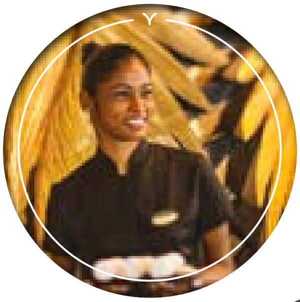
CONSTANCE
HOTELS, RESORTS & GOLF



2017
ANNUAL REPORT

DEAR SHAREHOLDER,

The Board of Directors is pleased to present the Annual Report of Constance Hotels Services Limited for the year ended 31 December 2017. This report was approved by the Board on 29 March 2018.

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

CONTENTS

OUR VALUES

GENEROSITY

SINCERITY

EXCELLENCE

INVENTIVENESS

RESPECT

ABOUT THE GROUP

A Leader in Luxury Hospitality Management

Constance Hotels, Resorts & Golf is a renowned operator in the Indian Ocean, recognised for its excellence in luxury hospitality and golf management.

Through its management company, Constance Hospitality Management Ltd, the Group operates nine hotels across five destinations in the Indian Ocean (Mauritius, the Seychelles, the Maldives, Madagascar and Pemba-Zanzibar) and three 18-hole championship golf courses in Mauritius and the Seychelles.

Our Ambition

Constance Hotels, Resorts & Golf is engaged in driving growth for its stakeholders by leveraging the value of its corporate brand and enhancing its presence in its current destinations as well as expanding into new ones. Our ambition is to enlarge our management portfolio, whilst keeping the family spirit that has made our success.

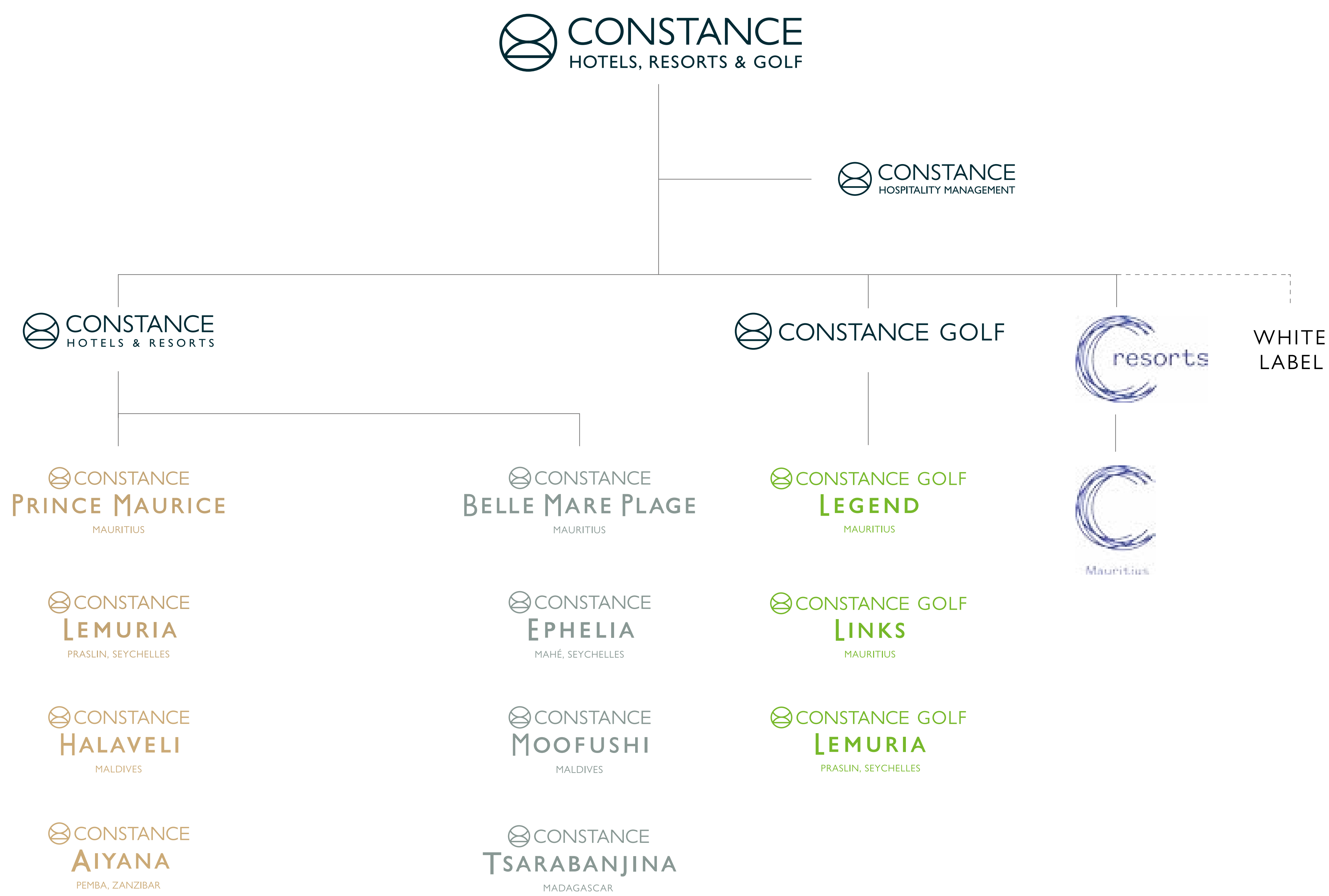
Our New Brand Architecture

The name "Constance Hotels" enjoys a unique reputation in the hospitality industry, built on our experience in operating luxury hotels and on our wide network of partners across the world. It also stands for excellence in golf management.

In 2017, a rebranding exercise led to a revamped brand architecture that aims to sustain the continued growth of Constance Hotels, Resorts & Golf. This new brand architecture structures our activities into 3 main offerings, under 3 distinctive brands:

- Constance Hotels & Resorts, our current luxury offering
- C Resorts, a new lifestyle brand created to tap into the upper-upscale market segment and to enable new business opportunities
- Constance Golf with a view to expanding our golf management activities

Our new brand platform reflects the beliefs and values of Constance Hotels, Resorts & Golf, summed up by the tagline "True by nature".



THE GROUP IN NUMBERS IN 2017

WELCOMING GUESTS IN **5 DESTINATIONS**

Sales & Marketing Office and General Sales Agent Representation

Destination

* *On 26 October 2017, Constance Hospitality Management Ltd (CHML) signed a management contract with the owners of the Muyuni Hotel and Spa Ltd, Makangale, Pemba-Zanzibar. As from 01 January 2018, CHML has been operating this hotel under the name `Constance Aiyana'.*

575K
GUESTS WELCOMED IN 2017

9
HOTELS*

3
GOLF COURSES

1,088
ROOMS

3,128
TEAM MEMBERS

45
Awards & Accolades

75k
Followers on Instagram

856k
Engagements on Instagram

325k
Page Likes on Facebook

173k
Engagements on Facebook

14
NGOs supported

270
Direct Beneficiaries of CSR Projects

34.3
Average Training Hours per Employee

MAJOR EVENTS IN 2017

MARCH-APRIL

2017 EDITION OF THE FESTIVAL CULINAIRE BERNARD LOISEAU

The Festival Culinaire Bernard Loiseau, the annual coveted event on the international gastronomic calendar, associates six starred chefs- all holders of one Michelin star- with six chefs from Constance Hotels & Resorts.

The 2017 edition took place from 25 March to 02 April and saw the crowning of the duo William Ledeuil from Ze Kitchen Galerie (Paris, France) and Kevin Hook from Constance Belle Mare Plage. It attracted media from around the world as well as prestigious sponsors.

MAY

CORPORATE BRAND EVOLUTION AND EXTENSION STRATEGY UNVEILED

In the light of its current stage of evolution, Constance Hotels, Resorts & Golf launched, on 15 May 2017, a new corporate design to refresh its image and better reflect the values of its brand.

The new brand Constance Hotels, Resorts & Golf boasts a new signature "True by Nature", which reflects both the brand's key values and the unique locations and natural luxury of our hotels.

JULY

NEW HUMAN RESOURCE INFORMATION SYSTEM (HRIS)

As a leading hotel group in the region, it was critical for Constance Hotels, Resorts & Golf to fully optimise its Human Resource (HR) management function.

A fully-comprehensive HRIS, specifically designed for the hospitality industry, was consequently deployed in our hotels in Mauritius, the Maldives and the Seychelles as well as at our Head Office.

C PALMAR HOTEL: SIGNATURE OF CONTRACT

Constance Hotels Services Limited (CHSL) entered into an agreement on 05 July 2017 with the shareholders of Lagon de Rêve Ltée (LDR), owner of a hotel located in Palmar, Mauritius, for the acquisition of a 40%-stake in LDR. The hotel was subsequently renamed C Palmar.

AT A GLANCE

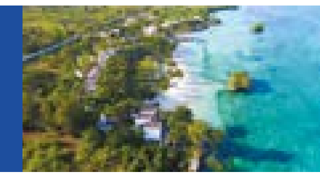
SEPTEMBER

DEFINITION OF THE C RESORTS BRAND CONCEPT

Working on the new lifestyle upper-upscale brand, Constance Hospitality Management Ltd (CHML) defined the C Resorts brand concept, 'Nature's Playground': natural environments that are true, human, simple and crafted, and playful atmospheres that are cool, vibrant, casual and sociable.

Nature's Playground will be brought to life on-property with exceptional guest experiences, fresh and friendly service, stylish design and breakthrough communications.

OCTOBER



CONSTANCE AIYANA, PEMBA-ZANZIBAR: SIGNATURE OF MANAGEMENT AGREEMENT

As part of our new strategy to reinforce the Group's presence in the region and expand our hotel management portfolio, CHML entered into a management agreement with the owners of Muyuni Hotel and Spa Ltd, Makangale, Pemba-Zanzibar, on 26 October 2017.

Starting 01 January 2018, CHML has been operating the new hotel under the name "Constance Aiyana", as part of the brand Constance Hotels & Resorts.

NOVEMBER

OPENING OF C PALMAR

The opening of C Palmar was held on 15 November 2017.

During the course of 2018, the hotel will undergo major developments, including an additional 64 rooms and new facilities. The hotel will be in full operation towards the end of 2018 with 116 rooms, 3 pools and 3 restaurants.

It will be renamed C Mauritius after its extension.

DECEMBER

MCB TOUR CHAMPIONSHIP: SIGNATURE WITH STAYSURE TOUR

The Mauritius Commercial Bank (MCB) Tour Championship was launched in 2011 following a partnership with the European Senior Tour and the MCB. Since then, the golf courses of Constance Belle Mare Plage have welcomed top players from the European Senior Tour Order of Merit, many of them being golfing legends and Ryder Cup heroes.

The partnership was renewed last year with Staysure Tour (formerly known as the European Senior Tour) for an additional 3 years.

OUR HOTELS BY DESTINATION

Constance Hotels, Resorts & Golf respect the natural surroundings of its hotels and work hard to preserve their original purity.

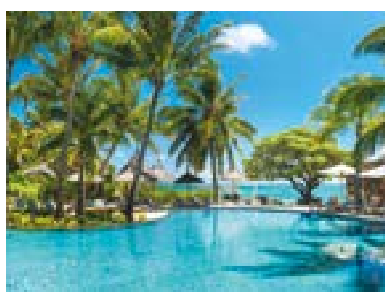
MAURITIUS

CONSTANCE PRINCE MAURICE
MAURITIUS

5 PLUS

- 89 suites and villas
- 60-hectare private peninsula
- 3 restaurants
- 4 bars
- 2 championship golf courses (Legend & Links)
- 2 swimming pools
- U Spa by Constance with 7 treatment rooms and Sisley products
- Constance Kids Club

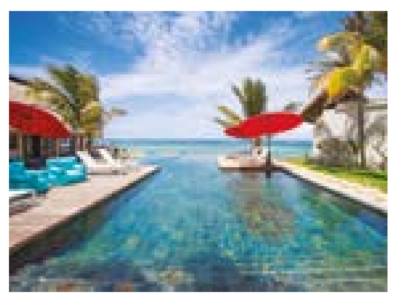
CONSTANCE BELLE MARE PLAGE
MAURITIUS



5

- 278 rooms, suites and villas
- 2km of white sand beach
- 7 restaurants
- 6 bars
- 2 championship golf courses (Legend & Links)
- 4 swimming pools
- U Spa by Constance with 10 treatment rooms
- Constance Kids Club

PALMAR
MAURITIUS



4 PLUS

- 52 rooms
- 2 restaurants
- 1 bar and a wine cellar
- 2 pools
- Extension planned for 2018 and renamed C Mauritius.

SEYCHELLES

CONSTANCE LEMURIA
PRASLIN, SEYCHELLES

5 PLUS

- 105 suites and villas
- 101 hectares of lush vegetation
- 4 restaurants
- 5 bars
- 1 championship golf course (Lemuria)
- 4 swimming pools
- U Spa by Constance with 6 treatment rooms, 1 Thai treatment room and Valmont products
- Constance Kids Club

CONSTANCE EPHELIA
MAHÉ, SEYCHELLES

5

- 313 rooms, suites and villas
- 296-acre park
- 5 restaurants
- 5 bars
- 5 swimming pools
- U Spa by Constance of 5,000m^2 with 18 treatment rooms
- Constance Kids Club

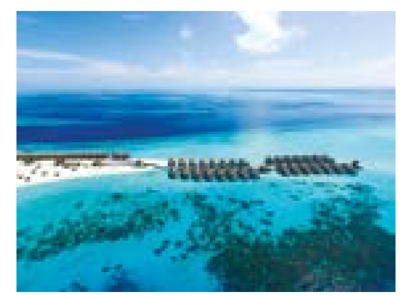
MALDIVES

CONSTANCE HALAVELI
MALDIVES

5 PLUS

- 86 suites and villas each with their private pool
- 4 restaurants
- 2 bars and 1 wine cellar
- 1 swimming pool
- U Spa by Constance with 8 treatment rooms, 1 Thai treatment room and Valmont products
- Constance Kids Club

CONSTANCE MOOFUSHI
MALDIVES



5

- 110 villas
- 2 restaurants
- 2 bars
- 1 swimming pool
- U Spa by Constance with 8 treatment rooms

MADAGASCAR

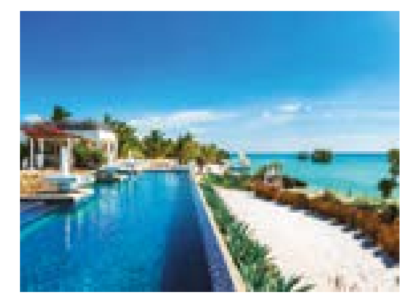
CONSTANCE TSARABANJINA
MADAGASCAR

5

- 86-acre island resort
- 25 villas
- 1 restaurant
- 1 bar
- 3 white sandy beaches
- Spa

PEMBA-ZANZIBAR

CONSTANCE AIYANA
PEMBA, ZANZIBAR



5 PLUS

- 30 villas facing the ocean
- 1 restaurant
- 1 bar
- 1 wine cellar
- 1 shisha lounge
- 1 main pool
- Spa with 6 treatment rooms

2017 AWARDS & ACCOLADES

The quality standards of Constance Hotels, Resorts & Golf are widely recognised, as reflected through the numerous awards received in 2017.

CONSTANCE HOTELS, RESORTS & GOLF

CONSTANCE HOTELS & RESORTS BRAND

World Luxury Hotels Awards
Chairman's Choice Award
Luxury Hideaway Villa in the Region
Luxury Hotel in the Region
Luxury Hideaway Resort in Mauritius
18th Worldwide Hospitality Awards
Best Human Resources and Talent Management Initiative

CONSTANCE PRINCE MAURICE

World Luxury Hotels Awards
Luxury Hotel Best Scenic Environment in the World
World Travel Awards
Indian Ocean's Leading Culinary Hotel
Mauritius' Leading Luxury Resort
Connoisseur Circle's Hospitality Award
Readers' Choice Category
TripAdvisor Travellers' Choice Awards
1st among Top 10 Luxury Hotels in Mauritius
1st among Top 25 Hotels in Africa
2nd among Top 25 Luxury Hotels in Africa
12th among Top 25 Luxury Hotels in the World
World of Fine Wine
Best Hotel Wine List Middle East and Africa
Wine Spectator Awards
Best of Award of Excellence for L'Archipel Restaurant

CONSTANCE BELLE MARE PLAGE

World Luxury Hotels Awards
Luxury Golf Resort in Mauritius
Luxury Villa in Mauritius
World Travel Awards
Mauritius' Leading Green Resort
Mauritius' Leading Family Resort
Wine Spectator Awards
Best of Award of Excellence for Blue Penny Cellar

CONSTANCE HALAVELI, MALDIVES

World Luxury Hotels Awards
Luxury Eco/Green Hotel in the Region
Luxury Beach Resort in the Maldives
Luxury Water Villa Resort in the Maldives
World Travel Awards
Maldives' Leading Luxury Resort
TripAdvisor Travellers' Choice Awards
10th among Top 10 Luxury Hotels in the Maldives
Wine Spectator Awards
Best of Award of Excellence for Jing Restaurant

CONSTANCE MOOFUSHI, MALDIVES

World Luxury Hotels Awards
Luxury Eco/Green Hotel in the World
TripAdvisor Travellers' Choice Awards
6th among Top 10 Luxury Hotels in the Maldives
Wine Spectator Awards
Best of Awards of Excellence for Alizée Restaurant

CONSTANCE LEMURIA, SEYCHELLES

World Luxury Hotels Awards
Luxury Eco/Green Hotel in the Continent
Luxury Hotel in the Continent
Luxury Golf Resort in the Seychelles
World Travel Awards
Seychelles' Leading Hotel
TripAdvisor Travellers' Choice Awards
19th among Top 25 Hotels in Africa
Wine Spectator Awards
Best of Awards of Excellence for DIVA Restaurant

CONSTANCE EPHELIA, SEYCHELLES

World Travel Awards
Indian Ocean's Leading Green Resort
Seychelles' Leading Family Resort
Wine Spectator Awards
Best of Award of Excellence for Cyann Restaurant

CONSTANCE TSARABANJINA, MADAGASCAR

World Luxury Hotels Awards
Luxury Hideaway Resort in the World
Luxury Private Island Resort in the World
Luxury Romantic Hotel in Madagascar
TripAdvisor Travellers' Choice Awards
1st among Top 10 Small Hotels in Madagascar
4th among Top Small Hotels in Africa
21st among Top 25 Small Hotels in the World

GROUP KEY PERFORMANCE INDICATORS

HOTELS UNDER MANAGEMENT

2017 FIGURES

Average Room Rate

MUR **13,686**

+6.3%

Occupancy

71.9%

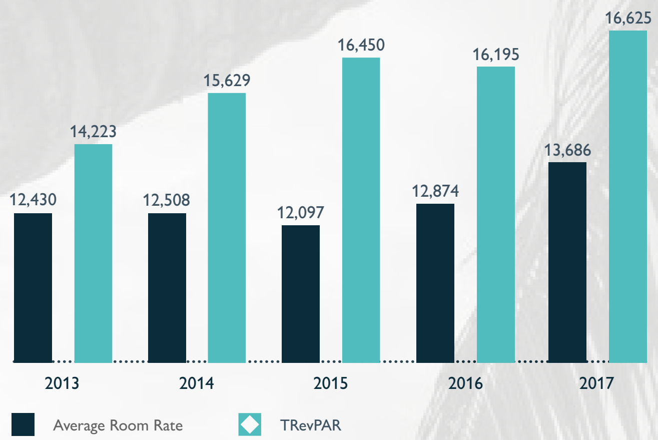
-0.3 Percentage Point

TRevPAR

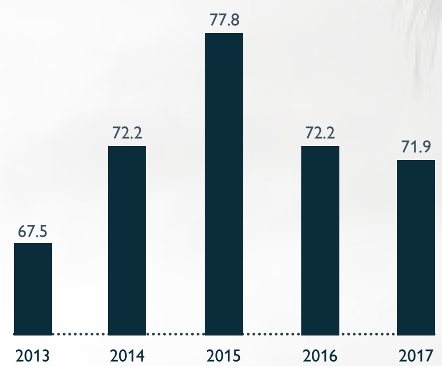
MUR **16,625**

+2.7%

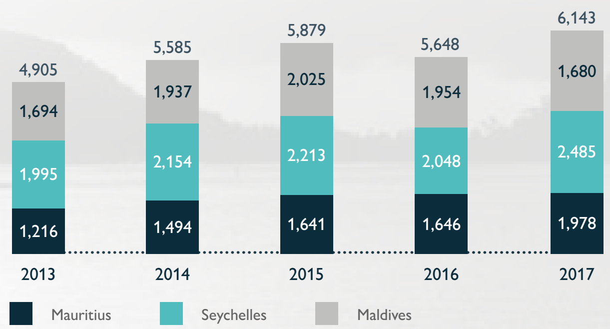
AVERAGE ROOM RATE
AND TOTAL REVENUE PER AVAILABLE ROOM (MUR)



OCCUPANCY RATE (%)



COMBINED REVENUE OF HOTELS UNDER MANAGEMENT (MUR'M)*

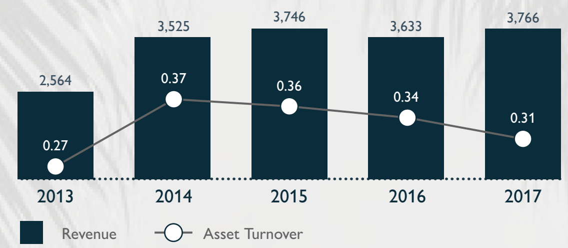


** Constance Tsarabanjina Madagascar has been included under Mauritius for practical reason*

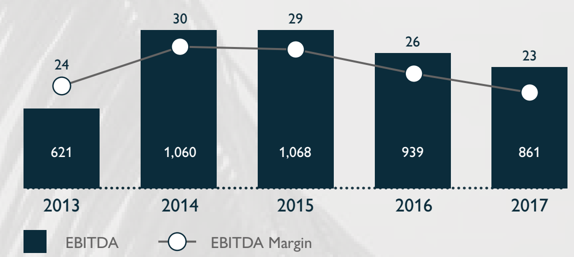
GROUP FINANCIAL INDICATORS

2017		
REVENUE	EBITDA	EPS
MUR 3,766M	MUR 861M	MUR 0.5

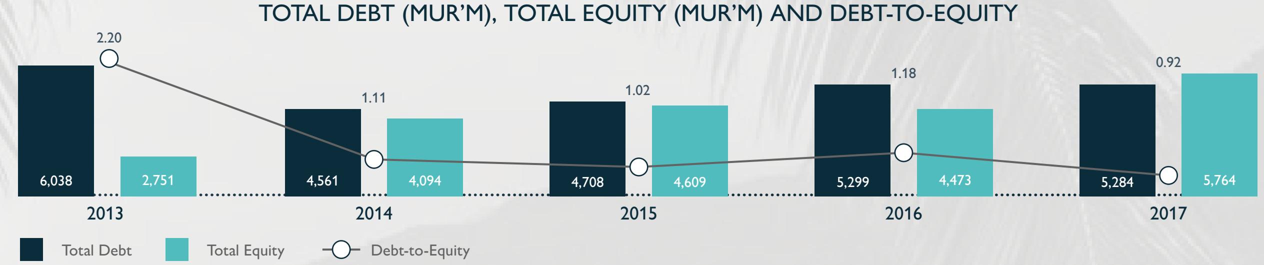
REVENUE (MUR'M) AND ASSET TURNOVER



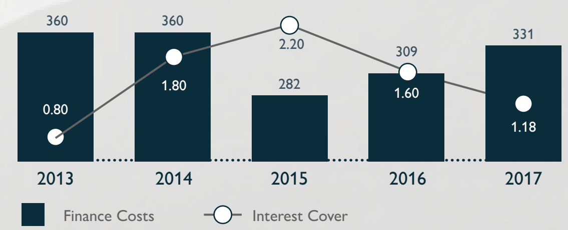
EBITDA (MUR'M) AND EBITDA MARGIN (%)



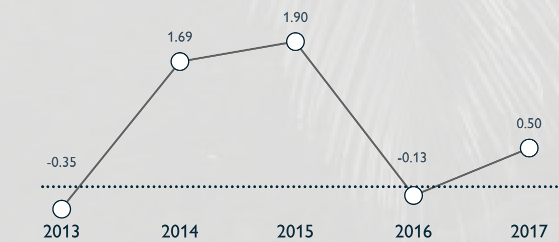
TOTAL DEBT (MUR'M), TOTAL EQUITY (MUR'M) AND DEBT-TO-EQUITY



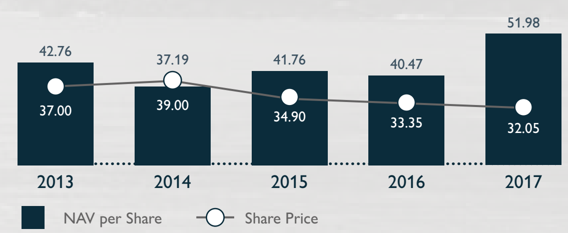
FINANCE COSTS (MUR'M) AND INTEREST COVER



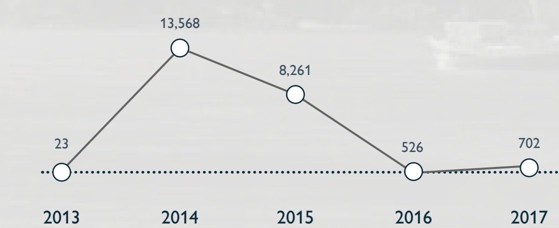
EARNINGS/(LOSS) PER SHARE (MUR)



NAV PER SHARE AND SHARE PRICE (MUR)



VOLUME OF SHARES TRADED ('000)



GROUP FINANCIAL HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION			2017 MUR'M	2016 MUR'M
Total assets			12,176	10,830
Borrowings			5,284	5,299
Owners' interest			5,699	4,437
Total equity			5,764	4,473

STATEMENT OF CASH FLOW			2017 MUR'M	2016 MUR'M
Net cash generated from operating activities			444	519
Net cash used in investing activities			(411)	(905)
Net cash generated from financing activities			3	248

STATEMENT OF PROFIT OR LOSS			2017 MUR'M	2016 MUR'M
Revenue		↑	3,766	3,633
EBITDA		↓	861	939
Operating profit		↓	392	494
Finance cost		↑	(331)	(309)
Profit before taxation		↑	133	69
Profit for the year		↑	74	3
Profit/(loss) attributable to owners of the parent		↑	55	(14)

FINANCIAL RATIOS			2017	2016
NAV per share	MUR	↑	51.98	40.47
Debt-to-equity ratio		↓	0.92	1.18
Operating margin	%	↓	10.40	13.59
Return on total equity	%	↑	1.29	0.06
Interest cover ratio		↓	1.18	1.60
Earnings/(loss) per share	MUR	↑	0.50	(0.13)
Dividend per share	MUR	↓	0.25	0.65

VALUE ADDED STATEMENT

	2017 MUR'000	Percentage	2016 MUR'000	Percentage
Revenue	3,766,189		3,632,590	
Value added tax/Goods & services tax	382,246		296,068	
Total Revenue	4,148,435		3,928,658	
Payment to suppliers for material and services	(1,822,990)		(1,778,091)	
Value added by operations	2,325,445		2,150,567	
Other net charges	(4,522)		(23,516)	
Total wealth created	**2,320,923**	**100%**	**2,127,051**	**100%**
Distributed as follows:				
Employees				
Salaries and wages	929,841		874,857	
	929,841	**40%**	**874,857**	**41%**
Government				
Value added tax/Goods & services tax	382,246		296,068	
Environment fees	15,975		12,964	
Corporate tax	58,892		66,593	
Licences, land leases and other local tax	51,015		58,025	
Social security charges	27,066		25,789	
	535,194	**23%**	**459,439**	**22%**
Reinvested to maintain/ develop operations				
Depreciation and amortisation	469,665		445,293	
Retained earnings	27,368		(32,845)	
	497,033	**22%**	**412,448**	**19%**
Providers of capital				
Dividend to shareholders	27,413	1%	71,275	3%
Interest on borrowings	331,442	14%	309,032	15%
	358,855	**15%**	**380,307**	**18%**
Total wealth distributed	**2,320,923**	**100%**	**2,127,051**	**100%**

CHAIRMAN'S STATEMENT

"The strategy that our Company has adopted is progressing well as we continue to build a sustainable platform for future growth."

George J. DUMBELL
Chairman

Dear Shareholder,

The trading momentum across the region remained, overall, positive in 2017, with growth arrivals recorded in all the destinations, in which we operate.

In turn, Constance Hotels, Resorts & Golf maintained or enhanced their competitive position and international recognition, enabling the Company to deliver another year of improved profitability, principally driven by its properties in Mauritius and the Seychelles, mitigated to a certain extent by the ongoing challenging market conditions in the Maldives.

Our Company

Against this backdrop, total Revenue for all hotels under management was up MUR 0.5 billion at MUR 6.1 billion. Consolidated Occupancy Rate at 72% was in line with the previous year, but both ARR and TRevPAR improved by 6.3% and 2.7% respectively. Direct Revenue achieved by our Company was MUR 3.8 billion (2016: MUR 3.6 billion) with an EBITDA of MUR 861.5 million (2016: MUR 939.0 million). Operating costs were up 7.8% on 2016 levels, in face of mounting pressure on wages and energy bills. Finance costs increased by 7.3% to MUR 331 million, partly due to investment and renovation expenditures relating to our new hotel project in Palmar, Mauritius. This resulted in a Net Profit of MUR 74.3 million compared to MUR 2.9 million in 2016, after booking share of results of associates (+MUR 81.4 million), closure costs (-MUR 8.5 million), and taxation (-MUR 58.9 million).

Growing with purpose

The strategy that our Company has adopted is progressing well as we continue to build a sustainable platform for future growth.

We are already seeing the benefits from the refurbishment of a number of our hotels over these last few years, with growing margins on RevPAR, driven by rising room rates; the ability to expand our footprint with the addition of two new hotels notably, C Palmar, Mauritius, which room capacity will be doubled in 2018, and Constance Aiyana, Pemba Island, Zanzibar. We have, also, enhanced our current high-end luxury hotel brand, Constance Hotels & Resorts, and we will be launching our newly created lifestyle brand, C Resorts, towards the end of 2018. This should improve our competitiveness and provide us with considerable new opportunities to further expand our hotel management portfolio - a key driver of value over the long term.

CHAIRMAN'S STATEMENT

We expect all these changes to drive top-line growth and achieve a higher level of operational efficiency and excellence both in our hotels and at Corporate level as well as provide us with a wider range of product and service offerings.

Responsible Business

Corporate sustainability has continued to underpin activities undertaken across all our businesses. We are committed to integrating sustainable practices into our operations in a balanced manner, whilst continuing to provide exceptional products and levels of service to our guests. Our sustainable strategy covers a wide spectrum of our operations from Corporate Governance and ethical best practices, through to the delivery of services and products in an environmentally and socially responsible manner.

Our Company, which is already generally compliant with the eight principles of the Code of Corporate Governance for Mauritius (2016), will ensure that the related guidelines are met, to the extent these are applicable and appropriate, and will report in line with the requirements of the new Code in its 2018 Annual Report.

The Company has a well-balanced outlook on its external social responsibilities and continues to be engaged in programmes covering education, women's empowerment, cultural promotion and environmental and health protection.

Dividend

The Board of Directors recommended a dividend of MUR 0.25 per share for the year 2017, which was paid in February 2018.

Outlook

As we look ahead, we see, on the one hand, global economies that continue to improve and, on the other, ongoing geo-political uncertainties that could dampen growth and profitability in our markets.

Today, the Constance Hotels, Resorts & Golf Group operates 9 hotels and 3 golf courses across 5 jurisdictions. Its business has many strengths, which we will continue to build upon, including its now two distinctive, high-end luxury and life-style brands; its proven capability to create outstanding properties with an exclusive mix of product and service offerings; its exceptional people, who consistently deliver customer excellence, a trait well embedded in our Group's DNA; and, last but not least, its very loyal customer base.

However, there is still more to do, such as improving our returns in the Maldives; where, in 2018, we intend to enhance and expand the unique character and consumer appeal of our brand and properties, with refurbishment upgrades and a marketing and sales push to put our two properties back in the spotlight that they deserve on the global stage. Against this optimism, we are concerned with the political uncertainties facing this jurisdiction.

All said and done, the Board and Management are confident that with the strategy adopted and measures being taken, our Company will deliver on its objectives. Its long-term outlook remains positive and for the short term, on the basis of a relative stable-to-growing market environment and the current encouraging forward bookings continuing, we expect our Company to perform better than in 2017, subject to any unforeseen circumstances.

Landmark Celebration

In 2018, we celebrate a major landmark in the history of Mauritius, notably, its 50th anniversary of Independence. Indeed, a special time for us all to recognise and be proud of the tremendous achievements of our country.

Perhaps, we, in the Tourism Industry, should also take this opportunity to reflect upon the accomplishments of our Industry over these last 50 years, as well as remind ourselves, where the industry currently stands and what must be done to ensure its sustainable growth and ongoing success.

Today, Mauritius is a top holiday destination, having a large portfolio of outstanding hotels, a very attractive natural environment, a unique history, complemented by a multi-ethnic and cultural population, renowned for its welcome and friendliness. From around 18,000 visitors in 1970 to over 1.3 million in 2017, our industry plays a key role in the country's economy and is a very important source of employment and wealth.

The stakeholders of the industry - including its major partner, the Government – need therefore to work hard and together on preserving our country's crucial assets. We can achieve this through urgent and positive measures that will ensure ongoing and consistent actions being taken in the implementation, monitoring and enforceability of our laws and protocols in regard to the protection of our environment, marine-life, beaches, coastal waters; the provision of security and safety on land and in the sea; the maintenance of our historical and public buildings, as well as of our many other places of attraction.

CHAIRMAN'S STATEMENT

It is through this discipline and the concerted actions of each and every citizen, duly enforced by the authorities, that we will be able to ensure the long-term viability and success of this indispensable industry for Mauritius.

Our People

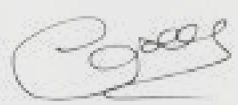
On behalf of the Board, I would like to acknowledge the immense contribution of all our employees for continuing to provide exceptional levels of service to our guests. They are our key assets and it is their professionalism, commitment and passion that bring to life the real hallmarks of our distinctive and successful brands and, upon which is founded the success of our Company. We thank the Chief Executive Officer for so ably leading his Team and steering the Company with a clear vision and intimate knowledge of the industry.

Acknowledgement

We recognise the valuable contribution made by the Group Chief Executive Officer and his Team towards the ongoing development of the Constance Hotels, Resorts & Golf Group. I appreciate the backing and wise council received from my colleagues on the Board and acknowledge, with gratitude, the confidence, support and loyalty entrusted upon us by our shareholders and all our other stakeholders across the globe.

During the year, Mr Louis Rivalland stepped down as a Director. We appreciate greatly his immense contribution since his appointment in 2007. We welcome to the Board Mrs Preetee Jhamna Ramdin and Mr Nitish Beni Madhu; the latter having joined in January 2018.

I very much look forward to working with my Board colleagues and the entire Management team to pursue our positive journey that our Company is on and to build upon it further.



George J. DUMBELL

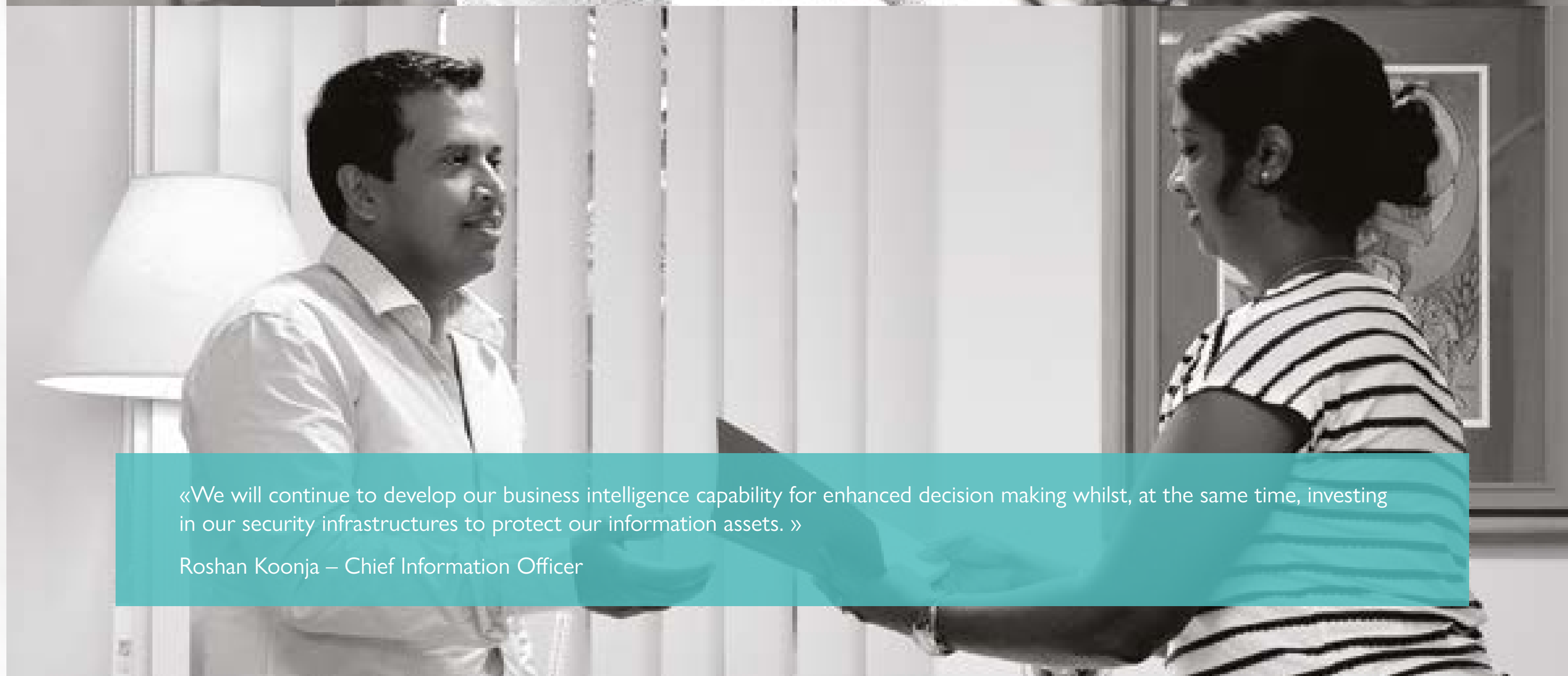
Chairman

« To attract and retain the best talents, we invest in our people. We offer our people the commitment to develop their career, keep them involved in the business and reward and recognise them for their contributions. We call this the 'With Constance, be more.' commitment. »

Vincent de Marassé Enouf – Group Human Resources Manager

« We ensure that our developments and operations not only highlight the uniqueness of the countries in which we operate but also contribute to the local communities. Our procurement focus is to secure the consistent delivery of quality goods and services at the right price. »

Jean-Philippe Leong Kwai Cheong – Area Development and Group Procurement Manager



«We will continue to develop our business intelligence capability for enhanced decision making whilst, at the same time, investing in our security infrastructures to protect our information assets. »

Roshan Koonja – Chief Information Officer

OUR VALUE CREATION MODEL

Amidst the opportunities and risks arising from an ever-evolving business environment, Constance Hotels, Resorts & Golf leverages its key strengths to formulate and execute the optimal corporate strategy towards an asset-light growth.

Our deep-rooted culture for ethical and sustainable business practices, our unique know-how in human-scale luxury hospitality management, the equity of our corporate brand and sub-brands, the agility provided by an efficiently-structured management arm and our wide sales & marketing network across the globe are the key strengths which underpin the Group's overall strategic direction, whilst a robust, adaptable and proactive risk management framework is ensured.

The Group's strategy is continually reviewed and adjusted to reflect the changing market conditions and dynamics with a view to maximising the expected outcomes and to eventually delivering superior and sustainable economic and social value to our stakeholders.

Business Environment

LEVERAGE OUR KEY STRENGTHS

- Culture of Ethical and Sustainable Business Practices
- Know-How in Human-Scale Luxury Hospitality Management
- Corporate Brand and Sub-Brands
- Agile Management Structure
- Sales & Marketing Network

ASSET-LIGHT GROWTH STRATEGY

CONSTANCE
HOTELS, RESORTS & GOLF

EXPECTED OUTCOMES

- Increased Revenue
- Optimised Resource Allocation
- Improved Cost Efficiency
- Enhanced Guest Satisfaction & Loyalty
- Increased Management Fees
- Enhanced Staff Engagement and Retention
- Improved Environmental and Social Sustainability
- Reinforced Brand Equity & Awareness
- Expanded Hotel Management Portfolio

SUPERIOR AND SUSTAINABLE VALUE CREATION FOR STAKEHOLDERS

Economic & Social Value

- Business Partners
- Third-Party Owners
- Shareholders & Investors
- Guests
- Team Members
- Communities

INTERVIEW WITH THE CEO

“In 2017, our focus was to build upon the achievements of the previous year in order to further reinforce the ability of Constance Hotels, Resorts & Golf to create and capture sustainable value on the basis of our core competence, namely hotel management services.”

Jean-Jacques VALLET
CEO, Constance Hotels, Resorts & Golf

1. How would you assess the 2017 financial year?

The financial year ended 31 December 2017 was overall satisfactory with improved financial results driven by our operations in Mauritius and the Seychelles.

Consolidated Total Revenue Per Available Room (TrevPAR) for all our hotels under management increased by 2.7% in 2017 to reach MUR 16,625. Revenue Per Available Room (RevPAR) was up by 6% to MUR 9,840 further to the increase recorded in ARR, which moved up from MUR 12,874 in 2016 to MUR 13,686 in 2017.

In respect of Mauritius, tourist arrivals to this destination increased by 5.2% in 2017 to reach 1.3 million. The French market remained strong whilst our other key markets, namely the UK, Germany and Italy, posted notable growths of 5.6%, 14.5% and 12% respectively. The average RevPAR of our hotels under management in Mauritius reached MUR 8,252 for the year under review, representing an increase of 8.9% when compared with the previous year. ARR improved by 8.1% whereas the average occupancy rate was unchanged at 75%.

In the Seychelles, tourist arrivals surged from 303,177 in 2016 to 349,861 in 2017. This represents an increase of 15.4%. The German market witnessed a growth of 27.8%, moving up from 39,488 arrivals in 2016 to 50,470 in 2017. Other major markets which recorded significant growth were the UK and the UAE. Improved air access, particularly over the routes covered by Turkish Airlines and Qatar Airways, also bolstered tourist arrivals from Turkey, Eastern Europe and Scandinavia. From a Constance Hotels, Resorts & Golf perspective, the overall RevPAR for our two hotels under management improved by 19.8%. It should, however, be noted that in 2016 Constance Lemuria was closed for renovation from the end of August to the end of October. This translated into lower revenue in 2016. 2017 marked, consequently, the first full year of operation of Constance Lemuria following its reopening in November 2016. I must add that the reopening of this hotel was a great success. Our clientele and partners are, in effect, delighted with the renovated Constance Lemuria.

EVOLUTION OF KEY PERFORMANCE INDICATORS BY DESTINATION

OCCUPANCY RATES

Year	Mauritius	Seychelles	Maldives	Madagascar
2017	**75%**	**74%**	**63%**	**58%**
2016	75%	70%	73%	57%
2015	81%	78%	78%	45%

VARIANCES 2016-2017

	Mauritius	Seychelles	Maldives	Madagascar
Occupancy (% Point)	+0.5	+3.5	-1.0	+1.3
ARR (%)	+8.1	+14.1	+4.3	-14.2
RevPAR (%)	+8.9	+19.8	-10.6	-12.4

In the Maldives, the increase in room supply, induced by new hotel establishments and cheaper accommodation alternatives provided by cruise liners, was much higher than the 8% growth observed in tourist arrivals between 2016 and 2017. This situation dampened our performance in this destination. In effect, the combined RevPAR for Constance Moofushi and Constance Halaveli declined by 10.6%, representing a drop of MUR 274 million in Revenue for the Maldives operations.

For Constance Tsarabanjina Madagascar, the RevPAR, for the year under review, was down by 12.4% when compared with 2016. However, 2016 was an exceptional year with one third of the posted revenue coming from a large group booking. Excluding the impact of this group, a significant improvement can be observed in both occupancy and ARR when compared with 2016 and 2015.

From a financial perspective, Constance Hotels, Resorts and Golf achieved a Consolidated Revenue of MUR 3,766 million in 2017, compared with MUR 3,633 million in 2016. This represents an increase of 3.7%. Consolidated EBITDA, for the year under review, stood at MUR 861 million, down from MUR 939 million the previous year. This decrease is primarily due to the difficult and highly competitive market conditions which affected our operations in the Maldives. On the back of the improved market conditions in the Seychelles and the upswing generated by the full-year operation of Constance Lemuria, our Seychelles associates posted commendable results in 2017.

This translated into an improved share of profit from associates of MUR 81 million, compared with a loss of MUR 62 million in 2016. Finance costs increased to MUR 331 million from MUR 309 million in 2016, partly due to the financing of renovations and investments in our new hotel project in Palmar, Mauritius. Consolidated Profit after taxation in the financial year ended 31 December attained MUR 74 million as compared with MUR 3 million the previous year.

2. What were the key achievements in 2017?

In 2017, our focus was to build upon the achievements of the previous year in order to further reinforce the ability of Constance Hotels, Resorts & Golf to create and capture sustainable value on the basis of our core competence, namely hotel management services.

On 15 May 2017, we introduced our new brand architecture which hinges on the corporate brand Constance Hotels, Resorts & Golf and 3 brands, namely Constance Hotels & Resorts, C Resorts and Constance Golf. The brand Constance Hotels & Resorts encompasses our luxury hotels and resorts whilst C Resorts, which will be officially launched towards the end of 2018, covers our upper-upscale offering. This new brand architecture will enable Constance Hotels, Resorts & Golf to widen its target and unlock new growth avenues, on both the luxury and the upper-upscale segments, through an asset-light strategy.

In line with this strategic orientation, the financial year under review also saw the establishment of Constance Hospitality Management Ltd, a stand-alone and full-fledged hotel management company. The objective, through Constance Hospitality Management Ltd, is to expand the hotel portfolio of Constance Hotels, Resorts & Golf through the acquisition of management contracts in Mauritius and overseas.

In July 2017, Constance Hotels Services Ltd (CHSL) acquired a 40%-stake in Lagon de Rêve Ltée (LDR), owner of a hotel located in Palmar, Mauritius, and a 75%-stake in White Sand Paradise Ltd, the operating company of LDR. Further to these transactions, the hotel was renamed C Palmar and was reopened in November 2017 under the management of Constance Hospitality Management Ltd. During the course of 2018, this hotel will undergo major redevelopment works, including an additional 64 rooms, a full-fledged fitness and spa centre, an additional pool, and a new outlet. The extended hotel will be fully operational towards the end of 2018 with 116 rooms, 3 pools and 3 restaurants. This will coincide with the launch of our lifestyle upper-upscale brand, C Resorts. The monolithic brand, a younger sister to Constance Hotels & Resorts, will be fun and cool. It has been thoughtfully designed for the 'C-kers', a global community of insatiably curious and hardworking escapists, eager to let go. In this connection, a presentation of the C Resorts brand has been included in this report

On 26 October 2017, in accordance with our growth strategy, Constance Hospitality Management Ltd entered into a management agreement with the owners of Muyuni Hotel and Spa Ltd, a hotel located in Makangale, Pemba-Zanzibar. Since 01 January 2018, Constance Hospitality Management Ltd has been operating this 5-star hotel under the name Constance Aiyana, as part of the brand Constance Hotels & Resorts.

STRATEGIC INSIGHT

INTERVIEW WITH THE CEO

Let me also add that, in 2017, Constance Hotels, Resorts & Golf received 45 awards and accolades, out of which 18 awards at the World Luxury Hotels Awards. Moreover, Constance Hotels & Resorts scored 95.4% on the Global Review Index released by ReviewPro, the world's leading independent provider of online reputation analytics for the hotel industry, as compared with 93.7% in 2014. This reflects the high-level of product and service quality we provide to our guests.

3. How important is the commitment of Constance Hotels, Resorts & Golf to sustainability?

At Constance Hotels, Resorts & Golf, there is a deep-rooted culture for ethical and sustainable business practices. We are committed to delivering sustainable and balanced economic and social value to all our stakeholders. Our commitment to sustainability is guided by our Sustainability Management Plan which is continually reviewed and improved around 4 pillars, namely environment, socio-economic balance, quality of service and health & safety.

In addition, since 2016, our monitoring and reporting mechanisms have been strengthened to better leverage our sustainability initiatives towards the 17 Sustainable Development Goals set by the United Nations. During the year under review, Constance Hotels, Resorts & Golf was awarded, for the fourth consecutive year, the Green Globe Certificate, the world's most recognised global certification for sustainable travel and tourism. This is testimony to the Group's unwavering commitment to sustainability.

4. What are your priorities and outlook for 2018?

In Mauritius, we are observing a rate readjustment on the luxury hotel market, with rates nearing their pre-economic crisis level. We are consequently confident that 2018 will be a positive year for our operations in this destination.

We also anticipate that the favourable air access policy and high rates which prevail in the Seychelles will continue to sustain the performance of both Constance Ephelia and Constance Lemuria.

In respect of our operations in the Maldives, the political turmoil prevailing could affect the destination. Yet, with the 45-day state of emergency lifted on 22 March 2018, we hope that there will be a pick-up in tourist arrivals as from September.

In Madagascar, we expect to maintain our good results for Constance Tsarabanjina, sustained by the recently-announced partnership between Air Austral and Air Madagascar.

Over the year 2018, our efforts, from a strategic perspective, will be geared towards three priorities. First, the operation of the newly-opened Constance Aiyana in Pemba-Zanzibar. It is our firm intention to ensure that this move is a success and that it underpins our efforts towards the acquisition of new management contracts on the African continent. Second, the launch of the C Resorts brand towards the end of 2018. This will herald a new chapter of growth for Constance Hotels, Resorts & Golf which will be equipped to effectively tap into business opportunities on the upper-upscale market, both in Mauritius and in the region. And third, the redevelopment and reopening of the Palmar hotel as a full-fledged C resort under the name C Mauritius by the end of 2018.

Overall, barring any adverse events, we project that 2018 will be a positive year for Constance Hotels, Resorts & Golf.

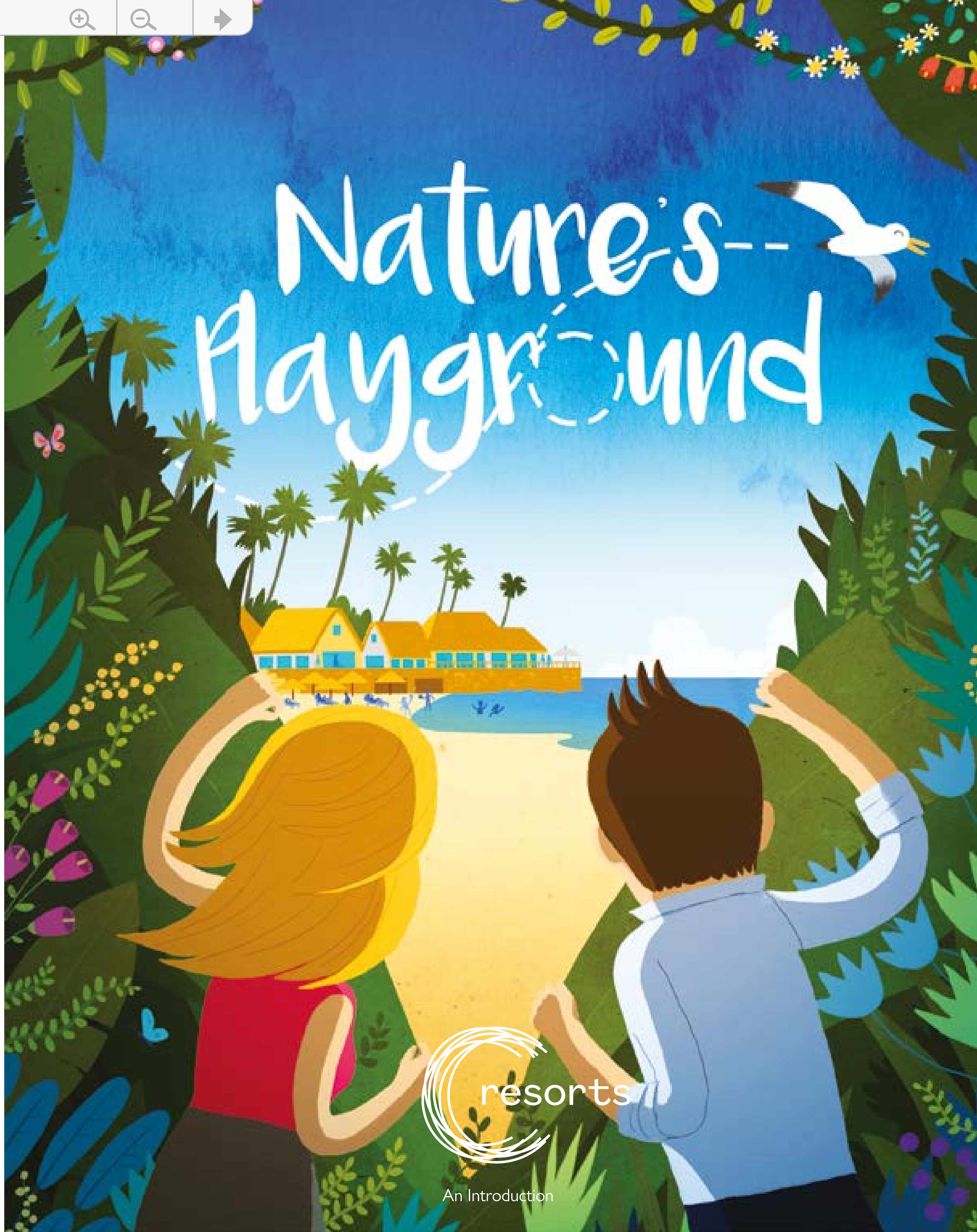
5. Is there a final message you would like to share?

Constance Hotels, Resorts and Golf is the sole hotel group which operates in five destinations across the Indian Ocean, namely Mauritius, the Maldives, the Seychelles, Madagascar and Pemba-Zanzibar. The strength of our offer on the luxury segment resides in our ability to provide special and memorable moments to our guests. This is called the "Constance Moments". On the upper-upscale segment, we are developing a lifestyle brand built around a strong concept with a view to providing a set of fresh experiences to the guests.

At the heart of these experiences is the passion of our people who live and share the values and beliefs of Constance Hotels, Resorts & Golf. It is, in effect, the talents and efforts of our people that sets us apart. I therefore take this opportunity to thank them all for their continued dedication and contribution to the Group. I am confident that, as a team, we are fully equipped to successfully steer the next growth phase of Constance Hotels, Resorts & Golf.

2017 KEY ACHIEVEMENTS BY FUNCTION

Function	Key Achievements
Operations	• Successful opening of C Palmar, Mauritius • 45 awards & accolades • Green Globe Certificate for the 4th consecutive year • Signature of The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism
Communication	• Implementation of the new brand architecture and identity • Revamping of all Constance Hotels & Resorts communication materials and tools • Dedicated cross-media advertising campaign in Italy, France, the UK and Germany
Customer Relationship & Quality Management	• Score of 95.4% on the 2017 Global Review Index released by ReviewPro • 6,700 completed guest surveys with an overall satisfaction score of 88%
Engineering	• Implementation of the Hotel Carbon Measurement Initiative (HCMI) methodology into the monthly reporting process in order to better monitor and reduce carbon emissions • Improved efficiency of the Group's generators
Spa & Wellness	• Roll-out of wellness initiatives across the Group • Update of the spa menus with authentic signature treatments for each hotel • Launch of our new range of facial treatment products • Upgrade of our facilities with more functional equipment • Launch of structured yoga classes in all our hotels
Information Technology	• Enhancement of the Group's business intelligence capability • Reinforcement of the Group's IT security infrastructures
Human Resources	• Deployment of a new Human Resource Information System • Initiatives and training on the new brand attributes and values • Launch of Constance Inventiveness Challenge • New Employer Brand tagline and visuals for job adverts
Revenue Management and Reservations	• Deployment of a new Revenue Management System • Implementation of a new Central Reservation System
Sales & Marketing	• Definition of the C Resorts brand, built on a strong concept: 'Nature's Playground'. This concept nurtures the whole brand i.e. its experience system, service philosophy and practice, design and communications. • Participation in all major tourism fairs in target markets • Production of the new MICE (Meetings, Incentives, Conferencing, Exhibitions) brochure and promotional video



The story so far...

Since mid 2017, Constance Hotels, Resorts & Golf has been working on the creation of a second brand, conceptualised and delivered in partnership with Luxury Branding. The development of this new mark is being undertaken to fuel growth for the Group by diversifying our portfolio and increasing opportunities for management and investment.

Our Goals for C Resorts

1. Maintaining and protecting the luxury positioning and image of Constance Hotels and Resorts
2. Tailoring a new offer, targeted towards a wider and younger market
3. Discretely positioning the two propositions with careful marketing and pricing for each segment

The product of extensive research, including trends, competitor and target audience analysis, as well as a series of innovation workshops, we are delighted to introduce C Resorts, a younger sister for Constance.

We have positioned C Resorts in the 'Upper Upscale' segment of the global hospitality market and are investing the brand with the proven desirability of a contemporary 'Lifestyle' brand. By animating the properties with software, which has been consciously designed to produce an extraordinary experience, C Resorts will earn premium rates in comparison to competitors of similar size and specification.

While designing this exciting new proposition, we have focused on the psychographic commonalities of a precisely-defined target audience rather than conventional demographic boundaries. As a result, C Resorts will be able to generate and sustain a broad appeal.

The Group intends to expand the new brand through the acquisition of management contracts in destinations where we currently operate, as well as new territories, with the ambition of adding one hotel per annum over the next five years.

Target Market

Three global traveller tribes whose needs are largely ignored

REWARD HUNTERS

For whom travel is a well deserved treat.

Open to the new and surprising, the ultimate reward is indulging in the unexpected.

EXPERIENCE CHASERS

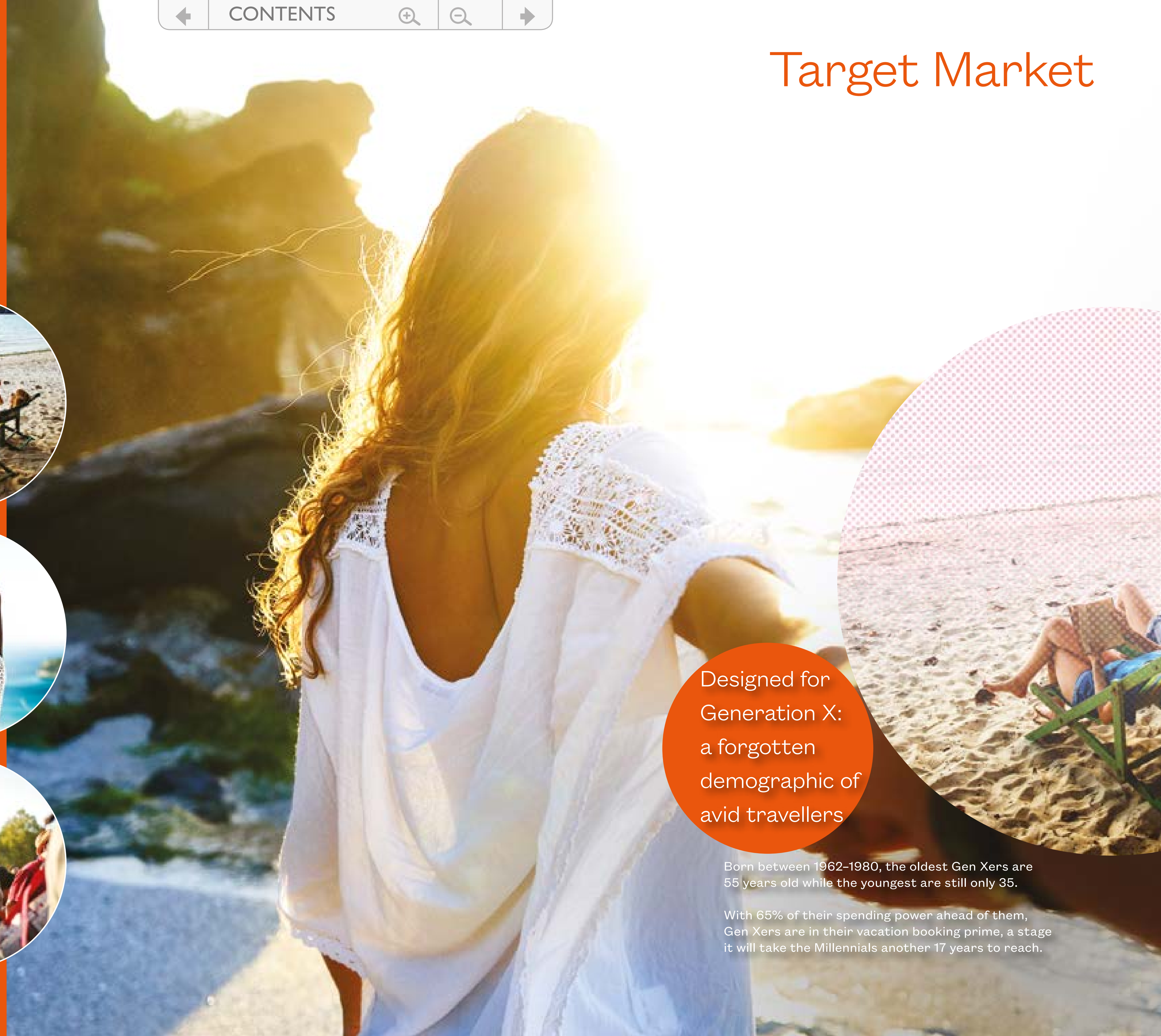
'Flash packers' that still crave adventure but with greater comfort.

Seek friendly, convivial atmospheres to share their holiday experiences socially.

URBAN ESCAPISTS

Choose destinations to escape the city but take their active lifestyles with them.

Travel for liberation, space, nature and new thrills.



Designed for Generation X: a forgotten demographic of avid travellers

Born between 1962–1980, the oldest Gen Xers are 55 years old while the youngest are still only 35.

With 65% of their spending power ahead of them, Gen Xers are in their vacation booking prime, a stage it will take the Millennials another 17 years to reach.

Meet the C-kers

Our three tribes are united
in two characteristics:

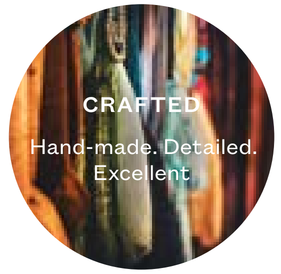
Curiosity

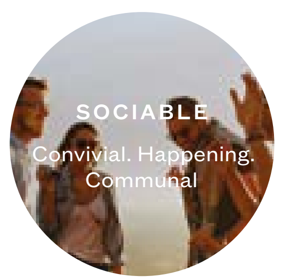
Wish to Let Go

The ‘big idea’ from which C Resorts has been created, our brand concept will be tangible in all we say and everything we do.
It is brought to life with exciting guest experiences, fresh and friendly service, stylish design and promoted with break-through communications.

Nature's

What better than nature to pique a C-ker's curiosity?





Where better than a playground to let go?

Playground

Guest Experiences

Nature's Playground is filled with special moments that distinguish a C-ker's time at C Resorts. Practical, entertaining, surprising and fun, 12 'Cignatures' put the C into 'sizzle'.

CROSSING

An organic threshold heralds a C-ker's entrance

A chandelier community artwork

CLU S TRE

Con¢°c+Ør

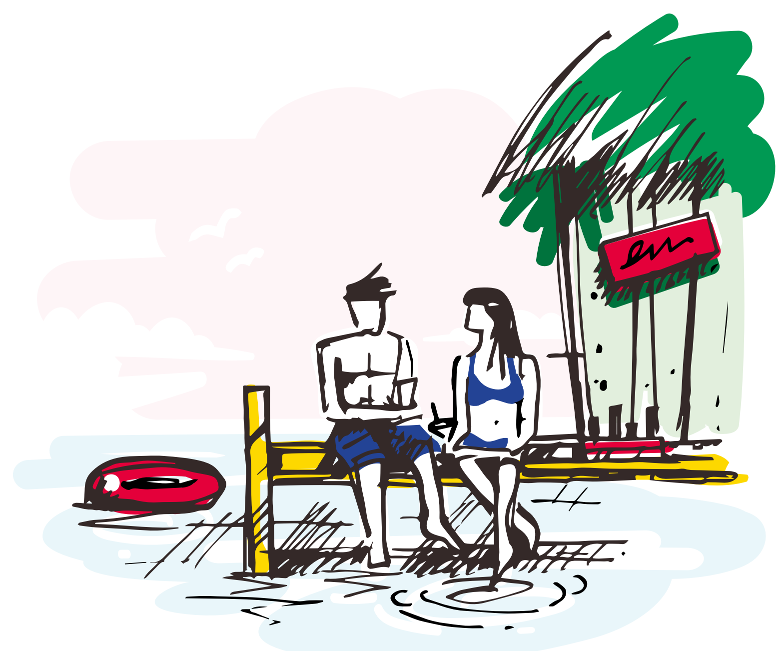
Arrival drinks of scientific genius

CPICERIE

A bustling marketplace of delightful delicacies

c h a r m

Children live a charmed life at C



clu bho use

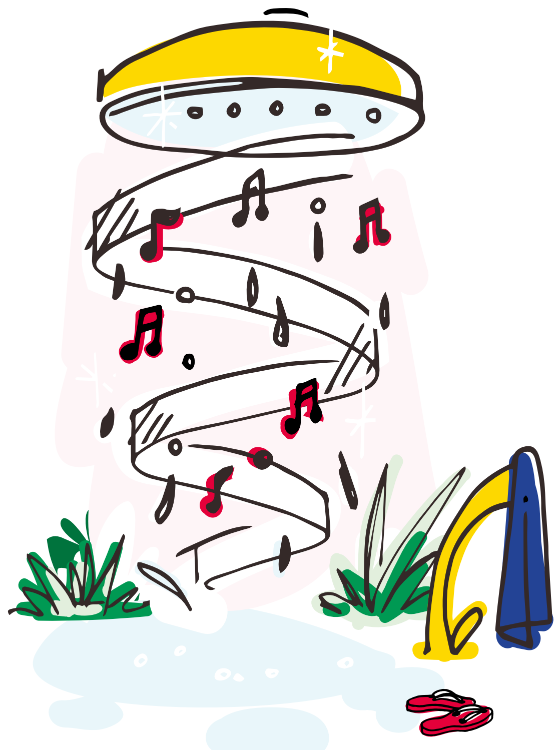
Boats and board games on the boardwalk

Crustacea

A bountiful feast aboard the C Pirogue

cascade

A magical musical shower

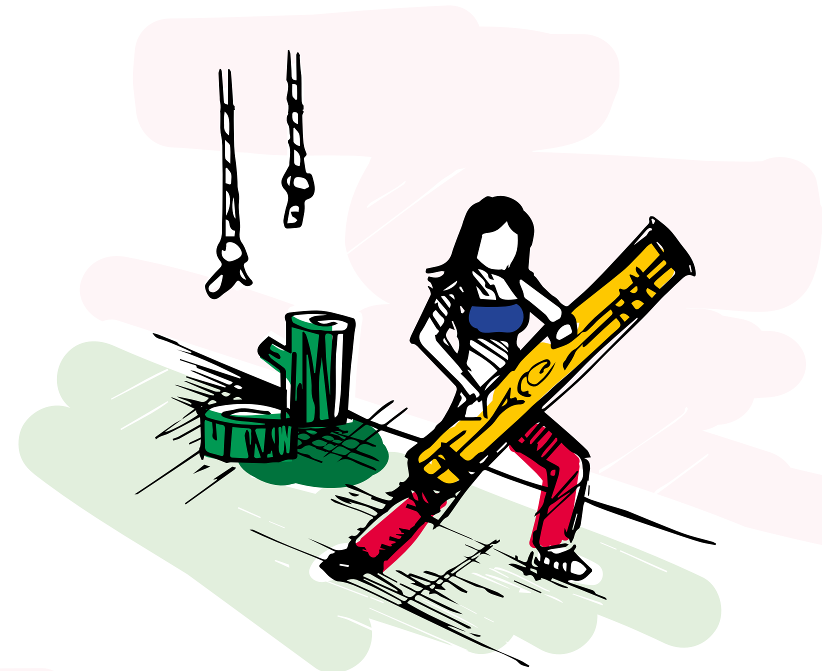


cwing

Soar free in the trees

circuit

A biophilic approach to training



C Trek

Guided sociable saunters

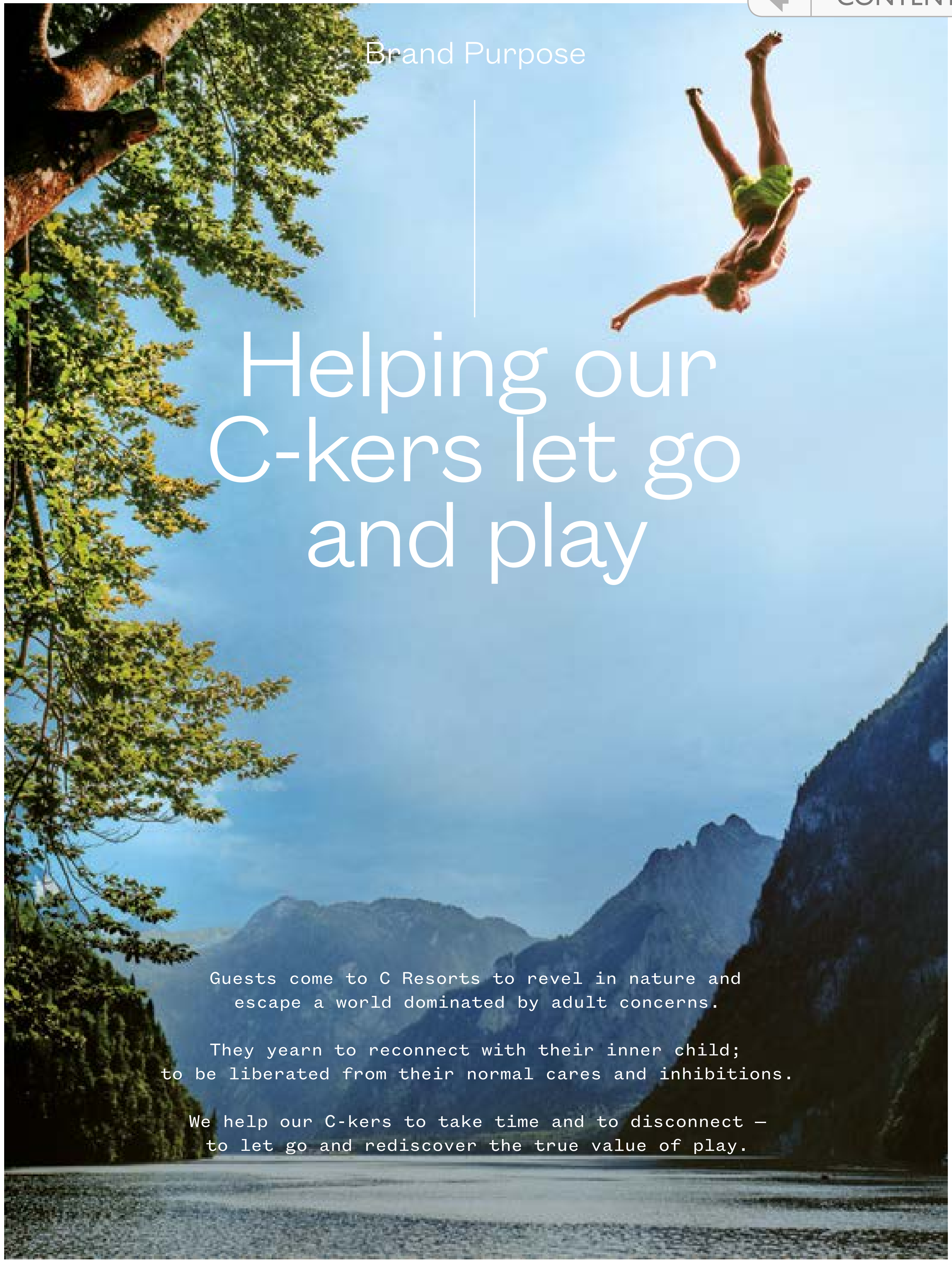
sessions

≈ BY THE C ≈

Life lived to sunny tunes

At C Resorts, our Service Philosophy goes beyond fine words. It's a vital shaping force that our Team Members hold dear and our C-kers will treasure every day.

Service



Brand Purpose

Helping our C-kers let go and play

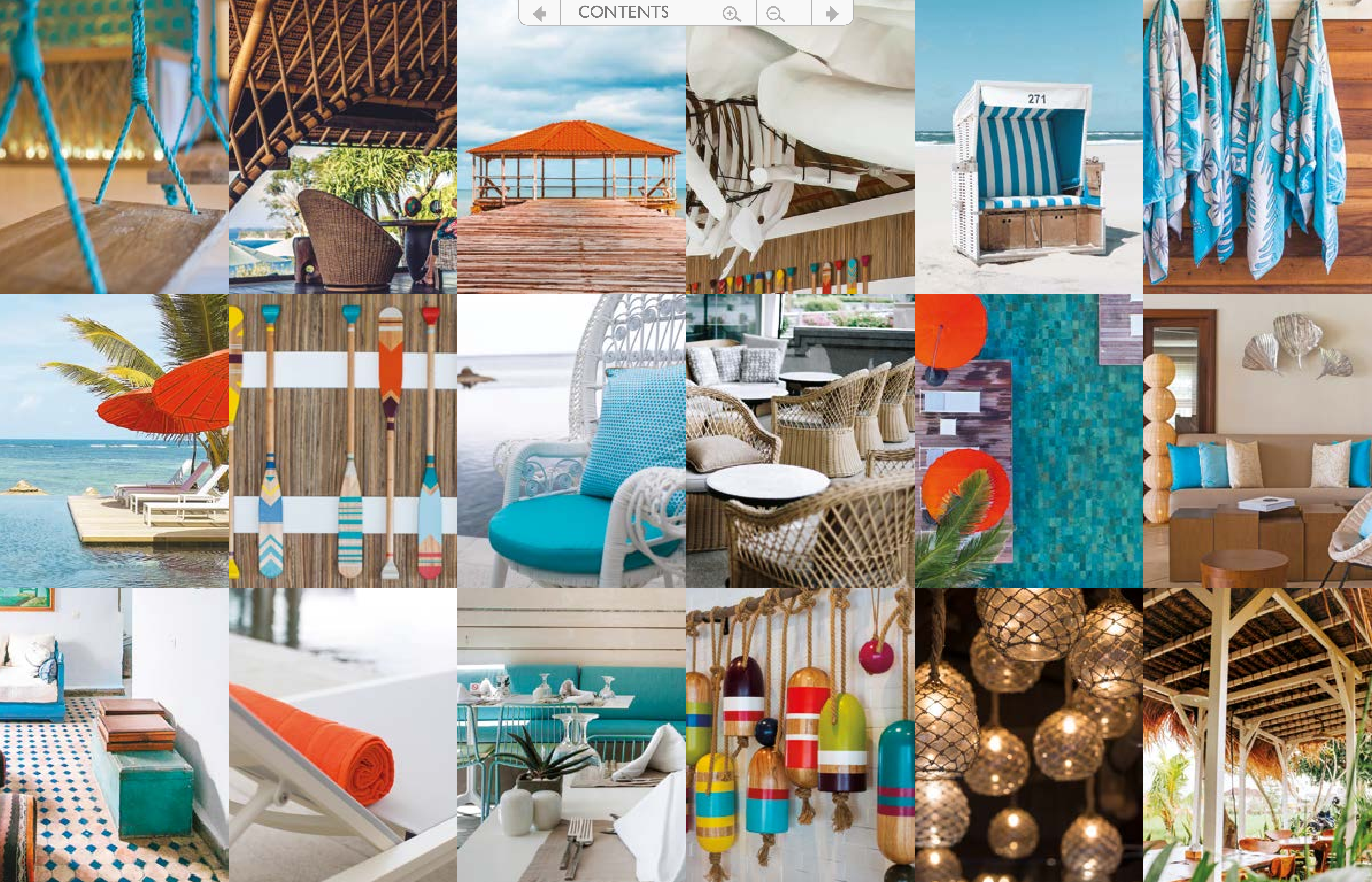
Guests come to C Resorts to revel in nature and escape a world dominated by adult concerns.

They yearn to reconnect with their inner child; to be liberated from their normal cares and inhibitions.

We help our C-kers to take time and to disconnect — to let go and rediscover the true value of play.

Design

A casual-chic atmosphere, locally inspired and anchored in nature.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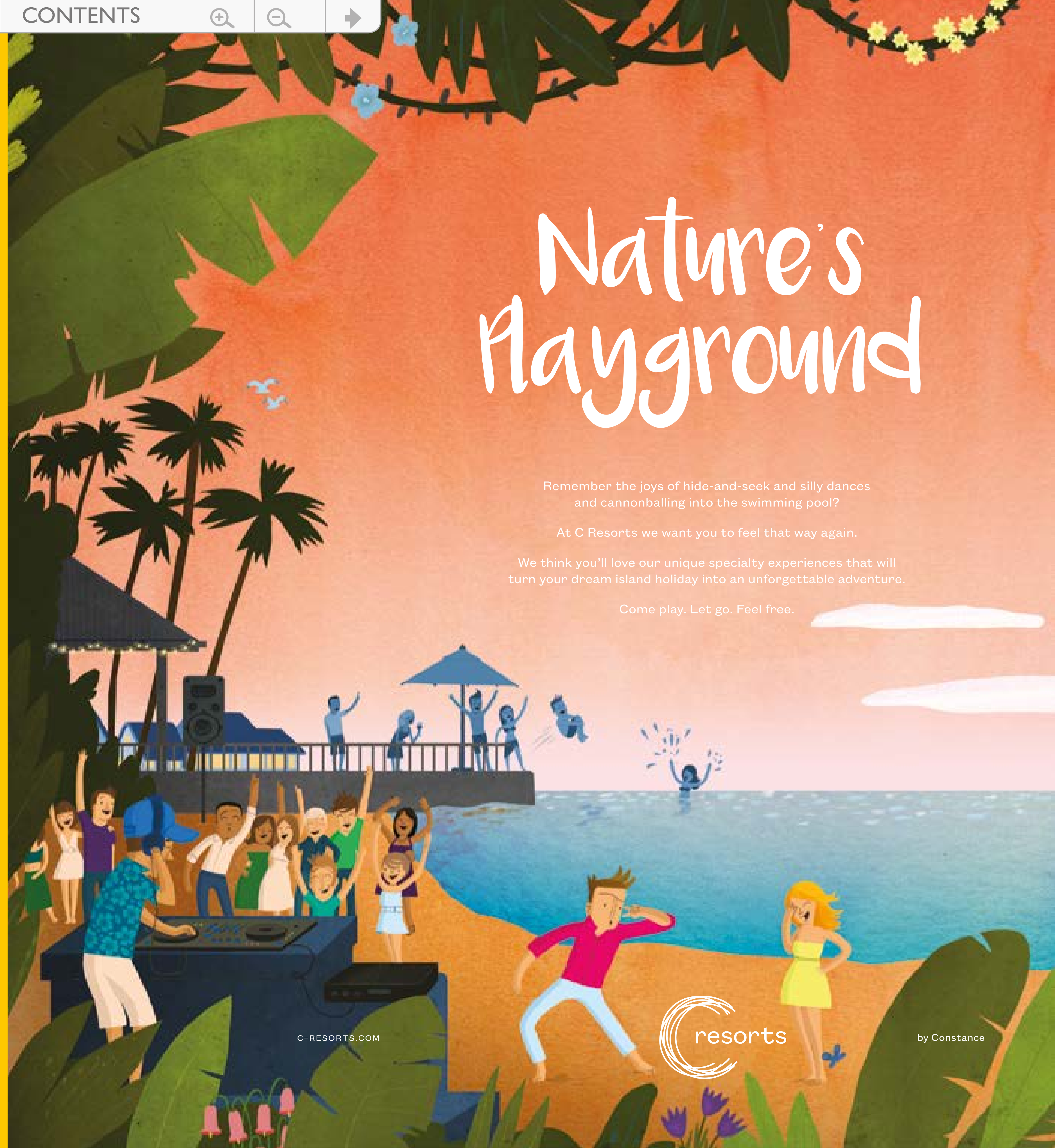
Communications

Grown-up playtime is all about reclaiming childhood and improving it with an adult twist. Our bold and striking brand communications are designed to address and awaken the C-kers' inner child, reminding them of the fun and freedom of their youth.

Come play. Let go. Feel free.




C is for Cpicerie
Remember the joy of licking cake batter from the mixing bowl?
At C Resorts we want you to feel that way again.
We think you'll love our hand-picked specialty food selection
that will have you coming back for more. And more. And more.
Come play. Let go. Feel free.
C-RESORTS.COM
resorts
by Constance


C is for Cascade
Remember when you used to run through the sprinklers?
At C Resorts we want you to feel that way again.
We think you'll love our unique beach speaker shower head,
which will have you singing and dancing in the sunshine.
Come play. Let go. Feel free.
C-RESORTS.COM
resorts
by Constance

CORPORATE GOVERNANCE REPORT

1. STATEMENT OF COMPLIANCE

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

Name of Public Interest Entity (PIE): Constance Hotels Services Limited

Reporting Period: 01 January 2017 to 31 December 2017

We, the Directors of Constance Hotels Services 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 for:

- Section 2.2.6: Annual Re-election of Directors: Non-compliance with this section of the Code is explained in the Corporate Governance Report (see page 31).
- Section 2.8.2: Remuneration of Directors: The reason for non-compliance is the confidentiality and sensitivity of the information. However, Directors' remuneration is disclosed by category (see page 52).

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

Signed by

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

Date: 29 March 2018

2. STATEMENT ON CORPORATE GOVERNANCE

In line with its Statement on Corporate Governance, Constance Hotels Services Ltd is engaged in adhering to the Code of Corporate Governance for Mauritius ("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 and Committees of the Board.

The Company's comprehensive Risk Management Programme, which clearly defines responsibility for risk and compliance and outlines risk coverage and policy as well as the required supporting infrastructure, is now well established and fully operational. It comprises a framework of key Committees of the Board, an internal audit function, Compliance and Risk Manager, External Auditors, and an array of policies, codes and standards.

The National Code of Corporate Governance for Mauritius (2016), which moves towards an "Apply and Explain" basis has taken effect from the financial year beginning 01 July 2017. The Board acknowledges that the Company has applied the principles of the Code, to the extent relevant to its operations, and is committed to report fully in accordance with this Code as from its annual report 2018.

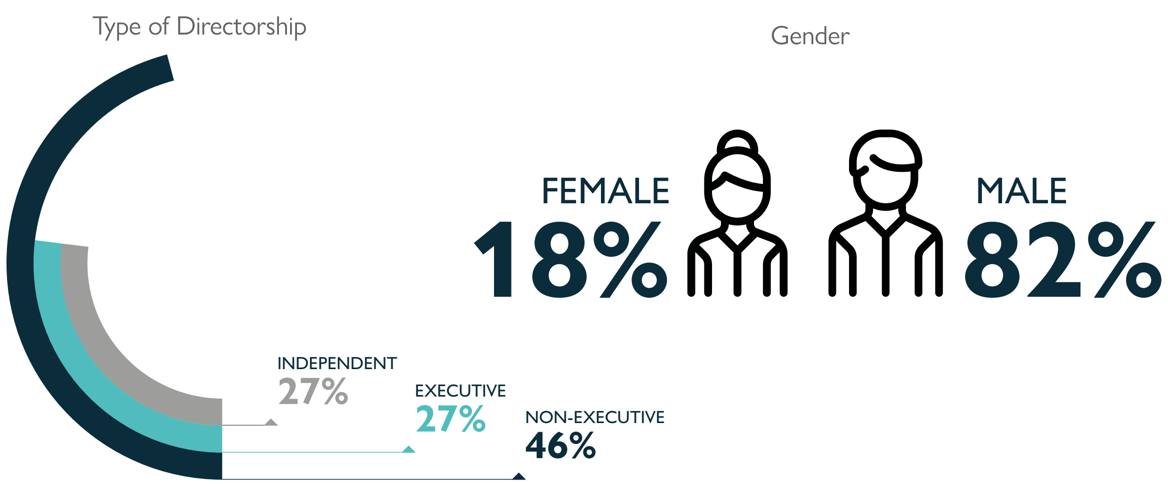
3. BOARD OF DIRECTORS

3.1 Board Composition

The Company is managed by a unitary Board. At year end, the Board consisted of three Independent, five Non-Executive and three Executive Directors. Taking into account the nature of the Company's operations and the diversity of skills, experience, knowledge and perspectives of the Directors from different industries and backgrounds, the Board considers that the size and mix of the current Board of Directors are appropriate for maintaining focus and enabling effective decision-making. The Chairman is an independent director. A Profile of Directors is given on pages 47 to 49.

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 and during their induction.

BOARD COMPOSITION BY TYPE OF DIRECTORSHIP AND GENDER



3.2 Directors' Duties

The Board of Directors is ultimately responsible and accountable for all the affairs and general performance of the Company within the terms of the Board of Directors' Charter.

3.3 Appointment and Re-election

Nominations to the Board comply with the Company's Director Nomination Policy. The Board, through the Nomination & Remuneration Committee, follows a rigorous, formal and transparent procedure to select and appoint new Directors. The Nomination & Remuneration Committee leads the process according to the Company's Constitution and Nomination Policy. The Committee makes recommendations to the Board, based on specific criteria, either to fill a casual vacancy or to appoint additional Directors. The total number of Directors shall not be less than nine or more than thirteen as per the Constitution of the Company.

An induction programme is provided to newly-appointed Directors, who are given an information pack, which includes, inter alia, financial and performance related reports, a copy of the Company's Code of Ethics and Conduct for Directors, the Board Charter and key policies. Site visits and meetings with Senior Management are also arranged.

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

Upon recommendation of the Nomination & Remuneration Committee, the Board of Directors has appointed Mr Nitish Beni Madhu as Non-Executive Director up to the forthcoming annual meeting where his election will be proposed to the shareholders of the Company.

3.4 Board Evaluation

Directors are invited to participate, every two years, in an individual and collective assessment, by means of a questionnaire completed by each Director and based on predetermined and approved performance criteria. When deliberating on the performance of a particular Director, the latter abstains from the assessment in order to avoid any conflict of interests.

The findings are reviewed by the Nomination & Remuneration Committee and tabled to the Board of Directors, which validates an Action Plan on corrective measures. The last assessment was carried out in 2017. The evaluation process confirmed that a majority of Directors considers the Board to be effective and well balanced. All corrective measures have been implemented.

The results pertaining to each Board Committee were also communicated to the Chairman of the concerned Committee for the appropriate corrective measures.

The Board, on recommendation of the Nomination & Remuneration Committee, considered that the assessment of the Board and its Committees conducted in 2017 were in line with the Company's requirements. It opted not to have recourse to an independent Board and Committee evaluator.

3.5 Training and Development

The Board recognises the importance of ongoing professional development and training to sustain an effective, well-informed and functional Board. During the financial year under review, some Directors and Senior Officers received training, dispensed by local institutions, on corporate governance and financial and industry-related matters.

4. KEY ROLES AND RESPONSIBILITIES

There is a clear division of responsibility between the Chairman of the Board and the Group CEO. Whilst the Chairman has the overall responsibility to lead the Board and ensure its effectiveness, the Group CEO is responsible for managing and leading the business of the Company.

4.1 Chairman

The Chairman has the responsibility to ensure the smooth and efficient functioning of the Board and its Committees, to see 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 Group Chief Executive Officer, the Group Head of Corporate Affairs and the Company Secretary, the Chairman also ensures that new Directors receive a full and formal induction to the Group and its businesses, and that all Directors are kept fully informed of relevant matters.

4.2 Executive, Non-Executive and Independent Directors

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

4.3 Group Chief Executive Officer

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

4.4 Company Secretary & Company Secretariat

All Directors have access to the advice and services of the Company Secretary. The Company Secretariat ensures good information flow to the Board and its Committees and between Senior Management and the Directors. The Secretariat facilitates the induction of Directors and assists them in fulfilling their duties and responsibilities. Through the Chairman, it is responsible for advising the Board on corporate governance matters and for keeping the Board up to date on all legal, regulatory and other developments. It ensures effective communication with shareholders and provides assurance that shareholders' interests are duly taken care of.

4.5 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.

5. COMMITTEES OF THE BOARD

Three Board Committees have been constituted to assist the Directors in the discharge of their duties. Each 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. Chairmen of Committees are invited to report during each Board meeting on matters addressed by their Committees.

The Committees cover corporate governance adherence by the Company's subsidiaries, including Beauport Industries Ltd and Constance Industries Ltd.

5.1 Audit (Risk Management) Committee

The Audit (Risk Management) Committee which, also has responsibility for the Company's Risk Management function, consists of three Directors (one Independent and two Non-Executive). All members of the Committee are financially literate and have relevant expertise as indicated in their respective profile. The Committee, which is scheduled to meet at least four times a year, operates within the scope of its charter. Its principal functions are to ensure the integrity of the financial statements, oversee the financial-reporting process and direct and monitor the Risk Management function with the support of the Internal and External Auditors and the Compliance and Risk Manager. The Committee reports to the Board of Directors at each Board meeting. The Group Chief Executive Officer, the Chief Executive Officer, the Chief Operating Officer, the Group Head of Finance and the Compliance and Risk Manager, as well as the Internal and External Auditors, attend the Committee's meetings on invitation.

During the year under review, the Committee met on six occasions. Principal matters considered by the Committee in 2017 were as follows:

i. Review and recommend to the Board the 2016 Audited Financial Statements, the Annual Report and Management Letter, the 2017 Forecast, Unaudited Quarterly Financial Statements and Quarterly Abridged Financial Statements for publication.

ii. Review and assess the completed reports of the Internal Auditors.

iii. Recommend to the Board of Directors the declaration of dividends.

5.1 Audit (Risk Management) Committee (continued)

iv. Approve the re-appointment, remuneration and terms of engagement of the External Auditors.

v. Assess and monitor the Company's underlying risk profile.

5.2 Corporate Governance Committee

The Corporate Governance Committee consisted of one Independent and two Non-Executive Directors during 2017. The Committee operates within the scope of its charter. Its principal function is to direct and monitor the Company's corporate governance and compliance programmes. The Committee reports to the Board of Directors at each Board meeting. The Group Chief Executive Officer, Chief Operations Officer, Compliance and Risk Manager and Environmental Health and Safety Manager are invited to attend Committee meetings.

During the year under review, the Committee met on three occasions. Its broad achievements were as follows:

i. Review the Company's Annual Report for 2016 with focus on the Corporate Governance, Sustainability and Corporate Social Responsibility Reports and the Statutory Disclosures.

ii. Approve the Group Corporate Social Responsibility Plan for 2017 under the banner of Fondation Constance and monitor its progress.

iii. Review quarterly Compliance and Health & Safety reports.

iv. Review and approve new policies.

v. Review the implications of the new Code of Corporate Governance for Mauritius and establish an Action Plan for compliance.

vi. Review the letters from the Financial Reporting Council in respect of the Company's 2016 Annual Report and pertaining to compliance with IFRS regulations and the Code of Corporate Governance.

5.3 Nomination & Remuneration Committee

The Nomination & Remuneration Committee, which consists of one Executive and two Independent Directors, 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.

During the year under review, the Committee met on six occasions and covered the following principal matters:

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 effectiveness/performance of the Board and Committees and establish Action Plan for improvement.

iv. Approve the performance awards for 2017 and remunerations of Senior Executives for 2018.

v. Review the Senior Executive HR Development Programme.

vi. Enhance and monitor the Directors and Senior Officers' Register of Interest/Insiders Share Dealings/ Conflict of Interest and Related Party.

vii. Review the Company's Pension Scheme for Senior Executives.

viii. Review the delegation of powers by the Board.

ix. Establish a Succession Planning Model

x. Establish Board and Committee Meeting dates for 2018

6. ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

	Board of Directors	Committees of the Board		
		Audit (Risk Management)	Corporate Governance	Nomination & Remuneration
Number of meetings held in 2017	**5**	**6**	**3**	**6**
Meetings attended				
George J. DUMBELL	5		3	6
Nicolas BOULLÉ	5		2 (as from July 2017)	
Marc FREISMUTH	5	6		6
Preetee JHAMNA RAMDIN	4 (as from April 2017)			
Jean JUPPIN DE FONDAUMIÈRE	3	5		
Clément D. REY	5			
Jean RIBET	5			6
Louis RIVALLAND	1 (up to April 2017)			
Georgina ROGERS	5			
Colin G. TAYLOR	5		3	
Noël Adolphe VALLET	5	5		
Jean-Jacques VALLET	5			

7. STATEMENT OF REMUNERATION PHILOSOPHY

The Nomination & Remuneration Committee is entrusted with the task of determining and recommending to the Board the remuneration policy for Non-Executive Directors and for Senior Executives of the Company. Four key principles underpin this policy:

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

ii. Key performance indicators shall apply in order to deliver results to the Company

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

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

The Nomination & Remuneration Committee affirms that the fees paid to the Board and its Committee Members and Senior Officers in 2017 are in line with the above principles and, hence, adequate. At its last review, the Nomination & Remuneration Committee proposed not to change the fees pertaining to the Board and its Committee for 2018 but to undertake a market review for application in 2019.

For 2017, Directors' annual fees amounted to MUR 300,000 for the Chairman and MUR 100,000 for other Board members.

7. STATEMENT OF REMUNERATION PHILOSOPHY (continued)

In addition to the above, the annual fees for Members of Committees of the Board for 2017 were as follows:

	Audit (Risk Management) Committee	Corporate Governance Committee	Nomination & Remuneration Committee
	MUR	**MUR**	**MUR**
Chairman	110,000	60,000	40,000
Member	70,000	30,000	30,000

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

8. RISK MANAGEMENT AND INTERNAL CONTROLS

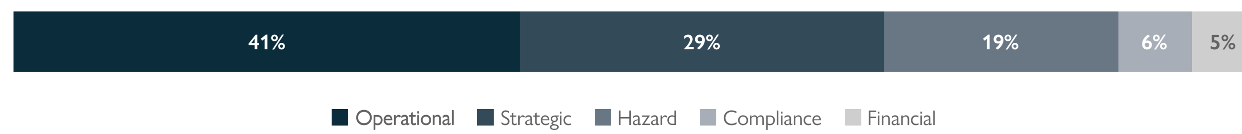
8.1 Risk Management Framework

The Company is constantly faced with a variety of risks, which could adversely affect its performance and financial condition. Being responsible for managing these risks, the Board ensures that the Company has in place a system of internal control and risk management, and continually monitors and reviews this system's adequacy and effectiveness.

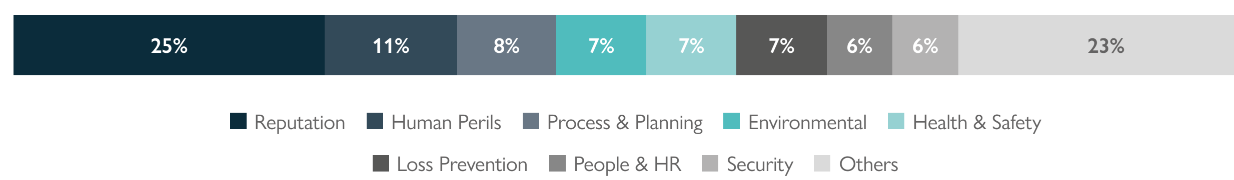
The Company's risk management framework, which extends across the Company's business, comprises a top-down approach with strategy, policies and risk appetite approved by the Board of Directors, and their formulation, implementation and monitoring delegated to the Committees of the Board, the Internal and External Auditors and Senior Management. In turn, line managers are responsible for continuous compliance with all laws, codes, rules, regulations, procedures, policies and standards of good industry practice. The Company's Risk Management Programme was launched in August 2006 and has been significantly enhanced since 2014 by the launch of its Enterprise Risk Management Programme across all its hotels in all the jurisdictions in which it operates.

The Company's Risk Profile

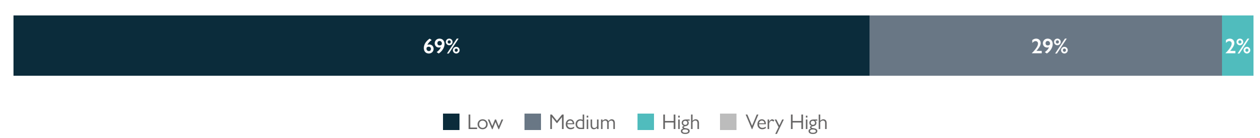
Financial Impact (MUR) by Risk Group



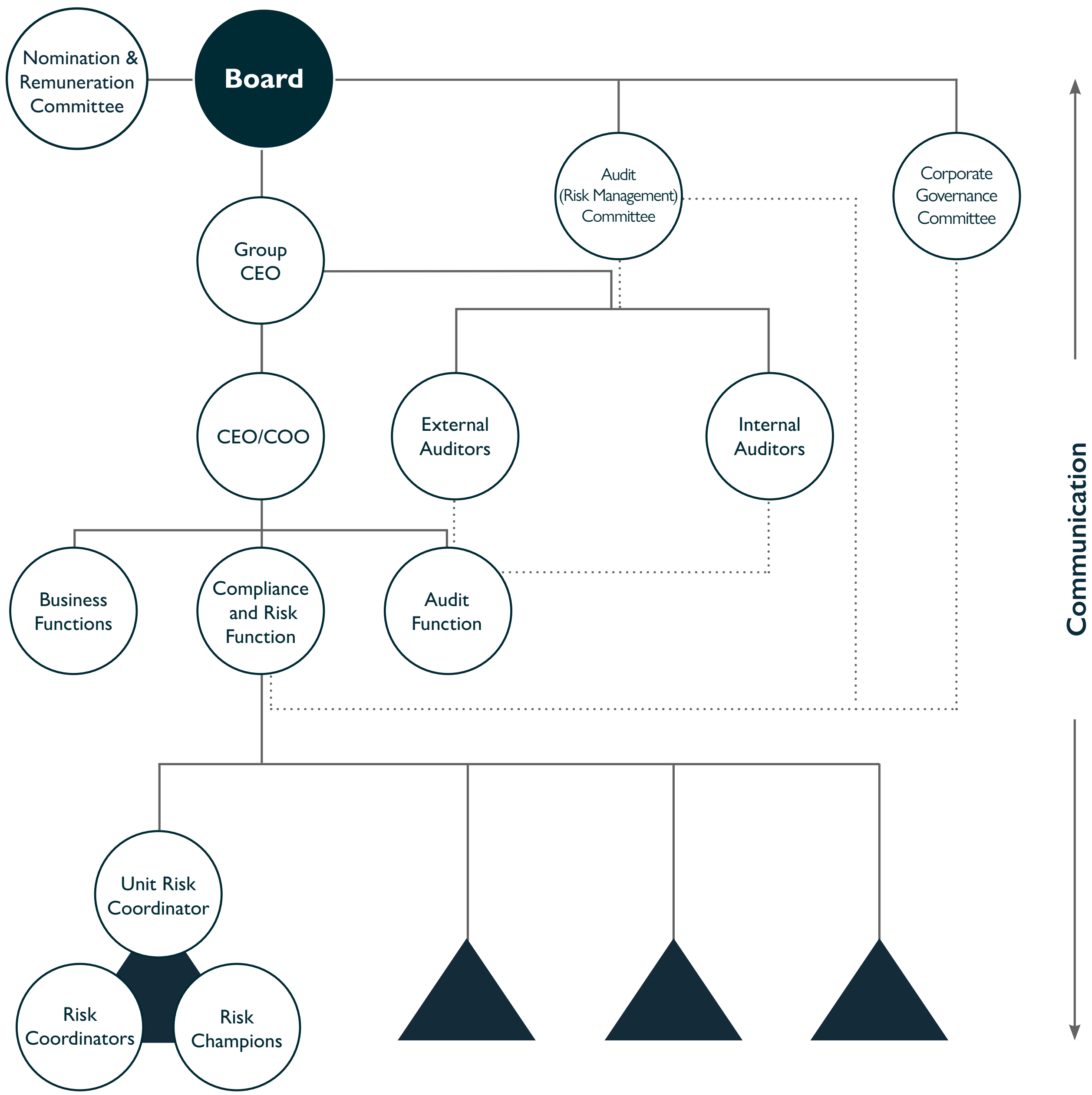
Financial Impact by Category



Risks by Criticality



8.2 The CHSL Enterprise Risk Management (ERM) Framework



GOVERNANCE

CORPORATE GOVERNANCE REPORT

8.2 The CHSL Enterprise Risk Management (ERM) Framework (continued)

The Company's ERM framework was successfully implemented in 2014. Since its implementation, an increasing risk awareness culture can be observed across the organisation. Risk management is now an integral part of the Company's operations, whereby Risk Coordinators and Risk Champions from different departments ensure that risks identified are communicated to Management and preventive measures implemented within set deadlines. The Company's ERM teams are better accustomed with the risk assessment methodology, resulting in more concrete risk registers being received from each entity. Reports, presented twice a year to the Audit (Risk Management) Committee, are more comprehensive, thus enabling an improved oversight of risks facing the organisation and making comparison of risks easier per location or per entity.

At each of the two special Audit Committees dedicated to ERM, the principal risks facing each entity are discussed and preventive measures validated. The structured reports also provide insight into periodic risk movements until they reach a level acceptable to the Board. Risks are classified as Strategic, Financial, Operational, Compliance or Hazard, in accordance with the Code of Corporate Governance for Mauritius.

8.3 Risks and Mitigation Initiatives

Financial Risks

The Company is exposed to a wide range of financial risks, namely market risk (including currency risk and 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 94 to 97.

Other Prominent Risks

Besides the aforesaid financial risks, some of the more prominent risks to which the Company is exposed are as follows:

- **Reputation**

  Any event that materially damages the reputation of the Company and/or any failure to sustain its appeal to its shareholders could adversely affect the market value and attractiveness of the Company. This is managed by the Board and Senior Management through the enforcement of a strict ethical code of conduct and good corporate governance practices throughout the Group.

- **Financial and Regulatory Compliance**

  Non-compliance with financial and regulatory requirements may result in fiscal penalties and damage the Company's image on the market. In mitigation, a robust programme of procedures and internal monitoring has been put in place by the Compliance and Accounting functions, with the aid of Internal Audit, to ensure that financial and regulatory requirements are adhered to. The Quarterly Financial Statements and the Abridged Financial Statements are scrutinised by the Audit (Risk Management) Committee and subsequently reviewed and approved by the Board.

- **Credit Standing**

  The Company is reliant on having access to credit facilities to meet its capital requirements and effectively manage its statement of financial position. If the Company does not manage its finances in a responsible manner, it may lose its credibility and, as a result, its favourable terms and ability to borrow. To ensure prudent financial management, the Company prepares detailed budgets and projected cash flows, which are reviewed on a regular basis by the Audit (Risk Management) Committee and quarterly by the Board, both of which also scrutinise account receivables and payables.

- **Personnel**

  The Company's growth and success depend on its ability to identify, secure and retain top-quality management and highly-skilled employees. Any failure in this regard could undermine the Company's ability to implement its strategic business plans and remain profitable. To mitigate this risk, a policy of recruitment and recognition of performance that is fair, transparent and based on merit is applied. The Company ensures an attractive and safe working environment and a competitive remuneration structure. In addition, succession planning is developed, monitored and maintained for key roles.

- **Health, Safety and Environment**

  The Environmental Health and Safety Manager, appointed in 2016, oversees, harmonises and monitors the Health, Safety and Environment function across all hotels of the Group. Each of our hotels has either a dedicated Health & Safety Officer or a Senior Executive responsible for this function. All reasonable precautions are taken to provide and maintain the health and well-being of our guests and employees. Controls are in place to ensure compliance with international good practices, all statutory and legal requirements and codes of practice generally applied across the industry. Appropriate and ongoing training is provided to staff and the highest standards of care are applied to the services and products offered to our guests. A Health and Safety Plan is approved annually, and its progress is monitored on a quarterly basis by the Corporate Governance Committee.

  Beach erosion affects guest experience, future bookings and revenue due to reduced attractiveness of our hotels. Although the risk is of a national scale, the collaboration with relevant authorities and experts is crucial and must be encouraged to combat the problem in an effective and sustainable manner.

- **Political, Economic and Financial Market Events**

  Occupancy levels and room rates, and consequently the Company's operations and financial results, could be adversely affected by events that reduce international travel, such as natural disasters, acts of terrorism, increased transport and fuel costs, closed-sky policies, political instability, economic crises, and currency and interest-rate fluctuations. Changes in the macroeconomic and industry environments are regularly assessed by the management team and quarterly by the Board and its Committees to ensure prompt decisions are taken to safeguard the value of the Company's brand and assets. In addition, the Company, which is affiliated to AHRIM and other hotel associations in the Seychelles and the Maldives, takes part in industry-wide discussions related to these risks.

- **Industry Risk**

  The tourism industry, in general, is sensitive to economic fluctuations. The hotel sector, in particular, may be adversely affected by changes in the global economy, geo-political upheavals, reduced international demand for hotel rooms and associated services, an uncompetitive open-sky policy, increases in the supply of rooms and other forms of accommodation, government policies and regulations, fluctuations in interest and foreign-exchange rates, and other natural and social factors.

  These risks are mitigated externally through regular meetings with the appropriate industry drivers and government ministries, either directly or through industry associations. They are also reviewed internally through daily performance monitoring and application of different marketing strategies and on a quarterly basis by the Board.

- **Geographical Concentration**

  Failure to expand geographically could adversely affect the Company's financial results. The Company has operations in five different jurisdictions and the Board continually assesses new opportunities across the region and beyond.

- **Social Responsibility**

  The reputation of the Company and the value of its brands are influenced by a variety of factors, including the Company's ability to demonstrate responsible practices in such areas as sustainability, responsible tourism, environmental management, health and safety, and support for the local community. CSR programmes and initiatives are tailored to the needs of the communities and societies in the regions where the Company operates. Regular review and reporting of the progress of CSR programmes and achievements, as well as new potential projects, are brought to the CSR Committee of Fondation Constance and, on a quarterly basis, to the Board through the Corporate Governance Committee.

- **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 the quality and standard of the Company's product and service offerings, as well as the Company's productivity, operating costs and efficiency.

- **Technologies and Systems** (continued)

  To mitigate this risk, the Company has an IT Disaster Recovery Plan that caters for prompt restoration of normal service to minimise any adverse impact on the business. The Corporate Governance Committee monitors developments and progress. The Board is occasionally updated with a detailed presentation on this aspect of our operations.

The Company has various policies and methods to effectively counter the risks it is exposed to, as elaborated in this Corporate Governance Report and in the Notes to the Financial Statements on pages 95 to 97. The Company also has Director & Officer Liabilities insurance cover.

8.4 Compliance Function

The Compliance and Risk Manager has the responsibility to coordinate the compliance function across all the operations of Constance Hotels, Resorts & Golf with a functional reporting line to the Audit (Risk Management) and Corporate Governance Committees of the Company. During 2017, the Compliance and Risk Manager operated within the scope of the Company's Compliance Charter and in accordance with the professional standards and guidelines approved by the Board. The main accomplishments include the following:

i. Update of all corporate policies to ensure alignment with the requirements of the National Code of Corporate Governance for Mauritius (2016) and to take into account changes in laws and regulations.

ii. Introduction of new policies relating to antitrust laws and the prevention of child sexual exploitation.

iii. Introduction of a Code of Conduct for Business Partners in view of greening the Group's supply chain.

iv. Completion of the implementation of the Contracts Management software and monitoring of the status of contracts.

v. Training delivered to new employees on the Code of Conduct.

vi. Maintenance of the Company's intellectual property.

vii. Implementation of legal and regulatory requirements and the post-audit measures recommended by the Internal Auditors.

viii. Attendance of workshops on gender diversity and explanatory sessions on the National Code of Corporate Governance for Mauritius (2016) and on the EU General Data Protection Regulations (EUGDPR) that need to be implemented by May 2018.

During the year under review, the Compliance and Risk Manager was invited to present three reports to the Corporate Governance Committee, which also covered health and safety matters. It was noted that the business objectives set out in the Compliance Action Plan for 2017 were met.

8.5 Information, Information Technology (IT) and Information Security (IS) Governance

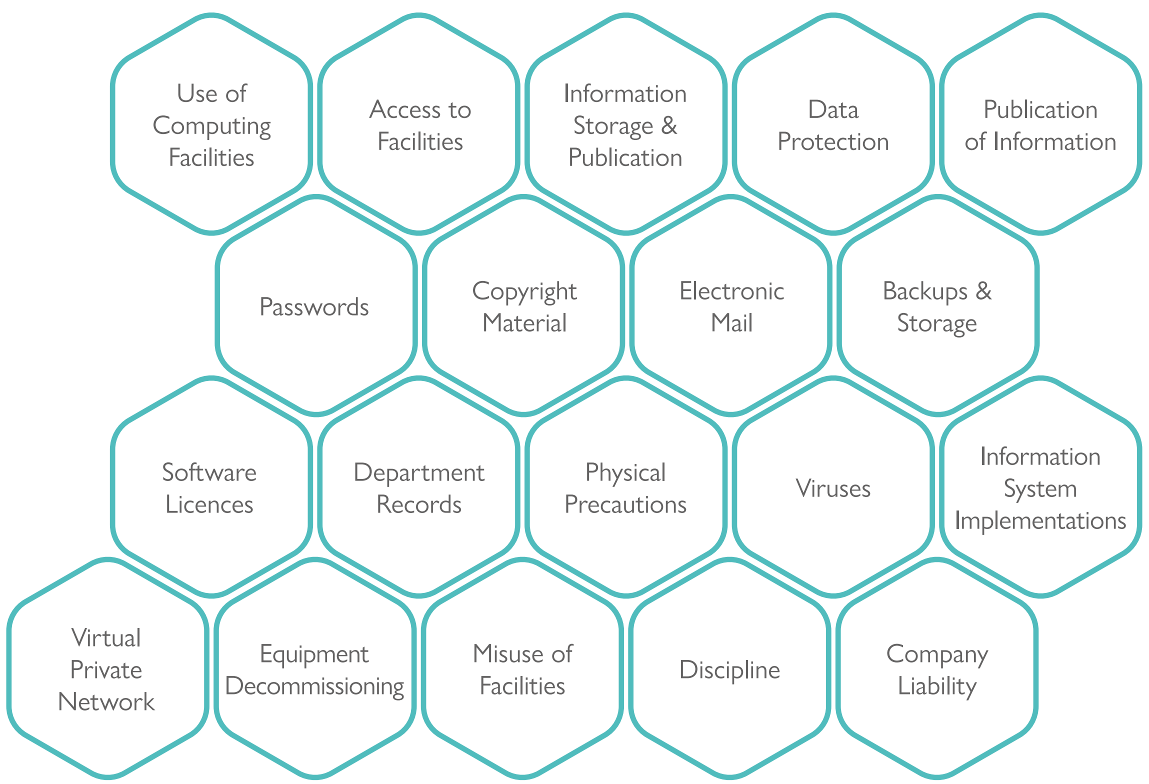
Information to the Board and Committees

The Chairman and the Company Secretary ensure that Directors receive the right information in a timely manner to enable them to make informed business decisions. The prime responsibility for setting the agenda of Board meetings and ensuring that key information, both quantitative and qualitative, is made available to the Directors lies with the Chairman, who decides on the relevance and adequacy of information to ensure that the Directors' information needs are met. At the last assessment, the Board and its Committees found the information provided to them adequate.

Information Technology (IT) and Information Security (IS) Governance

The Company puts emphasis on the confidentiality, integrity, availability and protection of information, backed by an adapted Information and IT systems. The Board ensures that prudent and reasonable steps are taken in order that the IT governance framework forms an integral part of the overall corporate governance of the Company and are managed according to set policies. To fulfil this obligation, the Board is supported by the Audit (Risk Management) Committee and the IT Steering Committee which review information risks and actions taken to mitigate them and to ensure that the performances of the Information and IT systems lead to business benefits and create value.

Management is responsible for implementing the policies, procedures and practices to protect the Company's information, in line with regulatory and industry norms. It ensures that access to information is only available to authorised parties while having physical and logical access controls in place at all times. Staff is regularly made aware of these policies, procedures and practices through the Company's communication channels. An IT Code of Practice is in place and governs the following:



Information Technology (IT) and Information Security (IS) Governance (continued)

While the Audit (Risk Management) Committee evaluates the effectiveness of related internal control systems, the set-up provides for independent assurance with, notably, the Internal Audit function which acts as an additional line of defence to assess the suitability of the Group's securities policies, standards and related procedures. The outcome of an audit on IT General Control conducted by the Internal Auditors in 2016 was overall positive. In addition, the Chief Information Officer is occasionally invited to present achievements of the IT function to the Board.

Approval of significant expenditures on IT is integrated in the approval process of capital expenditures scrutinised by the Board at the time the Budget is presented annually. Monitoring of these expenditures is effected at the Audit (Risk Management) Committee and any material deviation is reported to the Board through the Audit (Risk Management) Committee Report.

8.6 Auditors

External Audit

The Audit (Risk Management) Committee makes recommendations to the Board in relation to the appointment, remuneration, termination and oversight of the External Auditor. It also ensures that key partners within the appointed firm are rotated from time to time.

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, research relevant to the hotel industry, demonstrable audit quality control processes and substantial resources to carry out the assignment
- Competitive fees
- Ethical, safeguard of objectivity and independence.

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

- The Board is responsible for appointing the External Auditor, subject to the approval of shareholders.
- The Audit (Risk Management) Committee reviews the External Auditor's performance and independence and benchmarks the cost and scope of the external audit engagement prior to their appointment and thereon annually.
- The appointed External Auditor is required to present to Management an annual external audit proposal.
- Management in consultation with Audit (Risk Management) Committee approves the scope of the audit, the terms of the annual engagement letter and the audit fees.
- The External Auditor prepares the annual engagement letter on behalf of the Audit (Risk Management) Committee.
- Upon engagement, the External Auditor has unfettered access to Management, staff, records and company facilities, and is permitted the reasonable agreed time to conduct its audit.

Prior to the approval of the audited financial results by the Board, the External Auditor is invited to attend the Audit (Risk Management) Committee meeting to review all matters related to the audit, covering critical policies, judgements and estimates. The Audit (Risk Management) Committee discusses with the External Auditor and Management matters of significance which are included under "Key Audit Matters" in the Independent Auditor's Report. The Audit (Risk Management) Committee ensures that it is satisfied that these matters have been appropriately addressed. Whenever the need arises, in addition to the review of final accounts, the External Auditor is invited to meet the Members of the Audit (Risk Management) Committee.

BDO & Co. have been the External Auditor of the Company for more than 10 years. They have expressed their willingness to continue as the Company's External Auditor, in accordance with the provisions of the Companies Act 2001. On the recommendation of the Audit (Risk Management) Committee, BDO & Co. will be automatically reappointed at the forthcoming Annual Meeting of Shareholders. In view of the mandatory rotation, they will be rotated out in 2020.

Internal Audit

Internal Audit is an appraisal function established to examine and evaluate the activities of the Company independently, as a service to the Board of Directors and to Management. The Internal Auditors are entrusted with the responsibility of appraising the Company's policies, procedures and the operating, financial and management controls in order to ensure that the business is properly managed and promote effective controls at reasonable cost.

Internal Audit (continued)

The Internal Auditors report to the Group CEO but also have a functional reporting line to the Audit (Risk Management) Committee.

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

The Company's Internal Audit function is outsourced to Messrs PricewaterhouseCoopers (PwC) on a three-year contract, which was last renewed on 01 January 2016.

The annual internal audit plan, which is approved by the Group CEO and ratified by the Audit (Risk Management) Committee, is based on the principles of risk management to align the coverage and effort with the degree of risk attributable to the areas audited. During 2017, the Internal Auditors conducted the following audits and reported on their findings and recommendations to the Audit (Risk Management) Committee at its meetings which they attended:

Mauritius	Maldives
• Review of Human Resources and Payroll • Review of controls of Food and Beverages costs	• Review of Procurement • Follow up report on Human Resources • Follow up report on Front Office and Store & Inventory

8.7 Policies, Charters and Codes

The policies laid out in the under-mentioned key documents, approved by the Board on the recommendation of its relevant Committee, are applied throughout the Group.

Policies	Charters
Anti-Money-Laundering	Audit (Risk Management) Committee
Anti-Trust	Board of Directors
Conduct for Business Partners Policy	Compliance
Conflicts of Interest and Related-Party Transactions	Corporate Governance Committee
Corporate Social Responsibility	Environmental
Data Protection	Fondation Constance
Dividend	Internal Audit
Donations	Nomination & Remuneration Committee
Energy Management	Risk Management
Environmental	
Equal Opportunity	

8.7 Policies, Charters and Codes (continued)

Policies	Codes
Health and Safety	Code of Ethics and Conduct
IT Energy Saving	Code of Conduct for Business Partners
Nomination	Code of Ethics and Conduct for Directors
Prevention of Child Sexual Exploitation	IT Code of Practice
Printing	Professional Standards and Guidelines
Privacy	Statement on Corporate Governance
Procurement	
Remuneration	
Risk Management	
Share Dealing	

Certain policies and codes are subject to review at least annually whilst charters are reassessed every two years, unless otherwise required.

8.8 Conflicts of Interest and Related-Party Transactions

The Company's Conflicts of Interest 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.

No related-party transactions were reported by the External Auditors following their audit, apart from those disclosed on pages 125 of the Annual Report.

8.9 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 of Listed Companies. Furthermore, Directors and designated employees are notified by the Company of the commencement and closure of non-trading periods.

The following transaction took place during the year under review:

Senior Officer	No. of shares disposed of directly	No. of shares disposed by Associate
Siegfried ESPITALIER NOËL	-	1,400

8.10 Directors' and Senior Officers' Share Interests

The interests of Directors and Senior Officers in the securities of the Company as at 31 December 2017 were as follows:

	Direct		Indirect
	No. of shares	% Held	% Held
Directors			
George J. DUMBELL – Chairman	34,285	0.03	-
Nicolas BOULLÉ	-	-	-
Marc FREISMUTH	-	-	-
Preetee JHAMNA RAMDIN	-	-	-
Jean JUPPIN DE FONDAUMIÈRE	-	-	-
Clément D. REY	42,857	0.04	1.67
Jean RIBET	697	0.00	0.45
Georgina ROGERS	1,986,581	1.81	0.33
Colin TAYLOR	-	-	1.56
Noël Adolphe VALLET	-	-	0.90
Jean-Jacques VALLET	211,561	0.19	0.71
Senior Officers			
Kevin CHAN TOO	11,100	0.01	0.04
Siegfried ESPITALIER NOËL	87,168	0.08	0.05
Tham Fong LEE CHIP HING	21,793	0.02	-
Andrew MILTON	77,200	0.07	-

The Company maintains a Register of Interest/Insiders Share Dealings/Conflicts of Interest 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, written submissions made by Senior Officers when appropriate, and written annual returns submitted by Directors and Senior Officers.

Any disclosure of interest is recorded in the Interest Register which is available for inspection during normal office hours upon written request made to the Company Secretary.

8.11 Codes of Ethics and Conduct

The Company is committed to a code of ethics and conduct, which is outlined in its general Code of Ethics and Conduct, as well as in 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 and employees to observe in the discharge of their responsibilities. These codes state 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 and employees.

8.12 Code of Conduct for Business Partners

As a responsible and ethical business, the Company has adopted its Code of Conduct for its Business Partners which it expects to apply throughout its supply chain across the Company's properties. The Company has introduced the adequate procedures to ensure its implementation.

All new employees of the Company receive training and acknowledge receipt of a copy of the aforementioned Codes.

9. MANAGEMENT SERVICES AGREEMENT

The Company has a management services agreement with Constance Corporate Management Ltd (CCM), in which the Company holds a 42% interest. Under this agreement, CCM provides a wide range of corporate and management services to the Company in the fields of strategic planning, general and corporate affairs, financial accounting and management, legal and tax, company secretariat, real-estate and hotel-project planning, finance and development, and technical support. The fees charged are based on a percentage mix of net asset value, market capitalisation and net profit. The fees amounted to MUR 28.8 million for the year under review.

10. 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.

11. DATA ANALYSIS ON SHAREHOLDINGS AS AT 31 DECEMBER 2017

Size of Shareholding	Number of shareholders	Number of shares owned	Percentage shareholding
1–500	157	25,557	0.023
501–1,000	49	40,275	0.037
1,001–5,000	162	408,265	0.373
5,001–10,000	74	524,405	0.478
10,001–50,000	70	1,573,291	1.435
50,001–100,000	14	1,025,530	0.935
100,001–250,000	14	2,408,195	2.196
250,001–500,000	3	1,093,163	0.997
Over 500,000	16	102,554,668	93.526
Total	**559**	**109,653,349**	**100.000**
Shareholder category	**Number of shareholders**	**Number of shares owned**	**Percentage shareholding**
Individuals	367	8,268,749	7.541
Insurance and Assurance Companies	15	25,632,730	23.376
Pension and Provident Funds	16	2,440,517	2.226
Investment and Trust Companies	8	107,671	0.098
Other Corporate Bodies	153	73,203,682	66.759
Total	**559**	**109,653,349**	**100.000**

CORPORATE GOVERNANCE REPORT

12. COMMON DIRECTORS

The names of common Directors of the subsidiaries of the Company are found on page 52 of the Annual Report and are as follows for Hotelest Ltd, the holding company:

Directors of Hotelest Ltd

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

13. SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, the following shareholders held more than 5% of the Company's share capital:

Shareholders	% Held
Hotelest Ltd	51.00
Swan Life Ltd	22.85

14. SHAREHOLDERS' AGREEMENT

The Company is aware of a *protocole d'accord* that exists between four of its main shareholders and which principally governs the allocation amongst them of certain seats on the Company's Board. The Company's Nomination & Remuneration Committee ensures that the nominees meet the criteria prescribed by the Companies Act 2001, the Code of Corporate Governance for Mauritius and the Company's Director Nomination Policy, and that they are able to discharge their responsibilities effectively and in a transparent manner for the benefit of the Company as a whole.

15. 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.

16. SHARE-OPTION PLAN

No such scheme exists at present within the Company.

17. MATERIAL CLAUSES OF THE CONSTITUTION

There are no clauses of the Company's Constitution deemed material enough for special disclosure.

18. TIMETABLE OF IMPORTANT EVENTS

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

PROFILE OF DIRECTORS AND SENIOR OFFICERS

1. DIRECTORS

George J. Dumbell (69) - Independent Director and Chairman

Appointed Director in December 2005 and Chairman in January 2006

Mr Dumbell is an Associate of the Chartered Institute of Bankers (UK) with over 49 years of financial and commercial experience, including 34 years in various senior management positions within the HSBC Group across the globe. In 1994, he was seconded for two and a half years to Eurochambres, the Association of European Chambers of Commerce and Industry, in Belgium, as Deputy Secretary General and Managing Director of its business arm. The Association represents over 14 million companies across Western, Central and Eastern Europe.

Mr Dumbell is a former director of several financial institutions in Asia and Europe, and of a number of listed companies in Mauritius. He sat on the founding board of the Mauritius Institute of Directors and is currently a fellow of this Institute and a member of its Director's Forum. In 2003, he undertook a two-year consultancy contract with the Mauritius Commercial Bank Ltd in the field of risk management. Mr Dumbell is currently a director of the ChrysCapital Group of Companies.

Nicolas Boullé (58) - Non-Executive Director

Appointed in January 2014

Me Boullé is a qualified notary and he has been practising since 1990. He worked in close collaboration in the first instance with Me Pierre Doger de Spéville and thereafter with Me Jacques Montocchio until 2002. Me Boullé now practises independently, in close collaboration with three other colleagues.

Marc Freismuth (66) - Independent Director and Chairman of the Audit (Risk Management) Committee

Appointed in September 2014

Mr Freismuth holds an MPhil degree in Economics from the Paris-Sorbonne University (France) and an *Agrégation* in Economics and Management. He was a Lecturer at the University of Montpellier (France) until July 1988, and he subsequently joined the University of Mauritius as Lecturer in Management and Finance until July 1994. While in the latter post, Mr Freismuth participated in the setting-up of the Stock Exchange of Mauritius as a consultant to the Stock Exchange Commission and as a member of the Listing Committee.

From 2000 to 2005, he taught Hospitality Management at the University of Réunion. He has, since then, been working as a private consultant in management and finance.

He is also a director of several other listed and non-listed companies. Mr Freismuth is currently the Chairman of the Audit (Risk Management) Committee.

Preetee Jhamna Ramdin (43) - Independent Director

Mrs Jhamna Ramdin is a member of the Institute of Chartered Accountants in England and Wales and holds a BA Economics from the University of Cambridge (UK). She is currently working as a consultant with IBL Ltd. She was a Partner in the Transaction Advisory Services department at Ernst & Young from July 2008 to April 2016. Mrs Jhamna Ramdin has over 15 years' experience in advising clients on various aspects of their transactions (valuation, due diligence and fund raising) in Mauritius and in Africa, across a variety of sectors. She was based in Johannesburg, South Africa, from October 2006 to June 2008, gaining specific valuation experience with Ernst & Young.

Jean Juppin de Fondaumière (64) - Non-Executive Director

Appointed in December 2014

Mr Juppin de Fondaumière qualified as a Chartered Accountant in Edinburgh (UK). He held various managerial positions in the fields of audit and merchant banking at Price Waterhouse, Kleinworth Benson and Security Pacific in Australia between 1980 and 1992. He retired as Chief Executive of the Swan Group on 31 December 2006 after 15 years with the Group.

He is a director of a number of companies, involved in various economic activities, from agriculture and commerce to finance and tourism, in Mauritius and in the region. He is a past Chairman of the Stock Exchange of Mauritius and a member of a number of audit and corporate-governance committees.

Clément D. Rey (48) - Executive Director and Group Head of Corporate Affairs

Appointed in June 2006

Mr Rey holds a Bachelor's degree and a Master's degree in Business Law from the UK. Prior to joining the Constance Group as the Head of Corporate Affairs, he held a similar position within the Ciel Group, one of the largest industrial groups in Mauritius.

In his present capacity, he has the overall responsibility for corporate transactions and regulatory matters relating to the member companies of the Constance Group. He is a director of a number of companies in the commercial and financial sectors and a member of various board committees.

PROFILE OF DIRECTORS AND SENIOR OFFICERS

Jean Ribet (58) - Executive Director and Group Chief Executive Officer

Appointed in May 2006

Mr Ribet is a member of the South African Institute of Chartered Accountants and holds a Bachelor of Commerce.

He joined the Constance Group as Group Financial Controller in 1991 and was appointed Group Chief Executive Officer in 2004. He has the overall responsibility for the agro-industrial, tourism and investment activities of the Constance Group.

Georgina Rogers (55) - Non-Executive Director

Appointed in March 2015

Mrs Rogers holds a Bachelor of Commerce from the University of Natal (South Africa).

She practised as an accountant until 1995. She is now involved in the development of real-estate projects.

Colin Taylor (52) - Non-Executive Director and Chairman of the Corporate Governance Committee

Appointed in August 2015

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

Noël Adolphe Vallet (52) - Non-Executive Director

Appointed in May 2001

After studying management in South Africa, Mr Vallet gained professional experience in the UK before returning to Mauritius to take up the position of Manager of Fleurs des Tropiques Exports Ltée, a company which was then part of the Constance Group. He held that position for two years before moving on to a number of other management functions within the Group. He was responsible, as Project Manager, for setting up Mauritius' sugar museum, L'Aventure du Sucre.

He left the Group in 2006, and now runs his own business in the events industry as Managing Director of Bedouin Tents and Rocket Fireworks. Mr Vallet is very much involved in sports activities and holds positions of responsibility in a few clubs and associations.

Jean-Jacques Vallet (49) - Executive Director and Chief Executive Officer

Appointed as Director in March 2012

Mr Vallet holds a *Maîtrise en Sciences et Gestion* (MSG) and a postgraduate degree (DESS) in the fields of management science, logistical operations and industrial management.

As Chief Executive Officer, he is responsible for the overall planning, direction and control of the operations, resources and administration of the Constance Hotels, Resorts & Golf Group. He was the President of AHRIM, the Association of Hotels and Restaurants in Mauritius, for the periods 2003-2004 and 2011-2012.

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

	Alteo Ltd	Belle Mare Holding Ltd	CIM Financial Services Ltd	IBL Ltd	Lux Island Resorts Ltd	The United Basalt Products Ltd
George J. DUMBELL		✓				
Nicolas BOULLÉ		✓				
Marc FREISMUTH		✓				✓
Jean JUPPIN DE FONDAUMIÈRE	✓				✓	
Clément D. REY		✓				
Jean RIBET		✓		✓		
Georgina ROGERS		✓				
Colin TAYLOR			✓			
Noël Adolphe VALLET		✓				

PROFILE OF DIRECTORS AND SENIOR OFFICERS

2. DIRECTOR TO BE PROPOSED

Nitish Beni Madhu (38) - Non-Executive Director

Mr Beni Madhu was appointed as Non-Executive Director on 15 January 2018 by the Board of Directors until the forthcoming Annual Meeting when his appointment will be proposed to the shareholders of the Company.

He holds an honours degree in Economics and a Master of Arts in Economics from the University of Ottawa (Canada).

He has more than 15 years' experience in the finance industry and has expertise in asset management, investment advisory and insurance. He joined Anglo Mauritius Investment Managers Ltd (now Swan Wealth Managers Ltd) in 2005, and he currently heads the non-insurance cluster of SWAN (Capital Markets) together with the Loans and Property segments. He is a member of the Investment Committee of SWAN, and he is equally involved with investment projects of the SWAN Group in Africa.

Mr Beni Madhu is the Chairperson of the Central Depository & Settlement Co Ltd (CDS) and holds directorship positions on the Stock Exchange of Mauritius, MDA Properties and Moka City Ltd amongst others. He regularly lectures at the University of Mauritius in Economics & Finance.

3. SENIOR OFFICERS

Kevin Chan Too (40) – Constance Group Head of Finance

Mr Chan Too is a Fellow of the Association of Chartered Certified Accountants. He joined the Constance Group in 2007 as Group Financial Accountant, and he is currently its Group Head of Finance, with his main responsibilities being the finance, accounting, treasury and internal control functions.

Prior to joining the Constance Group, Mr Chan Too held various finance and accounting positions within listed companies dealing in the property, finance and investment sectors.

Siegfried Espitalier Noël (49) - Chief Marketing Officer

Mr Espitalier Noel holds an MSc in International Hospitality Management at the Oxford Brookes University (UK).

As Chief Marketing Officer, he is responsible for the marketing and commercial activities of the Constance Hotels, Resorts & Golf Group.

Andrew Milton (51) - Chief Operations Officer

Mr Milton is the Chief Operations Officer (COO) of the Constance Hotels, Resorts & Golf Group. He is responsible for the operational, human resource and financial activities of the Group.

Holder of a BSc in Institutional Management from the Cardiff University (UK), he later studied finance (INSEAD), leadership (IMD) and asset management (Cornell).

Mr Milton started his career in Abu Dhabi with Hilton Hotels and held positions in London and Cannes prior to his arrival in Mauritius in 1995. Before joining Constance Hotels, Resorts & Golf as the opening General Manager of Constance Lemuria, Seychelles, in 1999, he held leadership positions with Beachcomber and Sun International.

In July 2002, he was appointed General Manager of the Constance Prince Maurice while retaining operational responsibility for Constance Lemuria and Constance Tsarabanjina. He championed the rebranding of the latter in 2006.

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

BOARD OF DIRECTORS

First row from left: George J. Dumbell | Georgina Rogers

Second row from left: Clément D. Rey | Nitish Beni Madhu | Colin Taylor | Jean Ribet
Jean-Jacques Vallet | Nicolas Boullé | N Adolphe Vallet | Marc Freismuth

Absent from the photo: Preetee Jhamna Ramdin | Jean Juppin De Fondaumière

OTHER STATUTORY DISCLOSURES

(pursuant to section 221 of the Companies Act 2001)

Directors' Remuneration and Benefits

The Board of Directors has agreed not to disclose the emoluments of Directors on an individual basis, because of the commercially-sensitive nature of such data.

Remuneration and benefits paid by the Company and its subsidiaries were as follows:

	2017 MUR'000	2016 MUR'000
Directors of Constance Hotels Services Ltd		
Executive (full-time)	**19,944**	18,618
Non-Executive	**1,930**	1,642
Directors of subsidiary companies		
Executive	**8,781**	7,909
Non-Executive	**-**	-

Directors' Service Contracts

Mr George J. Dumbell, Chairman of the Company, has a two-year service contract which expires on 31 December 2019. The other Directors do not have service contracts with the Company, but letters of appointment.

Directors of Subsidiary Companies

Directors	Ariatoll Services Ltd	Beauport Industries Ltd	Constance Hospitality Management Ltd	Constance Hospitality Training Centre Ltd	Constance Hotels International Services Ltd	Constance Hotels Investment Ltd	Constance Industries Ltd	Halaveli Development Ltd	Hotels Constance (UK) Ltd	LRM Company Ltd	Moofushi Development Ltd	White Sand Paradise Ltd	The Waterfront Pvt Ltd
Guy ADAM										•			
Kevin CHAN TOO		•					•						
George J. DUMBELL	•	•			•	•	•	•			•	•	
Dominik KUENSTLE													•
Liong Kian LI KWOK CHEONG												•	
Tat Kien LI KWOK CHEONG												•	
Clément D. REY	•	•	•	•	•	•	•	•		•	•	•	•
Jean RIBET	•	•	•	•	•	•	•	•		•	•	•	•
Jean-Jacques VALLET		•		•			•		•	•			
Jean WEELING LEE										•			

Donations

Political donation during the year, for the Group and Company, amounted to MUR 150,000 (2016: Nil). Other donations made during the year have been disclosed on Page 71.

Auditors' Remuneration

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

	THE GROUP		THE HOLDING COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Audit fees paid to:				
BDO & Co.	**2,678**	2,513	**410**	375
Other firms	**913**	935	**-**	-
Fees for other services paid to:				
BDO & Co.	**-**	-	**-**	-
Other firms	**400**	443	**-**	-

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

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

CORPORATE INFORMATION

Directors

Name	Country of Residence	Board Appointment	Committee Assignment
George J. DUMBELL	Mauritius	Independent – Chairman	Member of Corporate Governance Chairman of Nomination & Remuneration
Nitish BENI MADHU (as from 15 January 2018)	Mauritius	Non-Executive	
Nicolas BOULLÉ	Mauritius	Non-Executive	Member of Corporate Governance
Marc FREISMUTH	Mauritius	Independent	Chairman of Audit (Risk Management) Member of Nomination & Remuneration
Jean JUPPIN DE FONDAUMIÈRE	Mauritius	Non-Executive	Member of Audit (Risk Management)
Preetee JHAMNA RAMDIN	Mauritius	Independent	
Clément D. REY	Mauritius	Executive	
Jean RIBET (Group Chief Executive Officer)	Mauritius	Executive	Member of Nomination & Remuneration
Louis RIVALLAND (up to 14 April 2017)	Mauritius	Non-Executive	Member of Corporate Governance
Georgina ROGERS	Mauritius	Non-Executive	
Colin TAYLOR	Mauritius	Non-Executive	Chairman of Corporate Governance
Noël Adolphe VALLET	Mauritius	Non-Executive	Member of Audit (Risk Management)
Jean-Jacques VALLET	Mauritius	Executive	

Committees of the Board

Audit (Risk Management) Committee

Marc FREISMUTH, Chairman
Jean JUPPIN DE FONDAUMIÈRE
Noël Adolphe VALLET

Corporate Governance Committee

Colin TAYLOR, Chairman
George J. DUMBELL
Nicolas BOULLÉ (as from 3 July 2017)
Louis RIVALLAND (up to 14 April 2017)

Nomination & Remuneration Committee

George J. DUMBELL, Chairman
Marc FREISMUTH
Jean RIBET

Management Team – Constance Corporate Management

Jean RIBET	Group Chief Executive Officer
Clément D. REY	Group Head of Corporate Affairs
Kevin CHAN TOO	Group Head of Finance

Management Team – CHML

Jean-Jacques VALLET	Chief Executive Officer
Andrew MILTON	Chief Operations Officer
Siegfried ESPITALIER-NOËL	Chief Marketing Officer
Brigitte DE FONTENAY DESMARAIS	Customer Relationship and Quality Manager
Josep ALAVES	Business Development & Group Revenue Manager
Roshan KOONJA	Chief Information Officer
Aurélie LECLÉZIO AUPÉE	Group Communications Manager
Pablo DE TERESA	E-Business Manager
Georges LEE CHIP HING	Group Financial Controller
Noorani MUNGLOO	Group Chief Financial Accountant and Analyst
Imelda JORRE DE ST JORRE	Central Reservations Manager
Philippe OFFRE	Group Technical Manager
Jean-Philippe LEONG KWAI CHEONG	Area Development and Group Procurement Manager
Vincent DE MARASSÉ ENOUF	Group Human Resources Manager
Gilbert VEERAPEN CHETTY	Group Supply Chain Manager
Ram JOORAWON	Group Golf Courses Superintendant
Christophe PLANTIER	General Manager, Constance Prince Maurice
Gert PUCHTLER	General Manager, Constance Belle Mare Plage
Dominik KUENSTLE	General Manager, Constance Halaveli Maldives
Sasha TYAS	General Manager, Constance Moofushi Maldives
Stéphane DUCHENNE	General Manager, Constance Ephelia Seychelles
Bruno LE GAC	General Manager, Constance Lemuria Seychelles
Henri ARNULPHY	Resort Manager, Constance Tsarabanjina Madagascar
Barbara ELKAZ	General Manager, Constance Aiyana, Pemba
Olivier DE GUARDIA DE PONTE	General Manager, C Palmar
Claude NARAIN, OSK	Senior Training and External Relations Advisor
Chase WEBBER	Corporate Wellness and Spa Manager

Registered Office

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

Auditors

External

BDO & Co.
Chartered accountants
10 Frère Félix de Valois Street
Port Louis
Partner: Mrs Ameenah RAMDIN, FCCA, ACA

Internal

PricewaterhouseCoopers
Chartered accountants
18 CyberCity, Ébène
Represented by: Mr Michael HO WAN KAU

Secretaries

La Gaieté Services Limited
5th Floor, Labama House
35 Sir William Newton Street
Port Louis
Represented by:
Mrs Marie-Anne ADAM, ACIS and
Mr Yan BÉCHARD, ACIS

Share Registry and Transfer Office

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

Bankers

The Mauritius Commercial Bank Ltd

The Hong Kong & Shanghai Banking Corporation Ltd

Banque Française Commerciale Océan Indien

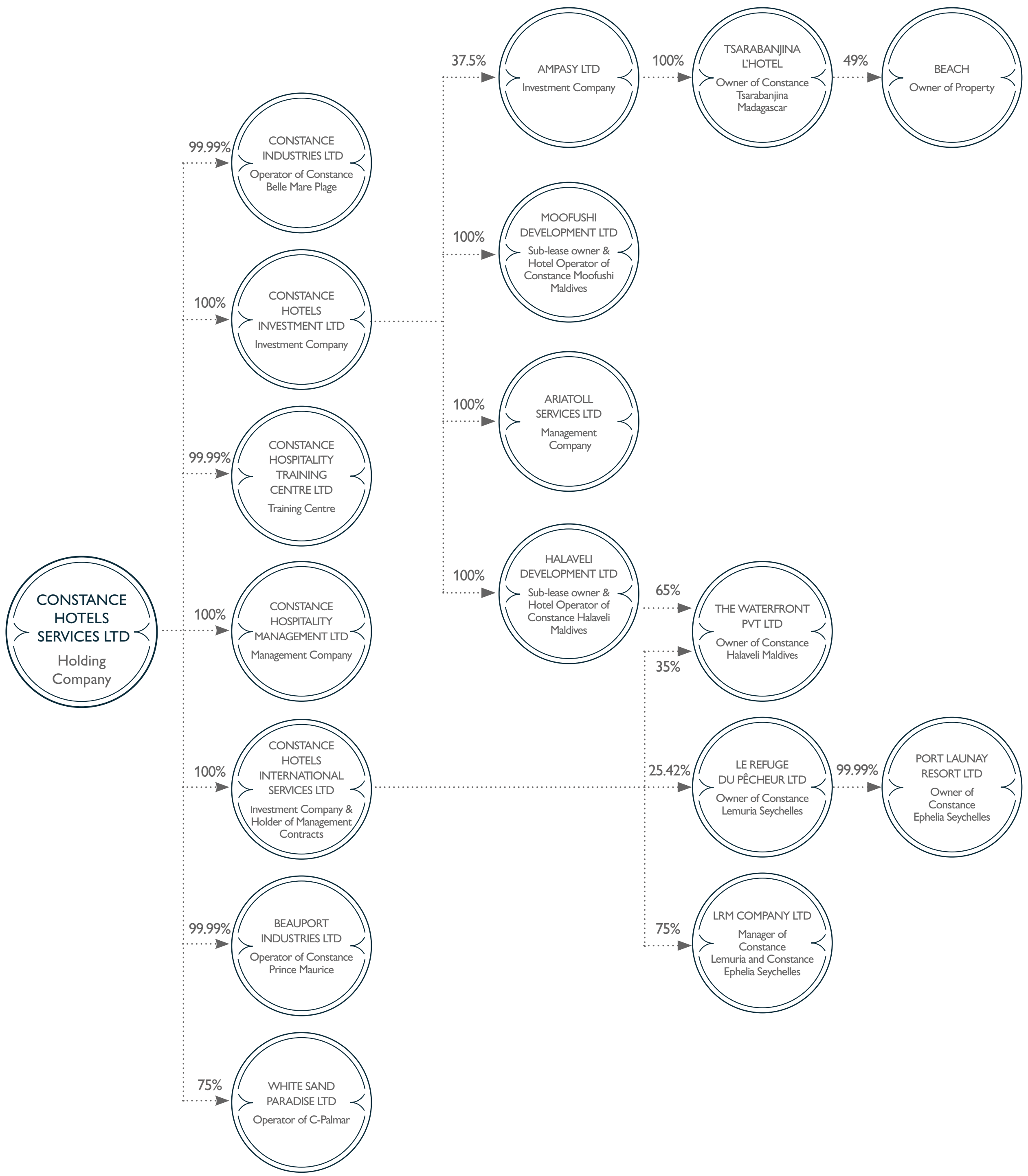
AfrAsia Bank Limited

State Bank of Mauritius Ltd

ABC Banking Corporation Ltd

CORPORATE STRUCTURE as at 31 December 2017

(main companies forming the CHSL group of companies)



STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of financial statements

The Directors acknowledge their responsibilities for:

i. adequate accounting records and maintenance of effective internal control systems

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

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

The External Auditors are responsible for reporting on whether the financial statements are fairly presented.

The Directors report that:

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

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

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

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

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

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

29 March 2018

COMPANY SECRETARY'S CERTIFICATE

In terms of section 166(d) of the Companies Act 2001, we certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Act.

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

29 March 2018

SUSTAINABILITY REPORT

1. OUR SUSTAINABILITY FRAMEWORK

1.1 The Sustainability Management Plan

At the Constance Hotels, Resorts & Golf Group, we recognise that our operations evolve in an economic, social and environmental ecosystem. Our actions are guided by our commitment to conduct business in an ethical, responsible and sustainable manner. We aim at reconciling our economic performance with the objectives set by the United Nations' Sustainable Development Goals (SDGs).

Over the past years, regular engagements with our stakeholders have helped us shape our sustainability engagement and define the Sustainable Management Plan (SMP) which serves as a guideline for our management teams, across all our hotels, in their decision-making process and ongoing operations based on four key areas: Environment, Socio-economic Balance, Quality of Service, and Health & Safety. The SMP is continually assessed and improved on the basis of internal monitoring exercises, annual audits conducted by the Green Globe Certification Programme and new sustainability challenges.

THE 4 PILLARS OF OUR SUSTAINABILITY MANAGEMENT PLAN

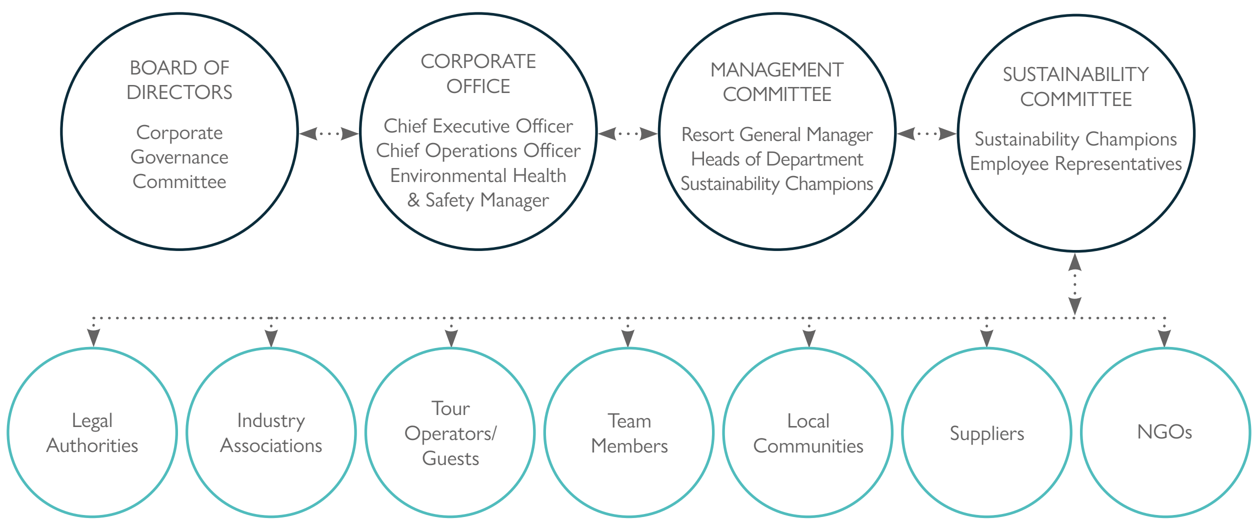
1	**Environment** · Preserve resources and biodiversity · Reduce pollution · Protect the ecosystems and landscape	
2	**Socio-economic Balance** · Engage in corporate social responsibility initiatives · Contribute to community development · Promote local employment · Support fair trade and local entrepreneurs · Implement policies against commercial exploitation	· Engage in responsible sourcing · Ensure equitable hiring practices and employee protection · Respect local communities
3	**Quality of Service** · Exceed guest expectations through inspired service · Consistenatly deliver quality products and services across all hotels	· Continually monitor the quality of service · Adapt our offering to the multifaceted and ever-changing demand of our clientele
4	**Health and Safety** · Comply with occupational safety and health legislation and regulations	· Protect all people on our premises

1.2 The Green Globe Certification

The Green Globe Certification programme is the world's most recognised global certification for sustainable travel and tourism. It hinges on a set of 44 core criteria related to sustainable management, social and economic issues, cultural heritage and the environment.

The Constance Hotels, Resorts & Golf Group has embarked on the Green Globe Certification programme since 2013. In 2017, the Group was awarded the Green Globe Certificate for the fourth consecutive year, a testimony of its relentless commitment to responsible and sustainable business practices in its countries of operation.

This achievement was made possible primarily by a structured approach, as indicated below, efficient internal processes and the unwavering engagement of our teams throughout the Group.



1.3 Our Commitment to the United Nations' Sustainable Developments Goals

We have established a comprehensive measurement and monitoring programme to actively integrate sustainability principles into our day-to-day operations whilst supporting local Corporate Social Responsibility (CSR) projects, encouraging national development initiatives related to the Small Island Developing States Accelerated Modalities of Action (SAMOA Pathway), and contributing to the overarching United Nations' Sustainable Development Goals (SDGs).

The engagement of our people, coupled with effective data collection mechanisms complying with both local and international guidelines, has provided us with a robust foundation to perform trend analysis, identify significant anomalies and eventually better leverage our financial initiatives.

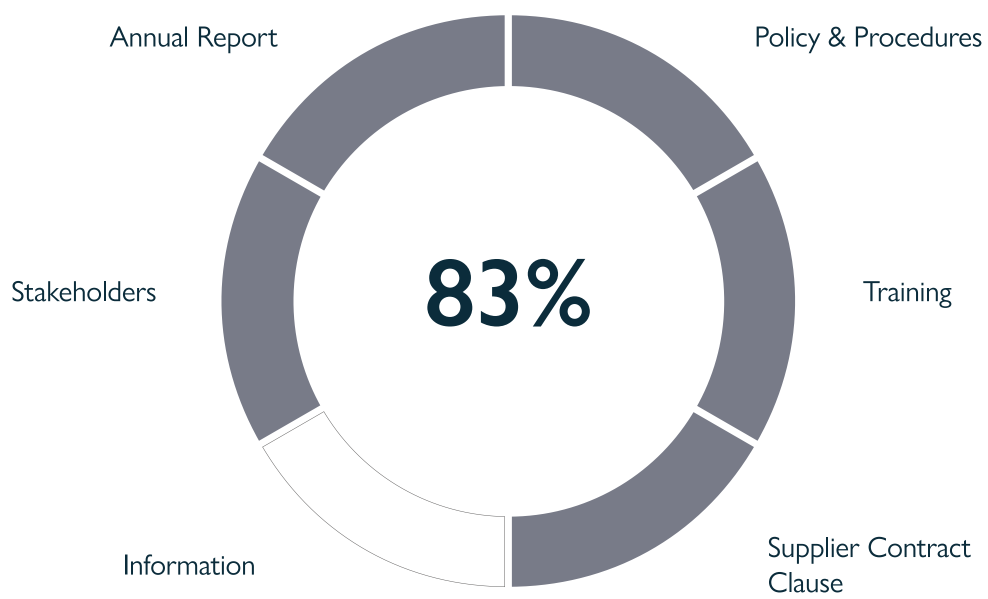
1.3 Our Commitment to the United Nations' Sustainable Developments Goals (continued)

BREAKDOWN OF OUR ACTIONS IN 2017 BY SDG

1.4 Signature of The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism

In July 2017, Constance Hotels, Resorts & Golf signed The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism, an international and multi-stakeholder initiative with the aim to combat sexual exploitation of children in the tourism industry through enhanced awareness, tools and support. As at the end of 2017, the Group's compliance status stood at 83%.

STATUS OF COMPLIANCE AS AT 31 DECEMBER 2017



1.5 The Stakeholder Engagement Matrix

Constance Hotels, Resorts & Golf is committed to delivering superior and sustainable economic and social value to its stakeholders. In doing so, we believe it is a sine qua non that we regularly engage with our stakeholders and actively listen to their views, needs and feedback in order to formulate and execute strategies that reflect their priorities.

SUSTAINABILITY REPORT

OUR SUSTAINABILITY FRAMEWORK

1.5 The Stakeholder Engagement Matrix (continued)

Our engagement modes are summarised in the following stakeholder engagement matrix.

Stakeholders	Mode of Engagement / Communication	Frequency
Customers	Guest satisfaction surveys	Ongoing
	Eco-friendly guest room products	Ongoing
	Newsletters	Monthly
	Brochures	Ongoing
	Customer forums	Ongoing
	Social media (Facebook, Twitter, Instagram, YouTube, TripAdvisor, Blogs, etc.)	Ongoing
	Tent cards	Ongoing
Employees	Constance open doors	3 times a year
	Newsletters	Monthly
	Next Intranet	Ongoing
	Open days	Annual
	Signboards	Ongoing
	Teletext	Ongoing
	Training	Ongoing
	Employee satisfaction surveys	2 times a year
Shareholders	Annual Report	Annual
	Annual Meeting of Shareholders	Annual
	Quarterly financial statements published in newspapers and on the Company's website and that of the Stock Exchange of Mauritius (SEM)	Quarterly
	Communiqués in the press and on the Company's website and that of the Stock Exchange of Mauritius (SEM)	As and when required
Suppliers	Support to local suppliers	Ongoing
	Supply-chain screening	Ongoing
	Strategic partnerships and sponsorships	Ongoing
Local Communities	Community engagement programmes	Ongoing
	Volunteering	Ongoing
	Fundraising and cash contributions	Ongoing
	In-kind donations	Ongoing
	Disaster relief initiatives	As and when required
Industry Associations	Green Globe	Annual
	Leading Hotels of the World	Annual
	Partnerships	Ongoing
Non-Governmental Organisations (NGOs)	Support to NGOs: Pils, T1 Diams, Lizie dan Lamain, Etoile de Mer School, Centre Joie de Vivre, Friends of the Poor and SOS Village	Ongoing
Government and Regulators	Regulatory filings: Registrar of Companies, Stock Exchange of Mauritius, Financial Services Commission, Financial Reporting Council, Mauritius Revenue Authority, Data Protection Office, Ministry of Labour, Industrial Relations and Employment	As applicable

2. OUR ENVIRONMENTAL COMMITMENT

At Constance Hotels, Resorts & Golf, we are committed to balancing our economic priorities with our responsibility to protect the environments in which we operate and to reduce our environmental footprint.

2.1 Energy

Electricity consumption at Group level recorded a slight increase during the year under review to reach 97,809 kWh/day, compared with 96,127 kWh/day in 2016. Yet, it remained below our target for the year.

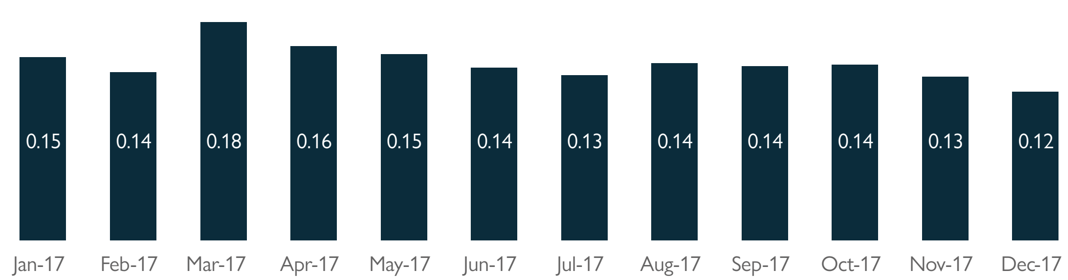
With regard to Constance Prince Maurice, diesel consumption of the boilers was better than announced in last year's annual report. It was, in effect, as low as 17,800 litres. 89% of the energy consumption is now provided by the recovery system.

The cumulative fuel consumption to produce electricity for our hotels in the Seychelles and the Maldives currently revolves around 7.44 million litres/year. In our endeavour to optimise our energy consumption, we are in the process of conducting research to improve the efficiency of our generators.

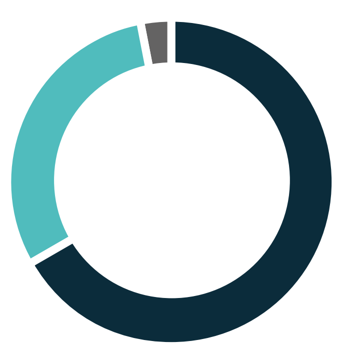
2.2 Emissions

Constance Hotels, Resorts & Golf is sensitised to the importance of minimising its carbon footprint. In this respect, it has implemented the Hotel Carbon Measurement Initiative (HCMI) methodology into its monthly reporting process in order to effectively monitor and reduce its carbon emissions and eventually better contribute to SDG 13 on climate action. In addition, our actions are aligned with the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement.

GREENHOUSE GAS EMISSIONS (tCO2e PER ROOM NIGHT SOLD)



GHG EMISSIONS BY SCOPE



Scope 1	66%	Direct emissions from onsite sources (e.g. natural gas combustion in boilers, combustion of fuel in fleet and refrigerant equipment leaks)
Scope 2	31%	Indirect emissions associated with the consumption of purchased electricity
Scope 3	3%	All other indirect emissions not included in Scope 2 (e.g. employee commuting, business travel etc.)

2.3 Biodiversity

Constance Hotels, Resorts & Golf is fully engaged in the preservation of the biodiversity of the territories in which it operates. In 2017, we were able to positively and directly impact the lives of more than 400 individuals through the following initiatives:

1.	Mangroves Preservation Programme on both Ramsar and non-Ramsar Sites
2.	Turtle Nestling Protection
3.	Rehabilitation of Coral Gardens
4.	Tree Planting
5.	Lagoon and Beach Cleaning
6.	Removal of Invasive Plant Species

3. QUALITY OF SERVICE

We value our guests and thus ensure, through the Constance Minimum Standards, that we consistently provide quality guest experiences across all our hotels. Moreover, a systematic approach is adopted to continuously monitor the quality level of our offerings, to grasp our guests' preferences and feedback and to eventually provide the best experiences to our guests. We understand that in order to be successful, it is critical that we attract new guests whilst retaining existing ones through effective customer satisfaction and loyalty policies.

3.1 Online Reputation

The management of the Group's quality standards includes the monitoring of public feedback, conversations and engagements related to our brands on online platforms, namely Online Travel Agencies (OTAs), review websites and social media. The analytical tools of our e-Business Department enable us to benchmark the performance of each of our hotels against their respective set of competitors.

The outcome of this approach is evidenced by the steady increase recorded over the past years in our Global Review Index (GRI) released by ReviewPro, the world's leading independent provider of online reputation analytics for the hotel industry. In 2017, Constance Hotels & Resorts scored 95.4% as compared with 93.7% in 2014.

GRI Indicators

5,068 Reviews
(+794 Year-on-Year)

Global Review Index:
95.4% (+0.1 Year-on-Year)

Positive Mentions:
85.2% (+1.1 Year-on-Year)

3.2 Guest Satisfaction

The quality of our offerings and the emotional experiences of our guests are evaluated and monitored through an internal system referred to as CHR. This system includes guest-satisfaction surveys, mystery audits, reservation audits and self-assessments. The results are systematically benchmarked against the Constance Minimum Standards and those set by the Leading Hotels of the World; the main pillars of which are product, service, cleanliness and condition. Action plans are subsequently devised for Management to make the appropriate decisions.

A recognition process is also in place, at both hotel and Group level, to identify repeat guests along with their personal preferences. In 2017, Constance Hotels, Resorts & Golf welcomed 18,200 repeat guests as compared with 14,430 in 2016. This increase reflects the ability of the Group to positively engage with its guests and build loyalty.

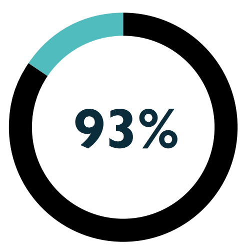
2017 GUEST SATISFACTION SURVEY

6,700
COMPLETED GUEST SURVEYS

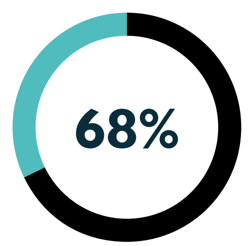
88%
OVERALL SATISFACTION SCORE

92%
EMOTION SCORE

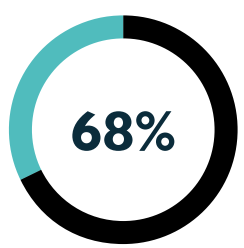
SCORE BASED ON 4 KEY LOYALTY-INDUCING EMOTIONS:
1. WELCOME
2. COMFORT
3. PAMPERED
4. RELAXED



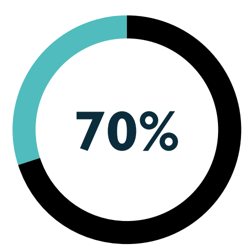
ANSWERED THAT STAFF SHOWED A CAN-DO ATTITUDE



RECEIVED A SERVICE THAT EXCEEDED THEIR EXPECTATIONS



ARE LIKELY TO RETURN



WOULD RECOMMEND THE GROUP

4. SOCIO-ECONOMIC BALANCE

In line with the third pillar of our Sustainability Management Plan on Socio-Economic Balance, we adopt best practices in human resource management and actively engage in Corporate Social Responsibility (CSR) initiatives.

4.1 Our People

Rebranding

In the light of the launch of the new Brand Platform in May 2017, several initiatives were organised to embed the new brand attributes and values into the HR fabric of Constance Hotels, Resorts & Golf:

i. Extensive group-wide training of team members on the Brand Platform
ii. Integration of the Brand Platform collaterals into the back areas of all units
iii. Weekly events to celebrate the new brand values
iv. Inter-hotel brand wall competition to showcase the principles of the Brand Platform
v. Online brand quiz contests

Constance Inventiveness Challenge

The Constance Inventiveness Challenge, open to all team members of the Group, was organised to gather innovative ideas to improve guest services and experience.

The top 8 participants were rewarded, and their ideas were implemented across all our hotels.

181 Ideas Received

21 Shortlisted Entries

Top 8 Final Selection

New Human Resources Information System (HRIS)

During the year under review, a new HRIS was deployed in all our hotels, except at Constance Tsarabanjina, Madagascar. This system will enable the HR function to achieve enhanced operational efficiency, through notably the reduction of manual interventions and instant access to insightful management reports.

Employer Branding

To attract and retain the best talents, we invest in our people. We offer our people our commitment to develop their career, keep them involved in the business, and reward and recognise them for their contributions. This is called the "With Constance, be more" commitment.

A series of initiatives was undertaken to reinforce the employer brand and positioning of Constance Hotels, Resorts & Golf, on social media and in the job market, as a key player in the hospitality industry:

- New Employer Brand tagline:"With Constance, be more"
- New on-brand visuals for social media posts
- Revamped visuals for job adverts

Awards

The HR department of Constance Hotels, Resorts & Golf received the following awards in 2017:

- Best Human Resources and Talent Management Initiative at the 18th Worldwide Hospitality Awards for the Festival Culinaire Bernard Loiseau. The ceremony was held at the hotel Intercontinental, Paris. The Group competed against international hotel chains such as IHG, Accor and Melia. The 40-member jury was chaired by Mr Luc Chatel, former French Minister of National Education.
- Best Employer Brand in Africa and Best Employer Brand in Mauritius at the Employer Branding Awards: The Awards were hosted by the World HRD Congress at the hotel Le Meridien, Mauritius.

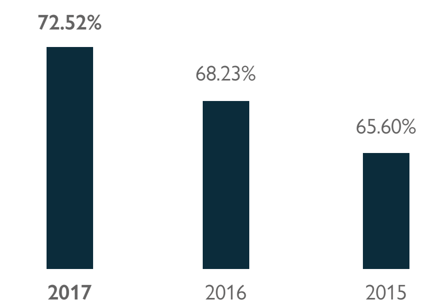
SOCIO-ECONOMIC BALANCE

Employee Engagement Survey

Understanding how engaged our teams feel is a fundamental part of how we run our business. An Employee Engagement survey is consequently run twice a year to measure the gap between promises made by Constance Hotels, Resorts & Golf to its team members and promises actually delivered.

Over the past years, an increase in the engagement scores has been observed. In 2017, an overall score of 72.52% was achieved, compared with 65.60% in 2015. Moreover, 82% of our team members rated their hotel as a great place to work and 86% feel proud to work for Constance Hotels, Resorts & Golf. In spite of these notable results, we shall maintain our efforts towards a more engaged workforce.

EMPLOYEE ENGAGEMENT SURVEY SCORE



Training

2017 was a year of change at Constance Hotels, Resorts & Golf with notably the rebranding exercise. In this context, the Constance Hospitality Training Centre (CHTC) was fully engaged on the design and delivery of group-wide rebranding training and internal communication activities. The focus was on brand orientation, brand service culture and brand-centric leadership training programmes.

The major internal programmes rolled out during the year under review were namely: Journey into the Future, Brand Guardian Workshop, Managing Change, Embracing & Leading Change and Gratitude & Recognition Workshop. The Corporate Induction and BRIGHT programmes were also reviewed to reflect our new brand strategy.

Over the year 2017, the number of participants to our various award and non-award training programmes increased to more than 70. This allowed us to send some students on work placement in our partner hotels. Furthermore, the CHTC had one of its students in Mauritius ranked as the best NC3 student in Pastry Production at national level, and 11 participants from vulnerable families were enrolled in our housekeeping programme. This initiative was fully funded by Fondation Constance under its Corporate Social Responsibility scheme.

The CHTC also completed a supervisory development programme for external partners. In this respect, a group of 20 supervisors were identified to follow highly-customised workshops to develop the set of competencies identified by their management.

Over 2017, the CHTC and the Seychelles Tourism Academy (STA) continued their collaboration on capacity building in the tourism sector, through training and development, in both the Seychelles and Mauritius. In this connection, the CHTC welcomed 10 Advanced Diploma in Hospitality Management students from the STA for a three-month work placement. During their placement, the students also attended workshops on soft skills to enhance their employability. In addition, 8 students from the CHTC travelled to the Seychelles for work placement.

OVERVIEW OF SELECTED TRAINING PROGRAMMES IN 2017

Journey to the Future

This customised programme was rolled out across the Group in order to familiarise our team members with the new Brand Platform launched in May 2017.

- 161 training sessions conducted
- 2,935 team members trained
- Over 95% coverage groupwise

Embracing Change & Leading Change

To accompany the training on the new Brand Platform, an extensive programme on Change Management was also conducted through 2 separate modules:

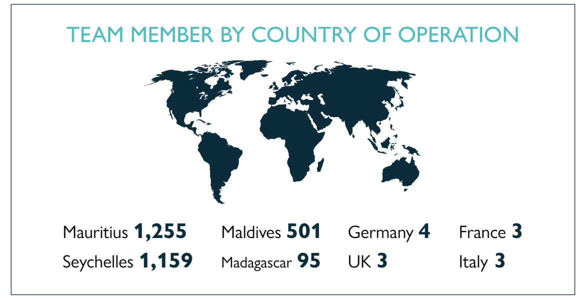
- 'Embracing Change' for junior team members
- 'Leading Change' for the management team

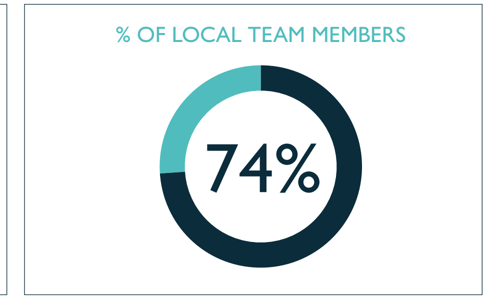
CONQUEST- Constance Quest for Excellence

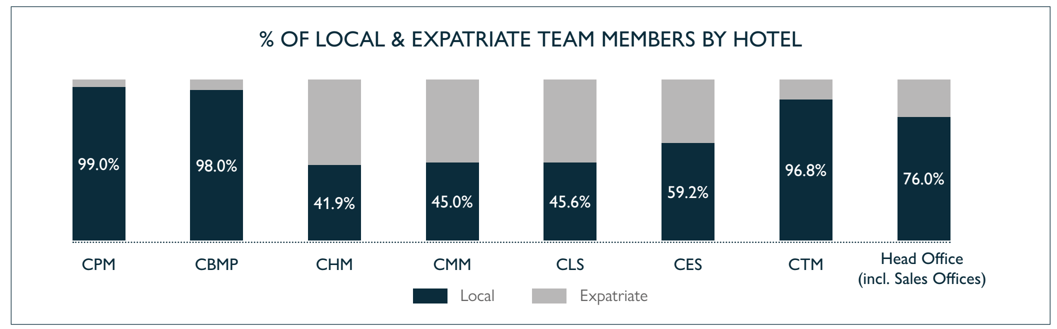
CONQUEST, a leadership blended training, was followed by 32 executives of the Group. In this respect, we partnered with a company based in South Africa. The participants had to complete a 6-module programme over a period of 6 months and benefitted from personalised coaching sessions.

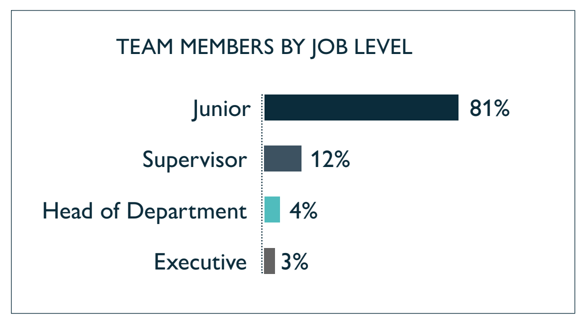
SOCIO-ECONOMIC BALANCE

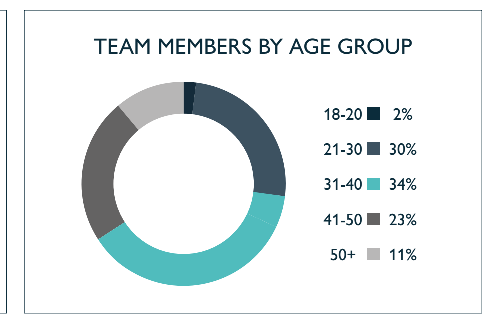
OUR TEAM PROFILE IN 2017*

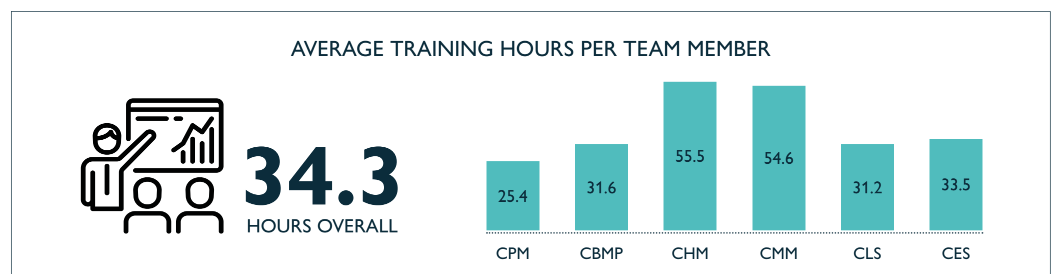












CPM: Constance Prince Maurice
CBMP: Constance Belle Mare Plage
CMM: Constance Moofushi Maldives
CHM: Constance Halaveli Maldives
CLS: Constance Lemuria Seychelles
CES: Constance Ephelia Seychelles

** Excludes Constance Aiyana*

4.2 Corporate Social Responsibility

Mission

As part of its mission, Constance Hotels, Resorts & Golf cares for the well-being and development of the communities in the neighbourhood of its hotels. It considers its Corporate Social Responsibility (CSR) involvement and contributions as investments that bolster the sustainable development of the community.

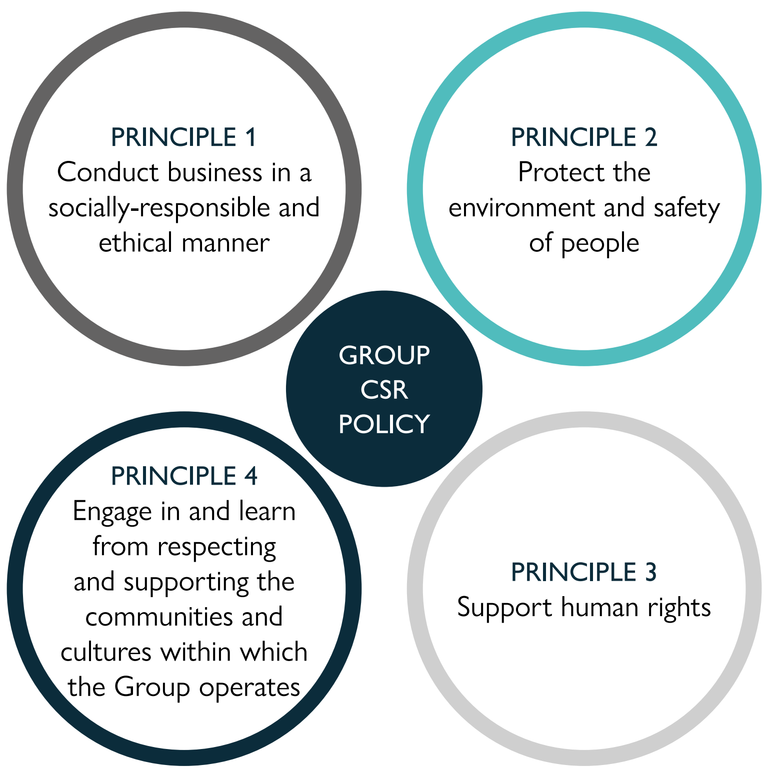
Fondation Constance

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

Principles

The Group's CSR policy is guided by a set of four principles.

Fondation Constance focuses, principally, on CSR projects implemented in the regions in which it operates. This gives the Group a wider opportunity to reach out to its local stakeholders. In addition, it may support some high-impact projects at national level.



Donation Policy

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

i. Ensure that all its donations are compatible with its business activities and reflect its respective values and objectives.

ii. 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 access to.

iii. Enhance and safeguard the natural environment.

	THE GROUP		THE COMPANY	
	2017	2016	**2017**	2016
	MUR'000	MUR'000	**MUR'000**	MUR'000
National CSR Foundation (through MRA)	**70**	-	**70**	-
CSR contribution to Fondation Constance	**1,855**	2,000	**1,855**	2,000
Other NGOs	**75**	-	**75**	-
Total	**2,000**	2,000	**2,000**	2,000

Fund Allocation of Fondation Constance

In 2017, the financial resources available to Fondation Constance were used to fund projects in five focus areas, namely education & training, environment protection, socio-economic development, leisure & sports and culture promotion. It supported 12 NGOs, reaching a total of 270 direct beneficiaries.

FUND ALLOCATION BY FOCUS AREA AS AT 31 DECEMBER 2017

SOCIO-ECONOMIC BALANCE

Education & Training

Constance Award For Education

SC LEVEL
60 Participants
12 Colleges

HSC LEVEL
60 Participants
13 Colleges

The Constance Group organised the 30th edition of the Constance Award for Education for School Certificate (SC) and Higher School Certificate (HSC) students from 25 colleges in the eastern region of Mauritius. The aim of this Award is to develop the human values, increase the general knowledge and foster the analytical and leadership skills of the participants so that they are better equipped to serve the community and prosper in their future working environment.

In the context of this Award, the students had to conduct research on specific topics and present a report both in writing and orally to a panel of judges.

The Award covered the following topics:

i. *How could the Tourism Sector contribute to the sustainable development of Mauritius?*

ii. *Mauritius has achieved a successful economic development, during the last thirty years, through a shift from an agricultural economy to a multi-sector one, which has contributed to a significant improvement in standard of living and quality of life. As young students, what is your vision of Mauritius in the next thirty years?*

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

2 NGOs
85 Beneficiaries
4,615 Meals Served

Fondation Constance sponsored two NGOs dedicated to the development of quality non-formal education programmes for children from vulnerable groups.
This project benefitted to 85 persons. 4,615 meals were served.

Zippy's Friends

Zippy's Friends is a recognised international programme that helps young children, aged between five and seven years old, 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 development of vulnerable people. In this connection, Fondation Constance elected to sponsor the Poste de Flacq RCA school. The programme was deployed during the year under review. Grade II teachers and Deputy Headmasters were trained in the first instance to be able to facilitate and implement the programme with the Grade II children throughout the year. A team from the *Service Diocésain de l'Education Catholique* (SeDEC) visits, on a regular basis, the school to give the necessary support in order to ensure the effective implementation of the programme.

Socio-Economic Development

Empowerment through Training and Placement

11 Direct Beneficiaries

The TWEF winner

Fondation Constance continued to provide training at the Constance Hospitality Training Centre (CHTC) to 11 persons from vulnerable groups of the eastern region of Mauritius with a view to giving them skills which will enhance their employability. Following their internship in the hotels of the Group, one participant has been employed in one of our hotels whilst some are pursuing NC3 courses in the hospitality industry.

In 2012, one of the participants took advantage of the training in House Keeping Techniques provided by CHTC and sponsored by Fondation Constance. She was subsequently employed at Constance Prince Maurice. The Group is honoured that she was one of the two winners of the 2017 Tourism Employees Welfare Fund (TEWF) Housekeeping Competition.

1 Direct Beneficiary

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* took advantage of the scheme and successfully completed his course. It is encouraging to note that many of the beneficiaries of this scheme have secured employment and are progressing in their career.

SOCIO-ECONOMIC BALANCE

Supporting Persons with Disabilities

APDA

In 2017, Fondation Constance supported NGOs promoting the social integration of persons with physical disabilities. *Lizié dan Lamain* was one of the beneficiaries.

During the year under review, Constance Belle Mare Plage teamed up with the MCB Group and supported *Association des Parents de Déficients Auditifs* (APDA).

Fondation Constance also contributed to a fund-raising activity with a view to providing hearing aids to children suffering from hearing deficiency.

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.

Leisure & Sports

Fondation Constance encourages the promotion of recreational, leisure as well as sports activities in the eastern region of Mauritius. In 2017, Fondation Constance pursued its ongoing support to the sports activities carried out by the Faucon Flacq Sporting Club (FFSC) for the benefit of young people from unprivileged families. This collaboration has led to remarkable achievements with the FFSC winning awards in various disciplines.

2017 also saw the investment of Fondation Constance in its cycling academy which now counts, among the 10 teenagers who train 4 times a week, 1 "feminine", 4 "minimes" and 4 "cadets". Fondation Constance is proud to report that they are performing very well.

Constance Cycling Academy

Environment

In addition to the various activities undertaken in accordance with the Green Globe Certification Programme, Fondation Constance supported the initiative *Porlwi by Nature*. In this context, and in order to create awareness, it arranged for the participation of around 75 children from the eastern region of Mauritius in the related workshop at "Moulin".

Health

During the year under review, the Company collaborated with various NGOs such as PILS and T1Diams.

National CSR Foundation

New changes have been made to the National CSR Foundation (NCSRF), whereby companies have been compelled to contribute 50% of their CSR budget to the NCSRF. This restricts companies from funding their current long-term CSR commitments or engaging in new programmes.

5. HEALTH & SAFETY

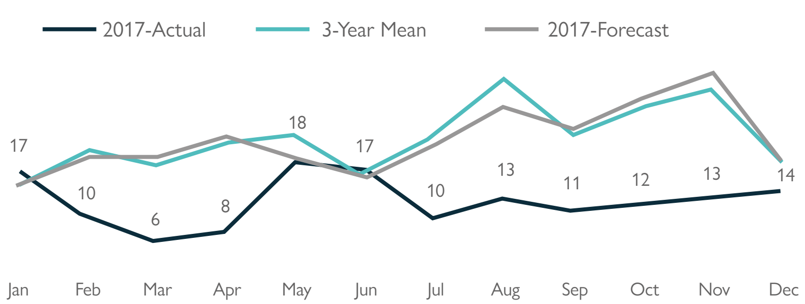
During the year under review, the Health & Safety (H&S) Performance Management System, which was first developed in 2012 and operational in all our hotels at the end of year 2016, continued to provide actionable data to effectively manage H&S issues based on 4 key performance indicators, namely Compliance, Risk Management, Competency & Training and Incident Management. In effect, in 2017, a remarkable 13.1% improvement was recorded across the Constance Hotels, Resorts & Golf Group.

In addition, our H&S practices were strengthened and audited as per the OHSAS 18001, the internationally-recognised H&S standards. The audit conducted between November 2017 and January 2018 showed a net improvement of 17% across the Group as compared with the previous year. This resulted into increased operational efficiency as indicated below.

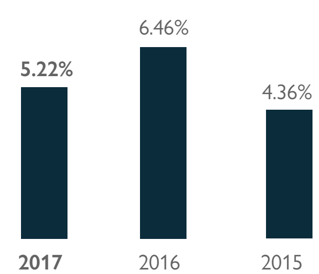
Health & Safety Data in 2017

Total Number of Occupational Occurrences	476
Number of Reportable Injuries	0
Number of Occupational Diseases	0
Total Lost Days	952
Number of Identified Non-Conformities/Risk Conditions	+16%
Risk Closure (number of non-conformities that have been closed)	+32%
Risk Closure Time (time taken to close non-conformities)	-34%
H&S Training Completion	+56%
H&S Training Hours per Pax	+100%
Reporting of Occupational Occurrences	+82%
Lost Days Incidents	-4%
Number of Lost Days	-12%
Lost Days Incident Frequency Rate (number of lost days recorded per 100 employees)	-1.2%
Lost Days Incident Severity Rate (number of lost days recorded per lost day incident)	-8.3%

LOST DAYS INCIDENT TREND



LOST DAYS INJURY (LDI) FREQUENCY RATE



6. THE WAY FORWARD TO 2020

Over the coming years, the Constance Hotels, Resorts & Golf will strive to better grasp and address new sustainability challenges through the empowerment of its people and continual enhancement of its operations and initiatives, thus reinforcing its commitment to responsible and sustainable business practices.

Our 2020 Targets

Sustainability Management Plan Pillar		Indicator/Lever	Status in 2017	2020 Vision/Target
ENVIRONMENT	Water	Average Group Consumption in m3/day	810 m³/day (-38% since 2013)	To maintain consumption level at 810m³/day
	Bottled Water	Self-bottling plants	Self-bottling plants in 4 hotels	
		Number of Bottles Used	N/A	To further reduce plastic bottle waste
	Electricity	Average Group Electricity Consumption in KWh/day	97,809 KWh/day (-14% since 2011)	96,000 KWh/day
	Waste Management	Weight of Total Waste	Not in place	To implement a waste-weighing system
QUALITY OF SERVICE	Guests	Overall Guest Satisfaction Score	88.60%	To score higher than 86%
		Secured Guests Score	69%	To score higher than 65%
		Emotions Score	92%	To score higher than 90%
SOCIO-ECONOMIC BALANCE	Employees	Employee Engagement Survey Score	72.52%	To score at least 80%
		Sustainability Practices	N/A	To launch a survey on sustainability practices
		Average Training Hours per Employee per Year	34.26 hours	30 hours
		BRIGHT Training	N/A	To extend BRIGHT Training to Heads of Department
		Induction Programme	N/A	To include Sustainability Awareness and Health & Safety in the Induction Programme
HEALTH & SAFETY	Health & Safety	Incident Frequency Rate	5.22%	To further decrease the incident frequency rate through enhanced compliance monitoring, implementation of remedial measures and training

FINANCIAL STATEMENTS

Independent Auditor's Report

to the Shareholders

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

Report on the audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Constance Hotels Services Limited and its subsidiaries (the Group), and the Company's separate financial statements on pages 81 to 126 which comprise the statements of financial position as at December 31, 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the 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 81 to 126 give a true and fair view of the financial position of the Group and of the Company as at December 31, 2017, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

KEY AUDIT MATTER	AUDIT RESPONSE
1 Buildings	
The carrying values of buildings amount to MUR 4.6 billion. The significance of the buildings on the statement of financial position resulted in them being identified as a key audit matter. Buildings are carried at historical cost less accumulated depreciation. The depreciation charge calculation requires an estimation of the economic useful life of the building using the component method and the respective residual value of each component. Refer to note 5 of the accompanying financial statements.	The following was reviewed and assessed: - 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.

Independent Auditor's Report

to the Shareholders (continued)

Report on the audit of the Financial Statements (continued)

Key Audit Matters (continued)

KEY AUDIT MATTER	AUDIT RESPONSE
2 Recoverability of goodwill	
Goodwill on acquisition amounting to MUR 450 million is allocated to cash generating unit. An assessment is required annually to establish whether any impairment is required. The impairment assessment is based on estimated future cash flows of the subsidiary discounted at an appropriate weighted average cost of capital (WACC). The estimation of future cash flows and the discounting thereof are inherently uncertain and require significant judgements. Refer to note 6 of the accompanying financial statements.	- We assessed the validity and reasonableness of the forecasts by comparing and considering current year events against the forecast plan and the reasons for any deviation. - We assessed the discount rate used in the discounted cash flow models. - We checked the calculations and reperformed the valuation of the intangible assets. - We performed an independent sensitivity analysis by adjusting the assumptions used.

Other information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's Report

to the Shareholders (continued)

Report on the audit of the Financial Statements (continued)

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.

Independent Auditor's Report

to the Shareholders (continued)

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required.

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

Financial Reporting Act 2004

The Directors are responsible for preparing the corporate governance report. Our responsibility is to report the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

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

BDO & CO
Chartered Accountants

Ameenah Ramdin, FCCA, ACA
Licensed by FRC

Port Louis
Mauritius

29 March 2018

Statements of Financial Position - December 31, 2017

	Notes	THE GROUP 2017 MUR'000	THE GROUP 2016 MUR'000	THE COMPANY 2017 MUR'000	THE COMPANY 2016 MUR'000
Assets					
Non-current assets					
Property, plant and equipment	5	**8,296,015**	7,323,873	**22,390**	22,581
Intangible assets	6	**1,147,427**	1,261,227	**4,541**	6,340
Investments in subsidiary companies	7	**-**	-	**2,196,502**	2,136,472
Investments in associates	8	**1,142,851**	830,990	**186,510**	6,510
Investments in available-for-sale financial assets	9	**545**	545	**545**	545
Non current receivables	12	**10,800**	-	**-**	-
Deferred tax assets	10	**92,075**	100,789	**26,917**	13,968
		10,689,713	9,517,424	**2,437,405**	2,186,416
Current assets					
Inventories	11	**315,891**	303,922	**1,059**	680
Trade and other receivables	12	**1,065,502**	935,459	**1,498,235**	1,761,443
Cash and cash equivalents	25(b)	**104,827**	73,162	**8,446**	9,210
		1,486,220	1,312,543	**1,507,740**	1,771,333
Total assets		**12,175,933**	10,829,967	**3,945,145**	3,957,749
Equity and Liabilities					
Capital and reserves (attributable to owners of the parent company)					
Stated capital	13	**2,153,395**	2,153,395	**2,153,395**	2,153,395
Revaluation and other reserves	14	**3,017,162**	1,758,558	**(28,898)**	(11,090)
Retained earnings		**528,938**	525,535	**146,020**	223,103
Owners' interest		**5,699,495**	4,437,488	**2,270,517**	2,365,408
Non-controlling interests		**64,734**	35,405	**-**	-
Total equity		**5,764,229**	4,472,893	**2,270,517**	2,365,408
Liabilities					
Non-current liabilities					
Borrowings	15	**3,915,301**	4,182,732	**743,960**	955,194
Deferred tax liabilities	10	**61,295**	65,574	**-**	-
Retirement benefit obligations	16	**186,396**	137,906	**74,040**	49,055
		4,162,992	4,386,212	**818,000**	1,004,249
Current liabilities					
Trade and other payables	17	**766,166**	745,246	**390,786**	295,504
Borrowings	15	**1,368,329**	1,116,524	**438,429**	274,647
Dividend payable	18	**27,413**	16,448	**27,413**	16,448
Current tax liabilities	19(a)	**86,804**	92,644	**-**	1,493
		2,248,712	1,970,862	**856,628**	588,092
Total liabilities		**6,411,704**	6,357,074	**1,674,628**	1,592,341
Total equity and liabilities		**12,175,933**	10,829,967	**3,945,145**	3,957,749

These financial statements have been approved for issue by the Board of Directors on 29 March 2018.

George J. Dumbell
Chairman

Jean Ribet
Executive Director
Group Chief Executive Officer

The notes on pages 86 to 126 form an integral part of these financial statements.
Auditor's report on pages 77 to 80.

Statements of Profit or Loss - Year ended December 31, 2017

	Notes	THE GROUP 2017 MUR'000	THE GROUP 2016 MUR'000	THE COMPANY 2017 MUR'000	THE COMPANY 2016 MUR'000
Revenue	2(m)	**3,766,189**	3,632,590	**261,230**	131,202
Earnings before interest, taxation, depreciation and amortisation		**861,474**	939,006	**31,316**	169,723
Depreciation and amortisation	5,6	**(469,665)**	(445,293)	**(9,625)**	(9,896)
Operating profit	20	**391,809**	493,713	**21,691**	159,827
Finance costs	22	**(331,442)**	(309,032)	**(81,615)**	(86,511)
Share of results of associates	8	**81,358**	(62,401)	**-**	-
Profit/(loss) before taxation and closure costs		**141,725**	122,280	**(59,924)**	73,316
Pre-opening expenses/closure costs	21	**(8,491)**	(52,810)	**-**	-
Profit/(loss) before taxation		**133,234**	69,470	**(59,924)**	73,316
Income tax (expense)/credit	19(b)	**(58,892)**	(66,593)	**10,254**	(4,615)
Profit/(loss) for the year		**74,342**	2,877	**(49,670)**	68,701
Attributable to:					
Owners of the parent		**54,781**	(14,380)	**(49,670)**	68,701
Non-controlling interests		**19,561**	17,257	**-**	-
		74,342	2,877	**(49,670)**	68,701
Earnings/(loss) per share (MUR)	23	**0.50**	(0.13)	**(0.45)**	0.63

The notes on pages 86 to 126 form an integral part of these financial statements.
Auditor's report on pages 77 to 80.

Statements of Profit or Loss and Other Comprehensive Income - Year ended December 31, 2017

	Notes	THE GROUP 2017 MUR'000	THE GROUP 2016 MUR'000	THE COMPANY 2017 MUR'000	THE COMPANY 2016 MUR'000
Profit/(loss) for the year		**74,342**	2,877	**(49,670)**	68,701
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	16	**(41,938)**	(39,231)	**(20,951)**	1,258
Deferred tax on remeasurement of defined benefit obligations	10	**6,292**	5,885	**3,143**	(189)
Gains on revaluation of freehold land	5	**1,404,320**	-	**-**	-
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		**(134,750)**	(23,838)	**-**	-
Income tax relating to components of other comprehensive income		**-**	1,187	**-**	-
Other comprehensive income for the year		**1,233,924**	(55,997)	**(17,808)**	1,069
Total comprehensive income for the year		**1,308,266**	(53,120)	**(67,478)**	69,770
Total comprehensive income attributable to:					
Owners of the parent		**1,291,721**	(70,563)	**(67,478)**	69,770
Non-controlling interests		**16,545**	17,443	**-**	-
		1,308,266	(53,120)	**(67,478)**	69,770

The notes on pages 86 to 126 form an integral part of these financial statements.
Auditor's report on pages 77 to 80.

Statements of Changes in Equity - Year ended December 31, 2017

	Notes	Stated capital MUR'000	Revaluation and other reserves MUR'000	Retained earnings MUR'000	Total MUR'000	Non-controlling interest MUR'000	Total equity MUR'000
		Attributable to owners of the parent					
THE GROUP							
At January 1, 2017		2,153,395	1,758,558	525,535	4,437,488	35,405	4,472,893
Profit for the year		-	-	54,781	54,781	19,561	74,342
Issue of shares to non-controlling interest		-	-	-	-	20,010	20,010
Other comprehensive income for the year	14	-	1,236,940	-	1,236,940	(3,016)	1,233,924
Transfer		-	21,664	(23,965)	(2,301)	-	(2,301)
Dividends	18	-	-	(27,413)	(27,413)	(7,226)	(34,639)
At December 31, 2017		**2,153,395**	**3,017,162**	**528,938**	**5,699,495**	**64,734**	**5,764,229**
At January 1, 2016		2,153,395	1,822,655	603,276	4,579,326	29,947	4,609,273
(Loss)/profit for the year		-	-	(14,380)	(14,380)	17,257	2,877
Other comprehensive income for the year	14	-	(56,183)	-	(56,183)	186	(55,997)
Transfer		-	(7,914)	7,914	-	-	-
Dividends	18	-	-	(71,275)	(71,275)	(11,985)	(83,260)
At December 31, 2016		**2,153,395**	**1,758,558**	**525,535**	**4,437,488**	**35,405**	**4,472,893**

	Notes	Stated capital MUR'000	Revaluation and other reserves MUR'000	Retained earnings/ (revenue deficit) MUR'000	Total MUR'000
THE COMPANY					
At January 1, 2017		2,153,395	(11,090)	223,103	2,365,408
Loss for the year		-	-	(49,670)	(49,670)
Other comprehensive income for the year	14	-	(17,808)	-	(17,808)
Dividends	18	-	-	(27,413)	(27,413)
At December 31, 2017		**2,153,395**	**(28,898)**	**146,020**	**2,270,517**
At January 1, 2016		2,153,395	(12,159)	225,677	2,366,913
Profit for the year		-	-	68,701	68,701
Other comprehensive income for the year	14	-	1,069	-	1,069
Dividends	18	-	-	(71,275)	(71,275)
At December 31, 2016		**2,153,395**	**(11,090)**	**223,103**	**2,365,408**

The notes on pages 86 to 126 form an integral part of these financial statements.
Auditor's report on pages 77 to 80.

Statements of Cash Flows - Year ended December 31, 2017

	Note	THE GROUP 2017 MUR'000	THE GROUP 2016 MUR'000	THE COMPANY 2017 MUR'000	THE COMPANY 2016 MUR'000
Operating activities					
Profit/(loss) before taxation		**133,234**	69,470	**(59,924)**	73,316
Adjustment for:					
Share of results of associates		**(81,358)**	62,401	**-**	-
Foreign exchange difference		**88,480**	68,395	**-**	-
Depreciation of property, plant and equipment		**423,330**	398,118	**7,345**	7,192
Amortisation of intangible assets		**46,335**	47,175	**2,280**	2,704
Assets written off		**-**	10,509	**-**	-
Loss/(profit) on disposal of property, plant and equipment		**924**	1,533	**(4,654)**	(217)
Interest expense		**331,442**	309,032	**81,615**	86,511
Interest income		**(8,083)**	(14,301)	**(86,282)**	(131,202)
Retirement benefit obligations		**30,419**	22,964	**10,794**	9,712
Operating profit/(loss) before working capital changes		**964,723**	975,296	**(48,826)**	48,016
- inventories		**(11,969)**	(30,744)	**(379)**	476
- trade and other receivables		**(130,044)**	(42,724)	**263,208**	(236,511)
- trade and other payables		**20,901**	21,829	**95,282**	32,678
Cash flows generated from/(used in) operating activities		**843,611**	923,657	**309,285**	(155,341)
Interest paid		**(331,442)**	(309,032)	**(81,615)**	(86,511)
Interest received		**8,083**	14,301	**86,282**	131,202
Contribution paid		**(23,867)**	(23,227)	**(6,760)**	(6,886)
Tax paid		**(52,318)**	(86,212)	**(1,045)**	-
Net cash generated from/(used in)operating activities		**444,067**	519,487	**306,147**	(117,536)
Cash flows (used in)/generated from investing activities					
Purchase of property, plant and equipment		**(217,689)**	(700,488)	**(1,232)**	(1,153)
Purchase of intangible assets		**(13,488)**	(9,041)	**(481)**	(167)
Proceeds from sale of property, plant and equipment		**314**	6,520	**4,654**	217
Deposit on shares not yet alloted		**-**	(201,977)	**-**	-
Repayment of shareholder's loan classified as investment		**-**	-	**-**	152,250
Investment in subsidiary company		**-**	-	**(60,030)**	-
Investment in associates		**(130,000)**	-	**(130,000)**	-
Loan to associate		**(50,000)**	-	**(50,000)**	-
Net cash (used in)/generated from investing activities		**(410,863)**	(904,986)	**(237,089)**	151,147
Cash flows generated from/(used in) financing activities					
Proceeds from borrowings		**1,040,099**	1,002,734	**182,812**	104,000
Payments of borrowings		**(1,002,847)**	(639,695)	**(224,000)**	(57,270)
Finance lease principal repayment		**(19,363)**	(20,904)	**(6,112)**	(6,706)
Issue of shares to non-controlling interests		**20,010**	-	**-**	-
Loan granted to related parties		**(10,800)**	-	**-**	-
Dividends paid to company's shareholders		**(16,448)**	(82,240)	**(16,448)**	(82,240)
Dividends paid to non-controlling interest		**(7,226)**	(11,985)	**-**	-
Net cash generated from/(used in) financing activities		**3,425**	247,910	**(63,748)**	(42,216)
Net increase/(decrease) in cash and cash equivalents		**36,629**	(137,589)	**5,310**	(8,605)
Cash and cash equivalents at January 1,		**(441,482)**	(303,893)	**(60,630)**	(52,025)
Cash and cash equivalents at December 31,	25(b)	**(404,853)**	(441,482)	**(55,320)**	(60,630)

The notes on pages 86 to 126 form an integral part of these financial statements.
Auditor's report on pages 77 to 80.

Notes to the Financial Statements - Year ended December 31, 2017

1 COMPANY PROFILE

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

The Group has a net current liability of MUR 762M (2016: MUR 658M). The Board is satisfied that the Group has the resources to meet its liabilities in foreseeable future. Furthermore, the Board is not aware of any uncertainties that may cast significant doubt upon the Group's ability to continue on as a going concern. The financial statements continue to be prepared on the going concern basis.

Amendments to Published Standards effective in the reporting period

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendment has no impact on the Group's financial statements.

Disclosure Initiative (Amendments to IAS 7). The amendments require the entity to explain changes in its liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. A reconciliation of the opening and closing carrying amounts for each item for which cash flows have been or would be classified as financial activities is presented in note 25(a).

Annual Improvements to IFRSs 2014–2016 Cycle

IFRS 12, "Disclosure of Interests in Other Entities". The amendments clarify that entities are not exempt from all of the disclosure requirements in IFRS 12 when entities have been classified as held for sale or as discontinued operations. The amendment has no impact on the Group's financial statements.

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1st January 2018 or later periods, but which the Group has not early adopted.

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

- IFRS 9, "Financial Instruments"
- IFRS 15, "Revenue from Contracts with Customers"

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRS 16, "Leases"
- Clarifications to IFRS 15, "Revenue from Contracts with Customers"
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Applying IFRS 9, "Financial Instruments" with IFRS 4, "Insurance Contracts (Amendments to IFRS 4)'
- Annual Improvements to IFRSs 2014-2016 Cycle
- IFRIC 22, "Foreign Currency Transactions and Advance Consideration"
- Transfers of Investment Property (Amendments to IAS 40)
- IFRS 17, "Insurance Contracts"
- IFRIC 23, "Uncertainty over Income Tax Treatments"
- Prepayment Features with negative compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to IFRSs 2015-2017 Cycle

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.

IFRS 9 Financial Instruments – effective 01st January 2018

IFRS 9 is of particular importance to the Group. In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Transition

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods.

IFRS 9 is applicable on the Group as from January 1, 2018. The impact will be mainly on the classification and measurement of the financial assets.

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). In many instances, the classification and measurement outcomes will be similar to IAS 39, although differences will arise.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 recognise 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

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

Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entities or financial asset. 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 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,

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investment in associates (continued)

Consolidated financial statements (continued)

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.

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;

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currencies (continued)

(iii) *Group companies* (continued)

(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.

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.

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

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

Land is not depreciated.

The assets' residual values, useful lives and depreciation methods 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 profit or loss. On disposal of revalued assets, the amounts included in revaluation reserve are transferred to retained earnings.

(f) Accounting for leases

(i) Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

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

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Accounting for leases (continued)

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

achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss unless they are attributable to qualifying assets in which case, they are capitalised in accordance with the policy of borrowing costs (note (n)).

(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.

Leasehold land payments

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

Computer software

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

(i) Impairment of non-financial assets

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

(j) Financial instruments

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

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

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

Recognition and measurement

Purchases and sales are recognised on trade-date basis, the date on which the Group commits to purchase or sell the asset. Investments are initially measured at fair value plus transaction costs.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value classified as available-for-sale are recognised in other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

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

<u>*Recognition and measurement*</u> (continued)

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

<u>*Impairment of financial assets*</u>

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

(ii) *Borrowings*

Interest bearing facilities are recorded at amortised cost.

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

(iii) *Trade receivables*

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

(iv) *Trade and other payables*

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

(v) *Cash and cash equivalents*

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

(vi) *Stated capital*

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

(k) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Retirement benefit obligations

Defined benefit plan

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

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

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

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

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

Gratuity on retirement

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

The Employment Rights Act stipulates that the Gratuity paid on Retirement should be based on the remuneration (which is inclusive of payment for extra work, productivity bonus, attendance bonus, commission in return for services and any other regular payment) of the employee. The amount due per year of service is 15 days remuneration based on a month of 26 days (15/26).

(m) Revenue recognition

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

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

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

(n) Borrowing costs

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

All other borrowing costs are expensed.

(o) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statement in the period in which the distribution is authorised by the board.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Provisions

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

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

(q) Segment reporting

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

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

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

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 risks, the Group enters into forward and swap contracts and where possible, borrows in the currency in which it operates.

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

CURRENCY PROFILE

THE GROUP

	EUR MUR'000	USD MUR'000	GBP MUR'000	MUR MUR'000	OTHERS MUR'000	TOTAL MUR'000
2017						
Financial Assets						
Investments in associates	965,928	-	-	176,923	-	**1,142,851**
Net trade receivables	130,998	168,839	50,649	30,392	2,379	**383,257**
Cash and cash equivalents	39,975	26,812	17,836	15,786	4,418	**104,827**
	1,136,901	**195,651**	**68,485**	**223,101**	**6,797**	**1,630,935**
Financial Liabilities						
Borrowings	461,356	2,004,932	-	2,817,342	-	**5,283,630**
Trade payables	-	108,542	786	121,021	-	**230,349**
	461,356	**2,113,474**	**786**	**2,938,363**	**-**	**5,513,979**

3 FINANCIAL RISK MANAGEMENT (continued)

CURRENCY PROFILE (continued)

THE GROUP

	EUR MUR'000	USD MUR'000	GBP MUR'000	MUR MUR'000	OTHERS MUR'000	TOTAL MUR'000
2016						
Financial Assets						
Investments in associates	830,990	-	-	-	-	**830,990**
Net trade receivables	99,861	129,007	32,584	28,550	4,833	**294,835**
Cash and cash equivalents	27,574	28,745	9,371	2,281	5,191	**73,162**
	958,425	**157,752**	**41,955**	**30,831**	**10,024**	**1,198,987**
Financial Liabilities						
Borrowings	354,124	1,888,455	-	3,056,677	-	**5,299,256**
Trade payables	-	116,281	1,385	151,234	-	**268,900**
	354,124	**2,004,736**	**1,385**	**3,207,911**	**-**	**5,568,156**

THE COMPANY

	EUR MUR'000	USD MUR'000	GBP MUR'000	MUR MUR'000	OTHERS MUR'000	TOTAL MUR'000
2017						
Financial Assets						
Investments in associates	-	-	-	186,510	-	**186,510**
Cash and cash equivalents	7,301	34	943	168	-	**8,446**
	7,301	**34**	**943**	**186,678**	**-**	**194,956**
Financial Liabilities						
Borrowings	145,379	6,401	-	1,030,609	-	**1,182,389**
Trade payables	-	-	-	3,125	-	**3,125**
	145,379	**6,401**	**-**	**1,033,734**	**-**	**1,185,514**

	EUR MUR'000	USD MUR'000	GBP MUR'000	MUR MUR'000	OTHERS MUR'000	TOTAL MUR'000
2016						
Financial Assets						
Investments in associates	-	-	-	6,510	-	**6,510**
Cash and cash equivalents	7,329	645	1,037	199	-	**9,210**
	7,329	**645**	**1,037**	**6,709**	**-**	**15,720**
Financial Liabilities						
Borrowings	99	-	-	1,229,742	-	**1,229,841**
Trade payables	-	-	-	40,731	-	**40,731**
	99	**-**	**-**	**1,270,473**	**-**	**1,270,572**

3 FINANCIAL RISK MANAGEMENT (continued)

CURRENCY PROFILE (continued)

At December 31, 2017, 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 16.0 million (2016: MUR 1.4 million) higher/lower mainly as a result of foreign exchange gains/losses on translation of trade receivables, bank balances and share of results from foreign associates denominated in US Dollar/Euro/GB Pound.

Similarly, the impact on the amount recognised directly into equity would have been MUR 135.1 million (2016: MUR 122.8 million) higher/lower, principally due to Group's share of net assets in foreign associates and cash and borrowings of foreign subsidiaries.

Credit risk

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

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

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

As at December 31, 2017, trade receivables before impairment amounted to MUR 484.0 million (2016: MUR 394.8 million) for the Group. Provision for impairment amounted to MUR 100.7 million at December 31, 2017 (2016: MUR 99.9 million).

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

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

		Past due but not impaired			
	Within normal credit period MUR'000	Within 3 months MUR'000	More than 3 months MUR'000	Impaired MUR'000	Total MUR'000
2017					
Trade receivables	361,177	45,555	77,227	-	**483,959**
Provisions	-	(31,833)	(68,869)	-	**(100,702)**
At December 31,	**361,177**	**13,722**	**8,358**	**-**	**383,257**
2016					
Trade receivables	251,020	68,142	75,604	-	**394,766**
Provisions	-	(24,327)	(75,604)	-	**(99,931)**
At December 31,	**251,020**	**43,815**	**-**	**-**	**294,835**

3 FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

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

The Group's operating cashflows are exposed to interest risk as it borrows at variable rates. At December 31, 2017, 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 20.0 million (2016: MUR 18.3 million) mainly as a result of higher/lower interest expense on floating rate borrowings. In order to manage the risk, the Group has some borrowings at fixed rate.

Liquidity risk

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

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

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

Bank borrowings maturity periods are detailed in note 15.

Trade and other payables are payable within one year.

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

3.2 Capital Risk Management

The Group's objectives when managing capital are:

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

During 2017, the Group's strategy which was unchanged from 2016, was to maintain the debt-to-capital ratio at the lower end in order to secure access to finance at a reasonable cost.

The debt-to-capital ratios at December 31, 2017 and December 31, 2016 were as follows:

	THE GROUP		THE COMPANY	
	2017 MUR'M	2016 MUR'M	**2017 MUR'M**	2016 MUR'M
Total debt	**5,284**	5,299	**1,182**	1,230
Total equity	**5,764**	4,473	**2,271**	2,365
Total capital	**11,048**	9,772	**3,453**	3,595
Debt-to-capital ratio	**47.8%**	54.2%	**34.2%**	34.2%

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 was already of the age and in the condition expected at the end of its useful life.

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

(b) **Deferred tax assets arising from tax losses**

The Group has a deferred tax asset of MUR 61.1 million (2016: MUR 73.8 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.

(c) **Pension benefits**

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

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

(d) **Revaluation of freehold land**

The freehold land were revalued during the 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) **Estimated impairment of goodwill**

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

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, 2017	1,446,900	6,811,590	256,504	1,292,849	164,634	936,356	198	10,909,031
Additions	-	84,562	16,603	61,965	13,509	50,745	-	227,384
Disposals	-	-	(90)	(7,356)	(27,253)	(1,101)	-	(35,800)
Revaluation surplus	1,404,320	-	-	-	-	-	-	1,404,320
Transfer to intangible assets (note 6)	-	-	-	-	-	-	(198)	(198)
Transfer from intangible assets (note 6)	-	-	125	-	-	-	-	125
Translation adjustment	-	(286,828)	(6,770)	(49,420)	(3,851)	(31,263)	-	(378,132)
At December 31, 2017	**2,851,220**	**6,609,324**	**266,372**	**1,298,038**	**147,039**	**954,737**	**-**	**12,126,730**
Depreciation								
At January 1, 2017	-	1,782,509	227,819	901,833	126,167	546,830	-	3,585,158
Charge for the year	-	225,697	18,279	89,937	14,251	75,166	-	423,330
Transfer from intangible assets (note 6)	-	-	13	-	-	-	-	13
Disposal adjustment	-	-	(90)	(6,787)	(26,929)	(756)	-	(34,562)
Translation adjustment	-	(76,793)	(6,161)	(36,106)	(3,500)	(20,664)	-	(143,224)
At December 31, 2017	**-**	**1,931,413**	**239,860**	**948,877**	**109,989**	**600,576**	**-**	**3,830,715**
Net Book Values								
At December 31, 2017	**2,851,220**	**4,677,911**	**26,512**	**349,161**	**37,050**	**354,161**	**-**	**8,296,015**

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

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

Notes to the Financial Statements - Year ended December 31, 2017

5 PROPERTY, PLANT AND EQUIPMENT (continued)

(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 revaluation surplus of MUR 1,404 million was credited to revaluation reserves. 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	
	2017 MUR'000	2016 MUR'000
Cost	**147,426**	147,426

(e) The additions to assets under finance leases for the Group during the year 2017 was MUR 9.6 million (2016: MUR 20.9 million).

(f) THE COMPANY

	Plant & machinery MUR'000	Motor vehicles MUR'000	Furniture & fittings MUR'000	Computer equipment MUR'000	Total MUR'000
Cost/Deemed Cost					
At January 1, 2017	1,683	62,483	5,505	25,396	95,067
Additions	52	5,921	39	1,142	7,154
Disposals	-	(20,646)	-	(52)	(20,698)
At December 31, 2017	**1,735**	**47,758**	**5,544**	**26,486**	**81,523**
Depreciation					
At January 1, 2017	829	44,770	4,162	22,725	72,486
Charge for the year	134	5,537	362	1,312	7,345
Disposal adjustment	-	(20,646)	-	(52)	(20,698)
At December 31, 2017	**963**	**29,661**	**4,524**	**23,985**	**59,133**
Net Book Values					
At December 31, 2017	**772**	**18,097**	**1,020**	**2,501**	**22,390**

5 PROPERTY, PLANT AND EQUIPMENT (continued)

(g) THE COMPANY

	Plant & machinery MUR'000	Motor vehicles MUR'000	Furniture & fittings MUR'000	Computer equipment MUR'000	Total MUR'000
Cost/Deemed Cost					
At January 1, 2016	1,525	53,620	5,405	24,463	85,013
Additions	158	10,062	100	933	11,253
Disposals	-	(1,199)	-	-	(1,199)
At December 31, 2016	**1,683**	**62,483**	**5,505**	**25,396**	**95,067**
Depreciation					
At January 1, 2016	699	40,840	3,716	21,238	66,493
Charge for the year	130	5,129	446	1,487	7,192
Disposal adjustment	-	(1,199)	-	-	(1,199)
At December 31, 2016	**829**	**44,770**	**4,162**	**22,725**	**72,486**
Net Book Values					
At December 31, 2016	**854**	**17,713**	**1,343**	**2,671**	**22,581**

(h) The additions to assets under finance leases for the Company during the year 2017 was MUR 5.9 million (2016: MUR 10.0 million).

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

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Cost	**95,233**	112,574	**30,977**	42,961
Accumulated depreciation	**(61,150)**	(70,581)	**(12,879)**	(25,247)
Net book value	**34,083**	41,993	**18,098**	17,714

(j) Bank borrowings are secured by floating charges on the assets of the Group and Company including property, plant and equipment (note 15).

Borrowings costs of MUR nil (2016: MUR 5.1 million) (note 22) arising on financing of the renovation and construction of Building were capitalised last year and are included in 'Additions'.

(k) Total depreciation charge for both the Group and the Company have been included in operating expenses.

6 INTANGIBLE ASSETS

(a) THE GROUP

	Goodwill on acquisition MUR'000	Leasehold land payments MUR'000	Computer software MUR'000	Total MUR'000
Cost				
At January 1, 2016	479,948	868,999	167,338	1,516,285
Additions	-	6,784	2,257	9,041
Translation adjustment	2,795	14,468	109	17,372
At December 31, 2016	482,743	890,251	169,704	1,542,698
Additions	-	-	13,488	13,488
Transfer to property,plant and equipment (note 5)	-	-	(125)	(125)
Transfer from property,plant and equipment (note 5)	-	-	198	198
Translation adjustment	(33,084)	(53,800)	(1,443)	(88,327)
At December 31, 2017	**449,659**	**836,451**	**181,822**	**1,467,932**
Amortisation				
At January 1, 2016	-	182,491	41,499	223,990
Charge for the year	-	40,717	6,458	47,175
Translation adjustment	-	10,223	83	10,306
At December 31, 2016	-	233,431	48,040	281,471
Charge for the year	-	39,477	6,858	46,335
Transfer to property,plant and equipment (note 5)	-	-	(13)	(13)
Translation adjustment	-	(6,136)	(1,152)	(7,288)
At December 31, 2017	**-**	**266,772**	**53,733**	**320,505**
Net Book Values				
At December 31, 2017	**449,659**	**569,679**	**128,089**	**1,147,427**
At December 31, 2016	482,743	656,820	121,664	1,261,227

(b) THE COMPANY

	Computer Software	
	2017 MUR'000	2016 MUR'000
Cost		
At January 1,	**16,474**	16,307
Additions	**481**	167
At December 31,	**16,955**	16,474
Amortisation		
At January 1,	**10,134**	7,430
Charge for the year	**2,280**	2,704
At December 31,	**12,414**	10,134
Net Book Values		
At December 31,	**4,541**	6,340

6 INTANGIBLE ASSETS (continued)

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

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

(e) Total amortisation charge for both the Group and the Company have been included in operating expenses.

(f) 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-year and thereafter the cashflow are extrapolated using a growth rate of 3%. The pre-tax discount rate used in the years approximates 12%.

7 INVESTMENTS IN SUBSIDIARY COMPANIES (UNQUOTED)

	THE COMPANY	
	2017 MUR'000	2016 MUR'000
Cost		
At January 1,	**2,136,472**	1,563,722
Additions	**60,030**	-
Additions in rights issue	**-**	725,000
Shareholder's loan repaid	**-**	(152,250)
At December 31,	**2,196,502**	2,136,472

Notes to the Financial Statements - Year ended December 31, 2017

7 INVESTMENTS IN SUBSIDIARY COMPANIES (UNQUOTED) (continued)

The list of the company's subsidiaries is as follows:

Name of corporation	Nominal value of investment MUR'000	Proportion of ownership interest Direct 2017 %	Direct 2016 %	Indirect 2017 %	Indirect 2016 %	Country of operation	Country of incorporation or residence	Issued capital MUR'000	Main business
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**	-	**-**	-	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 Ltd (ex-LRM Services Ltd)	32	**100**	100	**-**	-	Mauritius	Mauritius	32	Management Company
LRM Company Ltd **	227	**-**	-	**75**	75	Seychelles	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 Company acquired 75% investment in White Sand Paradise Ltd on July 5, 2017 and the proportion of ownership held by non-controlling interest for White Sand Paradise Ltd is 25% for the year 2017.

** The proportion of ownership held by non-controlling interest for LRM Company Ltd is 25% for 2017 and 2016.

The shares held in the above subsidiaries are ordinary shares. The reporting date for all the above companies is December 31, 2017.

8 INVESTMENTS IN ASSOCIATES

	2017 MUR'000	2016 MUR'000
(a) THE COMPANY		
Unquoted - cost		
At January 1,	**6,510**	6,510
Additions	**130,000**	-
Loan to associate	**50,000**	-
At December 31,	**186,510**	6,510

	2017 MUR'000	2016 MUR'000
(b) THE GROUP		
Unquoted		
At January 1,	**629,013**	701,454
Additions	**130,000**	-
Share of results for the year	**81,358**	(62,401)
Exchange difference	**50,503**	(10,040)
	890,874	629,013
Deposit on shares*	**201,977**	201,977
Loan to associate	**50,000**	-
At December 31,	**1,142,851**	830,990

Investment in associates at December 31, 2017 include goodwill of MUR 63 million (2016: MUR 15 million).

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

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

	Year end	Country of incorporation or residence	Country of operation	By holding company 2017 %	By holding company 2016 %	By other group companies 2017 %	By other group companies 2016 %
Le Refuge du Pêcheur Limited and its subsidiary	December 31, 2017	Seychelles	Seychelles	**-**	-	**25.42**	25.42
Ampasy Ltd and its subsidiary	December 31, 2017	Mauritius	Mauritius	**-**	-	**37.50**	37.50
Constance Corporate Management Limited	December 31, 2017	Mauritius	Mauritius	**42.00**	42.00	**-**	-
Lagon De Rêve Limitée	June 30, 2017	Mauritius	Mauritius	**40.00**	-	**-**	-

Notes to the Financial Statements - Year ended December 31, 2017

8 INVESTMENTS IN ASSOCIATES (continued)

(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.

(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 compre-hensive income MUR'000	Dividend MUR'000
2017								
Le Refuge du Pêcheur Limited and its subsidiary	**681,872**	**5,377,921**	**1,808,301**	**1,510,365**	**2,440,069**	**294,969**	**112,113**	**-**
Lagon de Rêve Limitée	**20,312**	**509,838**	**47,109**	**153,500**	**1,600**	**(7,693)**	**-**	**-**
2016								
Le Refuge du Pêcheur Limited and its subsidiary	589,356	5,247,858	1,394,884	2,190,000	2,024,528	(218,574)	28,615	-

(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	Addition MUR'000	Profit/ (loss) for the year MUR'000	Other compre-hensive income MUR'000	Effect of exchange difference MUR'000	Closing net assets MUR'000	Owner-ship interest %	Interest in associates MUR'000	Loan to associate MUR'000	Goodwill MUR'000	Carrying value MUR'000
2017											
Le Refuge du Pêcheur Limited and its subsidiary	**1,222,009**	**-**	**294,969**	**112,113**	**22,856**	**1,651,947**	**25.42%**	**419,925**	**282,380**	**15,952**	**718,257**
Lagon de Rêve Limitée	**-**	**207,234**	**(7,693)**	**-**	**-**	**199,541**	**40.00%**	**79,816**	**50,000**	**47,106**	**176,922**
2016											
Le Refuge du Pêcheur Limited and its subsidiary	1,506,991	-	(218,574)	28,615	(95,023)	1,222,009	25.42%	310,635	267,120	15,090	592,845

8 INVESTMENTS IN ASSOCIATES (continued)

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

	2017 MUR'000	2016 MUR'000
Carrying amount of interests	**45,695**	36,168
Share of profit	**9,454**	11,855
Share of other comprehensive income	**70**	(2,311)
Share of total comprehensive income	**9,524**	9,544

Share of accumulated loss and other comprehensive income not recognised amounted to MUR 8.9 million (2016: MUR 6.9 million) for Constance Corporate Management Limited as at December 31, 2017. The Group has not incurrred any legal or constructive obligation or made any payment on behalf of the associate.

9 INVESTMENTS IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP AND THE COMPANY	
	2017 MUR'000	2016 MUR'000
Unquoted (Level 3)		
At January 1, and December 31,	**545**	545

(a) Investments in financial assets consist of shares held in Ecocentre Limited. These shares are unquoted, denominated in Mauritian Rupee and will be held indefinitely. The Directors consider the cost of those investments to be their fair values.

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

10 DEFERRED INCOME TAX

(a) Deferred income taxes are calculated on all temporary differences under the liability method at 15% (2016: 15%). There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred income tax assets and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity. The following amounts are shown in the statements of financial position:

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	2017 MUR'000	2016 MUR'000
Deferred tax assets	**92,075**	100,789	**26,917**	13,968
Deferred tax liabilities	**(61,295)**	(65,574)	**-**	-
Net deferred income tax assets	**30,780**	35,215	**26,917**	13,968

10 DEFERRED INCOME TAX (continued)

(b) At the end of the reporting period, the Group and the Company had unused tax losses of MUR 665.0 million (2016: MUR 625.6 million) and MUR 104.0 million (2016: MUR Nil) respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of MUR 61.1 million (2016: MUR 73.8 million) for the Group and MUR 15.6 (2016: Nil) for the Company respectively of such losses. No deferred tax asset has been recognised in respect of the remaining MUR 257.7 million (2016: MUR 133.3 million) for the Group due to unpredictability of future profit stream.

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

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	2017 MUR'000	2016 MUR'000
At January 1,	**35,215**	7,616	**13,968**	17,279
(Charged)/credited to profit or loss (note 19(b))	**(12,414)**	20,869	**9,806**	(3,122)
Credited/(charged) to other comprehensive income	**7,979**	6,730	**3,143**	(189)
At December 31,	**30,780**	35,215	**26,917**	13,968

(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 of the same entity is as follows:

(i) Deferred tax liabilities

	THE GROUP		
	Accelerated tax depreciation MUR'000	Revaluation reserves MUR'000	Total MUR'000
At January 1, 2016	(5,899)	74,729	68,830
Credited to profit or loss	(8,690)	-	(8,690)
Credited to other comprehensive income	(53)	(771)	(824)
At December 31, 2016	(14,642)	73,958	59,316
Credited to profit or loss	147	-	147
Charged/(credited) to other comprehensive income	1,139	(2,353)	(1,214)
At December 31, 2017	**(13,356)**	**71,605**	**58,249**

(ii) Deferred tax assets

	THE GROUP		
	Retirement benefit obligations MUR'000	Tax losses carried forward MUR'000	Total MUR'000
At January 1, 2016	14,841	61,605	76,446
(Charged)/credited to profit or loss	(40)	12,219	12,179
Credited to other comprehensive income	5,885	21	5,906
At December 31, 2016	20,686	73,845	94,531
(Charged)/credited to profit or loss	981	(13,247)	(12,266)
Credited to other comprehensive income	6,292	472	6,764
At December 31, 2017	**27,959**	**61,070**	**89,029**

10 DEFERRED INCOME TAX (continued)

(iii) Deferred tax assets

	THE COMPANY			
	Accelerated tax depreciation MUR'000	Retirement benefit obligations MUR'000	Tax losses carried forward MUR'000	Total MUR'000
At January 1, 2016	10,099	7,180	-	17,279
(Charged)/credited to profit or loss	(3,546)	424	-	(3,122)
Charged to other comprehensive income	-	(189)	-	(189)
At December 31, 2016	6,553	7,415	-	13,968
(Charged)/credited to profit or loss	(6,407)	605	15,608	9,806
Credited to other comprehensive income	-	3,143	-	3,143
At December 31, 2017	**146**	**11,163**	**15,608**	**26,917**

11 INVENTORIES

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
At Cost/net realisable value				
Food and Beverages	**164,118**	151,916	**-**	-
Operating supplies	**39,703**	44,890	**-**	-
Maintenance	**68,989**	62,240	**-**	-
Sales products	**20,198**	34,321	**-**	-
Others	**22,883**	10,555	**1,059**	680
	315,891	303,922	**1,059**	680

(a) Bank borrowings are secured by floating charges on the assets of the Group including inventories (see note 15).

(b) The cost of inventories recognised as expense and included in cost of sales amounted to MUR 813.1 million (2016: MUR 806.5 million) for the Group.

Notes to the Financial Statements - Year ended December 31, 2017

12 TRADE AND OTHER RECEIVABLES

		THE GROUP		THE COMPANY	
		2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
(a)	Trade receivables	**483,959**	394,766	**-**	-
	Less: Provision for impairment (note 12(b))	**(100,702)**	(99,931)	**-**	-
	Net trade receivables	**383,257**	294,835	**-**	-
	Receivable from group companies:				
	- Subsidiary companies	**-**	-	**1,482,803**	1,736,921
	- Associates	**376,837**	277,423	**6,098**	6,949
	- Loan receivables	**10,800**	-	**-**	-
	Other receivables	**305,408**	363,201	**9,334**	17,573
		1,076,302	935,459	**1,498,235**	1,761,443
	Less non-current portion				
	- Loan receivables	**(10,800)**	-	**-**	-
	Current portion	**1,065,502**	935,459	**1,498,235**	1,761,443

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

(b) Provision for impairment of trade receivables

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
At January 1,	**99,931**	96,420	**-**	-
Provisions made during the year	**771**	3,511	**-**	-
At December 31,	**100,702**	99,931	**-**	-

(c) Trade receivables are not secured, non interest-bearing and are generally on 90 days term.

13 STATED CAPITAL

		Number of shares	Ordinary shares MUR'000	Share premium MUR'000	Total MUR'000
(a)	**Issued shares**				
	At December 31, 2017 & 2016	109,653,349	1,096,534	1,056,861	2,153,395

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

14 REVALUATION AND OTHER RESERVES

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
The movements in each category are as follows:				
Revaluation reserve				
At January 1,	**1,369,265**	1,375,992	**-**	-
Transfer from retained earnings	**21,664**	(7,914)	**-**	-
Gains on revaluation of land	**1,404,320**	-	**-**	-
Income tax relating to components of other comprehensive income	**-**	1,187	**-**	-
At December 31,	**2,795,249**	1,369,265	**-**	-
Translation of foreign operations				
At January 1,	**464,510**	488,534	**-**	-
Movement for the year	**(131,734)**	(24,024)	**-**	-
At December 31,	**332,776**	464,510	**-**	-
Actuarial losses				
At January 1,	**(75,217)**	(41,871)	**(11,090)**	(12,159)
Movement for the year	**(35,646)**	(33,346)	**(17,808)**	1,069
At December 31,	**(110,863)**	(75,217)	**(28,898)**	(11,090)
Total	**3,017,162**	1,758,558	**(28,898)**	(11,090)

(a) **Revaluation reserve**

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 cummulative remeasurement of defined benefit obligation recognised.

15 BORROWINGS

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Non-current				
Loans - USD	**1,489,963**	1,397,191	**-**	-
- EUR	**274,572**	313,321	**-**	-
- MUR	**2,124,064**	2,440,389	**729,246**	940,389
Finance lease liabilities	**26,702**	31,831	**14,714**	14,805
	3,915,301	4,182,732	**743,960**	955,194
Current				
Bank overdrafts	**509,680**	514,644	**63,766**	69,840
Loans - USD	**303,975**	253,820	**-**	-
- EUR	**179,413**	38,202	**138,955**	-
- MUR	**361,000**	291,001	**230,000**	199,000
Finance lease liabilities	**14,261**	18,857	**5,708**	5,807
	1,368,329	1,116,524	**438,429**	274,647
Total borrowings	**5,283,630**	5,299,256	**1,182,389**	1,229,841

(a) Finance lease liabilities - minimum lease payments:

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Not later than 1 year	**16,587**	21,785	**6,945**	7,055
Later than one year and not later than two years	**11,587**	17,145	**6,568**	8,376
Later than two years and not later than five years	**16,437**	15,103	**9,673**	8,334
After five years	**1,479**	3,249	**-**	-
	46,090	57,282	**23,186**	23,765
Future finance charges on finance leases	**(5,127)**	(6,594)	**(2,764)**	(3,153)
Present value of finance lease liabilities	**40,963**	50,688	**20,422**	20,612
The present value of finance lease liabilities may be analysed as follows:				
Not later than one year	**14,261**	18,857	**5,708**	5,807
Later than one year and not later than two years	**10,031**	15,106	**5,719**	7,213
Later than two years and not later than five years	**15,270**	13,656	**8,995**	7,592
After five years	**1,401**	3,069	**-**	-
	40,963	50,688	**20,422**	20,612

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

15 BORROWINGS (continued)

(b) Bank and other borrowings are secured on the assets of the Group including inventories, property, plant and equipment. The rates of interest rates on these loans vary between 4.6% and 7.3%.

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

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

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
After one year and before two years	**596,997**	668,647	**55,727**	57,267
After two years and before three years	**900,023**	602,611	**54,419**	55,209
After three years and before five years	**922,082**	1,076,510	**104,538**	102,383
After five years	**1,496,199**	1,834,964	**529,276**	740,335
	3,915,301	4,182,732	**743,960**	955,194

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

16 RETIREMENT BENEFIT OBLIGATIONS

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Amounts recognised in the statement of financial position:				
Defined pension benefits (note (a)(ii))	**185,892**	137,122	**74,040**	49,055
Other post retirement benefits (note (b)(i))	**504**	784	**-**	-
	186,396	137,906	**74,040**	49,055
Analysed as follows:				
Non-current liabilities	**186,396**	137,906	**74,040**	49,055
Amounts charged to profit or loss:				
- Defined pension benefits (note (a)(v))	**30,372**	22,804	**10,794**	9,697
- Other post retirement benefits (note (b))	**47**	160	**-**	15
	30,419	22,964	**10,794**	9,712
Amounts charged/(credited) to other comprehensive income:				
- Defined pension benefits (note (a)(vi))	**42,265**	39,679	**20,951**	(1,234)
- Other post retirement benefits (note (b))	**(327)**	(448)	**-**	(24)
	41,938	39,231	**20,951**	(1,258)

Notes to the Financial Statements - Year ended December 31, 2017

16 RETIREMENT BENEFIT OBLIGATIONS

(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, 2017 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		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Present value of funded obligations	**379,845**	319,964	**140,143**	112,277
Fair value of plan assets	**(193,953)**	(182,842)	**(66,103)**	(63,222)
Liability in the statements of financial position	**185,892**	137,122	**74,040**	49,055

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

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
At January 1,	**137,122**	97,689	**49,055**	47,428
Charged to profit or loss	**30,372**	22,804	**10,794**	9,697
Charged/(credited) to other comprehensive income	**42,265**	39,679	**20,951**	(1,234)
Contributions paid	**(23,867)**	(23,050)	**(6,760)**	(6,836)
At December 31,	**185,892**	137,122	**74,040**	49,055

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

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
At January 1,	**319,964**	274,137	**112,277**	109,683
Current service cost	**19,803**	14,093	**7,095**	5,727
Interest expense	**19,764**	19,327	**6,960**	7,772
Remeasurements:				
- Actuarial losses/(gain)	**40,542**	36,624	**20,386**	(2,156)
Benefits paid	**(20,228)**	(24,217)	**(6,575)**	(8,749)
At December 31,	**379,845**	319,964	**140,143**	112,277

16 RETIREMENT BENEFIT OBLIGATIONS (continued)

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

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
At January 1,	**182,842**	176,448	**63,222**	62,255
Remeasurements:				
- Return on plan assets	**11,569**	13,052	**3,975**	4,570
- Actuarial losses	**(1,723)**	(3,055)	**(565)**	(922)
Scheme expenses	**(866)**	(864)	**(267)**	(268)
Cost of insuring risk benefits	**(1,508)**	(1,572)	**(447)**	(500)
Contributions by the employer	**23,867**	23,050	**6,760**	6,836
Benefits paid	**(20,228)**	(24,217)	**(6,575)**	(8,749)
At December 31,	**193,953**	182,842	**66,103**	63,222

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

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Current service cost	**19,803**	14,093	**7,095**	5,727
Scheme expenses	**866**	864	**267**	268
Cost of insuring risk benefits	**1,508**	1,572	**447**	500
Net interest expense	**8,195**	6,275	**2,985**	3,202
Total included in employee benefit expense	**30,372**	22,804	**10,794**	9,697

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		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Actual return on plan assets	**9,846**	9,997	**3,410**	3,648

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

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Liability experience (gains)/losses	**(13,905)**	34,754	**(2,419)**	(2,153)
Actuarial losses arising from changes in financial assumptions	**54,447**	1,870	**22,805**	(3)
Actuarial losses/(gains)	**40,542**	36,624	**20,386**	(2,156)
Return on plan assets excluding interest income	**1,723**	3,055	**565**	922
	42,265	39,679	**20,951**	(1,234)

16 RETIREMENT BENEFIT OBLIGATIONS (continued)

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

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

	2017 %	2016 %
Discount rate	**5.0%**	6.0%
Future salary growth rate	**3.0%**	4.0%
Future pension growth rate	**-**	-

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

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
December 31,				
Discount rate (1% movement)	**49,815**	32,320	**13,415**	11,060
Future long term salary (1% movement)	**35,983**	37,100	**16,474**	12,941

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 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 A67/70 and 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.

16 RETIREMENT BENEFIT OBLIGATIONS (continued)

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 6-11.5 million in contributions to its post-employment benefit plans for the year ending December 31, 2018.

(xiii) The weighted average duration of the defined benefit obligation is 10-17 years at the end of the reporting period for the Group (2016: 10-16 years).

(b) **Other post retirement benefits**

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

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

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Present value of unfunded obligations	**504**	784	**-**	-

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

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
At January 1,	**784**	1,249	**-**	59
Charged to profit or loss - (note(a))	**47**	160	**-**	15
Credited in other comprehensive income	**(327)**	(448)	**-**	(24)
Benefits paid	**-**	(177)	**-**	(50)
	504	784	**-**	-
(a) Included in profit or loss				
- Current service cost	**13**	74	**-**	12
- Net interest expense	**34**	86	**-**	3
	47	160	**-**	15

17 TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Trade payables	**230,349**	268,900	**3,125**	40,731
Payable to group companies:				
- Subsidiary companies	**-**	-	**316,424**	186,250
- Associated companies	**27,546**	20,938	**27,546**	20,938
Other payables	**508,271**	455,408	**43,691**	47,585
	766,166	745,246	**390,786**	295,504

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

18 DIVIDEND

	THE GROUP AND THE COMPANY	
	2017 MUR'000	2016 MUR'000
Amounts recognised as distributions to equity holders in the year:		
- Final dividend declared and payable for the year ended December 31, 2017 of MUR 0.25 per share (2016: MUR 0.15 per share)	**27,413**	16,448
- Interim dividend declared and paid for the year ended December 31, 2017 of MUR nil per share (2016: MUR 0.50 per share)	**-**	54,827
	27,413	71,275

19 INCOME TAX

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
(a) **Amounts recognised in the statements of financial position are as follows:**				
Current tax liabilities	**86,804**	92,644	**-**	1,493

Current tax liabilities is on adjusted profit for the year at 15% (2016: 15%).

19 INCOME TAX (continued)

(b) **Amounts recognised in the profit or loss**

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Current tax on the adjustment profit for the year at 15% (2016: 15%)	**20,535**	49,484	**-**	1,493
Withholding tax	**8,236**	18,131	**-**	-
Penalty and interest	**15,312**	12,734	**-**	-
Under/(over) provision in previous years	**2,395**	7,113	**(448)**	-
Deferred income tax (note 10(c))	**12,414**	(20,869)	**(9,806)**	3,122
Charged/(credited) to profit or loss	**58,892**	66,593	**(10,254)**	4,615

(c) **Withholding tax**

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

(d) **Tax reconciliation**

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

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Profit/(loss) before taxation	**133,234**	69,470	**(59,924)**	73,316
Less: (Profit)/loss of associates	**(81,358)**	62,401	**-**	-
	51,876	131,871	**(59,924)**	73,316
Tax calculated at a rate of 15% (2016: 15%)	**7,781**	19,781	**(8,989)**	10,997
Expenses not deductible for tax purposes	**53,466**	32,246	**24,977**	836
Withholding and foreign tax	**(15,477)**	7,729	**-**	-
Income not subject to tax	**(18,509)**	(30,926)	**(26,242)**	(7,218)
Deemed tax credit	**471**	248	**-**	-
Penalty interest	**15,312**	12,733	**-**	-
Under provision in previous years	**2,402**	7,225	**-**	-
Tax losses for which no deferred income tax was recognised	**6,569**	2,001	**-**	-
Other adjustments and timing differences	**6,877**	15,556	**-**	-
Charged/(credited) to profit or loss	**58,892**	66,593	**(10,254)**	4,615

20 OPERATING PROFIT

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
The operating profit is arrived at:				
after crediting:				
Other operating income	**1,409**	2,511	**-**	-
Interest income	**8,083**	14,301	**-**	-
Net foreign exchange transaction gains	**-**	27,347	**-**	28,988
after charging:				
Assets written off	**-**	10,509	**-**	-
Net foreign exchange transaction loss	**37,406**	-	**112,486**	-
Cost of sales	**1,234,580**	1,209,817	**-**	-
Operating expenses	**1,167,971**	1,245,121	**-**	-
Administrative expenses (net of allocation)	**943,915**	717,589	**127,053**	363

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

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Depreciation - owned assets	**403,010**	379,720	**1,808**	2,063
- leased assets	**20,320**	18,398	**5,537**	5,129
Amortisation of intangible assets	**46,335**	47,175	**2,280**	2,704
Staff costs - note 1	**956,907**	907,676	**-**	-

note 1:

Staff costs for the company amounting to MUR 160.0 million (2016: MUR 158.3 million) have been allocated to other companies in the Group.

21 PRE-OPENING EXPENSES / CLOSURE COSTS

	2017 MUR'000	2016 MUR'000
Staff costs	**4,517**	33,978
Operating expenses	**-**	18,832
Others	**3,974**	-
	8,491	52,810

This represents pre-opening expenses incurred prior to operations of White Sand Paradise Ltd. Prior year represents closure costs incurred due to extension and major renovation of Constance Belle Mare Plage.

22 FINANCE COSTS

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Interest expense:				
- Bank overdrafts	**44,571**	37,491	**3,390**	3,610
- Bank and other borrowings repayable by instalments	**286,415**	264,826	**76,251**	71,412
- Other interests	**456**	11,846	**1,974**	11,489
	331,442	314,163	**81,615**	86,511
Less: amount included in the cost of qualifying assets	**-**	(5,131)	**-**	-
Total borrowing costs	**331,442**	309,032	**81,615**	86,511

23 EARNINGS/(LOSS) PER SHARE

		THE GROUP		THE COMPANY	
		2017	2016	**2017**	2016
Profit/(loss) attributable to equityholders	MUR'000	**54,781**	(14,380)	**(49,670)**	68,701
Number of ordinary sharesin issue (thousands)		**109,653**	109,653	**109,653**	109,653
Earnings/(loss) per share	MUR	**0.50**	(0.13)	**(0.45)**	0.63

24 BUSINESS COMBINATIONS

(a) **Acquisition of subsidiary**

On July 5, 2017 the Group acquired 75% of the share capital of White Sand Paradise Ltd for MUR 0.03 million, providing management services for hotel operations, a company operating in the hotel industry.

The following table summarises the consideration paid for White Sand Paradise Ltd and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	MUR'000
Cash consideration	30.03
Non-controlling interests	10.01
	40.04
Total identifiable net assets	40.04
	40.04

Notes to the Financial Statements - Year ended December 31, 2017

25 NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

(a)

	THE GROUP				
			Non-cash changes		
	2016 MUR'000	Net cash flows MUR'000	Acquisition MUR'000	Foreign exchange movement MUR'000	**2017 MUR'000**
Long term borrowings	4,554,924	(102,703)	-	(38,189)	**4,414,032**
Short term borrowings	179,000	139,955	-	-	**318,955**
Lease liabilities	50,688	(19,363)	9,675	(37)	**40,963**
Dividend proposed	16,448	(16,448)	27,413	-	**27,413**
Total liabilities from financing activities	4,801,060	1,441	37,088	(38,226)	**4,801,363**

Reconciliation of liabilities arising from financing activities

	THE COMPANY			
	2016 MUR'000	Net cash flows MUR'000	Non-cash changes acquisition MUR'000	**2017 MUR'000**
Long term borrowings	990,389	(211,143)	-	**779,246**
Short term borrowings	149,000	169,955	-	**318,955**
Lease liabilities	20,612	(6,112)	5,922	**20,422**
Dividend proposed	16,448	(16,448)	27,413	**27,413**
Total liabilities from financing activities	1,176,449	(63,748)	33,335	**1,146,036**

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
(b) **Bank balances and cash**				
Cash and cash equivalents	**104,827**	73,162	**8,446**	9,210
Bank overdrafts (note 15)	**(509,680)**	(514,644)	**(63,766)**	(69,840)
	(404,853)	(441,482)	**(55,320)**	(60,630)

(c) **Non-cash transactions**

	THE GROUP		THE COMPANY	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
Rights issue financed by amount due by holding company	**-**	-	**-**	725,000
Acquisition of property, plant and equipment using finance lease	**9,577**	20,912	**5,921**	10,100
	9,577	20,912	**5,921**	735,100

26 COMMITMENTS

	THE GROUP 2017 MUR'000	THE GROUP 2016 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	**22,635**	31,677

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

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

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

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

	THE GROUP 2017 MUR'000	THE GROUP 2016 MUR'000
Not later than one year	**163,751**	177,871
Later than one year and not later than five years	**936,975**	915,891
Later than five years	**3,233,778**	3,658,528
	4,334,504	4,752,290

27 CONTINGENCIES

	THE GROUP 2017 MUR'000	THE GROUP 2016 MUR'000	THE COMPANY 2017 MUR'000	THE COMPANY 2016 MUR'000
(a) Contingent liabilities				
Bank guarantees to third parties	**1,083**	1,046	**1,083**	1,046

28 RELATED PARTY TRANSACTIONS

	Sales of goods and services		Purchase of goods and services		Dividend Income / Financial income/(charges)		Management fees		Amount due (to)/from	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000	**2017 MUR'000**	2016 MUR'000	**2017 MUR'000**	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
THE GROUP										
Enterprises with common shareholders	**-**	-	**(19,750)**	(50,752)	**(1,947)**	(3,685)	**-**	-	**(28)**	(14)
Associated companies	**999**	1,552	**-**	-	**-**	-	**132,914**	101,168	**349,291**	256,485
THE COMPANY										
Subsidiaries	**-**	-	**-**	-	**258,384**	103,023	**-**	-	**1,166,379**	1,550,671
Enterprises with common shareholders	**-**	-	**(899)**	(964)	**(1,942)**	(1,610)	**(1,942)**	(1,610)	**-**	-
Associated companies	**-**	-	**-**	-	**-**	-	**(39,519)**	(30,727)	**(21,448)**	(13,989)

	THE GROUP 2017 MUR'000	THE GROUP 2016 MUR'000	THE COMPANY 2017 MUR'000	THE COMPANY 2016 MUR'000
Key management personnel compensation:				
Short term employee benefit	**126,781**	124,237	**93,320**	91,462
Post-employment benefit	**5,014**	4,983	**4,977**	4,949
Retirement benefit	**-**	3,614	**-**	3,614
	131,795	132,834	**98,297**	100,025

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.

29 ULTIMATE HOLDING COMPANY

The Directors consider Hotelest Limited, whose registered office is at 35, Sir William Newton Street, Port Louis as the Ultimate Holding Company. The company is incorporated in Mauritius.

30 SEGMENT REPORTING

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

(b) **Geographical information**

	Revenues from external customers		Non-current assets	
	2017 MUR'000	2016 MUR'000	**2017 MUR'000**	2016 MUR'000
THE GROUP				
Mauritius	**2,077,712**	1,675,147	**6,932,979**	5,293,067
Maldives	**1,688,477**	1,957,443	**3,756,734**	4,224,357
Total	**3,766,189**	3,632,590	**10,689,713**	9,517,424

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

Notice of Annual Meeting of Shareholders

Notice is hereby given that the Annual Meeting of the shareholders of Constance Hotels Services Limited will be held on Friday, 29th June 2018, at 09.30 a.m. at 5th Floor, Labama House, 35 Sir William Newton Street, Port Louis, to transact the following business:

1. To consider the Annual Report for the year ended 31 December 2017
2. To receive the report of BDO & Co., the External Auditors of the Company
3. To adopt the Audited Financial Statements of the Company and the Group for the year ended 31 December 2017
4. To authorise the Board of Directors to fix the remuneration of the External Auditors, BDO & Co., who have expressed their willingness to continue to act as External Auditors of the Company and will be automatically reappointed
5. To appoint Mr Nitish Beni Madhu as a Non-Executive Director of the Company
6. By separate resolutions and in accordance with article 21.2 (1) of the Constitution of the Company, to re-elect the following persons who, retiring by rotation, offer themselves for re-election as Directors of the Company:
   a. Mrs Georgina Rogers
   b. Mr Clément D. Rey
   c. Mr Jean-Jacques Vallet
7. Shareholders' questions.

By order of the Board

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

11 May 2018

Notes

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

The instrument appointing a proxy, any general power of attorney or written resolution appointing a representative should reach the Company Secretary, at the registered office of the Company, 5th Floor, Labama House, 35 Sir William Newton Street, Port Louis, not less than twenty-four hours prior to the time scheduled for the meeting, i.e. by 09.30 a.m. on Thursday, 28 June 2018 (being the last business day before the meeting). In default, the instrument of proxy shall not be treated as valid.

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

For the purpose of this Annual Meeting, the Directors have resolved, in compliance with section 120 of the Companies Act 2001, that the shareholders who are entitled to receive notice of the meeting and attend such meeting shall be those shareholders whose names are registered in the share register of the Company as at 5 June 2018.

Proxy Form

I/We

of

being a member of Constance Hotels Services Limited, hereby appoint

or failing him/her,

as my/our proxy to vote for me/us and on my/our behalf at the Annual Meeting of the Company to be held on Friday, 29 June 2018, at 09.30 a.m., and at any adjournment thereof.

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

		For	Against	Abstain
3	To adopt the Audited Financial Statements of the Company and the Group for the year ended 31 December 2017			
4	To authorise the Board of Directors to fix the remuneration of the External Auditors, BDO & Co., who have expressed their willingness to continue to act as External Auditors of the Company and will be automatically reappointed			
5	To appoint Mr Nitish Beni Madhu as a Non-Executive Director of the Company			
6	By separate resolutions and in accordance with article 21.2 (1) of the Constitution of the Company, to re-elect the following persons who, retiring by rotation, offer themselves for re-election as Directors of the Company: a. Mrs Georgina Rogers b. Mr Clément D. Rey c. Mr Jean-Jacques Vallet			

Dated this day of 2018

Signature(s)

Notes

1. *Please mark in the appropriate box how you wish to vote. If no specific direction as to voting is given, the proxy will exercise his/her discretion as to how he/she votes or whether or not he/she abstains from voting.*
2. *The instrument appointing a proxy, any general power of attorney or written resolution appointing a representative should reach the Company Secretary, at the registered office of the Company, 5th Floor, Labama House, 35 Sir William Newton Street, Port Louis, not less than twenty-four hours prior to the time scheduled for the meeting, i.e. by 09.30 a.m. on Thursday, 28 June 2018 (being the last business day before the meeting). In default, the instrument of proxy shall not be treated as valid.*
3. *For the purpose of this Annual Meeting, the Directors have resolved, in compliance with section 120 of the Companies Act 2001, that the shareholders who are entitled to receive notice of the meeting and attend such meeting shall be those shareholders whose names are registered in the share register of the Company as at 5 June 2018.*

Notes

CONSTANCE
HOTELS, RESORTS & GOLF

True by Nature

Constance Hotels Services Limited

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

Telephone: (230) 260 8800 | Facsimile: (230) 208 8295 | Email: admin@constancegroup.com

www.constancehotels.com

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