of the Financial Statements of the Company.

24. Interest Register

The Company has an Interest Register and for the year under review there is an entry recorded in the Register.

25. Contract of Significance

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

26. Statement of Remuneration Philosophy

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

27. Risk Management

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

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

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

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

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

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

The key risks identified for the Company are outlined in Note 23 of the Financial Statements.

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

28. Corporate Social Responsibility ("CSR")

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

29. Donations

For the year 2017, the Group and the Company have contributed Rs 3,672,051 and Rs 1,587,963 respectively, as donations, including Corporate Social Responsibility (CSR).

30. Statement of Directors' Responsibilities

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

a. A suitable selection of accounting policies is carried out and that the selection is applied consistently;

b. Judgments and estimates made are reasonable and prudent;

c. It is clearly stated as to whether the International Financial Reporting Standards ("IFRS") have been followed and complied with, subject to any material departures disclosed and explained in the financial statements;

d. Proper accounting records which disclose with reasonable internal accuracy at any time the financial position of the Company, are kept;

e. The assets of the Company is safeguarded by maintaining internal accounting and administrative control systems and procedures, and risk management;

f. Reasonable steps are taken for the prevention of fraud and other irregularities; and

g. The financial statements are prepared on the going concern basis, unless it is not appropriate to presume that the Company will continue in business.

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

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius 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 March 2018

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

NAME OF PIE: Kolos Cement Ltd

REPORTING PERIOD: Financial Year 2017

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

- Section 2.2.3 – Composition of the Board- The Board considers that the presence of one Executive Director is appropriate and is in line with the Company's operations. The Directors bring a wide range of experience and skills to the Board and ensure that their other responsibilities do not interfere with their responsibilities as Directors of the Company.
- Section 2.8.2 – Remuneration of Directors- Due to confidentiality of the information, no detailed breakdown of remuneration by directors is given in the Corporate Governance Report.

SIGNED:

....
Chairman

....
Director

Date: 26 March 2018

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 2017.

....

For and on behalf of
Company secretary

Date: 2 6 MAR 2018

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

KOLOS CEMENT LTD

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kolos Cement Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 65 which comprise the statements of financial position as at 31 December 2017, 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") 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 Auditors' 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 Standard Board for Accountant's Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' 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.

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 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.

Report on the audit of the Financial Statements (Continued)

Auditors' 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 auditors' 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements 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 Directors 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group or 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 entities or business activities within 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 group audit. We remain solely responsible for our audit opinion.

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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

KOLOS CEMENT LTD (CONTINUED)

Report on the audit of the Financial Statements (Continued)

Other matter

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

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

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

Financial Reporting Act 2004

The Directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the Annual Report and on whether the disclosures are consistent with the requirements of the Code.

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

Ernst & Young

ERNST & YOUNG
Ebène, Mauritius

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

KPMG

KPMG
Ebène, Mauritius

DESIRE LAN CHEONG WAH, FCA
Licensed by FRC

Date: 2 6 MAR 2018

KOLOS CEMENT LTD
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Group 2017 Rs	Group 2016 Rs	Company 2017 Rs	Company 2016 Rs
Revenue	5	**1,029,809,022**	940,833,686	**1,022,445,413**	931,455,960
Cost of sales		**(553,593,376)**	(547,862,618)	**(655,533,463)**	(634,309,041)
Gross profit		**476,215,646**	392,971,068	**366,911,950**	297,146,919
Other operating expenses	6.1	**(109,124,233)**	(115,753,671)	**(109,124,081)**	(115,753,641)
Selling and distribution expenses	6.2	**(34,355,734)**	(36,834,490)	**(30,130,690)**	(31,753,144)
Administrative expenses	6.3	**(106,378,467)**	(93,854,955)	**(95,717,347)**	(93,649,792)
Other income	7	**4,692,835**	30,357,644	**4,692,835**	30,357,644
Operating profit		**231,050,047**	176,885,596	**136,632,667**	86,347,986
Finance income		**1,353,107**	17,668,146	**509,519**	9,309,180
Finance costs		**(7,923,252)**	(7,341,533)	**(6,740,598)**	(6,785,940)
Net finance (costs)/income	8	**(6,570,145)**	10,326,613	**(6,231,079)**	2,523,240
Profit before tax		**224,479,902**	187,212,209	**130,401,588**	88,871,226
Income tax expense	9	**(35,615,833)**	(35,208,387)	**(21,543,644)**	(16,693,833)
Profit for the year		**188,864,069**	152,003,822	**108,857,944**	72,177,393
Other comprehensive income *Items that will not be classified subsequently to Profit or Loss:* Gain on revaluation of buildings	10(a)	**7,265,960**	101,249,847	**7,265,960**	101,249,847
Deferred tax on remeasurement of gain on revaluation of buildings	19	**(1,235,213)**	(17,212,473)	**(1,235,213)**	(17,212,473)
Remeasurement actuarial (loss)/gain on retirement benefit obligations	18	**(65,971)**	197,035	**(65,971)**	197,035
Deferred tax on remeasurement of (loss)/gain on retirement benefit obligations	19	**11,215**	(33,496)	**11,215**	(33,496)
Other comprehensive income for the year, net of tax		**5,975,991**	84,200,913	**5,975,991**	84,200,913
Total comprehensive income for the year		**194,840,060**	236,204,735	**114,833,935**	156,378,306
Earnings per share (basic and diluted)	24	**6.99**	5.63		

The notes on pages 23 to 65 form part of these consolidated and separate financial statements.

KOLOS CEMENT LTD
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	Group 2017 Rs	Group 2016 Rs	Company 2017 Rs	Company 2016 Rs
ASSETS					
Non-current assets					
Property, plant and equipment	10(a)	**471,692,698**	481,824,430	**469,722,199**	481,824,430
Intangible assets	10(b)	**14,221,631**	15,801,813	**14,221,631**	15,801,813
Investments in subsidiaries	11	**-**	-	**122,500**	1,000
		485,914,329	497,626,243	**484,066,330**	497,627,243
Current assets					
Inventories	12	**69,854,636**	106,981,774	**77,492,370**	121,360,717
Trade and other receivables	13	**70,155,078**	63,706,329	**76,412,999**	56,410,102
Cash in hand and at bank	14	**9,755,474**	15,349,234	**1,646,939**	5,521,304
		149,765,188	186,037,337	**155,552,308**	183,292,123
Total assets		**635,679,517**	683,663,580	**639,618,638**	680,919,366
EQUITY AND LIABILITIES					
Stated capital	15	**270,000,000**	270,000,000	**270,000,000**	270,000,000
Revaluation reserve	16	**88,160,551**	84,037,374	**88,160,551**	84,037,374
(Accumulated losses)/Retained earnings		**(6,495,269)**	75,727,848	**2,307,517**	86,536,759
Total equity		**351,665,282**	429,765,222	**360,468,068**	440,574,133
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	18	**2,701,532**	2,124,291	**2,701,532**	2,124,291
Deferred tax liabilities	19	**45,837,394**	42,261,957	**46,061,292**	42,757,402
		48,538,926	44,386,248	**48,762,824**	44,881,693
Current liabilities					
Bank overdraft	14	**161,222,796**	81,895,982	**161,222,796**	71,249,335
Short term loan	17	**-**	70,000,000	**-**	70,000,000
Trade and other payables	20	**70,798,918**	54,575,037	**67,970,751**	53,497,894
Current tax liabilities	9	**3,453,595**	3,041,091	**1,194,199**	716,311
		235,475,309	209,512,110	**230,387,746**	195,463,540
Total liabilities		**284,014,235**	253,898,358	**279,150,570**	240,345,233
Total equity and liabilities		**635,679,517**	683,663,580	**639,618,638**	680,919,366

Approved by the Board of directors on 26 MAR 2018 and signed on its behalf by:

Director   *Director*

The notes on pages 23 to 65 form part of these consolidated and separate financial statements.

KOLOS CEMENT LTD
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

GROUP	Notes	Stated capital Rs	Revaluation reserve Rs	Retained earnings/ (Accumulated losses) Rs	Total Rs
At 1 January 2016		270,000,000	-	85,000,487	355,000,487
Total comprehensive income for the year					
Profit for the year		-	-	152,003,822	152,003,822
Gain on revaluation of buildings	10(a)	-	101,249,847	-	101,249,847
Deferred tax on remeasurement of gain on revaluation of buildings	19	-	(17,212,473)	-	(17,212,473)
Remeasurement actuarial gain on retirement benefit obligations	18	-	-	197,035	197,035
Deferred tax on remeasurement of gain on retirement benefit obligations	19	-	-	(33,496)	(33,496)
Other comprehensive income for the year net of tax		-	84,037,374	163,539	84,200,913
Transaction with owners of the Company recognised directly in equity					
Distributions to owners of the Company					
Dividends	15	-	-	(161,440,000)	(161,440,000)
Balance at 31 December 2016		**270,000,000**	**84,037,374**	**75,727,848**	**429,765,222**
Total comprehensive income for the year					
Profit for the year		-	-	**188,864,069**	**188,864,069**
Realised on depreciation of buildings			**(1,907,570)**	**1,907,570**	-
Gain on revaluation of buildings	10(a)	-	**7,265,960**	-	**7,265,960**
Deferred tax on remeasurement of gain on revaluation of buildings	19	-	**(1,235,213)**	-	**(1,235,213)**
Remeasurement actuarial loss on retirement benefit obligations	18	-	-	**(65,971)**	**(65,971)**
Deferred tax on remeasurement of loss on retirement benefit obligations	19	-	-	**11,215**	**11,215**
Other comprehensive income for the year net of tax		-	**6,030,747**	**(54,756)**	**5,975,991**
Transaction with owners of the Company recognised directly in equity					
Distributions to owners of the Company					
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**

The notes on pages 23 to 65 form part of these consolidated and separate financial statements.

KOLOS CEMENT LTD
STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

COMPANY

	Notes	Stated capital Rs	Revaluation reserve Rs	Retained earnings Rs	Total Rs
At 1 January 2016		270,000,000	-	87,635,827	357,635,827
Total comprehensive income for the year					
Profit for the year		-	-	72,177,393	72,177,393
Gain on revaluation of buildings	10(a)	-	101,249,847	-	101,249,847
Deferred tax on remeasurement of gain on revaluation of buildings	19	-	(17,212,473)	-	(17,212,473)
Remeasurement actuarial gain on retirement benefit obligations	18	-	-	197,035	197,035
Deferred tax on remeasurement of gain on retirement benefit obligations	19	-	-	(33,496)	(33,496)
Other comprehensive income for the year net of tax		-	84,037,374	163,539	84,200,913
Transaction with owners of the Company recognised directly in equity					
Distributions to owners of the Company					
Dividends	15	-	-	(73,440,000)	(73,440,000)
Balance at 31 December 2016		**270,000,000**	**84,037,374**	**86,536,759**	**440,574,133**
Total comprehensive income for the year					
Profit for the year		-	-	**108,857,944**	**108,857,944**
Realised on depreciation of buildings			**(1,907,570)**	**1,907,570**	-
Gain on revaluation of buildings	10(a)	-	**7,265,960**	-	**7,265,960**
Deferred tax on remeasurement of gain on revaluation of buildings	19	-	**(1,235,213)**	-	**(1,235,213)**
Remeasurement actuarial loss on retirement benefit obligations	18	-	-	**(65,971)**	**(65,971)**
Deferred tax on remeasurement of loss on retirements benefit obligations	19	-	-	**11,215**	**11,215**
Other comprehensive income for the year net of tax		-	**6,030,747**	**(54,756)**	**5,975,991**
Transaction with owners of the Company recognised directly in equity					
Distributions to owners of the Company					
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**

The notes on pages 23 to 65 form part of these consolidated and separate financial statements.

KOLOS CEMENT LTD
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Group 2017 Rs	Group 2016 Rs	Company 2017 Rs	Company 2016 Rs
Cash flows from operating activities					
Profit before tax		**224,479,902**	187,212,209	**130,401,588**	88,871,226
Adjustments for:					
Depreciation and amortisation	10	**32,907,648**	27,828,088	**32,907,648**	27,828,088
Net foreign exchange differences		**1,045,589**	(3,667,985)	**325,535**	(256,051)
Loss on sale of equipment	7	**321,902**	-	**321,902**	-
Finance cost	8	**6,930,958**	7,341,533	**6,468,357**	6,785,940
Finance income	8	**-**	(93,805)	**-**	(93,805)
Movement in employee benefits	18	**511,270**	427,096	**511,270**	427,096
		266,197,269	219,047,136	**170,936,300**	123,562,494
Changes in:					
Decrease in inventories		**37,127,138**	194,997	**43,868,347**	2,146,442
(Increase)/decrease in trade and other receivables		**(6,448,749)**	3,233,417	**(20,002,897)**	2,851,849
Increase/(decrease) in trade and other payables		**16,223,881**	(7,936,796)	**14,472,857**	(23,259,195)
		313,099,539	214,538,754	**209,274,607**	105,301,590
Interest paid		**(6,930,958)**	(7,341,533)	**(6,468,357)**	(6,785,940)
Interest received		**-**	93,805	**-**	93,805
Income tax paid	9	**(32,851,890)**	(28,552,974)	**(18,985,864)**	(11,202,665)
Net cash generated from operating activities		**273,316,691**	178,738,052	**183,820,386**	87,406,790
Cash flows from investing activities					
Purchase of investment in subsidiary	11	**-**	-	**(121,500)**	-
Purchase of property, plant and equipment	10(a)	**(14,599,502)**	(21,649,656)	**(12,629,003)**	(21,649,656)
Purchase of intangible assets	10(b)	**-**	(15,801,813)	**-**	(15,801,813)
Proceeds from sale of equipment		**347,826**	-	**347,826**	-
Net cash used in investing activities		**(14,251,676)**	(37,451,469)	**(12,402,677)**	(37,451,469)
Cash flows from financing activities					
Dividend paid	15	**(272,940,000)**	(161,440,000)	**(194,940,000)**	(73,440,000)
Short term loan (repayment)/received	17	**(70,000,000)**	70,000,000	**(70,000,000)**	70,000,000
Net cash used in financing activities		**(342,940,000)**	(91,440,000)	**(264,940,000)**	(3,440,000)
Net movement in cash and cash equivalents		**(83,874,985)**	49,846,583	**(93,522,291)**	46,515,321
Net foreign exchange differences		**(1,045,589)**	3,667,985	**(325,535)**	256,051
Cash and cash equivalents at 1 January		**(66,546,748)**	(120,061,316)	**(65,728,031)**	(112,499,403)
Cash and cash equivalents at 31 December	14	**(151,467,322)**	(66,546,748)	**(159,575,857)**	(65,728,031)

The notes on pages 23 to 65 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 2017, the Group and the Company had net current liabilities of Rs 85.7m and Rs 74.8m respectively (2016: Rs 23.5m and Rs 12.2m respectively). The directors consider that there is no going concern issue given that the Group and the Company generates free operating cash flow from its operating activities to cover any short term obligations. Therefore, the financial statements continue to be prepared on the going concern basis.

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 policy

The Group and the Company has applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group and Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes for accounting standards and interpretations relevant to the Group's and the Company's operations are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the financial statements of the Group and the Company. The nature and the impact of each new standard or amendment is described below:

2. BASIS OF PREPARATION (CONTINUED)

(e) Changes in accounting policy (Continued)

Standard	Interpretation	Effective date
Amendments to IAS 7 Disclosure Initiative	The amendments to IAS 7, 'Statement of Cash Flows', are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains and losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted. The amendments are intended to provide information to help investors better understand changes in a company's debt. The application of these amendments shall not have an impact on the Group's and the Company's financial position or performance.	Annual periods beginning on or after 1 January 2017
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. Management has assessed the amendments to IAS 12 and concluded that the adoption of this standard shall not have a material impact on the financial statements.	Annual periods beginning on or after 1 January 2017
IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements	The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are effective from 1 January 2017 and must be applied retrospectively. The Directors believe that the standard will have no impact on the financial performance of the Group.	Annual periods beginning on or after 1 January 2017

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 retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

(b) Revenue recognition

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

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

(e) Taxation

(i) Current tax

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

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

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

(e) Taxation (Continued)

(ii) Deferred tax

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

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

- where the deferred income tax liability arises from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

(g) Basis of consolidation (Continued)

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.

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.

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests on the date when control is lost. Any retained investment in the former subsidiary is recognised at its fair value at the date when control is lost. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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, any difference between the consideration paid and the capital acquired of Cement Logistics Ltd was recognised in retained earnings.

The Company elected to present the Group's financial information in the financial statements for periods 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.

(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.

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

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.

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

(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

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%.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments

(i) Financial assets

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.

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

Financial assets carried at amortised cost

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

The 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 (Continued)

Impairment (Continued)

Financial assets carried at amortised cost (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

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.

Financial liabilities

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

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Fair value measurement (Continued)

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

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

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.

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

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

Involvement of external valuers for the valuation of its buildings is decided upon by management after discussion with and approval of the audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Fair value measurement (Continued)

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

For the purpose of fair value disclosures, the Group 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 ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

The 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 (Feber 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.

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.

State pension plan

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

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

(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 Companny 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.

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

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements.

The relevant Standards and Interpretations which are not yet effective and which should be disclosed for 31 December 2017 year-ends are identified in the table below, together with the dates on which these were issued by the IASB:

New or revised standards and interpretations:

	Effective for accounting period beginning on or after
New or revised standards	
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Amendments	
IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IAS 40 Amendments to Transfers of Investment Property	1 January 2018
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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Annual Improvements 2015 – 2017 Cycle (issued in December 2017)

The following amendments were made to these standards:

- IFRS 1 - First-time Adoption of International Financial Reporting Standards - Deletion of short- term exemptions for first-time adopters (1 January 2018)
- IAS 28 - Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment by investment choice (1 January 2018)
- IFRS 3 – Business Combinations – Previously held interests in 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 11 – Joint Arrangements – Previously held interests in joint operation (1 January 2019)

IFRS 15 Revenue from contracts with customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, the Group and the Company is required to identify all performance obligations in a contract; Performance obligations (PO's) are promises to transfer goods or services to a customer and are similar to what we know today.

The Group and the Company needs to consider all POs within a contract; revenue is only recognized separately under the new standard if there exist separate POs. Since the Group and the Company only sells bagged cement and cement in bulk and records sales for the products separately, it already accounts revenue on an unbundled basis, and each element of revenue are disclosed separately in the financial statements.

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.

When another party is involved in providing goods or services to a customer, IFRS 15 requires an entity to determine whether it is the principal in the transaction or the agent on the basis of whether it controls the goods or services before they are transferred to the customer. The new standard requires the party who is principal in the sales transaction to record the revenue on a "gross basis".

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

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

IFRS 15 Revenue from contracts with customers (Continued)

The following points are to be considered in determining whether the vendor qualifies as an agent:

- Another third party is responsible for fulfilling the contract
- The vendor does not have inventory risk
- The vendor does not have discretion in establishing prices for the other third party's goods or services
- The vendor's consideration is in the form of a commission
- The vendor is not exposed to credit risk for the amount receivable from the customer.

Given that the Group and the Company does not meet the criteria above, management conclude that it acts as principal in the transactions with customers. As such revenue is to be recognised on a gross basis under IFRS 15, which is currently the case.

Management therefore believes that the new standard will not have a significant impact on the financial statements except on the level of disclosures to be provided.

IFRIC 22 Foreign currency transactions and advance considerations

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item.

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

Management believes that the new standard is not expected to have a significant impact on the Group and the Company and will be adopted as from 1 January 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

IFRS 9 Financial Instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group and the Company plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group and the Company has performed an assessment of all three aspects of IFRS 9.

Overall, the Group and the Company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group and the Company expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group and the Company will implement changes in classification of certain financial instruments.

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss ("FVTPL"). Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income ("FVOCI"), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option ("FVO") that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income ("OCI") (without subsequent reclassification to profit or loss).

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss ("ECL") model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognized.

Based on an analysis of the Group's and the Company's financial assets and liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist as at that date, the management of the Company have assessed the impact of IFRS 9 to the financial statements as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

IFRS 9 Financial Instruments (continued)

Impairment (continued)

Trade receivables carried at amortised cost are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, these financial assets will continue to be subsequently measured at amortised cost under IFRS 9.

There will be no impact on the Group's and the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group and the Company does not have any such liabilities.

IFRS 9 requires the Group to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. Based on an initial assessment, the Group has determined that there will be no significant impact on the loss allowance in 2017. The Group continues to refine its actual expected credit loss model and the impact arising from this exercise may be different from the initial assessment. This standard will be adopted as from 1 January 2018.

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

The Group and the Company is currently assessing the potential impact of IFRS 16 on the financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

At the reporting date, there exist no uncertainty over income tax treatment. Hence, the adoption of this standard shall not have a significant impact. However, a continuous assessment will be performed by directors on an annual basis.

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 products and external customers.

The Group's trade in only one product namely cement and trades only in Mauritius.

	2017	2016
	Rs	Rs
Revenue	**1,029,809,022**	940,833,686
Cost of sales	**(553,593,376)**	(547,862,618)
Gross profit	**476,215,646**	392,971,068
Total assets	**635,679,517**	683,663,580
Total liabilities	**284,014,235**	253,898,358
Total equity	**351,665,282**	429,765,222
Total equity and liabilities	**635,679,517**	683,663,580

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

	Group		**Company**	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Sales				
Internal	**238,444,771**	221,162,220	**321,154,009**	287,601,877
External	**791,364,251**	719,671,466	**701,291,404**	643,854,083
	1,029,809,022	940,833,686	**1,022,445,413**	931,455,960

5. REVENUE

	Group		**Company**	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Sale of cement in bulk	**314,423,896**	268,051,300	**314,423,896**	268,051,300
Sale of cement in bags	**715,385,126**	672,782,386	**708,021,517**	663,404,660
	1,029,809,022	940,833,686	**1,022,445,413**	931,455,960

6. EXPENSES

6.1 *Other operating expenses*

Other operating expenses include the following:

	Group 2017	Group 2016	Company 2017	Company 2016
	Rs	Rs	**Rs**	Rs
Wages, Salaries and bonuses * (Note 6.4)	**16,342,894**	15,399,045	**16,342,894**	15,399,045
Fuel & oil	**10,751,123**	9,912,671	**10,751,123**	9,912,671
Spare parts	**16,977,992**	20,881,535	**16,977,992**	20,881,535
Operating lease expense Motor Vehicle	**5,081,774**	5,081,774	**5,081,774**	5,081,774
Operating lease expense Land and Building	**7,321,798**	6,225,603	**6,318,750**	5,805,603
(Decrease)/increase in provision for stock obsolescence	**(4,473,673)**	4,900,498	**(4,473,673)**	4,900,498
Depreciation and amortisation	**30,616,018**	27,157,881	**30,616,018**	27,157,881

6.2 *Selling and distribution expenses*

Selling and distribution expenses include the following:

	Group 2017	Group 2016	Company 2017	Company 2016
	Rs	Rs	**Rs**	Rs
Wages, Salaries and bonuses * (Note 6.4)	**8,083,433**	8,122,246	**8,083,433**	8,122,246
Operating lease expenses Motor Vehicle	**2,048,784**	2,048,784	**2,048,784**	2,048,784
Increase/(decrease) provision for doubtful debts	**885,327**	(2,404,152)	**885,327**	(2,650,137)

6.3 *Administrative expenses*

Administrative expenses include the following:

	Group 2017	Group 2016	Company 2017	Company 2016
	Rs	Rs	**Rs**	Rs
Wages, Salaries and bonuses* (Note 6.4)	**17,854,165**	21,617,396	**17,854,165**	21,617,396
Management fees	**51,569,252**	36,941,192	**41,121,268**	36,941,192
Operating lease expenses Motor vehicle	**1,178,292**	974,292	**1,178,292**	974,292
Operating lease expense Land and Building	**900,000**	900,000	**900,000**	900,000
Depreciation and amortisation	**2,291,630**	670,207	**2,291,630**	670,207

6. EXPENSES (CONTINUED)

6.4 *Analysis of salaries, wages and allowances*

	Group 2017	Group 2016	Company 2017	Company 2016
	Rs	Rs	**Rs**	Rs
Wages, salaries and bonuses – (Note 6.1,6.2,6.3)	**42,280,492**	45,138,687	**42,280,492**	45,138,687
Social security	**1,664,118**	1,620,120	**1,664,118**	1,620,120
Pension costs	**2,424,274**	2,243,713	**2,424,274**	2,243,713
	46,368,884	49,002,520	**46,368,884**	49,002,520

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

7. OTHER INCOME

	Group 2017	Group 2016	Company 2017	Company 2016
	Rs	Rs	**Rs**	Rs
Loss on disposal of equipment	**(321,902)**	-	**(321,902)**	-
Unloading services	**5,014,737**	30,357,644	**5,014,737**	30,357,644
	4,692,835	30,357,644	**4,692,835**	30,357,644

8. NET FINANCE (COSTS)/INCOME

	Group 2017	Group 2016	Company 2017	Company 2016
	Rs	Rs	**Rs**	Rs
Interest income	-	93,805	-	93,805
Foreign exchange gains	**1,353,107**	17,574,341	**509,519**	9,215,375
Finance income	**1,353,107**	17,668,146	**509,519**	9,309,180
Interest on bank overdraft/loan	**(6,930,958)**	(7,341,533)	**(6,468,357)**	(6,785,940)
Foreign exchange losses	**(992,294)**	-	**(272,241)**	-
Finance costs	**(7,923,252)**	(7,341,533)	**(6,740,598)**	(6,785,940)
Net finance (costs)/income	**(6,570,145)**	10,326,613	**(6,231,079)**	2,523,240

9. INCOME TAX EXPENSE

The Group and the Company is liable to income tax at the rate of 15% (2016 – 15 %).

	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
In the statement of profit or loss:				
Corporate social responsibility	**3,672,051**	4,539,814	**1,587,963**	2,365,919
Income tax on the adjusted profit for the year	**30,797,741**	29,026,482	**17,875,789**	12,190,378
Overprovision in previous year	**(1,205,398)**	(577,546)	**-**	(577,546)
Deferred tax charge	**2,351,439**	2,219,637	**2,079,892**	2,715,082
	35,615,833	35,208,387	**21,543,644**	16,693,833
Reconciliation of effective tax rate				
Profit before taxation	**224,479,902**	187,212,209	**130,401,588**	88,871,226
Income tax at 15%	**33,671,985**	28,081,831	**19,560,238**	13,330,684
Corporate social responsibility	**3,672,051**	4,539,814	**1,587,963**	2,365,919
Non-deductible expenses	**806,422**	1,328,664	**698,414**	1,956,824
Exempt income	**(9,931)**	(382,048)	**(7,994)**	(382,048)
Tax effects of consolidation adjustments	**(1,056,266)**	2,217,672	**-**	-
Deferred tax movement not recognised	**(263,030)**	-	**(294,977)**	-
Over provision in previous years	**(1,205,398)**	(577,546)	**-**	(577,546)
	35,615,833	35,208,387	**21,543,644**	16,693,833

Income tax liability

	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
At 1 January	**3,041,091**	(1,394,685)	**716,311**	(2,059,775)
Charge for the year	**33,264,394**	32,988,750	**19,463,752**	13,978,751
Paid during the year	**(32,851,890)**	(28,552,974)	**(18,985,864)**	(11,202,665)
At 31 December	**3,453,595**	3,041,091	**1,194,199**	716,311

10 (a). PROPERTY, PLANT AND EQUIPMENT

GROUP	Assets under construction	Buildings	Plant and machinery	Motor vehicles	Furniture and fittings	Computer equipment	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cost and valuation							
At 1 January 2016	14,832,187	320,285,280	397,899,986	11,894,189	4,097,323	1,959,197	750,968,162
Additions	21,649,656	-	-	-	-	-	21,649,656
Transfer	(13,010,923)	895,401	12,115,522	-	-	-	-
Revaluation	-	(12,180,681)	-	-	-	-	(12,180,681)
At 31 December 2016	23,470,920	309,000,000	410,015,508	11,894,189	4,097,323	1,959,197	760,437,137
At 1 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)
At 31 December 2017	**8,843,592**	**310,900,000**	**432,294,751**	**5,343,516**	**4,097,323**	**2,351,347**	**763,830,529**
Accumulated Depreciation							
At 1 January 2016	-	103,620,092	247,041,782	8,027,225	4,097,323	1,428,725	364,215,147
Charge for the year	-	9,810,436	16,806,913	1,066,065	-	144,674	27,828,088
Revaluation	-	(113,430,528)	-	-	-	-	(113,430,528)
At 31 December 2016	-	-	263,848,695	9,093,290	4,097,323	1,573,399	278,612,707
At 1 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)
At 31 December 2017	**-**	**-**	**282,350,018**	**3,841,700**	**4,097,323**	**1,848,790**	**292,137,831**
Carrying amount							
At 31 December 2016	23,470,920	309,000,000	146,166,813	2,800,899	-	385,798	481,824,430
At 31 December 2017	**8,843,592**	**310,900,000**	**149,944,733**	**1,501,816**	**-**	**502,557**	**471,692,698**

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

COMPANY	Assets under construction	Buildings	Plant and machinery	Motor vehicles	Furniture and fittings	Computer equipment	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cost and valuation							
At 1 January 2016	14,832,187	320,285,280	397,899,986	11,894,189	4,097,323	1,959,197	750,968,162
Additions	21,649,656	-	-	-	-	-	21,649,656
Transfer	(13,010,923)	895,401	12,115,522	-	-	-	-
Revaluation	-	(12,180,681)	-	-	-	-	(12,180,681)
At 31 December 2016	23,470,920	309,000,000	410,015,508	11,894,189	4,097,323	1,959,197	760,437,137
At 1 January 2017	23,470,920	309,000,000	410,015,508	11,894,189	4,097,323	1,959,197	760,437,137
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)
At 31 December 2017	**6,873,093**	**310,900,000**	**432,294,751**	**5,343,516**	**4,097,323**	**2,351,347**	**761,860,030**
Accumulated Depreciation							
At 1 January 2016	-	103,620,092	247,041,782	8,027,225	4,097,323	1,428,725	364,215,147
Charge for the year	-	9,810,436	16,806,913	1,066,065	-	144,674	27,828,088
Revaluation	-	(113,430,528)	-	-	-	-	(113,430,528)
At 31 December 2016	-	-	263,848,695	9,093,290	4,097,323	1,573,399	278,612,707
At 1 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)
At 31 December 2017	**-**	**-**	**282,350,018**	**3,841,700**	**4,097,323**	**1,848,790**	**292,137,831**
Carrying amount							
At 31 December 2016	23,470,920	309,000,000	146,166,813	2,800,899	-	385,798	481,824,430
At 31 December 2017	**6,873,093**	**310,900,000**	**149,944,733**	**1,501,816**	**-**	**502,557**	**469,722,199**

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

Buildings of the Group and the Company were revalued as at 31 December 2017 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 2017.

Reconciliation of carrying amount	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Carrying amount as at 1 January	**309,000,000**	216,665,188	**309,000,000**	216,665,188
Additions for the year	**6,555,437**	895,401	**6,555,437**	895,401
Depreciation for the year	**(11,921,397)**	(9,810,436)	**(11,921,397)**	(9,810,436)
	303,634,040	207,750,153	**303,634,040**	207,750,153
Revaluation gain as at 31 December	**7,265,960**	101,249,847	**7,265,960**	101,249,847
Carrying amount and fair value as at 31 December	**310,900,000**	309,000,000	**310,900,000**	309,000,000

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**
Buildings	Depreciated replacement cost	Depreciation	+ 5% / -5% **Rs (3,700,000) / 3,400,000**

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

	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Cost	**327,736,118**	321,180,681	**327,736,118**	321,180,681
Less accumulated depreciation	**(123,444,355)**	(113,430,528)	**(123,444,355)**	(113,430,528)
Net book value at 31 December	**204,291,763**	207,750,153	**204,291,763**	207,750,153

10 (b). INTANGIBLE ASSETS

GROUP AND COMPANY

	Work in progress Rs	Computer software Rs	Total Rs
Cost			
At 1 January 2016	-	1,019,855	1,019,855
Additions	15,801,813	-	15,801,813
At 31 December 2016	15,801,813	1,019,855	16,821,668
At 1 January 2017	15,801,813	1,019,855	16,821,668
Transfer	(15,801,813)	15,801,813	-
At 31 December 2017	**-**	**16,821,668**	**16,821,668**
Amortisation			
At 1 January 2016	-	1,019,855	1,019,855
At 31 December 2016	-	1,019,855	1,019,855
At 1 January 2017	-	1,019,855	1,019,855
Charge for the year	-	1,580,182	1,580,182
At 31 December 2017	**-**	**2,600,037**	**2,600,037**
Carrying amount			
At 31 December 2016	15,801,813	-	15,801,813
At 31 December 2017	**-**	**14,221,631**	**14,221,631**

11. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 Rs	2016 Rs
At 1 January	**1,000**	1,000
Additions	**121,500**	-
At 31 December	**122,500**	1,000

Investment held in:

	Country of Operation	Activities	Value of investment 2017 Rs	Value of investment 2016 Rs	Shareholding 2017 %	Shareholding 2016 %
Kolos Building Materials Ltd	Mauritius	Retailer of cement	**1,000**	1,000	**100%**	100%
Cement Logistics Ltd	Mauritius	Trading of cement	**121,500**	-	**100%**	-
			122,500	1,000		

11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Company's ultimate shareholder approved a restructuring of the Company such that 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, any difference between the consideration paid and the capital acquired of Cement Logistics Ltd was recognised in retained earnings.

Recognised amounts of identifiable assets acquired at acquisitions date

	Rs
Trade and other receivables	**12,132,371**
Cash and cash equivalents	**4,386,835**
Trade and other payables	**(14,029,615)**
Current tax liabilities	**(2,259,396)**
Total identifiable assets	**230,194**
Cash consideration	**121,500**
Carrying value on interest acquired in Cement Logistics Ltd	**(230,194)**
Net gain recognised directly in equity as at 31 December 2015.	**108,694**

12. INVENTORIES

	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Cement	**21,324,559**	69,786,450	**28,962,293**	84,165,393
Packaging	**16,561,938**	13,870,382	**16,561,938**	13,870,382
Stock in transit	**5,975,272**	1,404,172	**5,975,272**	1,404,172
Spare parts	**37,962,662**	38,364,238	**37,962,662**	38,364,238
Provision for spare parts	**(11,969,795)**	(16,443,468)	**(11,969,795)**	(16,443,468)
	69,854,636	106,981,774	**77,492,370**	121,360,717

Amount charged to cost of sales

	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Inventories consumed	**535,767,917**	546,479,302	**638,049,989**	632,925,725

The Group and the Company makes a provision for impairment based on slow moving and obsolete items in stock. At the reporting date, the provision amounted to Rs 11,969,795 (2016: Rs 16,443,468). The movement in the provision for impairment in respect of inventories during the year ended was as follows:

12. INVENTORIES (CONTINUED)

	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
At 1 January	**16,443,468**	11,542,970	**16,443,468**	11,542,970
Impairment reversal	**(4,473,673)**	-	**(4,473,673)**	-
Impairment charge	**-**	4,900,498	**-**	4,900,498
At 31 December	**11,969,795**	16,443,468	**11,969,795**	16,443,468

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Trade receivables				
- Related parties	**24,498,787**	29,423,990	**34,697,497**	36,928,650
- Non-related parties	**49,588,077**	24,073,559	**45,766,591**	22,422,031
	74,086,864	53,497,549	**80,464,088**	59,350,681
Provision for bad debts	**(9,724,524)**	(8,839,197)	**(9,478,539)**	(8,593,212)
	64,362,340	44,658,352	**70,985,549**	50,757,469
Other receivables	**674,580**	16,738,826	**171,292**	2,722,482
Amount due by subsidiary	**-**	-	**138,000**	621,000
Prepayments	**5,118,158**	2,309,151	**5,118,158**	2,309,151
	70,155,078	63,706,329	**76,412,999**	56,410,102

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 2017 Rs	**Impairment 2017 Rs**	**Net 2017 Rs**	Gross 2016 Rs	Impairment 2016 Rs	Net 2016 Rs
Not past due	**44,579,338**	**-**	**44,579,338**	39,177,999	-	39,177,999
Past due 0-30 days	**9,089,380**	**-**	**9,089,380**	4,931,946	-	4,931,946
Past due 31-90 days	**10,578,310**	**-**	**10,578,310**	498,613	-	498,613
More than 90 days	**9,839,836**	**(9,724,524)**	**115,312**	8,888,991	(8,839,197)	49,794
	74,086,864	**(9,724,524)**	**64,362,340**	53,497,549	(8,839,197)	44,658,352

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Company

	Gross 2017 Rs	Impairment 2017 Rs	Net 2017 Rs	Gross 2016 Rs	Impairment 2016 Rs	Net 2016 Rs
Not past due	**52,614,804**	**-**	**52,614,804**	45,520,112	-	45,520,112
Past due 0-30 days	**7,929,018**	**-**	**7,929,018**	4,871,128	-	4,871,128
Past due 31-90 days	**10,326,416**	**-**	**10,326,416**	316,435	-	316,435
More than 90 days	**9,593,850**	**(9,478,539)**	**115,311**	8,643,006	(8,593,212)	49,794
	80,464,088	**(9,478,539)**	**70,985,549**	59,350,681	(8,593,212)	50,757,469

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

	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
At 1 January	**8,839,197**	14,298,488	**8,593,212**	14,298,488
Charge for the year	**997,236**	567,714	**997,236**	321,729
Write off during the year	**-**	(3,055,139)	**-**	(3,055,139)
Release off during the year	**(111,909)**	(2,971,866)	**(111,909)**	(2,971,866)
At 31 December	**9,724,524**	8,839,197	**9,478,539**	8,593,212

In determining the recoverability of trade receivables, the Group and the Company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. At the reporting date, the Group and the Company concluded that there has been a change in credit quality of trade receivables amounting to Rs 9,724,524 and that the trade receivables past due were impaired, either individually or collectively.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Cash in hand	**68,043**	98,095	**59,043**	89,094
Cash at bank	**9,687,431**	15,251,139	**1,587,896**	5,432,210
	9,755,474	15,349,234	**1,646,939**	5,521,304
Bank overdraft	**161,222,796**	81,895,982	**161,222,796**	71,249,335
Cash and cash equivalents	**(151,467,322)**	(66,546,748)	**159,575,857)**	(65,728,031)

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	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Authorised, issued and fully paid				
27,000,000 (2016: 270,000 at Rs 1,000)				
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 272,940,000 (Rs 10.11 per share) were declared and paid by the Group during the year (2016: Rs 161,440,000; Rs 5.98 per share).

Dividends amounting to Rs 194,940,000 (Rs 7.22 per share) were declared and paid by the Company during the year (2016: Rs 73,440,000; Rs 2.72 per share).

On 14 December 2017 the Company carried out a share 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 2017.

17. SHORT TERM LOAN

The Group and Company had a short-term loan amounting to Rs 70 million in December 2016 which has been repaid during the year. The loan was repayable in 3 months from the drawn down date and interest payable each month based on market interest rate.

18. RETIREMENT BENEFIT OBLIGATIONS

Reconciliation of Present Value of Defined Benefit Obligations

	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Opening balance	**2,124,291**	1,894,230	**2,124,291**	1,894,230
Current service cost	**362,570**	294,500	**362,570**	294,500
Interest cost	**148,700**	132,596	**148,700**	132,596
Actuarial loss/(gain)	**65,971**	(197,035)	**65,971**	(197,035)
Closing balance	**2,701,532**	2,124,291	**2,701,532**	2,124,291

Amount recognised in profit or loss

	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Current service cost	**362,570**	294,500	**362,570**	294,500
Interest cost	**148,700**	132,596	**148,700**	132,596
	511,270	427,096	**511,270**	427,096

Amount recognised in other comprehensive income

	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Actuarial loss/(gain)	**65,971**	(197,035)	**65,971**	(197,035)

18. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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	
	2017	2016	**2017**	2016
Financial assumptions:				
Discount rate	**5.6%**	7%	**5.6%**	7%
Future salary increases	**3%**	5%	**3%**	5%
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			
Normal retirement age	**65**	65	**65**	65

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	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
1% decrease in discount rate	**3,789,143**	3,078,061	**3,789,143**	3,078,061
1% increase in discount rate	**(1,853,623)**	1,388,061	**(1,853,623)**	1,388,061
1% increase in salary increase assumption	**3,696,723**	2,975,245	**3,696,723**	2,975,245
1% decrease in salary increase assumption	**(1,930,638)**	1,468,977	**(1,930,638)**	1,468,977
Effect of changing longevity - rate up	**(2,656,261)**	2,084,572	**(2,656,261)**	2,084,572
Effect of changing longevity - rate down	**2,744,030**	2,161,559	**2,744,030**	2,161,559

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

Amount expensed as contribution during the year Rs 974,608 (2016: Rs 987,807).

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

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

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

Longevity risk: The present value of the obligation for the defined benefit plan and present value of future pension in payment are calculated based on the best estimate of plan participants' mortality after retirement.

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

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

19. DEFERRED TAX LIABILITIES

	Group 2017	Group 2016	Company 2017	Company 2016
	Rs	Rs	**Rs**	Rs
At 1 January,	**42,261,957**	22,796,351	**42,757,402**	22,796,351
Deferred tax recognised in income tax charge	**2,351,439**	2,219,637	**2,079,892**	2,715,082
Deferred tax recognised in other comprehensive income	**1,223,998**	17,245,969	**1,223,998**	17,245,969
At 31 December	**45,837,394**	42,261,957	**46,061,292**	42,757,402

Deferred tax assets and liabilities are attributable to the following:

GROUP

	Profit or loss 2017	Profit or loss 2016	Other comprehensive income 2017	Other comprehensive income 2016	Statement of financial position 2017	Statement of financial position 2016
	Rs	Rs	**Rs**	Rs	**Rs**	Rs
Deferred tax assets:						
Provisions	**610,019**	(2,111,462)	-	-	**(3,646,216)**	(4,256,235)
Tax losses	**271,547**	(495,445)	-	-	**(223,898)**	(495,445)
Retirement benefit obligations	**(86,916)**	(110,490)	**(11,215)**	33,496	**(459,260)**	(361,129)
Deferred tax liabilities:						
Accelerated capital allowances	**1,556,789**	4,937,034	-	-	**31,719,082**	30,162,293
Revaluation of buildings	-	-	**1,235,213**	17,212,473	**18,447,686**	17,212,473
Net deferred tax liabilities	**2,351,439**	2,219,637	**1,223,998**	17,245,969	**45,837,394**	42,261,957

COMPANY

	Profit or loss 2017	Profit or loss 2016	Other comprehensive income 2017	Other comprehensive income 2016	Statement of financial position 2017	Statement of financial position 2016
	Rs	Rs	**Rs**	Rs	**Rs**	Rs
Deferred tax assets:						
Provisions	**610,019**	(2,111,462)	-	-	**(3,646,216)**	(4,256,235)
Retirement benefit obligations	**(86,916)**	(110,490)	**(11,215)**	33,496	**(459,260)**	(361,129)
Deferred tax liabilities:						
Accelerated capital allowances	**1,556,789**	4,937,034	-	-	**31,719,082**	30,162,293
Revaluation of buildings	-	-	**1,235,213**	17,212,473	**18,447,686**	17,212,473
Net deferred tax liabilities	**2,079,892**	2,715,082	**1,223,998**	17,245,969	**46,061,292**	42,757,402

The unused tax losses for the group is Rs 1,597,000 (2016: Rs 2,914,382) which shall be lapsed in 2020.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Trade payables	**49,467,390**	23,153,313	**47,598,082**	22,708,859
Other payables and accruals	**8,210,028**	31,421,724	**8,314,169**	30,789,035
Amount due to holding company	**13,121,500**	-	**121,500**	-
Amount due to subsidiaries	**-**	-	**11,937,000**	-
	70,798,918	54,575,037	**67,970,751**	53,497,894

Included in accruals is management fees payable to sister companies amounting to Rs 3,346,650 (2016: Rs 3,281,331).

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.

21. OPERATING LEASE COMMITMENT

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Less than one year	**14,835,708**	16,332,525	**13,597,886**	15,912,525
Between one and five years	**32,766,124**	26,932,566	**28,359,960**	25,252,566
More than five years	**74,035,000**	1,365,000	**73,125,000**	-
	121,636,832	44,630,091	**115,082,846**	41,165,091

The Group and Company leases vehicles under operating leases which typically run for a period of 1 to 5 years and are renewable. During the year, an amount of Rs 8,308,850 and Rs 8,308,850 respectively (2016: Rs 8,104,850 and 8,104,850 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. During the year, an amount of Rs 8,221,798 and Rs 7,218,750 respectively (2016: Rs 7,125,603 and Rs 6,705,603 respectively) was recognised as an expense in profit or loss.

22. RELATED PARTY TRANSACTION

During the year ended 31 December 2017, the Group had the following transactions with related entities:

GROUP

Nature of Relationship	**Nature of transactions**	**Value of transaction for the year ended 31 December 2017 Rs**	Value of transaction for the year ended 31 December 2016 Rs	**Debit/(credit) at 31 December 2017 Rs**	Debit/(credit) at 31 December 2016 Rs
Ultimate holding company	Management fees	**51,569,252**	36,941,192	**(3,346,650)**	(3,281,331)
	Other payables (Note 20)	**-**	-	**(13,121,500)**	-
Sister companies	Sales of goods	**238,444,771**	221,162,220	**-**	-
	Trade receivables (Note 13)	**-**	-	**24,498,787**	29,423,990

22. RELATED PARTY TRANSACTION (CONTINUED)

COMPANY

Nature of relationship	Nature of transactions	Value of transaction for the year ended 31 December 2017 Rs	Value of transaction for the year ended 31 December 2016 Rs	Debit/(credit) at 31 December 2017 Rs	Debit/(credit) at 31 December 2016 Rs
Ultimate holding company	Management fees	**41,121,267**	36,941,192	**(3,346,650)**	(3,281,331)
	Other payables (Note 20)	**-**	-	**(121,500)**	-
Sister companies	Sales of goods	**237,852,987**	221,162,220	**-**	-
	Trade receivables (Note 13)	**-**	-	**24,006,490**	29,397,990
Subsidiary	Management fees	**1,440,000**	1,860,000	**-**	-
	Sale of goods	**83,301,022**	66,439,657	**-**	-
	Purchase of goods	**522,399,186**	579,130,883	**-**	-
	Trade receivables (Note 13)	**-**	-	**10,691,007**	7,530,660
	Other receivables (Note 13)	**-**	-	**138,000**	621,000
	Trade payables (Note 20)	**-**	-	**(11,937,000)**	-

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 2017. The Company has not recorded any impairment of receivables relating to amounts owed by related parties (2016: 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	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Short term benefits	**19,727,767**	21,809,832	**19,727,767**	21,809,832
Post retirement benefits	**1,828,866**	1,613,986	**1,828,866**	1,613,986
	21,556,633	23,423,818	**21,556,633**	23,423,818

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		
	Loans and receivables	**Loans and Borrowings**	**Total**
	Rs	**Rs**	**Rs**
2017			
Financial assets			
Trade and other receivables	**65,036,920**	-	**65,036,920**
Cash in hand and at bank	**9,755,474**	-	**9,755,474**
	74,792,394	-	**74,792,397**
Financial liabilities			
Trade and other payables	-	**68,766,996**	**68,766,996**
Bank overdraft	-	**161,222,796**	**161,222,796**
	-	**229,989,792**	**229,989,792**
2016			
Financial assets			
Trade and other receivables	61,397,178	-	61,397,178
Cash in hand and at bank	15,349,234	-	15,349,234
	76,746,412	-	76,746,412
Financial liabilities			
Trade and other payables	-	54,575,037	54,575,037
Bank overdraft	-	81,895,982	81,895,982
Short term loan	-	70,000,000	70,000,000
	-	206,471,019	206,471,019

COMPANY

	Carrying amount		
	Loans and receivables	**Loans and Borrowings**	**Total**
	Rs	**Rs**	**Rs**
2017			
Financial assets			
Trade and other receivables	**71,294,841**	-	**71,294,841**
Cash in hand and at bank	**1,646,939**	-	**1,646,939**
	72,941,780	-	**72,941,780**
Financial liabilities			
Trade and other payables	-	**65,938,829**	**65,938,829**
Bank overdraft	-	**161,222,796**	**161,222,796**
	-	**227,161,625**	**227,161,625**
2016			
Financial assets			
Trade and other receivables	54,100,951	-	54,100,951
Cash in hand and at bank	5,521,304	-	5,521,304
	59,622,255	-	59,622,255
Financial liabilities			
Trade and other payables	-	53,497,894	53,497,894
Bank overdraft	-	71,249,335	71,249,335
Short term loan		70,000,000	70,000,000
	-	194,747,229	194,747,229

At 31 December 2017, all financial assets and financial liabilities' carrying amount approximate their fair values as they are current in nature.

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

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

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.

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

- 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**	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Trade and other receivables	**65,036,920**	61,397,178	**71,294,841**	54,100,951
Cash in hand and at bank	**9,755,474**	15,349,234	**1,646,939**	5,521,304
	74,792,394	76,746,412	**72,941,780**	59,622,255

Cash and cash equivalents

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

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

(b) ***Financial risk management (Continued)***

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.

- Exposure to Liquidity risk

The following are the contractual maturities of financial liabilities:

GROUP

		Contractual cash flows	
	Carrying Amount Rs	**Less than one year Rs**	**Total Rs**
At 31 December 2017			
Trade and other payables	**68,766,996**	**68,766,996**	**68,766,996**
Bank overdraft	**161,222,796**	**161,222,796**	**161,222,796**
	229,989,792	**229,989,792**	**229,989,792**
At 31 December 2016			
Trade and other payables	54,575,037	54,575,037	54,575,037
Bank overdraft	81,895,982	81,895,982	81,895,982
Short term loan	70,000,000	70,000,000	70,000,000
	206,471,019	206,471,019	206,471,019

COMPANY

		Contractual cash flows	
	Carrying Amount Rs	**Less than one year Rs**	**Total Rs**
At 31 December 2017			
Trade and other payables	**65,938,829**	**65,938,829**	**65,938,829**
Bank overdraft	**161,222,796**	**161,222,796**	**161,222,796**
	227,161,625	**227,161,625**	**227,161,625**
At 31 December 2016			
Trade and other payables	53,497,894	53,497,894	53,497,894
Bank overdraft	71,249,335	71,249,335	71,249,335
Short term loan	70,000,000	70,000,000	70,000,000
	194,747,229	194,747,229	194,747,229

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

(b) *Financial risk management (Continued)*

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 bank overdrafts. 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.

- Exposure

  (a) At 31 December 2017, the Group and the Company's financial instruments included cash at bank amounted to Rs 9,687,431 and Rs 1,587,896 respectively (2016: Rs 15,251,139 and Rs 5,432,210 respectively), on which no interest is earned.

  (b) At 31 December 2017, the Group and the Company's interest bearing financial statements included borrowings amounting to Rs 161,222,796 and Rs 161,222,796 respectively (2016: Rs 151,895,982 and Rs 141,249,335 respectively) which bears rate of interest between 5% to 6%. The rate may increase or decrease depending on the prime lending rate.

Sensitivity analysis

The sensitivity analysis for the above exposures is as follows:

(a) At 31 December 2017, if the prime lending rate had been 0.5% higher/lower, the Group's and Company's profit before tax and equity would have been Rs 806,114 and Rs 806,114 respectively (2016: 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.

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

(b) Financial risk management (Continued)

Currency profile

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

GROUP

	Financial assets 2017 Rs	**Financial liabilities 2017 Rs**	Financial assets 2016 Rs	Financial liabilities 2016 Rs
MUR	**74,295,794**	**226,073,103**	61,808,067	199,584,971
USD	**463,155**	**2,586,296**	14,154,045	4,132,810
EUR	**33,445**	**1,330,393**	725,490	2,260,114
ZAR	**-**	**-**	58,810	493,124
	74,792,394	**229,989,792**	76,746,412	206,471,019

COMPANY

	Financial assets 2017 Rs	**Financial liabilities 2017 Rs**	Financial assets 2016 Rs	Financial liabilities 2016 Rs
MUR	**72,445,180**	**223,247,123**	50,920,914	187,861,560
USD	**463,155**	**2,584,109**	7,916,169	4,131,559
EUR	**33,445**	**1,330,393**	725,926	2,260,550
ZAR	**-**	**-**	59,246	493,560
	72,941,780	**227,161,625**	59,622,255	194,747,229

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

(c) *Financial risk management (Continued)*

Sensitivity analysis

At 31 December 2017, if exchange rate has strengthened/weakened against the following currencies, the result would be as follows:

Group

	Changes in foreign exchange rates 2017 %	**Effect on profit before tax 2017 Rs**	Changes in foreign exchange rates 2016 %	Effect on profit before tax 2016 Rs
USD	**+/- 5%**	**(106,157)/106,157**	+/- 5%	501,062/(501,062)
EUR	**+/- 5%**	**(64,847)/64,847**	+/- 5%	(76,731)/76,731
ZAR	**+/- 5%**	-	+/- 5%	(21,716)/21,716

Company

	Changes in foreign exchange rates 2017 %	**Effect on profit before tax 2017 Rs**	Changes in foreign exchange rates 2016 %	Effect on profit before tax 2016 Rs
USD	**+/- 5%**	**(106,048)/106,048**	+/- 5%	189,231/(189,231)
EUR	**+/- 5%**	**(64,847)/64,847**	+/- 5%	(76,731)/76,731
ZAR	**+/- 5%**	-	+/- 5%	(21,716)/21,716

Capital risk management

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

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.

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

(d) Financial risk management (Continued)

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 2017 and 2016 were as follows:

	Group		Company	
	2017	2016	**2017**	2016
	Rs	Rs	**Rs**	Rs
Total borrowings	**161,222,796**	151,895,982	**161,222,796**	141,249,335
Less: Cash in hand and at bank	**(9,755,474)**	(15,349,234)	**(1,646,939)**	(5,521,304)
Net debt	**151,467,322**	136,546,748	**159,575,857**	135,728,031
Total equity	**351,665,282**	429,765,222	**360,468,068**	440,574,133
Total capital	**503,132,604**	566,311,970	**520,043,925**	576,302,164
Gearing ratio	**30%**	24%	**31%**	24%

24. EARNINGS PER SHARE (BASIC/DILUTED)

	Group	
	2017	2016
	Rs	Rs
Basic and diluted earning per share		
Profit for the year	**188,864,069**	152,003,822
Number of shares before share split	**270,000**	270,000
Number of shares after share split	**27,000,000**	27,000,000
Earnings per share before share split	**699.50**	562.98
Earnings per share after share split	**6.99**	5.63

25. 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 (2016: Rs 40,000).
- The Company has confirmed that it will continue to provide financial support to Kolos Building Materials Ltd to enable it to meet its obligations as they fall due.

26. 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.

27. EVENTS AFTER REPORTING DATE

On 19 February 2018, the Company was listed on the Development and Enterprise Market of the Stock Exchange of Mauritius.

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 2017.