

**HCC MAURITIUS INVESTMENT
LIMITED**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2017

HCC MAURITIUS INVESTMENT LIMITED

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**HCC MAURITIUS INVESTMENT LIMITED
DIRECTORS' COMMENTARY
FOR THE YEAR ENDED 31 MARCH 2017**

The directors present their commentary, together with the audited financial statements of **HCC Mauritius Investment Limited** (the 'Company') for the year ended 31 March 2017.

PRINCIPAL ACTIVITY

The principal activities of the Company are to carry on business in investment holding activity and the promotion and marketing services offered by its Corporate Shareholder in the field of hotel, resorts, eco-tourism, real estate, design and construction of infrastructure projects, through itself or by establishing downstream subsidiaries / branches in other foreign countries.

RESULTS AND DIVIDENDS

The results for the year are shown on page 8.

The directors did not recommend the payment of dividend for the year under review (2016: USD Nil).

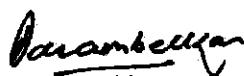
DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the Company's statement of financial position as at 31 March 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the International Financial Reporting Standards (IFRS) in compliance with the requirements of the Mauritius Companies Act 2001, in so far as applicable to Category 1 Global Business Licence Companies and the Financial Reporting Act 2004.

The directors' responsibilities includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

BY ORDER OF THE BOARD



DIRECTOR

Date: 24 APR 2017

**SECRETARY'S CERTIFICATE
FOR THE YEAR ENDED 31 MARCH 2017**

We certify that, to the best of our knowledge and belief, we have filed with the Registrar of Companies, all such returns as are required of **HCC Mauritius Investment Limited** under the Mauritius Companies Act 2001 in terms of Section 166 (d) for the year ended 31 March 2017.



For and on behalf of:
First Island Trust Company Ltd
Corporate Secretary

Registered office:
Suite 308, St James Court
St Denis Street
Port Louis
Republic of Mauritius

Date: 24 April 2017

QAIYOOM DUSTAGHEER FCCA, MIPA(M)
SUITE 314, ST JAMES COURT, ST DENIS STREET, PORT LOUIS, REPUBLIC OF MAURITIUS
TEL: (230) 5448 6242 FAX: (230) 213 7844
EMAIL: qdustagheer@orange.mu

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF HCC MAURITIUS INVESTMENT LIMITED

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of **HCC Mauritius Investment Limited** (the "Company"), which comprise the statement of financial position as at 31 March 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 21.

In my opinion, these financial statements give a true and fair view of the financial position of **HCC Mauritius Investment Limited** as at 31 March 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, in so far as applicable to Category 1 Global Business License companies and the Financial Reporting Act 2004.

Basis for opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the Directors' commentary and Secretary's Certificate. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

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

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, in so far as applicable to Category 1 Global Business License companies and the Financial Reporting Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT**TO THE SHAREHOLDER OF HCC MAURITIUS INVESTMENT LIMITED (CONTINUED)****Report on the Audit of the Financial Statements (continued)****Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

I 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 I identify during my audit.

Other Matter

This report is made solely to the Company's member, in accordance with Section 205 of the Mauritius Companies Act. My audit work has been undertaken so that I might state to the Company's member those matters that I am required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Company and the Company's member, for my audit work, for this report, or for the opinions I have formed.

QAIYOOM DUSTAGHEER FCCA, MIPA(M)

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF HCC MAURITIUS INVESTMENT LIMITED (CONTINUED)

Report on the Audit of the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

The Mauritius Companies Act 2001 requires that in carrying out my audit I consider and report to you on the following matters. I confirm that:

- (a) I have no relationship with or interests in the Company other than in my capacity as auditor;
- (b) I have obtained all the information and explanations I have required; and
- (c) In my opinion, proper accounting records have been kept by the Company as far as it appears from my examination of those records.



**Qaiyoom Dustagheer FCCA, MIPA (M)
Licensed by the FRC**

Date: 24 APR 2017

HCC MAURITIUS INVESTMENT LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017


| | Notes | 2017 USD | 2016 USD |
|---|-------|--------------------|------------------|
| Income | | | |
| Interest income | | 484,276 | 433,129 |
| Realised exchange gains | | 60 | 417 |
| Unrealised exchange gains | | - | 19,229 |
| Other income | | 25,489 | - |
| | | <u>509,825</u> | <u>452,775</u> |
| Expenses | | | |
| Audit fees | | 4,000 | 4,000 |
| Taxation fees | | 300 | 300 |
| Administration fees | | 5,360 | 4,865 |
| Licence fees | | 1,750 | 1,750 |
| Accounting fees | | 2,000 | 2,000 |
| Bank charges | | 629 | 725 |
| Professional fees | | 2,075 | 33,850 |
| Interest expense | | 1,629,457 | 1,137,502 |
| Unrealised exchange losses | | 366,215 | - |
| Other expenses | | 440 | 1,750 |
| | | <u>2,012,226</u> | <u>1,186,742</u> |
| Loss from operations | | (1,502,401) | (733,967) |
| Share of profit in associate | 6 | 3,476,948 | 1,059,423 |
| Profit before taxation | | <u>1,974,547</u> | <u>325,456</u> |
| Income tax expense | 5 | - | - |
| Profit for the year | | <u>1,974,547</u> | <u>325,456</u> |
| Other comprehensive income for the year, net of taxation | | - | - |
| Total comprehensive income for the year, net of taxation | | <u>1,974,547</u> | <u>325,456</u> |

The notes on pages 12 to 21 form an integral part of these financial statements.
Auditor's report is on pages 5 to 7.

HCC MAURITIUS INVESTMENT LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

| | Notes | 2017 USD | 2016 USD |
|-------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investment in associate | 6 | 16,587,851 | 13,110,903 |
| Loan receivables | 7 | 19,394,100 | 19,746,890 |
| | | 35,981,951 | 32,857,793 |
| Current assets | | | |
| Other receivables | 8 | 949,695 | 470,934 |
| Cash and cash equivalents | | 2,199 | 664 |
| | | 951,894 | 471,598 |
| Total assets | | 36,933,845 | 33,329,391 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Stated capital | 9 | 1,000,000 | 1,000,000 |
| Retained earnings | | 8,172,096 | 6,197,549 |
| Total equity | | 9,172,096 | 7,197,549 |
| Non-current liability | | | |
| Borrowings | 10 | 25,000,000 | 25,000,000 |
| Current liabilities | | | |
| Borrowing | 10 | 106,480 | 106,480 |
| Other payables | 11 | 2,655,269 | 1,025,362 |
| Current tax liability | 5 | - | - |
| | | 2,761,749 | 1,131,842 |
| Total liabilities | | 27,761,749 | 26,131,842 |
| Total equity and liabilities | | 36,933,845 | 33,329,391 |

Approved by the Board of Directors on 24 APR 2017 and signed on its behalf by:


DIRECTOR
AE


DIRECTOR
SD

The notes on pages 12 to 21 form an integral part of these financial statements.
Auditor's report is on pages 5 to 7.

**HCC MAURITIUS INVESTMENT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

| | Stated capital USD | Retained earnings USD | Total equity USD |
|-------------------------|-----------------------------------|--------------------------------------|---------------------------------|
| At 01 April 2015 | 1,000,000 | 5,872,093 | 6,872,093 |
| Profit for the year | - | 325,456 | 325,456 |
| At 31 March 2016 | <u>1,000,000</u> | <u>6,197,549</u> | <u>7,197,549</u> |
| Profit for the year | - | 1,974,547 | 1,974,547 |
| At 31 March 2017 | <u>1,000,000</u> | <u>8,172,096</u> | <u>9,172,096</u> |

The notes on pages 12 to 21 form an integral part of these financial statements.
Auditor's report is on pages 5 to 7.

HCC MAURITIUS INVESTMENT LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

| | 2017 USD | 2016 USD |
|---|---------------------|--------------------|
| OPERATING ACTIVITIES | | |
| Profit before taxation | 1,974,547 | 325,456 |
| <i>Adjustments to reconcile profit before tax to net cash flows:</i> | | |
| Interest income | (484,276) | (433,129) |
| Interest expense | 1,629,457 | 1,137,502 |
| Unrealised exchange losses / (gains) | 366,215 | (19,229) |
| Share of profit in associate | (3,476,948) | (1,059,423) |
| <u>Working capital adjustments:</u> | | |
| Increase in other receivables | - | (395) |
| Increase in other payables | 450 | - |
| Net cash flows generated from / (used in) operating activities | <u>9,445</u> | <u>(49,218)</u> |
| INVESTING ACTIVITIES | | |
| Interest received | - | 76,702 |
| Loan granted | (7,910) | (3,000,000) |
| Receipt of amount receivable | - | 259,610 |
| Net cash flows used in investing activities | <u>(7,910)</u> | <u>(2,663,688)</u> |
| FINANCING ACTIVITIES | | |
| Interest paid | - | (293,381) |
| Proceeds from borrowings | - | 3,006,300 |
| Net cash flows generated from financing activities | <u>-</u> | <u>2,712,919</u> |
| Net movement in cash and cash equivalents | 1,535 | 13 |
| Cash and cash equivalents at beginning of year | 664 | 651 |
| Cash and cash equivalents at end of year | <u>2,199</u> | <u>664</u> |

HCC MAURITIUS INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. LEGAL FORM AND PRINCIPAL ACTIVITY

The Company was incorporated under the Mauritius Companies Act 2001 on 04 October 2013 as a private company with liability limited by shares. The Company has been granted a Global Business Licence Category 1 by the Financial Services Commission on 08 October 2013 and is regulated by the Financial Services Act 2007. The Company's registered office is C/o Suite 308, St James Court, St Denis Street, Port Louis, Republic of Mauritius.

The principal activities of the Company are to carry on business in investment holding activity and the promotion and marketing services offered by its Corporate Shareholder in the field of hotel, resorts, eco-tourism, real estate, design and construction of infrastructure projects, through itself or by establishing down stream subsidiaries / branches in other foreign countries.

The financial statements for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors on 24 April 2017....

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) in compliance with the requirements of the Mauritius Companies Act 2001, in so far as applicable to Category 1 Global Business Licence Companies and the Financial Reporting Act 2004.

Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention and are denominated in United States Dollars (USD). The preparation of the financial statements in conformity with the International Financial Reporting Standards (IFRS) requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The financial statements of the Company are expressed in United States dollars ("USD").

Management determines the functional currency of the Company to be USD. In making this judgement, management evaluates, among other factors, the regulatory and competitive environments and the fee and performance reporting structures of the Company and in particular, the economic environment of its investors.

Transactions and balances

Foreign currency transactions are translated into USD using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Investments in associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

**HCC MAURITIUS INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associate (Continued)

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Financial assets

The Company has classified its financial assets as loan receivables.

Financial assets are assigned to different categories in initial recognition, depending on the characteristics of the asset and its purpose. A financial asset category is relevant for the way it is measured and whether any resulting income and expenses is recognised in the statement of profit or loss and other comprehensive income or directly in equity.

The Company recognises all financial assets using settlement day accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income.

Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Company's loan receivables comprise of non-current loans given to related parties. Loan receivables are initially recognised at cost, which is the fair value of the cash given to originate the loan, including any transaction costs.

They are subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Any change in their value is recognised in the statement of profit or loss and other comprehensive income.

An allowance for credit losses is established if there is objective evidence that the Company will be unable to collect all amounts due on a claim according to the original contractual terms.

Other receivables

Other receivables are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents include cash at bank.

Equity

Stated capital is determined using the nominal values of shares that have been issued.

Retained earnings include all current and prior results as disclosed in the statement of profit or loss and other comprehensive income.

Borrowings

Borrowings are stated at proceeds received, net of any capital repayments. Finance charges, including premiums payable on settlement or redemption, are accounted for on the accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**HCC MAURITIUS INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other payables

Other payables are stated at their nominal value.

Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and its value in use. Impairment losses (if any) are recognised as an expense in the statement of profit or loss and other comprehensive income.

Revenue recognition

Interest income is recognised on a time-proportion basis using the effective interest rate method.

Expenses recognition

All expenses are accounted for in the statement of profit or loss and other comprehensive income on the accruals basis.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events; and it is probable that it will result in an outflow of economic benefits that can be reasonably measured.

Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year as a result of changes in accounting policy and disclosures.

HCC MAURITIUS INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (“IAS”) AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

In the current year, the Company has adopted the entire new and revised standard and interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for this accounting year end. The adoption of these new and revised standards and interpretations has not resulted in any changes to the Company’s accounting policies that would affect the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but effective on annual periods beginning on or after the respective dates as indicated:

| Standards | Interpretations | Date issued by IASB | Effective date periods beginning on or after |
|---|---|----------------------------|---|
| IFRS 2 Share Based Payment | Amendments to clarify the classification and measurement | June 2016 | 01 January 2018 |
| IFRS 4 Insurance Contract | Amendments regarding the interaction of IFRS 4 and IFRS 9 | September 2016 | 01 January 2018 |
| IFRS 9 Financial instruments | Finalised version | July 2014 | 01 January 2018 |
| IFRS 16 Leases | Original issue | January 2016 | 01 January 2019 |
| <u>Annual improvements 2014-2016:</u> | | | |
| IFRS 1 First time adoption of IFRS | Deletion of short term exemptions for the first time adopters | December 2016 | 01 January 2018 |
| IAS 28 Investment in associates and joint ventures | Measuring an associate or joint venture at fair value | December 2016 | 01 January 2018 |
| IFRIC 22 Foreign currency transaction and advance consideration | Original issue | December 2016 | 01 January 2018 |
| IAS 40 Investment property | Amendments to IAS 40 | December 2016 | 01 January 2018 |

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgements in applying the Company’s accounting policies

In the process of applying the Company’s accounting policies, which are described in Note 2, the directors have made the following judgements that have the most effect on the amounts recognised in the financial statements.

Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. As described in Note 2, the directors have considered those factors therein and have determined that the functional currency of the Company is the USD.

HCC MAURITIUS INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

5. INCOME TAX EXPENSE

The Company being the holder of a Category 1, Global Business Licence, is liable to income tax in Mauritius on its chargeable income at the rate of 15%. It is, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered or 80% of the Mauritian tax chargeable on its foreign source income.

A reconciliation between the accounting profit and the tax charge is as follows:

| | 2017 USD | 2016 USD |
|--|------------------|------------------|
| Profit before taxation | 1,974,547 | 325,456 |
| Add non-allowable expenses | 510,080 | 6,797 |
| Less non-taxable incomes | (3,476,948) | (1,078,652) |
| Loss as adjusted for tax purposes | (992,321) | (746,399) |
| Tax loss brought forward | (1,769,170) | (1,022,771) |
| Tax loss carried forward | (2,761,491) | (1,769,170) |
| Income tax expense calculated at 15% | (414,224) | (265,376) |
| <u>Effect of tax concessions:-</u> | | |
| - Foreign tax credit – 80% | 331,379 | 212,300 |
| Tax losses for which no deferred income tax asset was recognised | 82,845 | 53,076 |
| Income tax expense recognised for the year | - | - |

6. INVESTMENT IN ASSOCIATE

| | 2017 USD | 2016 USD |
|------------------------------|-------------------|-------------------|
| <u>Unquoted</u> | | |
| Balance at beginning of year | 13,110,903 | 12,051,480 |
| Share of profit in associate | 3,476,948 | 1,059,423 |
| Balance at end of year | 16,587,851 | 13,110,903 |

Investment in associate is denominated in CHF and consists of the following:

| Name of associate | Country of incorporation | Number & Class of shares held | % Holding 2017 & 2016 | Principal activity |
|-------------------|--------------------------|--|-----------------------|--------------------------|
| Steiner AG | Switzerland | 13,600 equity shares of CHF 1,000 each | 34% | Total service contractor |

The assets and liabilities of Steiner AG are disclosed below:

| | Assets USD | Liabilities USD | Revenue USD | Profit USD |
|-------------------------|--------------------|--------------------|--------------------|-------------------|
| At 31 March 2017 | 486,953,106 | 427,399,854 | 809,783,866 | 10,226,316 |
| At 31 March 2016 | 388,993,150 | 337,889,110 | 643,890,130 | 3,116,100 |

In order to satisfy certain conditions subsequent of the facility agreement dated 20 January 2014 and to provide security in relation to facility of USD 25,000,000 from Export-Import Bank of India, the Company (as security provider) has pledged all its shares in Steiner AG involving 13,600 shares to Export-Import Bank of India (as security taker) under a share pledge agreement dated 16 October 2014.

HCC MAURITIUS INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

7. LOAN RECEIVABLES

| | 2017 USD | 2016 USD |
|---|-------------------|-------------------|
| Non-current: | | |
| Loan receivables from related parties (Note 13) | <u>19,394,100</u> | <u>19,746,890</u> |

The loan to Steiner AG is unsecured, with no fixed term of repayment and bears an interest rate of 3.75% per annum as per the federal. As from January 2015, interest rate has decreased to 3% to reflect the interest rate as per the Swiss tax authorities.

The loans to HCC Mauritius Enterprises Limited bear interest at the rate of 3 month libor + 300 bps, are unsecured, repayable after more than 1 year and renewed mutually.

8. OTHER RECEIVABLES

| | 2017 USD | 2016 USD |
|---|----------------|----------------|
| Interest receivables from related parties (Note 13) | 947,697 | 468,936 |
| Prepayment | 1,998 | 1,998 |
| | <u>949,695</u> | <u>470,934</u> |

9. STATED CAPITAL

| | 2017 USD | 2016 USD |
|------------------------------------|------------------|------------------|
| 1,000,000 ordinary shares of USD 1 | <u>1,000,000</u> | <u>1,000,000</u> |

10,000 equity shares of USD 1 each held by Hindustan Construction Company Limited are pledged as per the facility agreement dated 20 January 2014 hereof to Export-Import Bank of India as pledgee, to secure the repayment of a secured indebtedness amounts aggregate of USD 25,000,000 in capital together with interest and other costs as defined in the agreement.

10. BORROWINGS

| | 2017 USD | 2016 USD |
|---|-------------------|-------------------|
| Non-current: | | |
| Loan from Export-Import Bank of India | 25,000,000 | 25,000,000 |
| Current: | | |
| Loan payable to related party (Note 13) | 106,480 | 106,480 |
| | <u>25,106,480</u> | <u>25,106,480</u> |

The loan from Export-Import Bank of India bears an interest rate of LIBOR 3M + 500 bps payable quarterly on dates to be advised at the time of first disbursement. The spread over LIBOR would be subject to change in case of (a) drawal beyond availability period and / or (b) changes in market conditions. This loan shall be repaid in 21 equal quarterly instalments commencing after a moratorium of 24 months from the date of first drawal.

The loan payable to Hindustan Construction Company Limited is unsecured, interest-free and repayable on demand.

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11. OTHER PAYABLES

| | 2017 | 2016 |
|--|-------------------------|------------------|
| | USD | USD |
| Accruals | 6,750 | 6,300 |
| Interest payables to Export-Import Bank of India | 2,648,519 | 1,019,062 |
| | <u>2,655,269</u> | <u>1,025,362</u> |

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is acting as an investment holding company forming part of a larger group. The capital management process is determined and managed at group level.

Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Market risk

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

Interest rate risk

The Company has financial assets which are at floating interest rates and is therefore exposed to the risks associated with the effects of fluctuation in interest rates.

Interest rate sensitivity

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of 1%. A 1% increase or decrease is used and this represents management's assessment of the reasonably possible change in interest rate.

The calculations are based on the financial instruments held at that date and which are sensitive to changes in interest rates. All other variables are held constant. The table below depicts the movement in profit and equity given an increase of 1 % in interest rates.

| | Profit and equity 2017 USD | Profit and equity 2016 USD |
|--------------------|---|-------------------------------------|
| At 31 March | <u>343,683</u> | <u>343,604</u> |

A decrease of 1 % in the interest rates would have the corresponding negative impact.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Consequently, the Company is exposed primarily to the risk that the exchange rate of the United States Dollar ("USD") relative to the Swiss Franc ("CHF") may change in a manner that has a material effect on the reported values of the Company's assets that are denominated in Swiss Franc ("CHF").

The table on the following page details the Company's sensitivity to a 5% increase and decrease in the USD against the relevant foreign currency, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Company's equity (due to changes in the fair value of forward exchange contracts and net investment hedges).

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12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

Foreign currency sensitivity analysis (Continued)

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates.

A positive number below indicates an increase in profit and other equity where the USD strengthens 5% against the CHF. For a 5% weakening of the USD against the CHF, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

| | Increase / decrease in foreign exchange rate | Effect on profit before taxation | Effect on equity |
|-------------------|---|-------------------------------------|------------------|
| Year 2017: | | | |
| CHF | +5% | 513,337 | 513,337 |
| CHF | -5% | (513,337) | (513,337) |
| Year 2016: | | | |
| CHF | +5% | 525,574 | 525,574 |
| CHF | -5% | (525,574) | (525,574) |

Credit risk

Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The Company limits its credit risk by carrying out transactions only with its related parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Company's main credit risk concentration is the amount due from Steiner AG and HCC Mauritius Enterprises Limited.

The bank balance is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

Liquidity risk

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

The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of the financial assets and liabilities.

The table below illustrates the aged analysis of the Company's financial liabilities.

| | Less than 1 year 2017 USD | Over than 1 year 2017 USD | Total 2017 USD |
|--------------------------|------------------------------------|------------------------------------|----------------------|
| At 31 March 2017: | | | |
| Borrowings | 106,480 | 25,000,000 | 25,106,480 |
| Other payables | 2,655,269 | - | 2,655,269 |
| | <u>2,761,749</u> | <u>25,000,000</u> | <u>27,761,749</u> |

Fair values of financial assets and liabilities

The carrying amount of loan receivables, other receivables (excluding prepayments) cash and cash equivalents, borrowings and other payables approximate their fair values.

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12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency profile

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

| | Financial assets 2017 USD | Financial assets 2016 USD | Financial liabilities 2017 USD | Financial liabilities 2016 USD |
|---------------------------------|--|--|---|---|
| Denominated in: | | | | |
| Swiss Franc ("CHF") | 10,266,749 | 10,511,480 | - | - |
| United States Dollar ("USD") | 10,077,247 | 9,705,010 | 27,761,749 | 26,131,842 |
| | <u>20,343,996</u> | <u>20,216,490</u> | <u>27,761,749</u> | <u>26,131,842</u> |

The financial assets exclude investment in associate amounting to **USD 16,587,851** (2016: USD 13,110,903) and prepayments of **USD 1,998** (2016: USD 1,998) for the year ended 31 March 2017.

13. RELATED PARTIES TRANSACTIONS

The following transactions were carried out with related parties on normal commercial terms and conditions and at market prices:

| Name of related parties | Nature of relationships | Nature of transactions | 2017 USD | 2016 USD |
|---|------------------------------------|-----------------------------------|--------------------------|---------------------|
| <u>Non-current: Loan receivables</u> | | | | |
| <u>Steiner AG</u> | Associate | Loan receivable | | |
| At start of the year | | | 10,386,500 | 10,369,000 |
| Exchange (loss) / gain during the year | | | (360,700) | 17,500 |
| At end of the year | | | <u>10,025,800</u> | <u>10,386,500</u> |
| <u>HCC Mauritius Enterprises Limited</u> | Under same control | Loan receivable | | |
| At start of the year | | | 9,360,390 | 6,620,000 |
| Addition during the year | | | 7,910 | 3,000,000 |
| Repayment during the year | | | - | (259,610) |
| At end of the year | | | <u>9,368,300</u> | <u>9,360,390</u> |
| At end of the year (Note 7) | | | <u>19,394,100</u> | <u>19,746,890</u> |

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13. RELATED PARTIES TRANSACTIONS

| | Nature of relationships | Nature of transactions | 2017 USD | 2016 USD |
|--|--------------------------------|-------------------------------|-----------------|-----------------|
| <u>Current: Other receivables</u> | | | | |
| <u>Steiner AG</u> | | | | |
| | Associate | Interest receivable | | |
| At start of the year | | | 124,980 | 76,702 |
| Receipt during the year | | | - | (76,702) |
| Interest during the year | | | 121,485 | 123,251 |
| Exchange (loss) / gain during the year | | | (5,515) | 1,729 |
| At end of the year | | | 240,950 | 124,980 |
| <u>HCC Mauritius Enterprises Limited</u> | | | | |
| | Under same control | Interest receivable | | |
| At start of the year | | | 343,956 | 34,078 |
| Interest during the year | | | 362,791 | 309,878 |
| At end of the year | | | 706,747 | 343,956 |
| At end of the year (Note 8) | | | 947,697 | 468,936 |
| <u>Current: Borrowings</u> | | | | |
| <u>Hindustan Construction Company Limited</u> | | | | |
| | Shareholder | Borrowings | | |
| At start of the year | | | 100,480 | 100,180 |
| Addition during the year | | | - | 6,300 |
| At end of the year (Note 10) | | | 106,480 | 106,480 |

14. HOLDING COMPANY

The directors regard Hindustan Construction Company Limited, a company incorporated in India as the holding company.

15. EVENTS AFTER THE REPORTING DATE

There has been no post material reporting events which would require disclosure or adjustment to the 31 March 2017 financial statements.