

CORPORATE GOVERNANCE REPORT

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COMPLIANCE STATEMENT

Lavastone Ltd (hereinafter referred to as “Lavastone” or “the Company”) is classified as a public interest entity under the Financial Reporting Act 2004. As a company listed on the Development and Enterprise Market (DEM) of the Stock Exchange of Mauritius, it is required to adopt, and report on, its corporate governance practices, in accordance with the National Code of Corporate Governance (2016) (the Code). The Board of Directors of Lavastone Ltd confirms that the Company has materially applied all the principles of the Code, except for Principle 4: Directors’ Duties, Remuneration and Performance. An explanation has been provided in this regard in the Corporate Governance Report.

On behalf of the Board

Colin Taylor
Chairman

Nicolas Vaudin
Director

GOVERNANCE STRUCTURE

The Board

According to the Company’s Constitution, the Board shall consist of a minimum of six and a maximum of twelve directors. During the year under review, the Company was headed by a unitary board, comprised of eight members, under the chairmanship of Mr Colin Taylor. As of 30 September 2019, the Board was composed of four non-executive directors, including the Chairman, one executive director and three independent directors.

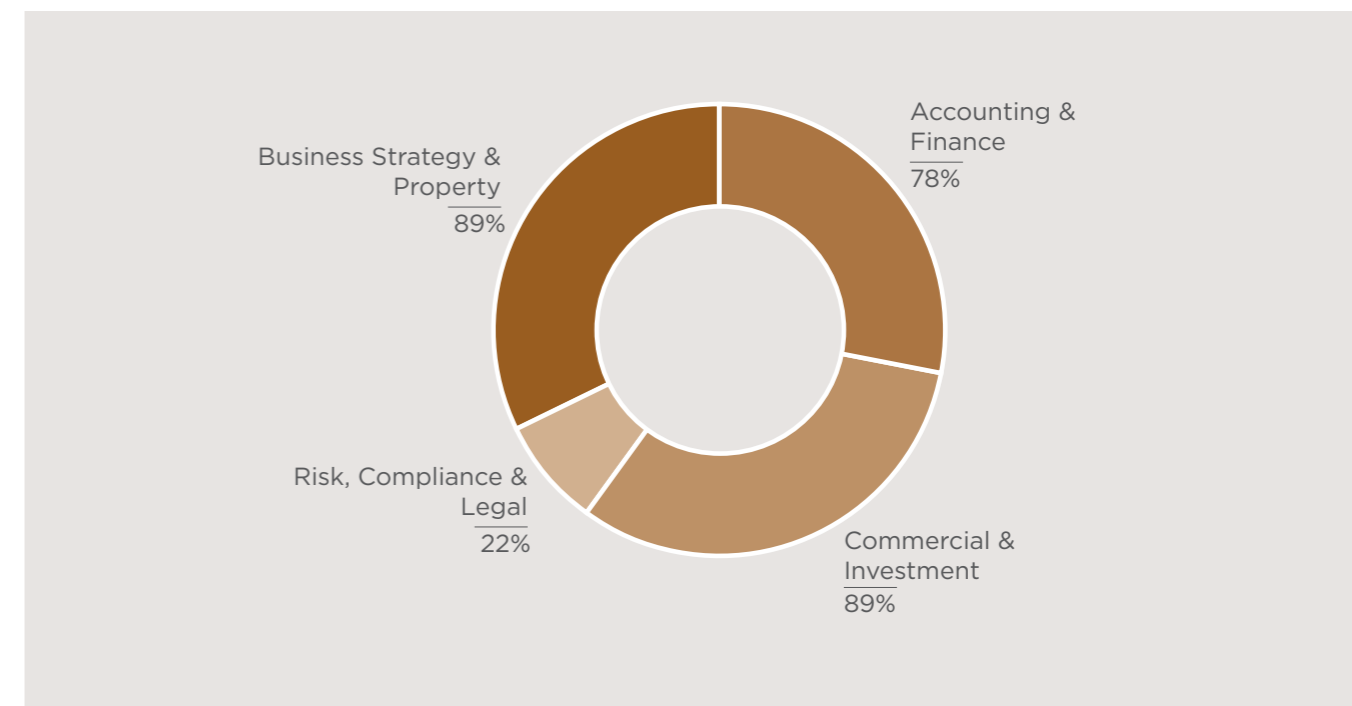
The Board is of the view that there is an adequate balance between independent and non-executive directors on the Board and that Board members have the necessary skills to discharge their respective duties and responsibilities effectively.

The Board assumes responsibility for leading and controlling the organisation, providing strategic guidance, reviewing financial plans and monitoring performance, ensuring that a robust risk management system is in place and providing accurate information to shareholders, the public and regulators. It also ensures that the Company adheres to all legal and regulatory requirements.

The profiles and the full directorship lists of the members of the Board are set out on pages 18 & 19. It is to be noted that all the directors of the Company reside in Mauritius.

The Board is of the view that the Company provides for the promotion of equal opportunity between persons and prohibits discrimination on the ground of status and by victimisation. To that effect, the Board has approved, on 8 August 2019, an Equal Opportunity Policy which is in line with the “Guidelines for Employers” issued by the Equal Opportunity Commission in April 2013. The said policy sets out the Company’s position on equal opportunity in each and every stage of the employment process, and is applicable to all Board members and employees. The Company will regularly review its procedures and selection criteria to ensure that individuals are selected, promoted and treated according to their individual abilities and merits.

The skillset of the members of the Board is set out in the chart below.



The Board of Directors' Charter, which has been approved by the Board on 8 August 2019, defines the Board's governance role and provides an outline of the responsibilities, objectives and composition of the Board.

The Board has also approved the position statements of the Chairman and the Company Secretary of the Company, which clearly define their respective duties and roles, as well as the position statements of the Chairpersons of the Corporate Governance Committee and of the Risk Management and Audit Committee.

In accordance with the requirements of the Code, the following documents, as approved by the Board, are available for consultation purposes on the website of the Company, <https://www.lavastone.mu>:

- Organisational chart
- Board Charter
- Position Statement of the Chairman and the Company Secretary
- Statement of accountabilities
- Code of Ethics
- Company's Constitution
- Terms of reference of the Corporate Governance Committee
- Charter of the Risk Management and Audit Committee
- Position statement of the Chairperson of the Corporate Governance Committee
- Position statement of the Chairperson of the Risk Management and Audit Committee

The processes and frequency to review, monitor and approve the Board Charter, the organisation's Code of Ethics, the position statements, the organisational chart and the statement of main accountabilities, are determined by the Board and may be delegated to sub-committees, as appropriate.

Board committees

In line with the Code, the Board has set up a Corporate Governance Committee (CGC) and a Risk Management and Audit Committee (RMAC), to assist it in the discharge of its duties as well as to provide support and focus on particular matters. The minutes of proceedings of each committee are recorded and submitted to the Board for noting.

The CGC oversees all governance issues relating to the business activities of the Company. It also assists the Board with regards to the remuneration aspect as well as the nomination of directors. The CGC is composed of two independent directors, namely Mrs Vijaya Lakshmi Saha (Chairperson) and Mr Jose Arunasalom, one non-executive director, namely Mr Sebastian Taylor, and one executive director, namely Mr Nicolas Vaudin.

The RMAC oversees the risk and audit-related issues and reviews and monitors financial statements of the Company and its subsidiaries. It also monitors the implementation of the internal audit recommendations, as well as the integrity of the annual report and the financial statements. The RMAC also makes recommendations to the Board with regards to the appointment or removal of the external auditor. Moreover, it reports to the Board on significant financial reporting issues and judgements relating to financial statements. The committee is composed of two independent directors, namely Mr Shyam Mohadeb (Chairman) and Mr Jose Arunasalom, and one non-executive director, namely Mr Gaetan Ah Kang.

The terms of reference and charter of these committees are reviewed on an annual basis by each committee. Any proposed amendments are submitted to the Board for approval.

When necessary, other committees are set up by the Board on an ad-hoc basis to consider specific matters.

Directors' attendance at Board and committee meetings, as well as their remuneration during the financial year ended 30 September 2019, were as follows:

	Attendance			Interests		Remuneration
	Board meetings	CGC	RMAC	Direct	Indirect	MUR
TAYLOR, Colin	4/4	N/A	N/A	0.0416	4.85	234,000
VAUDIN, Nicolas	4/4	3/3	3/3	NIL	NIL	-
TAYLOR, Matthew	3/4	N/A	N/A	0.0059	1.21	180,000
TAYLOR, Sebastian	3/4	3/3	N/A	NIL	1.20	210,000
AH KANG, Gaetan	3/4	N/A	3/3	0.0283	NIL	210,000
MOHADEB, Vedanand Singh	3/4	N/A	3/3	NIL	NIL	217,500
ARUNASALOM, Jose	3/4	3/3	3/3	0.0015	NIL	240,000
SAHA, Vijaya Lakshmi	3/4	3/3	N/A	NIL	NIL	217,500
VAN BEUNINGEN, Mark	1/4	N/A	N/A	NIL	NIL	NIL

Mr Mark Van Beuningen resigned as director on 28 December 2018.

Mr Gaetan Ah Kang was appointed non-executive director on 28 December 2018.

Mr Sebastian Callum Taylor was appointed non-executive director on 28 December 2018.

Mr Vedanand Singh Mohadeb was appointed independent director on 28 December 2018.

Mr Jose Arunasalom was appointed independent director on 28 December 2018.

Mrs Vijaya Lakshmi Saha was appointed independent director on 28 December 2018.

The remuneration of the executive director has not been disclosed as it is viewed as commercially sensitive information.

Appointment

The Board assumes the responsibilities for succession planning and for the appointment of new directors to the Board. It is to be noted that a succession plan is currently under development. The process for the appointment of directors is made in a transparent and formal manner.

All directors will stand for re-election by way of separate resolutions at the Annual Meeting of Shareholders of the Company, scheduled in March 2020.

The names of the directors of the Company, their profiles and categories are listed on pages 18 & 19.

Induction and Orientation

The Board is responsible for the induction and orientation of new directors to the Board. With the assistance of the Company Secretary, the Board provides the necessary documents which make directors fully aware of their legal duties, and offer an in-depth understanding of the Company's activities, governance framework and strategy.

Professional Development

The Board reviews the professional development needs of directors during the board evaluation process and directors are encouraged to develop their skills and expertise continuously. They also receive regular updates on the latest trends and legislations affecting the business from management and/or other industry experts. Training will be provided to directors based on the Company's needs and/or training needs.

Board access to information and advice

All directors have access to the Company Secretary to discuss issues or to obtain information on specific areas or items to be considered at Board meetings or any other areas they consider appropriate.

Furthermore, directors have access to the Company's records and the right to request independent professional advice at the Company's expense.

Directors' duties, remuneration and performance

The directors are aware of their legal duties and may seek independent professional or legal advice, at the expense of the Company, in respect of any aspect of their duties and responsibilities.

Interests of directors and conflicts of interest

All directors, including the Chairman, declare their direct and indirect interests in the shares of the Company as well as their interests in any transaction undertaken by the Company. They also follow the Model Code for Securities Transactions, as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules, whenever they deal in the shares of the Company. The interests register of the Company is maintained by the Company Secretary and is available for consultation by shareholders upon written request to the Company Secretary.

As part of the dividend in specie declared by Cim Financial Services Ltd and the listing of the Company on the Development and Enterprise Market (DEM), the following directors obtained shares in the Company for the year under review:

Name of Director	No. of shares obtained
Colin Taylor	283,300
Matthew Taylor	39,987
Gaetan Ah Kang	192,400
Jose Arunasalom	10,000

The Code of Ethics of the Company sets out instances which could lead to a conflict of interest and the procedure for dealing with such potential conflicts.

Information, information technology and information security policy

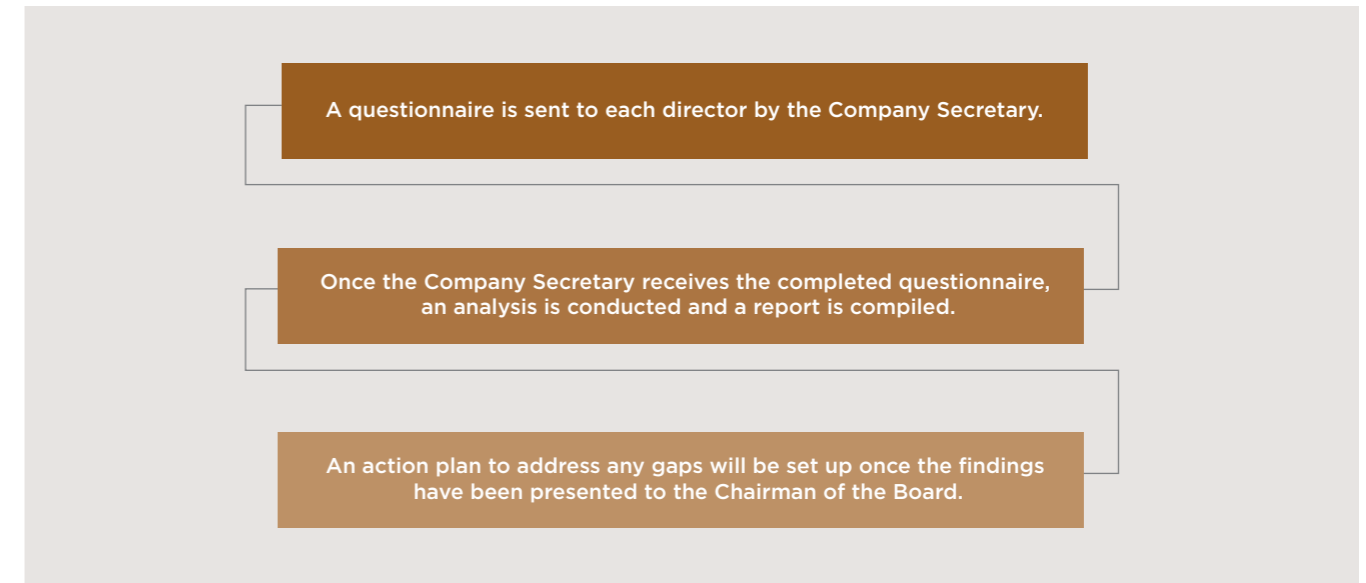
With the coming into force of the Data Protection Act 2017 on 30 May 2018, the Company has reinforced the safety and security measures in place to protect the data it collects, stores and processes. A Data Controller has been appointed and Lavastone and its subsidiaries have been registered with the Data Protection Office (DPO).

The Board oversees information governance within the organisation and ensures that the performance of information and information technology (IT) systems lead to business benefits and create value.

The Board approves material investments in information technology and security, as set out in the annual budget, according to the business needs of the Company.

Board performance review

Lavastone has carried out a peer review of its Board directors and a review of the performance of the Board and its committees for its first year of listing. A questionnaire has been circulated to each director to obtain their perspective on the effectiveness of the Board, to assess their contribution to the Board's performance and to identify areas of improvement. Once results have been analysed by the Corporate Governance Committee, they will be reported at Board level. The results of the board performance review will be published in the next annual report.



Directors' remuneration

Executive directors are not remunerated for serving on the Board of the Company or its committees. Their remuneration packages as employees of the Company, including performance bonuses, are in accordance with market rates.

The remuneration of non-executive directors consists of a mix of attendance and retainer fees.

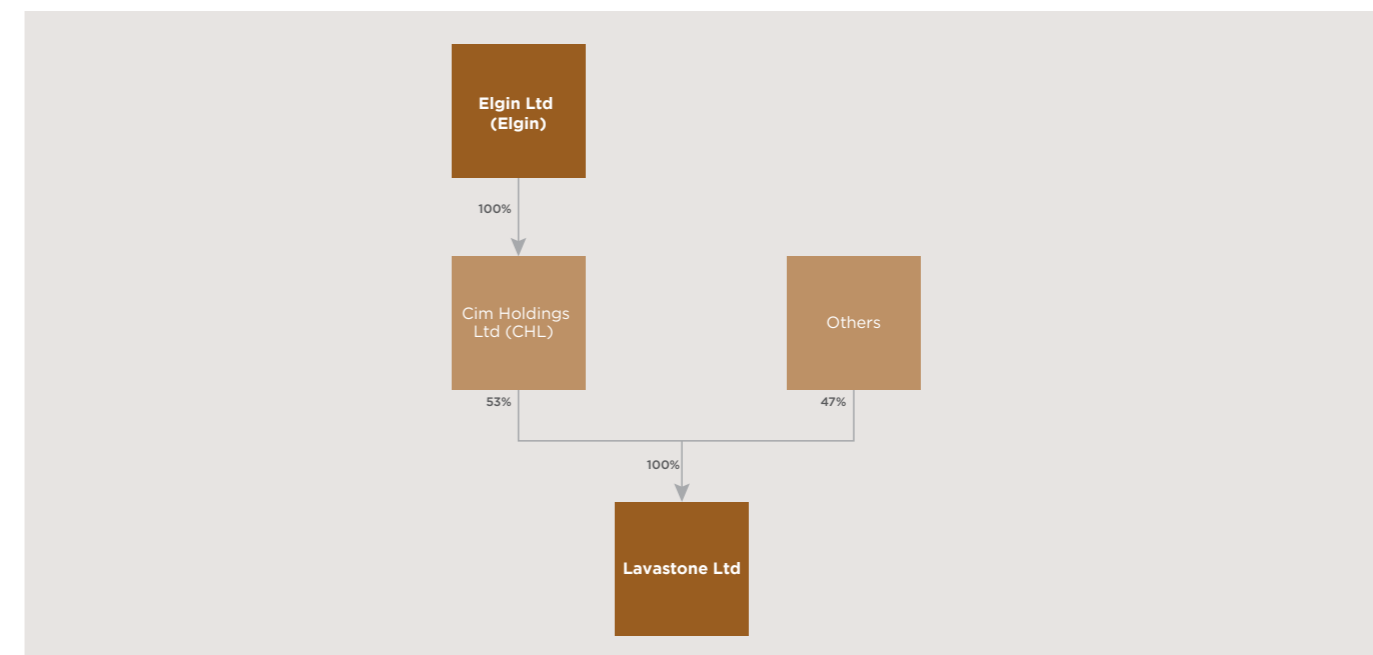
The remuneration of the executive and non-executive directors are reviewed and recommended for approval to Board on an annual basis by the Corporate Governance Committee. The non-executive directors are not paid any performance bonuses and there are no long-term incentive plans in force within the Company.

The remuneration paid to non-executive directors and/or committee members is set out in the table on page 57.

The remuneration of the executive directors has not been disclosed as it is viewed as commercially sensitive.

RELATIONS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

Lavastone Ltd is a Private Company Limited by Shares. Its shareholding structure as at 30 September 2019 is as follows:



The share ownership analysis per holding percentage and categories of shareholders as at 30 September 2019 is as follows:

Spread	No of shareholders	No of shares held	% Holding
1 - 50,000	3,280	25,378,527	3.73
50,001 - 250,000	338	35,834,053	5.27
250,001 - 500,000	63	22,134,878	3.25
Over 500,000	91	597,175,852	87.75
	3,772	680,523,310	100.00

To the best of the knowledge of the Company and its directors, there is no shareholders' agreement which affects the governance of the Company by the Board for the year under review.

Communication with shareholders and stakeholders has been mainly through the Annual Report, the published unaudited results, the Annual Meeting of Shareholders, dividends declarations, press communiqués and the website.

The external stakeholders of the Company, namely its customers, suppliers, shareholders, the Government/Regulators and the public, are reached via social media platforms like Facebook and LinkedIn, as well as through advertisements. As and when required, focus groups are held with clients to assess their expectations of the Company. Regular channels of communication are also maintained with the Government/Regulators.

In addition, shareholders are invited annually to the Annual Meeting of Shareholders (AMS), to approve the financial statements and vote on the (re)appointment of directors and external auditors. The next AMS of the Company is scheduled in March 2020. Shareholders will receive the notice of the AMS at least 21 days prior to the meeting, in accordance with law.

The Annual Report, which also includes the notice of annual meeting, is published in full on the Company's website.

INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT

The Company's internal control and risk management framework, and the key risks and steps taken to manage these risks, are detailed on pages 41 to 50.

The internal audit function is outsourced to SmarTree Consulting Ltd, which provides independent and objective assurance on the adequacy and effectiveness of the system of internal controls, which have been put in place to manage the significant risks of the business down to an acceptable level.

In line with good governance principles, the internal auditors report to the Risk Management and Audit Committee on a quarterly basis. Moreover, key audit findings are reported to the Board and reports are shared with Board members and senior management.

All audit activities are performed in accordance with the International Standards for the Professional Practice of Internal Auditing, as provided by the Institute of Internal Auditors (IIA).

During the year under review, areas covered by SmarTree Consulting Ltd were:

- i. Accounting services
- ii. Procure to Pay (from selection of suppliers to payment)
- iii. Project Tendering

The Managing Director of SmarTree Consulting Ltd is Mrs Sheila Ujoodha, a fellow member of the Chartered Institute of Certified Accountants and the Mauritius Institute of Directors (MIoD). Sheila's membership also extends to the Chartered Institute of Internal Auditors in the UK and the Mauritius Institute of Professional Accountants.

The Head of Audit and Advisory of SmarTree Consulting Ltd is Hansha Khoosy, a member of the Association of Chartered Certified Accountants. Her membership also extends to the Chartered Institute of Internal Auditors and the Mauritius Institute of Professional Accountants. The qualifications of Mrs Sheila Ujoodha and other key members of SmarTree Consulting Ltd are listed on the Company's website.

EXTERNAL AUDIT

The external auditors of the Company are Ernst and Young ("EY"), who were first appointed as external auditors on 29 August 2017.

The RMAC discusses critical policies and external audit issues with EY as and when necessary, and meets them at least once a year without management being present.

The RMAC assesses the effectiveness of the external audit process via feedback received from the management team. Areas of improvement are thereafter discussed with the external auditor.

For the year under review, the fees paid to external auditors for non-audit work are set out on page 63. These prices include tax and valuation or advisory fees. To guarantee objectivity and independence, the Board ensures that the team providing non-audit services is different from the one providing audit services.

RISK MANAGEMENT

A number of factors may affect the operations, financial performance and growth prospects of Lavastone. Although property is often considered a low risk asset over the long-term, significant short- and medium-term risk factors are inherent in such asset class. The Group's performance may be materially and adversely affected by changes in the market and/or economic conditions, and by changes in the laws and regulations (including any tax laws and regulations) relating to, or affecting, the Group or the interpretation of such laws and regulations.

One of the commitments of the Board of Lavastone is to establish a robust framework of risk oversight and management, in order to identify, assess, monitor and manage potential setbacks related to the Group's activities.

Risk management forms an integral part of the Group's culture as it is fully embedded into the day-to-day management and operation of the business.

Please refer to the Risk Management section of this Annual Report, which can be found on pages 41 to 50.

KEY SENIOR OFFICERS' PROFILES

The Group currently has a lean organisational structure, with 10 full-time employees dedicated to project management, business development and the day-to-day management of the Group, together with project appraisals, project management and business development.

The profiles of the senior executive team are listed on page 21.

OTHER MATTERS

Related party transactions

Please refer to pages 120 & 121 of the Annual Report.

Management agreements

The Group has management contracts with Cim Administrators Ltd for the provision of company secretarial services and with Lochiel Ltd for the management of the Group's immovable properties.

Donations

The Group did not make any political donations during the year under review.

Corporate Social Responsibility (CSR) and environmental issues

Lavastone's CSR activities are channelled through the Cim CSR Fund Ltd, a not-for-profit company limited by guarantee, which was set up on 12 April 2016 under the laws of Mauritius, pursuant to the Companies Act 2001, to administer Cim Group's CSR spend.

Cim CSR Fund Ltd focuses on the following 6 main areas:

1. Financial Literacy and Education
2. Investing in programmes to prepare children, teenagers and adults for economic self-reliance
3. Environmental sustainability
4. Investing in the protection and rehabilitation of the environment
5. Social engagement
6. Making a positive impact on the communities we serve



Tioumitra Maharajahje

For Cim Administrators Ltd
Company Secretary

27 December 2019

OTHER STATUTORY DISCLOSURES

(Pursuant to Section 221 of the Mauritius Companies Act 2001)

Activity of the Company

The activities of Lavastone Properties are disclosed on pages 4 to 8.

Group structure with activities of subsidiaries

The structure of Lavastone Properties has been disclosed on pages 8 & 9.

Directors' remuneration

The remuneration of directors who have held office as at 30 September 2019 has been disclosed on page 57.

Directors' interest in shares

The interests of the directors in the shares of Lavastone Properties as at 30 September 2019 are listed on page 57.

Audit fees

The fees paid to the auditor for audit and other services are as follows:

	GROUP		COMPANY	
	30-09-2019	30-09-2018	30-09-2019	30-09-2018
Payable to Ernst & Young for:				
Audit services	726,000	293,000	300,000	223,000
Other services	475,000	43,500	50,000	15,000
	1,201,000	336,500	350,000	238,000
Payable to BDO & Co. for:				
Audit services	75,000	-	-	-
Non audit services	25,000	-	-	-
	100,000	-	-	-

Donations

During the year under review, no political donations were made by the Group. Moreover, as at 30 September 2019, Lavastone has contributed Rs 1.5M to CSR activities.

Management contracts

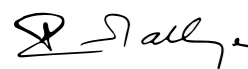
The Group has management contracts with Cim Administrators Ltd for the provision of company secretarial services and with Lochiel Ltd for the management of the Group's immovable properties.

Directors' service contracts

None of the directors of the Company and its subsidiaries have service contracts that need to be disclosed under Section 221 of the Companies Act 2001.

SECRETARY'S CERTIFICATE

In my capacity as Company Secretary of Lavastone Ltd (the "Company"), I hereby confirm that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies, for the financial year ended 30 September 2019, all such returns as are required of the Company under the Companies Act 2001.



Tioumitra Maharajahje

For Cim Administrators Ltd
Company Secretary

26 December 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS AND INTERNAL CONTROL

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position, financial performance and cash flows of the Company. In so doing, they are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with the provisions of the Companies Act 2001 and the International Financial Reporting Standards (IFRS), and explain any material departure thereto;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business in the foreseeable future.

The Directors are also responsible for the proper maintenance of accounting records, which disclose, at any time and with reasonable accuracy, the financial position and performance of the Company. They are also responsible for maintaining an effective system of internal control and risk management, for safeguarding the assets of the Company and for taking all reasonable steps to prevent and detect fraud and other irregularities.

The Directors acknowledge that they have exercised their responsibilities as described above and confirm that they have complied with the above requirements in preparing the financial statements for the year ended 30 September 2019. They also acknowledge the responsibility of the external auditors to report on these financial statements and to express an opinion as to whether they are fairly presented.

The Directors confirm that they have established an internal audit function and report that proper accounting records have been maintained during the year ended 30 September 2019 and that nothing has come to their attention which could indicate any material breakdown in the functioning of internal control systems and have a material impact on the trading and financial position of the Company.

On behalf of the Board



Colin Taylor

Chairman



Nicolas Vaudin

Director

26 December 2019