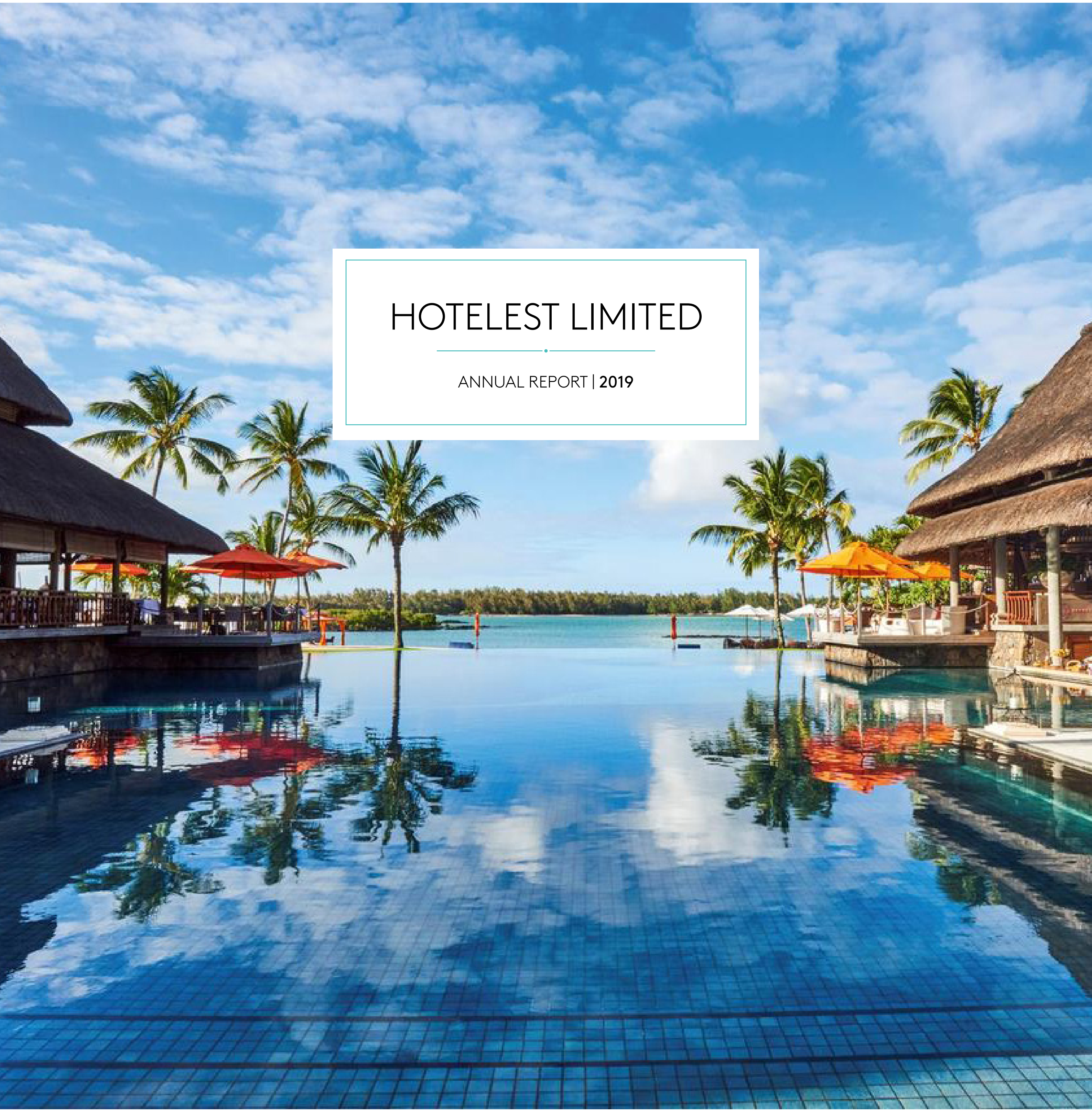


HOTELEST LIMITED

ANNUAL REPORT | **2019**

Contents

Dear Shareholder,

The effects of the global COVID-19 pandemic significantly disrupted our Company's reporting calendar, causing a delay in the presentation of its Annual Report and Audited Financial Statements for the year ended 31 December 2019.

The Board of Directors is pleased to present the Annual Report 2019 of Hotelest Limited which was approved on 30 June 2020.

George J. Dumbell *(s)*
Chairman

Jean Ribet *(s)*
Executive Director
Constance Group Chief Executive Officer

1. Key Financial Results and Ratios

The Group		**31-Dec-19**	Restated 31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Statement of Profit or Loss						
Revenue		**3,516,913**	3,747,479	3,766,189	3,632,590	3,745,721
Operating and other expenses		**3,077,959**	3,298,816	3,376,093	3,140,729	3,121,624
Operating profit		**438,954**	448,663	390,096	491,861	624,097
Profit for the year		**(138,766)**	204,676	72,603	1,014	227,806

		31-Dec-19	Restated 31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Statement of Financial Position						
Total assets		**15,517,255**	12,463,707	12,176,050	10,830,081	10,317,883
Owners' interest		**3,045,601**	3,079,703	2,906,445	2,262,324	2,334,287
Total borrowings		**5,375,496**	5,243,597	5,284,848	5,299,687	4,708,557
Ratios						
Net asset per share	MUR	**54.46**	55.07	51.97	40.45	41.74
(Loss)/earnings per share	MUR	**(1.34)**	1.76	0.47	(0.16)	1.86
Share price	MUR	**23.20**	30.85	30.75	31.00	31.00
Volume of shares traded		**330,326**	21,823,389	124,324	1,804,236	3,679,389

2. Report of the Directors

Dear Shareholder,

The Directors of Hotelest Limited (Hotelest) are pleased to report on the Company's performance for the year ended 31 December 2019.

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 Mauritius, the Seychelles and Madagascar.

Year in Review

2019 proved to be a more difficult year than anticipated, with the disappointing performances of CHSL's hotels in Mauritius, where a decline of 1.1% in arrivals was reported - more significantly during the peak season - and controlled air-access remained a drawback for the 5* segment; and in the Maldives, where, in spite of a 14.7% gain in arrivals, continual increases in supply keep outpacing growth in demand. On the upside, CHSL's hotels in the Seychelles continued to perform well, with this market recording a steady increase of 6.2% in tourist arrivals and where an ongoing liberal open-sky policy is providing immense benefits to its Tourism Industry; Also, CHSL's outlook for 2020 was cautiously optimistic with forward bookings for the first six months of the year, for all its hotels, being very encouraging.

COVID-19

Unfortunately, the positive signs were very quickly overshadowed by the Covid-19 pandemic, which ravaged across the world, early this year, wreaking havoc on human life, economies and industries, including the global tourism industry. The pandemic has not only put an end to 11 years of unparalleled growth in the hospitality sector but it has dramatically brought consumer travel around the world to a complete halt, with nationwide curfews and lockdowns, social distancing, flight suspensions and closure of borders, with no clear visibility when they would be lifted. In the face of these unprecedented and extraordinary road blocks, CHSL had to close all eight of its hotels across the region, causing unmeasurable damage to its business, with no revenue stream and notable overheads to carry.

CHSL was quick to set-up a Crisis Committee to put into action its disaster preparedness and business continuity plan, appropriately adjusted, to help it navigate through this exceptional crisis and mitigate some of the more significant adverse commercial and financial challenges expected in both the short and longer terms. Its initial focus was on protecting its employees and guests but it was soon addressing measures required to minimise the devastating repercussions to revenue, supply chains and source markets, followed by the establishment of various business recovery scenarios:

I. Implement all health and social directives initiated by the Governments in the jurisdictions in which it operates, to protect its employees, guests and other relevant stakeholders against Covid-19.

II. Manage the effective closures of its hotels and reduce to a minimum operational and HR costs.

III. Prioritise expenditures by delaying or removing non-essential expenses be it maintenance, property improvements or capital projects.

IV. Hold Strategic Planning meetings with its key stakeholders – Government, bankers, Hotel Associations, suppliers, tour operators, employees, guests - to determine actions to be taken in terms of ongoing financial and operational support, financial relief measures and others, with great emphasis on safeguarding jobs.

V. Prepare new pricing, marketing and operational models as well as review and adopt ongoing World Health Organisation and relevant authorities' Health & Safety protocols to be able to respond effectively to the rebound, when it comes.

VI. Maintain regular and open communication with its strong base of repeat guests and solid network of partners and supporters.

VII. Put in place different business recovery scenarios for reopening its properties as soon as optimum conditions are met; not knowing when the countries where it operates will reopen their borders nor when guests from its main source countries will be allowed to travel again.

2. Report of the Directors (continued)

COVID-19 (continued)

The Governments of Mauritius and the Seychelles responded positively with monetary and fiscal support, such as their Wage Assistance Scheme, which has avoided large scale redundancies. Furthermore, CHSL's Crisis Committee is working in close collaboration with the Mauritian Authorities, the Company's providers of Finance and major Shareholders to finalise a number of specific relief measures to meet the Company's cash flow and working capital requirements; and amongst others, the restructuring of its debts, obtaining additional facilities, adopting further cost containment measures and applying to the Mauritius Investment Corporation Ltd for participation in their financial support scheme.

CHSL is certainly not alone in this catastrophic situation, every company in the hospitality industry, worldwide, is affected. It is therefore, imperative that all stakeholders continue to work closely together to bring about a quick and effective recovery. At the time of writing, we still cannot precisely predict how long this untimely and unimaginable situation will last and when CHSL's principal source markets will permanently reopen their borders. This will depend on how quickly the virus can be contained across the globe.

Since the 1st August 2020, the Seychelles and Maldives have re-opened their borders. This has enabled CHSL to reopen one hotel in each jurisdiction. However, with an inconsequential movement of arrivals, its revenue stream, in the overall context, has been negligible. CHSL is, also, still working on the terms of the foregoing financial support measures as well as urging the Government of Mauritius to reopen its borders, without further delay, albeit with effective health and safety protocols in place. The latter is of the utmost urgency and of prime importance for Mauritius, which has well managed and contained the Coronavirus, as this will enable the local industry to partially benefit from its crucial high season, running from November to March, and avoid losing a substantial share of the regional business to the Seychelles and Maldives. We strongly believe that without such action and support the industry, in general, and CHSL, in particular, will face insurmountable challenges to weather the storm and recuperate when the industry makes a comeback.

Results

Occupancy for CHSL's hotels, owned and managed, was 67% (2018: 68%) with an improved RevPAR of MUR 10,391 (2018: MUR 10,217) and TrevPAR of MUR 17,037 (2018: MUR 16,680).

In-the-midst of a challenging business environment, the Group achieved revenue of MUR 3,517 million (2018: MUR 3,747 million). With the introduction of IFRS 16 - Leases and the Group's decision to apply the standard as from 01 January 2019, EBITDA for the year amounted to MUR 983 million compared to MUR 906 million in 2018. Depreciation and finance costs were adversely impacted by the new standard on leases.

As a result of the appreciable performance from CHSL's Seychelles and Madagascar operations, the Group posted a share of results from associated companies of MUR 93 million.

After accounting for the impact of IFRS 16, a provision for impairment of MUR 88 million and pre-opening expenses of MUR 42 million, the Group booked a pre-tax loss of MUR 142 million. Loss for the year was MUR 139 million (2018 restated : MUR 205 million).

Dividend

The Company did not declare a dividend for 2019 (2018: MUR 0.46 per share and total dividend pay-out: MUR 25.72 million).

Acknowledgement

In closing, we would like to express our appreciation for the solidarity, resilience and responsibility demonstrated by the Company's Directors and Management Team during these very difficult and challenging times.

We thank Messrs Jean de Fondaumière and Colin Taylor, who have stepped down from the Board for their valuable contribution during their term of office. We welcome Mr Jean-Jacques Vallet, who joined the Board on 01 January 2020.

We recognise with gratitude the ongoing trust and support shown by our Shareholders and other stakeholders across the industry.

George J. Dumbell *(s)*
Chairman

Jean Ribet *(s)*
Executive Director
Constance Group Chief Executive Officer

3. Corporate Governance Report

3.1. Statement of Compliance

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

Name of Public Interest Entity (PIE): Hotelest Limited

Reporting Period: 01 January 2019 to 31 December 2019

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

Principle	Areas of Non-Application	Reason for Non-Application
Principle 2: The Structure of the Board and its Committees	**Committees:** Appropriate Board committees may be set up to assist the Board in the effective performance of its duties.	No Audit and Risk Management Committee and Corporate Governance Committee have been established at the level of Hotelest Limited since the company's sole business consists of an investment in Constance Hotels Services Limited, which is equipped with fully fledged systems of corporate governance. However, a Nomination & Remuneration Committee has been set up. Corporate Governance and Audit (Risk Management) matters proper to the Company are taken up at Board level.
Principle 3: Directors' Appointment Procedures	Directors should be elected on a regular basis at the annual meeting of shareholders.	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. Furthermore, in accordance with its Constitution not more than one third of the Directors in office retire at every Annual Meeting – the latter being eligible for re-election.

Signed by

George J. Dumbell *(s)*
Chairman

Jean Ribet *(s)*
Executive Director
Constance Group Chief Executive Officer

30 June 2020

3.2. Statement on Corporate Governance

Hotelest Limited is a public company listed on the DEM Market of the Stock Exchange of Mauritius Ltd and is a Public Interest Entity as defined under the Financial Reporting Act 2004, as amended.

In line with its Statement on Corporate Governance, Hotelest Limited is engaged in adhering to the National Code of Corporate Governance for Mauritius (2016) ("The Code"), issued by the National Committee on Corporate Governance and in upholding standards of corporate governance, through company-wide awareness of its business ethics and the stewardship and supervision of its Management by the Board of Directors ("Board") and Committee of the Board.

The National Code of Corporate Governance for Mauritius (2016), effective from the financial year beginning 01 July 2017, moved towards an "Apply and Explain" basis with eight core principles. The Board acknowledges that the Company has, throughout the year ended 31 December 2019, complied with all the requirements of the National Code of Corporate Governance for Mauritius (2016), as described by the Corporate Governance Report of the Company, except for areas mentioned on page 6 of this Annual Report.

Moreover, due to the nature of the Company's business, which is to hold only one investment some of the core principles of the Code may be irrelevant, the more so that, strict adherence to the Code is observed by its subsidiary Constance Hotels Services Limited (CHSL).

This report, along with the Annual Report, is published in its entirety on the Company's website: www.hotelestmu.com

We encourage our shareholders to opt for the electronic version of the Annual Report. Should you decide to do so, please send us an email on admin@constancegroup.com.

3.3. Governance Structure

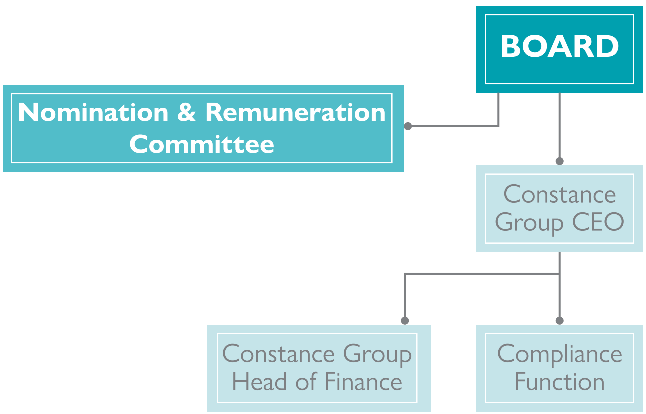
3.3.1 Company Constitution

There are no clauses of the Company's Constitution deemed material enough for special disclosure. A copy of the Constitution is available for consultation on the website.

3.3.2 Governance Framework

The Board is ultimately responsible and accountable for leading and controlling the Company, in accordance with the terms of reference outlined in the Board Charter, and meeting all legal and regulatory requirements. The Board acts in the best interests of the Company and its business, whilst taking into consideration the interests of the Company's shareholders and other stakeholders.

Organisational Chart



3.3. Governance Structure (continued)

The following documents have been approved by the Board:

- Board of Directors Charter
- Committee Charter
- Codes and Policies
- Organisational Chart
- Statement of Major Accountabilities
- Position Statements of the Key Senior Governance Positions

3.3.3 The Board

Board Structure

The Board structure, underpinned by related Charters, Policies and Codes, consists of the Board of Directors, the Nomination & Remuneration Committee and the Company Secretary.

Key Responsibilities of the Board

The Board's key responsibilities include, inter alia, overseeing the implementation thereof at CHSL Level. These include:

- Assume responsibility for leading and controlling the organisation;
- Determine and approve the Company's Strategic objectives, Vision and Core values and monitoring the implementation and performance thereof;
- Assume responsibility for the Company's overall governance practices and risk governance framework;
- Determine the nature and extent of the principal risks the Company is willing to take in achieving its strategic objectives;
- Assume responsibility for the preparation of accounts that fairly present the state of affairs of the Company;
- Review and approve financial and non-financial plans including but not limited to annual budgets and performance against them;
- Oversee the Information, Information Technology (IT) and Information Security Governance within the Company and ensure that the performance of the information and IT systems leads to business benefits and creates value;
- Oversee compliance with Data Protection Legislation and Policy, within the Company;
- Ensure the establishment of an appropriate system of corporate governance, risk management, internal control, policies, charters, codes and compliance with laws and regulations and continuously monitor exceptions deriving therefrom;
- Approve acquisitions and disposals of assets;
- Assume responsibility for the appointment of Directors to the Board and Board Committee;
- Assume responsibility for the induction of new Directors to the Board;
- Approve the job description of Key Senior Governance Positions;
- Monitor the performance of Management and Key Senior Governance Positions and establish a clearly-defined structure for delegation of authority and succession;
- Assume responsibility for Board succession planning;

3.3. Governance Structure (continued)

- Disclose, state, explain and affirm in the Annual Report, the Company's compliance, or otherwise, with the National Code of Corporate Governance for Mauritius (2016), in respect of each of its eight principles.
- Ensure that the Company's website contains, where appropriate and relevant, the disclosures required by the National Code of Corporate Governance for Mauritius (2016).

The Board has delegated certain of its powers to its Board Committee and Executives, in accordance with a number of enactments, notably the Companies Act 2001, Rules of the Stock Exchange of Mauritius, the National Code of Corporate Governance for Mauritius (2016) and Company Policies, which are outlined in the Company's Codes and Charters.

Types of Directorship

Our team of Directors is a strong source of internal and external knowledge, experience, advice and judgement. The Company has a mix of Executive, Non-executive and Independent Directors.

Board Size and Composition

The Company's Articles of Association stipulates that the Board shall consist of not less than eight Directors and not more than eleven Directors. Board members must be duly qualified as specified, in the Companies Act 2001 and related Regulations, Charters and Policies. In addition, the National Code of Corporate Governance recommends that a Board should have at least two Independent Directors and two Executive Directors.

The Company is managed by a unitary Board. At year end, the Board consisted of two Independent, five Non-executive, including one female Director and two Executive Directors. The Chairman is an Independent Director.

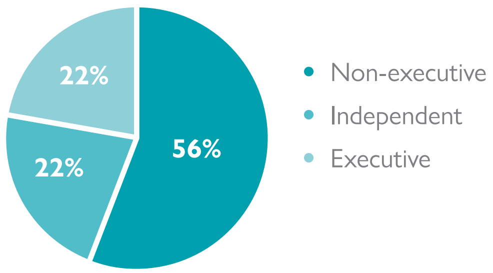
Considering the nature of the Company's operations, the Board, under the recommendations of the Nomination & Remunerations Committee, reviewed its current size and composition while maintaining the right balance of skills, professional and sectoral know-how and experience, as well as the required independence for maintaining focus and enabling effective decision-making.

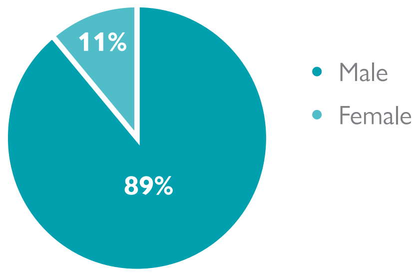
The proposed Board composition, which takes effect as from 01 January 2020, satisfies the needs of the Board and its Committee, given their responsibilities and the nature of the Company. It also ensures that the workload is appropriately shared and enables optimum communication and interaction among the Directors.

Detailed information about the Company's Directors and Company Secretary is disclosed under section 3.3.7.

Board Composition by Type of Directorship and Gender

(as at 31 December 2019)





3.3. Governance Structure (continued)

Independence of the Chairman and Independent Director

The Board is of the opinion that term limits are a blunt tool and that, without flexibility, they eliminate both effective and non-effective Directors. The Board, therefore, believes that it must retain discretion to preserve vital institutional memory of its high-performing and contributing members, and therefore, does not stipulate limitations on the consecutive directorship terms of its Independent Directors, including that of its Chairman.

The Board is also of the opinion that the current Chairman and its other Independent Director continue to exercise totally independent judgement in the discharge of their respective responsibilities as Independent Directors; nor are there relationships and circumstances that have affected or appear to have affected their judgement during the year under review. Neither the current Chairman nor the other Independent Director have any material pecuniary relationship with the Company nor were, or are, promoters of the Company or its Holding, subsidiaries or associate companies. In addition, they are independent in character and bring considerable skills, know-how, expertise and stability to the Company, which the Board considers key and essential. These Directors play a critical role in improving corporate credibility, governance standards, risk management and acting as independent watchdogs.

3.3.4 Statement of Major Accountabilities

Separation of Roles and Responsibilities

There is a clear separation of responsibilities between the Chairman of the Board and the Constance Group Chief Executive Officer ("Constance Group CEO"). The Chairman has the overall responsibility to lead and ensure the effectiveness of the Board, which considers and approves the Company and its subsidiary's overall strategy, policies, codes and charters and financial objectives. The Constance Group CEO is responsible for managing and leading the business of the Company and its subsidiary and for implementing the strategy and policies defined by the Board.

The Position Statements for the Chairman, Constance Group CEO, and other Key Senior Governance Positions are available for consultation on the Company's website.

Chairman

The Chairman has the responsibility to ensure the smooth and efficient functioning of the Board and its Committee, to see to it that corporate governance matters are dealt with, to represent the Group externally and, particularly, to communicate with shareholders at their Annual Meeting. Working closely with the Constance Group CEO, the Constance Group Head of Investments and Development 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.

Constance Group CEO

The Constance Group CEO has the responsibility to make recommendations to the Board. He is responsible for providing direction to the executive team. He works closely with the Constance Group Head of Finance and the Compliance function.

Other Key Senior Governance Positions

Apart from the position of Constance Group CEO, the Board has clearly identified the following other Key Senior Governance Positions: Constance Group Head of Finance and the Compliance function. The job descriptions for these positions have been approved and are monitored and reviewed on a yearly basis by the Nomination and Remuneration Committee.

Directors

The Directors of the Company observe and foster high ethical standards and a strong ethical culture in the organisation, and are fully aware of their general and specific responsibilities and legal duties (refer to 3.5.1).

3.3. Governance Structure (continued)

Company Secretary

The Company Secretary, provides advisory services to the Board on legal, regulatory and Corporate matters. In addition, the Company Secretariat facilitates the induction of directors and assists them in fulfilling their duties and ensures effective communication to the Board and ultimately to shareholders.

The function of the Company Secretary is outsourced to La Gaieté Services Limited, represented by Mrs Marie-Anne Adam and Mr Yan Béchard. Both are associate members of the Institute of Chartered Secretaries and Administrators (ICSA) and, as such, are qualified to act as Company Secretary.

3.3.5 Committee of the Board

Constitution of Board Committee

The Board considers that audit, risk and corporate governance matters are adequately covered by the committees of its operational subsidiary, Constance Hotels Services Limited. Due to the nature of the Company's business and since those matters proper to the Company are taken at the Company's Board level, the establishment of Audit (Risk Management) and Corporate Governance Committees for the Company are not justified.

A Steering Committee was established early in 2018 to review the implications of the National Code of Corporate Governance for Mauritius (2016) and, in conjunction with an outside Consultant, drive forward the implementation of the Code. During the year under review, the Steering Committee addressed the following matters:

1. Ongoing conduct of Gap analysis;
2. Review Policies, Charters and Codes;
3. Review requirements pertaining to:
    a. Occurrences where Board approval must be sought;
    b. Annual Report and website disclosures;
    c. Non-compliance issues;
4. Presentation and recommendation, to the Board, on the foregoing and on Annual Report.

A Nomination & Remuneration Committee is in place to assist the Directors in the discharge of their duties. The Committee has written terms of reference incorporated in a Charter, which has been approved by the Board and is subject to regular review as dictated by changes in regulations and the Company's environment. The Chairman of the Committee is invited to report during each Board meeting on matters addressed by the Committee. 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.

The Charter of the Committee and the Position Statement of its Chairman are available for consultation on the Company's website.

Nomination & Remuneration Committee	
Member	**Directorship Type**
George J. DUMBELL	Independent, Chairman
Marc FREISMUTH	Independent
Jean RIBET	Executive

3.3. Governance Structure (continued)

Nomination & Remuneration Committee

The Nomination & Remuneration Committee consisted of three Directors (two Independent and one Executive) during the year under review. The Committee directs and monitors Board matters pertaining, inter-alia, to Board composition and nominations, the performance and remuneration of Directors and Senior Executives, and succession planning. All its members are well versed in the fields of corporate governance, human resource, executive development tools, long and short-term incentive models, remuneration strategies, compounded with industry experience.

During the year under review, the Committee met on four occasions and covered the following principal matters related to the Company and its subsidiary:

i. Evaluate nominees for the annual re-election of Directors as well as propose new nominations and make recommendations to the Board;

ii. Ongoing review of the Board's composition and present recommendations to the Board;

iii. Assess the merit of and independent assessment of the Board and Committee appraisal;

iv. Coordinate the Board's and Committee's self-evaluations held every two years, undertake a detailed assessment of the results and make recommendations to the Board and individual Directors on corrective measures to be taken to improve performance;

v. Review the adequacy of the form and adequacy of the remuneration of Directors;

vi. Monitor the Directors' and Senior Officer's Register of Interest/Insiders' Share Dealings/Conflict of Interests and Related Party Transactions;

vii. Ongoing review of the Succession Planning Model for directors;

viii. Establish Board and Committee meeting dates for 2020;

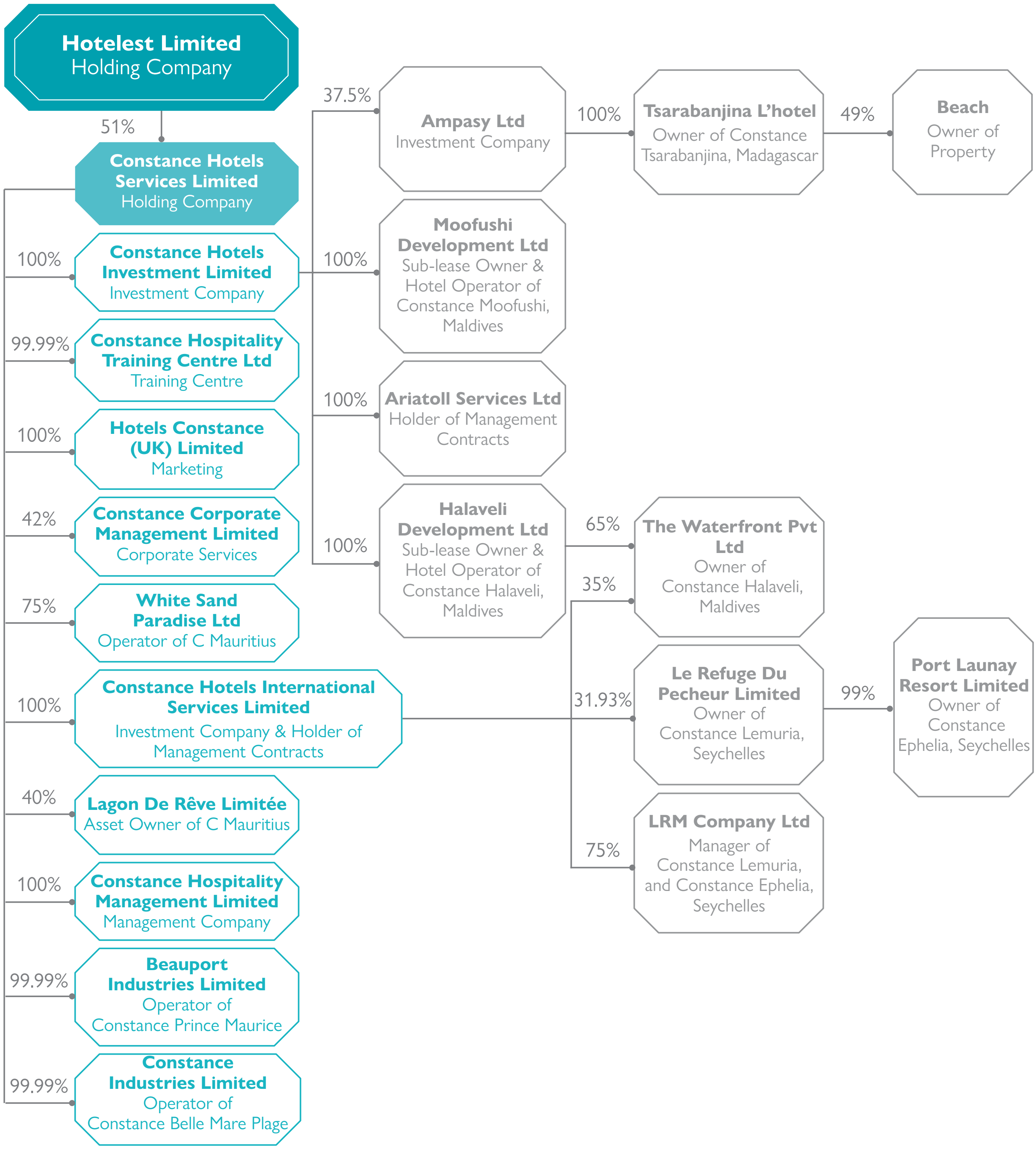
ix. Monitor the Directors' and Officers' Liability Insurance;

x. Review the Position Statements for Senior Governance positions;

xi. Review the Directors Development Programme.

3.3. Governance Structure (continued)

3.3.6 Corporate Structure as at 31 December 2019



3. Corporate Governance Report (continued)

3.3. Governance Structure (continued)

3.3.7 Corporate Information

Directors

Name	Country of Residence	Board Appointment	Assignment
George J. DUMBELL	Mauritius	Independent Chairman	Chairman - Nomination & Remuneration Committee
Nicolas BOULLÉ	Mauritius	Non-executive	
Marc FREISMUTH	Mauritius	Independent	Member - Nomination & Remuneration Committee
Jean JUPPIN DE FONDAUMIÈRE (up to 01 January 2020)	Mauritius	Non-executive	
Clément D. REY	Mauritius	Executive	
Jean RIBET	Mauritius	Executive	Member - Nomination & Remuneration Committee
Georgina ROGERS	Mauritius	Non-executive	
Colin TAYLOR (up to 01 January 2020)	Mauritius	Non-executive	
Jean-Jacques VALLET (as from 01 January 2020)	Mauritius	Non-executive	
Noël Adolphe VALLET	Mauritius	Non-executive	

Committee of the Board

Nomination & Remuneration Committee

Please refer to paragraph 3.3.5 for the composition of the Board committee

Management Team - Constance Corporate Management Limited

Jean Ribet
Constance Group Chief Executive Officer

Clément D. Rey
Constance Group Head of Investments and Development

Kevin Chan Too
Constance 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

Represented by:

Marie-Anne Adam, ACIS and
Yan Béchard, ACIS

Share Registry and Transfer Office

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

Auditors

External
(For the Financial year ended 31 December 2019)

BDO & Co.
Chartered Accountants
10 Frère Félix de Valois Street
Port Louis
Partner: Ameenah Ramdin, FCCA, ACA

To be appointed at the forthcoming Annual Meeting:
Ernst & Young Mauritius
Chartered Accountants
Level 9, Tower 1, NeXTeracom
Cybercity, Ebène
Partner: André Lai

Banker

The Mauritius Commercial Bank Co. Ltd

3.3. Governance Structure (continued)

3.3.8 Profile of Directors and Senior Officer

Directors

George J. Dumbell

Independent Director and Chairman (Age: 71)

Appointed Director in December 2005 and Chairman in January 2006.

Qualifications

- Associate Chartered Institute of Bankers (UK)
- Fellow and Founding Director of the Mauritius Institute of Directors and member of its Directors' Forum
- Former Director of several Financial Institutions in Asia and Europe, and listed Finance and Agricultural Companies in Mauritius.

Experience and Skills

- Over 51 years of financial and commercial experience including 34 years in various Senior Management positions within the HSBC Group across the globe.
- 2½ years of commercial, industrial, project management and political experience as Deputy Secretary General and Managing Director of EuroChambres, Association of European Chambers of Commerce and Industry, headquartered in Belgium and representing over 14 million companies throughout Western, Central and Eastern Europe.
- 2 years in the fields of Corporate Governance and Risk Management with MCB Ltd.
- 14 years of experience in the hospitality and tourism Industries with the Constance Hotels, Resorts and Golf Group.

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

- BMH Ltd
- Constance Hotels Services Limited
- Constance La Gaieté Company Limited

Nicolas Boullé

Non-executive Director (Age: 60)

Appointed in January 2014.

Qualifications

- Qualified Notary

Experience and Skills

- 29 years of experience as a Notary.

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

- BMH Ltd
- Constance Hotels Services Limited
- Constance La Gaieté Company Limited

Marc Freismuth

Independent Director (Age: 68)

Appointed in March 2007.

Qualifications

- MPhil Degree in Economics from Paris-Sorbonne University (France)
- 'Agrégation' in Economics and Management.

Experience and Skills

- Lecturer at the University of Montpellier (France) from September 1977 to July 1988.
- Lecturer in Management and Finance at the University of Mauritius from September 1988 to July 1994.
- Lecturer in Hospitality Management at the University of La Réunion from 2000 to 2005.
- Participated in the setting-up of the Stock Exchange of Mauritius as a consultant to the Stock Exchange Commission and as a member of the Listing Committee (1989 – 1994).
- Currently works as a private consultant in Management and Finance since 2006.
- Fellow Member of the Mauritius Institute of Directors.

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

- BMH Ltd
- The United Basalt Products Ltd

3. Corporate Governance Report (continued)

3.3. Governance Structure (continued)

3.3.8 Profile of Directors and Senior Officer (continued)

Directors (continued)

Clément D. Rey

Executive Director and Constance Group Head of Investments and Development (Age: 50)

Appointed in December 2004.

Qualifications

- Bachelor's degree in Business Law from the UK
- Master's degree in Business Law from the UK

Experience and Skills

- Held the position of Head of Corporate Affairs within the Ciel Group.
- Currently actively involved in investments and corporate transactions relating to the member companies of the Constance Group.
- Director of a number of companies in the commercial and financial sectors and a member of various board committees.

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

- BMH Ltd
- Constance Hotels Services Limited
- Constance La Gaieté Company Limited

Jean Ribet

Executive Director and Constance Group Chief Executive Officer (Age: 60)

Appointed Director in March 2007 and Constance Group Chief Executive Officer in 2004.

Qualifications

- Bachelor of Commerce from the University of Cape Town, South Africa
- Member of the South African Institute of Chartered Accountants

Experience and Skills

- Joined the Constance Group as Group Financial Controller in 1991.
- 15 years' experience as Group Chief Executive Officer within the Constance Group.
- Bears the overall responsibility for the agro-industrial, tourism and investment activities of the Constance Group.

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

- BMH Ltd
- Constance Hotels Services Limited
- Constance La Gaieté Company Limited
- IBL Ltd

Georgina Rogers

Non-executive Director (Age: 57)

Appointed in October 2010.

Qualifications

- Bachelor of Commerce from the University of Natal, South Africa

Experience and Skills

- Practised as an accountant until 1995.
- Involved in the development of real-estate projects.
- Director of a number of companies in the commercial sector and a member of various board committees.

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

- BMH Ltd
- Constance Hotels Services Limited
- Constance La Gaieté Company Limited

3.3. Governance Structure (continued)

3.3.8 Profile of Directors and Senior Officer (continued)

Directors (continued)

Noël Adolphe Vallet

Non-executive Director (Age: 54)

Appointed in July 1999.

Qualifications

- Management from South Africa

Experience and Skills

- 2 years' experience as Manager at Fleurs des Tropiques Exports Ltée.
- As Project Manager, he was responsible for setting up Mauritius' sugar museum, L'Aventure du Sucre.
- Currently runs his own business in the events industry as Managing Director of Bedouin Tents and Rocket Fireworks.
- Currently the Chairman of Compagnie du Mapou Ltée.

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

- BMH Ltd
- Constance Hotels Services Limited
- Constance La Gaieté Company Limited

Senior Officer

Kevin Chan Too

Constance Group Head of Finance (Age: 42)

Qualifications

- Fellow of the Association of Chartered Certified Accountants

Experience and Skills

- Currently responsible for the finance, accounting, treasury and internal control functions of the Constance Group.
- Prior to joining the Constance Group, held various finance and accounting positions in listed companies within the property, finance and investments sectors.

Director to be proposed

Jean-Jacques Vallet

Non-executive Director (Age: 51)

Appointed as Non-executive Director up to the forthcoming Annual Meeting when his appointment will be proposed to the shareholders of the Company.

Qualifications

- Maîtrise en Sciences et Gestion (MSG)
- Postgraduate degree (DESS) in the fields of Management Science, Logistical Operations and Industrial Management
- Advanced Management Program (AMP) from Cornell University

Experience and Skills

- Responsible for the overall planning, direction and control of the operations, resources and administration of Constance Hotels, Resorts & Golf Group.
- Four years Presidency of the Association of Hotels and Restaurants in Mauritius (AHRIM) for the periods 2003-2004 and 2011-2012.

3.4. Appointment Procedures for Directors

3.4.1 Merit and Diversity

All Directors must possess knowledge, capabilities and experience which can benefit the Company's business operations. The Nomination and Remuneration Committee considers the qualifications of the candidates through pre-selection procedures, as mandated in its Charter, and proposes the nominations to the Board for subsequent validation by Shareholders at the next Annual Shareholders' Meeting.

All Directors' profiles are disclosed in the Annual Report, posted on the Company's website, and reflect the diverse skill mix of the Board, including industry knowledge, accounting and finance, management, international business, business strategy, crisis management, corporate governance and law.

3.4.2 Nomination Process and Criteria

Prior to nominating a Director, the Board specifies the required qualifications for the Director, taking into consideration the current composition and skill mix of the Board and the Company's business strategy, going forward.

The process for identifying and selecting director candidate, which is available for consultation on the Company's website, is undertaken by the Nomination & Remuneration Committee. The criteria considered are as follows:

Nomination Criteria

The nominee's reputation, business and personal ethics and integrity, independence of thought and judgement, financial sophistication, and leadership competences.

The nominee's skills, business, personal and professional accomplishments, private sector or sectoral knowledge, and experience, bearing in mind the current state of the Company and the market in which the company is operating.

The extent to which the nominee is prepared to participate fully in Board activities, including Board Committees, and commit to active participation in meetings of the Board and its committees, of which he or she is a member.

The extent to which the nominee can help the Board reflect the culture, diversity and interests of the company and possesses any necessary independence that may be required to meet good corporate governance practices.

The nominee's commitment to increasing shareholder value.

The nominee's ability to meet the qualification criteria prescribed by the Companies Act 2001 and the National Code of Corporate Governance for Mauritius (2016).

In the case that current Directors are being considered for re-nomination, the Nomination Committee will also take into consideration the Director's history of attendance at Board and Committee meetings, the Director's tenure as a member of the Board, the Director's preparation for and contribution to decision making at meetings and the outcome of past Board self-assessments, specific to the said Director.

3.4. Appointment Procedures for Directors (continued)

3.4.2 Nomination Process and Criteria (continued)

Board candidates may be identified from three principal sources:

- The Board's network of contacts, including current members of the Board, Senior Executives of the Company, the Company's advisers and, if it is deemed appropriate, a professional search firm.
- The nomination of candidates by virtue of the Companies Act 2001, which calls for a Special Meeting of Shareholders to be held on the written request of shareholders holding shares carrying together not less than 5 per cent of the voting rights entitled to be exercised on the appointment of a Director.
- The Directors' Register of the Mauritius Institute of Directors.

3.4.3 Induction Programme

The Company has a comprehensive and elaborate Induction Programme for its newly-appointed Directors which comprises the following:

- **Induction Pack** which includes the profile of the Board of Directors, corporate profile, organisational structure, Board Committee Charters, key corporate policies, annual reports, latest financial statements.
- **Induction Meetings** with the Chairman of the Board, the Chairman of the Nomination & Remuneration Committee, and Senior Management
- **Briefings** with the Chairman of the Board, Senior Management and the Company Secretary to cover responsibilities and legal obligations of Directors, the Company's business, business plan and ongoing issues, corporate strategy, industry review, stakeholders, corporate governance and regulatory matters, model code for transaction of securities.
- **Site Visits** of CHSL's properties and facilities.
- **Visit to the Company Secretariat** to review minutes of recent Board meetings, minutes of recent Committee meetings, the Company's Constitution, the Companies Act and relevant legislations in the jurisdictions in which the Company operates, the DEM listing rules, the National Code of Corporate Governance for Mauritius (2016), and the latest Board evaluation report.

3.4.4 Terms of Service of Directors and Re-election

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. The terms of service of Directors is in accordance with the Company's Constitution (Article 21.2), as approved by Shareholders at the 2012 Annual Shareholders' Meeting, whereby, at every Annual Shareholders' Meeting, one-third of Directors (or the number nearest to one-third) shall retire from office and be eligible for re-election. An assessment of the performance of each retiring Director, who makes himself/herself available for re-election is conducted by the Nomination & Remuneration Committee, which submits its recommendations to the Board. In turn, the Board puts forward its appropriate nominations to the shareholders for their approval.

The Company has not set a maximum term of service for Directors to ensure continued stability and effective work.

For a similar reason, there is no term limit for the Company's Board Committee. However, members are appointed for an initial term of 3 years, with further renewals for subsequent periods of 3 years considered, subject to favourable reviews by the Nomination & Remuneration Committee and approval by the Board.

3.4. Appointment Procedures for Directors (continued)

3.4.5 Directors' Professional Development

The Board recognises the importance of the continual development of the knowledge and capabilities of its Directors to sustain an effective, well-informed and functional Board. The Board approves, encourages and supports Directors' professional development by facilitating their membership to relevant professional organisations, attendance of relevant seminars and knowledge-sharing programmes. In this connection, the Board reviews the professional development and ongoing knowledge acquisition of Directors every two years.

During the financial year under review, the Company arranged for presentations by industry professionals to all the Directors and Senior Executives to enhance their understanding of the Company and its subsidiary's Risk Appetite.

In addition, some Directors and Senior Officers received training dispensed by local institutions on new regulatory and industry development matters, inter alia.

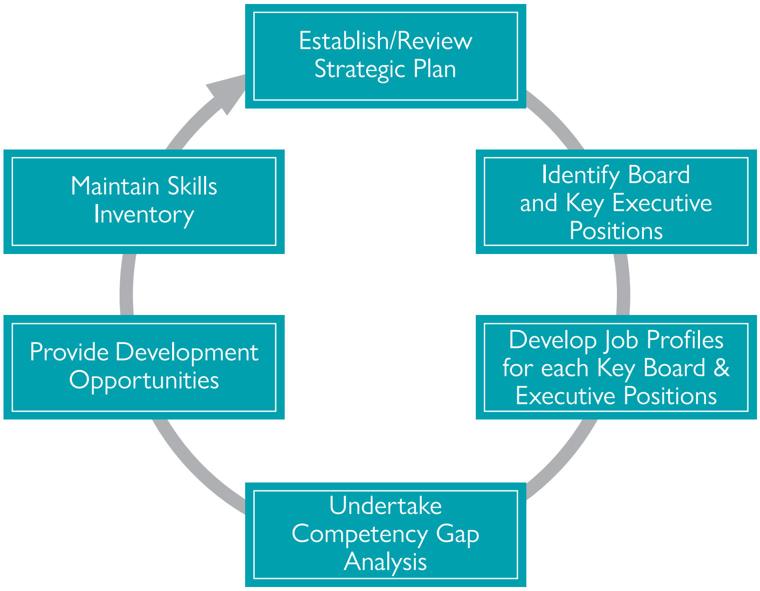
3.4.6 Succession Plan

The Company has a suitable Succession Planning Model (SPM) for its directors. The SPM identifies the necessary competences within the Board and sets a clear and systematic process towards the assessment, development and retention of a talent pool of Directors with a view to securing a continuity of leadership and, consequently, ensuring that current and projected business strategies are fully and effectively deployed.

The SPM is reviewed and updated on a continuous basis by the Nomination & Remuneration Committee, in conjunction with the Chairman, and in response to the ongoing demands of the Company, with the Board being kept informed of developments.

During the year, the Nomination and Remuneration Committee reviewed the plan in light of rapid changes in the hospitality industry and other challenges facing its subsidiary. An assessment of the latter's organisational structure was carried out to ensure the Management team has the necessary competencies, whether from within or outside the Company, to secure continuity of leadership for all key positions and ensure sustainable growth.

The Succession Planning Model



3.5. Directors' duties, remuneration and performance

3.5.1 Duties of Directors

All Directors are aware of their legal duties as outlined in the Board Charter, the Code of Ethics and Conduct for Directors and other related documents handed to them on appointment, during their induction.

In dealing with the affairs of the Company, the Directors act with propriety. They accordingly:

i. do not exceed their jurisdiction;

ii. act in good faith and in the best interest of the Company;

iii. exercise the degree of care, diligence and skill which a "reasonably prudent person would exercise in comparable circumstances";

iv. are accountable to the Company for any monetary gain in respect of their fiduciary capacity as Director;

v. do not make use of any confidential information acquired by way of their position as Directors of the Company; do not compete with the Company;

vi. declare any direct or indirect interests at the meeting of Directors of the Company, to be duly recorded by the Company Secretary;

vii. transfer or hold as trustee, until transferred, all cash or assets acquired on behalf of the Company;

viii. attend meetings of the Board of the Company with reasonable regularity;

ix. keep proper accounting records and make such records available for inspection.

3.5.2 Limitation on the number of Company Directorships

Non-executive and Executive Directors are not encouraged to hold multiple directorships in order to ensure they allocate sufficient time to prepare and attend the Company's Board meetings and, consequently, to effectively monitor the Company's performance and operations.

3.5.3 Board Meetings

Board meetings are scheduled in advance and duly notified to all Directors at the beginning of each financial year.

The agenda for each board meeting is set by the Chairman, in conjunction with the Company Secretary, and with the input from the Constance Group CEO. The Company Secretary sends Board notices with supporting documents, allowing adequate time for preparation, to all Directors before each meeting.

During Board meetings, the Chairman of the Board ensures that appropriate time is allocated to Directors to ask questions, review and discuss all relevant financial, governance and other information and data, and to follow up on the implementation of the Company's strategies. Written minutes are taken by the Company Secretary, subsequently approved by the Board, and filed.

3.5.4 Report of Interests of Directors and Designated Management

In line with the Company's policies on Conflict of Interests & Related-Party Transactions, and Share Dealing; the Company's Directors, designated Management and related persons, are required to report in writing to the Company on their vested interests. This information is collected by the Company Secretary, who then duly updates the Register of Interest/Insiders' Share Dealings/Conflict of Interests and Related Parties.

During the year, Directors and Senior Officers are given the opportunity to disclose any new Conflict of Interests & Related-Party Transactions and share dealings, with the first agenda item at every board meeting calling for these disclosures.

3. Corporate Governance Report (continued)

3.5. Directors' duties, remuneration and performance (continued)

3.5.5 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 to the Company by business or common shareholding. All Directors, related parties and designated employees 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 be aware of the Stock Exchange of Mauritius' Model Code for Securities Transactions by Directors and designated employees of Listed Companies. Furthermore, they are notified by the Company of the commencement and closure of non-trading periods.

During the year under review, no Director or their related parties traded in the Company's shares. Mr Jean-Jacques Vallet sold 271,300 shares.

3.5.6 Directors' and Senior Officers' Share Interests

The interests of Directors and Senior Officers in the securities of the Company as at 31 December 2019 were as follows:.

	Direct		Indirect
	No. of Shares	**% Held**	**% Held**
Directors			
George J. DUMBELL – Chairman	-	-	-
Nicolas BOULLÉ	-	-	-
Marc FREISMUTH	-	-	-
Jean JUPPIN DE FONDAUMIÈRE	-	-	-
Clément D. REY	893	0.00	0.84
Jean RIBET	-	-	0.39
Georgina ROGERS	356,707	0.64	-
Colin TAYLOR	-	-	0.07
Noël Adolphe VALLET	64	0.00	0.63
Senior Officers			
Kevin CHAN TOO	44,171	0.08	-
Jean-Jacques VALLET	5,663	0.01	0.39

The Company Secretary maintains a Register of Interests/Insiders' Share Dealings/Conflicts of Interests and Related Parties in respect of all Directors and Senior Officers. This Register is kept up to date through verbal declarations made by Directors at each Board meeting as well as written submissions made by Directors and Senior Officers when appropriate.

Any disclosure of conflict of interests is recorded in the Register of Interests which is available for inspection by shareholders during normal office hours, upon written request made to the Company Secretary.

3.5. Directors' duties, remuneration and performance (continued)

3.5.7 Common Directors

The names of common Directors of the subsidiaries of the Company are found at section 5 of the Annual Report and are as follows for BMH Ltd (BMH), its holding company:

Directors of BMH Ltd

Messrs George J. Dumbell, Nicolas Boullé, Marc Freismuth, Noël Adolphe Vallet, Clément D. Rey, Jean Ribet and Mrs Georgina Rogers.

3.5.8 Directors' Remuneration

The Company's Nomination & Remuneration Committee is entrusted by the Board with the task of determining and recommending to the Board, the remuneration policy for Directors, which is outlined in the Company's Remuneration Policy.

Every two years the Nomination & Remuneration Committee reviews Directors' fees for the Board and its Committee and makes appropriate recommendations to the Board, for ultimate consideration and approval by shareholders at their Annual Meeting. This exercise ensures that Directors' fees are in line with the market, appropriately reflect the responsibilities of the Directors, sufficiently motivate Directors to achieve the Company's objectives and align their interests with the long-term interests of shareholders. Directors are reimbursed for unusual expenses associated with executing their duties.

For 2019, Directors' annual fees amounted to MUR 50,000 for the Chairman and MUR 40,000 for other Board Members. In addition, the annual fees for Members of the Committee of the Board for 2019 were:

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

Following a review undertaken by the Nomination & Remuneration Committee, the Board of Directors will not be recommending to the shareholders any revision of fees for the Members of the Board.

The remuneration and benefits paid to the Directors during the year under review are disclosed under Other Statutory Disclosures.

3.5.9 Board Evaluation

Evaluation Criteria

Directors are invited to participate in a combined full Board evaluation and individual Director evaluation, which also covers the Company's Board Committee. This exercise is carried out every two years under the auspices of the Chairman and the Nomination & Remuneration Committee.

The full Board evaluation requires Directors to focus on the functioning of the Board as a whole, comprising, inter-alia, the Board's understanding of strategy, composition of the Board and the mix of skills, the structure and organisation of Board meetings and Committee meetings and other issues core to the execution of the Board's mandate. The Director's self-evaluation requires individual Directors to review their own Board performance, including how their skills contribute to the effectiveness of the Board, their commitment, aptitudes and other responsibilities. In addition, they, also, report on the Board's relationship with Management as well as on the performance of the Chairman of the Board.

3. Corporate Governance Report (continued)

3.5. Directors' duties, remuneration and performance (continued)

Evaluation Methodology

The Board's evaluation process is undertaken by way of a written questionnaire, with pre-set ratings. Directors are required to answer a series of questions regarding either the functioning of the full Board or the Committee, or their own performance. The questionnaire provides a good baseline of information and offers much insight into issues for further discussion. It also contains open-ended questions, which offer Directors an opportunity to expand on certain crucial development issues. The results are evaluated and reviewed in detail by the Chairman and the Nomination & Remuneration Committee before presentation to the Board - with an action plan, comprising proposed corrective measures to be taken for under-performing ratings - for open discussion. The Nomination & Remuneration Committee monitors and ensures that all the corrective measures for the under-performing ratings are addressed and implemented. In the event of any unfavourable personal issue having been raised by a Director, the Chairman will conduct a one-on-one interview with the Director concerned.

The Board considers that the current evaluation process satisfies the Company's present requirements and it does not see any merit in carrying out an Independent Evaluation. During the year, assessments of the Board and its committee were undertaken and the overall results thereof, for a maximum score of five, met expectations:

- Board: 4.1
- Nomination & Remuneration: 4.5

The Nomination & Remuneration Committee undertook a detailed review of the evaluation results and made appropriate recommendations to the Board on corrective measures to be undertaken during 2020.

3.5.10 Share Option Plan

The Company does not presently have any share-option scheme.

3.5.11 Attendance at Board and Committee Meetings

	Board of Directors	Nomination & Remuneration
Number of meetings held in 2019	**6**	**4**
Meetings attended		
George J. DUMBELL	6	4
Nicolas BOULLÉ	6	
Marc FREISMUTH	6	4
Jean JUPPIN DE FONDAUMIÈRE	5	
Clément D. REY	6	
Jean RIBET	6	4
Georgina ROGERS	6	
Colin TAYLOR	4	
Noël Adolphe VALLET	5	

3.6. Risk Management And Internal Controls

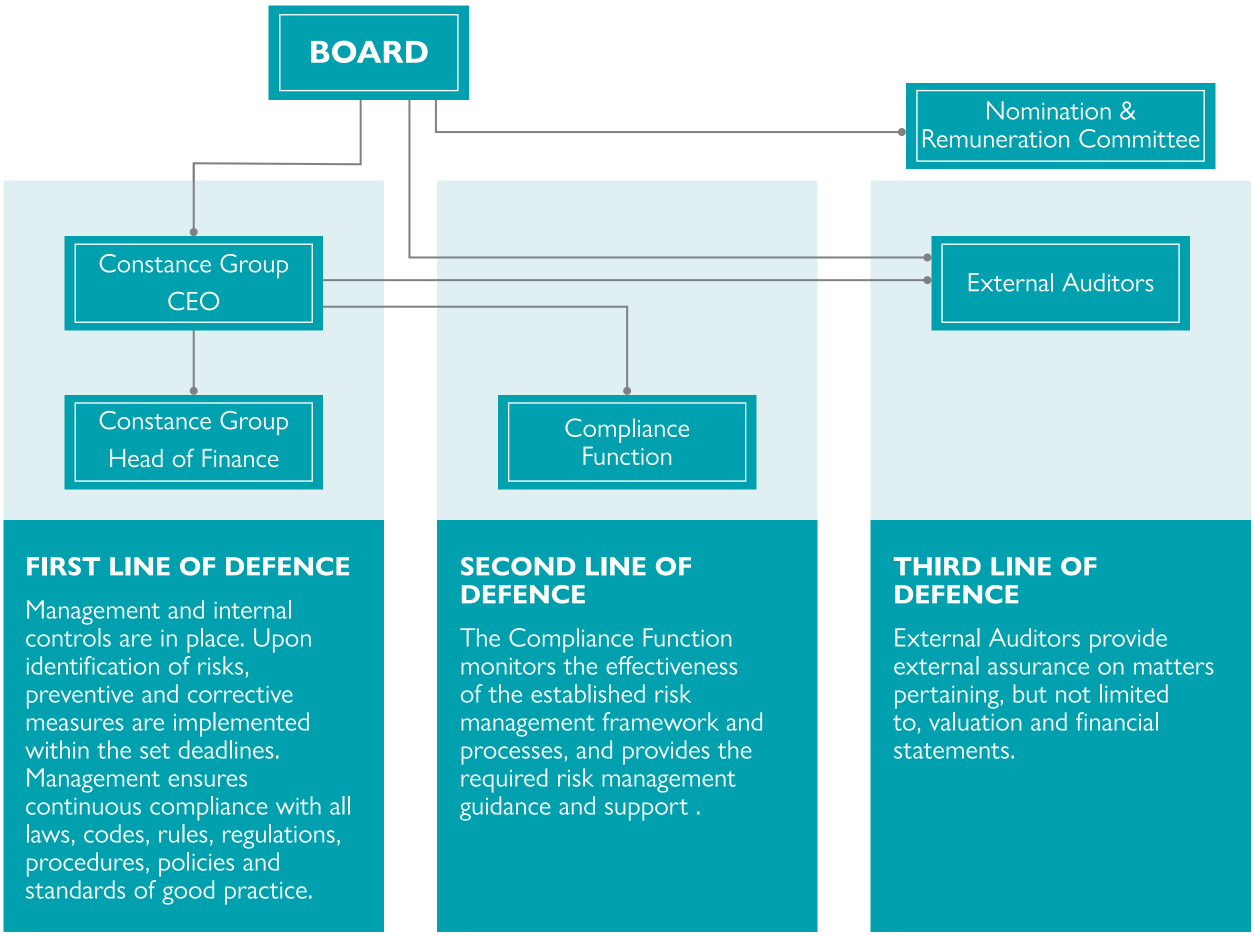
3.6.1 Risk Management

Risk Management Framework

The Company constantly faces varied risks which may adversely impact its performance, financial conditions and overall ability to attain its strategic objectives. The Board, which is ultimately responsible for the sound management of these risks, ensures that the Company has continuously in place the appropriate risk management and internal control framework. It continually monitors, assesses and reviews the risk management and internal control framework, in the light of the approved risk appetite, the changing nature and extent of the risks faced by the Company and the applicable laws and regulations, in order to ascertain that this framework is adequate and effective. The Board acknowledges that risk management and internal control frameworks are designed to identify and manage rather than eliminate the risk of failure to achieve business objectives. Such frameworks can only provide reasonable and not absolute assurance against material misstatement or loss.

The Risk Framework

Whilst the Company's subsidiary has a well-developed ERM framework, Hotelest risk management framework extends across the Company's business and comprises a top-down approach to risk management, on the basis of three lines of defence.



Risk Profile

Risks facing the Company and its subsidiary are classified by type and subsequently grouped as Strategic, Financial, Operational and Compliance, in accordance with the National Code of Corporate Governance for Mauritius (2016).

3. Corporate Governance Report (continued)

3.6. Risk Management And Internal Controls (continued)

3.6.1 Risk Management (continued)

Principal Risks and Mitigation Initiatives

The Company has implemented various policies and mitigation initiatives to effectively counter the principal risks to which it is exposed, as elaborated in this Corporate Governance Report. The Company also subscribes to a Directors' & Officers' Liabilities insurance cover.

Risk Mitigation Initiatives

Risk	Description	Mitigation Initiatives
Investment	High dependency on the performance of Constance Hotels Services Limited, its only investment which may adversely affect its financial position.	• The Company's directors ensure that CHSL sets up appropriate risk mitigation measures and its performance is monitored on a quarterly basis.
Political, Economic & Financial Market Events	Political, economic and financial market events may adversely affect investment values and returns and the Company's financial results.	• Changes in the macroeconomic and investment environment are assessed quarterly by the Board, to ensure prompt decisions are taken to safeguard the value of the Company's investment.
Reputation	Any event that materially damages the reputation of the Company and/or any failure that could adversely affect the market value and attractiveness of the Company.	• Enforcement of a strict ethical Code of Conduct for Directors and good corporate governance practices across the Group in accordance with the National Code of Corporate Governance for Mauritius and international best practices.
Financial and Regulatory compliance	Non-compliance with financial and regulatory requirements may result in penalties and damage to the Company's image on the market.	• A programme of procedures and internal monitoring has been put in place by the Compliance and Accounting functions, with the aid of the External Audit and monitored by the Board, to ensure that financial and regulatory requirements are adhered to. The Quarterly Financial Statements and the Abridged Financial Statements are reviewed and approved by the Board. • The Company Secretary advises on adherence to company law and to the rules of the Stock Exchange of Mauritius, Securities Act and FSC rules. Changes in legislation and regulations are closely monitored thus allowing the Company to take prompt corrective actions.
Financial Management	The Company is exposed to a wide range of financial risks, namely currency risk, price risk, credit risk, liquidity risk, interest rate risk and capital risk. These risks are reported in detail in the Notes to the Financial Statements on pages 67 to 70.	• Sound management of costs and financial risks such as foreign exchange, liquidity, market risks. • Other mitigation initiatives can be referred to on pages 67 to 70.
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 ability to borrow at favourable terms.	• The Board scrutinises the company's Financial Statements on a quarterly basis.

3.6. Risk Management And Internal Controls (continued)

3.6.1 Risk Management (continued)

Risk Mitigation Initiatives (continued)

Risk	Description	Mitigation Initiatives
Technologies and Systems	To varying degrees, the Company is reliant upon certain technologies and systems for the smooth and efficient running of its business. Disruption to these technologies or systems could adversely affect its operating costs and efficiency.	• To mitigate this risk, Management has invested in preventive maintenance and holds a contract that caters for the prompt restoration to normal service to minimize any adverse impact on the business. • Policies have been put in place and controls strengthened.

The Compliance function, which falls under the responsibility of the Constance Group CEO, operates within the scope of the Company's Compliance Charter and in accordance with the Professional Standards and Guidelines approved by the Board.

The main role of the Compliance function is to:

- Provide the appropriate framework within which the business activities of the Company and its operating subsidiaries can comply with the Company's policies, standards and procedures and with applicable laws and regulations.
- Assist the Board in discharging its compliance and risk responsibilities.

Scope of the Compliance Function

3. Corporate Governance Report (continued)

3.6. Risk Management And Internal Controls (continued)

3.6.1 Risk Management (continued)

Risk Mitigation Initiatives (continued)

During the year, all corporate policies and charters were reviewed and updated to ensure alignment, where applicable, with the requirements of the National Code of Corporate Governance for Mauritius (2016) and to consider changes in laws and regulations. It was noted that the objectives set out for 2019 were met.

The Position Statement of the Compliance Officer is available for consultation on the Company's website.

3.6.3 Information, Information Technology (IT) and Information Security (IS)

Information, IT and IS Governance Framework

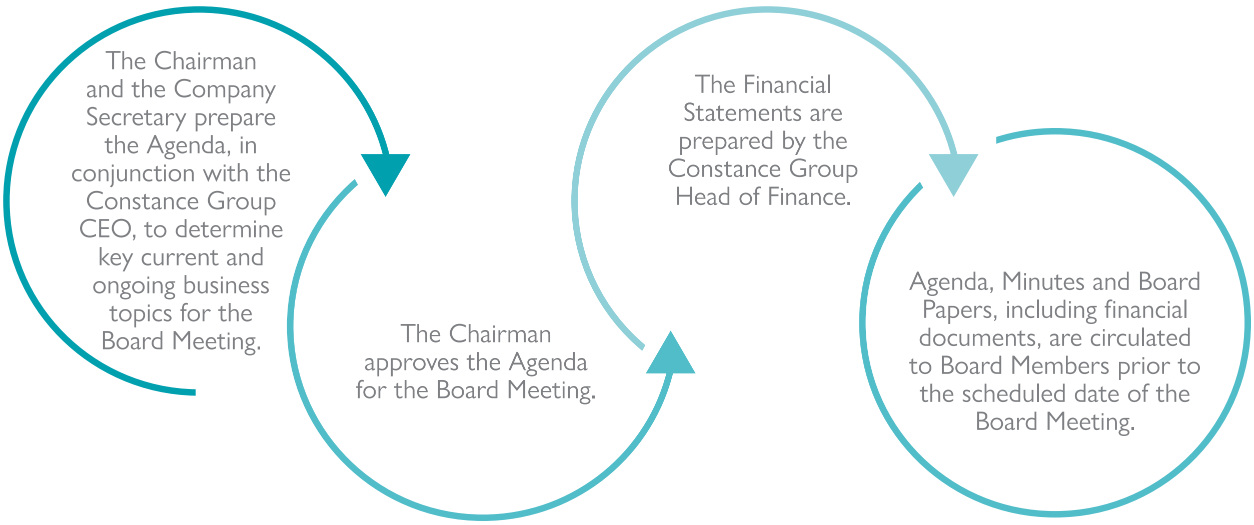
Given the Company's nature of operation, the Board oversees the implementation of the management of the information technology, information security governance and business continuity which is entrusted to the Board of CHSL.

CHSL information, IT and IS governance framework, in place, which includes an IT Code of Practice, puts emphasis on the confidentiality, accuracy, integrity, availability and protection of information, backed by adapted Information and IT systems to mitigate risks and meet the Company's strategic objectives. Hotelest also implements policies, procedures and practices to protect the Company's information, in line with regulatory and industry norms.

Information to the Board and Committee

The Chairman and the Company Secretary ensure that Directors receive adequate information, both qualitative and quantitative, in a timely manner to enable them to make informed business decisions. At the last assessment, the Board and its Committee found the information provided to them adequate.

Selection of Agenda Items for Board Meetings



Data Protection Act 2017

The Data Protection Act 2017 is being closely monitored by the Company. Policies and procedures have been put in place during 2019 to ensure the Company complies with the legislation. The Board is comfortable that the current arrangement is adequate.

3.6. Risk Management And Internal Controls (continued)

3.6.4 Charters, Policies and Codes

Overview

The policies laid out in the key documents mentioned in the following table are approved by the Board, on the recommendation of its relevant Committee and are applied throughout the Group. Certain Policies and Codes are subject to review at least annually whilst Charters are reassessed every two years, unless otherwise required.

Charters	Policies
Board of Directors Charter ☼	Conflict of Interests and Related Party Transactions ◊
Board Letter of Appointment	Data Protection
Board and Director Self-assessment Questionnaire	Dividend
Board Committees Self-assessment Questionnaires	Nomination
Board of Directors and Key Executives Succession Planning	Remuneration
Board Strategy	Share Dealing
Compliance Charter ☼	Cookies and Privacy ◊
Compliance Officer Accountabilities	
Compliance Officer Handbook	
Professional Standards and Guidelines for Compliance Officers	
Nomination & Remuneration Committee Charter ☼	
Codes and Other Documents	
Code of Ethics and Conduct for Directors ◊	
IT Code of Practice	
Position Statements ☼	

☼ *Full version available on the Company's website* ◊ *Summarised version available on the Company's website*

Code of Ethics and Conduct for Directors

The Company is committed to a code of ethics and conduct, which is outlined in its Code of Ethics and Conduct for Directors. The document offers guiding principles of conduct which the Company expects its Directors to observe in the discharge of their responsibilities. The code states the high moral, ethical and legal standards which the Company maintains and under which it carries out its business. It states publicly to all the Company's stakeholders the standards of behaviour they can expect from the Company's Directors. The Board regularly monitors and evaluates compliance with the Company's Code of Ethics and Conduct for directors.

3.6. Risk Management And Internal Controls (continued)

3.6.4 Charters, Policies and Codes (continued)

Conflict of Interests and Related-Party Transactions

The Company's Conflict of Interests and Related-Party Transactions Policy provides a structure which ensures that all transactions pertaining to the operations 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 its stakeholders in so far as it relates to good corporate practice. At each Board meeting, Board Members and Senior Officers are invited to make relevant declarations in addition to those already disclosed.

Every year, the Board ensures that Management and the External Auditors meet the disclosure requirements in regard to any potential Conflict of Interests and Related-Party transactions. These transactions which are disclosed on page 104 of the Annual Report were conducted in accordance with the Company's Conflict of Interests and Related-Party Transaction Policy and Code of Ethics and Conduct for Directors.

3.6.5 Audit

Internal Audit

Given the nature of the Company's operations and the existing internal controls in place, the Board considers that the Internal Audit function, whether in-house or outsourced, is not required by the Company, for the time being. However, the Board will assess the benefits of such a function when deemed necessary. The Internal Auditor, if appointed, would have the responsibility to assess the internal controls and report to the Board. The latter would determine their scope of work and accordingly, proper access to the records and Management, would be given to them in order to perform their duties in the required manner.

However, the Board of Directors meets on a quarterly basis or more frequently, if necessary, to take any decision regarding the Company, to review and approve the interim and final accounts of the Company and its subsidiary as well as to declare dividends and monitor risks. Moreover, the Board is of opinion that the current arrangement is sufficient.

External Audit

The Board is responsible for the appointment, remuneration, termination and oversight of the External Auditor. The latter provides an independent opinion on the Company's Annual Report, including its financial statements and Corporate Governance Report.

The Board also ensures that key partners within the appointed External Audit firm are rotated from time to time. Moreover, in order to ascertain that the provision of non-audit services by the External Auditor does not impair its independence and objectivity, such non-audit services are required to be pre-approved by the Board and undertaken by a different partner.

The criteria for the selection, appointment and re-appointment of the External Auditor are:

- Expertise and reputation of the accountancy firm;
- Access to expert international accounting standards, to research relevant to the hotel industry, demonstrable audit quality control processes and substantial resources to carry out the assignment;
- Competitive fees;
- Ethics, safeguard of objectivity and independence;
- Absence of any conflict of interests;
- Specific knowledge of the industry and business of the firm by the partner.

3.6. Risk Management And Internal Controls (continued)

3.6.5 Audit (continued)

External Audit (continued)

The key steps of the External Auditor selection, appointment and re-appointment process include the following:

1. Appointment of the External Auditor lies within the Board's scope of responsibility; it is subject to the approval of shareholders;
2. The review of the External Auditor's performance and independence, lies within the Board's scope of responsibility. The Company benchmarks the cost and scope of the external audit engagement prior to their appointment and thereon annually;
3. The appointed External Auditor is required to present to Management an annual external audit proposal;
4. Management, in consultation with the Board, approves the scope of the audit, the terms of the annual engagement letter and the audit fees;
5. The External Auditor prepares the annual engagement letter in conjunction with Management;
6. Upon engagement, the External Auditor has unfettered access to Management, staff, records and company facilities, and is allowed a reasonable and agreed time frame to conduct its audit.

Matters of significance which are included under "Key Audit Matters" in the Independent Auditor's Report are discussed with Management which ensured that it was satisfied that the matters of significance regarding policies and accounting treatments had been appropriately addressed.

The External Auditor also reviewed and approved the Company's Corporate Governance Report.

BDO & Co. have been the External Auditor of the Company. To comply with the Financial Reporting Act 2004 (amended in 2016), they will be rotated out in 2020. The Board will recommend the appointment of Ernst & Young in replacement of BDO & Co. at the forthcoming Annual Meeting of Shareholders.

3.7. Relations With Key Stakeholders

3.7.1 Shareholding Spread

Size of Shareholding	Number of shareholders	Number of shares owned	Percentage shareholding
1–500	216	25,230	0.045
501–1,000	65	46,502	0.083
1,001–5,000	165	420,326	0.752
5,001–10,000	50	353,814	0.633
10,001–50,000	75	1,597,839	2.857
50,001–100,000	8	616,753	1.103
100,001–250,000	6	1,213,072	2.169
250,001–500,000	7	2,468,351	4.414
Over 500,000	8	49,181,322	87.944
Total	**600**	**55,923,209**	**100.000**

3. Corporate Governance Report (continued)

3.7. Relations With Key Stakeholders (continued)

3.7.1 Shareholding Spread (continued)

Shareholder category	Number of shareholders	Number of shares owned	Percentage shareholding
Individuals	505	12,369,637	22.119
Insurance and Assurance Companies	10	184,208	0.329
Pension and Provident Funds	9	467,251	0.836
Investment and Trust Companies	2	571,658	1.022
Other Corporate Bodies	74	42,330,455	75.694
Total	**600**	**55,923,209**	**100.000**

3.7.2 Substantial Shareholders

As at 31 December 2019, the substantial shareholders of the Company were as follows:

Name	Number of Shares	% Held
BMH Ltd	38,635,668	69.09
National Pension Fund	3,066,012	5.48

3.7.3 Dividend Policy

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

3.7.4 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.

3.7.5 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 was materially interested, either directly or indirectly.

3.7.6 Stakeholder Engagement

Hotelest Limited and its subsidiary are committed to delivering economic and social value to its stakeholders. In doing so, we believe it is interesting to receive our stakeholders views.

During the year under review, the Company and its subsidiary engaged in dialogues with relevant key stakeholders on topics such as organisational position, performance and outlook. Where relevant, the Chairman of the Board ensures that the views and concerns of stakeholders are communicated to the Board as a whole and includes them in discussion of strategy and governance.

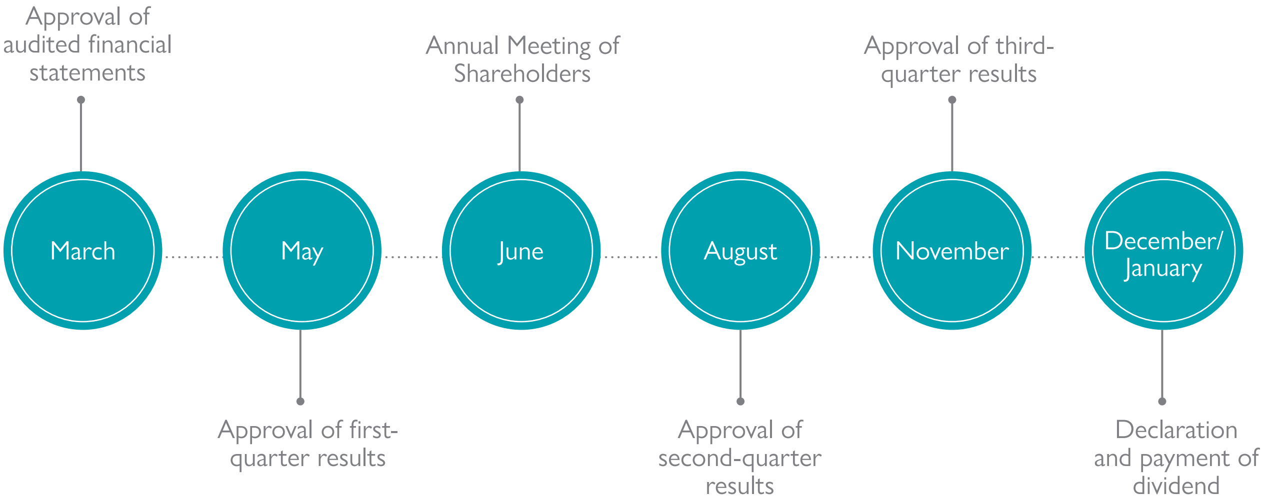
3.7. Relations With Key Stakeholders (continued)

3.7.6 Stakeholder Engagement (continued)

The Company's engagement modes are summarised in the following stakeholder engagement matrix.

Stakeholders	Expectations	Mode of Engagement / Communication	Frequency
Shareholders	• Open and transparent communication with its shareholders. • Sound management of financial and risk-related matters. • Responsible business practices.	• Circulars issued in compliance with the DEM Rules of the Stock of Exchange of Mauritius Limited, press announcements, publication of unaudited quarterly and audited abridged financial statements of the company, dividend declaration and the Annual Meeting of shareholders. • Annual report. • Website.	Annual/As and when required. Annual. Ongoing.
Government and Regulators	• Compliance with all applicable laws and regulations. • Contribute to economic goals in a sustainable manner.	Regulatory filings: Registrar of Companies, Stock Exchange of Mauritius, Financial Services Commission, Financial Reporting Council, Mauritius Revenue Authority, Data Protection Office.	Ongoing and as applicable.

3.7.7 Timetable – Important Events



4. Corporate Social Responsibility Report

Corporate Values

The Constance Group (Group) affirms its corporate values through sound and ethical business practices. Initiatives are continually introduced across the group to:

- Strengthen the corporate governance framework.
- Maintain sound employment practices within a healthy and safe workplace.
- Uplift service quality.
- Enrich the knowledge and skills of team members.
- Protect and preserve, through efficient resource management and utilisation, the environment in which its member companies operate.
- Play an active role in poverty eradication and the furtherance of a sustainable society through social contribution programmes.

In recent years, the Constance Group has further aligned its social and environmental responsibilities with its business strategy to reflect the Group's vision and values. In so doing, its ultimate objective is to fully instil its values into the business practices of its member companies, with emphasis on the effective management of their economic, social and environmental obligations.

Shareholders

The Company communicates with its shareholders through its Annual Report, the publication of its quarterly results and other communiqués in the press, and at its Annual Meeting.

The Board is committed to promoting an open and transparent communication with its shareholders to ensure they receive correct and adequate information while upholding a dependable relationship with them. With the introduction of the website, communication with the Company's shareholders will be enhanced as a comprehensive set of corporate documents and publications will be accessed in a timely manner.

Investees

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

Code of Ethics and Conduct

The Company is committed to a Code of Ethics and Conduct, as outlined in its general Code of Ethics and Conduct and its Code of Ethics and Conduct for Directors. These documents are comprehensive statements of the guiding principles of conduct which the Company expects its Directors to observe in the discharge of their responsibilities. These codes state publicly to all the Company's stakeholders the high moral, ethical and legal standards by which the Company stands and conducts its business.

Health and Safety

The Board of Directors is satisfied with the Management Company's adherence to Health & Safety standards.

Environment

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

Corporate Social Responsibility

Mission

As part of its mission, the Company cares for the well-being and development of the communities neighbouring its operations. It considers its Corporate Social Responsibility (CSR) initiatives as investments that contribute to the sustainable development of the community.

Fondation Constance

Fondation Constance is the entity responsible for the implementation of Constance Group's CSR programmes through its Steering Committee. It reports to the Corporate Governance Committee of Group Member Companies, which approves its annual programme and monitors its performance on a quarterly basis.

Objectives

The Constance Group's CSR policy is guided by a set of three objectives.

Whilst Fondation Constance extends its consideration to high-impact projects at national level, it gives priority to projects in the region in which its Group member companies operate. This gives the Group a wider opportunity to reach out to its local stakeholders.

4. Corporate Social Responsibility Report (continued)

Corporate Social Responsibility (continued)

Donation Policy

The Group's allocation of funds follows a specific donation policy that is meant to:

1. Ensure that all its donations are compatible with its business activities and reflect its respective values and objectives.
2. Support people and communities, at both local and national level, with the aim of making their lives better and giving them opportunities that they might otherwise not have had access to.
3. Enhance and safeguard the natural environment.

CHSL, the Company's subsidiary, contributed MUR 2 million to Fondation Constance during the year under review.

	The Group		The Company	
	2019 MUR'000	2018 MUR'000	**2019 MUR'000**	2018 MUR'000
CSR contribution to Fondation Constance	**2,000**	2,000	**-**	-
Others	**32**	147	**-**	-
Total	**2,032**	2,147	**-**	-

Fund Allocation of Fondation Constance

In 2019, Fondation Constance allocated the available financial resources to fund projects in six focus areas, namely education & training, leisure & sports, socio-economic development, health, family protection and support to persons with disabilities. It supported 15 NGOs, reaching a total of 250 direct beneficiaries.

FUND ALLOCATION BY FOCUS AREA, YEAR ENDED 31 DECEMBER 2019					
47%	**19%**	**18%**	**13%**	**2%**	**1%**
EDUCATION & TRAINING	LEISURE & SPORTS	SOCIO-ECONOMIC DEVELOPMENT	HEALTH	FAMILY PROTECTION	SUPPORT TO PERSONS WITH DISABILITIES

NGO

15
NGOs

250
Direct Beneficiaries

Education & Training

24 beneficiaries

Primary School Achievement Certificate Sponsorship (PSAC)

Fondation Constance believes in the empowerment of communities through education. Scholarships are awarded annually to the four best PSAC pupils from the Poste de Flacq Government and RCA schools, to cover their secondary studies and enhance equitable and quality secondary education leading to relevant and effective learning outcomes. Many previous beneficiaries have gone on to pursue tertiary studies.

2 NGOs
95 Beneficiaries
3,796 Meals Served

Non-Formal Education and Breakfast Support Programme for Children from Vulnerable Groups

Fondation Constance sponsored two NGOs dedicated to the development of quality non-formal education programmes for children from vulnerable groups.

This project benefitted 95 persons.

Zippy's Friends

Zippy's Friends is a programme that helps young children, aged between five and seven years, to develop their ability to cope with everyday difficulties, to identify and talk about their feelings and to explore ways of dealing with them. It is an integrated project which aims at maintaining good mental health, which in turn impacts positively on the academic performance of students and the long-term economic empowerment of vulnerable people.

In 2019, Fondation Constance elected to sponsor the Poste de Flacq RCA school. Overall, 14 students, 3 teachers, the Deputy Head Master and the Head Master responded positively to the project. 15 members of the staff benefitted from training sessions on "Well-being". Improvements have been noted in the behaviour, the relational faculties and academic performance of the children.

Technical Training

Fondation Constance sponsors youths who demonstrate a keen desire to uplift themselves and secure future employment through vocational training. One student of *Collège Technique Saint Gabriel* and one from *St Joseph Technical School* took advantage of the scheme and successfully completed their courses. It is encouraging to note that many of the beneficiaries of this scheme have secured employment and are progressing in their career.

4. Corporate Social Responsibility Report (continued)

Leisure & Sports

Constance Cycling Academy

Fondation Constance encourages the promotion of recreational, leisure and sports activities in the eastern region of Mauritius. The objective is to groom young people into responsible leaders whilst empowering them to achieve their full potential and well-being. Fondation Constance is a staunch supporter of the *Faucon Flacq Sporting Club (FFSC)* which promotes sports for the benefit and development of young people from underprivileged families.

The *Constance Cycling Academy*, financed by Fondation Constance, has been very active in 2019. The 6 "Cadets" and 6 "Minimes", as worthy beneficiaries, have lived up to expectations in winning races in their respective categories.

Whilst many of these young people were addicted to cigarettes, the practice of sport has instilled in them a sense of discipline and a healthy lifestyle, resulting in their giving up smoking and doing much better at school.

We firmly believe that sport remains an excellent means of reintegration and allows people to be more responsible towards civil society.

Socio-Economic Development

7 Direct Beneficiaries

Empowerment through Training and Placement

Fondation Constance continued to provide training at the *Constance Hospitality Training Centre* (CHTC) to 7 persons from vulnerable groups of the eastern region of Mauritius to give them skills, thus enhancing their employability.

During the year under review, 7 underprivileged women participated in the Adult Literacy Programme in order to empower them and restore their sense of human dignity.

Schooling Support

During the year under review, Fondation Constance continued to sponsor *Friends of the Poor* with a view to providing support to ten children from vulnerable groups from the eastern region of Mauritius.

Socio-Economic Development (continued)

Protection of vulnerable persons

This year, employees of the Constance Group organised a Christmas party for the elderly. This initiative, which was supported by Fondation Constance, involved employees with a strong sense of social concern and care, both in terms of volunteer work and fund raising. In this context, they generously donated gifts to the 58 beneficiaries and sang Christmas Carols, which brought a feeling of great joy and happiness for the festive season.

25 Beneficiaries

Service d'Accompagnement, de Formation, d'Insertion et Réhabilitation de l'Enfant (SAFIRE)

Fondation Constance continued to live up to its commitment as a socially-responsible organisation. In 2019, it partnered with *SAFIRE*, an NGO engaged in the promotion of the rights of street children. This partnership enables the children living in the regions where companies of the Constance Group do business, to benefit from the initiatives of Fondation Constance. The beneficiaries have access to free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes and the restoration of their dignity.

Health

Prévention Information Lutte Contre le Sida (PILS)

During the year under review, Fondation Constance continued to support *PILS* in its fight against HIV/AIDS.

Health (continued)

Centre d'Accueil de Terre Rouge (CATR)

Drug addiction is alarmingly on the rise, particularly among young persons of the East of Mauritius. To respond to the lack of adequate support offered to them, Fondation Constance has joined forces with the *Centre d'Accueil de Terre Rouge* (CATR), expert in this matter, to develop a programme to strengthen the prevention and treatment of substance abuse in the region.

A Day Centre, opened on 05 September 2018, continued to receive the financial support of Fondation Constance in 2019. 144 counselling and sensitisation sessions were offered to the community by CATR in 2019. 16 persons from the East have completed the residential programme offered at Terre Rouge, and 15 youngsters from the East have completed the 'Art Therapy' sessions at Rivière Citron.

With the increasing demand for appropriate treatment in the East, CATR and Fondation Constance are increasing collaboration to provide facilities and means to combat drug addiction in the East. It is planned that a Day Centre, with appropriate amenities, will be put at the disposal of the CATR in the near future.

Family Protection

SOS Children's Village

Fondation Constance continued to provide financial support to *SOS Children's Village* to ensure abandoned and neglected children grow with love, respect and security in a family-based residential care, and under the guidance of a substitute mother. The project provides for the children's basic and developmental needs, their education and training support, towards their early social integration.

Support to persons with disabilities

Lizié dan La Main

In 2019, Fondation Constance continued to support NGOs promoting the social integration of persons with physical disabilities. *Lizié dan La Main* was one of the beneficiaries.

Looking ahead

Pursuant to the amendment to the legislation, companies are compelled, since 01 January 2019, to channel 75% of their contributions to the Mauritius Revenue Authority (MRA) as CSR tax. Only 25% of CSR funds are now available to implement Fondation Constance's own social programmes and initiatives, and support long-term partners, NGOs and underserved communities.

Companies can request to recover the additional 25% from the National Social Inclusion Foundation (ex-National CSR Foundation) to continue supporting programmes launched prior to 01 January 2019. This legal constraint restricts the availability of CSR funds. Although the impact has been limited for the time-being, Fondation Constance has adjusted its action plans in order to deliver on its objectives.

CHSL shall consequently commit funds over and above the mandatory CSR levy and renew its engagement to contribute towards the well-being and development of the community in which Constance Group member companies operate.

5. Other Statutory Disclosures

(pursuant to section 221 of the Companies Act 2001)

Activity

The only activity of the Company is to hold investment in Constance Hotels Services Limited.

Directors' Remuneration and Benefits

Remuneration and benefits paid by the Company and its subsidiaries to its directors during the year under review were as follows:

Remuneration and benefits (MUR'000)	From the Holding Company	From Subsidiaries	Total
Non-executive & Independent Directors			
George J. DUMBELL – Chairman	60	921	981
Nicolas BOULLÉ	40	170	210
Marc FREISMUTH	45	270	315
Jean JUPPIN DE FONDAUMIÈRE	40	195	235
Georgina ROGERS	40	120	160
Colin TAYLOR	40	190	230
Noël Adolphe VALLET	40	195	235
Total	**305**	**2,061**	**2,366**
Executive Directors			
Clément D. REY	40	120	160
Jean RIBET	-	-	-
Total	**40**	**120**	**160**

Directors' Service Contracts

Mr George J. Dumbell, Chairman of the Company, has a two-year service contract which expires on 31 December 2021. The other Directors do not have service contracts with the Company, but letters of appointment.

5. Other Statutory Disclosures (continued)

(pursuant to section 221 of the Companies Act 2001)

Directors of Subsidiary Companies (At 31 December 2019)

Directors	Ariatoll Services Ltd	Beauport Industries Limited	Constance Hospitality Management Limited	Constance Hospitality Training Centre Ltd	Constance Hotels Services Limited	Constance Hotels International Services Limited	Constance Hotels Investment Limited	Constance Industries Limited	Halaveli Development Ltd	Hotels Constance (UK) Limited	LRM Company Ltd	Moofushi Development Ltd	White Sand Paradise Ltd	The Waterfront Pvt Ltd
Guy ADAM											•			
Nitish BENI MADHU					•									
Nicolas BOULLÉ					•									
Kevin CHAN TOO		•						•						
George J. DUMBELL	•	•	•		•	•	•	•	•			•	•	
Jean JUPPIN DE FONDAUMIÈRE					•									
Marc FREISMUTH					•									
Tangi LEGRAND														•
Liong Kian LI KWOK CHEONG													•	
Tat Kien LI KWOK CHEONG													•	
Preetee JHAMNA RAMDIN					•									
Clément D. REY	•	•	•	•	•	•	•	•	•		•	•	•	•
Jean RIBET	•	•	•	•	•	•	•	•	•		•	•	•	•
Georgina ROGERS					•									
Colin TAYLOR					•									
Jean-Jacques VALLET		•	•	•	•			•		•	•			
Noël Adolphe VALLET					•									
Jean WEELING LEE											•			

5. Other Statutory Disclosures (continued)

(pursuant to section 221 of the Companies Act 2001)

Donations

Political donation during the year was MUR 2.5 million (2018: nil) for the Group and nil for the Company.

Other donations made during the year have been disclosed on page 36.

Auditors' Remuneration

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	MUR'000	MUR'000	**MUR'000**	MUR'000
Audit fees paid to:				
BDO & Co.	**3,189**	3,121	**84**	80
Other firms	**979**	988	**-**	-
Fees for other services paid to:				
BDO & Co.	**278**	100	**-**	-
Other firms	**606**	468	**-**	-

Fees for other services relate to accounting, consultancy and taxation services.

On behalf of the Board

George J. Dumbell *(s)*
Chairman

Jean Ribet *(s)*
Executive Director
Constance Group Chief Executive Officer

6. Statement of Directors' Responsibilities

In Respect of Financial Statements

The Directors acknowledge their responsibilities for:

1. Adequate accounting records and maintenance of effective internal control systems;
2. 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);
3. 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:

1. Adequate accounting records and an effective system of internal controls and risk management have been maintained;
2. Appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;
3. International Financial Reporting Standards have been adhered to. Any departure in the interest of fair presentation has been disclosed, explained and quantified;
4. 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 *(s)*
Chairman

Jean Ribet *(s)*
Executive Director
Constance Group Chief Executive Officer

30 June 2020

7. 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 *(s)*

For La Gaieté Services Limited

Secretaries

30 June 2020

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 50 to 109 which comprise the statements of financial position as at December 31, 2019, and the statements of profit or loss, 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 50 to 109 give a true and fair view of the financial position of the Group and of the Company as at December 31, 2019, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 4(g) and in Note 34 to the financial statements, which describes management assessment of the impact of Covid-19 pandemic on the Groups's ability to continue as a going concern for the next twelve months from the date of signature of these financial statements. As stated in Note 4(g), this event indicates that the hospitality sector in countries where the Group operates and its supply chain are subject to material uncertainty going forward due to lost revenue and disruptions in its supply chain which may impact on:

(i) the Group's ability to continue as a going concern, and therefore its ability to meet its financial obligtions as they fall due.

(ii) the carrying value of its financial and non-financial assets.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Independent Auditor's Report (continued)

To the Shareholders of Hotelest

Key Audit Matters (continued)

KEY AUDIT MATTER	AUDIT RESPONSE
1. Carrying value of land and buildings and estimated useful life and residual value	
Freehold land amounting to MUR 2.8 billion is carried at revalued amount and buildings amounting to MUR 4.6 billion are carried at historical cost less accumulated depreciation. The significance of land and buildings on the statement of financial position resulted in them being identified as a key audit matter. 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.	The following were reviewed and assessed: • The key inputs to the valuation of freehold land by comparing the values used by the valuer to market reports on freehold land values by performing benchmarking exercise at reporting date. • The remaining useful life of the buildings, by comparing the directors' estimates to the useful life of the buildings with similar characteristics. • The Group's depreciation policy and verified the inputs to the calculation. • We performed predictive tests on depreciation charge. • We checked consistency of the component allocation with previous years.
Refer to Note 2(e) (accounting policies), Note 4(a) (critical accounting estimates and judgements) and Note 5 of the accompanying financial statements	

KEY AUDIT MATTER	AUDIT RESPONSE
2. Recoverability of goodwill	
The Group has goodwill amounting to MUR 484 million at 31 December 2019. Significant judgement is required by management in assessing the impairment of goodwill annually, which is determined using the respective discounted cash flows for the Cash Generating Units (CGU) for which goodwill has been allocated. This test and assessment is largely based on the expected future cash flows from the latest management planning, extrapolated on the basis of long term revenue, expected growth rates and assumptions with regard to terminal values and discount rates. The judgements and estimates applied in these calculations result in the carrying value of the goodwill being identified as a key audit matter.	• We assessed the validity and reasonableness of the forecasts in line with the assumptions used. • We reviewed the latest management decision with regards to the business model to assess whether the assumptions are in line with the valuation and assumptions made. • We performed procedures relating to the disclosures on impairment testing included in the financial statements, looking specifically at the disclosure of assumptions that have the most significant effect on the determination of the recoverable amount of goodwill. In connection with this, we verified whether these disclosures are adequate and provide sufficient insight into the disclosed assumptions and sensitivities of the assumptions underlying the valuation. • We performed an independent sensitivity analysis on the assumptions used to determine the impact on the carrying values.
Refer to Note 2(h) (accounting policies), Note 4(e) (critical accounting estimates and judgements) and Note 7 of the accompanying financial statements.	

Key Audit Matters (continued)

KEY AUDIT MATTER	AUDIT RESPONSE
3. Carrying value of right-of-use assets	
The carrying value of the Group's leasehold land and buildings at reporting date recognised as right-of use assets amounted to MUR 3.48 billion. The significance of the rights-of-use assets on the financial position resulted in them being identified as a key audit matter. The right-of-use assets are measured based on future rentals.	The following were reviewed and assessed: • The lease rentals are in line with the lease agreements. • Lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. • Lease liability has been adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.
Refer to Note 2(f) (accounting policies) and Note 6 of the accompanying financial statements.	

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, 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.

Corporate Governance Report

Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the public interest entity has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group 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 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.

Other Matter

This report is made solely to the shareholders 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

BDO & CO *(s)*
Chartered Accountants

Ameenah Ramdin, FCCA, ACA *(s)*
Licensed by FRC

Port Louis,
Mauritius
30 June 2020

Financial Statements

Statements of Financial Position

December 31, 2019

	Notes	THE GROUP 2019 MUR'000	Restated 2018 MUR'000	Restated 1 January 2018 MUR'000	THE COMPANY 2019 MUR'000	2018 MUR'000
Assets						
Non-current assets						
Property, plant and equipment	5	**8,237,098**	8,091,359	8,296,015	**-**	-
Right-of-use assets	6	**3,479,116**	-	-	**-**	-
Intangible assets	7	**502,949**	1,131,970	1,147,427	**-**	-
Investments in subsidiary companies	8	**-**	-	-	**1,106,533**	1,106,533
Investments in associates	9	**1,754,239**	1,616,805	1,142,851	**-**	-
Investment in financial assets		**-**	-	545	**-**	-
Financial assets at amortised cost	10	**53,906**	110,755	10,800	**-**	-
Deferred tax assets	11	**96,770**	92,761	100,229	**-**	-
		14,124,078	11,043,650	10,697,867	**1,106,533**	1,106,533
Current assets						
Inventories	12	**378,180**	358,708	315,891	**-**	-
Trade and other receivables	13	**370,799**	402,533	1,065,619	**-**	-
Financial assets at amortised cost	10	**349,728**	385,232	-	**-**	27,962
Other assets	14	**191,686**	196,872	-	**123**	121
Cash and cash equivalents	27(b)	**102,784**	76,712	104,827	**-**	-
		1,393,177	1,420,057	1,486,337	**123**	28,083
Total assets		**15,517,255**	12,463,707	12,184,204	**1,106,656**	1,134,616
Equity and Liabilities						
Capital and reserves (attributable to owners of the parent company)						
Stated capital	15	**1,102,001**	1,102,001	1,102,001	**1,102,001**	1,102,001
Revaluation and other reserves	16	**1,682,572**	1,641,154	1,514,087	**-**	-
Retained earnings		**261,028**	336,548	266,791	**960**	3,070
Owners' interest		**3,045,601**	3,079,703	2,882,879	**1,102,961**	1,105,071
Non-controlling interests		**2,940,176**	3,005,662	2,834,843	**-**	-
Total equity		**5,985,777**	6,085,365	5,717,722	**1,102,961**	1,105,071
Liabilities						
Non-current liabilities						
Borrowings	17	**2,748,198**	3,380,648	3,915,301	-	-
Lease liabilities	6A	**2,910,052**	-	-	-	-
Deferred tax liabilities	11	**44,870**	60,062	61,295	-	-
Retirement benefit obligations	18	**270,259**	244,913	240,758	-	-
		5,973,379	3,685,623	4,217,354	**-**	-
Current liabilities						
Trade and other payables	19	**869,501**	804,045	781,033	**814**	1,111
Borrowings	17	**2,627,298**	1,862,949	1,369,547	**2,881**	2,709
Lease liabilities	6A	**61,300**	-	-	-	-
Dividend payable	20	**-**	25,725	11,744	**-**	25,725
Current tax liabilities	21(a)	**-**	-	86,804	**-**	-
		3,558,099	2,692,719	2,249,128	**3,695**	29,545
Total liabilities		**9,531,478**	6,378,342	6,466,482	**3,695**	29,545
Total equity and liabilities		**15,517,255**	12,463,707	12,184,204	**1,106,656**	1,134,616

These financial statements have been approved for issue by the Board of Directors on 30 June 2020.

George J. Dumbell (s)
Chairman

Jean Ribet (s)
Constance Group Chief Executive Officer

The notes on pages 55 to 109 form an integral part of these financial statements.
Auditor's report on pages 45 to 49.

Statements of Profit or Loss

Year ended December 31, 2019

	Notes	THE GROUP 2019 MUR'000	THE GROUP Restated 2018 MUR'000	THE COMPANY 2019 MUR'000	THE COMPANY 2018 MUR'000
Revenue	22	**3,516,913**	3,747,479	**-**	27,962
Earnings before interest, taxation, depreciation and amortisation		**982,657**	905,818	**(2,003)**	24,591
Depreciation and amortisation	5, 6, 7	**(543,703)**	(457,155)	**-**	-
Operating profit/(loss)	23	**438,954**	448,663	**(2,003)**	24,591
Net impairment losses on financial assets		**(88,002)**	-	**-**	-
Finance costs					
- on financial debt	24	**(320,754)**	(324,323)	**(107)**	(29)
- on rights-of-use assets	24	**(223,346)**	-	**-**	-
Share of results of associates	9	**92,575**	120,757	**-**	-
(Loss)/profit before taxation and non recurring items		**(100,573)**	245,097	**(2,110)**	24,562
Non recurring items	25	**(41,863)**	(14,245)	**-**	-
(Loss)/profit before taxation		**(142,436)**	230,852	**(2,110)**	24,562
Income tax credit/(expense)	21(b)	**3,670**	(26,176)	**-**	-
(Loss)/profit for the year		**(138,766)**	204,676	**(2,110)**	24,562
Attributable to:					
Owners of the parent		**(74,681)**	95,482	**(2,110)**	24,562
Non-controlling interests		**(64,085)**	109,194	**-**	
		(138,766)	204,676	**(2,110)**	24,562
(Loss)/earnings per share (MUR)	27	**(1.34)**	1.71	**(0.04)**	0.44

The notes on pages 55 to 109 form an integral part of these financial statements.
Auditor's report on pages 45 to 49.

Statements of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2019

	Notes	THE GROUP		THE COMPANY	
		2019 MUR'000	2018 MUR'000	**2019 MUR'000**	2018 MUR'000
(Loss)/profit for the year		**(138,766)**	204,676	**(2,110)**	24,562
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit obligations	18	**(7,953)**	12,689	**-**	-
Share of other comprehensive income of associates	9	**(3,227)**	261,416	**-**	-
Deferred tax relating to these items - defined benefit obligations	11	**1,352**	(278)	**-**	-
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		**44,836**	25,363	**-**	-
Share of other comprehensive income of associates	9	**48,086**	(49,212)	**-**	-
Other comprehensive income for the year		**83,094**	249,978	**-**	-
Total comprehensive income for the year		**(55,672)**	454,654	**(2,110)**	24,562
Total comprehensive income for the year attributable to:					
Owners of the parent		**(33,263)**	222,549	**-**	24,562
Non-controlling interests		**(22,409)**	232,105	**-**	-
		(55,672)	454,654	**(2,110)**	24,562

The notes on pages 55 to 109 form an integral part of these financial statements.
Auditor's report on pages 45 to 49.

Statements of Changes in Equity

Year ended December 31, 2019

THE GROUP	Notes	Stated capital MUR'000	Revaluation and other reserves MUR'000	Retained earnings MUR'000	Total MUR'000	Non-controlling interests MUR000	Total Equity MUR'000
		Attributable to owners of the parent					
At January 1, 2019							
- As previously reported		1,102,001	1,641,154	362,882	3,106,037	3,030,963	6,137,000
- Prior year adjustment	33	-	-	(26,334)	(26,334)	(25,301)	(51,635)
		1,102,001	1,641,154	336,548	3,079,703	3,005,662	6,085,365
- Effect of adopting IFRS 16	35	-	-	(839)	(839)	(806)	(1,645)
- As restated		1,102,001	1,641,154	335,709	3,078,864	3,004,856	6,083,720
Loss for the year		-	-	(74,681)	(74,681)	(64,085)	(138,766)
Other comprehensive income for the year	16	-	41,418	-	41,418	41,676	83,094
Dividends	20	-	-	-	-	(42,271)	(42,271)
At December 31, 2019		**1,102,001**	**1,682,572**	**261,028**	**3,045,601**	**2,940,176**	**5,985,777**
At January 1, 2018							
- As previously reported		1,102,001	1,514,087	290,357	2,906,445	2,857,485	5,763,930
- Prior year adjustment	33	-	-	(23,566)	(23,566)	(22,642)	(46,208)
- As restated		1,102,001	1,514,087	266,791	2,882,879	2,834,843	5,717,722
Profit for the year - restated		-	-	95,482	95,482	109,194	204,676
Other comprehensive income for the year	16	-	127,067	-	127,067	122,911	249,978
Dividends	20	-	-	(25,725)	(25,725)	(61,286)	(87,011)
At December 31, 2018		**1,102,001**	**1,641,154**	**336,548**	**3,079,703**	**3,005,662**	**6,085,365**

THE COMPANY	Note	Stated capital MUR'000	Retained earnings MUR000	Total MUR'000
At January 1, 2019		1,102,001	3,070	1,105,071
Loss for the year		-	(2,110)	(2,110)
At December 31, 2019		**1,102,001**	**960**	**1,102,961**
At January 1, 2018		1,102,001	4,233	1,106,234
Profit for the year		-	24,562	24,562
Dividends	20	-	(25,725)	(25,725)
At December 31, 2018		**1,102,001**	**3,070**	**1,105,071**

The notes on pages 55 to 109 form an integral part of these financial statements.
Auditor's report on pages 45 to 49.

Statements of Cash Flows

Year ended December 31, 2019

	Note	THE GROUP 2019 MUR'000	THE GROUP Restated 2018 MUR'000	THE COMPANY 2019 MUR'000	THE COMPANY 2018 MUR'000
Operating activities					
(Loss)/profit before taxation		**(142,436)**	230,852	**(2,110)**	24,562
Adjustments for:					
Share of results of associates		**(92,575)**	(120,757)	**-**	-
Exchange differences		**(74,462)**	(26,870)	**-**	-
Depreciation of property, plant and equipment		**354,188**	411,414	**-**	-
Depreciation of right-of-use assets		**181,283**			
Amortisation of intangible assets		**8,232**	45,741	**-**	-
Loss/(profit) on disposal of property, plant and equipment		**4,316**	(900)	**-**	-
Profit on disposal of right-of-use assets		**(554)**	-	**-**	-
Net impairment losses on financial assets		**88,002**	-	**-**	-
Interest expense		**544,100**	324,323	**107**	29
Interest income		**(17,602)**	(16,803)	**-**	-
Retirement benefit obligations		**40,509**	38,787	**-**	-
Operating profit/(loss) before working capital changes		**893,001**	885,787	**(2,003)**	24,591
- inventories		**(19,473)**	(42,816)	**-**	-
- trade receivables and other receivables		**31,734**	(72,810)	**27,960**	(13,984)
- financial assets at amortised cost		**9,531**	-	**-**	-
- other assets		**(3,788)**	-	**-**	-
- trade and other payables		**91,687**	(203)	**(297)**	(325)
Cash generated from operations		**1,002,692**	769,958	**25,660**	10,282
Interest paid		**(320,754)**	(324,323)	**(107)**	(29)
Interest received		**15,689**	16,803	**-**	-
Pension contribution paid		**(23,116)**	(21,943)	**-**	-
Tax paid		**(18,506)**	(125,991)	**-**	
Net cash generated from operating activities		**656,005**	314,504	**25,553**	10,253
Cash flows from investing activities					
Purchase of property, plant and equipment		**(411,106)**	(150,064)	**-**	-
Purchase of intangible assets		**(3,464)**	(10,682)	**-**	-
Proceeds from sale of property, plant and equipment		**4,492**	4,939	**-**	-
Proceeds from sale of right-of-use assets		**1,035**	-	**-**	-
Investments in associates		**-**	(9,150)	**-**	-
Net cash used in investing activities		**(409,043)**	(164,957)	**-**	-
Cash flows from financing activities					
Proceeds from borrowings		**1,104,378**	628,531	**-**	502
Repayments of borrowings		**(964,606)**	(683,643)	**(502)**	-
Principal paid on lease liabilities (2018: principal paid on finance leases)		**(16,482)**	(16,805)	**-**	-
Interest paid on lease liabilities (2018: interest paid on finance leases)		**(223,346)**	-	**-**	-
Loan granted		**-**	(48,160)	**-**	-
Dividends paid to company's shareholders		**(25,725)**	(11,744)	**(25,725)**	(11,744)
Dividends paid to non-controlling interest		**(69,136)**	(47,852)	**-**	-
Net cash used in financing activities		**(194,917)**	(179,673)	**(26,227)**	(11,242)
Net increase/(decrease) in cash and cash equivalents		**52,045**	(30,126)	**(674)**	(989)
Cash and cash equivalents at January 1,		**(436,197)**	(406,071)	**(2,207)**	(1,218)
Cash and cash equivalents at December 31,	27(b)	**(384,152)**	(436,197)	**(2,881)**	(2,207)

The notes on pages 55 to 109 form an integral part of these financial statements.
Auditor's report on pages 45 to 49.

Notes to the financial statements

Year ended December 31, 2019

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 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.

Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that:

(i) freehold land is stated at revalued amount; and

(ii) relevant financial assets and liabilities are stated at their amortised cost.

The Group has a net current liability of MUR 2,165 million (2018: MUR 1,273 million). The financial statements have been prepared on a going concern basis, based on the board's assessment and assumptions made as described in Note 4(g).

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

IFRS 16 Leases results in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The Group has adopted IFRS 16 from January 1, 2019, but has not restated comparatives for 2018, as permitted under the specific transition provisions. The reclassifications and adjustments arising from the new leasing rules are recognised in the opening balance sheet on January 1, 2019. The new accounting policies are disclosed in Note 2(f).

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 8.05%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

IFRIC 23 Uncertainty over Income Tax Treatments explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. There are no new disclosure requirements but requirement to provide information about judgements and estimates made in preparing the financial statements. The interpretation has no impact on the Group's financial statements.

Prepayment Features with negative compensation (Amendments to IFRS 9) enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. The amendments have no impact on the Group's financial statements.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28. The amendments have no impact on the Group's financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

- IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 - clarified that party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 - clarified that income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 - clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments have no impact on the Group's financial statements.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) clarify that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.
- separately recognise any changes in the asset ceiling through other comprehensive income.

The amendments have no impact on the Group's financial statements.

Standards amendments to published standards and Interpretations issued but yet not effective.

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2020 or later periods, but which the Group has not early adopted.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, Amendments to published Standards and Interpretations issued but not yet effective *(continued)*

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRS 17 Insurance Contracts
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

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 judgement 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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investment in subsidiaries (continued)

Consolidated financial statements (continued)

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 significance 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, jointly controlled entities or financial assets. In addition, any amounts previously recognised in 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) Investment 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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investment in associates (continued)

Consolidated financial statements (continued)

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, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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 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.

Properties in the course of construction for production, rental or administrative purposes or for purposes not yet determined are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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	2.0% - 10.0%
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) Leases

In 2018, leases were classified as finance leases where the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases were 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 was 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 were charged to profit or loss unless they were attributable to qualifying assets in which case, they were capitalised in accordance with the policy on borrowing costs (see Note 2 (q)).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leases (continued)

Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, all leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Identifying Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;

(b) The Group obtains substantially all the economic benefits from use of the asset; and

(c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leases (continued)

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the First-In-First-Out (FIFO) method.

(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.

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 assets

The Group classifies its financial assets as follows:

Amortised cost

The Group's financial assets measured at amortised cost comprise trade receivables, financial assets at amortised cost and cash and cash equivalents in the statement of financial position.

Trade receivables are amounts due from customers for goods sold and services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore classified as current. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial assets (continued)

Amortised cost (continued)

Financial assets at amortised cost generally arise from transactions outside the trading activities of the Group. Where applicable, interest may be charged at commercial rates where the terms of repayment exceed one year. There are no collateral for those receivables.

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

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(k) Financial liabilities

The Group classifies its financial liabilities as follows:

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(l) Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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.

(m) 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.

(n) Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Notes to the financial statements

Year ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Current and deferred income tax (continued)

Current tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

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.

Deferred tax assets 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.

(o) 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 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 Workers Rights Act 2019 (2018-Employment Rights Act 2008) is calculated and provided for. The obligations arising under this item are not funded.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Revenue recognition

(i) Revenue from contracts with customers

Performance obligations and timing of revenue recognition

The revenue is mostly derived from selling goods or services in term of hotel rooms, with revenue recognised at a point in time when control of the goods or services has transferred to the customer.

Determining the transaction price

Most of the revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

Allocating amounts to performance obligations

For most contracts, there is a fixed unit price for each product sold, with reductions given to tour operators for confirmation placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to the confirmation of such contracts. The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral is usually within twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

Financing component

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(ii) Dividend income

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

(q) 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.

(r) 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 distribution is authorised by the board.

(s) 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Notes to the financial statements

Year ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions (continued)

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.

(t) Segment Reporting

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

(u) Non recurring items

Non recurring items are disclosed separately in the financial statements where it it necessary to do so to provide further understanding of the financial performance of the Group. They are significant items of income or expense that have been shown separately due to the significance of its nature or amount.

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, interest 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.

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

2019	EUR MUR'000	USD MUR'000	GBP MUR'000	MUR MUR'000	OTHERS MUR'000	TOTAL MUR'000
Financial Assets						
Net trade receivables	117,766	142,709	41,883	40,883	27,558	**370,799**
Financial assets at amortised cost	304,853	11,185	915	86,681	-	**403,634**
Cash and cash equivalents	53,194	27,095	11,994	6,132	4,369	**102,784**
	475,813	**180,989**	**54,792**	**133,696**	**31,927**	**877,217**
Financial Liabilities						
Borrowings	403,190	1,816,924	-	3,155,382	-	**5,375,496**
Lease liabilities	-	2,569,277	-	402,075	-	**2,971,352**
Trade payables	-	105,848	-	141,328	-	**247,176**
	403,190	**4,492,049**	**-**	**3,698,785**	**-**	**8,594,024**

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

Currency risk (continued)

CURRENCY PROFILE *(continued)*

	THE GROUP					
2018	EUR MUR'000	USD MUR'000	GBP MUR'000	MUR MUR'000	OTHERS MUR'000	TOTAL MUR'000
Financial Assets						
Net trade receivables	142,814	172,842	51,516	33,512	1,849	**402,533**
Financial assets at amortised cost	338,105	84,585	479	72,818	-	**495,987**
Cash and cash equivalents	37,772	11,101	11,028	11,666	5,145	**76,712**
	518,691	**268,528**	**63,023**	**117,996**	**6,994**	**975,232**
Financial Liabilities						
Borrowings	384,140	1,901,939	-	2,957,518	-	**5,243,597**
Trade payables	-	118,145	-	153,381	-	**271,526**
	384,140	**2,020,084**	**-**	**3,110,899**	**-**	**5,515,123**

At December 31, 2019, 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 8.8 million (2018: MUR 11.1 million) higher/lower mainly as a result of foreign exchange gains/losses on translation of trade receivables, financial assets at amortised cost and bank balances denominated in US Dollar/Euro/GB Pound.

Similarly, the impact on the amount recognised directly into equity would have been MUR 404.8 million (2018: MUR 210.0 million) higher/lower, principally due to financial assets at amortised cost, bank balances and borrowings of foreign subsidiaries.

Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables.

Credit risk is managed on a Group basis.

For banks and financial institutions, only independently rated parties and reputed financial institutions are accepted.

Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are based on internal or external ratings in accordance with limits set by the Board. The compliance with credit limits by customers is regularly monitored by line management.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable recovery include among others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payment when the receivables are overdue.

Sales to direct customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

3. FINANCIAL RISK MANAGEMENT (continued)

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 interest rate profile of borrowings for the Group at December 31, 2019 and December 31, 2018 were:

	2019	2018
	Interest rate	Interest rate
EUR	**2.15% - 4.62%**	2.15% - 4.78%
USD	**3.76% - 7.21%**	4.33% - 7.39%
MUR	**3.85% - 6.60%**	3.75% - 6.75%

The Group's operating cashflows are exposed to interest risk as it borrows at variable rates. At December 31, 2019, 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 19.3 million (2018: MUR 20.2 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 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 17.

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 2019, the Group's strategy which was unchanged from 2018, was to maintain the debt-to-capital ratio at the lower end in order to secure access to finance at a reasonable cost.

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital Risk Management (continued)

The debt-to-capital ratios at December 31, 2019 and December 31, 2018 were as follows:

	THE GROUP		THE COMPANY	
	2019 MUR'M	Restated 2018 MUR'M	**2019 MUR'M**	2018 MUR'M
Total debt (Notes 6 and 17)	**8,347**	5,244	**3**	3
Less: cash and cash equivalents	**(103)**	(77)	**-**	-
Net debt	**8,244**	5,167	**3**	3
Total equity	**5,986**	6,085	**1,103**	1,105
Total capital plus net debt	**14,230**	11,252	**1,106**	1,108
Debt-to-capital ratio	**57.9%**	45.9%	**0.3%**	0.3%

Total capital plus net debt is made up of capital and reserves plus net debt of the Group. The net debt to capital ratio changed from 45.9% in 2018 to 57.9% in 2019 for the Group, following the adoption of IFRS 16 Leases. Both net debt and gross assets increased following the recognition of rights-of-use assets and lease liabilties on 1 January 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

(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 an independent valuer's work and 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 77.1 million (2018: MUR 48.9 million) part of which has been used to offset against a deferred tax liability arising from accelerated capital allowances. Based on Management judgements and estimates of the future taxable income, they believe that the tax losses will be fully utilised within the relevant period during which such tax losses may be carried forward.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(c) **Retirement benefit obligations**

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 freehold land**

The freehold land were revalued during the previous year by an independent professional valuer. The valuation was based on direct comparison approach which consists of searching for recent comparable sales in the concerned area and apply adjustments to them in order to reach an estimation of value of the respective land. However, due to limited information available the evidence used only provide a guideline about the market value of the respective portion of land.

(e) **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. Management makes estimates of the future cash flows from CGU and the selection of discount rate in order to compute the present value of the expected cash flow.

(f) **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(g) **Limitation of sensitivity analysis**

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and the other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Group's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risks that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(h) Material uncertainty related to going concern

With the impact of the COVID-19 pandemic, the Company and the Group are facing major challenges with lost revenue and disruptions in its supply chain. The Group has set up a Crisis Committee to devise strategies and is working in close collaboration with AHRIM, the Authorities and its providers of finance to meet its cashflow and working capital requirements. This includes, amongst others, the restructuring of its debt, obtaining additional financial facilities, adopting costs containment measures, and applying to Mauritius Investment Corporation Ltd to participate in the support scheme.

The Company and the Group do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak at this point in time given the current uncertainty. However, it is anticipated that the fair value of the financial and non-financial assets which the Company and the Group hold and the underlying countries in which the Group currently operates, and its supply chain would be adversely affected as a result of market volatility and the deteriorating economic environment. The impact of this outbreak on the assets and exposures as well as on the macroeconomic forecasts will be incorporated in the estimates on impairment assessment provisions in 2020 and the fair value models for financial assets and non-financial assets will similarly be reassessed.

Based on the above and the projected cashflow, the directors have assessed the Group's ability to continue as a going concern for the next twelve months from the date of signature of these financial statements and believe the going concern assumption to be appropriate.

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, 2019	2,851,220	6,696,118	281,917	1,364,039	139,772	980,831	26,254	12,340,151
Effect of adopting IFRS 16 (Note 35)	-	-	(36,738)	(58,524)	(52,555)	-	-	(147,817)
At January 1, 2019 - restated	2,851,220	6,696,118	245,179	1,305,515	87,217	980,831	26,254	12,192,334
Additions	-	147,706	25,963	40,563	7,192	154,766	34,916	411,106
Disposals	-	(6,709)	(4,359)	(8,097)	(33,295)	(55,640)	-	(108,100)
Transfers	-	2,655	1,963	5,508	-	2,613	(12,739)	-
Exchange differences	-	228,686	5,911	40,648	2,353	27,034	107	304,739
At December 31, 2019	**2,851,220**	**7,068,456**	**274,657**	**1,384,137**	**63,467**	**1,109,604**	**48,538**	**12,800,079**
Depreciation								
At January 1, 2019	-	2,169,341	252,302	1,039,469	104,566	683,114	-	4,248,792
Effect of adopting IFRS 16 (Note 35)	-	-	(36,738)	(16,269)	(26,005)	-	-	(79,012)
At January 1, 2019 - restated	-	2,169,341	215,564	1,023,200	78,561	683,114	-	4,169,780
Charge for the year	-	190,562	12,417	76,536	3,416	71,257	-	354,188
Disposal adjustment	-	(3,684)	(4,324)	(7,303)	(33,296)	(50,685)	-	(99,292)
Exchange differences	-	76,513	5,248	34,627	1,843	20,074	-	138,305
At December 31, 2019	**-**	**2,432,732**	**228,905**	**1,127,060**	**50,524**	**723,760**	**-**	**4,562,981**
Net Book Values								
At December 31, 2019	**2,851,220**	**4,635,724**	**45,752**	**257,077**	**12,943**	**385,844**	**48,538**	**8,237,098**

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, 2018	2,851,220	6,609,324	266,372	1,298,038	147,039	954,737	-	12,126,730
Additions	-	20,966	13,674	65,225	10,281	19,106	26,254	155,506
Disposals	-	(7,005)	(63)	(12,053)	(18,501)	(823)	-	(38,445)
Exchange differences	-	72,833	1,934	12,829	953	7,811	-	96,360
At December 31, 2018	**2,851,220**	**6,696,118**	**281,917**	**1,364,039**	**139,772**	**980,831**	**26,254**	**12,340,151**
Depreciation								
At January 1, 2018	-	1,931,413	239,860	948,877	109,989	600,576	-	3,830,715
Charge for the year	-	219,532	10,677	91,509	12,233	77,463	-	411,414
Disposal adjustment	-	(3,909)	(47)	(11,190)	(18,501)	(759)	-	(34,406)
Exchange differences	-	22,305	1,812	10,273	845	5,834	-	41,069
At December 31, 2018	**-**	**2,169,341**	**252,302**	**1,039,469**	**104,566**	**683,114**	**-**	**4,248,792**
Net Book Values								
At December 31, 2018	**2,851,220**	**4,526,777**	**29,615**	**324,570**	**35,206**	**297,717**	**26,254**	**8,091,359**

(c) Freehold Land was revalued on March 26, 2018 by an independent professional qualified valuer, CDDS Land Surveyors & Property Valuer, on an open market value basis based on direct sales comparison taking into account recent transactions. The freehold land is classified as level 2 in terms of the fair value hierarchy.

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

	THE GROUP	
	2019 MUR'000	2018 MUR'000
Cost	**147,426**	147,426

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(e) The additions to assets under finance leases for the Group was MUR 5.4 million in 2018.

(f) The Group leases motor vehicles and equipment under finance lease. With the application of IFRS 16 leases, the cost and accumulated depreciation have been transfered to right of use assets. In 2018 leased assets included above comprised of motor vehicles and equipment. Details regarding these assets were as follows:

	THE GROUP	
	2019 MUR'000	2018 MUR'000
Cost	**-**	147,817
Accumulated depreciation	**-**	(79,012)
Net book value	**-**	68,805

(g) Bank borrowings are secured by floating charges on the assets of the Group including property, plant and equipment (Note 17).

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

6. RIGHT-OF-USE ASSETS

THE GROUP	Land and building MUR'000	Leasehold land payments MUR'000	Computer equipment MUR'000	Plant and machinery MUR'000	Motor vehicles MUR'000	Total MUR'000
Cost						
At January 1, 2019	-	-	-	-	-	-
Effect of adopting IFRS 16 (Note 35)	2,600,530	976,028	36,738	58,524	52,555	3,724,375
At January 1, 2019 - restated	2,600,530	976,028	36,738	58,524	52,555	3,724,375
Additions	165,858	-	-	-	7,772	173,630
Disposals	-	-	-	-	(3,776)	(3,776)
Exchange differences	137,389	54,277	-	-	-	191,666
At December 31, 2019	**2,903,777**	**1,030,305**	**36,738**	**58,524**	**56,551**	**4,085,895**
Depreciation						
At January 1, 2019	-	-	-	-	-	-
Effect of adopting IFRS 16 (Note 35)	-	325,641	36,738	16,269	26,005	404,653
At January 1, 2019 - restated	-	325,641	36,738	16,269	26,005	404,653
Charge for the year	124,966	39,883	-	5,852	10,582	181,283
Disposal adjustment	-	-	-	-	(3,295)	(3,295)
Exchange differences	3,093	21,045	-	-	-	24,138
At December 31, 2019	**128,059**	**386,569**	**36,738**	**22,121**	**33,292**	**606,779**
Net Book Values						
At December 31, 2019	**2,775,718**	**643,736**	**-**	**36,403**	**23,259**	**3,479,116**

6. RIGHT-OF-USE ASSETS (continued)

(a) Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some jurisdictions property leases the periodic rent is fixed over the lease term. The group also leases certain equipment and vehicles.

(b) Variable lease payments

The percentages in the table below reflect the lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

December 31, 2019	Lease contracts	Fixed payments	Variable payments	Sensitivity
	Number	%	%	± MUR'000
Property leases with payments linked to inflation	3	-	9.4%	16,594
Property leases with fixed payments	4	78.6%	-	-
Leases of plant and equipment	2	5.7%	-	-
Vehicle leases	29	6.3%	-	-
	38	90.6%	9.4%	16,594

(c) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

(d) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(e) Leasehold land payment are amortised over the period of the lease.

6A. LEASE LIABILITIES

THE GROUP	Land and building MUR'000	Computer equipment MUR'000	Plant and machinery MUR'000	Motor vehicles MUR'000	Total MUR'000
At January 1, 2019	-	-	-	-	-
Effect of adopting IFRS 16 (Note 35)	2,590,681	362	55,564	30,674	2,677,281
Additions	165,858	-	-	7,137	172,995
Interest expenses	218,344	-	3,138	1,864	223,346
Lease payments	(211,266)	(79)	(13,615)	(14,868)	(239,828)
Exchange differences	137,558	-	-	-	137,558
At December 31, 2019	**2,901,175**	**283**	**45,087**	**24,807**	**2,971,352**
Current	40,463	283	11,140	9,414	61,300
Non current	2,860,712	-	33,947	15,393	2,910,052
	2,901,175	**283**	**45,087**	**24,807**	**2,971,352**

The maturity of lease liabilities is as follows:

	THE GROUP 2019 MUR'000
Carrying amount	**2,971,352**
Contractual cashflows:	
Less than one year	**61,300**
Between one year and two years	**68,437**
Between two years and five years	**208,377**
More than five years	**2,633,238**
	2,971,352

Interest expense	2019 MUR'000
Interest expense (included in finance cost)	**223,346**

The total cash outflows for leases in 2019 was MUR 239.8 million for the Group.

7. INTANGIBLE ASSETS

	THE GROUP	Goodwill on acquisition MUR'000	Leasehold land payments MUR'000	Computer software MUR'000	Total MUR'000
(a)	**Cost**				
	At January 1, 2018	449,659	957,876	60,397	1,467,932
	Additions	-	-	10,682	10,682
	Exchange differences	8,321	18,152	395	26,868
	At December 31, 2018	457,980	976,028	71,474	1,505,482
	Effect of adopting IFRS 16 (Note 35)	-	(976,028)	-	(976,028)
	At January 1, 2019 - restated	457,980	-	71,474	529,454
	Additions	-	-	3,464	3,464
	Exchange differences	25,961	-	1,270	27,231
	At December 31, 2019	**483,941**	**-**	**76,208**	**560,149**

7. INTANGIBLE ASSETS (continued)

THE GROUP	Goodwill on acquisition MUR'000	Leasehold land payments MUR'000	Computer software MUR'000	Total MUR'000
Amortisation				
At January 1, 2018	-	280,354	40,151	320,505
Charge for the year	-	38,351	7,390	45,741
Exchange differences	-	6,936	330	7,266
At December 31, 2018	-	325,641	47,871	373,512
Effect of adopting IFRS 16 (Note 35)	-	(325,641)	-	(325,641)
At January 1, 2019 - restated	-	-	47,871	47,871
Charge for the year	-	-	8,232	8,232
Exchange differences	-	-	1,097	1,097
At December 31, 2019	**-**	**-**	**57,200**	**57,200**
Net Book Values				
At December 31, 2019	**483,941**	**-**	**19,008**	**502,949**
At December 31, 2018	457,980	650,387	23,603	1,131,970

(b) Leasehold land payments relate to the rights acquired in respect of leasehold land. With the application of IFRS 16 Leases, the costs and amortisation have been transferred to Rights-of-Use assets.

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

(d) Total amortisation charge for the Group 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 flows based on financial projections covering a period of 6 years and thereafter the cash flows are extrapolated using a growth rate of 3%. The pre-tax discount rate used in the year approximates 10%.

8. INVESTMENTS IN SUBSIDIARY COMPANIES

		THE COMPANY	
		2019 MUR'000	2018 MUR'000
(a)	**Cost**		
	At December 31,	**1,106,533**	1,106,533

8. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

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

Name of corporation	Nominal value of investment MUR'000	Proportion of ownership interest Direct 2019 & 2018 %	Indirect 2019 %	Indirect 2018 %	Country of operation	Country of incorporation	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**	100	Mauritius	Mauritius	908,052	Hotel Industry
Beauport Industries Limited	500,000	-	**100**	100	Mauritius	Mauritius	500,000	Hotel Industry
White Sand Paradise Ltd **	60,030	-	**75**	75	Mauritius	Mauritius	80,040	Hotel Industry
Constance Hotels International Services Limited	87,509	-	**100**	100	Mauritius	Mauritius	87,509	Investment Holding and Management Company
Constance Hospitality Training Centre Ltd	25,025	-	**100**	100	Mauritius	Mauritius	25,025	Training Centre
Constance Hotels Investment Limited	11,365	-	**100**	100	Mauritius	Mauritius	11,365	Investment Holding
Hotels Constance (UK) Limited	1	-	**100**	100	United Kingdom	United Kingdom	1	Marketing Representative
Ariatoll Services Ltd	32	-	**100**	100	Mauritius	Mauritius	32	Management Company
Constance Hospitality Management Limited	32	-	**100**	100	Mauritius	Mauritius	32	Management Company
LRM Company Ltd **	227	-	**75**	75	Mauritius	Mauritius	302	Management Company
Moofushi Development Ltd	3	-	**100**	100	Maldives	Mauritius	3	Hotel Industry
The Waterfront PVT Ltd	48	-	**100**	100	Maldives	Maldives	48	Hotel Industry
Halaveli Development Ltd	30	-	**100**	100	Mauritius	Mauritius	30	Investment Holding

The market value of the Company's interest in Constance Hotels Services Limited, based on its latest quoted price as at 31 December 2019, was MUR 1,440 million (2018: MUR 1,649 million).

* The proportion of ownership held by non-controlling interest for Constance Hotels Services Limited is 49% for the years 2019 and 2018.

** The proportion of ownership held by non-controlling interest for LRM Company Ltd and White Sand Paradise Ltd is 25% for the years 2019 and 2018.

Note: Ordinary shares are issued for the above subsidiaries and the statutory reporting date is 31 December 2019 for the companies.

8. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

(c) Details for non-controlling interests

	(Loss)/profit allocated to non-controlling interests MUR'000	Accumulated non-controlling interests MUR'000
2019		
Constance Hotels Services Limited	**(64,085)**	**2,940,176**
2018 - restated		
Constance Hotels Services Limited	109,194	3,005,662

(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.

	Non-current assets MUR'000	Current assets MUR'000	Non-current liabilities MUR'000	Current liabilities MUR'000	Revenue MUR'000	(Loss)/profit for the year MUR'000	Other comprehensive income MUR'000	Dividend paid to non-controlling interests MUR'000
2019								
Constance Hotels Services Limited	**14,124,078**	**1,393,054**	**5,973,379**	**3,554,403**	**3,516,913**	**(136,656)**	**83,094**	**42,271**
2018 - restated								
Constance Hotels Services Limited	11,043,024	1,419,936	3,685,623	2,691,135	3,747,479	208,076	249,978	34,420

(ii) Summarised cash flow information:

	Operating activities MUR'000	Investing activities MUR'000	Financing activities MUR'000	Net increase/(decrease) in cash and cash equivalents MUR'000
2019				
Constance Hotels Services Limited	**658,414**	**(409,043)**	**(196,652)**	**52,719**
2018				
Constance Hotels Services Limited	321,446	(164,957)	(185,626)	(29,137)

9. INVESTMENTS IN ASSOCIATES

(a) THE GROUP

	2019 MUR'000	2018 MUR'000
Unquoted		
At January 1,	**1,414,828**	890,874
Additions	**-**	190,993
Share of results for the year	**92,575**	120,757
Share of other comprehensive income	**(3,227)**	261,416
Exchange difference	**48,086**	(49,212)
	1,552,262	1,414,828
Deposit on shares*	**201,977**	201,977
At December 31,	**1,754,239**	1,616,805

Investment in associates at December 31, 2019 include goodwill of MUR 16 million (2018: MUR 16 million).

* Deposit on shares represent subscription to rights issue for which shares are awaiting approval of relevant authorities and have not yet been issued.

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

Name	Year end	Country of incorporation	Country of operation	By other group companies 2019 %	By other group companies 2018 %
Le Refuge du Pêcheur Limited and its subsidiary*	December 31, 2019	Seychelles	Seychelles	**31.93**	31.93
Ampasy Ltd and its subsidiary	December 31, 2019	Mauritius	Mauritius	**37.50**	37.50
Constance Corporate Management Limited	December 31, 2019	Mauritius	Mauritius	**42.00**	42.00
Lagon De Rêve Limitée	June 30, 2019	Mauritius	Mauritius	**40.00**	40.00

* In December 2018, the Group acquired an additional 6.51% of the issued shares of Le Refuge du Pêcheur Limited and its subsidiary for a purchase consideration of MUR 183.4 million which includes MUR 174.2 million transferred from Receivables to Investment in associates. The net assets brought from the additional stake of 6.51% over purchase consideration amounted to MUR 6.3 million and has been accounted as the share of results from associates.

(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.

9. 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	Profit/(loss) for the year MUR'000	Other comprehensive income MUR'000
2019							
Le Refuge du Pêcheur Limited and its subsidiary	**780,154**	**6,173,675**	**1,727,985**	**1,041,499**	**2,894,883**	**336,240**	**112,481**
Lagon De Rêve Limitée	**52,435**	**640,640**	**36,681**	**364,500**	**4,800**	**(2,211)**	**-**
2018							
Le Refuge du Pêcheur Limited and its subsidiary	692,263	6,152,069	1,803,539	1,262,558	2,677,460	351,978	962,094
Lagon De Rêve Limitée	91,676	516,226	126,793	147,500	4,800	(2,219)	-

(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	Profit/(loss) for the year MUR'000	Other comprehensive income MUR'000	Effect of exchange difference MUR'000	Closing net assets MUR'000	Ownership interest %	Interest in associates MUR'000	Loan to associate MUR'000	Goodwill MUR'000	Carrying value MUR'000
2019										
Le Refuge du Pêcheur Limited and its subsidiary	**2,915,834**	**336,240**	**112,481**	**(37,090)**	**3,327,465**	**31.93%**	**1,062,460**	**284,480**	**16,071**	**1,363,011**
Lagon De Rêve Limitée	**333,609**	**(41,715)**	**-**	**-**	**291,894**	**40.00%**	**116,758**	**-**	**-**	**116,758**
2018										
Le Refuge du Pêcheur Limited and its subsidiary	1,651,947	351,978	962,094	(50,185)	2,915,834	31.93%	931,026	274,400	15,501	1,220,927
Lagon De Rêve Limitée	317,306	16,303	-	-	333,609	40.00%	133,444	-	-	133,444

9. INVESTMENTS IN ASSOCIATES (continued)

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

	2019 MUR'000	2018 MUR'000
Carrying amount of interests	**72,493**	60,457
Share of profit	**13,743**	18,374
Share of other comprehensive income	**(1,705)**	(11,172)
Share of total comprehensive income	**12,038**	7,202

10. FINANCIAL ASSETS AT AMORTISED COST

THE GROUP

		2019 MUR'000	2019 MUR'000	2018 MUR'000	2018 MUR'000
		Current	**Non-current**	Current	Non-current
(a)	Receivables from associates:				
	- other receivables (Note (b))	**314,325**	**-**	342,941	-
	- loan (Note (c))	**-**	**53,906**	-	53,906
	Other loan receivable (Note (c))	**-**	**-**	-	56,849
	Other receivables (Note (b))	**35,403**	**-**	42,291	-
		349,728	**53,906**	385,232	110,755

THE COMPANY

	2019 MUR'000	2019 MUR'000	2018 MUR'000	2018 MUR'000
	Current	**Non-current**	Current	Non-current
Dividends from related parties	**-**	**-**	27,962	-
	-	**-**	27,962	-

(b) Other receivables

These amounts generally arise from transactions outside the trading activities of the Group. Where applicable, interest may be charged at commercial rates where the terms of repayment exceed one year. There are no collateral for those receivables.

(c) Loans bear interest at commercial rates and is repayable subject to certain conditions.

11. DEFERRED INCOME TAX

(a) Deferred income taxes are calculated on all temporary differences under the liability method at 15%-17% (2018: 15%-17%).

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	
	2019 MUR'000	Restated 2018 MUR'000
Deferred tax assets	**96,770**	104,532
Deferred tax liabilities	**(44,870)**	(71,833)
Net deferred income tax assets	**51,900**	32,699

(b) At the end of the reporting period, the Group had unused tax losses of MUR 1,116.4 million (2018: MUR 670.4 million), available for offset against future profits. A deferred tax asset has been recognised in respect of MUR 468.3 million (2018: MUR 296.3 million) of such losses. No deferred tax asset has been recognised in respect of the remaining MUR 648.1 million (2018: MUR 374.1 million) due to unpredictability of future profit streams. The tax losses expire on a rolling basis over 5 years.

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

	THE GROUP	
	2019 MUR'000	Restated 2018 MUR'000
At January 1,		
- As previously reported	**22,123**	30,780
- Prior year adjustment (Note 33)	**10,576**	8,154
- Effect of adopting IFRS 16 (Note 35)	**(1,645)**	-
At January 1, - restated	**31,054**	38,934
Credited/(charged) to profit or loss (Note 21(b))	**21,306**	(4,712)
Charged to other comprehensive income	**(460)**	(1,523)
At December 31,	**51,900**	32,699

11. 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**	**Rights-of-use assets MUR'000**	**Total MUR'000**
At January 1, 2018	(13,356)	71,605	-	58,249
Charged to profit or loss	12,174	-	-	12,174
Charged to other comprehensive income	305	1,105	-	1,410
At December 31, 2018				
- As previously reported	(877)	72,710	-	71,833
- Effect of adopting IFRS 16 (Note 35)	-	-	393,617	393,617
At January 1, - restated	(877)	72,710	393,617	465,450
Charged to profit or loss	30,427	-	9,280	39,707
(Credited)/charged to other comprehensive income	(1)	3,298	20,146	23,443
At December 31, 2019	**29,549**	**76,008**	**423,043**	**528,600**

(ii) Deferred tax assets

	THE GROUP				
	Retirement benefit obligations MUR'000	**Tax losses carried forward MUR'000**	**Impairment loss provisions MUR'000**	**Lease liabilities MUR'000**	**Total MUR'000**
At January 1, 2018					
- As previously reported	27,959	61,070	-	-	89,029
- Prior year adjustment (Note 33)	8,154	-	-	-	8,154
At January 1, 2018 - restated	36,113	61,070	-	-	97,183
Credited/(charged) to profit or loss	5,801	(12,258)	13,922	-	7,465
(Charged)/credited to other comprehensive income	(278)	127	35	-	(116)
At December 31, 2018					
- As previously reported	41,636	48,939	13,957	-	104,532
- Effect of adopting IFRS 16 (Note 35)	-	-	-	391,972	391,972
At January 1, 2019 - restated	41,636	48,939	13,957	391,972	496,504
Credited to profit or loss	2,957	27,353	1,494	29,209	61,013
Credited to other comprehensive income	1,352	806	190	20,635	22,983
At December 31, 2019	**45,945**	**77,098**	**15,641**	**441,816**	**580,500**

12. INVENTORIES

	THE GROUP	
	2019	2018
	MUR'000	MUR'000
At Cost/Net realisable value		
Food and Beverages	**190,446**	173,777
Operating supplies	**61,777**	51,126
Maintenance	**71,262**	82,146
Sales products	**30,380**	29,549
Others	**24,315**	22,110
	378,180	358,708

(a) Bank borrowings are secured by floating charges on the asset of the Group including inventories (see Note 17).

(b) The cost of inventories recognised as expense and included in cost of sales amounted to MUR 770.5 million (2018: MUR 785.3 million) for the Group.

13. TRADE AND OTHER RECEIVABLES

		THE GROUP	
		2019	2018
		MUR'000	MUR'000
(a)	Trade receivables	**476,018**	496,574
	Less: Provision for impairment	**(105,219)**	(94,041)
	Net trade receivables	**370,799**	402,533

The carrying amount of trade receivables approximate their fair values.

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

(d) *Impairment of trade receivables*

(i) The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

13. TRADE AND OTHER RECEIVABLES (continued)

(d) *Impairment of trade receivables (continued)*

On that basis, the loss allowance as at December 31, 2019 and December 31, 2018 in compliance with IFRS 9 was determined as follows for trade receivables:

At December 31, 2019	**Current MUR'000**	**More than 1 day past due MUR'000**	**More than 90 days past due MUR'000**	**More than 180 days past due MUR'000**	**More than 270 days past due MUR'000**	**Total MUR'000**
Expected loss rate	0.64%	7.24%	57.27%	87.15%	86.23%	14.76%
Gross carrying amount - trade receivables	278,972	90,321	18,924	12,811	74,990	476,018
Less: guest in house	(137,038)	-	-	-	-	(137,038)
Less: specific provision	(1,077)	(1,532)	(269)	(1,585)	(60,282)	(64,745)
Net carrying amount	140,857	88,789	18,655	11,226	14,708	274,235
Loss allowance	(898)	(6,426)	(10,684)	(9,784)	(12,682)	(40,474)
Total provision	**(1,975)**	**(7,958)**	**(10,953)**	**(11,369)**	**(72,964)**	**(105,219)**

At December 31, 2018	**Current MUR'000**	**More than 1 day past due MUR'000**	**More than 90 days past due MUR'000**	**More than 180 days past due MUR'000**	**More than 270 days past due MUR'000**	**Total MUR'000**
Expected loss rate	7.73%	10.65%	100.00%	100.00%	100.00%	12.07%
Gross carrying amount - trade receivables	296,882	133,502	2,153	8,706	55,331	496,574
Less: guest in house	(120,515)	-	-	-	-	(120,515)
Less: specific provision	-	-	-	-	(55,331)	(55,331)
Net carrying amount	176,367	133,502	2,153	8,706	-	320,728
Loss allowance	(13,633)	(14,218)	(2,153)	(8,706)	-	(38,710)
Total provision	**(13,633)**	**(14,218)**	**(2,153)**	**(8,706)**	**(55,331)**	**(94,041)**

The closing loss allowances for trade receivables as at December 31, reconcile to the opening loss allowances as follows:

	Trade receivables	
	2019 MUR'000	2018 MUR'000
Loss allowance as at January 1,	**94,041**	100,702
Loss allowance recognised in profit or loss during the year	**11,178**	8,015
Receivables written off during the year	**-**	(14,676)
At December 31,	**105,219**	94,041

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

14. OTHER ASSETS

	THE GROUP		THE COMPANY	
	2019 MUR'000	2018 MUR'000	**2019 MUR'000**	2018 MUR'000
Prepayments	**141,313**	155,521	**123**	121
Current tax assets (Note 21(a))	**18,593**	17,723	**-**	-
Others	**31,780**	23,628	**-**	-
	191,686	196,872	**123**	121

15. 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, 2019 & 2018	**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) Fully paid ordinary shares carry one vote per share and a right to dividend.

16. REVALUATION AND OTHER RESERVES

	THE GROUP	
	2019 MUR'000	2018 MUR'000
The movements in each category are as follows:		
Revaluation reserve		
At January 1,	**1,540,526**	1,401,869
Revaluation surplus on freehold land	**-**	138,657
At December 31,	**1,540,526**	1,540,526
Translation of foreign operations		
At January 1,	**172,017**	184,602
Movement for the year	**46,315**	(12,585)
At December 31,	**218,332**	172,017
Actuarial losses		
At January 1,	**(71,389)**	(72,384)
Movement for the year	**(4,897)**	995
At December 31,	**(76,286)**	(71,389)
Total	**1,682,572**	1,641,154

16. REVALUATION AND OTHER RESERVES (continued)

(a) **Revaluation reserves**

Revaluation surplus relates to revaluation of freehold land.

(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 losses**

The actuarial losses reserve represents the cumulative remeasurement of defined benefit obligation recognised.

17. BORROWINGS

	THE GROUP		THE COMPANY	
	2019 MUR'000	2018 MUR'000	**2019 MUR'000**	2018 MUR'000
Non-current				
Loans - USD	**921,906**	1,205,989	**-**	-
- EUR	**145,205**	179,518	**-**	-
- MUR	**1,681,087**	1,930,544	**-**	-
Finance lease liabilities	**-**	64,597	**-**	-
	2,748,198	3,380,648	**-**	-
Current				
Bank overdrafts	**486,936**	512,909	**2,881**	2,207
Loans - USD	**701,297**	456,405	**-**	-
- EUR	**201,929**	163,130	**-**	-
- MUR	**1,237,136**	708,502	**-**	502
Finance lease liabilities	**-**	22,003	**-**	-
	2,627,298	1,862,949	**2,881**	2,709
Total borrowings	**5,375,496**	5,243,597	**2,881**	2,709

(a) Finance lease liabilities - minimum lease payments:

	THE GROUP	
	2019 MUR'000	2018 MUR'000
Not later than 1 year	**-**	26,912
Later than one year and not later than two years	**-**	23,895
Later than two years and not later than five years	**-**	24,071
After five years	**-**	23,844
	-	98,722
Future finance charges on finance leases	**-**	(12,122)
Present value of finance lease liabilities	**-**	86,600

17. BORROWINGS (continued)

	THE GROUP	
	2019	2018
	MUR'000	MUR'000
The present value of finance lease liabilities may be analysed as follows:		
Not later than one year	**-**	22,003
Later than one year and not later than two years	**-**	20,402
Later than two years and not later than five years	**-**	21,719
After five years	**-**	22,476
	-	86,600

The Group leases motor 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.

(b) Bank borrowings are secured on the assets of the Group including inventories, property, plant and equipment. The interest rates on these loans vary between 4.3% and 7.2%.

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

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

	THE GROUP	
	2019	2018
	MUR'000	MUR'000
After one year and before two years	**610,909**	612,349
After two years and before three years	**1,288,972**	783,053
After three years and before five years	**382,776**	1,445,551
After five years	**465,541**	539,695
	2,748,198	3,380,648

(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.

18. RETIREMENT BENEFIT OBLIGATIONS

	THE GROUP	
	2019 MUR'000	2018 MUR'000
Amounts recognised in the statement of financial position:		
Defined pension benefits (Note (a)(ii))	**198,165**	182,261
Other post retirement benefits (Note (b)(i))	**72,094**	62,652
	270,259	244,913
Analysed as follows:		
Non-current liabilities	**270,259**	244,913
Amounts charged to profit or loss:		
- Defined pension benefits (Note (a)(v))	**32,384**	30,857
- Other post retirement benefits (Note (b)(ii))	**8,125**	7,930
	40,509	38,787
Amounts charged/(credited) to other comprehensive income:		
- Defined pension benefits (Note (a)(vi))	**6,211**	(12,545)
- Other post retirement benefits (Note (b)(ii))	**1,742**	(144)
	7,953	(12,689)

(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, 2019 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 statement of financial position are as follows:

	THE GROUP	
	2019 MUR'000	2018 MUR'000
Present value of funded obligations	**440,669**	405,837
Fair value of plan assets	**(242,504)**	(223,576)
Liability in the statement of financial position	**198,165**	182,261

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

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

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

	THE GROUP	
	2019	2018
	MUR'000	MUR'000
At January 1,	**182,261**	185,892
Charged to profit or loss	**32,384**	30,857
Charged/(credited) to other comprehensive income	**6,211**	(12,545)
Contributions paid	**(22,691)**	(21,943)
At December 31,	**198,165**	182,261

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

	THE GROUP	
	2019	2018
	MUR'000	MUR'000
At January 1,	**405,837**	379,845
Current service cost	**19,462**	19,654
Interest expense	**24,368**	18,900
Remeasurements: Actuarial losses/(gains)	**4,561**	(8,755)
Benefits paid	**(13,559)**	(3,807)
At December 31,	**440,669**	405,837

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

	THE GROUP	
	2019	2018
	MUR'000	MUR'000
At January 1,	**223,576**	193,953
Remeasurements:		
- Return on plan assets	**13,951**	10,088
- Actuarial (losses)/gains	**(1,650)**	3,791
Scheme expenses	**(860)**	(866)
Cost of insuring risk benefits	**(1,645)**	(1,526)
Contributions by the employer	**22,691**	21,943
Benefits paid	**(13,559)**	(3,807)
At December 31,	**242,504**	223,576

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

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

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

	THE GROUP	
	2019	2018
	MUR'000	MUR'000
Current service cost	**19,462**	19,654
Scheme expenses	**860**	866
Cost of insuring risk benefits	**1,645**	1,526
Net interest expense	**10,417**	8,811
Total included in employee benefit expense	**32,384**	30,857

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	
	2019	2018
	MUR'000	MUR'000
Actual return on plan assets	**12,301**	13,879

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

	THE GROUP	
	2019	2018
	MUR'000	MUR'000
Liability experience losses/(gains)	**2,282**	(8,451)
Actuarial losses/(gains) arising from changes in financial assumptions	**2,279**	(303)
Actuarial losses/(gains)	**4,561**	(8,754)
Return on plan assets excluding interest income	**1,650**	(3,791)
	6,211	(12,545)

(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:

	2019	2018
	%	%
Discount rate	**5.0**	6.1
Future salary growth rate	**3.0**	4.0
Future pension growth rate	**-**	-

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Defined pension benefits (continued)

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

	THE GROUP	
	2019	2018
	MUR'000	MUR'000
December 31,		
Discount rate (1% movement)	**39,454**	38,344
Future long term salary (1% movement)	**50,105**	50,956

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, interest rate risk, market (investment) risk and salary risk.

Longevity Risk

The liabilities disclosed are based on the mortality tables PA(92). Should the experience of the pension plans be less favorable than the standard mortality tables, the liabilities will increase.

Interest rate Risk

If the bond interest rate decreases, the liabilities would be calculated using a lower discount rate, and would therefore increase.

Investment Risk

The present value of the liabilities of the plan are calculated using a discount rate. Should the returns on the assets of the plan be lower than the discount rate, a deficit will arise.

Salary Risk

If salary increases are higher than assumed in our basis, the liabilities would increase giving rise to actuarial losses.

(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 20.0 million in contributions to its post-employment benefit plans for the year ending December 31, 2020.

(xiii) The weighted average duration of the defined benefit obligation is 10-16 years at the end of the reporting period for the Group (2018: 11-13 years).

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Other post retirement benefits

Other post retirement benefits comprise mainly of gratuity on retirement payable under the Workers' Rights Act 2019 (2018 - Employment Rights Act 2008) and other benefits.

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

	THE GROUP	
	2019	Restated 2018
	MUR'000	MUR'000
Present value of unfunded obligations	**72,094**	62,652

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

	THE GROUP	
	2019	Restated 2018
	MUR'000	MUR'000
At January 1,		
- As previously reported	**441**	504
- Prior year adjustment	**62,211**	54,362
At January 1, - restated	**62,652**	54,866
Charged to profit or loss	**8,125**	7,930
Charged/(credited) in other comprehensive income	**1,742**	(144)
Benefits paid	**(425)**	-
	72,094	62,652
(a) Included in profit or loss		
- Current service cost	**4,191**	4,479
- Net interest expense	**3,934**	3,451
	8,125	7,930

19. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	MUR'000	MUR'000	**MUR'000**	MUR'000
Trade payables	**247,176**	271,526	**-**	-
Payable to group companies:				
- Holding Company	**802**	509	**-**	-
- Associated companies	**6,247**	27,618	**13**	213
Other payables	**615,276**	504,392	**801**	898
	869,501	804,045	**814**	1,111

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

Notes to the financial statements

Year ended December 31, 2019

20. DIVIDEND

	THE GROUP AND THE COMPANY	
	2019 MUR'000	2018 MUR'000
Amounts recognised as distribution to equity holders in the year:		
Final dividend declared and payable for the year ended December 31, 2019 is nil (2018: MUR 0.46 per share)	**-**	25,725

21. INCOME TAX

		THE GROUP	
		2019 MUR'000	2018 MUR'000
(a)	**Amounts recognised in the statement of financial position are as follows:**		
	Current tax assets (Note 14)	**18,593**	17,723

Current tax is on adjusted profit for the year at 15% (2018: 15%).

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

	THE GROUP	
	2019 MUR'000	Restated 2018 MUR'000
Current tax on the adjusted profit for the year at 15% (2018: 15%)	**30,883**	36,323
Foreign tax credit	**(14,978)**	(15,827)
Under provision in previous years	**1,731**	968
Deferred income tax (Note 11(c))	**(21,306)**	4,712
(Credited)/charged to profit or loss	**(3,670)**	26,176

(c) **Withholding tax**

Withholding tax at 10% is suffered by a subsidiary on its offshore operation.

21. INCOME TAX (continued)

(d) Tax reconciliation

The tax on the Group's and the Company's (loss)/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	
	2019 MUR'000	Restated 2018 MUR'000	**2019 MUR'000**	2018 MUR'000
(Loss)/profit before taxation	**(142,436)**	230,852	**(2,110)**	24,562
Adjust for share of results of associates	**(92,575)**	(120,757)	**-**	-
	(235,011)	110,095	**(2,110)**	24,562
Tax calculated at a rate of 15% (2018: 15%)	**(35,252)**	16,514	**(317)**	3,684
Expenses not deductible for tax purposes	**31,566**	23,733	**11**	510
Withholding and foreign tax	**(14,978)**	(15,827)	**-**	-
Income not subject to tax	**(21,318)**	(21,845)	**-**	(4,194)
Under provision in previous years	**1,731**	968	**-**	
Tax losses for which no deferred income tax was recognised	**39,712**	26,951	**306**	-
Deferred tax rate differential on corporate social responsibility tax	**(20,344)**	(10,906)	**-**	
Other adjustments and timing differences	**15,213**	6,588	**-**	-
(Credited)/charged to profit or loss	**(3,670)**	26,176	**-**	-

22. REVENUE

	THE GROUP		THE COMPANY	
	2019 MUR'000	2018 MUR'000	**2019 MUR'000**	2018 MUR'000
The following is an analysis of the revenue for the year.				
Revenue from operations	**3,536,024**	3,809,728	**-**	-
Less: commission expenses	**(19,111)**	(62,249)	**-**	-
	3,516,913	3,747,479	**-**	-
Dividend income	**-**	-	**-**	27,962
Net Revenue	**3,516,913**	3,747,479	**-**	27,962

	Hotel operations	
THE GROUP	**2019 MUR'000**	2018 MUR'000
Timing of revenue recognition		
At a point in time	**3,516,913**	3,747,479

23. OPERATING PROFIT/(LOSS)

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	MUR'000	MUR'000	**MUR'000**	MUR'000
The operating profit/(loss) is arrived at:				
after crediting:				
Other operating income	**3,701**	5,461	**-**	-
Interest income	**17,602**	16,803	**-**	-
Net foreign exchange transaction gains	**96,620**	50,183	**-**	-
after charging:				
Cost of sales	**1,386,613**	1,171,326	**-**	-
Operating expenses	**678,520**	1,019,751	**-**	-
Depreciation - owned assets	**354,188**	395,559	**-**	-
- leased assets	**-**	15,855	**-**	-
Amortisation of intangible assets	**8,232**	45,741	**-**	-
Depreciation of rights-of-use assets	**181,283**	-	**-**	-
Other expenses	**31,479**	8,015	**-**	-
Administrative expenses	**555,567**	715,016	**2,003**	3,371

(a) The expenses disclosed below have been included in cost of sales, operating expenses and administrative expenses.

	THE GROUP	
	2019	2018
	MUR'000	MUR'000
Staff costs	**1,035,925**	999,815

24. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	MUR'000	MUR'000	**MUR'000**	MUR'000
Interest expense				
- Bank overdrafts	**53,614**	49,562	**107**	27
- Bank and other borrowings repayable by instalments	**252,055**	270,442	**-**	2
- Leases (Note 6A)	**223,346**	3,216	**-**	-
- Other interests	**15,085**	1,103	**-**	-
Total borrowing costs	**544,100**	324,323	**107**	29

25. NON RECURRING ITEMS

	THE GROUP	
	2019 MUR'000	2018 MUR'000
Pre-opening expenses	**41,863**	14,245

Pre-opening expenses:

	THE GROUP	
	2019 MUR'000	2018 MUR'000
Staff costs	**16,093**	2,402
Selling and marketing expenses	**19,563**	8,402
Others	**6,207**	3,441
	41,863	14,245

This represents pre-opening expenses incurred prior to re-opening of C Mauritius.

26. (LOSS)/EARNINGS PER SHARE

		THE GROUP		THE COMPANY	
		2019	2018	**2019**	2018
(Loss)/profit attributable to equityholders	MUR'000	**(74,681)**	95,482	**(2,110)**	24,562
Number of ordinary shares in issue (thousands)		**55,923**	55,923	**55,923**	55,923
(Loss)/earnings per share	MUR	**(1.34)**	1.71	**(0.04)**	0.44

27. NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

	THE GROUP					
		Cash changes	Non-cash changes			
	2018 MUR'000	Net cash flows MUR'000	Recognised on adoption of IFRS 16 MUR'000	Acquisition MUR'000	Foreign exchange movement MUR'000	**2019 MUR'000**
Long term borrowings	3,887,219	(201,411)	-	-	94,099	**3,779,907**
Short term borrowings	756,869	341,183	-	-	10,601	**1,108,653**
Lease liabilities	86,600	(16,482)	2,756,539	7,137	137,558	**2,971,352**
Dividend proposed	25,725	(25,725)	-	-	-	**-**
Total liabilities from financing activities	**4,756,413**	**97,565**	**2,756,539**	**7,137**	**242,258**	**7,859,912**

27. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

(a) Reconciliation of liabilities arising from financing activities (continued)

THE GROUP

		Cash changes		Non-cash changes		
	2017 MUR'000	Net cash flows MUR'000	Proceeds from lease MUR'000	Acquisition MUR'000	Foreign exchange movement MUR'000	**2018 MUR'000**
Long term borrowings	4,414,032	(493,024)	(57,000)	-	23,211	**3,887,219**
Short term borrowings	318,955	437,914	-	-	-	**756,869**
Lease liabilities	40,963	(16,805)	57,000	5,442	-	**86,600**
Dividend proposed	11,744	(11,744)	-	25,725	-	**25,725**
Total liabilities from financing activities	4,785,694	(83,659)	-	31,167	23,211	**4,756,413**

THE COMPANY

		Cash changes	
	2018 MUR'000	Net cash flows MUR'000	**2019 MUR'000**
Short term borrowings	502	(502)	**-**
Dividend proposed	25,725	(25,725)	**-**
Total liabilities from financing activities	**26,227**	**(26,227)**	**-**

THE COMPANY

		Cash changes	Non-cash changes	
	2017 MUR'000	Net cash flows MUR'000	Acquisition MUR'000	**2018 MUR'000**
Short term borrowings	-	502	-	**502**
Dividend proposed	11,744	(11,744)	25,725	**25,725**
Total liabilities from financing activities	11,744	(11,242)	25,725	**26,227**

27. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

(b) Cash and Cash equivalents

	THE GROUP		THE COMPANY	
	2019 MUR'000	2018 MUR'000	**2019 MUR'000**	2018 MUR'000
Cash in hand and at banks	**102,784**	76,712	**-**	-
Bank overdrafts (Note 17)	**(486,936)**	(512,909)	**(2,881)**	(2,207)
	(384,152)	(436,197)	**(2,881)**	(2,207)

While cash and cash equivalents are also subject to the impairment requirement of IFRS 9, the identified impairment loss was immaterial.

(c) Non-cash transactions

	THE GROUP	
	2019 MUR'000	2018 MUR'000
Investment in associates settled through current account	**-**	7,561
Acquisition of property, plant and equipment using right of issue assets (2018: finance lease)	**7,137**	5,442
	7,137	13,003

The principal non-cash transactions are the acquisitions of the rights-of-use assets (Note 6) (2018 - Finance Leases - Note 5).

28. COMMITMENTS

	THE GROUP	
	2019 MUR'000	2018 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	**45,537**	56,812

28. COMMITMENTS (continued)

(b) Operating lease - where the Group is lessee - 2018

The Group leases land under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses, and renewal and lease extension rights.

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 specific land being leased.

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

	THE GROUP	
	2019 MUR'000	2018 MUR'000
Not later than one year	**-**	232,818
Later than one year and not later than five years	**-**	976,647
Later than five years	**-**	3,063,845
	-	4,273,310

29. CONTINGENCIES

	THE GROUP	
	2019 MUR'000	2018 MUR'000
(a) **Contingent liabilities**		
Bank guarantees to third parties	**9,121**	9,085

30. RELATED PARTY TRANSACTIONS

	Sales of goods and services		Purchase of goods and services		Dividend income/ Financial income/(charges)		Management and other fees		Loan to/(from)		Amount due (to)/from	
	2019 MUR'000	2018 MUR'000	**2019 MUR'000**	2018 MUR'000	**2019 MUR'000**	2018 MUR'000	**2019 MUR'000**	2018 MUR'000	**2019 MUR'000**	2018 MUR'000	**2019 MUR'000**	2018 MUR'000
THE GROUP												
Holding Company	**-**	-	**-**	-	**(7,042)**	(1,835)	**-**	-	**(45,000)**	(165,502)	**(802)**	(1,835)
Enterprises with common shareholders	**34**	124	**(25,086)**	(11,674)	**2,463**	-	**-**	-	**-**	-	**(29)**	(48)
Associates	**5,672**	1,498	**(9,865)**	(260)	**19,480**	18,424	**185,551**	143,482	**23,906**	53,906	**308,078**	315,323
THE COMPANY												
Holding Company	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(502)	**-**	-
Subsidiary company	**-**	-	**-**	-	**-**	27,962	**-**	-	**-**	-	**-**	27,962
Associates	**-**	-	**(265)**	(260)	**-**	-	**-**	-	**-**	-	**(13)**	(213)

	THE GROUP		THE COMPANY	
	2019 MUR'000	2018 MUR'000	**2019 MUR'000**	2018 MUR'000
Key management personnel compensation:				
Short term employee benefit	**161,069**	138,506	**345**	345
Post employment benefit	**6,096**	4,812	**-**	-
	167,165	143,318	**345**	345

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.

31. HOLDING COMPANY

The directors consider BMH Ltd, whose registered office is 5th Floor, Labama House, 35, Sir William Newton Street, Port Louis as the Holding Company. The company is incorporated in Mauritius.

32. SEGMENT REPORTING

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

(b) **Geographical information**

THE GROUP	Revenues from external customers		Non-current assets	
	2019	2018	**2019**	Restated 2018
	MUR'000	MUR'000	**MUR'000**	MUR'000
Mauritius	**1,913,911**	2,155,717	**8,007,555**	7,466,153
Maldives	**1,603,002**	1,591,762	**6,116,523**	3,577,497
Total	**3,516,913**	3,747,479	**14,124,078**	11,043,650

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

33. PRIOR YEAR ADJUSTMENT

Prior year adjustment is in respect of additional liability made to the other post retirement benefits obligations in Note 18. The adjustments and the corresponding impact on deferred tax have been recognised with retrospective effect and comparative figure have been restated accordingly.

The effect on the statement of financial position are as follows:

THE GROUP	**Retirement benefit obligations**	**Deferred tax assets**	**Retained earnings attributable to owners of parent**	**Non controlling interests**
	MUR'000	MUR'000	MUR'000	MUR'000
Balance as reported at January 1, 2018				
- as previously reported	186,396	92,075	290,357	2,857,485
- prior year adjustment	54,362	8,154	(23,566)	(22,642)
- as restated	240,758	100,229	266,791	2,834,843

33. PRIOR YEAR ADJUSTMENT (continued)

THE GROUP	Retirement benefit obligations MUR'000	Deferred tax assets MUR'000	Retained earnings attributable to owners of parents MUR'000	Non-controlling interests MUR'000
Balance as reported at December 31, 2018				
- as previously reported	182,702	82,185	362,882	3,030,963
- prior year adjustment	62,211	10,576	(26,334)	(25,301)
- as restated	244,913	92,761	336,548	3,005,662

The effect on the statement of profit or loss and other comprehensive income is as follows:

	2018 MUR'000
Increase in administrative expenses	7,849
Decrease in income tax expense	(2,422)
Decrease in profit for the year	5,427
Effect on earnings per share	(0.05)

34. EVENTS AFTER REPORTING DATE

Overall risk to operations

The spread of COVID-19 has severely impacted many economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

With the introduction of a global travel ban the hospitality industry is currently facing an unprecedented existential crisis with huge and evolving challenges. Mauritius being no exception, it is expected that the Group's revenue and results for the year 2020 will be negatively impacted with cancelled bookings and uncertainty regarding future arrivals due to volatile market conditions. Recovery in demand can be assumed to follow once travel bans are lifted worldwide and as the pandemic and economic crisis subside. However, such recovery will take time.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations for the year ended December 31, 2019 have not been adjusted to reflect their impact. As of date, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company and Group for future periods.

Customer defaults

At the date of signature of these financial statements and to the best knowledge of the Management, based on information, which was available, there were no major trade customers which have declared bankruptcy due to the outbreak of COVID-19.

35. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

Impact on the financial statements

The Group adopted IFRS 16 with a transition date of 1 January 2019. The Group has chosen not to restate comparatives on adoption of the standard, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances.

The following tables show the reclassification adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Effective 1 January 2019, IFRS 16 has replaced IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease.*

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lesssor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

<u>Transition Method and Practical Expedients Utilised</u>

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;

(c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and

(d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

35. CHANGES IN ACCOUNTING POLICIES (continued)

Impact on the financial statements (continued)

Transition Method and Practical Expedients Utilised (continued)

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities as follows:

Classification under IAS 17	Right-of-use assets	Lease liabilities
All other operating leases	Office Space: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. All other: The carrying value that would have resulted from IFRS 16 being applied from the commence date of the leases, subject to the practical expedients noted above.	Measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at January 1, 2019. The Group 's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted average rate applied was 8.05%.
Finance leases	Measured based on the carrying values for the lease assets and liabilities immediately before the date of initial application (i.e. carrying values brought forward, unadjusted).	

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at January 1, 2019:

THE GROUP

Assets	Adjustments	31 December 2018 As originally presented MUR'000	IFRS 16 MUR'000	1 January 2019 MUR'000
Property, plant and equipment	(a)	8,091,359	(68,805)	**8,022,554**
Intangible assets	(b)	1,131,970	(650,387)	**481,583**
Right-of-use assets	(c)	-	3,319,722	**3,319,722**
Deferred tax assets	(d)	32,669	(1,645)	**31,054**
Liabilities				
Borrowings	(e)	5,240,888	(86,600)	**5,154,288**
Lease liabilities	(f)	-	2,677,281	**2,677,281**
Equity				
Retained earnings	(g)	336,548	(839)	**335,709**
Non-controlling interests	(h)	3,005,662	(806)	**3,004,856**

Notes to the financial statements

Year ended December 31, 2019

35. CHANGES IN ACCOUNTING POLICIES (continued)

Impact on the financial statements (continued)

(a) Property, plant and equipment was adjusted to reclassify leases previously classified as finance type to right-of-use assets. The adjustment reduced the cost of property, plant and equipment by MUR 147.8 million for the Group and accumulated depreciation by MUR 79.0 million for the Group; for a net adjustment of MUR 68.8 million.

(b) Intangible assets were adjusted to reclassify leasehold rights associated with operating leases to right-of-use assets. The adjustment reduced the cost of intangible assets by MUR 976.0 million; and accumulated depreciation by MUR 325.6 million for the Group; for a net adjustment of MUR 650.4 million.

(c) The adjustment to right-of-use assets is as follows:

	THE GROUP
	MUR'000
Adjustment noted in (a) - finance type leases	68,805
Operating type leases	3,250,917
Right-of-use assets	3,319,722

(d) Deferred tax assets were adjusted to reflect the tax effect of the other adjustments recorded.

(e) Borrowings were adjusted to reclassify leases previously classified as finance type to lease liabilities.

(f) The following table reconciles the minimum lease commitments disclosed in the Company's 31 December 2018 annual financial statements to the amount of lease liabilities recognised on 1 January 2019:

	THE GROUP
	1 January 2019 MUR'000
Minimum operating lease commitment at 31 December 2018	4,273,310
Less: short-term leases not recognised under IFRS 16	(7,200)
Plus: effect of lease payments ascertained	1,650,451
Undiscounted lease payments	5,916,561
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(3,325,880)
Lease liabilities for leases classified as operating type under IAS 17	2,590,681
Plus: leases previously classified as finance type under IAS 17	86,600
Lease liability as at 1 January 2019	2,677,281
Of which are:	
Current lease liabilities	13,066
Non-current lease liabilities	2,664,215
	2,677,281

(g) Retained earnings were adjusted to record the net effect of all other adjustments noted.

(h) Non-controlling interests were adjusted to record the net effect of all other adjustments noted.

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