HOTELEST LIMITED

ANNUAL REPORT 2016

CONTENTS

Dear Shareholder,

The Board of Directors is pleased to present the Annual Report of Hotelest Limited for the year ended 31 December 2016. This report was approved by the Board on 28 March 2017.

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

Notice of Annual Meeting of Shareholders

Notice is hereby given that the Annual Meeting of the shareholders of the Company will be held on Wednesday, 7 June 2017, at 10.30 a.m. at 5th Floor, Labama House, 35 Sir William Newton Street, Port Louis, to transact the following business:

1. To consider the Annual Report for the year ended 31 December 2016
2. To receive the report of BDO & Co., the external auditors of the Company
3. To adopt the Audited Financial Statements of the Company and the Group for the year ended 31 December 2016
4. To authorise the Board of Directors to fix the remuneration of the external auditors, BDO & Co., who have expressed their willingness to continue to act as external auditors of the Company and will be automatically reappointed
5. By separate resolutions and in accordance with article 21.2 (1) of the Constitution of the Company, to re-elect the following persons who, retiring by rotation, offer themselves for re-election as directors of the Company:
   a. Mr George J. Dumbell
   b. Mr Jean Juppin de Fondaumière
   c. Mr Marc Freismuth
6. Shareholders' questions.

By order of the Board

Marie-Anne Adam, ACIS
For La Gaieté Services Ltd
Secretaries

11 May 2017

Notes

A member of the Company who is entitled to attend and vote at this meeting may appoint a proxy to attend and vote in his/her stead. A proxy needs not be a member of the Company.

The instrument appointing a proxy, any general power of attorney or written resolution appointing a representative should reach the Company Secretary, at the registered office of the Company, 5th Floor, Labama House, 35 Sir William Newton Street, Port Louis, not less than twenty-four hours prior to the time scheduled for the meeting, i.e. by 10.30 a.m. on Tuesday, 6 June 2017 (being the last business day before the meeting). In default, the instrument of proxy shall not be treated as valid.

A proxy form is included in this Annual Report and is also available at the registered office of the Company.

For the purpose of this Annual Meeting, the directors have resolved, in compliance with section 120 of the Companies Act 2001, that the shareholders who are entitled to receive notice of the meeting and attend such meeting shall be those shareholders whose names are registered in the share register of the Company as at 12 May 2017.

Corporate Information

Directors

George J. Dumbell	Independent - Chairman
Nicolas Boullé	Non-executive
Marc Freismuth	Independent
Jean Juppin de Fondaumière	Non-executive
Clément D. Rey	Executive
Jean Ribet	Executive
Louis Rivalland	Non-executive
Georgina Rogers	Non-executive
Colin G. Taylor	Non-executive
N. Adolphe Vallet	Non-executive

Nomination & Remuneration Committee

George J. Dumbell - *Chairman*
Marc Freismuth
Jean Ribet

Management (Senior Officers)
Constance Corporate Management Ltd

Jean Ribet
Group Chief Executive Officer

Jan Boullé
Group Head of Projects and Development

Clément D. Rey
Group Head of Corporate Affairs

Kevin Chan Too
Group Head of Finance

Registered Office

5th Floor, Labama House
35 Sir William Newton Street
Port Louis

Secretaries

La Gaieté Services Limited
5th Floor, Labama House
35 Sir William Newton Street
Port Louis

Share Registry and Transfer Office

ECS Secretaries Ltd
3rd Floor, Labama House
35 Sir William Newton Street
Port Louis

Auditors

BDO & Co.
Chartered Accountants
10 Frère Félix de Valois Street
Port Louis

Banker

The Mauritius Commercial Bank Co. Ltd

Key Financial Results and Ratios

THE GROUP

Statement of Profit or Loss	**31 Dec 16 MUR'000**	31 Dec 15 MUR'000	31 Dec 14 MUR'000 Restated	31 Dec 13 MUR'000 Restated	31 Dec 12 MUR'000 Restated
Revenue	**3,632,590**	3,745,721	3,525,087	2,563,590	2,007,245
Operating and other expenses	**3,140,729**	3,121,624	2,900,654	2,285,547	1,765,518
Operating profit	**491,861**	624,097	624,433	278,043	241,727
Profit/(loss) for the year	**1,014**	227,806	129,528	(9,123)	(182,043)

Statement of Financial Position	**31 Dec 16 MUR'000**	31 Dec 15 MUR'000	31 Dec 14 MUR'000 Restated	31 Dec 13 MUR'000 Restated	31 Dec 12 MUR'000 Restated
Total assets	**10,830,081**	10,317,883	9,571,306	9,524,523	7,248,113
Owners' interest	**2,262,324**	2,334,287	2,065,492	1,388,166	1,352,130
Total borrowings	**5,299,687**	4,708,557	4,570,418	6,044,285	4,108,870

Ratios		**31 Dec 16**	31 Dec 15	31 Dec 14 Restated	31 Dec 13 Restated	31 Dec 12 Restated
Net asset per share	MUR	**40.45**	41.74	36.93	42.55	41.45
Loss/(earnings) per share *	MUR	**(0.16)**	1.86	1.54	(0.45)	(3.15)
Share price	MUR	**30.73**	31.00	37.50	31.50	21.00
Volume of shares traded		**1,804,236**	3,679,389	8,954,264	311,713	194,116

**Earnings/(loss) per share for 2014 and 2013 are based on the weighted average number of ordinary shares, including the effect of the Rights Issue.*

Report of the Directors

Dear Shareholder,

The Directors of Hotelest Ltd are pleased to report on the Company's performance for the year ended 31 December 2016.

Principal Activity

The only activity of Hotelest Limited is to hold 51% of the share capital of Constance Hotels Services Limited (CHSL) which owns four hotels, two in Mauritius and two in the Maldives. CHSL also holds equity participation and management contracts in respect of hotels in the Seychelles and Madagascar. The combined turnover generated by all hotels in operation reached MUR 5.6 billion for the year ended 31 December 2016 (2015: MUR 5.9 billion).

Year in Review

During 2016, both the Mauritius and Seychelles destinations generated near double digit growth in tourist arrivals. Mauritius recorded a 10.8% increase with 1.3 million arrivals (2015: 1.2 million) and Seychelles a 9.8% increase with 0.3 million (2015: 0.3 million) arrivals. Maldives achieved a 4.2% increase with 1.3 million visitors against 1.2 million in 2015. The Maldives market, a US Dollar denominated destination, experienced tougher trading conditions with a strong USD and many new resorts having opened during the year.

Your company's performance was directly affected by CHSL's performance which was adversely impacted by the closure of Constance Belle Mare Plage for six weeks from 01 June 2016, for renovation and expansion works. The hotel reopened successfully albeit with a reduced room inventory, until completion of the expansion works in mid-November 2016. The results and occupancy were also affected by the tougher environment in the Maldives, and by the closure of Constance Lémuria Seychelles (CLS) from end of August for two months.

Occupancy of all CHSL hotels, owned and managed, was 72.2% (2015: 77.8%). The RevPAR and TrevPAR were MUR 9,291 (2015: MUR 9,402) and MUR 16,195 (2015: MUR 16,450) respectively.

Group revenue attained MUR 3,633 million (2015: MUR 3,746 million) achieving a consolidated EBITDA of MUR 937 million (2015: MUR 1,066 million).

Increased debt to partly finance refurbishment projects and other capital assets led to higher finance costs of MUR 309 million against MUR 282 million last year.

The results of CHSL's Seychelles associates were adversely impacted by the weak EUR/SCR, taxation adjustments made during 2016 and the closure of CLS for refurbishment. These resulted in the group recording a share of loss from associates of MUR 62 million (2015: loss MUR 35 million).

After accounting for taxation of MUR 67 million (2015: MUR 79 million) and closure costs of MUR 53 million, profit for the year was MUR 1 million (2015: MUR 228 million).

Outlook

CHSL's operations in Mauritius and Seychelles saw a positive first quarter 2017 and should achieve satisfactory results for 2017.

Maldives continues to be affected by competitive trading conditions. 2017 remains challenging, the more so with important markets like China and South Korea not progressing and the UK and Euro markets being less buoyant due to the strong US Dollar. Maldives nevertheless, remains an attractive destination and CHSL is taking necessary measures to maintain its market share and revenue.

CHSL's overall outlook for 2017 is more positive, with improved results anticipated given that all CHSL's hotels will be in operation and, on the assumption that current market conditions remain unchanged.

Dividend

The Company's Dividend Policy is to distribute to its shareholders, whenever possible, an adequate dividend, subject to the Company's performance and cash-flow position. The dividend payment is subject to the solvency test being satisfied as required under section 61(2) of the Companies Act 2001.

The Company declared an interim dividend and a final dividend totaling MUR 0.61 per share in 2016, bringing the total dividend for the year under review to MUR 34.1 million.

Acknowledgement

We thank our fellow directors for their guidance and support and to you, our shareholders, for your on-going trust and confidence.

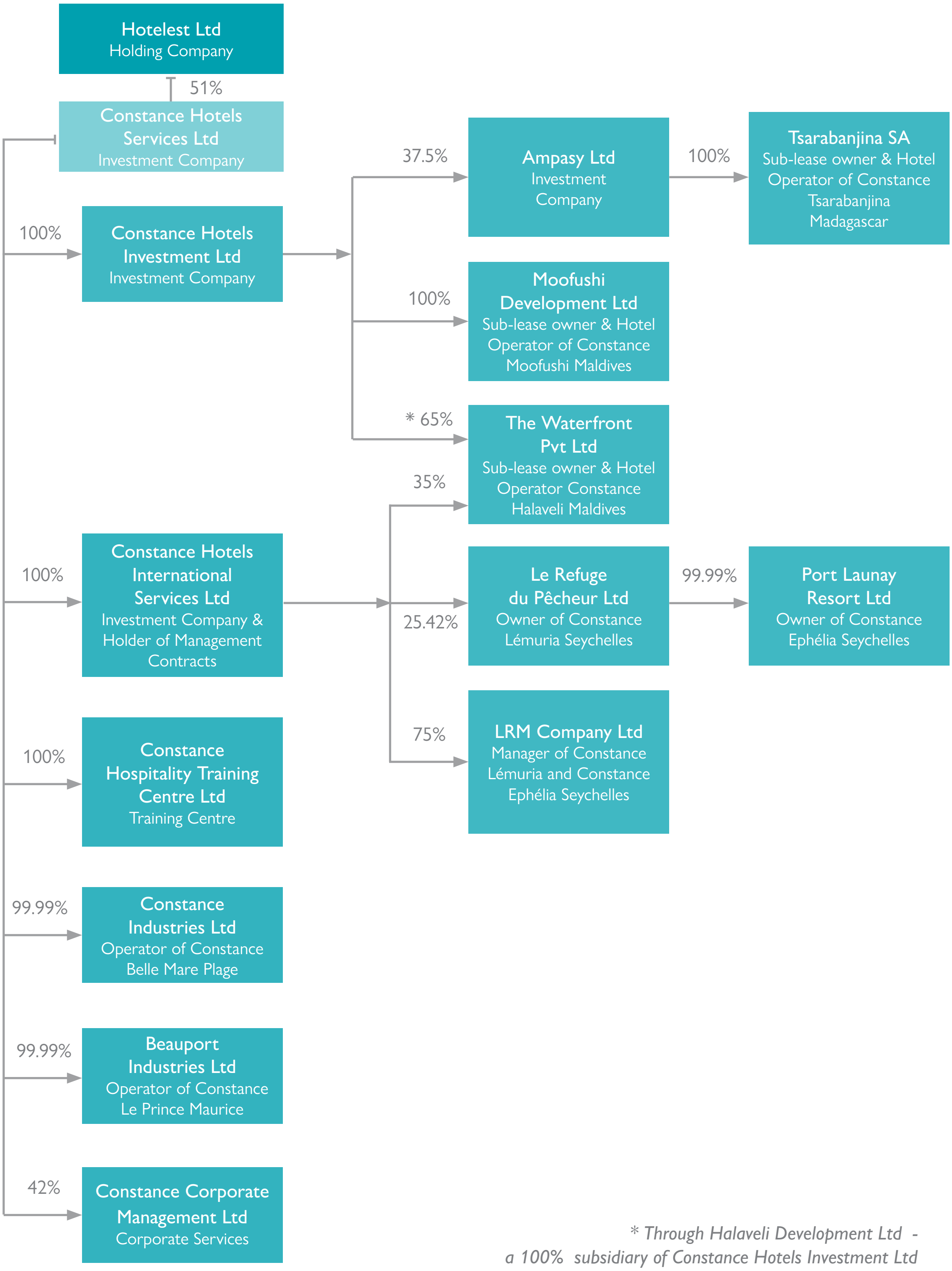
Approved by the Board of Directors and signed on its behalf on 28 March 2017.

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

Corporate Structure as at 31 December 2016

(main companies forming the Hotelest Group of Companies)



** Through Halaveli Development Ltd - a 100% subsidiary of Constance Hotels Investment Ltd*

Corporate Governance and Corporate Social Responsibility Report

CORPORATE GOVERNANCE

Statement of Compliance

(Section 75(3) of the Financial Reporting Act)

Name of Public Interest Entity (PIE): Hotelest Limited

Reporting Period: 1 January 2016 to 31 December 2016

We, the Directors of Hotelest Limited, confirm to the best of our knowledge that the PIE has complied with all of its obligations and requirements under the Code of Corporate Governance except for:

- Section 2.2.6: *Annual Re-election of directors:* Non-compliance with this section of the Code is explained in the Corporate Governance report (see page 8).
- Section 2.8.2: *Remuneration of Directors:* The reason for non-compliance being that the Directors' remuneration is disclosed by category in view of the confidentiality and sensitivity of the information (see page 20).
- Section 3: *Board Committees:* A Nomination and Remuneration Committee had been set up. Due to the nature of the business, issues addressed by an Audit Committee and a Corporate Governance Committee are taken up at the subsidiary level.

Signed by

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

28 March 2017

Statement on Corporate Governance

The Board of Directors acknowledges its responsibility for ensuring that the Company and its subsidiary, Constance Hotels Services Limited (CHSL), comply with standards of corporate governance and best international practice. It is aware that the Board of CHSL approves risk strategy and policies and delegates the formulation, implementation and monitoring to the committees of the Board of CHSL, internal and external auditors and General Management. In turn, line managers have primary responsibility for maintaining and enforcing procedures, practices and controls within their sphere of responsibility and ensuring that the Board is kept informed, in a timely manner, of all risk-related issues that may affect the Company.

The new National Code of Corporate Governance was launched on 13 February 2017. It will become effective from 1 July 2017 and apply to reporting year ending 30 June 2018. Your Company, which is, generally compliant with the eight "Principles" of this Code, will report accordingly, as mandated.

The Board

The Board of Directors consisted of two independent, six non-executive and two executive directors at 31 December 2016. The Chairman is an independent director. A directors' profile is available on pages 70 to 72.

The Board of Directors is ultimately responsible and accountable for all the affairs and general performance of the Company and operates within the terms of reference outlined in the Board of Director's Charter. Nominations to the Board comply with the Company's Director Nomination Policy. Some directors are nominated by virtue of a *protocole d'accord* that exists between the Company's four main shareholders.

CORPORATE GOVERNANCE (continued)

The Board (continued)

However, all nominations are vetted by the Nomination & Remuneration Committee and recommended to the Board and approved by shareholders at their Annual Meeting. Matters relating to directors' remuneration are dealt with by the Board's Nomination & Remuneration Committee in accordance with the Company's Remuneration Policy.

The Board does not favour the re-election of directors on an annual basis, as it does not consider this practice to be in the best interest of the Company. However, in accordance with the amendment made to the Company's Constitution at the Company's 2012 Annual Shareholders' Meeting, not more than one third of the directors in office shall retire at every annual meeting and be eligible for re-election. An assessment of the performance of each of the retiring director, who makes himself/herself available for re-election, is conducted by the Nomination and Remuneration Committee before it submits its nominations to the board, which, in turn, makes its appropriate recommendations to the Shareholders for their approval.

An induction programme is available for newly appointed directors, who are also given inter alia a copy of the Company's Code of Ethics and Conduct for Directors.
Directors are invited to participate in an individual and collective assessment, every two years, the findings of which are reviewed by the Nomination and Remuneration Committee and tabled to the Board of Directors. The next exercise is scheduled for 2017.

Chairman

The Chairman has responsibility for ensuring the efficient operations of the Board and its committees, for seeing that corporate-governance matters are dealt with, for representing the Group externally, and, particularly, for communicating with shareholders at their Annual Meeting. Working closely, but independently, with the Group Chief Executive Officer, the Group Head of Corporate Affairs and the Company Secretary, the Chairman also ensures that new directors receive a full and formal induction to the Group and its businesses, and that all directors are kept fully informed of relevant matters.

Group Chief Executive Officer

The Group Chief Executive Officer has responsibility for making recommendations to the Board and for achieving the Group's strategic objectives. He is responsible for the executive management of the Group and works closely with CHSL's Chief Executive Officer, CHSL's Chief Operations Officer, Group Head of Projects and Development, Group Head of Corporate Affairs and the Group Head of Finance.

Executive, Independent and Non-Executive Directors

Our team of directors is a strong source of internal and external experience, advice, and judgement.

Company Secretariat

All directors have access to the advice and services of the Company Secretariat, which ensures good information flow to the Board and its committees and between senior Management and the directors. The Secretariat facilitates the induction of directors and assists them in fulfilling their duties and responsibilities. Through the Chairman, it is responsible for advising the Board on corporate governance and for generally keeping the Board up to date on all legal, regulatory and other developments.

Share Registry and Transfer Office

The Company's Share Registry and Transfer Office is at ECS Secretaries Ltd, which is responsible for the management of its Share Register. Shareholders may address, in writing, any administrative enquiries regarding their personal details, dividend payments and the like to ECS Secretaries Ltd.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee consists of one executive and two independent directors. It operates within the scope of its charter, duly approved by the Board. Its principal functions are to direct and monitor Board matters pertaining inter alia to Board composition and nominations, the performance and remuneration of directors and the succession planning of directors.

CORPORATE GOVERNANCE (continued)

Nomination & Remuneration Committee (continued)

During the year, the committee met on five occasions. Its broad achievements were:

1. Evaluate Nominees for the annual re-election of directors, as well as for subsidiary and affiliated companies, and make recommendations to the Board.
2. Complete the detailed review of the Group Risk Management Programme, which covered inter-alia policies, charters and codes.
3. Finalise the implementation of recommendations emanating from the 2015 Board and Committee self-assessments.
4. Ongoing review of the Board's composition and present recommendations to the Board.
5. Enhance the Directors' and Senior Officers' Register of Interest/Insiders Share Dealings/Conflict of Interest and Related Party.
6. Review Directors Fees for 2017, for onward Board validation.

Board and Committee Attendance

	Board of Directors	Nomination & Remuneration Committee
Number of Meetings held in 2016	**5**	**5**
Meetings attended		
George J. DUMBELL	5	5
Nicolas BOULLÉ	5	
Jean JUPPIN DE FONDAUMIÈRE	5	
Marc FREISMUTH	4	5
Clément D. REY	5	
Jean RIBET	5	4
Louis RIVALLAND	3	
Georgina ROGERS	4	
Colin G TAYLOR	5	
N. Adolphe VALLET	4	

Statement of Remuneration Philosophy

The Nomination & Remuneration Committee is entrusted with the task of determining and recommending to the Board the remuneration policy for directors of the Company. Four key principles underpin this policy:

i. Remuneration must reflect the market in which the Company operates;

ii. Key performance indicators will apply to deliver results to the Company;

iii. Remuneration is to be linked to the creation of value to shareholders;

iv. Remuneration is to reward both financial and non-financial performance.

For 2016, directors' annual fees were MUR 50,000 for the Chairman and MUR 40,000 for other Board members.

In addition to the above, the annual fees for members of committees of the Board for 2016 were:

	Nomination & Remuneration Committee MUR
Chairman	10,000
Member	5,000

Remuneration and benefits paid by the Company and its subsidiaries to directors are reported under Other Statutory Disclosures.

No change to director's fees is proposed for 2017.

CORPORATE GOVERNANCE (continued)

Policies, Charters and Codes

The Board has approved the following key policies and charters documents for the Group:

Policies	Charters
Conflicts of Interest and Related Party Transactions	Board of Directors
Data Protection	Compliance
Director Nomination	Nomination and Remuneration Committee
Dividend	
Director Remuneration	Codes
Share Dealing	Code of Ethics and Conduct for Directors

Conflict of Interest and Related Party Transactions

The Company's Conflict of Interest and Related-Party Transactions Policy, provides a structure which ensures that all transactions pertaining to the operation of the Company and its subsidiaries are properly disclosed and can be adequately managed without detriment to the reputation and integrity of the Company and all its stakeholders in so far as it relates to good corporate practice.

For disclosure of related-party transactions, please refer to page 68 and 69 of the Annual Report.

Directors' and Senior Officers' Interests and Dealings in Shares

The Company's Share Dealing Policy gives clear guidance on the practice to be followed when dealing in shares of the Company or of companies connected with the Company by business or common shareholding. All directors, senior officers and associates wishing to deal in the securities of the Company or any of its subsidiaries must comply with the statutory provisions concerning insider dealing in the Companies Act 2001 as well as the Securities Act 2005 and are aware of the Stock Exchange of Mauritius's Model Code for Securities Transactions by Directors of Listed Companies. Furthermore, directors and senior officers are notified by the Company of the commencement and closure of non-trading periods.

The following transactions took place during the year under review:

Director	No. of shares disposed of directly	No. of shares acquired by Associates
Colin Taylor	-	66,475

Senior Officer	No. of shares disposed of directly	No. of shares disposed by Associates
Siegfried Espitalier Noel	-	30,500

CORPORATE GOVERNANCE (continued)

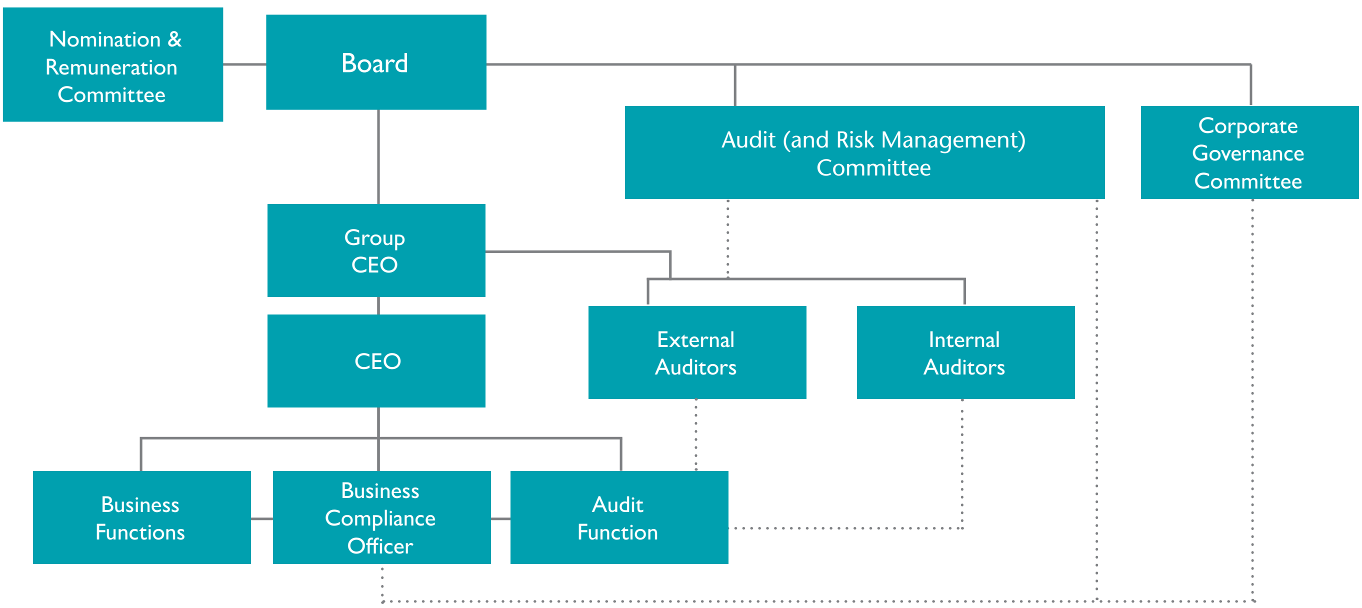
Directors' and Senior Officers' Share Interests

The interests of directors and senior officers in the securities of the Company as at 31 December 2016 were as follows:

	No of Shares	Direct % Held	Indirect % Held
Directors			
George J. Dumbell - Chairman	-	-	-
Nicolas Boullé	-	-	-
Marc Freismuth	-	-	-
Jean Juppin de Fondaumière	-	-	-
Clément D. Rey	893	0.00	3.16
Jean Ribet	-	-	0.89
Louis Rivalland	-	-	-
Georgina Rogers	356,707	0.64	-
Colin G. Taylor	-	-	2.38
N. Adolphe Vallet	64	0.00	1.48
Senior Officers			
Jan Boullé	-	-	0.90
Kevin Chan Too	44,171	0.08	-
Siegfried Espitalier Noël	35,000	0.06	-
Andrew Milton	-	-	-
Jean-Jacques Vallet	279,963	0.50	0.89

CHSL Corporate Governance Plan

Your Company's subsidiary, CHSL, has the following corporate governance structure in place:



CORPORATE GOVERNANCE (continued)

Committees of the Board of CHSL

• Audit Committee (Risk Management Sub-Committee)

The Audit Committee of CHSL, which also has responsibility for the Company's Risk Management function, consists of three directors, one independent and two non-executive. The committee operates within the scope of its charter, which has been approved by CHSL's Board. Its principal functions are to ensure the integrity of the financial statements, oversee the financial-reporting process and direct and monitor the Risk Management function, with the support of the internal and external auditors and the Compliance function. The Committee was established in third quarter 2006 and reports to CHSL's Board of Directors at each Board meeting.

• Corporate Governance Committee

The Corporate Governance Committee of CHSL consists of one independent and two non-executive directors. It meets at least three times a year and operates within the scope of its charter, which has been approved by CHSL's Board. Its principal function is to direct and monitor the Company's Corporate Governance programme. The committee reports to CHSL's Board of Directors at each Board meeting.

Risk Management Framework

The Company and CHSL's Risk Management Framework extends across the entire group. It comprises a top-down approach, with strategy, policies and risk appetite approved by both Board of Directors, and their formulation, implementation and monitoring delegated to the committees of the Boards, the internal and external auditors and senior Management. In turn, the managers of the Group are responsible for continuous compliance with all laws, codes, rules, regulations, procedures, policies and standards of good industry practice. CHSL's Risk Management Programme launched in August 2006, is being significantly enhanced with the implementation of its Enterprise Risk Management Programme across all its resorts, in all the jurisdictions, in which it operates.

Risks and Mitigation initiatives

Financial Risk

The Company and its subsidiary, CHSL, are also exposed to a wide range of financial risks, market risk (including currency risk and price risk), credit risk, and liquidity risk, which are reported in detail in the Notes to the Financial Statements, on pages 41 to 44.

Besides these risks, some of the more prominent risks to which the Company and its subsidiary are exposed are:

- **Reputation:** Any event that materially damages the reputation of CHSL's brand, and any failure to sustain its appeal to CHSL's clients, could adversely affect the market value and attractiveness of the brand and subsequent revenues from the business. This is managed by the Board and senior Management through the enforcement of a strict ethical code of conduct and good corporate-governance practices throughout the Group.
- **Financial and Regulatory Compliance:** Non-compliance with financial and regulatory requirements may result in fiscal penalties and damage the Company's image on the market. In mitigation, a robust programme of internal monitoring has been put in place by the Compliance and Accounting functions to ensure that Financial and regulatory requirements are adhered to.
- **Credit Standing**: The Company is reliant on having access to credit facilities to meet its capital requirements and effectively manage its statement of financial position. If the Company does not manage its finances in a responsible manner, it may lose its credibility and, as a result, its favourable terms and ability to borrow.
- **Political, Economic and Financial Market Events:** Occupancy levels and room rates, and consequently the Company's subsidiary operations and financial results, could be adversely affected by events that reduce international travel, such as natural disasters, acts of terrorism, increased transport and fuel costs, closed-sky policies, political instability, economic crisis, and currency and interest-rate fluctuations. Changes in the Macroeconomic and investment environment are regularly assessed by Group Management and the Board to ensure prompt decisions are taken to safeguard the interests of the Group.
- **Geographical concentration:** Failure to expand geographically could adversely affect the Group's financial results. CHSL has operations in four different jurisdictions and the Board continually assesses new opportunities across the region and beyond.

CORPORATE GOVERNANCE (continued)

Risks and Mitigation initiatives (continued)

- **Social Responsibility:** The reputation of the Company is influenced by a variety of factors, including the Company's subsidiary ability to demonstrate sufficiently responsible practices in such areas as sustainability, responsible tourism, environmental management, Health & Safety, and support for the local community. CSR programmes and initiatives are tailored to the need of the community and society in the region where the Company operates. Regular review and reporting over the progress of CSR programmes and achievements, as well as new potential projects, are brought to the CSR Committee of Fondation Constance and, on a quarterly basis, to the Board through the Corporate Governance Committee.
- **Industry Risk:** The tourism industry in general is sensitive to fluctuations in the economy. The hotel sector in particular may be adversely affected by changes in global economies, geo-political upheavals, reduced international demand for hotel rooms and associated services, uncompetitive open-sky policy, competition in the industry, Government policies and regulations, fluctuations in interest rates and foreign-exchange rates, and other natural and social factors. CHSL is at present experiencing the adverse impact of a number of those negative factors notably: threats of recession in the eurozone and a volatile euro. This risk is mitigated externally through regular meetings with the appropriate industry drivers and government ministries, either directly or through industry associations, and internally through daily performance monitoring and application of different marketing strategies and quarterly by the Board.
- **Health and Safety:** All reasonable precautions are taken to provide and maintain the health and well-being of our Group's guests and employees. Controls are in place to ensure compliance with all statutory requirements and all legally binding codes of practice. Appropriate training is provided to CHSL's staff, and the highest standards of care are applied to the services and products provided to our Group's guests. A Health and Safety Plan is approved annually. The nomination of the Environmental Health & Safety Manager by CHSL in 2016 aims at strengthening oversight, harmonisation and monitoring of this function across hotels of the group. Progress reports are submitted on a quarterly basis to the Corporate Governance Committee of CHSL.
- **Socio-political Risks:** In addition to economic risks, the Group faces risks from the socio-political environment, internationally as well as within the countries in which it operates, and is affected by events such as political instability, the occurrence of diseases and extreme weather conditions, all of which affected the level of travel and business activity in our region.

Compliance Function

The Compliance Officer has the responsibility for coordinating the Compliance function across all companies of CHSL, with a functional reporting line to the CHSL's Audit (and Risk Management) Committee and CHSL's Corporate Governance Committee. The Compliance Officer operates within the scope of the Compliance Charter and in accordance with professional standards approved by the Board. CHSL's Compliance Officer, assists line management in complying with the laws, codes, rules, regulations and standards of good market practice pertaining to their field of operation and ensures that management are equipped with the right tools to appropriately discharge their compliance responsibilities.

Auditors

External Audit

BDO & Co. have expressed their willingness to continue as the Company's external auditors, and in accordance with the provisions of the Companies Act 2001 they will be automatically reappointed at the forthcoming Annual Meeting of Shareholders.

Internal Audit - CHSL

Internal Audit is an appraisal function established by CHSL to independently examine and evaluate its activities, as a service to the Company's Board of Directors and to Management. The internal auditors are entrusted with the responsibility for appraising the policies, procedures and operational, financial and management controls of CHSL to ensure that the business is properly managed, and for promoting effective controls at reasonable cost. The internal auditors report to the Group CEO but also have a functional reporting line to CHSL's Audit Committee.

Corporate Governance and Corporate Social Responsibility Report (continued)

CORPORATE GOVERNANCE (continued)

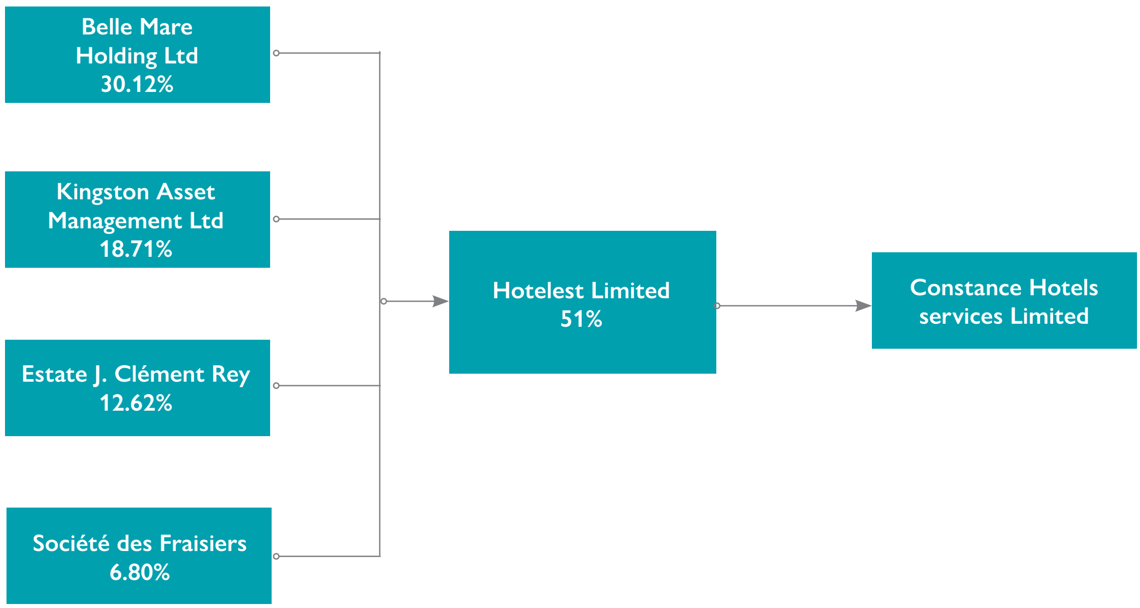
Auditors (continued)

Internal Audit - CHSL (continued)

CHSL has an Internal Audit Charter, which has been approved by its Board and governs the internal audit function in terms of responsibility, role, scope, authority, independence, reporting procedures, auditing standards, and external relationships. It also highlights the unrestricted access which the Internal Auditors have in regard to records, Management and employees of the Group.

On the recommendation of CHSL's Audit Committee, CHSL's Board approved the outsourcing of the internal audit function and appointed Messrs PricewaterhouseCoopers, Chartered Accountants, as the Group's internal auditors on a three-year contract which was last renewed on 1st January 2016.

Substantial shareholders holding more than 5% of the Company's share capital at 31 December 2016



Shareholders' Agreement

The Company is aware of the *protocole d'accord* that exists between four of its main shareholders and which, principally, governs the allocation amongst them of certain seats on the Company's Board.

According to the provisions of the said *protocole d'accord* six of the ten seats on the Company's Board are nominated by these shareholders. The Company's Nomination & Remuneration Committee ensures that the nominees meet the criteria prescribed by the Companies Act 2001, the Code of Corporate Governance for Mauritius, and the Company's Director Nomination Policy, and are able to discharge their responsibilities effectively and in a transparent manner for the benefit of the Company as a whole.

Employee Share Option Plan

No such scheme exists at present within the Company.

CORPORATE GOVERNANCE (continued)

Data Analysis on Shareholdings as at 31 December 2016

Size of Shareholding	Number of Shareholders	Number of Shares Owned	Percentage Shareholding
1 - 500	208	26,994	0.048
501 - 1,000	82	59,367	0.106
1,001 - 5,000	177	447,377	0.800
5,001 - 10,000	62	441,864	0.790
10,001 - 50,000	83	1,740,660	3.113
50,001 - 100,000	8	610,853	1.092
100,001 - 250,000	4	785,214	1.404
250,001 - 500,000	6	1,983,919	3.548
Over 500,000	11	49,826,961	89.099
Total	**641**	**55,923,209**	**100.000**

Shareholder Category	Number of Shareholders	Number of Shares Owned	Percentage Shareholding
Individuals	538	20,217,862	36.153
Insurance and assurance companies	11	185,208	0.331
Pension and provident funds	5	489,511	0.875
Investment and trust companies	4	544,662	0.974
Other corporate bodies	83	34,485,966	61.667
Total	**641**	**55,923,209**	**100.000**

Contracts of Significance

During the year under review there was no contract of significance to which the Company or any of its subsidiaries was a party and in which a director or substantial shareholder of the Company or any of its subsidiaries were materially interested either directly or indirectly.

Material Clauses of the Constitution

There are no clauses of the constitution deemed material enough for special disclosure.

Timetable - Important Events

March	Approval of audited financial statements Declaration of interim dividend
May	Approval of first-quarter results Payment of interim dividend
June	Annual Meeting of Shareholders
August	Approval of second-quarter results
November	Approval of third-quarter results
December/January	Declaration of final dividend Payment of final dividend

CORPORATE VALUES AND CORPORATE SOCIAL RESPONSIBILITY

Corporate Values

The Constance Group pursues the enhancement of corporate values through sound and ethical business practices. To fulfil this objective, it continually undertakes group-wide initiatives to strengthen its Corporate Governance structure; maintain sound employment practices: a healthy and safe workplace, with quality and job-related training; protect and conserve the environment in which its member companies operate, with efficient resource management and utilization, as well as play an active role in poverty eradication and the furtherance of a sustainable society through social-contribution programmes.

In recent years, the Group has more closely aligned its social and environmental responsibilities with its business strategy to better reflect the Group's vision and values. Its ultimate objective in so doing is to fully integrate its values within its business practices, with particular emphasis on the management of its economic, social and environmental obligations. These initiatives are driven by the Group Head of Corporate Affairs and the Compliance Officer in each group member company.

Shareholders

The Company communicates with its shareholders through its Annual Report, publication of its quarterly results and other communiqué in the press and face to face at annual meetings.

Investees

The Company takes every step to ensure that the entity in which it invests maintains the highest standards of ethical and good governance.

Codes of Ethics and Conduct

The Company is committed to a Code of Ethics and Conduct as well as in its Code of Ethics and Conduct for Directors. This document is a comprehensive statement of the guiding principles of conduct by which the Company expects its directors to observe in discharging their responsibilities. These codes states the high moral, ethical and legal standards for which the Company stands and by which it professes to do its business. It states publicly to all the Company's stakeholders what standards of behaviour they can expect from the Company's directors and Group employees.

Anti-money Laundering

It is the Group's objective to make a positive contribution towards the combat against money laundering and terrorist financing by ensuring that the management and employees of its member companies adhere to the highest standards of anti-money-laundering compliance, in line with the Financial Intelligence and Anti-Money Laundering Act (2002) and subsequent regulations in preventing the use of their products and services for money-laundering purposes. The Constance Group's Anti-money-laundering Policy and actions are coordinated by the Compliance function.

Health and Safety

The Group has a Health & Safety Policy and provides ongoing Health and Safety training to employees and management to ensure that they are fully aware of the risks at the workplace and are able to undertake their tasks in a safe and conducive working environment. The Board of Directors is satisfied that the Health & Safety standards are adhered to within the Group.

Environment

Although the Company's activities do not have a direct impact on the environment in which it operates, the Board of Directors recognizes its obligations to respect the environment. As a responsible entity, it ensures that the Company and its subsidiary respect the environment.

Corporate Social Responsibility (CSR)

Mission

The Constance Group believes that it has a duty to care for the well-being and development of the communities in which it operates and that its involvement and contributions are not charitable handouts but investments that will have a positive impact on the community.

Fondation Constance

The Fondation Constance is the special entity responsible for the implementation of the Group's corporate social responsibility (CSR) programme, which is managed by the Group's Corporate Social Responsibility Project Committee. It reports to the Corporate Governance Committee that approves its annual programme and budget, and monitors its performance on a quarterly basis.

Corporate Social Responsibility (CSR)
(continued)

Principles

The Constance Group has a policy on CSR which is committed to the following set of principles:

- Conducting business in a socially responsible and ethical manner.
- Protecting the environment and people's safety.
- Supporting human rights.
- Engaging in and learning from respecting and supporting the communities and cultures within which it operates.

Whilst Fondation Constance gives consideration to high-impact projects of a national stature, it tends to give priority to projects in the regions in which its Group member companies operate.

Fund Allocation

In 2016, the financial resources available for Fondation Constance were utilised to fund projects in education development, socio-development, leisure and sports, health and environment protection, targeting 14 NGOs and 483 direct beneficiaries.

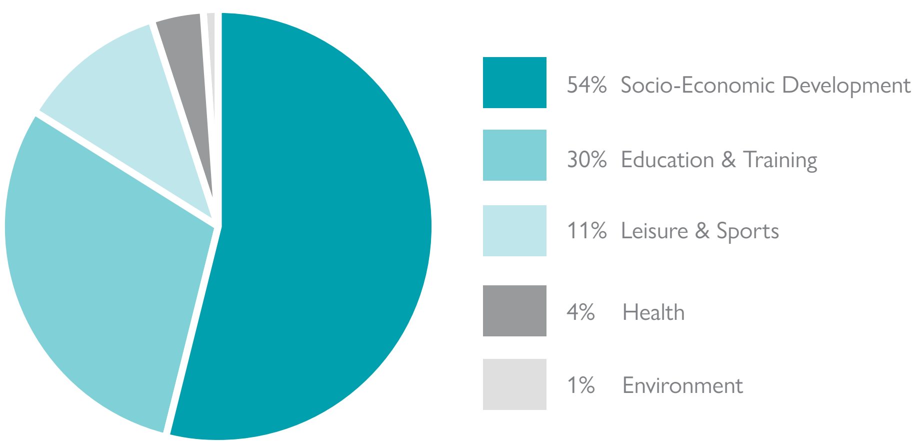
14
NGOs

483
Direct Beneficiaries

Our Focus in 2016

- Socio-Economic Development
- Education & Training
- Leisure & Sports
- Health
- Environment

FUND ALLOCATION PER CATEGORY
At 31 December 2016



Corporate Governance and Corporate Social Responsibility Report (continued)

Corporate Social Responsibility (CSR) (continued)

Education and Training

CPE Sponsorship

38 Beneficiaries (since 2002) **22 Beneficiaries in 2016**	Scholarships are awarded every year to the four best Certificate of Primary Education (CPE) pupils of the Poste de Flacq Government and RCA schools to cover their secondary studies. Many of these beneficiaries have pursued their tertiary studies.

Constance Education Award

Fondation Constance organised the Constance Education Award 2016 for SC and HSC students attending colleges in the East of Mauritius. The aim of the Award is to develop the human values, to increase knowledge and foster the analytical and leadership skills of the participants so that they are better equipped to serve the community and prosper in their future working environment. For this award, the students had to conduct research on specific topics and present a report in writing and then orally to a panel of judges.

The two topics covered were:

SC Level: **70 Participants** **12 Colleges**	*The economic and human costs of road crashes and the resulting deaths and injuries require a national response.* *How can the youth contribute to address this important issue?*
HSC Level: **76 Participants** **10 Colleges**	*"The challenges of inter-culturality in upholding the concept of living together is crucial for multi ethnic Mauritian society.* *How can the youth participate in strengthening togetherness?*

Non-formal education and Breakfast Support Programme for children from vulnerable groups

3 NGOs **129 Beneficiaries** **3,562 meals served**	Fondation Constance sponsored three NGOs dedicated to the development of quality non-formal education programmes for children from vulnerable groups.

Schooling support

During the year under review, Fondation Constance continued to sponsor "Friends of the Poor" in providing schooling support to ten children from vulnerable groups living in the East of the island.

Socio-economic Development

Protection of vulnerable persons

Employees of the group organized a Christmas party for disadvantage youngsters of the East of Mauritius. This initiative, which benefitted from the support of Fondation Constance, was a way of encouraging employees' participation in community support and development projects. On that occasion, they generously donated gifts to the 39 attendees.

Corporate Social Responsibility (CSR) (continued)

Socio-economic Development (continued)

Empowerment through training and placement

11 Direct Beneficiaries
3 Employment offers

Fondation Constance continued to provide a year's training at the Constance Hospitality Training Centre (CHTC) to 11 persons from vulnerable groups of the eastern region to give them skills which will enhance their employability. During the year under review, two had to stop for personal reasons whilst the remaining successfully completed a three-month course in Housekeeping Techniques. Following their internship in our hotels, three are employed on a temporary basis in one of our hotels.

8 NC3 students

Furthermore, eight students, sponsored by the Fondation in 2016, have followed courses, at National Certificate level 3 (NC3), delivered by CHTC, with a view to increasing their employability. Unfortunately, due to personal reasons, some of them have not completed their training. However, those who showed high interest and perseverance are expected to complete the courses in about April 2017.

2 Beneficiaries

Fondation Constance sponsored youngsters who demonstrated a keen desire to uplift themselves and secure future employment, through tertiary education and vocational training. Two students attending Saint Gabriel technical school and Saint Joseph Technical School took advantage of the scheme.

Leisure and Sports

Fondation Constance encourages the promotion of recreational, leisure as well as sports activities in the eastern region. In 2016, Fondation Constance organised the Constance Challenge Cup and pursued its ongoing support to Faucon Flacq Sporting Club's (FFSC) sports activities for the benefit of young people from less privileged families. Gratifyingly, the collaboration has led to remarkable achievements of FFSC winning awards in various disciplines.

Environmental

In addition to the various activities undertaken in conformity with Green Globe Programme, Fondation Constance and hotels of the Constance Group fully supported the initiative of volunteers in cleaning up Bras D'Eau National Park.

Health Protection

During the year, Fondation Constance collaborated with various NGOs, including Solaris, which organised a cancer awareness activity in February 2016. Other NGOs include Pils, TiDiams and Lizié dan Lamain.

Donations

The Company's subsidiary, CHSL has a Donations Policy which states that it is committed to:

- Ensuring that all its donations are compatible with its business activities and reflect its respective values and objectives
- Supporting people and communities at both local and national level, with the aim of making their lives better and giving them opportunities that they may otherwise not have
- Enhancing and safeguarding the natural environment.

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
CSR contribution	**2,000**	750	**-**	-
Other	**-**	300	**-**	-
	2,000	1,050	**-**	-

National CSR Foundation

New changes have been made to the National CSR Foundation, whereby companies will be compelled to contribute 50% of their CSR monies to the foundation; increasing to 75% in 2018. This will significantly restrict companies in funding their current long term commitments or engaging in new programmes.

George J. Dumbell
Chairman

Marie-Anne Adam, ACIS
For La Gaieté Services Ltd
Secretaries

Other Statutory Disclosures

(pursuant to section 221 of the Companies Act 2001)

Directors’ Remuneration and Benefits

The Board of Directors has agreed not to disclose the emoluments of directors on an individual basis, because of the commercially sensitive nature of such data. Remuneration and benefits paid by the Company and its subsidiaries were as follows:

	2016 MUR’000	2015 MUR’000
Directors of Hotelest Limited		
Executive	**40**	40
Non-executive	**345**	325
Directors of Subsidiary Companies		
Executive (full time)	**26,527**	24,786
Non-executive	**1,642**	1,642

Directors’ Service Contracts

Mr George J. Dumbell, Chairman of the Company, has a two-year service contract, which expires on 31 December 2017. The other directors do not have service contracts with the Company, but letters of appointment.

Directors of Subsidiary Companies

(at 31 December 2016)

Directors	Constance Hotels Services Ltd	Constance Industries Ltd	Beauport Industries Ltd	Constance Hospitality Training Centre Ltd	Constance Hotels International Services Ltd	LRM Services Ltd	LRM Company Ltd	Constance Hotels Investment Ltd	Ariatoll Services Ltd	Halaveli Development Ltd	Hotels Constance (UK) Ltd	Moofushi Development Ltd	The Waterfront Pvt Ltd
Guy ADAM							•						
Jan BOULLÉ (Up to 31 December 2016)		•	•										
Nicolas BOULLÉ	•												
Kevin CHAN TOO (As from 31 December 2016)		•	•										
Jean JUPPIN DE FONDAUMIÈRE	•												
George J. DUMBELL	•	•	•		•			•	•	•		•	
Marc FREISMUTH	•												
Dominik KUENSTLE													•
Clément D. REY	•	•	•	•	•	•	•	•	•	•		•	•
Jean RIBET	•	•	•	•	•	•	•	•	•	•		•	•
Louis RIVALLAND	•												
Georgina ROGERS	•												
Colin TAYLOR	•												
N. Adolphe VALLET	•												
Jean-Jacques VALLET	•	•	•	•			•				•		
Jean WEELING LEE							•						

Other Statutory Disclosures
(pursuant to section 221 of the Companies Act 2001)

Auditors' Remuneration

The fees paid to the auditors (exclusive of VAT) were:

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Audit fees paid to:				
BDO & Co.	**2,586**	2,087	**73**	70
Other firms	**935**	884	**-**	-
Fees for other services paid to:				
Other firms	**443**	553	**-**	-

Fees for other services comprise of report on accounting, consultancy and taxation services.

On behalf of the Board

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

Statement of Directors' Responsibilities
in respect of the preparation of Financial Statements

The directors acknowledge their responsibilities for:

(i) adequate accounting records and maintenance of effective internal control systems

(ii) the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for that period and which comply with International Financial Reporting Standards (IFRS)

(iii) the selection of appropriate accounting policies supported by reasonable and prudent judgements.

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

The directors report that:

(i) adequate accounting records and an effective system of internal controls and risk management have been maintained

(ii) appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently

(iii) International Financial Reporting Standards have been adhered to. Any departure in the interest in fair presentation has been disclosed, explained and quantified

(iv) the Code of Corporate Governance has been adhered to in all material aspects and reasons provided for non-compliance.

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

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

28 March 2017

Company Secretary's Certificate

In terms of 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 Act.

Marie-Anne Adam, ACIS
For La Gaieté Services Ltd
Secretaries

28 March 2017

Independent Auditor's Report

to the Shareholders

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

Report on the audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Hotelest Limited and its subsidiaries (the Group), and the Company's separate financial statements on pages 28 to 69 which comprise the statements of financial position as at December 31, 2016, the statements of profit or loss, 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 financial statements on pages 28 to 69 give a true and fair view of the financial position of the Group and of the Company as at December 31, 2016, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

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

Key Audit Matters

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

Report on the audit of the Financial Statements (continued)

Key Audit Matters (continued)

KEY AUDIT MATTER	AUDIT RESPONSE
1 Property, plant and equipment	
Property, plant and equipment include buildings amounting to MUR 5,029M. The significance of the building on the statement of financial position resulted in it being identified as a key audit matter. Buildings are carried at historical cost less accumulated depreciation. The depreciation charge calculation requires an estimation of the economic useful life of the building using the component method and the respective residual value of each component. Other items of property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Group would currently obtain from disposal of the asset if the asset was already of the age and in the condition expected at the end of its useful life. The directors make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives. Refer to note 5 of the accompanying financial statements.	We tested the following: - The remaining useful life of assets, by comparing the directors' estimates to the useful lives of assets with similar characteristics. - We reviewed the Group's depreciation policy and verified the inputs to the calculation. - We assessed the estimated residual values to assets with similar characteristics in the industry. - We performed predictive tests on depreciation charge. - We checked consistency of the component allocation with previous years.

2 Intangible assets	
Intangible assets include an amount of MUR 483M in respect of goodwill on acquisition of a subsidiary. An assessment is required annually to establish whether any impairment is required. The impairment assessment is based on estimated future cash flows of the subsidiary discounted at an appropriate weighted average cost of capital (WACC). The estimation of future cash flows and the discounting thereof are inherently uncertain and require significant judgments. Refer to note 6 of the accompanying financial statements	- We assessed the validity and reasonableness of the forecasts by comparing and considering current year events against the forecast plan and the reasons for any deviation. - We assessed the discount rate used in the discounted cash flow models. - We checked the calculations and reperformed the valuation of the intangible assets. - We performed an independent sensitivity analysis by adjusting the assumptions used.

3 Trade and other receivables	
Trade receivables and other receivables include net trade receivables amounting to MUR 295M. Significant judgment is required to assess the credit risk attached to the trade receivables. The net carrying amount of trade receivables is measured at amortised costs less any impairment loss. Impairment loss is based on objective evidence of default. Refer to note 12 of the accompanying financial statements.	- We requested external confirmation of the outstanding amount from counterparties, and where responses were poor, alternative tests were performed to ensure existence and accuracy of those receivables. - We reviewed long outstanding balances and enquired the probability of recovery. - We reviewed the methodology and judgment used and management's key assumptions used in assessing impairment. - We also considered the consistency of the approach with the prior years, and enquired about any major variations and changes in key assumptions.

Report on the audit of the Financial Statements (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report of Directors and Other statutory disclosures, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Directors and Those Charged with Governance 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 in compliance with the requirements of the Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the 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 intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our

Report on the audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all 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 the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

BDO & CO
Chartered Accountants

Ameenah Ramdin, FCCA, ACA
Licensed by FRC

Port Louis
Mauritius

28 March 2017

Statements of Financial Position

December 31, 2016

	Notes	THE GROUP 2016 MUR'000	THE GROUP 2015 MUR'000	THE COMPANY 2016 MUR'000	THE COMPANY 2015 MUR'000
Assets					
Non-current assets					
Property, plant and equipment	5	**7,323,873**	6,998,107	**-**	-
Intangible assets	6	**1,261,227**	1,292,295	**-**	-
Investments in subsidiary companies	7	**-**	-	**1,106,533**	1,106,533
Investments in associates	8	**830,990**	701,454	**-**	-
Investment in available-for-sale financial assets	9	**545**	545	**-**	-
Deferred tax assets	10	**100,789**	67,348	**-**	-
		9,517,424	9,059,749	**1,106,533**	1,106,533
Current assets					
Inventories	11	**303,922**	273,178	**-**	-
Trade and other receivables	12	**935,573**	892,846	**8,502**	14,092
Cash and cash equivalents	24(a)	**73,162**	92,110	**-**	-
		1,312,657	1,258,134	**8,502**	14,092
Total assets		**10,830,081**	10,317,883	**1,115,035**	1,120,625
Equity and Liabilities					
Capital and reserves (attributable to owners of the parent company)					
Stated capital	13	**1,102,001**	1,102,001	**1,102,001**	1,102,001
Revaluation and other reserves	14	**872,199**	904,888	**-**	-
Retained earnings		**288,124**	327,398	**3,735**	3,361
Owners' interest		**2,262,324**	2,334,287	**1,105,736**	1,105,362
Non-controlling interest		**2,209,772**	2,273,815	**-**	-
Total equity		**4,472,096**	4,608,102	**1,105,736**	1,105,362
Liabilities					
Non-current liabilities					
Borrowings	15	**4,182,732**	3,555,978	-	-
Deferred tax liabilities	10	**65,574**	59,732	-	-
Retirement benefit obligations	16	**137,906**	98,938	-	-
		4,386,212	3,714,648	**-**	-
Current liabilities					
Trade and other payables	17	**754,904**	738,298	**1,598**	1,449
Borrowings	15	**1,116,955**	1,152,579	**431**	952
Dividends payable	18	**7,270**	12,862	**7,270**	12,862
Current tax liabilities	19(a)	**92,644**	91,394	**-**	-
		1,971,773	1,995,133	**9,299**	15,263
Total liabilities		**6,357,985**	5,709,781	**9,299**	15,263
Total equity and liabilities		**10,830,081**	10,317,883	**1,115,035**	1,120,625

These financial statements have been approved for issue by the Board of Directors on 28 March 2017.

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

The notes on pages 33 to 69 form an integral part of these financial statements
Auditors' report on pages 24 to 27.

Statements of Profit or Loss
Year ended December 31, 2016

	Notes	THE GROUP 2016 MUR'000	THE GROUP 2015 MUR'000	THE COMPANY 2016 MUR'000	THE COMPANY 2015 MUR'000
Revenue	2(m)	**3,632,590**	3,745,721	**36,350**	41,942
Earnings before interest, taxation, depreciation and amortisation		**937,154**	1,065,886	**34,498**	40,166
Depreciation and amortisation	5, 6	**(445,293)**	(441,789)	-	-
Operating profit	20	**491,861**	624,097	**34,498**	40,166
Finance costs	22	**(309,043)**	(282,436)	**(11)**	(317)
Share of results of associates	8	**(62,401)**	(34,879)	-	-
Profit before taxation and closure costs		**120,417**	306,782	**34,487**	39,849
Closure costs	21	**(52,810)**	-	**-**	-
Profit before taxation		**67,607**	306,782	**34,487**	39,849
Income tax expense	19(b)	**(66,593)**	(78,976)	**-**	-
Profit for the year		**1,014**	227,806	**34,487**	39,849
Attributable to:					
Owners of the parent		**(9,197)**	104,085	**34,487**	39,849
Non-controlling interest		**10,211**	123,721	**-**	-
		1,014	227,806	**34,487**	39,849
(Loss)/earnings per share (MUR)	23	**(0.16)**	1.86	**0.62**	0.71

The notes on pages 33 to 69 form an integral part of these financial statements
Auditors' report on pages 24 to 27.

Statements of Profit or Loss and Other Comprehensive Income - Year ended December 31, 2016

	Notes	THE GROUP		THE COMPANY	
		2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Profit for the year		**1,014**	227,806	**34,487**	39,849
Other comprehensive income:					
Items that may not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	16	**(39,231)**	16,771	-	-
Deferred tax on remeasurement of defined benefit obligations	10	**5,885**	(2,514)	-	-
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		**(23,838)**	363,172	-	-
Income tax relating to components of other comprehensive income		**1,187**	1,113	-	-
Other comprehensive income for the year		**(55,997)**	378,542	**-**	-
Total comprehensive income for the year		**(54,983)**	606,348	**34,487**	39,849
Total comprehensive income for the year attributable to:					
Owners of the parent		**(37,850)**	295,638	**34,487**	39,849
Non-controlling interest		**(17,133)**	310,710	**-**	-
		(54,983)	606,348	**34,487**	39,849

The notes on pages 33 to 69 form an integral part of these financial statements
Auditors' report on pages 24 to 27.

Statements of Changes in Equity
Year ended December 31, 2016

	Note	Attributable to owners of the parent Stated capital MUR'000	Revaluation and other reserves MUR'000	Retained earnings MUR'000	Total MUR'000	Non-controlling interest MUR'000	Total Equity MUR'000
THE GROUP							
At January 1, 2015		1,102,001	717,119	246,372	2,065,492	2,014,427	4,079,919
Profit for the year		-	-	104,085	104,085	123,721	227,806
Other comprehensive income for the year		-	191,553	-	191,553	186,989	378,542
Transfer		-	(3,784)	3,784	-	-	-
Dividends	18	-	-	(26,843)	(26,843)	(51,322)	(78,165)
At December 31, 2015		**1,102,001**	**904,888**	**327,398**	**2,334,287**	**2,273,815**	**4,608,102**
At January 1, 2016		1,102,001	904,888	327,398	2,334,287	2,273,815	4,608,102
(Loss)/profit for the year		-	-	(9,197)	(9,197)	10,211	1,014
Other comprehensive income for the year		-	(28,653)	-	(28,653)	(27,344)	(55,997)
Transfer		-	(4,036)	4,036	-	-	-
Dividends	18	-	-	(34,113)	(34,113)	(46,910)	(81,023)
At December 31, 2016		**1,102,001**	**872,199**	**288,124**	**2,262,324**	**2,209,772**	**4,472,096**

	Note	Stated capital MUR'000	Revenue (deficit)/ retained earnings MUR'000	Total MUR'000
THE COMPANY				
Balance at January 1, 2015		1,102,001	(9,645)	1,092,356
Profit for the year		-	39,849	39,849
Dividends	18	-	(26,843)	(26,843)
Balance at December 31, 2015		**1,102,001**	**3,361**	**1,105,362**
Balance at January 1, 2016		1,102,001	3,361	1,105,362
Profit for the year		-	34,487	34,487
Dividends	18	-	(34,113)	(34,113)
Balance at December 31, 2016		**1,102,001**	**3,735**	**1,105,736**

The notes on pages 33 to 69 form an integral part of these financial statements
Auditors' report on pages 24 to 27.

Statements of Cash Flows

Year ended December 31, 2016

	Note	THE GROUP 2016 MUR'000	THE GROUP 2015 MUR'000	THE COMPANY 2016 MUR'000	THE COMPANY 2015 MUR'000
Operating activities					
Profit before taxation		**67,607**	306,782	**34,487**	39,849
Adjustment for:					
Share of results of associates		**62,401**	34,879	**-**	-
Foreign exchange differences		**68,395**	16,891	**-**	-
Depreciation of property, plant and equipment		**398,118**	395,457	**-**	-
Amortisation of intangible assets		**47,175**	46,332	**-**	-
Assets written off		**10,509**	-	**-**	-
Loss/(profit) on disposal of property, plant and equipment		**1,533**	(593)	**-**	-
Interest expense		**309,043**	282,436	**11**	317
Interest income		**(14,301)**	(13,321)	**-**	-
Retirement benefit obligations		**22,964**	23,235	**-**	-
Operating profit before working capital changes		**973,444**	1,092,098	**34,498**	40,166
- inventories		**(30,744)**	(17,792)	**-**	-
- trade and other receivables		**(42,727)**	(257,262)	**5,590**	(14,001)
- trade and other payables		**21,979**	54,092	**149**	(3,552)
Cash generated from operations		**921,952**	871,136	**40,237**	22,613
Interest paid		**(309,043)**	(282,436)	**(11)**	(317)
Interest received		**14,301**	13,321	-	-
Contribution paid		**(23,227)**	(9,954)	-	-
Tax paid		**(86,212)**	(108,706)	-	-
Net cash generated from operating activities		**517,771**	483,361	**40,226**	22,296
Cash flows used in investing activities					
Purchase of property, plant and equipment		**(700,488)**	(205,624)	-	-
Purchase of intangible assets		**(9,041)**	(56,807)	-	-
Proceeds from sale of property, plant and equipment		**6,520**	618	-	-
Deposit on shares not yet alloted		**(201,977)**	-	-	-
Net cash used in investing activities		**(904,986)**	(261,813)	**-**	-
Cash flows from financing activities					
Proceeds from borrowings		**1,002,734**	385,576	**-**	-
Repayments of borrowings		**(639,695)**	(615,692)	**-**	(2,500)
Finance lease principal repayment		**(20,904)**	(20,314)	-	-
Dividends paid to company's shareholders		**(39,705)**	(13,981)	**(39,705)**	(13,981)
Dividends paid to non-controlling interests		**(52,283)**	(37,889)	**-**	-
Net cash generated from/(used in) financing activities		**250,147**	(302,300)	**(39,705)**	(16,481)
Net (decrease)/increase in cash and cash equivalents		**(137,068)**	(80,752)	**521**	5,815
Cash and cash equivalents at January 1,		**(304,845)**	(224,093)	**(952)**	(6,767)
Cash and cash equivalents at December 31,	24(a)	**(441,913)**	(304,845)	**(431)**	(952)

The notes on pages 33 to 69 form an integral part of these financial statements
Auditors' report on pages 24 to 27.

1 COMPANY PROFILE

Hotelest Limited is a public company incorporated and domiciled in Mauritius and quoted on the Development & Enterprise Market of the Stock Exchange of Mauritius. The principal activity of the Company is to hold investment in Constance Hotels Services Limited. The address of its registered office is 5th Floor, Labama House, 35, Sir William Newton Street, Port Louis. These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of shareholders of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of Hotelest Limited comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention except that freehold land is stated at revalued amount. The financial statements include the consolidated statements of the parent Company and its subsidiaries (The Group) and the separate financial statements of the parent company (The Company). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (MUR 000), except when otherwise indicated.

The Group has a net current liability of MUR 659 million (2015: MUR 737 million). The Board is satisfied that the Group has the resources to meet its liabilities in foreseeable future. Furthermore, the Board is not aware of any uncertainties that may cast significant doubt upon the Group's ability to continue on as a going concern.

Therefore, the financial statements are prepared on a going concern basis.

Standards, Amendments to Published Standards and Interpretations effective in the reporting period

IFRS 14, "Regulatory Deferral Accounts" provides relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The standard is not expected to have any impact on the Group's financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. The amendment has no impact on the Group's financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. The amendment has no impact on the Group's financial statements.

Equity method in separate financial statements (Amendments to IAS 27). The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, Amendments to Published Standards and Interpretations effective in the reporting period (continued)

IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate Financial Statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. The amendment has no impact on the Group's financial statements.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). IAS 41 now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. The amendment has no impact on the Group's financial statements.

Annual Improvements to IFRSs 2012-2014 cycle

- IFRS 5 is amended to clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. The amendment has no impact on the Group's financial statements.
- IFRS 7 amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. The amendment has no impact on the Group's financial statements.
- IFRS 7 is amended to clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. The amendment has no impact on the Group's financial statements.
- IAS 19 amendment clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. The amendment has no impact on the Group's financial statements.
- IAS 34 amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. The amendment has no impact on the Group's financial statements.

Disclosure Initiative (Amendments to IAS 1). The amendments to IAS 1 provide clarifications on a number of issues. An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. Confirmation that the notes do not need to be presented in a particular order. The share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

Investment entities: Applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments clarify that the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, Amendments to Published Standards and Interpretations effective in the reporting period (continued)

in support of the investment entity's investment activities. Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. The amendment has no impact on the Group's financial statements.

Standards, Amendments to Published Standards and Interpretations issued but not yet effective

Certain Standards, Amendments to Published Standards and Interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2017 or later periods, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

- IFRS 9, "Financial Instruments"
- IFRS 15, "Revenue from Contract with Customers"
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRS 16, "Leases"
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Amendments to IAS 7, "Statement of Cash Flows"
- Clarifications to IFRS 15, "Revenue from Contracts with Customers"
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Applying IFRS 9, "Financial Instruments" with IFRS 4 "Insurance Contracts" (Amendments to IFRS 4)
- Annual Improvements to IFRSs 2014-2016 Cycle
- IFRIC 22, "Foreign Currency Transactions and Advance Consideration"
- Transfers of Investment Property (Amendments to IAS 40)

Where relevant, the Group is still evaluating the effect of these Standards, Amendments to Published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and assumptions are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(b) Investment in subsidiaries

Separate financial statements of the Company

In the Company's financial statements, investments in subsidiaries are carried at cost. The carrying amount is reduced to recognised any impairment in the value of individual investments.

Consolidated financial statements

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investment in subsidiaries (continued)

Consolidated financial statements (continued)

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree (if any) over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss as a bargain purchase gain.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial assets. In addition, any amounts previously recognised other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Investments in associates

Separate financial statements of the Company

Investments in associated companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

Consolidated financial statements

An associate is an entity over which the Group has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method except when classified as held-for-sale. Goodwill arising on acquisition of an associate is included with the carrying amount of the associate and tested annually for impairment. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Group's share of net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition and the Group's share of net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments in associates (continued)

Consolidated financial statements (continued)

Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

When the Group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in profit or loss.

(d) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using Mauritian Rupees, the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Mauritian Rupees, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the 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 profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each statement representing profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currencies (continued)

(iii) Group companies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment (except for freehold land) are stated at historical cost/deemed cost less accumulated depreciation and impairment. Freehold land is stated at revalued amounts and is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Increases in the carrying amount arising on revaluation are credited to revaluation and other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit or loss.

Depreciation is calculated using the straight line method to write off the cost of assets, or the revalued amounts, to their residual values over their estimated useful life as follows:

Buildings	1.7% - 9.8%
Computer equipment	20%
Plant & machinery	10%
Vessels and motor vehicles	20%
Furniture, fittings & linen	10%

Land is not depreciated.

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the profit or loss. On disposal of revalued assets, the amounts included in revaluation reserve are transferred to retained earnings.

(f) Accounting for leases

(i) Leases are classified as finance leases where 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.

Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(ii) **Accounting for leases - where Company is the lessee**

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss unless they are attributable to qualifying assets in which case, they are capitalised in accordance with the policy on borrowing costs (see Note (n)).

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the FIFO method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Goodwill is tested annually for impairment and is allocated to cash-generating units for the purpose of impairment testing. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gains and losses on disposal. Goodwill arising on the acquisition of a foreign operation is treated as an asset of the operation, expressed in the functional currency of the operation and translated at the closing rate.

Leasehold land payments

Expenditure incurred to acquire leasehold rights is capitalised and amortised over the period of the lease (30 years).

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over their estimated useful lives (3-5 years). Costs associated with developing or maintaining computer software are recognised as an expense as incurred.

(i) Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(j) Financial instruments

The Group's detailed accounting policies in respect of financial instruments are set out below:

(i) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the end of reporting period.

Recognition and measurement

Purchases and sales are recognised on trade-date basis, the date on which the Group commits to purchase or sell the asset. Investments are initially measured at fair value plus transaction costs. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value classified as available-for-sale are recognised in other comprehensive income.

When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses on financial assets.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for- sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(i) Available-for-sale financial assets (continued)

Impairment of financial assets (continued)

value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the profit or loss.

(ii) Borrowings

Interest bearing facilities are recorded at amortised cost. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

(iii) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is recognised in profit or loss.

(iv) Trade and other payables

Trade and other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

(v) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(vi) Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from proceeds.

(k) 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.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liabilities is settled.

The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets, tax losses carried forward and on retirement benefit obligations.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable amounts will be available against which the unused tax losses can be utilised.

(l) Retirement benefit obligations

Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement usually dependent on one or more factors such as age, year of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Retirement benefit obligations (continued)

Defined benefit plan (continued)

recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefits payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

Gratuity on retirement

For employees who are not covered (or who are insufficiently covered by the above pension plans), the net present value of gratuity on retirement payable under the Employment Rights Act 2008 is calculated and provided for. The obligations arising under this item are not funded.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns, value added taxes, rebates and other similar allowances and after eliminating sales within the Group.

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

Dividend income is recognised when the shareholder's right to receive payment is established.

(n) Borrowing costs

Borrowing costs directly attributable to major developments of hotels are capitalised for the period until the assets are substantially ready for their intended use or sale.

All other borrowing costs are expensed.

(o) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statement in the period in which the dividends are declared.

(p) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring which has been notified to affected parties and comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

(q) Segment Reporting

Segment information presented relate to operating segments that engage in business activities for which revenues are earned and expenses incurred.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The board provides guidelines for overall risk management, and seeks to minimise potential adverse effects on the Group's financial performance.

A description of the significant risk factors is given below together with the risk management policies applicable.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors (continued)

Currency risk

The Group operates both locally and in the region, and derives most of its income in foreign currencies namely Euros, Pound Sterlings and American Dollars. In order to manage the currency risk, the Group enters into forward and swap contracts and where possible, borrows in the currency in which it operates.

The Group has certain investments in financial operations, whose net assets are exposed to foreign currency translation risk.

CURRENCY PROFILE

THE GROUP

	EUR MUR'000	USD MUR'000	GBP MUR'000	MUR MUR'000	OTHERS MUR'000	TOTAL MUR'000
2016						
Financial Assets						
Investments in associates	830,990	-	-	-	-	**830,990**
Net trade receivables	99,861	129,007	32,584	28,550	4,833	**294,835**
Cash and cash equivalents	27,574	28,745	9,371	2,281	5,191	**73,162**
	958,425	**157,752**	**41,955**	**30,831**	**10,024**	**1,198,987**
Financial Liabilities						
Borrowings	354,124	1,888,455	-	3,057,108	-	**5,299,687**
Trade payables	-	116,281	-	151,441	-	**267,722**
	354,124	**2,004,736**	**-**	**3,208,549**	**-**	**5,567,409**

	EUR MUR'000	USD MUR'000	GBP MUR'000	MUR MUR'000	OTHERS MUR'000	TOTAL MUR'000
2015						
Financial Assets						
Investments in associates	701,454	-	-	-	-	**701,454**
Net trade receivables	118,372	164,696	31,206	16,426	1,428	**332,128**
Cash and cash equivalents	33,753	40,844	9,535	2,802	5,176	**92,110**
	853,579	**205,540**	**40,741**	**19,228**	**6,604**	**1,125,692**
Financial Liabilities						
Borrowings	204,916	1,897,213	-	2,606,428	-	**4,708,557**
Trade payables	-	112,561	-	115,121	-	**227,682**
	204,916	**2,009,774**	**-**	**2,721,549**	**-**	**4,936,239**

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors (continued)

CURRENCY PROFILE (continued)

At December 31, 2016, if the Rupee had weakened/strengthened by 10% against the US Dollar/Euro/GB Pound with all other variables constant, the impact on the profit for the year would have been MUR 1.4 million (2015: MUR 11.9 million) higher/lower mainly as a result of foreign exchange gains/losses on translation of trade receivables, bank balances and share of results from foreign associates denominated in US Dollar/Euro/GB Pound.

Similarly, the impact on the amount recognised directly into equity would have been MUR 139.1 million (2015: MUR 128.4 million) higher/lower, principally due to Group's share of net assets in foreign associates and bank balances, and borrowings of foreign subsidiaries.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

As at December 31, 2016, trade receivables before impairment amounted to MUR 394.8 million (2015: MUR 428.5 million) for the Group. Provision for impairment amounted to MUR 99.9 million at December 31, 2016 (2015: MUR 96.4 million).

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable. The Group does not hold any collateral as security.

	Past due but not impaired				
	Within normal credit period MUR'000	**Within 3 months MUR'000**	**More than 3 months MUR'000**	**Impaired MUR'000**	**Total MUR'000**
2016					
Trade receivables	251,020	68,142	75,604	-	**394,766**
Provisions	-	(24,327)	(75,604)	-	**(99,931)**
At December 31,	**251,020**	**43,815**	**-**	**-**	**294,835**
2015					
Trade receivables	322,815	23,210	82,523	-	**428,548**
Provisions	-	(14,932)	(81,488)	-	**(96,420)**
At December 31,	**322,815**	**8,278**	**1,035**	**-**	**332,128**

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors (continued)

Interest rate risk

The Group's borrowings as shown in the financial statements are exposed to interest rate risks as it borrows mainly at variable rates.

The Group's operating cashflows are exposed to interest risk as it borrows at variable rates. At December 31, 2016, if interest rate on Rupee denominated borrowings had been 50 basis points higher/ lower with all variables held constant, post-tax profit for the year would have decreased/ increased by MUR 18.3 million (2015: MUR 10.9 million) mainly as a result of higher/lower interest expense on floating rate borrowings. In order to manage the risk, the Group has some borrowings at fixed rate.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of credit facilities and the ability to close out market positions. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

The Group's financial liabilities and net settled derivatives financial liabilities are classified into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

Bank borrowings maturity periods are detailed in Note 15.

Trade and other payables are payable within one year.

The liquidity position is closely monitored by management and the Group does not anticipate any major liquidity gap to arise.

3.2 Capital Risk Management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefit for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

During 2016, the Group's strategy which was unchanged from 2015, was to maintain the debt-to-capital ratio at the lower end in order to secure access to finance at a reasonable cost.

The debt-to-capital ratios at December 31, 2016 and December 31, 2015 were as follows:

	THE GROUP	
	2016 MUR ' M	2015 MUR ' M
Total debt	**5,300**	4,709
Total equity	**4,472**	4,608
Total capital	**9,772**	9,317
Debt-to-capital ratio	**54.2%**	50.5%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(a) Depreciation policies

Property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Group would currently obtain from disposal of the asset, if the asset were already of the age and in the condition expected at the end of its useful life.

The directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

(b) Deferred tax assets arising from tax losses

The Group has a deferred tax asset of MUR 73.8 million (2015: MUR 61.6 million) part of which has been used to offset against a deferred tax liability arising from accelerated capital allowances. The Group has made estimates of its future taxable income and believes that the tax losses will be fully utilised within the relevant period during which such tax losses may be carried forward.

(c) Pension benefits

The present value of the pension obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

(d) Revaluation of property, plant and equipment

The Group measures land at revalued amounts with changes in fair value being recognised in other comprehensive income. The fair value is determined by the Directors' valuation based on independent valuation by valuers.

(e) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2(h). These calculations require an estimation of the 'value in use' of the cash generating units (CGU) to which goodwill is allocated. Estimations of the future cash flows of the CGU and the estimated discount rate in order to compute the present value of the expected cash flow.

5 PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Freehold land MUR'000	Buildings MUR'000	Computer equipment MUR'000	Plant and machinery MUR'000	Vessels and motor vehicles MUR'000	Furniture, fittings & linen MUR'000	Project costs MUR'000	Total MUR'000
Cost/Deemed Cost/ Valuation								
At January 1, 2016	1,446,900	6,323,081	245,289	1,192,983	145,646	806,888	78,439	10,239,226
Additions	-	431,097	10,740	102,508	22,072	154,983	-	721,400
Write off *	-	(10,804)	-	-	-	-	(2,176)	(12,980)
Disposals	-	-	(72)	(8,231)	(3,400)	(58,320)	-	(70,023)
Transfer	-	44,247	-	1,545	-	30,273	(76,065)	-
Translation adjustment	-	23,969	547	4,044	316	2,532	-	31,408
At December 31, 2016	**1,446,900**	**6,811,590**	**256,504**	**1,292,849**	**164,634**	**936,356**	**198**	**10,909,031**
Depreciation								
At January 1, 2016	-	1,564,587	207,608	821,390	116,876	530,658	-	3,241,119
Charge for the year	-	214,900	19,782	84,865	12,270	66,301	-	398,118
Write off *	-	(2,471)	-	-	-	-	-	(2,471)
Disposal adjustment	-	-	(58)	(7,075)	(3,250)	(51,587)	-	(61,970)
Translation adjustment	-	5,493	487	2,653	271	1,458	-	10,362
At December 31, 2016	**-**	**1,782,509**	**227,819**	**901,833**	**126,167**	**546,830**	**-**	**3,585,158**
Net Book Values								
At December 31, 2016	**1,446,900**	**5,029,081**	**28,685**	**391,016**	**38,467**	**389,526**	**198**	**7,323,873**

* Assets written off represents building demolished during renovation and cost incurred on projects not capitalised.

5 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) THE GROUP

	Freehold land MUR'000	Buildings MUR'000	Computer equipment MUR'000	Plant and machinery MUR'000	Vessels and motor vehicles MUR'000	Furniture, fittings & linen MUR'000	Project costs MUR'000	Total MUR'000
Cost/Deemed Cost/ Valuation								
At January 1, 2015	1,446,900	5,777,498	222,793	1,065,043	132,926	730,574	7,364	9,383,098
Effect of exchange difference	-	500,467	11,031	82,554	6,532	50,948	-	651,532
Additions	-	45,116	11,465	45,679	19,625	30,812	71,222	223,919
Disposals	-	-	-	(293)	(13,437)	(5,446)	-	(19,176)
Transfer	-	-	-	-	-	-	(147)	(147)
At December 31, 2015	**1,446,900**	**6,323,081**	**245,289**	**1,192,983**	**145,646**	**806,888**	**78,439**	**10,239,226**
Depreciation								
At January 1, 2015	-	1,268,703	166,697	683,365	109,481	449,096	-	2,677,342
Effect of exchange difference	-	98,869	8,995	48,542	5,150	25,915	-	187,471
Charge for the year	-	197,015	31,916	89,751	15,682	61,093	-	395,457
Disposal adjustment	-	-	-	(268)	(13,437)	(5,446)	-	(19,151)
At December 31, 2015	**-**	**1,564,587**	**207,608**	**821,390**	**116,876**	**530,658**	**-**	**3,241,119**
Net Book Values								
At December 31, 2015	**1,446,900**	**4,758,494**	**37,681**	**371,593**	**28,770**	**276,230**	**78,439**	**6,998,107**

5 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Leased assets included above comprised of motor vehicles and equipment. Details regarding these assets were as follows:

	THE GROUP	
	2016	2015
	MUR'000	MUR'000
Cost	**112,574**	110,707
Accumulated depreciation	**(70,581)**	(72,578)
Net book value	**41,993**	38,129

(d) Freehold land was last revalued in December 2010, by Société D'hotman De Spéville, Chartered Surveyor, at their open market value. The revaluation surplus was credited to revaluation reserve in shareholders' equity.

(e) If the freehold land were stated on the historical cost basis, the amounts would be as follows:

	THE GROUP	
	2016	2015
	MUR'000	MUR'000
Cost	**147,426**	147,426

(f) Bank borrowings are secured by floating changes on the assets of the Group including property, plant and equipment (Note 15).

Borrowings costs of MUR 5.131 million (2015:Nil) (Note 22) arising on financing of the renovation and construction of Building were capitalised during the year and are included in 'Additions'.

(g) Additions include MUR 20.9 million (2015: MUR 18.3 million) of assets leased under finance leases for Group.

(h) Total depreciation charge has been included in operating expenses.

6 INTANGIBLE ASSETS

(a) THE GROUP

	Goodwill on acquisition MUR'000	Leasehold land payments MUR'000	Computer software MUR'000	Total MUR'000
Cost				
At January 1, 2015	421,170	774,000	94,307	1,289,477
Effect of exchange difference	58,778	50,479	60,597	169,854
Additions	-	44,520	12,287	56,807
Transfer	-	-	147	147
At December 31, 2015	**479,948**	**868,999**	**167,338**	**1,516,285**
Translation adjustment	2,795	14,468	109	17,372
Additions	-	6,784	2,257	9,041
At December 31, 2016	**482,743**	**890,251**	**169,704**	**1,542,698**
Amortisation				
At January 1, 2015	-	136,460	21,440	157,900
Effect of exchange difference	-	7,761	11,997	19,758
Charge for the year	-	38,270	8,062	46,332
At December 31, 2015	**-**	**182,491**	**41,499**	**223,990**
Translation adjustment	-	10,223	83	10,306
Charge for the year	-	40,717	6,458	47,175
At December 31, 2016	**-**	**233,431**	**48,040**	**281,471**
Net Book Values				
At December 31, 2016	**482,743**	**656,820**	**121,664**	**1,261,227**
At December 31, 2015	479,948	686,508	125,839	1,292,295

(b) Leasehold land payments relate to the rights acquired in respect of leasehold land.

(c) Leasehold land payments are amortised over the period of the leases.

(d) Total amortisation charge has been included in operating expenses.

(e) Impairment tests for goodwill: goodwill is allocated to the company's cash-generating units (CGUS) identified according to country of operation and business segment. The recoverable amount of a CGU is determined based on its value-in-use. These calculations use cash flow based on financial projections covering a period of 6 year and thereafter the cashflow are extrapolated using a growth rate of 3%. The pre-tax discount rate used in the year approximates 12%.

7 INVESTMENTS IN SUBSIDIARY COMPANIES

		THE COMPANY	
		2016 **MUR'000**	2015 MUR'000
(a)	**Cost**		
	At January 1, and December 31,	**1,106,533**	1,106,533

(b) The subsidiaries of Hotelest Limited are as follows:

Name of corporation	Nominal value of investment MUR'000	Proportion of ownership interest Direct **2016 &** 2015 %	Proportion of ownership interest Indirect **2016 &** 2015 %	Country of operation	Country of incorporation or residence	Issued capital MUR'000	Main business
Constance Hotels Services Limited *	1,106,533	51	-	Mauritius	Mauritius	2,153,395	Hotel Industry
Constance Industries Limited	964,475	-	100	Mauritius	Mauritius	908,052	Hotel Industry
Beauport Industries Limited	500,000	-	100	Mauritius	Mauritius	500,000	Hotel Industry
Constance Hotels International Services Limited	87,509	-	100	Mauritius	Mauritius	87,509	Investment Holding and Management Company
Constance Hospitality Training Centre Ltd	25,025	-	100	Mauritius	Mauritius	25,025	Training Centre
Constance Hotels Investment Limited	11,365	-	100	Mauritius	Mauritius	11,365	Investment Holding
Hotels Constance (UK) Limited	1	-	100	United Kingdom	United Kingdom	1	Marketing Representative
Ariatoll Services Ltd	32	-	100	Mauritius	Mauritius	32	Management Company
LRM Services Ltd	32	-	100	Mauritius	Mauritius	32	Management Company
LRM Company Ltd *	227	-	75	Seychelles	British Virgins Islands	302	Management Company
Moofushi Development Ltd	3	-	100	Maldives	Mauritius	3	Hotel Industry
The Waterfront PVT Ltd	48	-	100	Maldives	Maldives	48	Hotel Industry
Halaveli Development Ltd	30	-	100	Mauritius	Mauritius	30	Investment Holding

The fair value of the Company's interest in Constance Hotels Services Limited was MUR 951.2 million at 31st December 2016 (2015: MUR 995.4 million).

* The proportion of ownership held by non-controlling interest for Constance Hotels Services Limited and LRM Company Ltd is 49% and 25% respectively for both year 2016 and 2015.

Note: Ordinary shares are issued for the above subsidiaries and the statutory reporting date is 31 December 2016 for the companies.

7 INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(c) Details for subsidiaries that have non-controlling interests that are material to the entity

	Profit allocated to non-controlling interest MUR'000	Accumulated non-controlling interest MUR'000
2016		
Constance Hotels Services Limited	10,211	2,209,772
2015		
Constance Hotels Services Limited	123,721	2,273,815

(d) Summarised financial information on subsidiaries with material non-controlling interests.

(i) Summarised statement of financial position and statement of profit or loss and other comprehensive income.

	Current assets MUR'000	Non-current assets MUR'000	Current liabilities MUR'000	Non-current liabilities MUR'000	Revenue MUR'000	Profit for the year MUR'000	Other compre-hensive income MUR'000	Dividend paid to non-controling interests MUR'000
2016								
Constance Hotels Services Limited	1,312,543	9,517,424	1,970,862	4,386,212	3,632,590	2,877	(55,997)	52,283
2015								
Constance Hotels Services Limited	1,258,023	9,059,749	1,993,851	3,714,648	3,745,721	229,899	378,542	37,889

(ii) Summarised cash flow information:

	Operating activities MUR'000	Investing activities MUR'000	Financing activities MUR'000	Net decrease in cash and cash equivalents MUR'000
2016				
Constance Hotels Services Limited	519,487	(904,986)	247,910	(137,589)
2015				
Constance Hotels Services Limited	489,027	(261,813)	(313,781)	(86,567)

8 INVESTMENTS IN ASSOCIATES

(a) THE GROUP

	2016 MUR'000	2015 MUR'000
Unquoted		
At January 1,	**701,454**	725,326
Share of results for the year	**(62,401)**	(34,879)
Exchange difference	**(10,040)**	11,007
	629,013	701,454
Deposit on shares*	**201,977**	-
At December 31,	**830,990**	701,454

Investment in associates at December 31, 2016 include goodwill of MUR 15 million (2015: MUR 16 million).

* Deposit on shares represent subscription to right issue for which shares have not yet been issued pending approval of relevant authorities.

(b) The results of the following associated companies, all of which are unlisted, that have been included in the consolidated financial statements were as follows:

Name	Year end	Country of incorporation	Country of operation	By other group companies 2016 %	By other group companies 2015 %
Le Refuge du Pêcheur Limited and its subsidiary	December 31, 2016	Seychelles	Seychelles	**25.42**	25.42
Ampasy Ltd and its subsidiary	December 31, 2016	Mauritius	Mauritius	**37.50**	37.50
Constance Corporate Management Limited	December 31, 2016	Mauritius	Mauritius	**42.00**	42.00

(i) All the above associates are private companies with no quoted market price for their shares and are accounted for using the equity method.

(ii) The shares held in Le Refuge du Pêcheur Limited have been pledged to a consortium of banks as security for borrowings of Le Refuge du Pêcheur Limited.

8 INVESTMENTS IN ASSOCIATES (continued)

(iii) Summarised financial information in respect of each of the material associates is set out below:

	Current assets MUR'000	Non-current assets MUR'000	Current liabilities MUR'000	Non-current liabilities MUR'000	Revenue MUR'000	Loss for the year MUR'000	Other compre-hensive income MUR'000	Dividend MUR'000
2016								
Le Refuge du Pêcheur Limited and its subsidiary	589,356	5,247,858	1,394,884	2,190,000	2,024,528	(218,574)	28,615	-
2015								
Le Refuge du Pêcheur Limited and its subsidiary	611,129	5,281,274	1,727,938	2,163,045	2,194,268	(138,313)	(22,852)	-

(iv) Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount recognised in the financial statements:

	Opening net assets MUR'000	Loss for the year MUR'000	Other compre-hensive income MUR'000	Effect of exchange difference MUR'000	Closing net assets MUR'000	Owner-ship interest %	Interest in associates MUR'000	Loan to associate MUR'000	Goodwill MUR'000	Carrying value MUR'000
2016										
Le Refuge du Pêcheur Limited and its subsidiary	1,506,991	(218,574)	28,615	(95,023)	1,222,009	25.42	310,635	267,120	15,090	592,845
2015										
Le Refuge du Pêcheur Limited and its subsidiary	1,627,470	(138,312)	(22,852)	40,685	1,506,991	25.42	383,077	275,800	15,952	674,829

(v) Aggregate information of associates that are not individually material

	2016 MUR'000	2015 MUR'000
Carrying amount of interests	**36,168**	26,625
Share of profit	**11,855**	280
Share of other comprehensive income	**(2,311)**	(701)
Share of total comprehensive income	**9,544**	(421)

Share of accumulated loss and other comprehensive income not recognised amounted to MUR 6.9 million (2015: MUR 3.9 million) for Constance Corporate Management Limited as at December 31, 2016.

9 INVESTMENTS IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP	
	2016	2015
	MUR'000	MUR'000
Unquoted (level 3)		
At January 1, and December 31,	**545**	545

(a) Investments in financial assets consist of shares held in Ecocentre Limited.

These shares are unquoted, denominated in Mauritian Rupee and will be held indefinitely. The directors consider the cost of those investments to be their fair values.

(b) None of the financial assets are either past due or impaired.

10 DEFERRED INCOME TAX

(a) Deferred income taxes are calculated on all temporary differences under the liability method at 15% (2015: 15%).

There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred income tax assets and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity.

The following amounts are shown in the statements of financial position:

	THE GROUP	
	2016	2015
	MUR'000	MUR'000
Deferred tax assets	**100,789**	67,348
Deferred tax liabilities	**(65,574)**	(59,732)
Net deferred income tax asset	**35,215**	7,616

(b) At the end of the reporting period, the Group and the Company had unutilised tax losses of MUR 634.4 million (2015: MUR 585.5 million) and MUR 5.8 million (2015: MUR 7.4 million) respectively, available for offset against future taxable profits. A deferred tax asset has been recognised in respect of only MUR 492.3 million unutilised tax losses for the Group (2015: MUR 355 million). No deferred tax asset has been recognised in respect of the remaining MUR 139.1 million unutilised tax losses (2015: MUR 230.5 million) for the Group and MUR 5.8 million (2015: MUR 7.4 million) for the Company due to unpredictability of future taxable profits.

(c) The movement on the deferred income tax account is as follows:

	THE GROUP	
	2016	2015
	MUR'000	MUR'000
At January 1,	**7,616**	(7,025)
Effect of transfer from associate to subsidiary		
Credited to profit or loss (Note 19(b))	**20,869**	23,739
Credited/(charged) to other comprehensive income	**6,730**	(9,098)
At December 31,	**35,215**	7,616

10 DEFERRED INCOME TAX (continued)

(d) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same fiscal authority on the same entity is as follows:

(i) Deferred tax liabilities

	THE GROUP		
	Accelerated tax depreciation MUR'000	**Revaluation reserves MUR'000**	**Total MUR'000**
At January 1, 2015	7,851	65,229	73,080
Credited to profit or loss	(11,883)	-	(11,883)
(Credited)/charged to other comprehensive income	(1,867)	9,500	7,633
At December 31, 2015	(5,899)	74,729	68,830
Credited to profit or loss	(8,690)	-	(8,690)
Credited to other comprehensive income	(53)	(771)	(824)
At December 31, 2016	**(14,642)**	**73,958**	**59,316**

(ii) Deferred tax assets

	THE GROUP		
	Retirement benefit obligations MUR'000	**Tax losses carried forward MUR'000**	**Total MUR'000**
At January 1, 2015	15,364	50,691	66,055
Credited to profit or loss	1,991	9,864	11,855
(Charged)/credited to other comprehensive income	(2,514)	1,050	(1,464)
At December 31, 2015	14,841	61,605	76,446
(Charged)/credited to profit or loss	(40)	12,218	12,178
Credited to other comprehensive income	5,885	22	5,907
At December 31, 2016	**20,686**	**73,845**	**94,531**

11 INVENTORIES

	THE GROUP	
	2016 MUR'000	2015 MUR'000
At Cost/Net Realisable Value		
Food and Beverages	**151,916**	134,536
Operating supplies	**44,890**	45,505
Maintenance	**62,240**	58,207
Sales products	**34,321**	22,897
Others	**10,555**	12,033
	303,922	273,178

(a) Bank borrowings are secured by floating charges on the asset of the Group including inventories (Note 15).

(b) The cost of inventories recognised as expense and included in cost of sales amounted to MUR 806.5 million (2015: MUR 837.0 million) for the Group.

12 TRADE AND OTHER RECEIVABLES

		THE GROUP		THE COMPANY	
		2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
(a)	Trade receivables	**394,766**	428,548	**-**	-
	Less: Provision for impairment (Note 12(b))	**(99,931)**	(96,420)	**-**	-
	Net trade receivables	**294,835**	332,128	**-**	-
	Receivable from associated companies	**277,423**	411,941	**-**	-
	Other receivables	**363,315**	148,777	**8,502**	14,092
		935,573	892,846	**8,502**	14,092

The carrying amount of trade and other receivables approximate their fair values.

(b) Provision for impairment of trade receivables

	THE GROUP	
	2016 MUR'000	2015 MUR'000
At January 1,	**96,420**	88,840
Provision made during the year	**3,511**	7,580
At December 31,	**99,931**	96,420

(c) Trade receivables are not secured, non interest-bearing and are generally on 30-60 days term.

13 STATED CAPITAL

		THE GROUP & THE COMPANY			
		Number of shares	**Ordinary shares MUR'000**	**Share premium MUR'000**	**Total MUR'000**
(a)	**Issued shares**				
	At December 31, 2015 and 2016	**55,923,209**	**559,232**	**542,769**	**1,102,001**

(b) The issued ordinary shares are at par value MUR 10 and are fully paid.

(c) **Share premium**

When shares are issued at a premium whether for cash or otherwise, the excess of the amount received over the par value of the shares, is transferred to share premium.

14 REVALUATION AND OTHER RESERVES

	THE GROUP	
	2016	2015
	MUR'000	MUR'000
The movements in each category are as follows:		
Revaluation surplus		
At January 1,	**678,048**	681,264
Transfer to retained earnings	**(4,036)**	(3,784)
Income tax relating to components of other comprehensive income	**605**	568
At December 31,	**674,617**	678,048
Translation of foreign operations		
At January 1,	**246,572**	64,480
Movement during the year	**(12,252)**	183,714
At December 31,	**234,320**	248,194
Actuarial losses		
At January 1,	**(19,732)**	(28,625)
Movement during the year	**(17,006)**	7,271
At December 31,	**(36,738)**	(21,354)
Total	**872,199**	904,888

(a) **Revaluation surplus**

Revaluation surplus relates to revaluation of land and buildings net of any applicable deferred taxes.

(b) **Translation of foreign operations**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(c) **Actuarial loss**

The actuarial loss reserve represents the cummulative remeasurement of defined benefit obligation recognised.

15 BORROWINGS

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Non-current				
Loans - USD	**1,397,191**	1,207,922	-	-
- EUR	**313,321**	159,249	-	-
- MUR	**2,440,389**	2,158,543	-	-
Finance lease liabilities	**31,831**	30,264	-	-
	4,182,732	3,555,978	**-**	-
Current				
Bank overdrafts	**515,075**	396,955	**431**	952
Loans - USD	**253,820**	540,750	-	-
- EUR	**38,202**	41,355	-	-
- MUR	**291,001**	153,001	**-**	-
Finance lease liabilities	**18,857**	20,518	**-**	-
	1,116,955	1,152,579	**431**	952
Total borrowings	**5,299,687**	4,708,557	**431**	952

(a) Finance lease liabilities - minimum lease payments:

	THE GROUP	
	2016 MUR'000	2015 MUR'000
Not later than 1 year	**21,785**	23,503
Later than one year and not later than two years	**17,145**	17,550
Later than two years and not later than five years	**15,103**	13,119
After five years	**3,249**	2,567
	57,282	56,739
Future finance charges on finance leases	**(6,594)**	(5,957)
Present value of finance lease liabilities	**50,688**	50,782
The present value of finance lease liabilities may be analysed as follows:		
Not later than one year	**18,857**	20,518
Later than one year and not later than two years	**15,106**	15,300
Later than two years and not later than five years	**13,656**	12,717
After five years	**3,069**	2,247
	50,688	50,782

The Group leases vehicles and equipment under finance lease agreements. These leases have fixed terms and purchase options. There are no restrictions imposed on the Group by the lease arrangements other than in respect of the specific vehicle/equipment being leased.

15 BORROWINGS (continued)

(b) Bank and other borrowings are secured on the assets of the Group including inventories, property, plant and equipment. The rates of interest rates on these loans vary between 4.8% and 9.0%.

(c) All the Group's borrowings have repricing date within one year.

(d) The maturity of non-current borrowings is as follows:

	THE GROUP	
	2016	2015
	MUR'000	MUR'000
After one year and before two years	**668,647**	515,940
After two years and before three years	**602,611**	583,750
After three years and before five years	**1,076,510**	784,211
After five years	**1,834,964**	1,672,077
	4,182,732	3,555,978

(e) The carrying amounts of borrowings are not materially different from the fair value. The fair values are based on cash flows discounted using the borrowing rates and are within level 2 of the fair value hierarchy.

16 RETIREMENT BENEFIT OBLIGATIONS

	THE GROUP	
	2016	2015
	MUR'000	MUR'000
Amounts recognised in the statements of financial position:		
Defined pension benefits (note (a)(ii))	**137,122**	97,689
Other post retirement benefits (note (b)(i))	**784**	1,249
	137,906	98,938
Analysed as follows:		
Non-current liabilities	**137,906**	98,938
	137,906	98,938
Amounts charged to profit or loss:		
- Defined pension benefits (note (a)(v))	**22,804**	23,067
- Other post retirement benefits (note (b)(ii))	**160**	168
	22,964	23,235
Amounts charged to other comprehensive income:		
- Defined pension benefits (note (a)(vi))	**39,679**	(16,696)
- Other post retirement benefits (note (b)(ii))	**(448)**	(75)
	39,231	(16,771)

16 RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) **Defined pension benefits**

(i) The Group contributes to a defined benefit pension. The plan is a final salary plan, which provides benefits to members in the form of pension at retirement and a benefit on death or disablement in service before retirement.

The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

The assets of the fund are held independently and administered by an insurance company.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at December 31, 2016 by Swan Life Ltd. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

(ii) The amounts recognised in the statements of financial position are as follows:

	THE GROUP	
	2016 MUR'000	2015 MUR'000
Present value of funded obligations	**319,964**	274,137
Fair value of plan assets	**(182,842)**	(176,448)
Liability in the statements of financial position	**137,122**	97,689

The reconciliation of the opening balances to the closing balances for the net defined benefit liability is as follows:

	THE GROUP	
	2016 MUR'000	2015 MUR'000
At January 1,	**97,689**	101,272
Charged to profit or loss (Note (a))	**22,804**	23,067
Charged/(credited) to other comprehensive income	**39,679**	(16,696)
Contributions paid	**(23,050)**	(9,954)
Balance at December 31,	**137,122**	97,689

(iii) The Movement in the defined benefit obligations over the year is as follows:

	THE GROUP	
	2016 MUR'000	2015 MUR'000
At January 1,	**274,137**	271,618
Current service cost	**14,093**	13,411
Interest expense	**19,327**	19,538
Actuarial losses/(gains)	**36,624**	(18,583)
Benefits paid	**(24,217)**	(11,847)
At December 31,	**319,964**	274,137

16 RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) **Defined pension benefits** (continued)

(iv) The movement in the fair value of plan assets of the year is as follows:

	THE GROUP	
	2016 MUR'000	2015 MUR'000
At January 1,	**176,448**	170,346
Return on plan assets	**13,052**	11,792
Actuarial losses	**(3,055)**	(1,890)
Scheme expenses	**(864)**	(396)
Cost of insuring risk benefits	**(1,572)**	(1,511)
Contributions by the employer	**23,050**	9,954
Benefits paid	**(24,217)**	(11,847)
At December 31,	**182,842**	176,448

(v) The amounts recognised in the statement of profit or loss are as follows:

	THE GROUP	
	2016 MUR'000	2015 MUR'000
Current service cost	**14,093**	13,411
Scheme expenses	**864**	396
Cost of insuring risk benefits	**1,572**	1,511
Net interest expense	**6,275**	7,749
Total included in employee benefit expense	**22,804**	23,067

The current service cost, scheme expenses, cost of insuring risk benefits, net interest expenses for the year is included in administrative expenses in the statement of profit or loss.

	THE GROUP	
	2016 MUR'000	2015 MUR'000
Actual return on plan assets	**9,997**	9,901

(vi) The amounts recognised in other comprehensive income are as follows:

	THE GROUP	
	2016 MUR'000	2015 MUR'000
Liability experience losses/(gains)	**34,754**	(5,803)
Actuarial losses arising from changes in financial assumptions	**1,870**	(12,781)
Actuarial losses/(gains)	**36,624**	(18,584)
Return on plan assets excluding interest income	**3,055**	1,888
	39,679	(16,696)

16 RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) **Defined pension benefits** (continued)

(vii) The assets of the plan are invested in the Deposit Administration Policy. The Deposit Administration Policy is a pooled insurance product for Group Pension Schemes, underwritten by Swan Life Ltd. It is a long-term investment Policy which aims to provide a smooth progression of returns from one year to the next without regular fluctuations associated with asset-linked investments such as Equity Funds. Moreover, the Deposit Administration Policy offers a minimum guaranteed return of 4% p.a.

(viii) The principal actuarial assumptions used for the purposes of the actuarial valuations were:

	2016	2015
	%	%
Discount rate	**6.0**	7.0
Future salary growth rate	**4.0**	5.0
Future pension growth rate	**-**	-

(ix) Sensitivity analysis on defined benefit obligations at end of the reporting date:

	THE GROUP	
	2016	2015
	MUR'000	MUR'000
December 31,		
Discount rate (1% movement)	**32,320**	28,192
Future long term salary (1% movement)	**37,100**	34,127

An increase/decrease of 1% in other principal actuarial assumptions would not have a material impact on defined benefit obligations at the end of the reporting period.

The sensitivity above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the projected unit credit method. The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

(x) The defined benefit pension plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

(xi) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

(xii) The Group expects to pay MUR 20.1 million in contributions to its post-employment benefit plans for the year ending December 31, 2017.

16 RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) **Defined pension benefits** (continued)

(xiii) The weighted average duration of the defined benefit obligation is 10-16 years at the end of the reporting period for the Group (2015: 10-15 years).

(b) **Other post retirement benefits**

Other post retirement benefits comprise mainly of gratuity on retirement payable under the Employment Rights Act 2008.

(i) The amounts recognised in the statement of financial position are as follows:

	THE GROUP	
	2016 MUR'000	2015 MUR'000
Present value of unfunded obligations	**784**	1,249

(ii) Movement in the liability recognised in the statements of financial position:

	THE GROUP	
	2016 MUR'000	2015 MUR'000
At January 1,	**1,249**	1,156
Charged to profit or loss - (note (a))	**160**	168
(Credited)/charged in other comprehensive income	**(448)**	(75)
Benefits paid	**(177)**	-
	784	1,249
(a) Included in profit or loss		
- Current service cost	**74**	81
- Net interest expense	**86**	87
	160	168

17 TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Trade payables	**300,172**	230,178	**-**	-
Payable to group companies:				
- Associated companies	**21,694**	22,459	**756**	794
Other payables	**433,038**	485,661	**842**	655
	754,904	738,298	**1,598**	1,449

The carrying amounts of trade and other payables approximate their fair values.

18 DIVIDEND

	THE GROUP AND THE COMPANY	
	2016 MUR'000	2015 MUR'000
Amounts recognised as distribution to equityholders in the year:		
- Final dividend declared and payable for the year ended December 31, 2016 of MUR 0.13 (2015: MUR 0.23) per share	**7,270**	12,862
- Interim dividend declared and paid for the year ended December 31, 2016 of MUR 0.48 (2015: MUR 0.25) per share	**26,843**	13,981
	34,113	26,843

19 INCOME TAX

	THE GROUP	
	2016 MUR'000	2015 MUR'000
(a) **Amounts recognised in the statements of financial position are as follows:**		
Current tax liabilities	**92,644**	91,394

Current tax liabilities is on adjusted profit for the year at 15% (2015: 15%)

(b) **Amounts recognised in the statement of profit or loss:**

	THE GROUP	
	2016 MUR'000	2015 MUR'000
Current tax on the adjustment profit for the year at 15% (2015: 15%)	**49,484**	54,612
Withholding tax	**18,131**	19,710
Penalty and interest	**12,734**	16,516
Under provision in previous years	**7,113**	11,877
Deferred income tax (Note 10(c))	**(20,869)**	(23,739)
Charged to profit or loss	**66,593**	78,976

(c) **Withholding tax**

Withholding tax at 15% is suffered by a subsidiary on its offshore operation.

19 INCOME TAX (continued)

(d) Tax reconciliation

The tax on the Group's and the Company's profit before taxation differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Profit before taxation	**67,607**	306,782	**34,487**	39,849
Add: Loss of associates	**62,401**	34,879	**-**	-
	130,008	341,661	**34,487**	39,849
Tax calculated at a rate of 15% (2015: 15%)	**19,501**	51,249	**5,173**	5,977
Expenses not deductible for tax purposes	**27,157**	21,984	**283**	317
Withholding and foreign tax	**7,729**	9,020	**-**	-
Income not subject to tax	**(27,830)**	(43,774)	**(5,453)**	(6,291)
Deemed tax credit	**248**	300	**-**	-
Utilisation of previously unrecognised tax losses	**(7,849)**	(16,499)	**(3)**	(3)
Under provision in previous years	**7,113**	11,877	**-**	-
Other adjustments and timing differences	**21,009**	22,499	**-**	-
Penalty interest	**12,733**	16,516	**-**	-
Tax losses for which no deferred income tax was recognised	**6,782**	5,804	**-**	-
Charged to profit or loss	**66,593**	78,976	**-**	-

20 OPERATING PROFIT

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
The operating profit is arrived at:				
after crediting:				
Other operating income	**2,511**	2,077	**-**	-
Interest income	**14,301**	13,321	**-**	-
Net foreign exchange transaction gains	**27,347**	47,766	**-**	-
after charging:				
Assets written off	**10,592**	-	-	-
Cost of sales	**1,209,817**	1,212,078	**-**	-
Operating expenses	**1,245,038**	1,206,947	**-**	-
Administrative expenses (Net of allocation)	**719,441**	765,763	**1,852**	1,776

20 OPERATING PROFIT (continued)

(a) The expenses disclosed below have been included in operating expenses and administrative expenses:

	THE GROUP	
	2016	2015
	MUR'000	MUR'000
Depreciation - owned assets	**379,720**	375,757
- leased assets	**18,398**	19,700
Amortisation of intangible assets	**47,175**	46,332
Staff costs - Note 1	**907,676**	889,494

Note 1:

Staffs costs for the Company amounting to MUR 158.3 million for the year ended December 31, 2016 have been allocated to other companies in the Group (2015: MUR 153.4 million).

21 CLOSURE COSTS

	THE GROUP	
	2016	2015
	MUR'000	MUR'000
Staff costs	**33,978**	-
Operating expenses	**18,832**	-
	52,810	-

This represents closure costs incurred due to extension and major renovation of Constance Belle Mare Plage Hotel.

22 FINANCE COSTS

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	MUR'000	MUR'000	**MUR'000**	MUR'000
Interest expense				
- Bank overdrafts	**37,502**	15,937	**11**	296
- Bank and other borrowings repayable by instalments	**264,826**	263,985	-	-
- Other interests	**11,846**	2,514	**-**	21
	314,174	282,436	**11**	317
Less: amount included in the cost of qualifying assets	**(5,131)**	-	**-**	-
Total borrowing costs	**309,043**	282,436	**11**	317

23 (LOSS)/EARNINGS PER SHARE

		THE GROUP		THE COMPANY	
		2016	2015	**2016**	2015
(Loss)/profit attributable to equityholders	MUR'000	**(9,197)**	104,085	**34,487**	39,849
Number of ordinary shares in issue	(thousands)	**55,923**	55,923	**55,923**	55,923
(Loss)/earnings per share	MUR	**(0.16)**	1.86	**0.62**	0.71

24 NOTES TO THE STATEMENTS OF CASH FLOWS

(a) **Bank balances and cash**

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Cash and cash equivalents	**73,162**	92,110	**-**	-
Bank overdrafts (Note 15)	**(515,075)**	(396,955)	**(431)**	(952)
	(441,913)	(304,845)	**(431)**	(952)

(b) **Non-cash transactions**

	THE GROUP	
	2016 MUR'000	2015 MUR'000
Acquisition of property, plant and equipment using finance lease	**20,912**	18,295

25 COMMITMENTS

	THE GROUP	
	2016 MUR'000	2015 MUR'000
(a) **Capital commitments**		
Capital expenditure contracted for at the end of the reporting date but not recognised in the financial statements is as follows:		
Property, plant and equipment	**31,677**	40,626

(b) **Operating lease - where the Group is lessee**

The Group leases land under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses, and renewal and lease extension rights. The lease renewals are at the specific entity that hold the lease.

There are no purchase options attached to the lease. There are no restriction imposed on the Group by the lease arrangements other than in respect of the specfic land being leased.

25 COMMITMENTS (continued)

The future aggregrate minimum lease payments under the non-cancellable operating leases are as follows:

	THE GROUP	
	2016 MUR'000	2015 MUR'000
Not later than one year	**177,871**	170,393
Later than one year and not later than five years	**915,891**	831,236
Later than five years	**3,658,528**	3,897,104
	4,752,290	4,898,733

26 CONTINGENCIES

	THE GROUP	
	2016 MUR'000	2015 MUR'000
(a) **Contingent liabilities**		
Bank guarantees to third parties	**1,046**	276

27 RELATED PARTY TRANSACTIONS

	Sale of goods and services		Purchase of goods and services		Management fees/ Financial income/(charges)		Amount due to/(from)	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000	**2016 MUR'000**	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
THE GROUP								
Enterprises common shareholders	**-**	-	**(50,752)**	(26,815)	**(3,685)**	(2,667)	**(14)**	(27)
Associated companies	**1,552**	1,572	**(230)**	(230)	**101,168**	107,077	**292,434**	389,482
THE COMPANY								
Subsidiary company	**-**	-	**-**	-	**-**	**-**	**8,388**	13,981
Associated companies	**-**	-	**(230)**	(230)	**-**	(20)	**(756)**	(794)

27 RELATED PARTY TRANSACTIONS (continued)

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Key management personnel compensation:				
Short term employee benefit	**124,622**	114,789	**385**	365
Post employment benefit	**4,983**	2,374	**-**	-
Retirement benefit	**3,614**	-	**-**	-
	133,219	117,163	**385**	365

The amounts receivable and payable in respect to related parties have maturity within one year. No provisions are held against receivables from related parties.

Related party transactions have been made in the normal course of business.

28 SEGMENT REPORTING

(a) The Group has no significant reporting segment separate from the hotel industry.

(b) **Geographical information**

	Revenues from external customers		Non-current assets	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
THE GROUP				
Mauritius	**1,675,147**	1,715,111	**5,293,067**	4,619,189
Maldives	**1,957,443**	2,030,610	**4,224,357**	4,440,560
Total	**3,632,590**	3,745,721	**9,517,424**	9,059,749

The Group's customer base is diversified, with no individual significant customer.

Profile of Directors and Senior Officers

DIRECTORS

George J. Dumbell (68) - Independent director, Chairman

Appointed director in December 2005 and Chairman in January 2006

Mr Dumbell is an Associate of the Chartered Institute of Bankers (UK) with over 48 years of financial and commercial experience, including 34 years in various senior management positions, within the HSBC Group, across the Globe. In 1994, he was seconded for two and a half years to Eurochambres, Association of European Chambers of Commerce and Industry, in Belgium, as Deputy Secretary General and Managing Director of its business arm; an organisation representing over 14 million companies across western, central and eastern Europe. Mr Dumbell is a former director of several financial institutions in Asia and Europe, and of a number of listed companies in Mauritius. He sat on the founding board of the Mauritius Institute of Directors, and is currently a fellow of this Institute and member of its Directors' Forum. In 2003 he undertook a two-year consultancy contract with the Mauritius Commercial Bank Ltd in the field of Risk Management. Mr Dumbell is currently a director of the ChrysCapital Group of Companies.

Directorships in other companies listed on the official market of the Stock Exchange of Mauritius Ltd:

Belle Mare Holding Ltd

Nicolas Boullé (57) – Non-executive director

Appointed in 2014

Notary qualified and practicing since 1990. Me Boullé has worked in close collaboration in the first instance with Me Pierre Doger de Spéville and thereafter with Me Jacques Montocchio until 2002. Me Boullé now practices independently but in close collaboration with three other colleagues.

Directorships in other companies listed on the official market of the Stock Exchange of Mauritius Ltd:
Belle Mare Holding Ltd

Marc Freismuth (65) - Independent director

Appointed in 2007

Mr Freismuth holds an MPhil degree in Economics from the Sorbonne (Paris) and an *agrégation* in Economics and Management. He was a lecturer at the University of Montpellier (France) until July 1988, when he decided to join the University of Mauritius as Lecturer of Management and Finance until July 1994. While in the latter post, Mr Freismuth participated in the setting-up of the Stock Exchange of Mauritius as consultant to the Stock Exchange Commission and member of the Listing Committee. He taught Hospitality Management at the University of Réunion from 2000 to 2005. Since this date, he is working as a private consultant in management and finance. He is also a director of several other listed and non-listed companies.

Directorships in other companies listed on the official market of the Stock Exchange of Mauritius Ltd:

Belle Mare Holding Ltd
The United Basalt Products Ltd.

Jean Juppin de Fondaumière (63) – Non-executive director

Appointed in 2007

Mr Juppin de Fondaumière qualified as a Chartered Accountant in Edinburgh and held various managerial positions in the fields of audit and merchant banking at Price Waterhouse, Kleinwort Benson, and Security Pacific in Australia between 1980 and 1992. He retired as Chief Executive of the Swan Group on 31 December 2006 after 15 years with the Group. He is a director of a number of companies involved in economic activities varying from agriculture and commerce to finance and tourism operating in Mauritius and the region. He is a past Chairman of the Stock Exchange of Mauritius and is a member of a number of audit and corporate-governance committees.

Directorships in other companies listed on the official market of the Stock Exchange of Mauritius Ltd:
Alteo Ltd
Lux Island Resorts Ltd

Clément D. Rey (47) – Group Head of Corporate Affairs, executive director

Appointed in 2004

Mr Rey holds a Bachelor's and a Master's degree in Business Law from the United Kingdom. Before joining the Constance Group as Group Head of Corporate Affairs, he held a similar position within the Ciel Group, one of the largest industrial groups in Mauritius. In his present capacity, he has overall responsibility for corporate transactions and regulatory matters relating

DIRECTORS (continued)

to the member companies of the Constance Group. He is a director of a number of companies in the commercial and financial sectors and is a member of various Board committees.

Directorships in other companies listed on the official market of the Stock Exchange of Mauritius Ltd:
Belle Mare Holding Ltd.

Jean Ribet (57) - Group Chief Executive Officer, executive director
Appointed in 2007
Mr Ribet is a member of the South African Institute of Chartered Accountants and holds a Bachelor of Commerce degree. He joined the Constance Group as Group Financial Controller in 1991. He was appointed Group Chief Executive Officer in 2004 and has overall responsibility for the agro-industrial, tourism and investment activities of the Constance Group.

Directorships in other companies listed on the official market of the Stock Exchange of Mauritius Ltd:
Belle Mare Holding Ltd
IBL Ltd

Louis Rivalland (46) - Non-executive director

Appointed in 2007

Mr Rivalland holds a Bachelor's degree in Actuarial Science and Statistics, a Post Graduate Diploma in Strategy and Innovation from SAID Business School, University of Oxford and is a Fellow of the Institute of Actuaries of the United Kingdom.

He is currently the Group Chief Executive of Swan General Ltd and Swan Life Ltd. He is a past president of the Joint Economic Council and of the Insurer's Association of Mauritius.

Directorships in other companies listed on the official market of the Stock Exchange of Mauritius Ltd:
Air Mauritius Ltd
New Mauritius Hotels Ltd
Swan General Ltd.

Georgina Rogers (54) – Non-executive director

Appointed in 2010

Mrs Rogers holds a Bachelor of Commerce degree from the University of Natal in South Africa. She practiced as an accountant until 1995 and is now involved in the realisation of real-estate development projects.

Directorships in other companies listed on the official market of the Stock Exchange of Mauritius Ltd:
Belle Mare Holding Ltd.

Colin Taylor (51) – Non-executive director

Appointed in August 2015

Mr Taylor holds a BSc (Hons) in Engineering with Business Studies from Portsmouth University and MSc in Management from Imperial College London. He joined Taylor Smith and Company in 1990 as project Manager and was appointed Managing Director in 1994. From 1999 to 2004, he was Executive Director of Rogers' Engineering Cluster. He is presently Chief Executive of the Taylor Smith Group and the Honorary Consul of Sweden in Mauritius.

He is also a member of the Board of the Mauritius Chamber of Commerce and Industry.

Directorships in other companies listed on the official market of the Stock Exchange of Mauritius Ltd:

CIM Financial Services Ltd

Noël Adolphe Vallet (51) - Non-executive director

Appointed in 1999

After studying Management in South Africa, Mr Vallet gained professional experience in the UK before returning to Mauritius to take up the position of manager of Fleurs des Tropiques Exports Ltée, a company which was then part of the Constance Group. He held that position for two years before moving on to a number of other Management functions within the Group. He was responsible, as Project Manager, for setting up Mauritius's sugar museum, L'Aventure du Sucre. He left the Group in 2006 and now runs his own business in the events industry, as Managing Director of Bedouin Tents and Rocket Fireworks. Mr Vallet is very involved in sports activities and holds positions of responsibility in a few clubs and associations.

Directorships in other companies listed on the official market of the Stock Exchange of Mauritius Ltd:
Belle Mare Holding Ltd.

SENIOR OFFICERS

Kevin Chan Too (39) – Constance Group Head of Finance

Mr Chan Too is a Fellow of the Association of Chartered Certified Accountants. He joined the Constance Group in 2007 as Group Financial Accountant and is currently its Group Head of Finance with main responsibility for finance, accounting, treasury and internal control. Prior to joining the Constance Group, Mr Chan Too held various finance and accounting positions within listed companies dealing in the property, finance and investment sectors.

Siegfried Espitalier Noël (48) - Chief Marketing Officer of CHSL

Mr Espitalier Noël holds a MSc in International Hospitality Management at the Oxford Brookes University in the United Kingdom.

As Chief Marketing Officer, he is responsible for the Marketing and Commercial activities of the Constance Hotels and Resorts Group.

Andrew Milton (50) – Chief Operations Officer of CHSL

Mr Milton is the Chief Operations Officer (COO) Constance Hotels and Resorts. He is responsible for the operational, HR and financial activities of the Constance Hotels and Resorts Group. Holder of a BSc Institutional Management, Cardiff university and later studied Finance (INSEAD), Leadership at (IMD) and Asset Management (Cornell).

Mr Milton started his career in Abu Dhabi with Hilton Hotels and has held positions in London, Cannes arriving in Mauritius in 1995. He has held leadership positions with Beachcomber and Sun International before joining Constance Hotels and Resorts as the opening General Manager of Constance Lémuria Seychelles in 1999.

In July 2002, he became General Manager of the Constance Prince Maurice while retaining operational responsibility for the Constance Lémuria Seychelles and Constance Tsarabanjina Madagascar, and championed the re-branding of the latter in 2006.

After repositioning the One & Only Le St Géran for a period of 5 years Mr Milton rejoined Constance Hotels and Resorts as Chief Operations Officer in 2012.

Jean-Jacques Vallet (48) – Chief Executive Officer of CHSL

Mr Vallet holds a *Maîtrise en sciences et gestion* (MSG) and a post-graduate degree (DESS) in the fields of management science, logistical operations and industrial management. As Chief Executive Officer he is responsible for the overall planning, direction and control of the operations, resources and administration of the Constance Hotels and Resorts Group. He was also the President of AHRIM, the Association of Hotels and Restaurants in Mauritius, for the periods 2003-2004 and 2011-2012.

Proxy Form

I/We

of

being a member of Hotelest Limited, hereby appoint

or failing him/her,

as my/our proxy to vote for me/us and my/our behalf at the Annual Meeting of the Company to be held on Wednesday, 7 June 2017 at 10.30 a.m. and at any adjournment thereof.

I/We desire this proxy to be used (see Note 1) as follows:

		For	Against	Abstain
3	To adopt the Audited Financial Statements of the Company and the Group for the year ended December 31, 2016.			
4	To authorise the Board of Directors to fix the remuneration of the external auditors, BDO & Co, who have expressed their willingness to continue to act as external auditors of the Company and will be automatically reappointed.			
5	By separate resolutions and in accordance with article 21.2 (1) of the Constitution of the Company, to re-elect the following persons who, retiring by rotation, offer themselves for re-election as directors of the Company: a) Mr George J. Dumbell b) Mr Jean Juppin de Fondaumière c) Mr Marc Freismuth			

Dated this day of 2017

Signature(s)

Notes

1 *Please mark in the appropriate box how you wish to vote. If no specific direction as to voting is given, the proxy will exercise his discretion as to how he votes or whether or not he abstains from voting.*

2 *This instrument appointing a proxy, any general power of attorney or written resolution appointing a representative should reach the Company Secretary, at the registered office of the Company, 5th Floor, Labama House, 35 Sir William Newton Street, Port Louis, not less than twenty four hours prior to the time scheduled for the meeting, i.e., by 10:30 am on Tuesday, 6 June 2017. In default, the instrument of proxy shall not be treated as valid.*

For the purpose of this Annual Meeting, the Directors have resolved in compliance with section 120 of the Companies Act 2001, that the shareholders who are entitled to receive notice of the meeting and attend such meeting shall be those shareholders whose names are registered in the share register of the Company as at 12 May 2017.

Notes

Notes

Hotelest Limited

Registered Office

5th Floor, Labama House

35 Sir William Newton Street

Port Louis

Telephone: (230) 212 4173 / 4

Facsimile: (230) 208 8295

Email: admin@constancegroup.com